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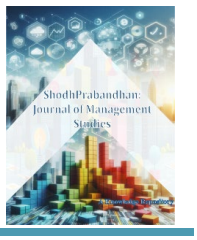

Research Article

A STUDY ON FINANCIAL LITERACY AND INVESTMENT AWARENESS AMONG UNDERGRADUATE STUDENTS

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ABSTRACT

Financial literacy and investment literacy are some features of individual financial management, notably among undergraduate students who are a source of more financial independence. They will sometimes face financial decision-making about savings, expenditure, budgeting and investments. Due to financial illiteracy, their capacity to manage money and take effective investments can be negatively affected.

The study investigates the financial literacy and investment awareness of students. This includes students' level of awareness of investing and basic financial information, savings levels, investment choices and reasons for investment decisions. It also covers the influence of family and educational background as well as social media use.

The research uses descriptive analysis and an approach of primary and secondary sources of information. Method of questionnaire has been put to know the financial knowledge of students and their investment preferences. Secondary information has been collected from reports of financial education, financial institutions and academic studies.

This study explains the significance of learning about investment opportunities like fixed deposits, mutual funds, shares and gold. It also suggests that we need to learn about risk, return, inflation, and financial planning. The study feels that learning through practical activities like games and activities can teach youngsters healthy saving and investing habits.

Keywords: Financial Literacy, Investment Knowledge, Undergraduate Student, Savings, Investment Behaviour, Financial Education, Financial Planning, Risk Management

INTRODUCTION

It is very hard for an individual to deal with the day to day finance transactions on their own. Financial literacy is required for an individual to know how to make money, to spend money, to save money, and taking the correct financial decision. The world has constantly been changing with the financial environment and so as the availability of various financial products and services.

Financial literacy involves the understanding of money management skills as how to budget, save, account for interest rate, inflation, borrowing, and investment. It is to handle the income as well as expenses of an individual and also meet the future needs.

College life is the time when they are empowered to take care of their own finances. Students are likely to be getting pocket money, a scholarship, or earnings from a part-time job and learning to handle them effectively.

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Understanding investments is also another component of financial literacy. It refers to the knowledge of various investment tools, their potential return, and associated risks. Fixed deposits, mutual funds, shares, and gold are becoming more and more available to the youth.

Of course having investment apps is great but it does not necessarily mean students would have a lot of money to make investments. Most students get financial tips from social media, friends and family without an idea of the risks.

This study is about the financial literacy and investment awareness of undergrad students. It seeks to know about their financial knowledge, savings pattern, investment pattern and the factors affecting their financial decisions.

AIMS OF THE STUDY

- To know the knowledge and importance of financial literacy among undergraduate students.
- To test if students were aware of investment alternatives.
- To assess how undergraduate students save and spend.
- To find out students' current levels of understanding around financial topics and concepts like interest, inflation, and risk and return.
- To investigate on what criteria students base their decision to invest.
- To investigate the impact of family, social media and school on financial literacy.
- To explore the reasons behind the difficulties students encounter when making financial decisions.
- To recommend steps that can be taken to enhance students' financial literacy and investment knowledge.

FINANCIAL LITERACY AND INVESTMENT AWARENESS AMONG UNDERGRADUATE STUDENTS

CONCEPT AND IMPORTANCE OF FINANCIAL LITERACY

Financial literacy is the understanding of how money works. It's the ability to make money work for you, including how to make, save, invest, and spend money Lusardi and Mitchell (2014).

For undergraduate students, financial literacy is necessary as it encourages good financial behaviour at an early age. Students who are financially literate may be able to plan for future financial needs and keep track of their monthly expenses, thus avoiding to borrow needlessly.

It also motivates them to use the resources available to them and be able to make positive financial choices rather than counting on people to provide for them financially.

SAVING AND SPENDING BEHAVIOUR

Saving behaviour relates to the practice of setting aside a certain amount of income/pocket money for any time needs. It is considered as one of the fundamental components of financial management (Chen & Volpe, 1998).

Most undergrads have a few sources of income, such as pocket money, scholarships or part-time working jobs. These need to be budgeted and spent wisely.

The students' budget is used to cover the expenses on transportation, food, clothing, entertainment, and education. If they do not budget properly, a lot of money is spent on things that are not necessary thereby decreasing their savings.

Have a budget plan in place for the month and keep track of how much is being spent on a regular basis. This will help to teach college students working towards establishing a financial budget.

KNOWLEDGE OF INVESTMENT VEHICLES

Investment awareness is an awareness of investment options and the advantages and disadvantages of each.

Available investment choices include the following:

- **Fixed deposits:** These are the savings that you put into banks for a fixed period of time at an agreed interest rate.
- **Mutual Funds:** Pools money from various investors and invests in securities like shares and bonds. The risk involved and returns are contingent on the type of fund.
- **Shares:** Give investors partial ownership of a company. Gains can be made through the rise in share price and the amount of dividends paid but they do also carry market risks.
- **Gold:** Gold is one of the oldest investments in India and it can be bought physically or financially.

It is a long-term savings plan under the government with a defined rate of return and withdrawal conditions.

These are deposits made regularly in a fixed sum and accrue interest based on the prevailing rules.

By knowing these investment options students can make informed financial decisions as per their requirements and the risk they are willing to take.

UNDERSTANDING RISK AND RETURN

Risk and return are two significant ideas in investing. Risk is the potential of losing money or getting returns that are different from the expected return. Return refers to a gain made on an investment OECD (2020).

Investments carry various risks. For example, fixed deposits usually have more stable return, while shares and equity mutual funds are affected by the ups and downs of the stock market.

Students should be taught to recognize that the potential for higher returns comes with higher risks. They should also be educated about diversification, which means to achieve minimal risk by buying a variety of different investments.

FAMILY AND SOCIAL MEDIA IMPACT

Parents and relatives can be responsible for the money growth of students. Students can be introduced to the following: savings accounts, fixed deposits, budgeting and conventional investments.

Another source of information for retail investors is social media. Investors discuss trading strategies and investment details on popular social media platforms such as Instagram and YouTube.

But some information which is available on the internet is not authentic. It might be encouraging the students for some unaffordable return or risky investment. Consequently, the students should cross-check any financial information with authentic sources like RBI, SEBI, and financial education sites Reserve Bank of India. (n.d.), Securities and Exchange Board of India. (n.d.).

THE SIGNIFICANCE OF FINANCIAL LITERACY IN COLLEGE

The education sector could also help by improving financial literacy. Often the young people only learn about subjects at school, and do not get as much practical knowledge of personal finance as they would like.

These can be run as workshops and seminars on budgeting, savings, banking, investing and protecting against financial fraud.

Real-world experience with finance might make students see the relevance of what they learn in school and motivate them to become financially self-sufficient.

RESEARCH GAP

Financial literacy and investment consciousness are relatively new to the research agenda, especially given the increased access to digital financial services and investment markets.

Previous research has addressed the role of financial knowledge, saving behaviour and responsible investment decisions Lusardi et al. (2010), Agarwalla et al. (2015), Klapper et al. (2015). However, there has yet to be research on how undergraduate students obtain and use their financial knowledge in their day-to-day life.

They may have a basic understanding of the principles of saving and banking, but little understanding of the risks involved with investments, or inflation and planning for the longer term. The growing use of social media also poses a problem, as students may be exposed to investment advice without knowing how credible it is.

Hence, the present research tries to study financial literacy not only as theoretical knowledge but also as an integration of financial knowledge, behaviour and decision making of the undergraduates.

PROBLEM STATEMENT

Learning about new types of financial products, digital payment platforms and opportunities for investing is becoming a norm for undergraduates. Yet, many students might not be financially literate enough to navigate this space effectively.

Poor financial education, minimum application-based investment information and reliance on informal sources of information can influence student saving and investing behaviour.

Some students were aware of the benefits of putting money aside but lack knowledge about investment options, managing risk and the effect of inflation, and long-term planning.

The principal research question being investigated by this paper is as follows:

What is the amount of financial literacy and investment knowledge amongst under graduate students and what is the impact of financial literacy on the saving/investment pattern?

RESEARCH METHODOLOGY

STUDY DESIGN

The current research design is a descriptive and analytical one. Descriptive data collection method used to know about the students financial awareness, investment awareness and saving behaviour.

The scientific approach is designed to analyze the connection between the financial knowledge, investment consciousness and the financial decision-making.

SOURCES OF DATA

Primary and secondary data are taken into account.

Primary Data: The data will be gathered by the researcher by use of a structured questionnaire among undergraduate students. The questionnaire can contain questions on budgeting, saving habits, investment possibilities, dangers of investment and information sources.

Secondary Data: Secondary data is collected from financial education reports, publications and research papers and official financial institutions such as RBI, SEBI, NCFE and OECD National Centre for Financial Education. (2020), OECD (2020).

POPULATION AND SAMPLING

The population will be undergraduate students which study courses in BBA, B. Com, BA and other undergraduate courses.

The respondents will be conveniently selected depending on their availability and willingness to participate in the study.

DATA ANALYSIS

The data that is obtained from questionnaire would be data analysed with descriptive statistics as frequency distribution, percentage analysis, tables and graphs.

They can be used to find out students' saving and spending behaviour, financial knowledge and awareness of different investment options.

No numerical survey results are made unless actual questionnaire responses are gathered and analysed.

PRACTICAL ASPECTS OF FINANCIAL LITERACY AMONG STUDENTS

PERSONAL BUDGETING

Indeed, it is one of the crude uses of financial literacy. Students must be in charge of their available funds according to the needs and priorities of the day.

By creating a monthly budget students will be able to keep track of how much they spent on food, entertainment and gas. The simple task of writing down how much was spent and not spending over the amount budgeted for can be a good lesson in money management.

APPS FOR DIGITAL BANKING AND PAYMENTS

Online payment and digital banking have made it easier and more convenient for students to make transactions. Consumers are using service providers such as UPI, mobile banking and internet banking to perform their transactions.

However, they should be taught safe methods of transacting and how to protect their details and account numbers from fraudulent payment requests.

UNDERSTANDING INVESTMENT PLATFORMS

Beginners on digital investment platforms can make their first steps into mutual funds, stocks and other investments. However, students should be aware of the costs of using such platforms, and of the risks and terms and conditions, before using them. Investment decisions should be made on the basis of research and not because other people are doing the same thing.

FINANCIAL PLANNING FOR THE FUTURE

Financial planning is the process of establishing financial goals and developing a plan to attain them with the aid of your available resources.

Learned to save and buy what you love Get higher education or just be independent financially! It is smart to save from the very beginning!

FINANCIAL LITERACY AND INVESTMENT KNOWLEDGE DIFFICULTIES

Students face several difficulties in financial literacy and investment knowledge:

- Few students have practical experience in budgeting, savings or investments.
- Insufficient knowledge about the kinds of investment options and other details.
- Difficulty in understanding investment risks as well as market fluctuations.
- Dependence on social media and other non-traditional sources of financial information.
- Limited availability of financial education courses in colleges.
- Fear of losing money; most students are reluctant to read about investments.
- Limited pocket money and no habit of saving every week.
- Uncertainty about which information is true and which is an advertisement.
- Ignorance about what inflation is and how it impacts purchasing power.
- Lack of awareness regarding online financial fraud.

RECOMMENDATIONS AND SUGGESTED STEPS

- Offer basic financial literacy classes at community colleges and universities.
- Organise seminars on saving, investment and budgeting.
- Make sure your students budget monthly and keep track of their spending.
- Provide more details about fixed deposit, mutual funds, shares and other investments.
- Tell kids about risk versus return.
- Counsel the significance of diversification and the importance of a long term financial strategy.
- Request students to explore the financial education tools and resources developed by RBI, SEBI and NCFE.
- Educate customers on online financial scams and digital banking safety.
- Encourage students to fact check any information that could impact their investments and/or money.
- Include real-world activities and case studies of financial management activities in undergraduate courses.

EXPECTED FINDINGS

Based on the research design and research purpose, the research should show the level of financial literacy and investment consciousness of university students.

The study may show that though students possess sufficient information about savings and banking products, their knowledge about investment products and instruments, risk management and long-term financial planning may be inadequate.

It may also disclose the influence that families, friends, social media and educational institutions have on students' level of financial literacy and their investment choices.

Perhaps it could also highlight the importance of hands-on finance learning in helping to foster good saving and investing habits.

Testing should be conducted only after the collection and analysis of the authentic questionnaire responses.

CONCLUSION

Financial literacy and awareness of investments are knowledge and skills people can be equipped with so that they can handle their money efficiently and effectively. From early college onwards, undergraduate students can gain from developing financial literacy and awareness of investments.

This present study is an effort to know the savings behaviour, investment consciousness and awareness, and saving pattern of the students.

The study examines knowledge of financial literacy: rates of interest, inflation, risk and return, diversification, savings, budgeting, and the role of family, social media and educational institutions in increasing students' knowledge.

Financial product and digital investment platform adoption should be complemented by financial literacy. The students should be educated about the features of and the risks associated with the investment options available to them.

Schools and educational institutions could offer financial literacy programs, workshops and experiential learning programs to help students apply what they've learned in their financial journeys.

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