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A Comprehensive Analysis of Financial Literacy Levels Among College Students

M Niraimathi
MBA Student,
Faculty of Management Studies, CMS Business School,
JAIN (Deemed-to-be University), Bengaluru

Dr. Shalu Singh
Associate Professor
Faculty of Management Studies, CMS Business School,
JAIN (Deemed-to-be University), Bengaluru

Abstract

Financial literacy is a critical life skill with far-reaching implications for individual economic well-being and national financial stability. This study provides an empirical analysis of financial literacy levels among 150 college students across South Indian urban institutions, examining knowledge, attitudes, behaviours, and digital financial engagement. Using a mixed-methods approach with structured questionnaires and statistical techniques including ANOVA, T-tests, correlation, regression, chi-square, and factor analysis, the study finds that overall financial literacy is moderate (mean score: 63.5%). Commerce and management students significantly outperform peers from other disciplines. A gender gap in financial knowledge is statistically confirmed. Parental financial behaviour and formal financial education emerge as the strongest predictors of financial literacy outcomes. Digital financial exposure positively influences financial behaviour but also introduces new risks. The study recommends embedding financial literacy into college curricula across all disciplines and developing targeted, evidence-based interventions for educational institutions, regulators, and financial service providers.

Keywords: Financial literacy, college students, India, behavioural finance, digital financial exposure, financial education

INTRODUCTION

Financial literacy — defined as the ability to understand and apply financial skills including budgeting, investing, and personal financial management — has become a vital competency in an era of growing financial complexity and digitalisation. Despite its importance, research consistently reveals alarmingly low levels of financial literacy among young adults globally, and India is no exception.

The transition to college represents a critical financial inflection point. Many students independently manage budgets, loans, and discretionary spending for the first time. Financially

unprepared students are more susceptible to poor debt management, financial fraud, and inability to plan for long-term goals such as retirement or homeownership.

India presents a particularly urgent context. While smartphone adoption and digital payments have surged — especially post-COVID-19 — the Reserve Bank of India (RBI) and the National Centre of Financial Education (NCFE) have documented a persistent gap between the proliferation of financial products and consumers' ability to navigate them. College students face unique pressures: rising education costs, Buy Now Pay Later (BNPL) schemes, peer-driven spending, and exposure to high-risk investment instruments like cryptocurrency. Yet financial literacy is rarely a compulsory subject in Indian college curricula.

This study critically examines the current financial literacy landscape among Indian college students, identifies demographic and contextual predictors, and proposes actionable interventions for

educational institutions, policymakers, and financial service providers.

RESEARCH PROBLEM AND OBJECTIVES

Despite the acknowledged importance of financial literacy, empirical studies on Indian college students remain limited and predominantly knowledge-centric, overlooking attitudinal and behavioural dimensions. The digitalisation of financial services has introduced new complexities — from fintech apps and BNPL platforms to online investment tools — that interact with financial literacy in understudied ways. This study fills these gaps.

Research Objectives

Assess current financial literacy levels (knowledge, attitudes, behaviours) across academic disciplines and demographic profiles.

Examine the relationship between demographic variables (gender, discipline, family income, year of study) and financial literacy.

Evaluate the influence of parental behaviour, peer networks, and digital exposure on financial literacy outcomes.

Investigate the impact of formal financial education on financial knowledge, attitudes, and behaviours.

Identify psychological and behavioural factors mediating the link between knowledge and actual financial behaviour.

RESEARCH METHODOLOGY

Study Design: Cross-sectional quantitative survey using a structured, self-administered questionnaire administered online (Google Forms) and offline across colleges in Bengaluru, Coimbatore, and Chennai.

Sample: 150 undergraduate and postgraduate students selected via stratified random sampling, stratified by academic discipline (commerce / management, science / technology, arts / humanities), gender, and year of study.

Instrument: Five-section questionnaire covering (1) demographics, (2) financial knowledge (15 objective questions), (3) financial attitudes (Likert scale, 50 points), (4) financial behaviour (12 statements, 60 points), and (5) contextual factors including parental influence, peer influence, digital exposure, and formal financial education. Content validity was established through expert review; Cronbach's Alpha for all sub-scales exceeded 0.75.

Analytical Methods: Descriptive statistics, One-Way ANOVA (Tukey HSD post-hoc), Independent Samples T-test, Pearson Correlation, Multiple Linear Regression, Chi-Square tests, and Principal Component Analysis (PCA).

KEY FINDINGS

Overall Financial Literacy

The mean overall financial literacy score was 79.36 out of 125 (63.5%), indicating moderate but insufficient levels. Financial knowledge averaged 8.42/15 (56%), with the weakest areas being retirement planning (25% correct), tax planning (32%), investment diversification (41%), and insurance mechanics (48%). While financial attitudes were moderately positive, a notable attitude-behaviour gap emerged, consistent with behavioural finance constructs such as present bias and self-control failure.

Academic Discipline (H1 – ANOVA)

ANOVA revealed a highly significant difference across disciplines ($F = 8.74$, $p < 0.001$). Commerce / management students scored significantly

higher than science/technology (mean difference = 2.84, $p < 0.01$) and arts/humanities students (mean difference = 3.62, $p < 0.001$). This reinforces the equity concern that students outside commerce fields — the majority of Indian college enrolments — receive little formal personal finance education.

Gender and Financial Knowledge (H2 – T-test)

Male students scored significantly higher than female students (8.94 vs. 7.76, $t = 3.12$, $p = 0.002$). This gender gap, consistent with international literature, is more pronounced in investment and stock market literacy. Importantly, female students showed comparable or slightly higher financial attitude scores, suggesting structural rather than motivational barriers to knowledge acquisition. Gender-specific interventions should therefore focus on knowledge-building, not attitude change.

Parental Financial Behaviour (H3 – Correlation & Regression)

All parental behaviour indicators correlated significantly with student financial literacy. Frequency of family financial discussions was the strongest predictor ($r = 0.53$ with overall literacy, $p < 0.01$), followed by parental savings behaviour ($r = 0.51$ with financial behaviour scores). Regression analysis showed parental behaviour explained 34% of the variance in student financial literacy ($R^2 = 0.34$, $F = 18.85$, $p < 0.001$), validating Social Learning Theory as a core mechanism of financial socialisation.

Digital Financial Exposure (H4 – Regression)

Digital exposure variables collectively explained 38% of variance in financial behaviour scores ($R^2 = 0.38$, $F = 22.35$, $p < 0.001$). Social media financial content was the strongest predictor ($\beta = 0.28$), followed by fintech app usage ($\beta = 0.24$) and online investment platforms ($\beta = 0.22$). However, digital engagement is a double-edged sword: while it enhances financial participation, it also exposes students to impulsive spending nudges, misleading influencer advice, and gamified investment platforms without commensurate knowledge.

Formal Financial Education (H5 – Chi-Square)

A strong association was found between formal financial education and financial literacy levels (Chi-Square = 42.18, df = 2, $p < 0.001$). Students who received formal financial education were approximately three times more likely to be highly financially literate (38.3% vs. 15.1%). Students without any financial education were over three times more likely to fall in the low literacy category (47.2% vs. 14.9%).

Factor Structure of Financial Attitudes and Behaviours

PCA with Varimax rotation identified four latent dimensions explaining 78.21% of total variance: (1) Financial Planning Orientation (41.71%), (2) Risk and Investment Attitude (16.50%), (3) Saving and Spending Discipline (11.57%), and (4) Digital Financial Engagement (8.43%). This multidimensional structure reinforces the inadequacy of knowledge-only assessments of financial literacy.

IMPLICATIONS AND RECOMMENDATIONS

For Educational Institutions

Financial literacy should be introduced as a mandatory interdisciplinary module across all degree programmes, covering budgeting, savings, investment basics, insurance, tax planning, and digital

financial safety. Pedagogy should shift from passive instruction to experiential learning — budget simulations, stock market games, peer coaching, and real-world financial planning exercises.

For Financial Service Providers

Banks, mutual fund houses, insurers, and fintech firms should partner with institutions to deliver campus-based financial wellness programmes. These should be gender-sensitive, with outreach specifically targeting female students to address the knowledge gap documented in this study.

For Regulatory Bodies

SEBI, RBI, IRDAI, and NCFE should mandate enhanced financial literacy disclosures in digital financial products popular with young consumers, particularly BNPL and gamified investing platforms. Fintech platforms should be required to embed risk disclosures, cooling-off features, and accessible financial education resources.

For Policymakers

A nationally coordinated financial literacy policy with accountability targets for college-age populations is needed. Public investment should support evidence-based curriculum development, educator training, and longitudinal evaluation of intervention effectiveness. The Ministry of Education and financial regulators should collaborate on a unified national strategy for youth financial literacy.

LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

This study is limited to urban South Indian institutions (Bengaluru, Coimbatore, Chennai) and may not generalise to rural or Northern/Eastern India. Its cross-sectional design precludes causal inference; longitudinal tracking of students across their academic careers would yield more definitive findings. Self-reported attitudinal and behavioural data may be subject to social desirability bias, and the quality or credibility of digital financial information consumed was not fully captured.

Future research should examine long-term financial outcomes of campus literacy programmes, develop comparative state-level studies, and explore the intersection of financial literacy with mental health (financial anxiety and academic performance). As AI-powered advisory tools and embedded finance proliferate, research on their role in student financial decision-making will become increasingly urgent

CONCLUSION

This study, while comprehensive, has several limitations. The sample is limited to college students from three South Indian cities, which restricts generalizability to other regions with different backgrounds. The cross-sectional design captures only a single point in time, preventing conclusions about causality or changes over time. Additionally, reliance on self-reported data may introduce bias, as respondents might present more positive behaviors. Lastly, the study does not deeply examine the quality and impact of digital financial information. Future research should use broader samples, longitudinal designs, objective data, and deeper analysis of digital financial literacy.

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