

Perception of Educator and students regarding financial literacy and Skill Program

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Abstract: This paper aims to portray the perception and views of academicians and students in enhancing financial skills programs which is inclusive of all the stream of education. The researcher aims to identify academicians' readiness to impart financial skills to their students and analyze their views on how management and students will respond to such programs and contribute for attaining the goal of financial skills and education. This paper highlights the facts on who students think about finance and money, financial budgets and planning, readiness to participate in such programs, role of their family in financial planning

Key Words: Financial skill and education, Education policy, Financial services, Financial planning.

1. INTRODUCTION:

India is one of the fastest developing economies and most attractive emerging market for global partner investment.¹ India is the seventh-largest country by area, the second-most populous country with over 1.33 billion people, and the most populous democracy in the world.² With its strong banking and booming insurance sector India is counted among top 10 economies in the world. India is expected to be the fifth largest banking sector in the world by 2020 and the third largest by 2025, according to a joint report by KPMG-CII. It is further stated that bank credit is expected to grow at a compound annual growth rate (CAGR) of 17 per cent in the medium term leading to better credit penetration in India.

In advent the 21st Century, financial system is growing with great speed, sophistication and complexity.³ Indian financial services industry is experiencing vital changes and is considerably shaken up by deregulation, demonetization, new tax policies, trends in FDI and FIIs, globalization, scandals and scams, and other recent events that has made market image blur.

The biggest priority for the India after independence is its economic growth, education for all and financial inclusion for the vast population of the country.⁴ Although, India has made a noteworthy progress in the past six decades but less than half of India's population i.e. 1.2 billion populations is not having access to organized financial services. This statistics significantly emphasises on financial inclusion and further demands higher level of financial literacy initiatives. Financial inclusions have been acknowledged by various policymakers, bankers, practitioners, researchers and academicians and are considered a key for country's economic prosperity and growth. Financial literacy programs need to go hand-in-hand with financial inclusion initiatives to create the pull for accessing formal channels of finance.⁵

The ability to manage personal finances has become increasingly important for making short-term and long-term investment plans.⁶ Such decisions range from simple daily money management and budgeting to making major decision of choosing right insurance, banking or investment products, planning for major life events like retirement and children's education or purchase of property.⁷

According to **Hogarth (2006)**, the consistent themes running through various definitions of financial education include (a) being knowledgeable, educated, and informed on the issues of managing money and assets, banking, investments, credit, insurance, and taxes; (b) understanding the basic concepts underlying the management of

¹ As per a recent market attractiveness survey conducted by Emerging Market Private Equity Association (EMPEA).

² <https://www.ibef.org/economy/indiansnapshot/about-india-at-a-glance>

³ <http://hdl.handle.net/11295/9897>

⁴ http://www.amphianalytic.com/?page_id=4883

⁵ http://www.amphianalytic.com/?page_id=4883

⁶ https://www.researchgate.net/profile/Haiyang_Chen/publication/4951417_An_Analysis_of_Personal_Financial_Literacy_Among_College_Students/links/571b741c08aee3ddc569dd34/An-Analysis-of-Personal-Financial-Literacy-Among-College-Students.pdf

⁷ <http://www.sedi.org/DataRegV2-unified/sedi-Reports/FINAL%20case%20studies%20English.pdf>

money and assets (e.g., the time value of money in investments and the pooling of risks in insurance); and (c) using that knowledge and understanding to plan, implement, and evaluate financial decisions.⁸

2. NEED FOR FINANCIAL SKILL PROGRAMS FOR YOUTH:

We are living in an age of unprecedented debt and students are most prone to get affected by such financially challenging times. Because of parents own limitation of skill and time, they fail to educate their children on financial matter. It therefore becomes imperative that educators begin to equip students with the knowledge and skills to succeed as consumers in today's global economy. Various studies and available literature have revealed the fact that youth are either financially illiterate or they have limited understanding of financial. Lack of financial literacy and skills raises concerns about their financial futures and their ability to be effective consumers. This limitation would adhere the financial proficiency of youth in the adulthood.

It is therefore important for an individual to inculcate good financial habits at a young age so that they may have superior skills in their adulthood and avoid getting indulge in bad financial decisions. Youth needs to understand the basics of budgeting and spending; availability and utility of savings & investing avenues; and recognising the benefit of financial planning for the future prosperity and security. Simultaneously, they should also understand the relationship between risk and return, the diversity between short- and long-term investments, and the ramifications of not planning adequately for different life goals.⁹ Having the ability to interpret, compute, develop independent judgments, and take actions resulting from those processes are necessary in order to survive and thrive in the complex financial world.¹⁰

Together with parents, schools and education institute should promote financial skills in the students to survive in the real world. School is the second socio-economic set up wherein children spend much of their time acquiring knowledge and shaping their personality. Various policies are framed in the Education Commission/Ministry across the world to mandate financial education for promoting lifelong learning amongst the student and prepare them well before entering into a global economy.¹¹

By instituting a Personal Finance class in a high school and at higher education level, the students can learn skills to manage their finances and acquire knowledge of various financial concepts concerning everyday life matters. Students can be exposed to instruction on managing their money through a Personal Finance class and increase their knowledge and skills to handle financial issues in their future.

3. LITERATURE REVIEW

- Chen and Volpe (1998)¹² conducted a survey in which 924 students to examine their personal financial literacy, the relationship between literacy and students' characteristics; and the impact of literacy on students' opinions and decisions. It concluded that college students lacked knowledge about personal finance which would limit their ability to make informed decisions in future.
- Lyons (2003)¹³ conducted a research to explore issues related to college students' financial management practices and their attitudes about financial management. She examined the credit card practices of college students by using four different definitions of financial risk and found a significantly deference in student's level of financial risk.
- Mandell, L., & Klein, L. (2007)¹⁴ attempted to the role of motivation in the success of financial literacy programs by analysing a survey which determine the relevance of the student's basic concepts of personal finance after taking a course in personal finance. The results indicated no improvements in the financial knowledge of these students even after completing the personal finance course and it further revealed that students experience lack of interest rather than motivation in terms of managing and setting goals for their own personal finances. The researchers suggested that in order to make these programs relevant it should firstly address - Why financial literacy is important and then the trained instructors should teach personal finance interactively through activities such as a stock market game or provide such other simulations.

⁸ Hogarth, J. M. (2002). Financial literacy and family and consumer sciences. *Journal of Family and Consumer Sciences*, 94(1), 14-28.

⁹ <http://ro.uow.edu.au/commpapers/223/>

¹⁰ https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2228406

¹¹ www.oecd.org

¹² Chen, H. and Volpe, R.P, 1998, "An Analysis of Personal Financial Literacy among College Students," *Financial Services Review*, Vol. 7, No. 2, pp. 107-128

¹³ Lyons, A.C. (2003). *Credit practices and financial education needs of Midwest college students*. Champaign, IL: Department of Agricultural and Consumer Economics, University of Illinois at Urbana-Champaign.

¹⁴ Mandell, L., & Klein, L. (2007). Motivation and financial literacy. *Financial Services Review*, 16, 105-116

- Fehr, D. (2008)¹⁵ explored the implementation of sophisticated financial literacy teaching materials at high school level. The research attempt to bring out the zest and address the issue like risk in adopting novel curriculum, need for extensive professional development skills for new curriculum adoption, psychological hurdles for the teachers, institutional obstacles and the work environment of teachers.
- Cude, Lawrence, Lyons, Metzger, LeJeune, Marks, & Machtmes (2006)¹⁶, state that parents play a vital role in their children's financial socialization. The research provides an important insight towards financial education opportunities for students, parents, campus administrators, and financial professionals and educators. It was suggested that adequate resources are required to educate parents about how to constructively talk to their children about financial management issues
- In 2009¹⁷, Mandell & Klein conducted another survey that highlighted the fact that positive financial behaviour was found amongst the full-time college students who participated in the program and started making saving and investment by setting appropriate goals. Ironically, the finding also revealed that there was no difference in among those who took the course and those who did not took the course which raises serious questions about the far-reaching effectiveness of program and emphasis on interactive methods for making programs more relevant and long lasting.
- Danes, Huddleston-Casas & Boyce (1999)¹⁸ conducted a study to assess the impact of a high school financial planning curriculum on the financial knowledge, behaviour, and self-efficacy of 4,107 teens nationally. Statistically significant changes were found in financial knowledge, behaviour, and self-efficacy both immediately after studying the curriculum and three months after completing the curriculum. The researcher suggested that a partnership must be developed between the schools, families, and the community of financial professionals.
- Guiso and Jappelli (2008)¹⁹ – conducted a survey of the customers of one of the largest Italian commercial banks (Unicredit Customers' Survey 2007) and found a strong positive relation between financial literacy and portfolio diversification at the end of the study. Financial literacy is measured with questions based on understanding concepts like interest rates, inflation, riskiness of assets and diversification.

4. RESEARCH METHODOLOGY:

The current research study is analytical and descriptive in nature and it attempts to understand the perception of academicians and students with regards to the need for financial literacy among students and readiness of education institute and students to implement such programs. The research framework comprises of research problem, objectives, data collection & methodological framework, hypothesis, implication and limitation of the study.

- **Title of the study** : *“Perception of Educator and students regarding Financial literacy and Skill Program”*
- **Research Type** : *Descriptive and Analytical.*
- **Data Source** : *Primary Data*
- **Data Collection** : *Survey- structured Questionnaire*
- **Sample Size** : *96(65 students and 31 faculty)*

5. OBJECTIVE OF THE STUDY:

- To analyse the perception of education institute including director, principals, faculties and supportive staff in implementation of financial skill programs in higher education.
- To analyse the financial literacy state and interest of faculties in financial matters.
- To understand who far students and faculties are sensitive to financial matter and financial planning
- To understand readiness of students to undertake such programs
- To identify the content and method that can best work for implementing of financial skill programs
- To understand how non commerce background students feel about financial matter
- To analyse how students have set the priority of their own financial goals for future.
- To analyse how far home environment and parents have facilitate financial knowledge and skill in students.

¹⁵ Fehr, D. (2008). The adoption of specialized high school financial literacy curriculum modules. Journal for Economic Educators, 8(1), 61-70.

¹⁶ Cude, B., Lawrence, F., Lyons, A., Metzger, K., LeJeune, E., Marks, L., & Machtmes, K. (2006). College students and financial literacy: What they know and what we need to learn. Proceedings of the Eastern Family Economics and Resource Management Association, 102(9), 106-109.

¹⁷ Mandell, L., & Klein, L. S. (2009). The impact of financial literacy education on subsequent financial behavior

¹⁸ Danes, S. M., Huddleston-Casas, C., & Boyce, L. (1999). Financial planning curriculum for teens: Impact evaluation. Financial Counseling and Planning, 10(1), 26-39

¹⁹ Guiso, L. and T. Jappelli (2008). Financial literacy and portfolio diversification. EUI Working Paper ECO 2008/31.

6. TOOLS AND TECHNIQUES OF ANALYSIS:

In order to test normality of distribution of sample two test were performed namely, Kolmogorov-Smirnov test and Shapiro-wilk test. At 5% level of significance, it is observed that the p-value of all the variables in sample set is less than 0.05. Therefore, we reject the null hypothesis and conclude that the data comes from non-normal distribution. While testing the reliability of questionnaire data, Cronbach's Alpha test was used, which show that the value is 0.840 which is greater than 0.7. It was therefore, confirmed that, the instrument is reliable to undertake the study. Kruskal Wallis - One-way ANOVA was applied to test the hypothesis by using SPSS.

HYPOTHESIS OF THE STUDY AND RESULT INTERPRETATION

Hypothesis -1: There is no difference in the interest among faculties and students regarding the subject of finance.

Test Statistics^{a,b}

	How do you find subject of finance and investment?	
	Stream of education	Faculty/ student
Chi-Square	3.232	3.222
Df	3	1
Asymp. Sig.	.357	.073

a. Kruskal Wallis Test b. Grouping Variable: Stream of Education ,Faculty_Student

At 5% level of significance, there is no statistical difference found in the interest of faculty and students for the subject of finance and investment irrespective of the stream of education ($p > \alpha$). Therefore, H_0 is accepted.

Hypothesis -2: There is no significant difference in the frequency at which student and faculty prefer to seek financial information

Test Statistics^{a,b}

	Acquire financial and economic information	
	Stream of education	Faculty/ student
Chi-Square	.487	2.815
Df	1	3
Asymp. Sig.	.485	.421

a. Kruskal Wallis Test

b. Grouping Variable: Stream Of Education ,Faculty_Student

At 5% level of significance, there is no statistical difference in the frequency at which student and faculty prefer to seek financial information ($p > \alpha$). Therefore, H_0 is accepted.

Hypothesis -3: There is no significant difference in faculties and students perception regarding importance of finance in life of every individual

Test Statistics^{a,b}

	Financial is imperative
Chi-Square	4.069
Df	1
Asymp. Sig.	.044

a. Kruskal Wallis Test

b. Grouping Variable: Faculty_Student

A statistical significance difference was observed at alpha level($\alpha=0.05$) which states that faculties gives greater importance of finance and understanding of financial matter as compared to students. Hence, there is a difference in faculties and students perception regarding importance of finance in life of every individual ($p < \alpha$). Therefore, H_0 is rejected.

Hypothesis 4: There is no difference There is no difference in financial planning, goal setting and budgeting habits of students of different stream of education

Test Statistics^{a,b}

FINANACIAL_HABITS	
Chi-Square	5.134
Df	3
Asymp. Sig.	.162

a. Kruskal Wallis Test b. Grouping Variable: Edu_Stream

At 3 degree of freedom, the calculated value of chi-square is 5.134 and the total value 14.067. Therefore the Ho is accepted and there is no difference in financial planning, goal setting and budgeting habits of students of different stream of education.

Hypothesis 5: There is no difference in the preference of faculties and students with regards to support of top management, teaching methods and content for imparting financial skills

Test Statistics^{a,b}

	What things are important according you in context to financial concept learning. Tick most appropriate.	Which methods will be most appropriate to teach financial literacy to the students? Tick 3 most appropriate option.	Top_Mgt
Chi-Square	1.143	3.589	2.795
Df	2	2	1
Asymp. Sig.	.565	.166	.095

a. Kruskal Wallis Test b. Grouping Variable: Student/Faculty

There is no difference in the preference of faculties and students with regards to support of top management, teaching methods and content for imparting financial skills. Therefore, Ho is accepted

Hypothesis 6: There is no difference in the awareness of students and faculty regarding current initiatives taken by government for imparting financial skills

Test Statistics^{a,b}

Awareness of government initiatives	
Chi-Square	6.018
Df	1
Asymp. Sig.	.014

a. Kruskal Wallis Test b. Grouping Variable: Faculty_Student

There is a statistical difference in the awareness of students and faculty regarding current initiatives taken by government for imparting financial skills. Hence, Ho is rejected and it can be concluded that faculties are better aware than students regarding the initiatives taken by government and policy maker for imparting financial literacy and skill

7. FINDINGS OF THE RESEARCH:

- More than 50% of the faculty and students from different stream of education found the subject of finance and investment interesting and occasionally seeks information about the same.
- It was found that faculties irrespective of the stream of education, had experienced higher level of financial stress as compared to students and they believed that finance is one of the important element of stress in today's life.
- Majority of the faculty believed that home environment plays a vital role in the financial knowledge and competency of an individual and therefore parents should be well equipped to educate their children on money matters from early age.
- However, it was also observed that majority of the faculties believed that financial education should start at higher secondary level as compared to primary level, although the studies all over the world emphasis on financial skill programs from preliminary level of schools so that by the time they become adult they are financial literate to make appropriate decision in managing their income and set financial goals for different concerns of life.
- Majority of the faculties were exposed the subject of financial literacy in one or the other context while pursuing their own graduation and post graduation.

- With regards to the readiness and participation in the financial skill programs, majority of the faculties claims that their students are ready for such programs and majority of the students had also showed higher preferences to get enrol in such programs.
- Majority of faculty showed their interest in initiating financial skill programs in their institute and counselling students by conducting special session
- More than 75% of the respondent believed that financial skill programs will have long term impact on the financial habits and behaviour of the individual and such efforts of the education institute will be appreciated by the stakeholders like students, teacher, parents and other society members.
- More than 50% of the students have not received any such programs in past and they were ready to expend on availing such programs by paying a nominal fees as they believed that financial skills are crucial in current socio-economic scenario.
- More than 40% of the students admitted that their parents have never talked about important financial matter or have given any guidance to help them learn about money matters. These students admitted that their family member themselves have average or below average understanding of financial matters and thereby face financial hardships.
- Faculties and students agree on the common framework of financial literacy curriculum, its content and method of imparting the knowledge on financial matters.
- Almost 70% of respondent in both the categories had sufficient savings to think for investment.
- Majority of faculty showed their interest in initiating financial skill programs in their institute and counselling students by conducting special session
- Majority of the respondents preferred family and friends as a source of information and guide in making financial decision. With regards to faculties they preferred exploring the financial information on their own and also preferred to seek advice of financial experts and professionals.
- Majority of the faculties confessed that they are happy about their financial decision to some extent. Students were moderately happy with the financial decision that were made by them and their family members in past and they did felt that with higher financial skill they can make more logical decision and be more content about their financial life.

8. SUGGESTIONS AND RECOMMENDATION:

- The curriculum in schools and colleges should involve financial education and skill program which should contain basics of numeracy, mathematics, economics and finance to the students of all the stream of education by making these essential lessons and learning effective in real life context.
- It is therefore, suggested that irrespective of stream of education, i.e. arts, commerce, medical science or engineering, there should be a compulsory model paper on Person Financial Management or Investment and Saving Habits.
- At least a program of 7 to 15 days on Financial Literacy should be mandatorily conducted under higher education board, UGC, Boards of other state, Central Board, AICTE and other major institutes forum ; and report of the same should be submitted to concerned Education Regulatory Bodies for effective review and analysis.
- A follow up test should also be conducted to examine the impact of learning and adoptability of financial lessons and skills in daily financial affairs and long term financial plans.
- An efficient feedback system is crucial in evaluating and analyzing the change in the education policy matter and in the individual behavior.
- A separate division or point of reference should be placed in the library of school, colleges and university which should have collection of all financial information in forms of books, pictorial books, magazines, articles, poster, videos, and puzzle or it can be displayed in form of notice board template, case study projects or model presentation. These are some unique way of offering financial knowledge.
- There may a club on financial education, which may organise events, competition and shows or role plays to disseminate information, financial skills, behavior and knowledge.
- Schools, colleges and university may also organize a program on Financial Literacy for stakeholders like parents. They may step out and foster higher responsibility of educating parents to educate kids in formal setup as well as informal setup like home.
- A collaborative effort can lead to Healthy financial culture for healthy financial life. Education institute may further take another initiative where by students can be train to conduct the program on financial education for parents and serve this noble purpose by taking such social responsibilities.

9. MANAGERIAL IMPLICATIONS:

This research will be a guide for the various education boards and institution to impart right knowledge to the women to take sound decision related to financial matter and in designing new curriculum to facilitate financial education to various streams of education. It will provide insight in research study and academia especially in commerce and management stream and exemplify the aspects of research methodology, statistical tools & technique and hypothesis testing.

10. RESEARCH LIMITATION AND FUTURE SCOPE:

The present study is restricted to a sample size of 96 which includes 31 academicians and 65 students and the researcher has used the survey method. The limitation of survey lies in the reliability of data & instrument of survey; and diversity of the samples & the limited sample size. These research can be carried out at a broader scale through larger sample size and can include the other unexplored stream of education and other platforms that may aid in imparting financial skills and knowledge to a larger group of people

12. CONCLUSION:

Education institutes are temple of profound learning in the holistic context – educational, technical, behavioural and social, economical and spiritual. Education system should strive for imparting efficient learning of life skill together with the academic syllabus and curriculum. The Economic strength of nation can be determined by the level of financial education that is provided to the youth of the country and the manner in which they create value for the money by making. This calls for huge responsibility on the high schools and colleges to set an ideal foundation for educating the youth to make effective financial decisions for the rest of their lives. Financial skills are very important life skill as money affects individuals at every walk of life. Life can be easier, prosperous and secured with sound financial decision and positive attitude towards managing the money and financial affairs.

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