International Journal for Multidisciplinary Research (IJFMR)
E-ISSN : 2582-2160 ● Website: www.ijfmr.com ● Email: editor@ijfmr.com

Wealth Management Literacy among University Students

Sakshi Anand[1], Ritika Agarwal[2]

[1,2]Student, XIME, Bangalore

Abstract

The aim of this paper is to understand the wealth and the financial literacy level of the student's pursuing graduation and post-graduate programmes, as well as to ascertain the relationship between wealth management literacy and several other variables influencing it. Their capacity to make logical and informed decisions will be hampered by their lack of knowledge.

Purpose: The way students handle their money will facilitate a smooth transition into adulthood. This will be largely influenced by a number of social, economic, and psychological aspects.

Findings: The results of this study may be helpful to parents and educational institutions that are interested in learning more about students' money management habits. Additionally, it broadens the literature's focus beyond financial literacy and shows how people react to different

Keywords: Financial literacy, wealth management, money management, investor, cultural and gender differences, university students, economic, social and psychological factors

Introduction

The ability to manage one's own personal funds or finances have become very important in the today's world. India is one among such markets where people have a habit of saving and investing their money. While the pattern of investment has changed over the time among the younger and the older generation. India has one of the most effective markets in terms of finance, the technology and the processes. Additionally, it boasts the highest rates of savings across the world. In earlier times people used to invest in either the fixed deposits or the risk-free government securities. This study aims to provide us with the evidence of the wealth management literacy among the students and how the factors or the demographics affect the investing patterns in them. Investment decisions plays an important role in the people's quality of life. From 1991 to 1995, it is said that around 70-80% of the financial planners provided investment advice to the population. Poor investment knowledge is considered as the major issue why individuals are not able to properly plan their finances. This study examines if the education level, gender, age and experience does play a role in it or not. But now there is a growing need to understand the finance among the students, households so to know about the possible risks. The sound knowledge of it does not only affects the quality of life but also the sustainable development of economy. The number of young people has increased a lot over the decades who likes to invest or multiply their investments and wealth through capital markets. There are still some middle east countries where this knowledge is mainly limited to the male section of the society and women does not generally takes interest in it. There are several countries which have introduced wealth management courses among a part of their curriculum. Also there are organizations who have demonstrated in helping the government to develop this knowledge among the students. Generally at the high school level, curriculum includes personal finances as a part of economics subjects. Now the financial markets have become one of the major focuses of the college or university going students. According to rumours, undergraduates are thought of as a key category of potential revenue producers.

Theoretical aspect of financial/ wealth management literacy

Financial or wealth management knowledge is considered as the complex understanding of the knowledge, skills, attitudes which are important while making an appropriate financial decision. It is the capability of an individual in managing their finances. This is considered as one of the skill that one must grasp for good financial wellbeing. Wealth management is a way of comprehensive planning service available to manage your funds. It means identifying the present financial situation, setting goals, and receiving advisory and managing funds and allocating them into various investments. People generally take professional wealth advisory services from wealth managers. The services under wealth management includes financial planning, portfolio management. Wealth literacy compels people to change their mindset about the wealth building process. Through this, one can pick up knowledge of taxation, borrowing, investing, and budgeting. The Annual FI Index showed that it was 53.9 for the period ending March 2021 as opposed to 43.4 for the period ending March 2017.. India has the potential to rank among the nations with the highest levels of financial literacy due to the country's 27.6% percentage of participants in the financial inclusion through financial education.

Literature Review

What is “financial literacy”? Individuals who are financially literate use a variety of skills, resources, and contextual knowledge to understand the information and take meaningful decisions while being aware of the financial repercussions of those choices. “Atkinson and Messy (2012)” said that “a combination of awareness, knowledge, skill, attitude and behavior necessary to make sound financial decisions and ultimately achieve individual well-being”.

For someone to aspire to have a happy life, they must be conscious of their financial situation. When evaluating the quality of financial goods, this is important to consider people's level and understanding of finances. The literature review part examines the effects of societal, psychological, and economic aspects on students' money management practices.

With all the terms clearly specified, these students' consistent actions show that they are aware of, educated about, and well-versed in financial management difficulties. They have a fundamental understanding of wealth and money, and they apply this understanding to make and carry out financial plans.

The previous and the historical researches has indicated that many students are not getting good knowledge about the fundamentals of personal finance and have little awareness of these subjects. Students pursuing the graduation are the focus of many of the studies undertaken. A questionnaire designed by “Danes and Hira (1987) was used to interview the Iowa State University undergraduates about their understanding of credit cards, the insurance, personal loans, the record-keeping, and general financial management”. They draw a conclusion, the students knowledge of general money management is lacking. Additionally, they learn that males and married students have greater financial literacy.

Economic influences on money management

Spending, income, saving and investing habits are all impacted by economic conditions. Economic impacts are categorized into: macroeconomic and microeconomics. Individuals have no control on macroeconomic factors, which contain financial crises, regional occurrences, changes in governmental policy and an increase of technology advancement in low-skilled jobs.

Low-skilled jobs are increasingly being displaced by technology innovations in the majority of wealthy nations. This increases the burden on people who lack the necessary abilities, employment experience, and educational credentials (David and Dorn, 2013). Undergraduates, who typically lack job experience, are frequently engaged in the low paying jobs of different sectors where they are exposed to the factors affecting the sector.

As a result, people can affect or exert some control over their microeconomic circumstances. The consequence of economic conditions on the money management behaviour is frequently explored at the microeconomic level at the context of their knowledge level of finances and wealth. Financial knowledge and understanding is often regarded as consisting of the capacity and the assurance to handle one's finances with the help of wise, long-term financial planning which is appropriate enough, short-term decision-making.. Financial literacy includes understanding how to set up a budget, save money, invest, and buy insurance. (Worthington, 2006).

The impact of Social influences

Social components have an impact on how people spend their money and how are they establishing their behavior standards in respect to that.

Xiao et al,2007 quoted in their research paper that "Parents, who give their kids financial support and counsel, are a significant societal effect on how students manage their (Gudmonson and Danes, 2011) (Danes and Haberman, 2007)". It has been discovered that college students who receive more parental guidance and support are more likely to acquire wise financial habits than those who receive less parental assistance.

Peer groups, which are important members of the social group, play a role in how undergraduates acquire their financial affair skills. A person's financial behavior may be influenced by their peers' financial practices and opinions. The kinds and amount of socializing activities today's youth are engaged in may alter as a result of interactions with peers. Peers may have an impact on decisions such as where to eat, where to go to events, and how much alcohol to consume. Peers can also affect the types of clothing bought (such as whether to purchase affordable or expensive clothing), technology belongings (such as whether to utilise an old smartphone or buy a new one), and the regularity and type of vacation packages taken. The financial situation and money management practices of students may be impacted by these choices.

Young people occasionally decide to live far from home. After young people leave their parents' homes, their costs rise and their financial affairs habits grow more complicated. They might have a greater reliance on credit and debt. This might necessitate working longer hours to pay off the loan.(James et al, 2007) (Lyons, 2004).

The impact of psychological influences

“The psychological factors do have an impact on how people manage their money. According to research, a person's internal thought process influences their financial affairs and financial decision-making by Bijleved and Aarts”.The primary factors influencing money management behaviour are briefly discussed after that.

The way someone manages their finances is influenced by their self-examination or self-hood. Simply said, self-hood is "who I am." As per Van Den Putte. Self-identity, according to certain theories, is how people identify themselves or see themselves, which influences how they live their lives and how they behave.Self-management, or the capacity to take charge of one's own conduct and well-being, can be influenced by a person's sense of self. (Robb and Sharpe, 2009). It contended, as money influences individuals how to live, it might serve as a reflection of a person's identity. As a result, people's financial conduct and self-identity are strongly intertwined. Personality also affects how people feel about spending money, how much they spend impulsively, how often they become stressed out, and how often they use credit cards. (Norum, 2008; Norvilitis and Santa Maria, 2002)(Hayhoe et al., 2000;). Emotions are yet one more psychological component that influences how people handle their finances.

Positive feelings assist sensible and knowledgeable decision-making over the most important topics impacting life. And instance, happiness might increase time spent making decisions, planning, and controlling spending while decreasing the desire for taking risks (Guvan, 2008). Contrarily, negative feelings like feeling out of beyond control financially will leads to increase tension, and dissatisfaction.

Student happiness and well-being are influenced by their financial contentment and money management skills, that improves their performance in the academics. “(Solis and Durband, 2015; Zhang and Kemp, 2009).”

For the review of literature, we've discussed how the wealth management is influenced by various factors such as the economic, the social and the psychological factors. A better understanding of managing the financial situations will lead to the smooth transition of the adulthood and is good for their mental and their financial wellbeing also. This is the main reason why various stakeholders like the governments, financial institutions and the higher educational institutions are very much keen to know about the responses of money management process. This way it guides to know about the wealth management processes.

Methodology

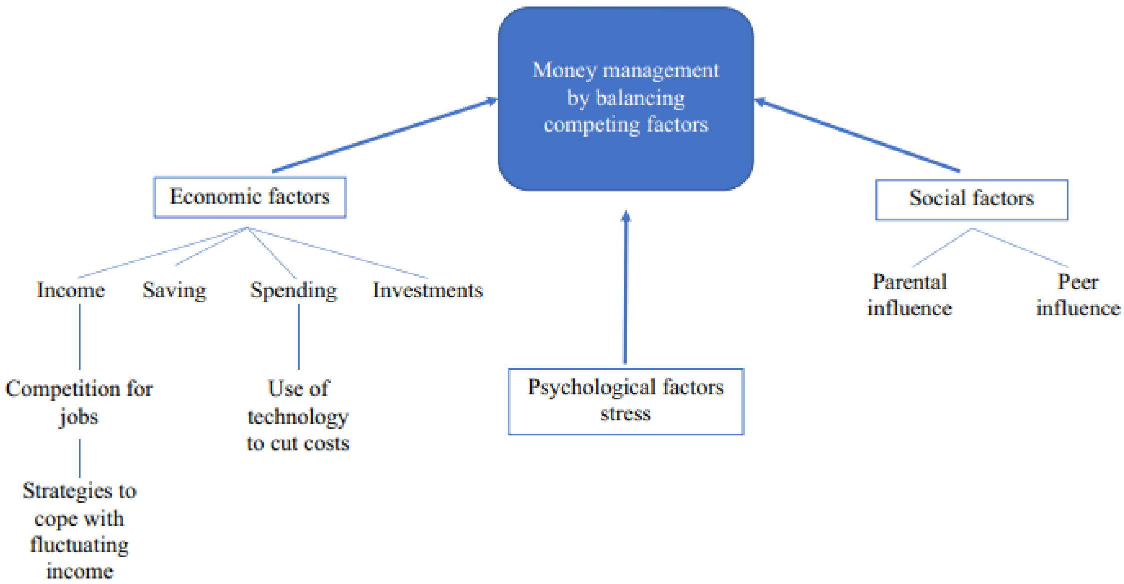
This study uses the secondary research to understand and analyze the crucial aspects of the understanding of the wealth and knowledge among the student’s pursuing graduation. To get a better understanding we have gone through different research papers and analyzed and tried to relate all the factors contributing to it. The research focuses on the aspects of gender, parents education level, field of study and the other economic factors. It is based on the qualitative research based on the several literatures works. After extracting data from each article data was analyzed and so were the factors influencing it.

Findings

This part starts off by looking at how students' perspectives on money management develop during their degree. We also looked at how people react to the psychological, social, and economic elements that influence it. The literature enables us to comprehend that prudent saving, budgeting, and spending constitute the process of wealth or money management. Economic concerns are a significant factor as well. Social elements like social groups also have a significant impact on them.

This study aims to suggest that parents establish the foundations of wealth management behaviour in children as they play a big role in providing advice to them. There are peer to peer factors as the majority of the investors start investing by looking at their peer, friends group. This study makes valuable contributions to the body of knowledge about how college students handle their finances.

Most people were aware that managing money involves more than just sticking to a budget. They understood that a variety of things influence how they manage their finances. They recommended that learning basic skills and techniques would assist control the factors that affect income and expenditure because they believed that managing money was something that everyone had to do on a daily basis. There are various economic factors that affects the individual's income , saving, his/her investment and the consumption pattern.



Conclusion

Our research shows that as people advance in their degrees, their money management habits alter. Regardless of the year of study, some factors that affect a student's academic success are mostly constant. From an economic standpoint, the majority of them relied on technology to save costs and had underdeveloped investment plans. However, as they advanced in their studies, their methods for controlling their income and expenses as well as their savings behaviours changed. From a social standpoint, all college graduates understood the value of parental guidance and modelling in assisting them to establish a good money management practice. On the one hand, undergraduate students handled their connections with their peers in a number of different ways. From a psychological standpoint, respondents tended to be affected by stress, but variables that cause stress also had an impact on the outcomes.

References

1. Chen H. Volpe R.P. Gender Differences in Personal Financial Literacy among College Students. Financial Services Review, 2002, 11: 289-307
2. Chen, H., & Volpe, R. P. (1998). An analysis of personal financial literacy among college students. Financial services review, 7(2), 107-128.
3. Mandell, L., & Klein, L. S. (2009). The impact of financial literacy education on subsequent financial behavior. Journal of Financial Counseling and Planning, 20(1).
4. Falahati, L., & Paim, L. H. (2011). Gender differences in financial literacy among college students. Journal of American Science, 7(6), 1180-1183.
5. Akca, N., Sonmez, S., Sener, T., & Akca, C. (2018). An evaluation of the effect of financial literacy education on Financial literacy among college students. International Journal of Humanities and Social Science, 8(8), 152-160.
6. Sundarasen, S. D. D., Rahman, M. S., Othman, N. S., & Danaraj, J. (2016). Impact of financial literacy, financial socialization agents, and parental norms on money management. Journal of Business Studies Quarterly, 8(1), 137.
7. 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.
8. Thomas, B., & Subhashree, P. (2020). Factors that influence the financial literacy among engineering students. Procedia Computer Science, 172, 480-487.
9. Aggarwal, M., & Gupta, M. (2014). Awareness of financial literacy among college students. Journal of Management Sciences and Technology, 2(1), 1-13.
10. Kuntze, R., Wu, C. K., Wooldridge, B. R., & Whang, Y. O. (2019). Improving financial literacy in college of business students: modernizing delivery tools. International Journal of Bank Marketing.
11. Helen, T., & Polyzopoulou, K. (2019). Financial literacy of graduate high school students. American Journal of Educational Research, 7(3), 232-236.
12. Annabi, A., González-Ramírez, J., & Müller, F. (2018). What Determines Financial Knowledge among College Students?. Journal of Financial Education, 44(2), 344-366.
13. Anderson, D. M., Conzelmann, J. G., & Lacy, T. A. (2018). The state of financial knowledge in college: New evidence from a national survey. Rand Corporation, July.
14. Bamforth, J., Jebarajakirthy, C., & Geursen, G. (2018). Understanding undergraduates' money management behaviour: a study beyond financial literacy. International Journal of Bank Marketing.