



Original Article

Financial Literacy among College Students in Pune City: A Comprehensive Study

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Abstract

Financial literacy is essential for young people as it directly influences their decision making regarding savings, investments, budgeting, and overall financial wellbeing. A solid understanding of financial concepts enables individuals to manage their money effectively, avoid financial pitfalls, and make informed choices that contribute to long term financial stability. This research paper explores the financial literacy of the College Students in Pune City, India, assessing their understanding of key financial concepts and their ability to apply this knowledge in their everyday financial decisions. The study explores factors influencing financial literacy, such as socioeconomic status, educational background, exposure to financial products, and digital literacy. The research finds that while many College Students have some understanding of basic financial concepts, their knowledge of more complex financial matters, such as investments and retirement planning, is limited. This gap in financial literacy may lead to poor financial decisions and hinder long-term financial security. To address these challenges, The paper suggests strategies for improving financial literacy, including educational reforms, the integration of financial literacy into the curriculum, and the role of financial institutions and digital platforms in spreading financial knowledge. Digital platforms and fintech solutions can also play a crucial role in spreading financial knowledge and encouraging practical financial learning. Strengthening financial literacy among college students will empower them to make informed financial decisions and achieve financial independence in the future.

Keywords: Financial Literacy, Awareness, College Students, Personal Finance.

Introduction

In today's globalized and rapidly changing economy, young people are exposed to plenty of financial products and services. Despite this exposure, many struggle with managing personal finances effectively. Financial literacy: the ability to understand and use various financial skills is crucial for making informed decisions regarding money management, investments, and wealth accumulation. In India, a developing economy with increasing financial inclusion, the College Students as a youth play an important role in shaping the country's economic future. Pune City, with its dynamic blend of educational institutions, booming IT sector, and growing middle class, provides a perfect setting for understanding how the College Students engage with personal finance. Financial literacy is particularly important for the College Students in Pune City, who are at the verge of their financial independence and are transitioning into adulthood. Despite their exposure to the digital world and technological tools, a majority of them lack the practical skills to manage finances, save, invest, and make sound financial decisions. This paper investigates the current level of financial literacy among College Students in Pune, the challenges they face in managing their finances, and the factors that influence their understanding of personal finance.

Objectives of the Study:

1. To explore the impact of financial literacy on the personal finance management behaviors of students in terms of spending, saving, and investing.
2. To assess the current level of financial literacy among college students and evaluate the role of formal financial education

Literature Review

1. **Concept of Financial Literacy:** Financial literacy refers to the ability to understand financial concepts and make informed decisions about managing personal finances.

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These include skills such as budgeting, saving, investing, understanding financial risks, and managing debt. According to Lusardi and Mitchell (2014), financial literacy is directly correlated with better economic outcomes, such as wealth accumulation, retirement savings, and more prudent financial decisions. They suggest that financial literacy is essential for individuals to navigate the increasingly complex financial landscape in a globalized economy.

2. **Global Trends in Financial Literacy:** In developed nations, financial literacy has been studied extensively, with results showing that higher levels of financial literacy contribute to better financial behaviors (Lusardi & Mitchell, 2011). In Europe and the United States, efforts have been made to integrate financial education into the formal education system and provide resources through digital platforms. Despite advancements, studies have found that a significant proportion of College Students continue to lack the financial skills needed to navigate complex financial systems.
3. **Financial Literacy in India:** In India, the concept of financial literacy is still in its nascent stages, particularly among the College Students. According to the National Strategy for Financial Education (NSFE) issued by the Reserve Bank of India (RBI), financial literacy remains a challenge for many segments of the population, especially the College Students, women, and rural populations. Studies by Rath and Agarwal (2017) found that even in urban areas, where access to financial products is higher, financial literacy remains a challenge, particularly in understanding investments, retirement planning, and credit management.
4. **Youths and Financial Literacy in India:** The Youths in India, particularly in urban areas like Pune, are increasingly exposed to financial products through digital platforms, mobile banking, and financial advertisements. However, there is a gap in their practical understanding of these products and services. Kaur and Singh (2017) explored financial literacy among college students in Chandigarh and found that while students had basic knowledge of saving and budgeting, they had limited knowledge of more complex concepts such as investing, managing credit, and retirement planning. This lack of knowledge can lead to poor financial decision making and, in the long run, hinder wealth accumulation.

Research Methodology

This study uses a quantitative research methodology with survey based data collection, supported by qualitative interviews to understand the financial literacy levels of the College Students in Pune City. The research was designed to measure financial knowledge, attitudes toward finance, and financial behaviors.

Data Collection Instruments

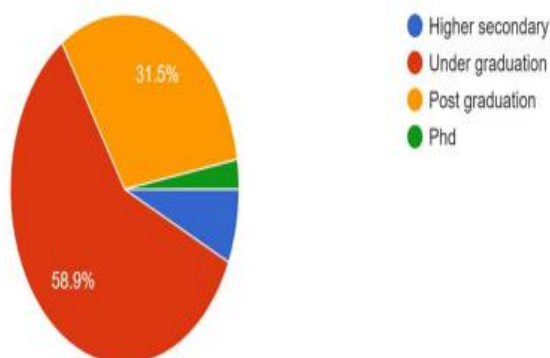
- **Online Surveys:** A structured questionnaire was developed to assess financial literacy, covering key areas such as budgeting, savings, investments, insurance, and credit management. The survey was distributed through online platforms, social media groups, and educational institutions in Pune.
- **In Depth Interviews:** Semistructured interviews were conducted with a subset of 20 individuals to explore personal experiences, financial behaviors, and attitudes toward financial literacy.
- **Focus Groups:** Focus group discussions were organized with small groups of young people to understand collective perceptions about financial education and its relevance.

Variables Assessed

- **Knowledge of Financial Concepts:** This includes knowledge about saving, budgeting, investing, debt management, credit scores, and retirement planning.
- **Financial Behavior:** This includes how College Students manage their finances, such as whether they save regularly, invest, or track their spending.
- **Sources of Financial Information:** Understanding where College Students get their financial knowledge, such as from formal education, parents, peers, or digital media.
- **Barriers to Financial Literacy:** Identifying challenges College Students face in acquiring financial knowledge, such as limited access to financial education, lack of family guidance, or the complexity of financial products.

Findings and Discussion

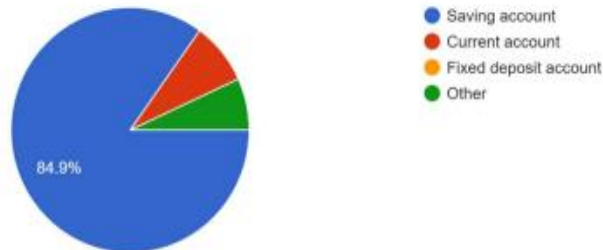
Educational data:



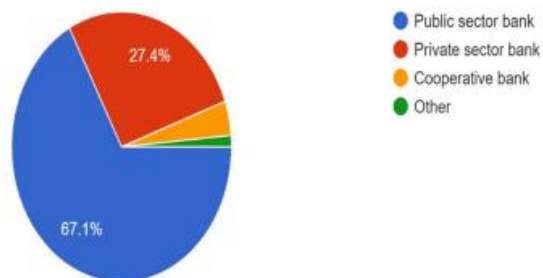
Do you have a bank account?



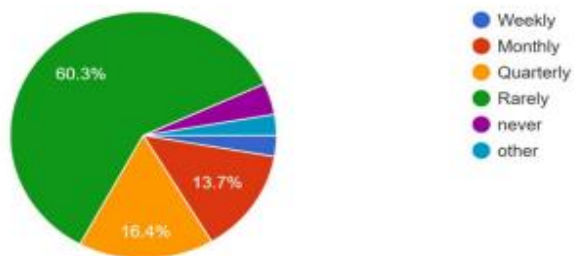
Which type of bank account do you have?



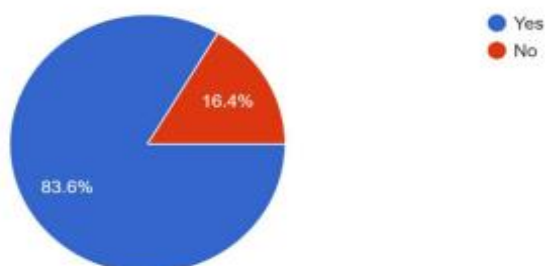
In which bank do you have an account?



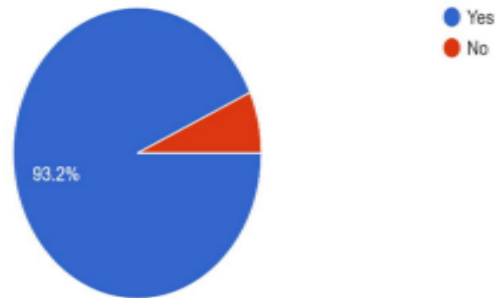
How often do you visit your bank?



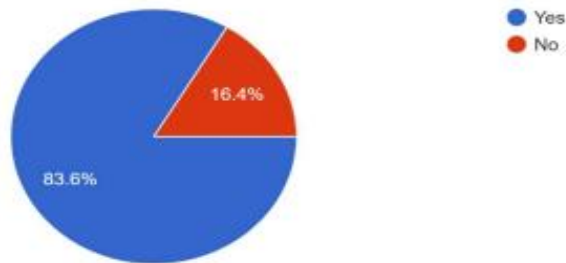
Are you aware of the different types of financial aid? (loan, grants. scholarships)



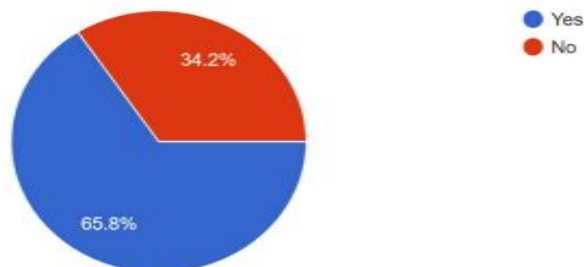
Do you have ATM/Debit/Credit Cards?



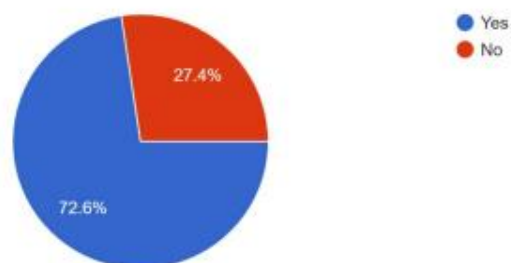
Do you use internet banking?



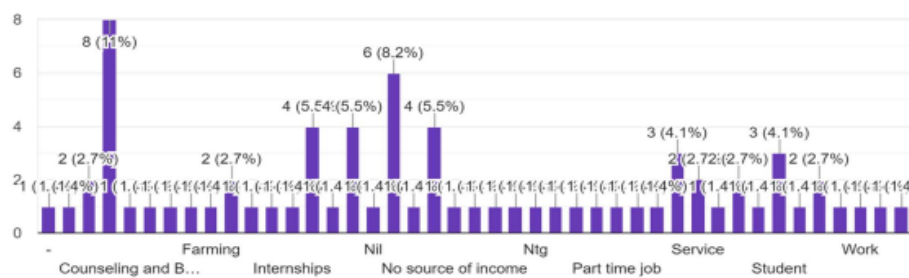
Do you have health insurance?



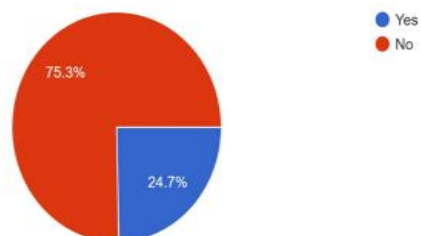
Do you regularly check your bank statement ?



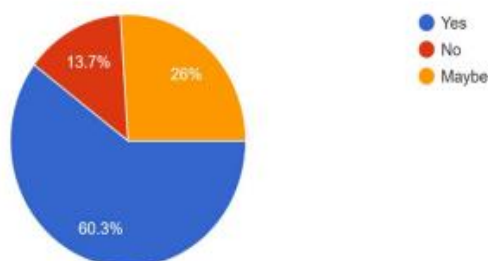
What is your source of income?



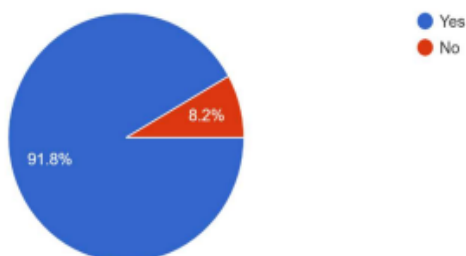
Do you have a part time job or any other source of income as a student?



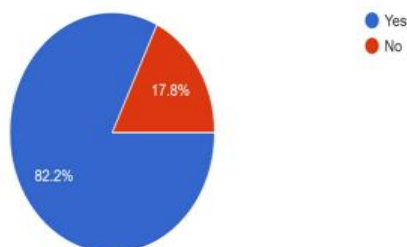
Are you aware of the security measures taken by your bank to protect your account?



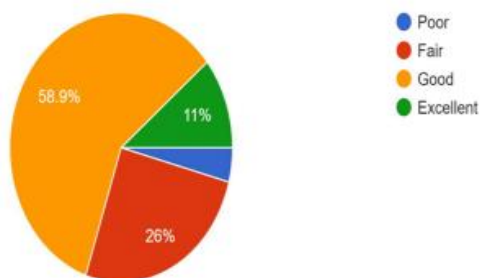
Do you use any third party financial apps? (paytm, Gpay, Phonepe)



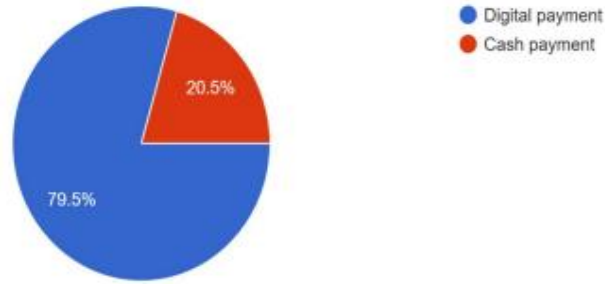
Are you satisfied with the customer service at your bank?



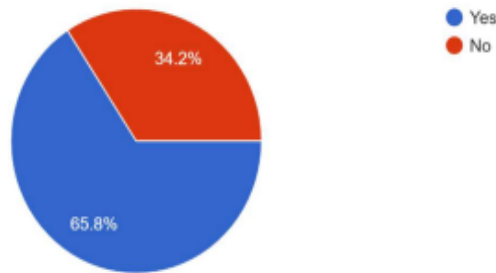
How would you rate your understanding of financial products and services?



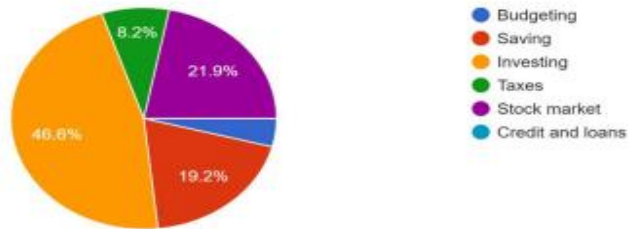
What do you prefer? (digital /cash)



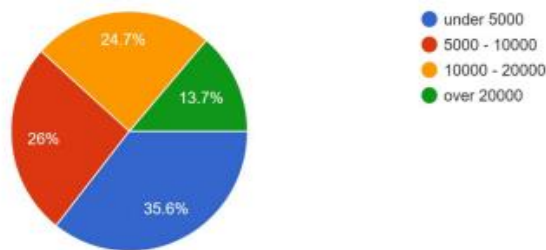
Do you know about the stock market?



What financial topics would you like to learn more about?



How much money do you spend?



1. Current Level of Financial Literacy

The survey results reveal that 70% of the College Students in Pune City possess a basic understanding of personal finance concepts such as budgeting and savings. However, when it comes to more advanced topics like investments (stocks, bonds, mutual funds), retirement planning (PPF, NPS), and debt management (credit cards, loans), only 30% demonstrated a satisfactory understanding.

- **Knowledge Gaps:** A significant knowledge gap exists regarding complex financial products. For example, while 85% of College Students are familiar with savings accounts and fixed deposits, only 35% understand the benefits and risks associated with equity investments or mutual funds.

2. Factors Influencing Financial Literacy

- **Educational Background:** College Students with a formal education in finance or related fields showed higher levels of financial literacy. For instance, 75% of those pursuing finance or business related degrees demonstrated a solid understanding of financial concepts, compared to just 50% of those in non finance disciplines.

- **SocioEconomic Status:** Those from higher income families were more likely to have been exposed to financial products, have bank accounts, and be familiar with investment instruments. On the other hand, College Students from lower income households exhibited poorer financial literacy, often due to limited exposure to financial resources and tools.
 - **Digital Literacy:** With the rise of mobile banking and online financial tools, digital literacy played a key role in improving financial literacy. About 50% of respondents reported using financial apps for tracking expenses and investments, leading to better financial management practices.
3. **Financial Behavior**
- **Savings Behavior:** About 66% of respondents claimed to save regularly, but their savings were primarily kept in low risk savings accounts or fixed deposits, with minimal involvement in more profitable investment options.
 - **Debt Management:** Around 40% of College Students were unaware of how to manage credit effectively. Many had credit cards or personal loans but did not fully understand the interest rates or consequences of late payments. This indicates a lack of practical knowledge about debt management.
 - **Investment Behavior:** A small percentage of College Students (around 15%) were actively investing in stocks, bonds, or mutual funds. The majority of respondents expressed interest in learning more about these investment options but were discouraged by their perceived complexity.
4. **Barriers to Financial Literacy**
- Several barriers to improving financial literacy emerged from the study:
- **Lack of Formal Education:** Many College Students reported that their schools or colleges did not offer financial education as part of the curriculum. Without formal financial education, they rely on informal sources, which may not always provide accurate or comprehensive information.
 - **Family Influence:** The study revealed that many College Students did not receive financial guidance from their families. This was especially true for those from lower socioeconomic backgrounds, where financial discussions were often avoided or lacked depth.
 - **Complexity of Financial Products:** The complexity of financial products, combined with jargon used in financial advertisements, led to confusion and hesitation among young people when considering investments or loans.
5. **Role of Educational Institutions and Financial Institutions**
- **Educational Institutions:** The College Students in Pune expressed a strong desire for financial literacy programs in their schools and colleges. About 70% of respondents indicated that they would attend workshops or classes on financial literacy if they were offered by their institutions.
 - **Financial Institutions:** Financial institutions were seen as an important resource for improving financial literacy. Many College Students reported that they had gained financial knowledge from advertisements or online resources provided by banks and insurance companies. However, there was a call for more personalized education on financial products that suit young people's needs.

Conclusion

The research indicates that while the College Students of Pune City possess a basic understanding of financial literacy, significant gaps exist, particularly in advanced areas such as investing, retirement planning, and debt management. Socioeconomic background, educational exposure, and digital literacy play significant roles in determining the level of financial knowledge among College Students.

It is clear that efforts are needed to improve financial literacy, especially through formal education systems, the integration of financial literacy programs into curricula, and targeted outreach by financial institutions. Enhancing financial literacy will empower College Students to make informed decisions about their finances, leading to better financial outcomes in the long term.

Recommendations

1. **Incorporating Financial Education into the Curriculum:** Schools and colleges should introduce mandatory financial literacy programs that cover topics like budgeting, saving, investing, and debt management.
2. **Utilizing Digital Platforms for Financial Education:** Financial institutions and educational organizations should collaborate to offer online courses, webinars, and interactive tools that make learning about finance more accessible.
3. **CommunityBased Financial Literacy Campaigns:** Local community centers, nongovernmental organizations, and banks should work together to conduct workshops and seminars that promote financial literacy.
4. **Family and Peer Influence:** Parents and family members should be encouraged to discuss financial matters openly with their children to promote financial responsibility at an early age.

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Conflicts of interest

There are no conflicts of interest.

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