

A Study On The Impact Of Financial Literacy On Financial Decision-Making Among College Students With Special Reference To Coimbatore District

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Abstract—Financial literacy plays a significant role in enabling individuals to make informed and effective financial decisions in their daily lives. In today’s rapidly changing financial environment, college students are increasingly required to manage personal finances, including budgeting, saving, investing, and controlling expenses. However, many students lack adequate financial knowledge and awareness, which may lead to poor financial behaviour and long-term financial instability. This study aims to assess the level of financial literacy among college students and examine its influence on their financial decision-making behaviour. The research also focuses on identifying the major sources of financial information used by students and analysing the relationship between financial literacy and saving habits. The study highlights the importance of financial education in developing responsible financial behaviour among young adults. By identifying gaps in financial awareness, the research provides useful insights and recommendations for improving financial literacy programs and promoting better financial management practices among students for a financially secure future.

Keywords— Financial literacy, Financial decision-making, College students, Saving habits, Investment decisions, Financial education, Personal finance, Financial awareness, Money management, Financial behaviour.

I. INTRODUCTION OF THE STUDY

Financial literacy is the ability to understand and manage money effectively, including skills like budgeting, saving, and investing. In today’s complex financial environment, it is especially important for students and young adults to make informed financial decisions. However, many young people lack basic financial knowledge, which can lead to poor money management and financial problems. This study focuses on assessing the level of financial literacy among students and how it influences their financial decisions, highlighting the need for better financial education to ensure a secure future.

II. OBJECTIVES OF THE STUDY

- To know the level of financial literacy among college students.
- To study the role of financial literacy in students’ investment decisions.
- To identify the sources of financial information commonly used by college students.

- To examine the relationship between financial literacy and saving habits among students.

III. STATEMENT OF THE PROBLEM

In today’s complex financial environment, individuals are required to make informed decisions regarding budgeting, saving, investing, borrowing, and managing expenses from an early age. College students, in particular, begin to experience financial independence during their academic years. However, many students lack adequate financial knowledge and skills to manage their personal finances effectively. Limited financial literacy can lead to poor financial decisions such as excessive spending, misuse of credit, lack of savings, and improper debt management. These financial mistakes at a young age may result in long-term financial instability and stress. Despite the growing importance of financial education, it remains unclear to what extent financial literacy influences the financial decision-making behaviour of college students. Therefore, this study seeks to examine the level of financial literacy among college students and analyse how it impacts their financial decision-making. The research aims to identify gaps in financial knowledge and provide recommendations

to improve financial awareness and responsible financial behaviour among students.

IV. RESEARCH METHODOLOGY

Research Design:

A descriptive research design will be used to systematically collect information about financial literacy and related behaviours.

Data Collection:

- **Primary Data:** Collected through structured questionnaires distributed to college students.
- **Secondary Data:** Collected from books, journals, research articles, reports, and reliable online sources related to financial literacy.

Sampling Method

The study adopts the **Simple Random sampling method** for selecting respondents. Under this method, college students who were readily accessible and willing to participate were chosen for the survey. This approach was considered suitable due to time constraints and ease of data collection. Although convenience sampling may not fully represent the entire population, it provides practical and reliable insights within the defined scope of the study.

Sample Size

The study is conducted on a sample of 120 college students selected from various institutions.

Area Of The Study

The area of the study is confined to college students in Coimbatore District.

Tools Used

The collected data is analysed using statistical tools such as percentage analysis and Chi-Square.

Percentage Analysis:

Percentage analysis is used as a statistical tool to analyse and interpret the primary data collected through questionnaires. This method helps in simplifying raw data by converting it into percentages, making it easier to understand and compare responses.

Chi-Square Analysis

The **Chi-Square (χ^2) test** is a statistical tool used to determine whether there is a significant association between two categorical variables. In this study, the Chi-Square test is employed to examine the relationship between **financial literacy levels** and

the **financial decision-making behaviour** of college students.

V. REVIEW OF LITERATURE

1. **Tomashpayev, A., & Nurgalieva, A. (2024).** The High School Financial Literacy: Significance and Optimal Teaching Approaches. This study aimed to assess high school students' financial literacy levels and to identify the most effective instructional approaches for enhancing financial knowledge among students aged 15–19. Although basic knowledge existed, the researchers highlighted the need for greater skills and improved teaching methods.
2. **Lovekesh et al. (2025).** Understanding the Impact of Financial Literacy on Economic Awareness Among Senior Secondary Students in Delhi. The research aimed to evaluate the level of financial literacy and economic awareness among senior secondary students and to determine how exposure to financial concepts affects their practical understanding, finding that knowledge was basic but limited in application due to insufficient formal education.
3. **Jacob, M. S. (2024).** Financial Literacy Among College Students. This study aimed to measure financial literacy across different academic disciplines among college students and to examine the role of formal education in shaping their financial knowledge. It found that literacy levels varied significantly depending on academic background and instruction received.

VI. CHI- SQUARE

1. Variables Identified

Role	Variable
Independent Variable	Educational Level
Dependent Variable	Motivation to Save Money

2. Hypotheses

Hypothesis	Statement
H ₀ (Null)	There is no significant association between Educational Level and Motivation to Save Money.

H ₁ (Alternate)	There is a significant association between Educational Level and Motivation to Save Money.
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3. Significance level 5% or 0.05

4. Frequency Distribution Tables

a. Educational Level

No.	Particulars	No. of Respondents	Percentage
	Undergraduate Student	2	10.5%
	Postgraduate Student	8	40%
	Total	20	100%

b. Motivation to Save Money

No.	Particulars	No. of Respondents	Percentage
	Future Education or Career Goals	1	5%
	Emergencies	5	25%
	Peer Influence or Social Pressure	3	15%
	No Specific Reason	1	5%
	Total	10	100%

5. Observed Frequency Table

(Estimated proportionally: UG = 60%, PG = 40%)

Educational Level	Future Goals	Emergencies	Peer Influence	No Reason	Row Total
Undergraduate	7	1			2
Postgraduate	4	4			8
Column Total	1	5	3	1	20

6. Expected Frequency Table

$$E = (\text{Row Total} \times \text{Column Total}) / \text{Grand Total}$$

Educational Level	Future Goals	Emergencies	Peer Influence	No Reason	Row Total
Undergraduate	6.60	1.00	.80	.60	2
Postgraduate	4.40	4.00	.20	.40	8
Column Total	1	5	3	1	20

7. Chi-Square Calculation

$$\chi^2 = \sum (O - E)^2 / E$$

Cell		-E	(O-E) ²	(O-E) ² /E
G - Future Goals	7	6.60	.40	.160
G - Emergencies	1	1.00	.00	.000

rgen cies					
G – Peer Influ ence		.80	.20	.040	.005
G – No Reas on		.60	0.60	.360	.055
G – Futu re Goal s	4	4.40	0.40	.160	.007
G – Eme rgen cies	4	4.00	.00	.000	.000
G – Peer Influ ence		.20	0.20	.040	.008
G – No Reas on		.40	.60	.360	.082
2 Tota l					.161

8. Result Summary

Particulars	Values
Chi-Square Calculated Value (χ^2)	0.161
Degrees of Freedom (df)	$(2-1) \times (4-1)$ = 3
Level of Significance (α)	0.05

Critical Value (Table Value)	7.815
Comparison	0.161 < 7.815
Decision	Accept H₀ (Null Hypothesis)

9. Interpretation

The calculated chi-square value of 0.161 is significantly less than the critical table value of 7.815 at 3 degrees of freedom and 0.05 level of significance.

Therefore, we accept the Null Hypothesis (H₀) and conclude that there is no significant association between Educational Level and Motivation to Save Money.

This means that whether a student is an Undergraduate or Postgraduate, their motivation to save money — whether for future goals, emergencies, peer influence, or no specific reason — does not significantly differ based on their educational level.

VII. FINDINGS

- The majority of respondents (57.5%) fall in the 19–22 age group, showing that the study mostly represents young college-going students.
- Male respondents (55.8%) slightly outnumber female respondents (44.2%), indicating a fairly balanced gender participation.
- Most respondents (60%) are undergraduate students, giving the study a strong student-based perspective.
- Around 42% of respondents earn below ₹25,000 per month, placing most participants in the lower income group.
- A large majority (89.2%) of respondents are single, which is expected given the young age of the sample.
- Most respondents (69.2%) are from rural areas, highlighting that the study captures the financial awareness of rural youth.
- Nearly half (49.2%) receive their allowance regularly, while 35% receive it sometimes.
- About 49.2% of respondents understand the concept of budgeting very well, showing decent financial awareness among students.
- Family and parents are the primary source of financial knowledge for 59.2% of respondents, proving that home plays the biggest role in financial education.
- Most respondents (42.5%) trust financial experts the most for advice, while only 9.2% rely on social media influencers.

- Half of the respondents (50%) track their income and expenses, but 39.2% still spend without maintaining any record.
 - A large portion (50%) saves less than 10% of their income, indicating poor saving habits among most participants.
 - Nearly 47.5% feel very confident in managing their personal finances, which is an encouraging sign.
 - More than half (53.3%) make investment decisions based on return on investment, reflecting practical thinking.
 - Future education and career goals motivate 50.8% of respondents to save money, showing goal-driven saving behaviour.
 - Around 51.7% are fully aware of investment risks, while 42.5% are only partially aware.
 - A combined 93.3% of respondents consider financial literacy either very important or important for future security.
 - Most respondents (58.3%) are willing to recommend financial literacy programs to their peers, showing a positive outlook.
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