

STRUCTURAL EQUATION MODEL FOR FINANCIAL LITERACY OF STUDENTS

S. M. Trivedi¹, J. D. Bhatt² and N. M. Thaker³

1 Asso. Professor, PG Institute of Agribusiness Management, Junagadh Agricultural University, Junagadh-362001

2 & 3 Asst. Professor, PG Institute of Agribusiness Management, Junagadh Agricultural University, Junagadh-362001

Email: trivedishilpa@jau.in

ABSTRACT

Financial illiteracy is prevalent worldwide. Financial literacy is an important but ignored skill that is vital for young people especially in the country like India which has the largest young population of world but with very poor rate of financial literacy. Therefore an in-depth study was carried out to develop a model for the financial literacy of students. Total 143 UG and PG level students were selected randomly and the primary data was collected through the well-prepared questionnaire. Financial Literacy Model was developed using Structural Equation Model (SEM) to meet the objective of the study. The study revealed that model for the financial literacy of students was found correct and it was concluded that financial knowledge, behavior and attitude have significant positive effect on financial literacy of students. Age and education of the students having positive and significant impact on the financial literacy of students.

Keywords : Financial literacy, Students, Structural Equation Model (SEM), Education

INTRODUCTION

Financial literacy refers to the ability to understand basic financial concepts and the possession of knowledge and skills required to make informed and effective financial planning, decisions using the available financial resources. Financial literacy in a simplified language to learn how money works in our day to day functions and how someone manages it, how he/she invest it and how a person offers it to others. More specifically, it refers to the set of skills and knowledge that allows an individual to make informed and effective decisions with all of their financial resources (Sane, 2019). Financial Literacy is very crucial for economic growth of any country. In spite of having largest young population in the world, financial literacy rate in India is very poor compared to other countries. As Biswajit Saha, Director (Vocation and Training), CBSE puts it, “Financial skill is the 21st century life skill and needs to be imparted to different age groups, especially young minds” (Money Control News, 2019). Financial literacy must be taught in the context of the society, culture, environment, and ethics. This integrated approach would help students to think of financial decisions as a global, civic minded, and engaged citizen, versus making decisions to benefit only themselves (Jayraman and Jambunathan, 2018). Therefore a model for financial literacy of the students will surely lead towards increased confidence and self-control of the student, which in turn facilitates their participation in the formal economic system and lead to their empowerment and well-being.

OBJECTIVE

To develop the structural equation model for financial literacy of students

METHODOLOGY

The study was confined to Junagadh Agricultural University. Total 143 students were selected randomly for the study purpose. The primary data were collected through the well-prepared questionnaire. Financial Literacy Index was worked out and Structural Equation Modeling (SEM) was used to develop a model for the financial literacy of students. Financial knowledge, behavior and attitude were independent whereas financial literacy was dependent variables in the proposed model. The model for the study has taken form as follows:

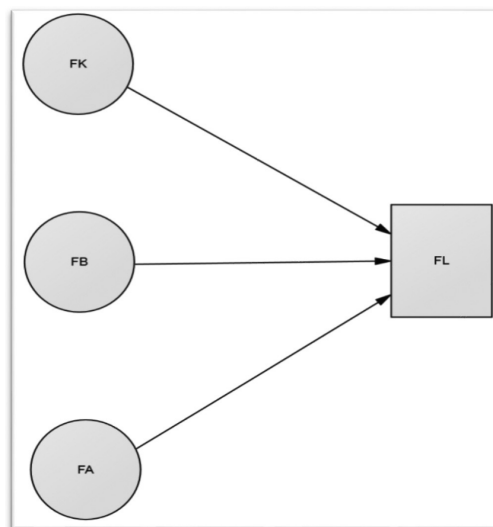


Fig. 1: Proposed model of financial literacy among the Students

RESULTS AND DISCUSSION

Demographic profile of students

The sample profile of respondent students is presented in Table 1. Based on the intake of concerned faculty, highest (41.96 %) students are from faculty of agriculture, followed by faculty of agricultural engineering & technology (22.18 %), faculty of veterinary science & animal husbandry

(13.99 %); equal (10.49 %) from the faculties of fisheries and horticulture whereas lowest from the faculty of agribusiness management (7.69 %). The age of the students was between 18 and 36 years with an average 21 years. Majority of the students were male (71.33 %), studied at under graduate level (72.73 %) and having family income below ₹ 5 lakhs (92.91 %).

Table 1 Demographic profile of students

(n=143)

Sr. No.	Profile	No.	percent
A	Faculty		
1	Faculty of Agriculture	60	41.96
2	Faculty of Agricultural Engineering & Technology	22	15.38
3	Faculty of Agribusiness Management	11	7.69
4	Faculty of Veterinary Science & Animal Husbandry	20	13.99
5	Faculty of Fisheries Science	15	10.49
6	Faculty of Horticulture	15	10.49
B	Gender		
1	Male	102	71.33
2	Female	41	28.67
C	Education		
1	Graduation	104	72.73
2	Post graduate	39	27.27
D	Family income		
1	Below 500000	132	92.31
2	500000 to 100000	08	05.59
3	Above 1000000	03	02.10
E	Age (year)		
1	Maximum		36
2	Minimum		18
2	Average		21

Financial literacy model for the students

The results of a hypothetical SEM model is presented in the following fig. 2

The above figure shows the SEM model developed based on conceptual framework of the study which indicates standardized regression coefficients for the hypothetical

relationships between the financial knowledge, behaviour, attitude and financial literacy.

Model fit measures for the financial literacy of students are shown in Table 2. Measures are in the recommended range, which indicates the perfect fit of the model to the data (Gaskin & Lim, 2016).

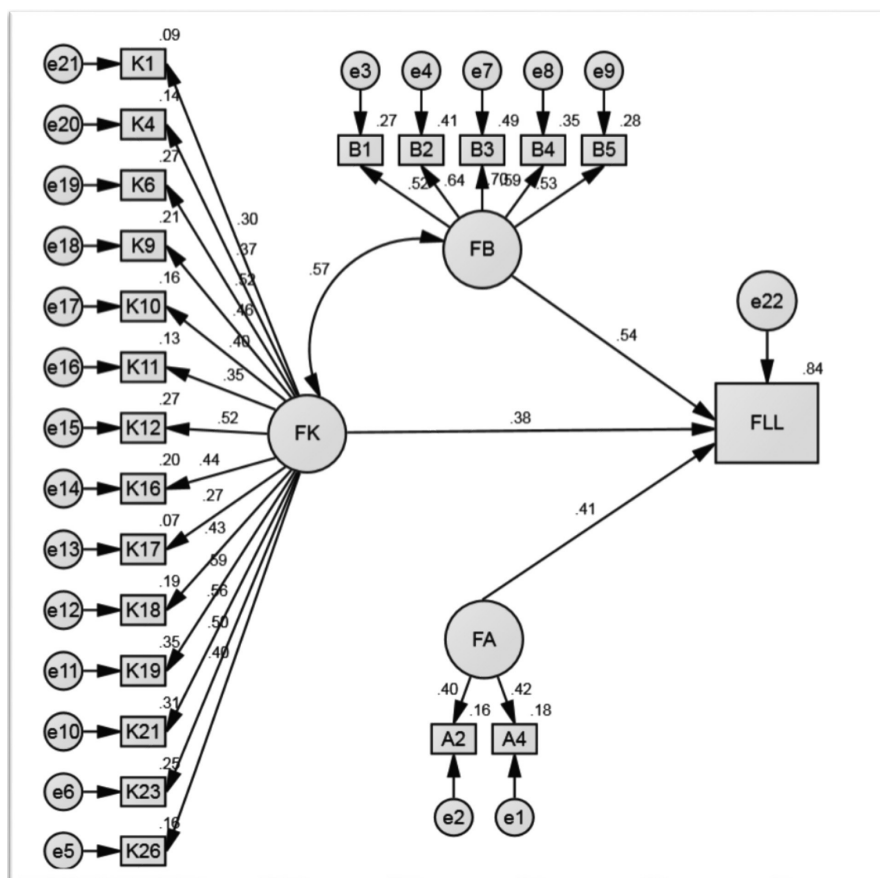


Fig. 2 Model of financial literacy among the students of jau

Table 2 : Model Fit Measures

Measure	Estimate	Threshold	Interpretation
CMIN	338.061	--	--
DF	206	--	--
CMIN/DF	1.641	Between 1 and 3	Excellent
CFI	0.897	>0.95	Acceptable
SRMR	0.100	<0.08	Acceptable
RMSEA	0.067	<0.06	Acceptable
PClose	0.017	>0.05	Acceptable

The Table 3 shows the results of the hypothesis of a hypothetical conceptual model which proved that H₁ and H₂ are significant at 1% whereas H₃ is significant at 10% level

of significance and it is positive, which means that financial knowledge, financial behavior and financial attitude have significant positive effect on financial literacy of students.

Table 3 Results of Hypothesis

Hypothesis	Path	Std. Coefficient	Result
H1	Financial Knowledge -> Financial Literacy	0.561***	0.002
H2	Financial Behaviour -> Financial Literacy	0.577***	0.000
H3	Financial Attitude -> Financial Literacy	0.297*	0.055

CONCLUSION

The proposed model for the financial literacy of students was found correct and it was concluded that financial

knowledge, behavior and attitude have significant positive effect on financial literacy of students. So, it is suggested to improve financial literacy of students by improving their financial knowledge, behaviour and attitude.

CONFLICT OF INTEREST:

All authors declare that they have no conflict of interest

REFERENCES

Dobariya, J. B., Lad, M. D. and Kavad, S. D. (2020) Knowledge and attitude of self help group members towards micro finance. *Guj. J. Ext. Edu.* 31(2):59-62.

Gaskin, J. and Lim, J. 2016. Model Fit Measures AMOS Plugin. Available at <http://statwiki.gskination.com/index.php?title=Plugins>

Jayraman, J. D. and Jambunathan, S. 2022. Financial literacy among high school students: Evidence from India. *Citizenship Social and Economics Education.* 17(3): 168-187.

Money control news. 2019. Making a money smart generation: What are our schools doing? Available at <https://www.moneycontrol.com/news/business/>

[personal-finance/making-a-money-smart-generation-what-are-our-schools-doing-4164021.html](https://www.moneycontrol.com/news/business/personal-finance/making-a-money-smart-generation-what-are-our-schools-doing-4164021.html)> accessed 15 January, 2020.

Reddy, O. C. and Alemayehu, E. 2015. Ordinal logistic regression analysis to assess the factors that affect health status of students in Ambo University: a case of natural and computational sciences college, Ambo University. *International Journal of Modern Chemistry and Applied Science.* 2(3): 153-163.

Trivedi, S. M., Bhatt, J. D. and Thaker, N. M. (2021) Financial inclusion of farmers. *Guj. J. Ext. Edu.* 32(2):125-132.

Sane, A. 2019. Financial Literacy among college students - A Study. Available at < https://www.researchgate.net/publication/344680384_Financial_Literacy_among_college_students_-_A_Study> accessed on 4th November, 2021.

Volpe, R. P.; Kotel J. E. and Chen H. 2002. A Survey of Investment Literacy among Online Investors. *Financial Counseling and Planning.* 13(1): 1-16.

Received : August 2023 : Accepted : November 2023