Financial Literacy among College Students in Nagaland: An Empirical study

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Abstract:
Enhancing the financial literacy of college students is essential in equipping them with skills necessary for making informed financial decisions and sustainable economic participation. College students are at a stage where they will soon be required to make financial decisions on their own as they enter the workforce which will not only impact their individual lives but also the economy of the society. Financial literacy has an important role in this but little evidence exists on the financial preparedness of this group of college students, especially in the context of the Northeast region or India in general. This study aims to examine the financial literacy level of college students and their variation across different domains and demographic factors. Descriptive statistics and comparative tests were conducted on data collected from 297 respondents using a structured questionnaire. Findings reveal a low level of overall financial literacy with concerning areas such as inflation, credit card knowledge, saving & investment and risk diversification. In addition, male students were found to be more financially literate in comparison to female students. Source of income was also found to be a significant predictor of financial literacy.

Keywords: Financial literacy, college students, saving and investment, inflation, Northeast India.

1. Introduction

The financial world as we can see today is becoming more complex with the ever increasing number of financial products and services. In such a scenario, it becomes imperative for young adults to be financially literate as they navigate their first financial decisions. Financial literacy which is defined as a combination of knowledge, behaviour and attitude towards financial matters [1] allow individuals to save, invest and avoid debt traps and plan for the future [2].

College students have been an important group of study on financial literacy [3,4,5] as these group of young individuals are in the process moving from financial dependence on their parents to financial self-sufficiency. This transition to college marks a critical stage in the financial development of young adults where early financial decisions can have long-term consequences [6]. College students are old enough to make financial purchases in the financial market be it bank accounts or insurance or other financial products. They are also already in the work force or will soon be joining. At the same time, they are in a place and position where they can be imparted with financial knowledge [7].

Despite the significance, studies conducted across the world highlights the concerning levels of financial literacy. This prevalence of low financial literacy levels is of immense concern as it may lead to poor financial decisions and even make students doubt their financial management ability [8]. Adding to this, when we talk about a developing country like India, the impact of a bad financial decision can be more on young adults as they identify among the vulnerable groups [9].

Considering the importance of financial literacy as well as the possibility of passing on the knowledge to this group of adults [7] as financial education is recognized as an important tool to improve financial knowledge [9], the need to understand financial literacy of college student's increases.

Additionally, the fact that India is characterized by significant geographical, cultural, economic as well as technological diversity where Nagaland holds its own distinct and unique position. As can be seen in the study conducted by Maheria, (2023) [10] where he found significant variation among different states of India with Goa, Chandigarh and Delhi being the most financially literate states whereas Odisha, Sikkim and Chhattisgarh were found to be the least financially literate states. The findings of studies conducted in the mainland, therefore, may not be directly applicable highlighting the need for a separate, context-specific study.

Recognizing the importance of financial literacy among college students as well as the absence of region-specific study, this study aims to assess the financial literacy levels of college students in Nagaland in light of different areas such as Retirement planning, Inflation, Numeracy, Insurance, Credit, Saving & investment and Risk diversification [7].

2. Literature review

Research indicates that college students even in economically advanced countries often display gaps in financial literacy.

Examining the financial literacy among Israeli college students, Shahrabani, (2013) [11] found that Israeli students exhibited low levels of financial literacy. Douissa, (2020) [12] also conducted a study in the Middle East, where it was found that only 39.36% out of 2500 students surveyed were financially literate. Similar study was conducted by Tejada-Peña et al., (2023) [13] in the USA where low levels of financial literacy was displayed by college students. A study was also conducted by Tan et al., (2024) [14] where they found that Chinese students in comparison to their counterparts in 17 countries [15] had less financial knowledge. Ramos-Hernández et al., (2020) [7] in their study measured and compared the financial literacy level of students from Mexico and Colombia. It was found that the differences between the two countries were slight but the overall level of financial literacy was low.

In the Indian context too, Dahiya et al., (2023) [16] found low financial literacy levels among Indian students. On the contrary, Ninan & Kurian, (2021) [17] in their study found that the financial literacy level of students in Kerala were of moderate levels.

Studies on college student's financial literacy besides identifying the low levels also found male students to be more literate compared to female students [18,2,1]. Douissa, (2020) [12] in his study found that male students were 1.31 times more likely to be financially literate as compared to female students. Tejada-Peña et al., (2023) [13] in their study in the USA found that in terms of savings & investment, women showed lower level of financial knowledge compared to men.

On the contrary Tan et al., (2024) [14] in their study among Chinese students found that female students performed better in comparison to male students.

At the same time there are also studies which show no difference between the two genders. Tejada-Peña et al., (2023) [13] in their study in the USA where in terms of income, money management and spending & credit no significant difference was noticed between genders.

Gender, academic year, work experience and major area of study [11]. Income, money management, savings & investment, spending & credit and employment status [13] being the most important identified variables of financial literacy, it was found that students with major in economics and business administration displayed significant higher financial knowledge compared to those of other disciplines [11]. Douissa, (2020) [12] also found that students majoring in scientific areas were 1.68 times more likely to be financially literate than those majoring in non-scientific areas. Tan et al., (2024) [14] also found that students from economics, management, science and engineering showed superior Financial literacy compared to students in liberal arts.

In addition, employment status was found to be a critical factor influencing financial literacy where employed students generally demonstrated better understanding of financial concepts [13].
In a study conducted by Ramos-Hernández et al., (2020) [7] it was found that topics like retirement planning, inflation, credit card usage, savings and investment and risk diversification are where the students struggled the most. In the case of India, Dahiya et al., (2023) [16] found that Indian students possess low awareness of compound interest, inflation, the benefits of diversification and the use of credible information for financial decision making.

3. Objective

To assess the financial literacy level of college students and their variation across different domains and demographic factors.

4. Research questions

RQ1 What is the financial literacy level of college students in Nagaland?
RQ2 Who is more financially literate? Male or female?

5. Methodology

The present study is descriptive and cross-sectional. The design was adopted as it enabled the collection of data from a relatively large number of respondents within a limited period of time and allowing the researcher to describe existing patters and relationships without modifying variables.
Primary data was collected from college students using a structured questionnaire prepared in Google forms during the months of August and September 2025.
The study employed a non-probability sampling approach with purposive elements, ensuring participation from students across streams while also facilitating efficient data collection within the given timeframe. The sample was made up of 297 college students from Nagaland enrolled in higher education institutions, both public and private.
Financial literacy has been measured using different variables ranging from savings, investment, insurance, among others. This study adopts the measure of financial literacy as proposed by Ramos-Hernández et al., (2020) [7] where the following financial topics were used to measure financial literacy levels of college students:

- Retirement planning [2]
- Inflation [19]
- Numeracy [20, 21]
- Insurance [22]
- Credit [22, 23]
- Saving and investment [24, 18]
- Risk diversification [2, 21]

Based on the above topics, mini-cases were set with four possible answers, one correct and three incorrect, which is measured quantitatively by setting the value 1 for wrong answers and 2 for the right answer. Therefore, the maximum score that can be obtained from the mini-cases about financial literacy is 18 points, while the lowest score is 9 points. The following measurement ranges were set for the financial literacy level of college students: Excellent: 18 points, Good: 17 points, Average: 16 points, Poor: between 14 and 15 points, Bad: from 10 to 13 points, Zero: 9 points. Considering all the information stated before, the results obtained in this study are presented below.

6. Findings and Conclusion

Based on the results of the mini-cases of financial topics included in the instrument, the overall level of financial literacy was measured where it was observed that college students had low levels of financial literacy.

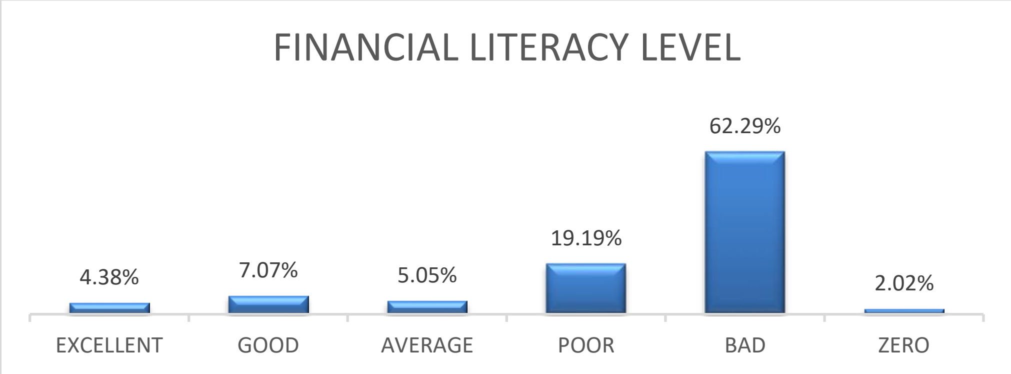

Figure 1.1. Financial literacy level of college students in Nagaland

It can be observed from the figure that while 16.5% had a fair knowledge on the financial topics with 4.38% scoring excellent points, 7.07% scoring at the good level and 5.05% at the average level. However, a large majority of 83.5% of the respondents performed poorly. Among these, 19.19% fell in the poor category, 62.29% in the bad category and 2.02% were at the zero level. These findings indicate an overall low level of financial literacy among college students in Nagaland.

Table 1 Gender based financial literacy

Gender	n	Mean	SD	t	df	p
Male	147	13.39	2.11	-2.36	295	.019
Female	150	12.79	2.32			

An independent samples t-test was conducted to compare financial literacy scores between male and female students. Results indicated a statistically significant difference, t (295) = -2.36, p = .019 (two-tailed), with male students (M = 13.39, SD = 2.11) scoring slightly higher than female students (M = 12.79, SD = 2.32). Thereby answering the RQ2 – Male students are more financially literate than female students

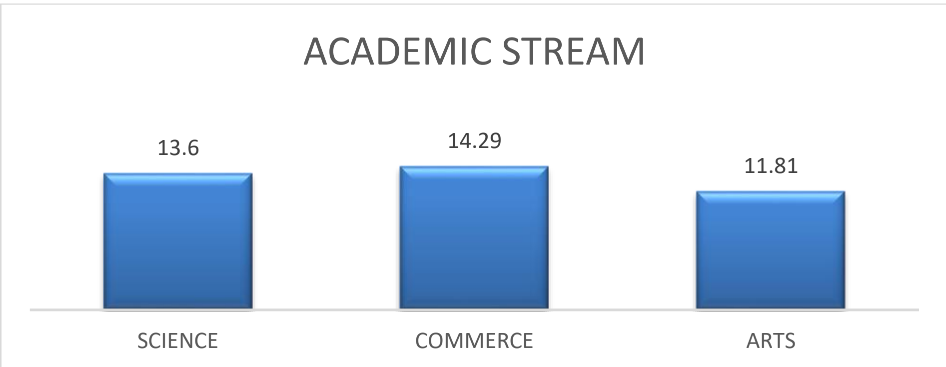

Figure 1.2. Academic stream wise average score of financial literacy

On the level of financial literacy based on academic stream, it was found that Commerce students with an average score of 14.29 were in the lead followed by science students with an average score of 13.6 and arts students with a score of 11.81 which is also in line with the existing trend.

Figure 1.3. Year wise average score of financial literacy

Based on the year of study, it was found that students in the post graduate level performed better which can be supportive of the role that education plays in contributing to the financial literacy of students.

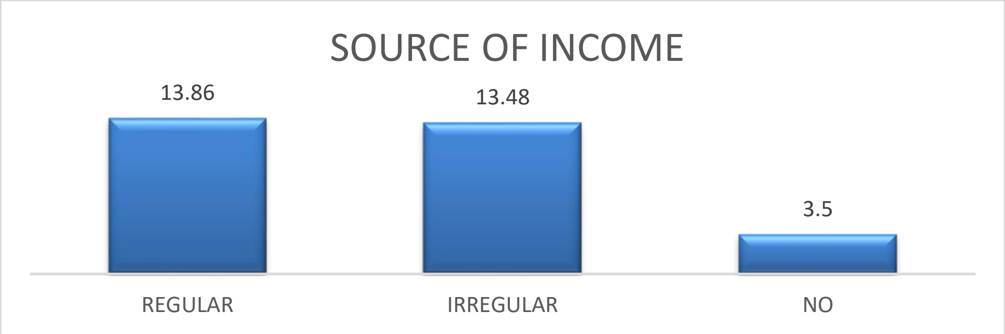

Figure 1.4. Income based average score of financial literacy

The study found that students who had an income source besides the pocket money received from parents/guardians, whether it be regular through part-time job, freelancing, business, etc. or irregular through occasional work, scholarships, stipends, etc. performed better with an average score of 13.86 and 13.48 respectively in comparison to those students who relied entirely on parental support scoring an average of 3.5 only.

Individual mini-cases were also analysed to ascertain the knowledge of the college students on particular financial topics which are presented below:

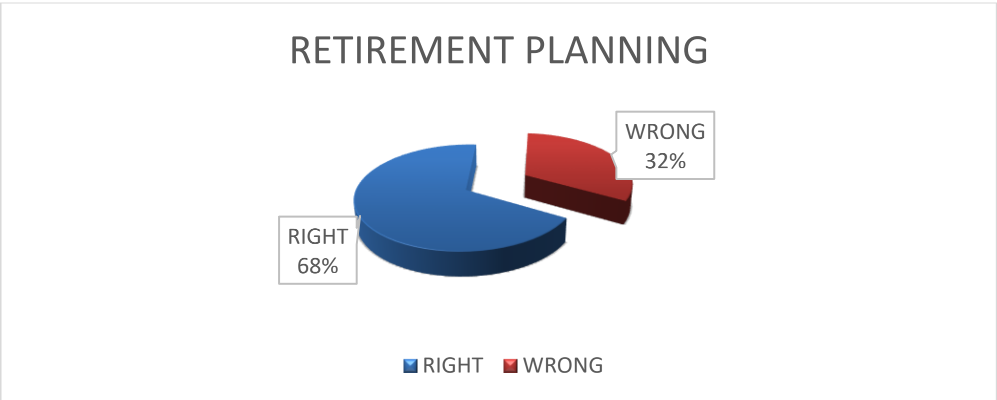

Figure 2. Retirement planning

In retirement planning, it was observed that most of the college students 68% provided the correct answer indicating that they are aware about the actions they need to take to plan for the future towards retirement.

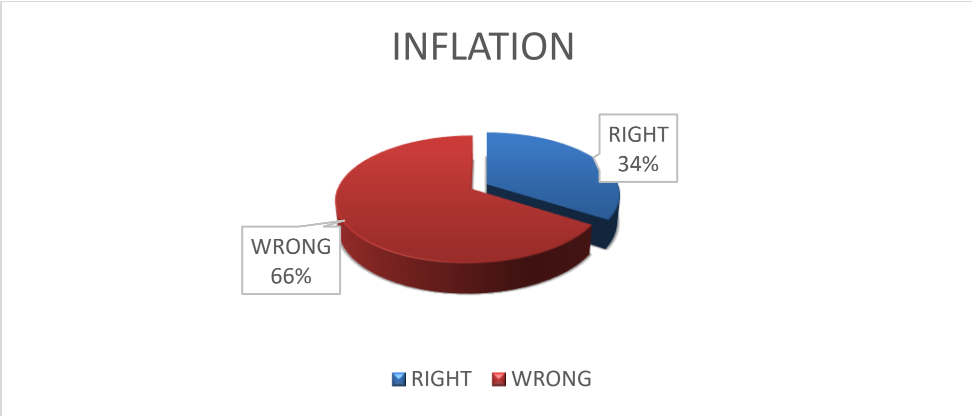

Figure 3 Inflation

College students were observed to be lacking in the area of inflation with almost 66% getting the answer wrong and only 34% understand inflation. An awareness of inflation is necessary for making financial decisions related to savings, investment and retirement. Therefore, the lack of knowledge in this area may limit an individual's ability to plan effectively for the future.

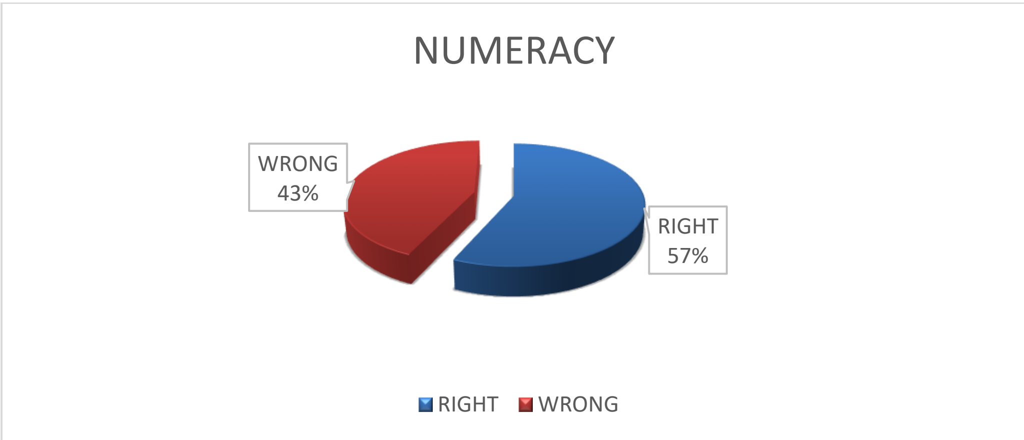

Figure 4 Numerical ability

On numeracy, 57% of students got the answer correctly while 43% got it wrong, which is still a big problem because numeracy is often seen as the foundation of financial literacy. Not being able to understand basic calculations can render it difficult to apply financial concepts in real life even for those who understand the financial concepts.

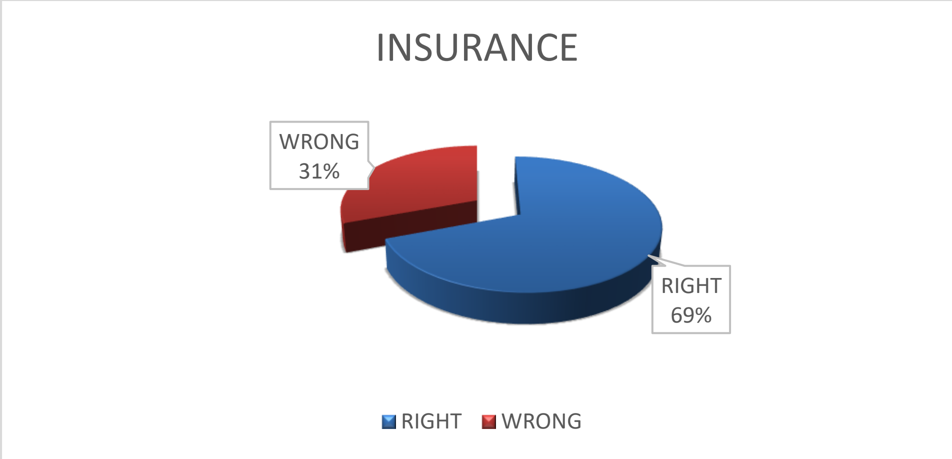

Figure 5 Insurance

To be able to safeguard oneself against financial risk is an important skill an individual must possess. Most students, around 69% appeared to have knowledge of insurance while 31% appeared to lack this crucial knowledge.

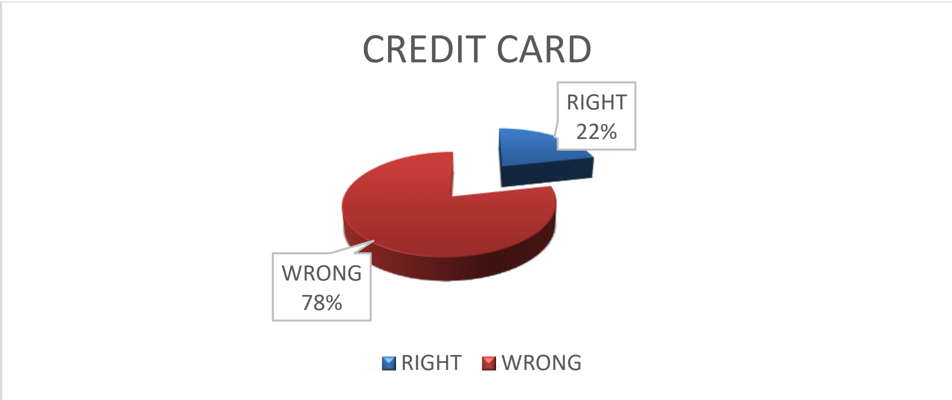

Figure 6 Credit (credit card)

On the credit front, with regard to credit card, most of the students around 78% had incorrect or no knowledge as observed in the study. Credit cards are directly linked to debt and interest. Therefore, lack of knowledge in this area may expose individuals to risks like overspending, debt traps and mismanagement of credit.

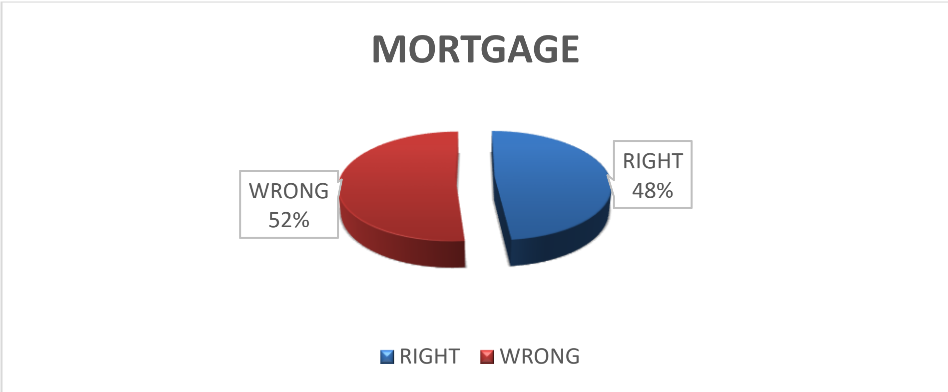

Figure 7. Credit (Mortgage)

Knowledge about mortgage can help in building sustainable assets and financial stability but 52% of the students appeared to be lacking knowledge in this area while 48% appeared to know about it.

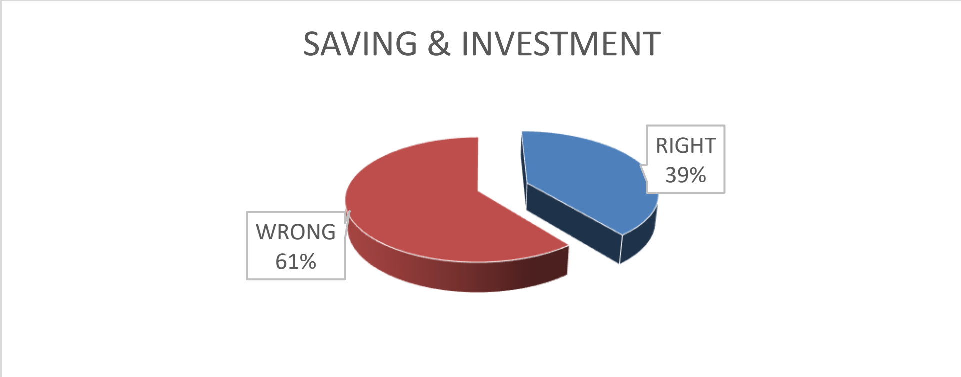

Figure 8. Saving & Investment

Saving and investment which is another crucial aspect of financial literacy, majority of the college students 61% answered incorrectly indicating the lack of knowledge in this important area. Only 39% were able to get it right which indicates a serious gap in financial literacy in this area which shows that many students may find it hard to make informed decisions in life.

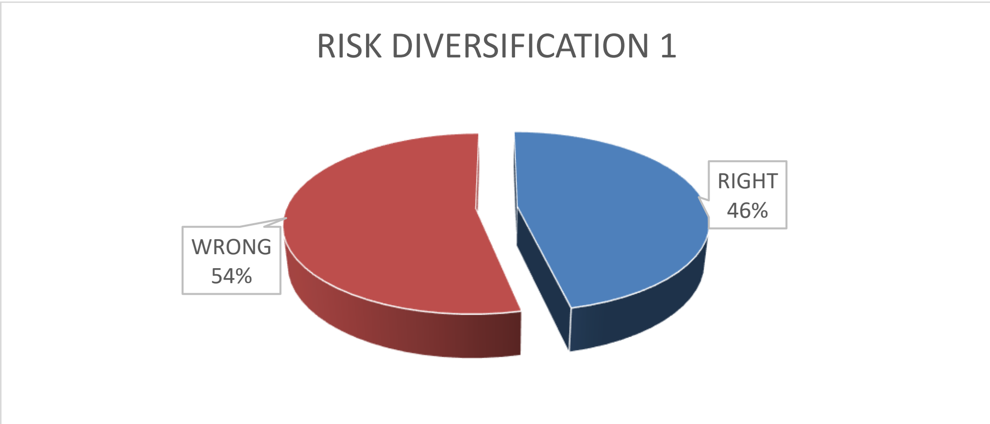

Figure 9. Risk diversification (Case 1)

The first case of risk diversification about spreading of risk among different assets which can help reduce the chances of losing money on investment, majority of students 54% got it wrong and only 46% was able to get it right which indicated that students had no knowledge on this particular area.

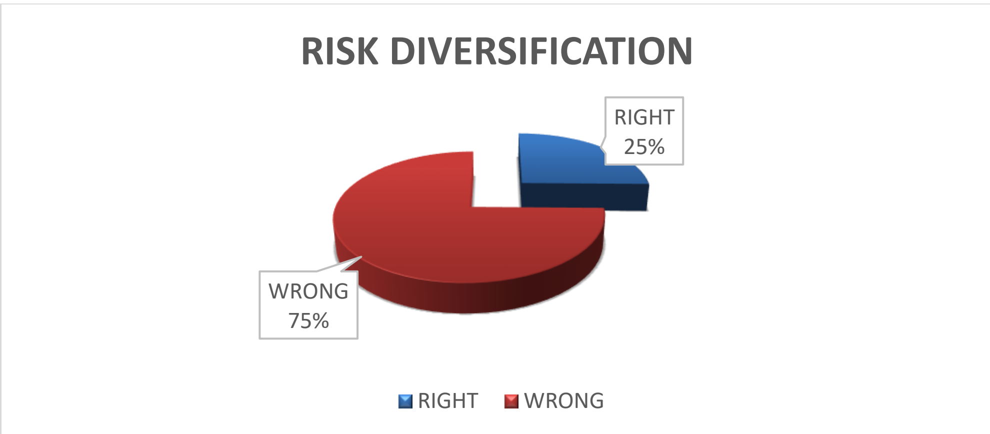

Figure 10. Risk diversification (Case 2)

The second case of risk diversification on follow up action when investing in high risk financial product, found that majority 75% of students had no knowledge which indicates that students had no knowledge about taking follow up actions to protect their investment.
The low level of financial literacy obtained through the study, which is in line with several studies [18, 25, 26, 4, 11, 12, 13, 16] is concerning since for most students, the knowledge imparted at this level may be the last form of formal education. Thereafter they may directly enter the workforce requiring them to handle their financial decisions themselves.
When comparing between male and female students, female students appeared to perform below male students even when receiving the same knowledge and this finding is in line with existing trends where male students were found to be more financially literate than female students [18, 2, 1, 12].
The source of income like in other studies also seemed to play an important role with those who earned money having more financial knowledge in comparison to those who did not [13].
On observing each individual financial topic, it was found that the topics which most students answered incorrectly were - Inflation, Credit card, Mortgage, Saving & Investment, Risk diversification related to spread of money among different assets to reduce risk (case1) and actions to be taken when investing in high risk assets (case 2). The topics which most of the students got right were - Retirement, Numeracy and Insurance.
The findings prove that college students are competent to plan for their retirement, are capable of solving interest rate calculations and know the importance of insurance. But incompetent in understanding the effects of reducing value of money over time, importance of credit card usage and working of mortgage for purchase of long term assets. The study also proves the incompetence of college students in understanding the significance of diversifying money across different assets as well as the importance of managing high-risk investments.
It is important to understand that college students are at a crucial stage of their lives where they are or will soon be responsible for making financial decisions impacting their own lives as well as the economic scenario of the society. It should also be noted that this particular stage provides a platform where efforts on financial literacy can be focused. The findings of this study provides an idea of the current scenario of college students in Nagaland in regard to financial literacy which may be used to formulate strategies on financial literacy for college students and thereby help them achieve financial goals which will ensure their financial wellbeing as well as the financial wellbeing of the society leading to sustainability.

7. Limitations and future research directions

The present study is limited to college students in Nagaland. Therefore, the findings may not be generalizable to other states or regions of India. Future studies may consider expanding the sample across multiple states of Northeast India to allow for comparative analysis. Additionally, qualitative approaches may be employed to gain deeper insights into the factors influencing the financial literacy of college students in this region.

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