



## **Role of Financial Education for Future Technocrats**

**Puneet Bhushan Sood\*, Kritika Choudhary and Harneet Singh**

*Jaypee University of Information Technology, Wahnaghat, Solan, PIN-173234, India*

### **ABSTRACT**

Financial education can be defined as “the process by which financial consumers/investors improve their understanding of financial products and concepts, develop the skills and confidence to become aware of financial risks and opportunities, make informed choices, and take other effective actions to improve their financial well-being and protection”. Financial stability is achieved through the application of sensible financial principles and responsible behaviour, which itself can be inculcated through financial education at school and college levels. However, it has been observed that students seeking technical education are not given adequate financial education and knowledge as it should have been to enable them make informed decisions. An attempt has been made in this paper to gather information and evaluate the effectiveness of the subjects pertaining to Finance and Economics being offered to Engineering students in various institutions, and to also seek from students what additional financial education they feel is missing from their curriculum. Furthermore, various measures are suggested to improve financial awareness and to help the students gain a more in-depth knowledge about financial management principles and concepts related to personal finance for a holistic development of future technocrats.

*Keywords:* Engineering, Finance, Financial Education, Financial Literacy, Holistic development, Technocrats

### **INTRODUCTION**

Financial education can be defined as “the process by which financial consumers/investors improve their understanding of

financial products and concepts, develop the skills and confidence to become aware of financial risks and opportunities, make informed choices, and take other effective actions to improve their financial well being and protection.” More specifically, it refers to the set of skills and knowledge that allows an individual to make informed and effective decisions through their understanding of finances.

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##### *E-mail addresses:*

puneet.sood@juit.ac.in (Puneet Bhushan Sood),  
kritikachoudhary.2110@gmail.com (Kritika Choudhary),  
hsabveja@yahoo.com (Harneet Singh)

\* Corresponding author

It is the ability to read, analyze, manage and write about the financial conditions that affect material well-being. It includes the ability to determine the financial choices, discuss money and financial issues without discomfort, plan for the future, and respond competently to life events that affect everyday financial decisions, including events in the general economy.

In our complex financial marketplace, financial education must be a life-long quest that enables consumers of all ages and economic positions to stay attuned to changes in their financial needs and circumstances and to take advantage of products and services that best meet their goals. Well-informed consumers, who can serve as their own advocates, are one of the best lines of defence against the proliferation of financial products and services that are unsuitable, unnecessarily costly, or abusive.

It has been found that technical institutions do not give proper financial education to their students. Technocrats enter the complex financial world without any financial education which involves a lot of risk. An attempt was made in this paper by carrying out a survey to find out the state of financial education in engineering colleges across North India. Based on the results, various measures are suggested to improve financial education for future technocrats.

This paper is divided into five sections. Section I gives an introduction to the paper. Section II highlights the importance, benefits and factors increasing the importance of financial education. Section III defines the

need, objectives, methodology and findings of the study. Section IV suggests the measures to improve financial education for future technocrats and Section V presents the summary and concludes the paper.

## **THE IMPORTANCE OF FINANCIAL EDUCATION**

Most people learn to manage personal and household finances by trial and error. They achieve financial literacy through the daily experiences of managing their money with the help of informal financial services. However, as they enter the formal financial system, they must acquire new skills. Financial education teaches the knowledge, skills and attitudes required to adopt good money-management practices associated with earning, spending, saving, borrowing and investing money. It provides poor people with the tools to make better financial choices and better manage risks.

Financial education is incredibly important. Recession has shown that even wealthy, well-educated people can fall into traps regarding their money. In this time of increasingly complicated monetary instruments and policies, it is absolutely critical for people to understand their finances and to learn how to manage their money wisely. Financial education needs to be stressed in schools, but it is never too late to try to learn about the financial system. Luckily, there are many tools people can use to become more financially savvy.

Proper financial education is an important part of life. Everyone will likely face a difficult financial situation someday,

whether large or small, that requires time and money. Having a good understanding of personal finance will help make tough situations less stressful.

#### *The Benefits of Financial Education*

Financial education can benefit consumers of all ages and income levels. For young adults just beginning their working lives, it can provide basic tool for budgeting and saving so that expenses and debt can be kept under control. Financial education can help families acquire the discipline to save for a home of their own and/or for their children's education. It can help older workers to ensure that they have enough savings for a comfortable retirement by providing them with the information and skills to make wise investment choices with both their pension plans and any individual savings plan. Financial education can help those at lower income levels make the most of what they are able to save. Financial education can provide increased understanding of basic financial information, such as trade off between risks and return and the value of compound interest, as well as more specific information about the advantages and disadvantages of a particular type of investment.

Financially educated consumers can also benefit the economy. By demanding products more responsive to their needs, they encourage providers to develop new products and services, thus increasing competition in financial markets, innovation and improvement in quality. Financially

educated consumers are likely to save more than their less literate counterparts. The increase in savings associated with greater financial literacy has positive effects on both investment levels and economic growth. Financially educated consumers are in a better position to protect themselves on their own and to report possible misconduct by financial intermediaries to the authorities.

#### *Factors Increasing the Importance Of Financial Education*

The importance of financial education has increased in the recent years for a number of reasons, as follows:

- 1. The complexity of financial products.** Consumers are now faced with a variety of different financial products, where there is a range of options with respect to fees, interest rates, maturities, etc. offered to them. In addition, the quality of some of these financial products, such as life insurance, is difficult to access because consumers do not purchase them frequently and there is often a significant time gap between purchase and use.
- 2. Increase in number of financial products.** Lack of regulation of financial markets and the reduction in costs have resulted in an abundant number of new products custom-made to meet very specific consumer needs. The internet has also facilitated the people with the ease of availability of enormous amount of information about investment and credit products.

**3. Low levels of financial literacy.**

Financial understanding among consumers is low, especially for certain groups, such as the minorities and those at the lower end of the income distribution due to the lack of exposure to the financial world and inadequate financial awareness imparted to them at their college level.

**4. Growing financial stresses during college years.**

Students today often hold part-time or full-time jobs, such as working at B.P.O.'s, to support themselves and their families while attending college. Students may find it difficult to strike a balance between work and college. This makes it hard for them to cope up with their studies and thus, affects their grades. The accumulation of stress of attending college and working at the same time due to being caught in a debt may lead to depression or suicidal tendencies among students. Some students may not understand that they could be sacrificing substantial long-term financial gains for minimal short-term gains. Credit card debt during college is also an area of concern.

**NEED OF THE STUDY**

Technocrats are given ample technical knowledge in their institutions, which helps them to get a lucrative job and a promising career. If a person does not know how to handle and manage his money well, the state of affluence might be lost which would create a financial chaos for himself or others.

Due to lack of financial education, when the technocrats start earning, they are not able to choose the right savings or investments for themselves. However, if they do become financially educated, they would be able to manage their hard-earned money well, which will have a positive effect on their investment level and their money will grow exponentially.

It has been found that technical institutions do not give proper financial education to their students. Technocrats enter the complex financial world without any financial education which involves a lot of risks. An uneducated individual armed with a credit card and access to a loans, mortgage is extremely dangerous to himself and the community. Financial education must be given in order to develop a broad base for approaching of future challenges that are expected to arrive.

**OBJECTIVES OF THE STUDY**

The broad objectives of this study are as follows:

1. To find out what all subjects pertaining to finance and economics are being offered to engineering students.
2. To find out the ability of engineering students to manage their own finances.
3. To suggest measures for improving financial education for future technocrats.

**METHODOLOGY OF THE STUDY**

In order to gather information regarding financial education from future technocrats,

a survey was conducted in technical institutions across North India. For the purpose of survey, ten technical institutions from North India were randomly selected. A questionnaire was prepared in order to determine the awareness level of the Engineering students regarding financial education, the subjects of finance and economics being offered to them in their Engineering curriculum and to identify the kind of additional financial education they need. In each of the ten technical institutions, fifteen questionnaires were circulated to final year engineering students. The students filled in the responses and after scrutinizing all the filled questionnaires, a few questionnaires were found to be incomplete. Finally for the purpose of their study, one hundred and sixteen questionnaires were used.

### FINDINGS OF THE STUDY

The findings of this study revealed the following:

1. Analysis of the survey revealed that 26.74% respondents strongly agreed, 39.65% respondents agreed, 19.82% students were neutral and 13.79% disagreed with the fact that financial education is a must for technocrats. Thus, it can be said that the majority of the future technocrats feel that financial education is a must for them (0.05% standard error) (see Appendix, Fig.1).
2. From the analysis of the survey, it was found that almost all the technical institutions offer Economics as one of their subjects in their course curriculum. A few colleges also offer courses on Financial Management. However, the courses on financial education such as Financial Planning, Basic Personal Finance are still found missing from their curriculum.
3. The majority of the future technocrats have shown their inability to manage their own finances. After analysing the responses, it was found that 6.89% of the respondents were very sure, while 39.65% were somewhat sure, 40.51% were not too sure, and 12.93% were not sure at all of their ability to manage their own finances (0.05% standard error), as shown in Fig.2. As depicted in the table, more than 50% of the students were not confident in making financial decisions, and thus, there is a need to revise the scope of the subjects related to finance and economics being offered to them to enable them make sound decisions.
4. The majority of the future technocrats have shown their inability to manage their own finances. Thus, 68.96% of the total respondents expressed their desire to study additional subjects related to finance and economics (0.05% standard error) (see Appendix, Fig.3). In particular, the respondents expressed their desire to study subjects related to stock market, investment strategies and personal finance.
5. It was also evident from the analysis of the survey that most of the institutes do not offer any extra sessions, seminars

or conferences on financial education (0.05% standard error), as illustrated in Appendix, Fig.4.

6. The majority of the respondents (73.27%) did not read business newspapers on a regular basis. Out of the number of the respondents who read business newspapers on regular basis, 61.29% were able to comprehend only half of the contents (0.05% standard error) (see Appendix, Fig.5 and Fig.6). Thus, it can be concluded that future technocrats are unable to grasp most of the information conveyed in business newspapers.

#### **MEASURES TO IMPROVE FINANCIAL EDUCATION**

By analyzing the results of the survey, it is very clear that proper financial education is lacking in the curriculum of future technocrats. This means they will not be able to make riskless and profitable decisions if they are not acquainted with the complex ambience of the financial world. Hence, there is a dire need for the future technocrats to be well-versed with the various disciplines of financial education. The universities can play a major role in this regard. Some of the measures used to improve financial education among future technocrats are stated below:

1. **Develop a campus-wide, coordinated financial literacy program directed towards students, faculty and staff.** College administration can work with student, faculty and staff groups

to develop a coordinated financial education strategy.

2. **Integrate financial literacy into the curriculum.** Financial education must become a part of the curriculum for technocrats. Administrators should work with the faculty to identify methods of integrating financial education into university curriculum.
3. **Develop an online resource hub.** Universities can offer online hubs of financial education information, along with relevant resources and services. This will allow students access to vast amount of financial information. The online resource hub can contain information on basic financial management, links to useful Web pages, information for parents, and other materials such as an online course for building strong financial strategies for young families.
4. **Extend financial literacy education to students' parents.** Parents are the main source of financial advice for students. Campuses can consider financial management education sessions for both students and their parents. Online resources for parents and college students may also be helpful.

#### **SUMMARY**

Financial education is associated with the health and well-being of individuals, families, communities and markets. In specific, it can help individuals plan for

their future and contribute to a sustainable, prosperous lifestyle during their work years and retirement. Financial education is a “life skill” that benefits individuals to a large extent all throughout their lives.

In order to identify the level of financial awareness among the future technocrats, a survey was conducted among the final year engineering students at various universities. Nonetheless, it was seen that financial knowledge among the future technocrats is very low. Universities can have an undefined role in providing financial education, but a majority of Engineering colleges do not take courses on financial education and economics. Hence, there is a dire need for technical institutions to embody multi-disciplinary subjects in the fields of finance and economics in their education curriculum as an integral part, along with other technical subjects.

Through the delivery of such subjects, colleges and universities can equip individuals with the skills needed to be effective participants in the economy, advance the institution, and fulfil their roles as meaningful contributors to the health and vitality of their communities and the nation at large. Therefore, various measures are suggested to make the future technocrats better acquainted with the complex financial world.

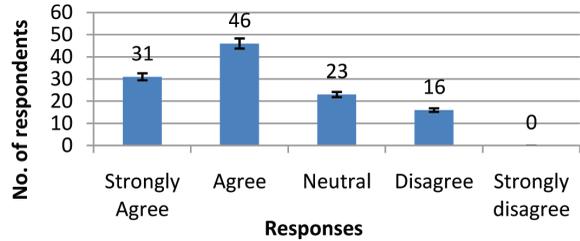
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**APPENDIX**

Do you think financial education is a must for technocrats?

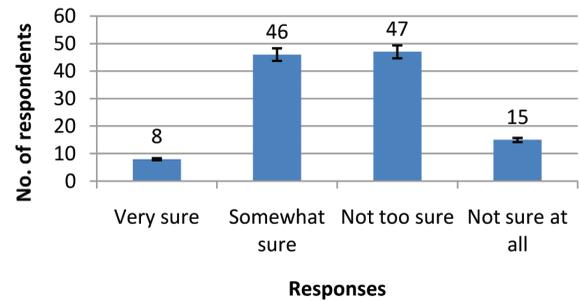
Responses	No. of respondents
Strongly Agree	31 (26.74)
Agree	46 (39.65)
Neutral	23 (19.82)
Disagree	16 (13.79)
Strongly Disagree	0 (0.00)



**Fig.1**

After studying financial subjects, how sure do you feel about your ability to manage your own finances?

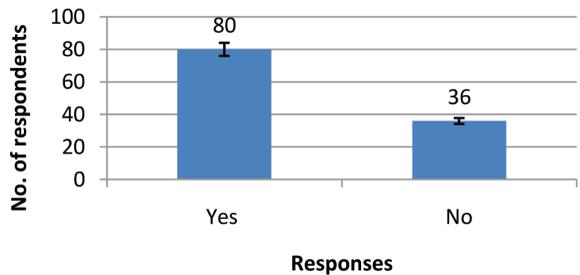
Responses	No. of respondents
Very sure	8 (6.89)
Somewhat sure	46 (39.65)
Not too sure	47 (40.51)
Not sure at all	15 (12.93)



**Fig.2**

Apart from the above mentioned subjects, do you wish to study any other subject/topic related to finance and economics which is not included in your current curriculum?

Responses	No. of respondents
Yes	80 (68.96)
No	36 (31.04)



**Fig.3**

Are there any extra sessions, seminars or conferences organised by your institute on financial education?

Responses	No. of respondents
Yes	47 (40.50)
No	69 (59.50)

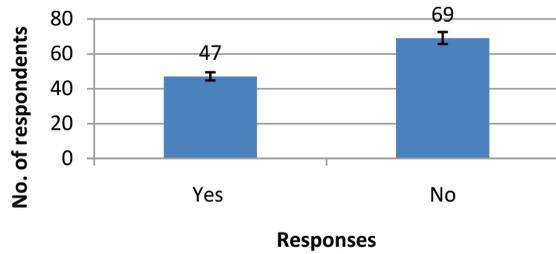


Fig.4

On a regular basis, do you read Economic Times, Business Standard, Financial Express or business columns of other national dailies?

Responses	No. of respondents
Yes	31 (26.72)
No	85 (73.27)

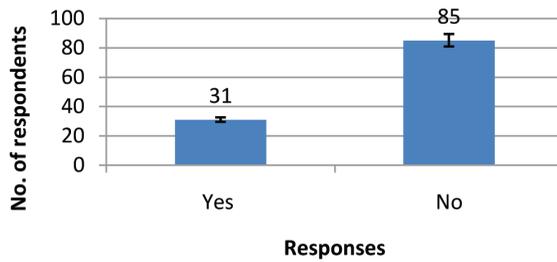


Fig.5

If Yes, how much are you able to comprehend?

Responses	No. of respondents
Almost everything	0 (0.00)
Most of it	8 (25.80)
Almost half	19 (61.29)
Barely anything	4 (12.90)
Nothing at all	0 (0.00)

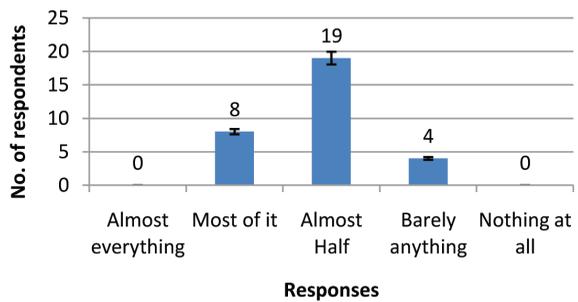


Fig.6

\*Figures in parenthesis indicate percentage

