

# *Analysis of Current Status and Strategies to Enhance Financial Literacy among College Students*

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**Keywords:** College students' financial literacy; financial practice; financial markets; financial risk prevention

**Abstract:** Financial literacy refers to an individual's comprehensive understanding, knowledge, and skills in utilizing financial knowledge, as well as their awareness of financial markets and mechanisms, and their ability to handle financial crises and risks. However, the overall level of financial literacy among college students in China is relatively low, which hinders the overall development and long-term planning of the financial industry in our country. Therefore, this paper discusses the current status of financial literacy among college students and proposes strategies to enhance their financial literacy, aiming to promote the improvement of financial literacy among college students and provide a certain guarantee for the long-term development of the financial industry.

## 1. Introduction

The continuous development of China's economy and society has driven the continuous improvement of financial literacy among its residents. Overall, residents have made significant progress in financial cognition and financial practice capabilities. However, the level of financial literacy among college students in China is still relatively weak. They have not acquired a good understanding of financial knowledge and skills, nor do they have sufficient knowledge about the developing financial market. The lack of emphasis on financial literacy cultivation during the university stage further contributes to the weak financial literacy among college students.

The process of improving financial literacy among college students is also a process of understanding the operation rules of the financial market. In this process, they will learn about the rules of the financial market and the ethical standards that individuals should abide by, laying the foundation for their future participation in financial practice. Furthermore, the improvement of financial literacy plays a significant role in assisting college students in participating in financial practice. It equips them with sufficient financial knowledge, enabling them to make rational and informed judgments in financial market activities. It enhances their ability to identify financial traps, analyze risks in financial transactions, and strengthen their personal risk management and handling capabilities. It also increases their adaptability to the complex and ever-changing financial market. For college students, the improvement of financial literacy can enhance their competitiveness in the job market and provide advantages for their career development. For the financial market in China, the enhancement of financial literacy among college students not only enhances the resilience of the society to financial challenges but also promotes the healthy development of the financial market.

## **2. Financial literacy and composition dimensions**

### **2.1 Financial literacy**

Financial literacy refers to the comprehensive knowledge, behavior, and skills that an individual possesses in the field of finance. It measures an individual's knowledge reserve and the ability to apply financial knowledge to solve real financial problems [1].

At the initial stage of studying financial literacy, it was narrowly defined as a part of financial knowledge. However, as the global economy further developed and research deepened, the United States' Financial Literacy and Education Commission defined financial literacy as the knowledge and abilities that consumers possess to effectively manage their financial resources for financial well-being. The Organization for Economic Co-operation and Development views financial literacy as the comprehensive embodiment of awareness, knowledge, skills, attitudes, and behaviors. Over time, financial literacy has become an important form of human capital [2].

### **2.2 Financial literacy constitutive dimensions**

The academic community has provided various definitions of financial literacy, among which the most widely accepted definition states that "financial literacy is the synthesis of financial awareness, financial attitudes, financial knowledge, and financial skills. It refers to people possessing a certain level of financial literacy to make appropriate financial judgments and analyses, and ultimately maximize personal financial well-being" [3]. This definition was adopted in the "Analysis Report on Consumer Financial Literacy (2021)" published by the People's Bank of China, which investigated the four aspects influencing residents' financial literacy: financial awareness, financial attitudes, financial knowledge, and financial skills.

Among these four dimensions, financial awareness represents consumers' basic understanding of the financial market. It is of great significance for consumers to grasp the basic rules of the financial market. Good financial attitudes not only influence the development and stability of finance but also protect the consumption of college student groups from impulsive and blind behavior<sup>[4]</sup>. Financial knowledge refers to consumers' understanding of financial market concepts, principles, and operational techniques, which is crucial for enhancing financial skills. Only through this can consumers make more rational and rewarding decisions in the financial market.

## **3. Current situation of financial literacy among college students**

The current status of financial literacy among college students varies due to factors such as the economic level of their respective regions, cultural differences, the subjects they study, and the socioeconomic development. However, there is still significant room for improvement in the overall level of financial literacy among college students, particularly in the aspects of financial awareness, financial attitudes, financial knowledge, and financial skills.

### **3.1 Financial awareness**

The level of financial awareness is closely related to individuals' cognitive abilities, which are influenced by both internal and external factors. Differences in cognitive abilities and mathematical skills significantly affect individuals' financial awareness<sup>[5]</sup>. Although college students have broad horizons and the potential to become main participants in the financial market, their financial awareness is still relatively low. Most college students have not received systematic financial

education during their academic career, which results in a lack of basic financial knowledge in areas such as financial management, stock market investment, personal finance, and personal credit. In terms of financial practice, college students mainly engage with commonly seen financial products in Alipay, lacking awareness of credit card management, loans, and funds<sup>[6]</sup>. This lack of awareness of financial products among college students affects their future financial practices.

### **3.2 Financial attitude**

Financial attitudes refer to individuals' views, attitudes, and behaviors towards various issues in the financial field. They encompass individuals' understanding, views, and evaluations of financial knowledge, financial systems, financial instruments, and financial markets. Currently, college students have not established a good financial attitude. This is reflected in the low level of importance they place on cultivating financial literacy and the low emphasis on financial literacy education courses in disciplines related to economics and management. When faced with the financial market, most college students have cognitive biases due to limitations in their financial literacy and knowledge. They may have the misconception of "getting rich overnight" through the financial market and regard financial products as gambling tools. They have not developed correct and healthy financial concepts. However, some college students realize the importance of improving financial literacy for their personal growth and career planning. They believe that cultivating good financial literacy can enhance their income channels, and they have a positive attitude towards learning financial literacy.

### **3.3 Financial knowledge**

The overall level of financial knowledge among college students in China still needs improvement. Currently, many college students have insufficient understanding of financial products such as stocks, funds, and insurance. They lack an understanding of the operating rules behind these financial products. When participating in the financial market, most college students only focus on the financial product's return rate and lack an awareness of the risk-return ratio. The concept of risk-return ratio is rarely known, which increases the risk of financial investment and makes them vulnerable to financial losses. Anna's research suggests that the main reason for college students' lack of financial knowledge is the lack of emphasis on personal finance courses for non-business majors in their schools. Most universities have not provided general education in financial knowledge courses for college students, resulting in a lack of accurate understanding of financial products and limited participation in related financial activities<sup>[7]</sup>.

### **3.4 Aspects of financial skills**

Financial skills refer to the ability to use financial tools and manage financial resources, primarily relying on the application of financial knowledge<sup>[8]</sup>. As college students possess certain consumer capabilities and are sensitive to new things, mastering financial skills is crucial. However, most college students do not have a good understanding of financial skills. Due to the majority of college students relying on a one-time allowance from their parents as their main source of funds, and a small portion combining personal work-study with family support, they tend to have a tendency for blind consumption. They lack awareness and skills in managing and utilizing funds effectively. This also hinders their engagement in financial practices and their ability to enhance their financial skills. They have insufficient experience with complex financial products, and their financial management concepts remain limited. Their financial skills are confined to traditional impressions and classroom

learning.

Some college students are actively involved in the financial market. However, due to the limitations of their financial knowledge, they face various risks in the financial market. The improvement and expansion of the financial market bring about increased financial risks, scams, and traps. College students have limited social experience and are more influenced by irrational factors. They lack social experience and filtering capabilities, making them susceptible to the influence of classmates and peers. Their resistance to financial temptations is weak, and their decision-making in the financial market is often blind, resulting in increased financial risks and significant personal property losses.

#### **4. Suggestions for measures to improve the financial literacy of college students**

##### **4.1 Improve the financial education system of college students**

With the continuous development of the economy and society, finance has permeated into various industries in society. The introduction of financial education courses in universities not only promotes the career development and professional skills of students in economics and management-related majors but also serves as an important measure to improve the overall financial literacy of society. To cultivate potential participants in the future financial market, it is crucial to popularize financial education among college students.

To achieve this, universities should improve their talent cultivation system to strengthen the education of financial literacy among college students. Firstly, the importance of financial literacy-related courses should be emphasized in the talent cultivation program, and more financial literacy education courses should be added. These courses should be incorporated as general education courses to emphasize their importance to college students, nurturing them as potential participants in the future financial market. Additionally, elective courses related to finance should be offered to encourage college students to choose and study them, fostering a good financial literacy foundation.

Secondly, interdisciplinary approaches should be established by integrating finance with other disciplines, adjusting the teaching content, and cultivating comprehensive talents with financial literacy. Lastly, the integration of theory and practice should be emphasized. Universities should improve talent cultivation programs and systems, increase practical training in financial courses, and organize various financial exchange activities. These efforts will enhance college students' financial practice capabilities and promote their understanding and awareness of the financial market. It will cultivate their financial literacy to adapt to the development of society. For college students majoring in economics and management, the establishment of financial practice training courses has a significant impact on enhancing their competitiveness in the future job market.

##### **4.2 Enhance the asset management ability of college students**

Firstly, college students should be encouraged to engage in rational asset and financial planning, avoiding blind consumption. Correct consumption perspectives should be promoted to reduce tendencies for comparison and blind following, enabling students to plan and manage their assets and finances rationally.

After meeting basic daily expenses, they should increase their living standards appropriately, avoiding the negative impact of excessive consumption on personal assets.

Secondly, college students should keep track of their assets and expenditures, conducting monthly expense statistics and analysis. Based on the previous month's balance, they can formulate the next month's expenditure plan. This approach enhances their ability to cope with risks regarding personal assets.

Thirdly, college students should consider entering the financial market based on their personal circumstances. They should view the financial market as a practice avenue for learning financial knowledge rather than a "gambling den." Depending on the monthly surplus of funds, college students should consider investing in the financial market to gain practical financial knowledge and obtain certain profits. If the investment fails, the financial risk is relatively low, and it does not cause significant personal property loss. This way, college students can avoid excessive risks while enhancing their financial literacy.

Lastly, college students should limit their consumption by setting spending limits. They should restrict their use of online credit platforms, such as Huabei, JD Baitiao, and credit cards. By reducing reliance on credit loans, they can avoid situations where they are unable to repay due to excessive consumption, which may negatively affect their personal credit.

### **4.3 Improve the level of Internet financial education services**

With the rapid development and widespread adoption of the Internet, digitalization in the financial industry has become a trend. Financial education content has become common on platforms such as Bilibili, Zhihu, and Douyin. However, due to the low entry barriers of these platforms, there are differences in the professional skills and standards of financial education content creators. This leads to limitations in providing accurate and effective financial services to consumers.

However, digital media has advantages that traditional teaching methods lack. Compared to traditional teaching models, digital financial education platforms can provide more in-depth and convenient financial education help to college students. They can provide practical financial knowledge to solve the immediate financial problems faced by college students. It is essential to establish a digital financial service platform that is authoritative in the financial industry, while leveraging the advantages of digitalization for convenient and efficient services. This platform would have a significant impact on promoting college students' financial education and learning. It can help college students learn how to develop effective financial plans, choose suitable funds for market investment, understand risk avoidance, and learn investment strategies.

## **5. Conclusion**

Financial literacy has become one of the essential skills that individuals must possess. As the backbone of future society, college students play a significant role as potential participants in the future financial market. The level of financial literacy among college students is a reflection of the future development of China's financial market. Improving college students' financial literacy is of great significance to their personal asset management, career development, and financial security. Microscopically, it promotes the healthy development of college students and safeguards their personal financial security. From a macro perspective, enhancing college students' financial literacy is also a necessary measure to break through and develop China's financial industry. Through these efforts, a group of outstanding financial market participants can be cultivated.

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