



INDEX FUND AWARENESS AND ADOPTION AMONG POST GRADUATE STUDENTS: A COMPARATIVE STUDY

LALRINNUNGI

KRISTU JAYANTI COLLEGE, AUTONOMOUS BENGALURU 560077, INDIA

Email: bawihite95@gmail.com

ABSTRACT :

This study aim to investigate postgraduate students' knowledge and adoption of index funds by looking at their investing behavior, financial literacy, and demographic characteristics. Index funds are a simple and inexpensive investment option, it's critical to comprehend how students feel about them. 56 postgraduate students participated in the survey, and all of them provided complete answers. The results demonstrate significant knowledge gaps, with 52.2% of students expressing ignorance of index funds and 18.9% expressing a lack of faith in the financial sector.

The findings show that although students between the ages of 22 and 24 are more likely to think about index funds, adoption is slowed down by lack of information and financial limitations. Perceived risk and student appropriateness are still moderate issues, according to descriptive statistics. In order to assist students reach their long-term financial objectives, the study highlights the necessity of financial education programs that close knowledge gaps and encourage index fund investing. This research helps government and educational institutions create focused financial literacy programs by identifying the main obstacles and student groups most likely to use index funds. In the end, raising accessibility and knowledge can increase students' involvement in index fund investments, promoting better future financial decision-making.

Keywords: Index fund, financial literacy and investing behavior

Introduction :

The number of postgraduate students investing in index funds has been gradually increasing. Because they are at a pivotal point in their financial destiny, postgraduate students are an important cohort to research. Additionally, because index funds are passively managed, their costs are usually lower, making them accessible to students with tight budgets. However, students need to know index schemes and how they impact a portfolio's overall risk. Based just on return, a lot cannot be determined about the performance of index funds.

Investing in index funds can also serve as an educational tool, encouraging students to learn more about personal finance, risk management, and market dynamics. The ability to balance risk and returns is a key skill for financial independence, and understanding passive investment strategies can align with students' long-term financial goals. Therefore, this study aims to assess the level of awareness, willingness to invest, and barriers to adoption of index funds among postgraduate students.

Literature Review :

A study by Koller (2019) confirmed that students who invested in index funds over a period of time, especially in well-established indices like the S&P 500, achieved favourable returns without having to engage in active trading.

Also, studies by Lusardi and Mitchell (2014) have shown that young adults, including students, often lack the financial literacy needed to make informed investment decisions. This lack of understanding about the benefits of index funds can discourage students from investing, even though they may recognize the need to build wealth for the future.

O'Hara and Marsh (2016) highlight that many college students prioritize immediate expenses, such as tuition and living costs, over long-term investing. Even with low-cost entry points like index funds, students may struggle to allocate money to investments. A significant barrier for students is their limited financial resources, which can prevent them from making any significant investments

Statement of the problem :

According to the study, postgraduate students require a deeper understanding of index funds. In today digital age, where internet access widespread, it's easier for students to gather information about investing. However, having access to information is the only first step, it is essential for individual to be aware of the importance of index funds in achieving their long-term financial goal.

Furthermore, even among those who are aware of index funds, there may be significant barriers to adoption, including limited financial literacy, concerns about risk, or lack of accessible resources for starting investments. From the result, 54.1% of students are lack of knowledge and 18.9% of students are lack of trust in financial industry, indicating a significant education gap.

Objective of the Study :

- To identify the demographic characteristic of postgraduate students who are more likely to adopt index funds.
- To analyse the impact of financial education program on index fund awareness and adoption among postgraduate students.

Data and Methodology :

Research Design:

To obtain the data information regarding “Index fund awareness and adoption among postgraduate student: A comparative study” descriptive research method is selected.

Data Collection:

Primary data was collected through a structured questionnaire distributed to a diverse demographic of 55 respondents. Additionally, secondary data from existing literature and internet which constituted supportive literature and behaviour towards postgraduate students.

Results and Discussion :

An email questionnaire (using Google forms) was distributed to postgraduate students across Bengaluru. As shown in Table1, we achieve a remarkable 100% response rate from our initial sample of 56 participants. Notably, each of the 56 students completed the entire questionnaire, demonstrating their valuable engagement in the survey.

Table 1: Analysis of frequency distributions of demographic information.

Sl.	Demographic	Frequency	Percentage
1.	Gender		
	Male	28	50%
	Female	27	48.21%
	Others	2	3.57%
	Total	56	100%
2.	Age		
	19 - 21	10	17.85%
	22 - 24	32	57.14%
	Above 24	13	23.21%
	Below 18	1	1.78%
	Total	56	100%
3.	Income Range		
	Below ₹10,000	35	62.5%
	₹10,001-₹25,000	7	12.5%
	₹25,001- ₹50,000	6	10.71%
	Above ₹50,000	8	14.28%
	Total	56	100%

Interpretation of Table1

From the above table,

- 50% of respondents are male, 48.21% of respondents are female and 3.57% of respondents are others.
- 17.85% of respondents are the age of 19-21, 57.14% of respondents are between 22-24, 23.21% are above the age of 24 and 1.78% are below 18.
- 62.5% of respondents income are below ₹10,000, 12.5% of respondents income are between ₹10,001-₹25,000, 10.71% of respondents income are between ₹25,001-₹50,000 and 14.28% are above ₹50,000.

Table 2: Below the table shows Descriptive Statistics

	Gender	Income	Knowledge of index fund	Currently invest	Perceive risk	Suitable for students	Potential return
N	Valid 56	56	56	56	56	56	56
	Missing 0	0	0	0	0	0	0
Mean	1.48	1.77	1.38	1.75	2.16	1.16	2.30

Std. Deviation	.504	1.128	.489	.437	.682	.371	.784
Minimum	1	1	1	1	1	1	1
Maximum	2	4	2	2	4	2	4

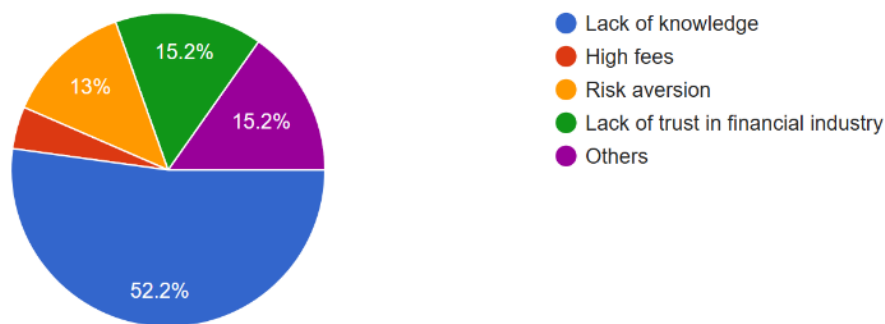
Interpretation of Table2

Table2 shows that the dataset consists of 56 valid responses with no missing data. The mean gender value of 1.48 suggests a slightly higher representation of one gender over the other (assuming 1 and 2 represent different genders). Income has a mean of 1.77, with a standard deviation of 1.128, indicating some variation in income levels among respondents.

The average knowledge of index funds is 1.38, suggesting that most respondents have limited awareness. Similarly, the mean value for current investment status is 1.75, showing that fewer than half of the respondents currently invest. Perceived risk has a mean of 2.16, implying a moderate level of risk perception.

Regarding suitability for students, the low mean of 1.16 indicates that most respondents do not see index funds as highly suitable for students. Finally, the potential return has a mean of 2.30, with a standard deviation of 0.784, indicating a moderate expectation of returns among respondents. Overall, the data suggests limited knowledge and participation in index fund investments, with mixed perceptions regarding risk, suitability for students, and potential returns.

Diagram1: The diagram shows the reasons for not investing in Index funds



Interpretation of pie chart

Based on 46 responses, the pie chart shows the reasons why respondents do not invest in index funds. The salient observations are:

- The most important factor is Lack of Knowledge (52.2%), which shows that more than half of the respondents believe they don't know enough about index funds.
- A lesser percentage of respondents (13%) expressed concern about high fees, showing that while cost is a barrier, it is not the main one. Another factor is risk aversion (13%) which indicates that some students avoid away of index funds out of concern for possible financial loss.
- Other Reasons (15.2%) and Lack of Trust in the Financial Industry (15.2%) imply that personal preferences and outside worries also play a role in the choice to avoid investing.

Conclusion:

This study examined postgraduate students' awareness and use of index funds, focusing on important variables such investment behavior, financial literacy, and demographic traits. The results show that even while index funds are an accessible and affordable investing choice, a sizable percentage of students lack the skills needed to make wise financial decisions. According to the findings, students between the ages of 22 and 24 are more inclined to think about investing in index funds, although widespread adoption is hampered by lack of information and financial limitations. It highlights that fear of risk, distrust, and cost concerns limit student investment in index funds. These gaps can be filled by financial education, which will assist students in making wiser financial decisions going forward. Enhancing postgraduate students' financial literacy increases their involvement in the market and personal financial stability. Future research can examine the effects of financial education and strategies to boost student investment in index funds.

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