A STUDY ON FINANCIAL LITERACY AMONG INDIAN YOUTH

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Abstract

This study investigates the current state of financial literacy among Indian youth, focusing on how socio-economic and demographic factors such as age, gender, education, and employment status influence financial knowledge, behavior, and attitudes. Drawing upon structured questionnaire responses, the paper highlights key patterns and perceptions of financial literacy across a sample population. The findings indicate varied understanding and practice of financial management, with clear gaps in formal financial education. Recommendations emphasize structured educational programs, digital engagement, and inclusive strategies tailored to the needs of Indian youth. This study reinforces the importance of early financial education to support better decision-making and long-term financial well-being.

1. Introduction

Financial literacy is increasingly recognized as a core life skill that contributes to personal well-being and economic stability. Defined by the National Financial Educators Council as the ability to confidently take effective action to meet financial goals, financial literacy encompasses a broad set of competencies such as budgeting, saving, borrowing, and investing. In today's complex economic environment, the ability to manage money effectively is indispensable—particularly for the youth population, which faces increasing financial autonomy earlier in life.

India, with the world's largest youth population, stands at a critical juncture. While the country experiences rapid economic growth and increased access to financial instruments, financial literacy levels among Indian youth remain inconsistent. Cultural norms, inadequate education systems, and digital transitions present further challenges in disseminating financial knowledge equitably.

The implications of poor financial literacy are far-reaching. Low financial knowledge can result in debt mismanagement, poor savings behavior, and missed investment opportunities. These issues are compounded by the diminishing role of state and employer support systems, which has made individual financial planning and literacy more crucial than ever. Addressing this gap requires a nuanced understanding of the socio-demographic influences that shape financial literacy.

This research investigates financial literacy among Indian youth aged 15–30 through empirical analysis. It seeks to understand the factors that contribute to varying levels of financial awareness and to evaluate the readiness of young individuals to make sound financial decisions. By exploring these patterns, this study aims to inform policy, education, and future research.

2. Research Objectives

The core objective of this research is to assess the financial literacy levels of Indian youth and determine how demographic variables influence financial awareness, behavior, and attitude. Specific objectives include:

- Analyzing different components of financial literacy among educated youth.
- Evaluating the extent and quality of financial literacy in selected Indian regions.
- Examining the influence of gender, education, and employment status on financial literacy.
- Developing a basic regression model to understand financial planning readiness.

3. Literature Review

Financial literacy, as defined by the OECD, involves a combination of awareness, knowledge, skill, attitude, and behavior necessary to make sound financial decisions. Huston (2010) emphasized that acquiring financial knowledge without the ability to apply it limits the true utility of financial literacy. Various global studies, such as those by Lusardi and Mitchell (2010), have identified widespread deficiencies in financial literacy, especially among young populations.

In India, studies such as VISA (2012) and Agarwalla et al. (2013) found that Indian youth score poorly on financial knowledge assessments. Commonly cited factors influencing literacy include gender, education, family income, and access to financial services. Female participants and those from rural or lower-income backgrounds often display lower financial literacy scores.

Studies from Ghana (Ansong & Gyensare, 2012), Malaysia (Shaari et al., 2013), Iran (Taft et al., 2013), and South Africa (Fatoki, 2014) reinforce the view that socio-demographic variables such as age, education level, and marital status impact financial knowledge. In the Indian context, Bhushan and Medury (2013) and Sharma and Kukreja (2013) emphasize the role of targeted educational interventions in improving financial literacy.

Although digital access and financial tools have increased, formal training remains scarce. While schools may touch on economic concepts, structured financial literacy remains absent in most curricula. This literature establishes a foundational understanding of where gaps exist and what demographic segments are most affected.

4. Research Methodology

The study employed a quantitative research design using a structured questionnaire inspired by the OECD/INFE Toolkit. The questionnaire included questions covering financial knowledge, behavior, attitude, and demographic identifiers such as age, gender, education, and employment status.

A pilot study helped refine the research tools. For the main data collection, stratified random sampling was used to ensure demographic representation. The sample comprised 32 usable responses collected from various Indian states, with respondents aged 15 to 30.

Key variables:

- **Dependent variable:** Level of financial literacy.
- **Independent variables:** Gender, district of residence, educational level, father's education, employment status, marital status, and parenthood.

The data was analyzed using descriptive statistics (frequency, mean, percentage) and tested using ANOVA and logistic regression to understand the influence of each demographic factor.

5. Data Analysis and Interpretation

Age
Respondents were between 15 and 30 years, with an average age of approximately 20.03 years. The majority were in their early twenties, suggesting high representation from students or recent graduates.

Gender
Out of 32 respondents, 28 were male and 3 were female. The gender imbalance highlights either sampling limitations or underlying societal participation differences in financial activities.

Educational Qualification
The majority (23) were undergraduates, followed by 7 postgraduates. Only 2 had completed high school, and 2 marked "other." This indicates that the sample predominantly consisted of educated youth.

Employment Status
25 respondents were students, 5 were employed, and 1 was unemployed. The data suggests a predominance of individuals still in academic environments, possibly contributing to lower financial exposure.

Self-Assessed Financial Literacy
Responses showed a spread from "very low" to "very high" financial literacy. Most rated themselves as "moderate" or "low," indicating partial awareness but insufficient depth of understanding.

Sources of Financial Knowledge
Participants cited school/college, online resources, family, and financial institutions as their main sources

of financial knowledge. Formal education was notably limited, with most learning informally or independently.

Formal Financial Education

A significant number had not received structured financial training, confirming the gap in formal education frameworks.

Budgeting Behavior

Responses varied: some budgeted daily or weekly, while others did so monthly or rarely. A few respondents never budgeted at all, suggesting varying habits in personal finance management.

Savings and Investment

While many had savings accounts, fewer engaged in investment activities. Some had mutual funds and stocks, while others lacked any form of financial assets. This disparity reflects different stages of financial maturity.

Investment Initiation Age

Some began investing in their early twenties, while others had not started yet. This range indicates differing levels of financial preparedness and confidence.

Comfort with Financial Decision-Making

While some felt comfortable or very comfortable making financial decisions, others felt neutral or uncomfortable. This contrast underlines varying levels of confidence, likely linked to exposure and knowledge.

Loan Experience

Most respondents had not taken loans. Those who had mentioned education and consumer durables as purposes. This shows that only a subset of youth engage with debt instruments early in life.

Reviewing Financial Statements

Some reviewed financial statements monthly, while others rarely or never did. This metric reveals diverse habits in tracking financial activity, which is critical for financial control.

Financial Goals

Top goals included saving for emergencies and buying a house. Retirement planning and travel were also common. These goals suggest a growing awareness of long-term financial planning among Indian youth.

Perception of Financial Knowledge

The vast majority rated financial knowledge as “very important” or “extremely important,” underscoring a shared recognition of the need for financial literacy.

6. Conclusion

The data gathered through the structured questionnaire presents a nuanced picture of financial literacy among Indian youth. While there is a clear awareness of the importance of financial skills, actual literacy levels are uneven. A significant number of respondents lacked formal education in financial management, and many relied on informal sources for knowledge.

The results suggest that although the youth understand the value of financial literacy, they are not adequately equipped with the tools and training necessary to manage their finances confidently and effectively. This is especially evident in budgeting behavior, limited investment practices, and lack of structured learning experiences.

Socio-demographic variables—such as gender, education, and employment status—played a substantial role in influencing financial knowledge, behavior, and confidence. The skew toward male respondents, limited postgraduate engagement, and the student-heavy sample also highlight the need for broader, more diverse engagement in future studies.

Overall, the findings make a strong case for national efforts to incorporate structured financial education into academic curricula and community programs. Bridging the literacy gap is critical for empowering India's youth, ensuring economic stability, and nurturing a generation capable of making informed financial decisions.

7. Recommendations

1. Incorporate Financial Education in School Curriculum

Introduce mandatory financial literacy modules at the school and college levels. Early education should include practical topics like budgeting, saving, banking basics, and financial planning.

2. Leverage Technology and Digital Platforms

Use mobile applications, online courses, and interactive tools to make financial education accessible. Digital media can deliver personalized and engaging content that fits modern learning habits.

3. Community-Based Financial Programs

Organize workshops and financial literacy drives in collaboration with NGOs, banks, and educational institutions, especially in underserved rural and semi-urban areas.

4. Enhance Parental Involvement

Encourage families to normalize discussions about money. Parents should be guided to support their children in forming positive financial habits from a young age.

5. Practical Financial Training

Go beyond theory by offering real-life simulations such as opening a bank account, calculating interest, or creating personal budgets. These help reinforce theoretical understanding.

6. Demographic-Specific Programs
Design targeted literacy interventions that cater to different population groups: young women, rural students, first-generation learners, and others who might have different financial learning needs.

7. Use Social Media for Awareness
Utilize platforms like Instagram, YouTube, and WhatsApp to disseminate bite-sized financial literacy content. Engaging videos and graphics can break down complex concepts for easy understanding.

8. Promote a Culture of Saving and Investment
Highlight the benefits of early and consistent saving and introduce young people to instruments like SIPs, mutual funds, and basic stock investments through beginner-friendly workshops.

9. Financial Education in Higher Education
Include financial literacy modules in undergraduate and postgraduate programs. Organize seminars with guest speakers from the finance industry to share practical insights.

10. Monitor and Evaluate Progress
Assess the impact of programs through pre- and post-training evaluations. Feedback should guide continuous improvements in curriculum and teaching methods.

11. Collaborate with Financial Institutions
Banks and NBFCs can play a proactive role in educating customers, particularly students, through special youth-oriented savings programs and guidance services.

12. Policy-Level Interventions
Encourage the government to frame and enforce policies supporting compulsory financial education at national and state levels. Funding should be allocated for training teachers and developing content.

These recommendations, when implemented cohesively, can address existing gaps and enable youth to make responsible financial choices, thereby contributing to national financial well-being.

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