

Financial Literacy: Promoting Fundamentals to Improve Financial Wellbeing among the Youth

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Abstract

The best investment you can make is an investment in yourself. The more you learn, the more you'll earn. - Warren Buffett.

Financial literacy is a concept which is very important for all age groups to know. It prepares any person to create and manage his daily life as well as his future financially. Financial literacy means handling money wisely. It includes having a basic understanding of the fundamental roots of money such as debt, budgeting, saving and investing. Anyone can create wealth throughout his life by taking advantage of the power of these concepts of finance. These capabilities help the individual to achieve various life objectives including family planning, education, and retirement and even spending on luxuries. Therefore, it is very important that our young generation also understands financial concepts and takes financial decisions wisely. This study is an attempt to show the awareness of our young students, so that it can be known how much the youth knows about financial matters. The main objective of this research paper is to study about awareness of financial literacy among young students in Baddi Barotiwala Region. This research information was mainly gathered by collecting primary data with respect of 80 respondents with the help of questionnaire and has been analyzed through statistical analysis and tools.

Keywords: Financial literacy, investing, money, awareness.

Introduction

Financial literacy refers to the ability to effectively understand and apply various financial skills. Financial literacy makes individuals self-reliant, thereby achieving financial stability. Financial literacy is having a basic grasp of money matters and its four fundamental pillars: debt, budgeting, saving and investing. Financial investments and services have recently become an important topic among people of all economic backgrounds. With media coverage and technological advancement, the young generation of India has started becoming more aware of financial literacy. The government of India and various regulatory authorities are constantly making efforts to improve courses, conferences, programs and workshops related to financial literacy.

The Financial Literacy Week is an initiative by Reserve Bank of India to promote awareness on key topics every year through a focused campaign, in which different sections of the society are selected to give knowledge on financial skills.

RBI's Financial Literacy Week 2024 was observed from February 26 to March 1 with an aim to inculcate responsible financial habits right from the early stages of life, aimed at young adults, especially young students. This topic was focused on – Get a Right Start: Be Financially Smart www.rbi.org.in

Financial education can help replace bad financial habits with more appropriate decisions. By learning

about saving, investing, and debt management, young adults can develop better financial habits that will serve them well throughout their lives.

India's journey to superpower status hinges on widespread financial literacy, yet, a spark statistic reveals that only 27 percent of the population possesses this crucial skill. Additionally, only 16.7 per cent of Indian students have a basic understanding of finance and money management. In line with the objective to improve the financial literacy, The Times of India has partnered with StockGro to launch the India for Financial Literacy campaign. The aim of this initiative was to equip India and its citizens with knowledge, skills and resources to help them manage their money effectively. This campaign was launched with a Right to Excellence Financial Literacy Summit. <https://timesofindia.indiatimes.com/business/financial-literacy/qa-with-experts/tois-new-campaign-india-for-financial-literacy-kicks-off-with-summit-promoting-finance-education/articleshow/108194895.cms>

Being financially literate will further allow youth to reduce their expenses through better financial decisions. So it is important to make sure that financial knowledge is well shared with the youth adults. It is very crucial to realize that financial management at the college and university level is very important because it determines the future situation. Therefore, considering the importance of financial independence for the youth; this study was conducted to know about the awareness level of the youth in Baddi Barotiwala Region.

Objectives

The purpose of the research is to assess the awareness of college/university students with regard to financial literacy in Baddi Barotiwala Region.

Research Methodology

Simple random sampling along with a questionnaire was used to collect primary data. The questionnaire was meant for only those students belonging to the age group of 18-29 years and residing in Baddi Barotiwala region.

Results and Discussion

Demographic distribution of responses:

Table 1.1

Age	No. of Respondents
18-23	58
24-29	22
Total	80

Out of 80 respondents, 58 were in the age group of 18-23 years and 22 were in the age group of 24-29 years.

Table 1.2

Gender	No. of Respondents	percentage
Male	42	52.5
Female	38	47.5
	80	100

From the above table, it is clear that 52.5 percent of the respondents were male and 47.5 percent of the respondents were female.

Table 1.3

Level of Education	No. of Respondents	Percentage
Graduation	59	73.75
Post graduation	21	26.25
Doctorate	-	-
Total	80	100

Table 1.3 shows the level of education of respondents. Most of the respondents (74 percent approximately) were of graduation level and only 27 percent of the respondents were of post graduate level.

Table 1.4

Do you find saving and managing your money difficult?

Options	No. of respondents	percentage
Yes	52	65
No	9	11.25
To some extent	19	23.75

When the respondents were asked about the difficulty level of money savings and management, 65 percent of the respondents said that they do not have proper knowledge of money management matters and they face a lot of difficulty in money management affairs.

Table no. 1.5

Bivariate table for gender and difficulty in managing money:

	Count of gender		
Row labels	Male	Female	Grand Total
Yes	28	24	52
No	05	04	09
To some extent	09	10	19
Grand Total	42	38	80

Performing chi square test of independence with significance level at 5%

H_0 : Attributes are Independent

H_1 : Attributes are not independent

P critical value : 0.8728

P-value>0.05

Therefore, From the table 1.5 , it was observed that there is no association between the above two variables. From the above table, the breakup of responses between males and females indicates that 65 percent of respondents (both male and female) find it difficult to manage money. So it is very important to teach money management methods to today’s generation.

Table 1.6 Bivariate table for Age and difficulty in managing money:

	Count of Age		
Row labels	18-23 years	24-29 years	Grand Total

Yes	43	09	52
No	02	07	09
To some extent	13	06	19
Grand Total	58	22	80

P critical value : 0.0008

P-value <0.05

Therefore , from the above analysis it was found that there is an association between age and difficulty in managing money. Most of the respondents of the age group of 18-23 years find it difficult to manage money. So we can say that age group affects the methods of money management to a great extent.

Table 1.7 Which of these financial terms do you recognise:

Terms	No. of Respondents	Percentage
Simple interest	80	100
Compound interest	68	85
Dividend	53	66.25
Credit	45	56.25
Debit card	80	100
Credit card	80	100
Bank loan	80	100
Income tax	80	100
premium plan	72	90
Budget	66	82.5
Shares/stocks	27	33.75
Exchange rate	17	21.25
Return on investment	18	22.5
Entrepreneur	23	28.75
Depreciation	37	46.25
Diversification	18	22.5

Table 1.6 reveals that all the respondents were aware of some financial concepts and terms like simple interest, bank loan, income tax, debit card and credit card. 85 percent of the respondents were also aware of compound interest and 90 percent of the respondents were aware of premium plan. It was also found that the respondents had very little knowledge of exchange rates, return on investment and diversification.

Table 1.8 Where do you get the information you need about money management matters:

Particulars	No. of respondents	Percentage
Parent/guardians/relatives	8	10
Internet	43	53.75
Magazines	9	11.25
Teachers	8	10
Friends	8	10
Television	4	05

Other	-	-
Total	80	100

Table 1.7 shows that majority of the respondents (54 percent approximately) gained information about money management matters from the different internet websites. Rest of the respondents stated that their source for information was either their parents/relatives (10 percent), teachers (5 percent), friends (10 percent) and television (5 percent).

Table 1.9
What motivates you to invest/manage money?

Particulars	No. of respondents	Percentage
To make profits	56	70
To shelter tax	-	-
Planning for future/retirement	11	13.75
To grow wealth	13	16.25
Portfolio diversification	-	-
To support others	-	-
Any other	-	-
Total	80	100

When the respondents were asked about their motivation for investing or managing their money, majority of the respondents (70 percent) stated that earning profit is their main motivation. It was also found that only 16 percent of the respondents were able to understand the concept of growth of their wealth and put it in the form of motivation.

Table 1.10
Which investment do you feel more profitable?

Particulars	No. of respondents	Percentage
Gold	23	28.75
Mutual funds	-	-
Direct equity/shares	8	10
Bank fixed deposit	23	28.75
Public provident fund	-	-
Real estate/land related investments	26	32.5
Other	-	-
Total	80	100

When respondents were asked about their investment preferences based on the profitability, they ranked real estate as the most profitable investment. 33 percent (approximately) of the respondents were in the favour of real estate or land related investments in terms of profitability. Some respondents also considered Gold and bank fixed deposits reliable and profitable. It was also found that no respondent was aware about mutual funds and public provident fund.

Table 1.11 What factors should be considered while investing in any investment or saving money?

Particulars	No. of respondents	Percentage
Risk involved	52	65
Market trends	04	05
Inflation	-	-
Economic conditions	-	-
Liquidity terms	06	7.5
Investment period	18	22.5
Total	80	100

Table 1.10 reveals that majority of the respondents (65 percent) pay more attention to the risk involved while investing or saving money. 18 respondents stated that they consider investment period before investing money. It was also found that the respondents had less knowledge about inflation and economic conditions.

Conclusion

The findings of the study show that financial literacy and education is still a critical topic for Indian youth. The respondents are quite familiar with some of the financial concepts and terms like simple interest, bank loan, income tax, debit card, credit card etc. As far as acquiring financial information is concerned, most of the information is obtained from the internet websites. Many respondents were unable to manage their money matters due to a lack of financial management knowledge. In general, young people without having a specific financial management curriculum tend to have a lower level of financial literacy. Money management is also very important as it helps our youth while making decisions for their future planning. This study also helps to give guidance to our young generation on how they can manage their finances. However, risk factor is considered the most important factor while investment. As far as the motivational factors are concerned, the young generation considers profit as the main motivation. In conclusion, Financial literacy is fundamental to improving financial well being for our society, but developing financial capability is the ultimate goal, because it gives the confidence to take advantage of financial opportunities.

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