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'FINANCIAL LITERACY AMONG THE YOUTH: THE FIRST STEP TO FINANCIAL INDEPENDENCE'

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Abstract: Financial literacy is a must for every person. If a person is earning without proper financial management, it results in mismanagement of the resources. In a few years the saving rate among Indians has gone down from 34.6% in March, 2012 to 30% in 2017 to 28% in 2021 due to various reasons. This paper focuses on the financial literacy of the youth in MMRDA as they are likely to spend more and save less compared to other age groups. 205 respondents were approached from Mumbai, Thane & Navi-Mumbai via online structured questionnaire, with objectives to study the awareness and misconceptions about financial literacy. Researcher found that though most of the youth have theoretic knowledge but they lack in practical aspect. Researcher strongly suggests that governments and education institutions should take more initiative to inculcate savings habits and awareness about the management of finance among all the students.

Key words: Financial literacy, Youth, MMRDA, Financial knowledge, financial behaviour

INTRODUCTION:

Among a few, literacies like cyber literacy, social literacy, ecological Literacy, health literacy, financial literacy, emotional literacy, media literacy, computer literacy and so on, financial literacy is one the most important but underrated and neglected one. Financial literacy is the cognitive understanding of financial components and skills such as budgeting, investing, borrowing, taxation, and personal financial management. Being financially literate allows an individual to be better prepared for specific financial roadblocks, which, in turn, decreases the chances of personal economic distress. Achieving financial literacy is crucial in today's society due to everyday facets of life, such as debts, student loans, mortgages, credit cards, investments, and health insurance. It is crucial for youth especially, to have a basic understanding of finance in order to be able to effectively manage their expenses and avoid any financial instability in the future. Being Financially literate will further allow youth to make better financial decisions, effectively manage their money and debt, reduce their expenses through better regulation, lead to less financial stress and anxiety, increase ethical decision-making when selecting insurance, loans and investments. The purpose of this survey is to achieve an all-round understanding of Financial Literacy among the Youth in Mumbai, Thane and Navi Mumbai.

OBJECTIVES:

- To study the level of awareness of Financial Literacy among youth in Mumbai.
- To gauge the misconceptions related to Financial Literacy among the youth.
- To analyze the importance of Financial Literacy among the youth.

REVIEW OF LITERATURE:

Agarwalla, Barua & others (2013) mentioned in their working paper that the level of financial literacy among the working youth in urban India is not satisfactory. Among the three dimensions namely financial knowledge, behavior and attitude, financial knowledge got the lowest score. Despite the high education level of the respondents, that does not translate into adequate financial literacy. Researchers suggested including relevant material on financial literacy in the general education program of schools and colleges.

Dhruv Vij (2020) in his research paper 'Financial literacy: a comparison between the youth of India and USA' stated that only 50% of the Indian population knew in detail about the concept of interest and inflation rates. His 15 recommendations include that to improve financial literacy, governments, banks, and the financial services industry should all come forward to create an environment where young people will take more interest in knowing about various aspects of financial matters.

RESEARCH METHODOLOGY:

- **Sampling:** Simple random sampling along with a standard questionnaire was used to collect the data. The target population included people belonging to the age group of 18 - 30 years. The region of study is MMRDA.
- **Tools:** The questionnaire consisted of a confidentiality note, a disclaimer that the survey was meant for only those belonging to the age group of 18 - 30 years and residing in Mumbai and a subject matter section. The subject section consisted of generic multiple choice, checkbox and situation specific scale development questions pertaining to the topic of study.
- **Data Collection:** Firstly, a Pilot study was conducted with 40 responses to test the credibility of the questionnaire. Later, an online survey was conducted for a total of 205 respondents using Google Forms.
- **Analysis:** The survey responses were analyzed using diagrammatic, graphical and statistical methods of Descriptive Statistics to draw scientific conclusions.

DIAGRAMMATIC AND STATISTICAL ANALYSIS:

Table 1.1 Demographic distribution of responses:

AGE				
18-21	22-25		26-30	
44%	27%		29%	
GENDER				
FEMALE		MALE		
51%		49%		
LOCATION				
SOUTH MUMBAI	CENTRAL MUMBAI	NORTH MUMBAI	THANE	NAVI MUMBAI
12%	36%	23%	17%	12%
Have you ever done a part-time or full-time job or paid internship?				
NO		YES		
49%		51%		
Do you find saving your monthly pocket money/earnings difficult?				
Yes	No		To some extent	
34%	29%		37%	

Out of 205 respondents, 89 were in the age group of 18 - 21, 60 were 22-25, and 56 were 26 - 30. There were 104 female and 101 male respondents. There were 73 respondents from Central Mumbai, 47 from North Mumbai, 36 from Thane, 25 from Navi Mumbai, and 24 from South Mumbai. 104 respondents have done jobs or internships while 101 respondents haven't. Even though the margin is quite close, a majority of young adults have had some work experience. A majority of 75 respondents said that they find it difficult to some extent to save, 70 said that they find it difficult, 60 said that they don't find it difficult.

Table 1.2 Bivariate Table for Gender and Difficulty in Savings:

	Count of Gender		
Row Labels	Female	Male	Grand Total
No	34	26	60
To some extent	25	50	75
Yes	45	25	70
Grand Total	104	101	205

Expected Frequencies	
30.4390244	29.5609756
38.0487805	36.9512195
35.5121951	34.4878049

Performing Chi Square Test of Independence with significance level at 5%;

Ho: Attributes are Independent

H₁: Attributes are not independent

P critical value: 0.0005331

P-value < 0.05

Hence, reject the Null Hypothesis

Therefore, there exists an association among the attributes.

Thus, the extent of difficult in savings depends on the Gender of the respondents among the Youth.

From the bivariate table, the breakup of responses between males and females indicate that female respondents (45) find it more difficult to save their monthly earnings/pocket money. The gender pay gap in workplaces is still existent and prevalent and could be a plausible reason for women finding it more difficult to save their monthly expenses. Approximately 70% of respondents (145 respondents) find it difficult to save their money to some extent or completely. This clearly indicates the need of awareness and knowledge to manage money more effectively. Inculcating habits of Savings and Investments is the need of the hour for today's generation.

Table 1.3 Bivariate Table for Age and Difficulty in Savings:

	Count of Age			
Row Labels	18 - 21 years	22 - 25 years	26 - 30 years	Grand Total
No	26	21	13	60
To some extent	27	20	28	75
Yes	36	15	19	70
Grand Total	89	56	60	205

Expected Frequencies

26.04878049	16.3902439	17.5609756
32.56097561	20.4878049	21.9512195
30.3902439	19.1219512	20.4878049

Performing Chi Square Test of Independence with significance level at 5%;

Ho: Attributes are Independent

H₁: Attributes are not independent

P critical value: 0.128602627

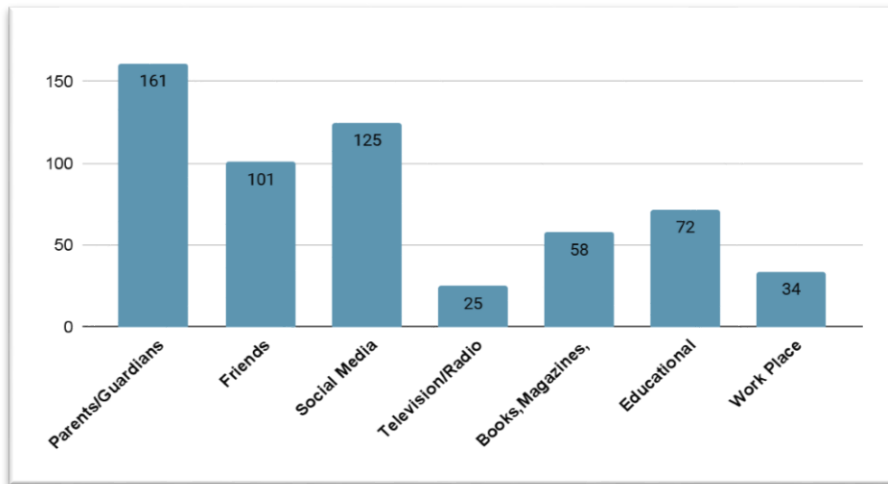
P-value > 0.05

Hence, do not reject the Null Hypothesis

Therefore, there does not exist any significant association among the attributes.

Most of the respondents, of the age group of 18-21 years find it difficult to save money since most of them have not or are not doing any part time/full time job. However, people between the ages of 26-30 years also find it difficult to an extent to save their monthly expenses. Finding it difficult to save monthly expenses would thereby make it difficult for the respondents to invest their money in reliable investment sources or meet their financial goals.

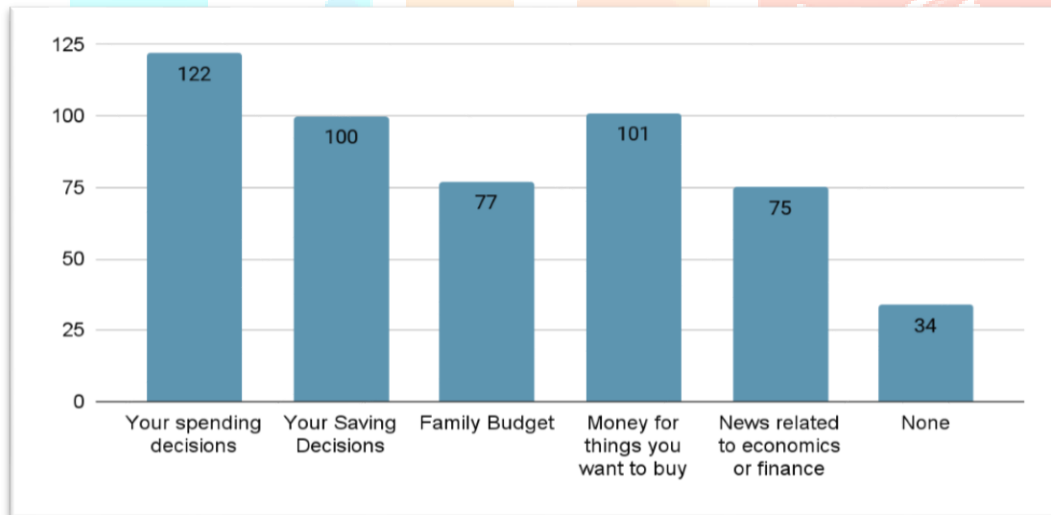
Graph 1. 3 Sources of Information:



When asked about the source from which respondents were able to attain financial information most stated that it was from their parents/guardians (161), with social media/ internet coming in second (125), a decent majority of respondents said they gained information through friends (101). A few respondents stated their source for information was either educational institutes (72) or books, magazines or newspapers (58). Very few people stated they learnt from their workplace (34).

When asked what the respondents discuss with their parents/guardians/relatives with regards to financial decisions, most respondents stated they discuss decisions regarding their spending (122), with a decent majority stating they discuss their saving decisions (100) and decisions regarding things they want to buy (101). A smaller amount stated they also discuss family budget (77) and news related to the economy (75). A minority of people stated they do not discuss any decision (34)

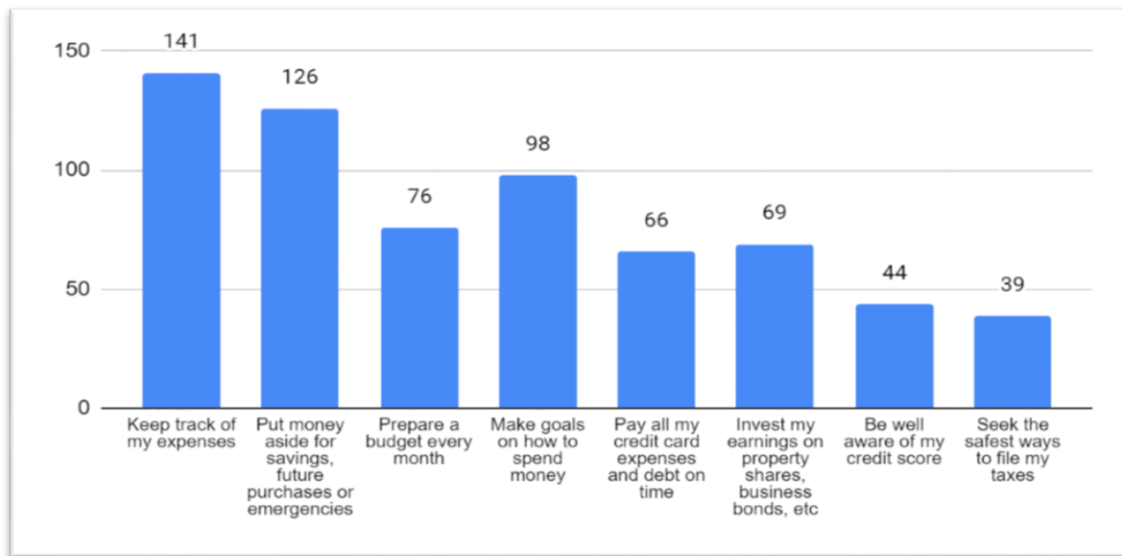
Graph 1. 4 Discussion with parents/guardians/relatives:



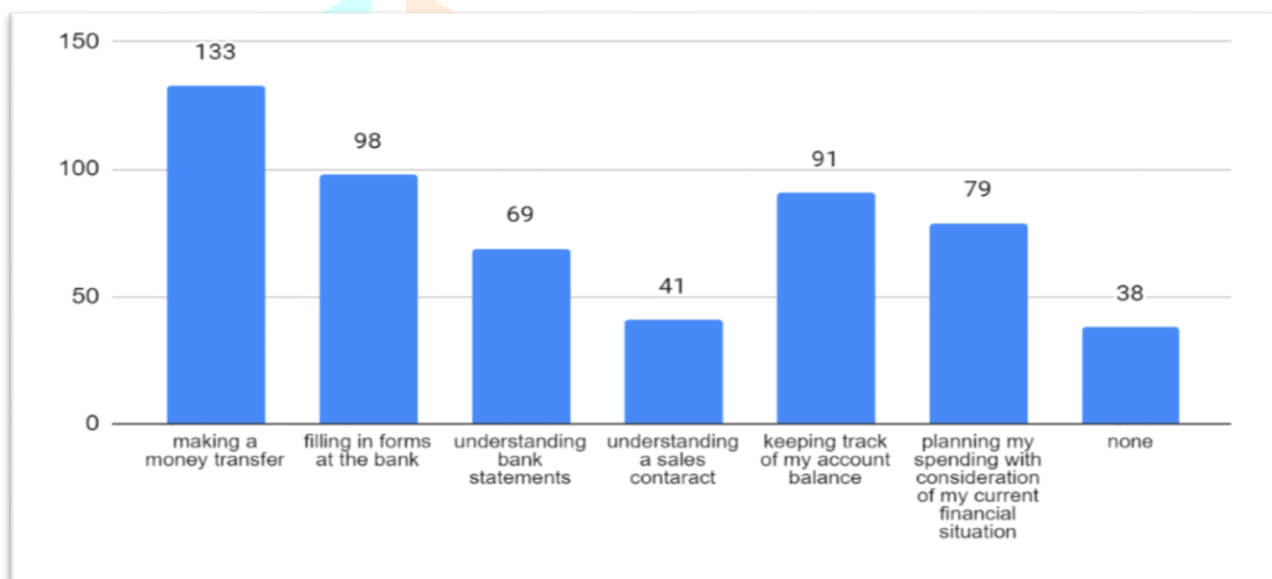
The respondents were asked if they plan on following any financial behaviors like keeping a track of their expenses, putting money aside for savings and so on.

From the graph 1.5, it can be seen that most of the respondents’ plan on keeping a track of their expenses (141) and put money aside for savings (126). Many respondents (98) also plan on making goals on how to spend their money. It can be noted that very few respondents (39) chose the option ‘seek the safest way to file my taxes’. It is imperative for people to find a secure way to file their taxes. Reliable government websites like incometaxindia.gov.in are one of the most reliable ways to pay taxes. Following all the above-mentioned financial plans would help the respondents to effectively plan their long-term investment goals and make sure they are never short of money, even in times of uncertainties.

Graph 1. 5 Financial Behavior:



Graph 1. 6 feel confident about doing any financial behaviours:

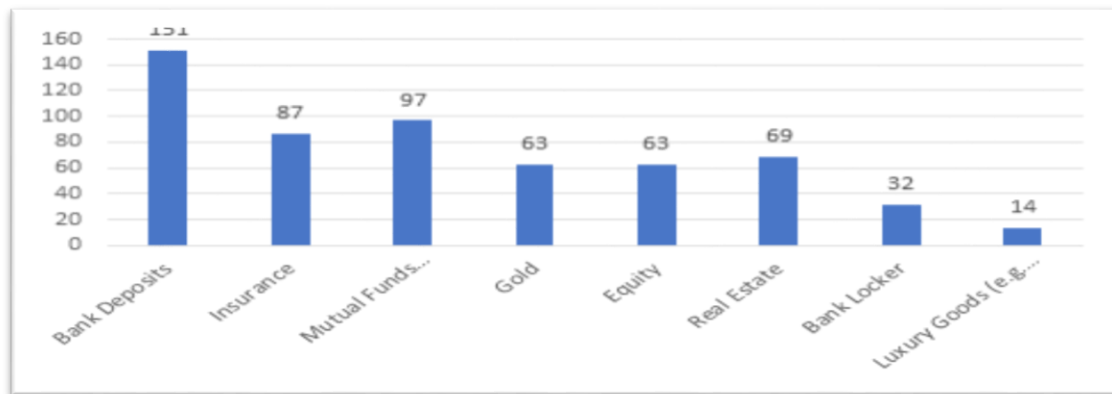


The respondents were asked if they feel confident about doing any financial behaviours like making money transfers, filling in bank forms and so on.

The bar graph 1.6 illustrates the number of respondents who felt confident doing the following things out of a total of 205 respondents. 133 respondents knew how to make a money transfer. This shows that a majority of the respondents felt confident making a money transfer. But only 98 respondents knew how to fill in forms at the bank, 69 understood bank statements and only 91 kept a track of their account balance. Clearly, most of the respondents are not very familiar with simple banking matters. Only 41 respondents understood a sales contract, while 79 planned their spending according to their current financial situation and 38 didn't feel confident doing any of these things. This implies that the majority of the youth population in Mumbai is still financially illiterate to a certain extent.

The respondents were asked which of the following methods do they feel are effective to utilize their savings and were given the following choices: Bank Deposits, Insurance, Mutual Funds, Gold, Equity, Real Estate, Bank Locker and Luxury Goods.

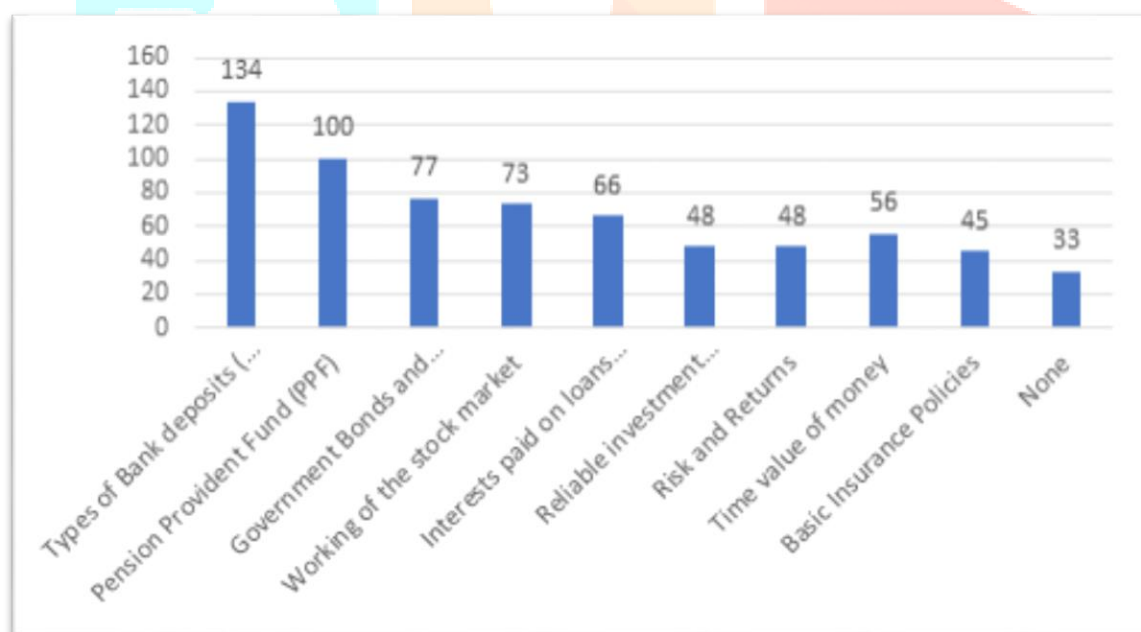
Graph 1. 7: Various types' effective modes of savings and investment:



The graph 1.7 illustrates that bank deposit is the preferred method to utilize savings, with 151 respondents choosing this option, while mutual funds come second with 97 respondents choosing it as an effective option to utilize savings. 87 respondents chose Insurance and 69 respondents chose Real Estate, while 63 respondents chose Gold and Equity as an effective method. Bank Locker and Luxury Goods were the least preferred options with 32 and 14 respondents each. This data shows that the majority of the population are still not familiar with the concept of time value of money, as they prefer bank deposits more than any other option.

The respondents were asked to select the concepts they were familiar with from the following options: Types of Bank deposits, Pension Provident Fund (PPF), Government Bonds and Investment schemes, working of the stock market, Interests paid on loans borrowed from banks, Reliable investment sources/sites, Risk and Returns, Time value of money, Basic Insurance Policies, and None

Graph 1. 8: Familiar modes of various savings and investment:



The data from the bar graph 1.8 shows that types of bank deposits came in as the most selected option, with 134 respondents choosing it, while PPF came in second with 100 respondents selecting it. Most respondents were not familiar with the working of the stock market and government bonds and investment schemes, with only 73 and 77 selections respectively. Similarly, most respondents are unfamiliar with essential financial concepts like interest paid on loans and time value of money, which have only 66 and 56 selections respectively. Risk and returns, reliable investment sources and basic insurance policies are the least familiar financial concepts having only 48, 48 and 45 selections each, while 33 respondents were not familiar with any of the concepts that were listed in the options.

The respondents were asked whether or not they agree with a few statements regarding financial literacy in order to check their knowledge on the topic. The statements presented to them are as follows –

Table 1.4 Perceptions and misconceptions of the respondents:

	Agree	Disagree	Agree to some extend
Investing in stock markets is like gambling	23	124	58
Investing in mutual funds is very risky	24	135	46
Gold will help protect wealth	76	65	64
Real Estate will help grow one's wealth	67	45	93
Trading or demat account is the best type of account	42	69	94
Buying Insurance is a waste of money	29	118	58
One must make savings and investment choices according to their own risk bearing capacity	117	26	62

- Investing in Stock Markets is like gambling

Majority of the respondents (124) disagree with the statement that investing in stock markets is like gambling. This indicates that the respondents have a good knowledge of the working of the stock market. Investing in the stock market is not the same as gambling. Though both investing and gambling involve risk, investing in the stock market increases the overall wealth of an economy. Investing in stock markets requires thorough research and informed decision making while gambling is merely based on luck. Small minority of our respondents (23) agree with this statement which indicates that creating awareness about investments could lead to more financial knowledge among these respondents.

Table 1.5 Bivariate Table for Age and misconception about Investing in Stock market is like gambling:

Row Labels	Count of Age			Grand Total
	18 - 21 years	22 - 25 years	26 - 30 years	
Agree	16	5	2	23
Agree to some extent	41	9	8	58
Disagree	32	42	50	124
Grand Total	89	56	60	205

Expected Frequencies

9.98536585	6.28292683	6.7317073
25.1804878	15.8439024	16.97561
53.8341463	33.8731707	36.292683

Performing Chi Square Test of Independence with significance level at 5%;

Ho: Attributes are Independent

H₁: Attributes are not independent

P critical value: 2.90959E-08

P-value < 0.05

Hence, reject the Null Hypothesis

Therefore, there exists an association among the attributes.

At a younger age, the youth is prone to believe in myths but as the age gradually increases, the level of misconception decreases and this can be clearly seen in the table where 46 respondents of 18-21 years age group agree to the statement.

- Investing in mutual funds is very risky

Majority of respondents (135) disagree with this statement which indicates that the respondents have a sound knowledge of the working of investing in mutual funds. Mutual funds are a safe investment only if the investors understand the working of mutual funds. No investment is 100% risk free and hence, there may be a small amount of risk involved in investing in mutual funds as they are subject to short term fluctuations. However, it is important for the investors to conduct a thorough research and choose the right mutual funds which meet their long-term investment goals.

Table 1.6 Bivariate Table for Age and misconception about Investing in Mutual Funds is very risky:

Row Labels	Count of Age			Grand Total
	18 - 21 years	22 - 25 years	26 - 30 years	
Agree	15	6	3	24
Agree to some extent	29	9	8	46
Disagree	45	41	49	135
Grand Total	89	56	60	205

Expected Frequencies.

10.4195122	6.55609756	7.0243902
19.9707317	12.5658537	13.463415
58.6097561	36.8780488	39.512195

Performing Chi Square Test of Independence with significance level at 5%;

Ho: Attributes are Independent

H₁: Attributes are not independent

P critical value: 0.001492519

P-value < 0.05

Hence, reject the Null Hypothesis

Therefore, there exists an association among the attributes.

44 of the respondents from the age group 18-21years agree or agree to some extent to the statement, hence, showing a direct association of the younger age group to the misconception about Investments.

- Gold will help protect wealth

Most of the respondents (76) feel that gold will help protect their wealth. However, it can be noted that the margin of difference between those who 'agree', 'disagree' and 'agree to an extent' with this statement is low which indicates that the respondents are unsure if gold will really help them to protect their wealth. The principles of investing in gold are similar to investing in other assets and commodities. Gold is typically seen as a 'safe haven' asset in times of uncertainty.

Table 1.7 Bivariate Table for Age and misconception about Gold will help protect wealth:

Row Labels	Count of Age			Grand Total
	18 - 21 years	22 - 25 years	26 - 30 years	
Agree	49	13	14	76
Agree to some extent	24	21	19	64
Disagree	16	22	27	65
Grand Total	89	56	60	205

Expected Frequencies

32.995122	20.7609756	22.243902
27.7853659	17.4829268	18.731707
28.2195122	17.7560976	19.02439

Performing Chi Square Test of Independence with significance level at 5%;

Ho: Attributes are Independent

H₁: Attributes are not independent

P critical value: 6.06419E-05

P-value < 0.05

Hence, reject the Null Hypothesis

Therefore, there exists an association among the attributes.

The younger age group of 18-21years shows a higher tendency to believe that investing in Gold is risk free and this may be because of a lower risk bearing capacity considering they don't earn a very large amount of money and hence prefer the risk-free options of investment.

Table 1.8 Bivariate Table for Gender and misconception about Gold will help protect wealth:

Count of Gender	Column Labels		
Row Labels	Female	Male	Grand Total
Agree	50	26	76
Agree to some extent	26	38	64
Disagree	28	37	65
Grand Total	104	101	205

Expected Frequencies

38.5560976	37.4439024
32.4682927	31.5317073
32.9756098	32.0243902

Performing Chi Square Test of Independence with significance level at 5%;

Ho: Attributes are Independent

H₁: Attributes are not independent

P critical value: 0.0040188

P-value < 0.05

Hence, reject the Null Hypothesis

Therefore, there exists an association among the attributes.

Females have a higher tendency to own and invest in gold and hence 50 female respondents agree along with 26 of them agreeing to some extent that gold helps protect their wealth. This data also verifies the fact that women in India prefer to invest in risk free options like Gold.

- Real Estate will help grow one's wealth

Here, most respondents (93) only agree to an extent with the statement while 45 respondents disagree. Real estate investments are less vulnerable to short term fluctuations and it consistently increases in value over time. Hence, real estate investments can help protect one's wealth.

- Trading or demat account is the best type of account

Majority of the respondents (94) here agree to an extent with this statement. Trading or demat account is important for companies and investors who want to carry out transactions in any stock exchange. Demat accounts eliminate the risk of physical damage or theft of physical shares and hence, it can be one of the safest investments.

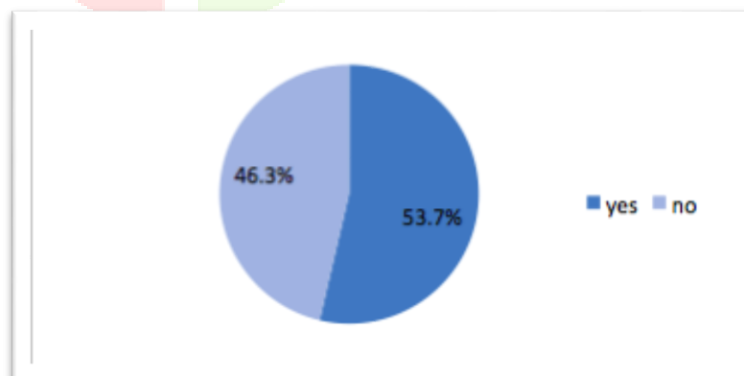
- Buying Insurance is a waste of money

Since most of the respondents (118) disagree with this statement, it implies that the respondents have a sound knowledge on the importance of insurance. Investing in insurance is important as it provides financial stability in times of uncertainties, thereby enabling mitigation of losses.

- One must make savings and investment choices according to their own risk bearing capacity

Investments and savings involve a lot of research which also includes the investors taking into consideration their own risk bearing capacities and investment goals. Most of the respondents (117) agree with this statement.

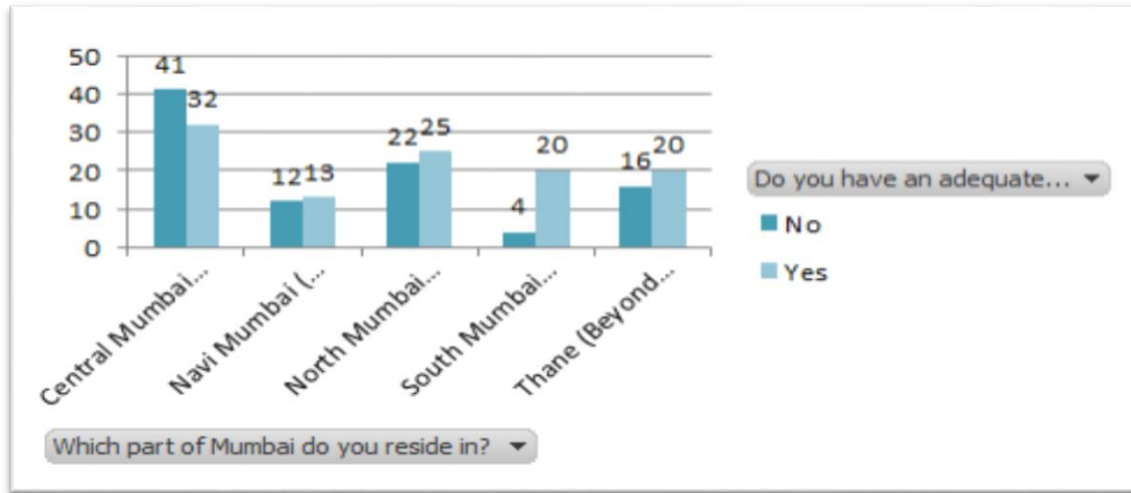
Graph1.9: Adequate life insurance & health insurance plan:



The respondents were then asked if they have adequate life and health insurance plans to which 53.7% (110) of the respondents said 'yes'. However, 46.3% (95) of the respondents claim that they do not have adequate insurance plans. This implies that there is a greater need to create more awareness on the importance of investing in insurance policies as it provides adequate financial support and enables the investors to enjoy a decent standard of living. Insurance will also make sure that people do not fall short of money in times of extreme uncertainties like health emergencies.

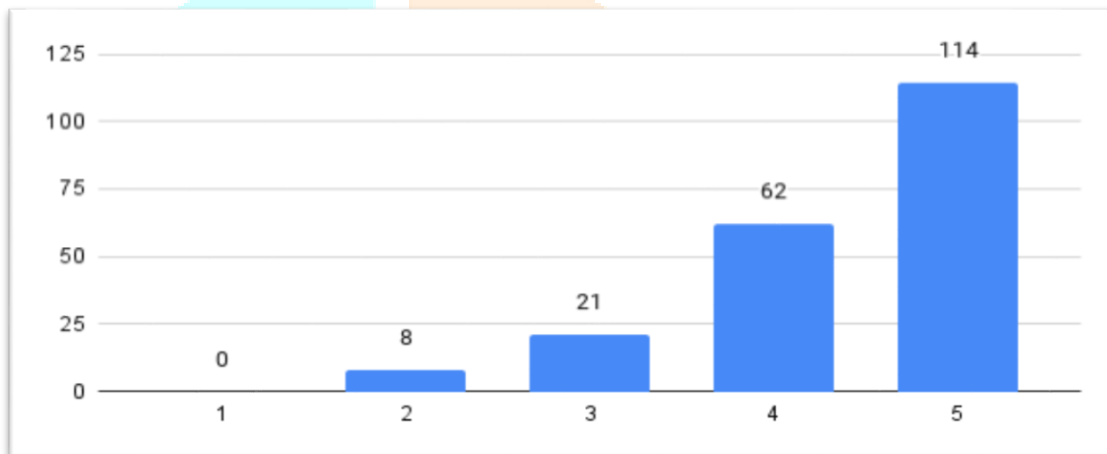
Most people in Central Mumbai do not have an adequate life insurance plan. Very few respondents from South Mumbai do not have an adequate insurance plan which indicates that respondents from South Mumbai have a sound knowledge on the importance of insurance plans. The margin of difference between 'yes' and 'no' in other parts of Mumbai is less, however, there is a need to create more awareness on the importance of insurance plans.

Graph 1.10 Adequate life insurance wert. to areas in Mumbai:



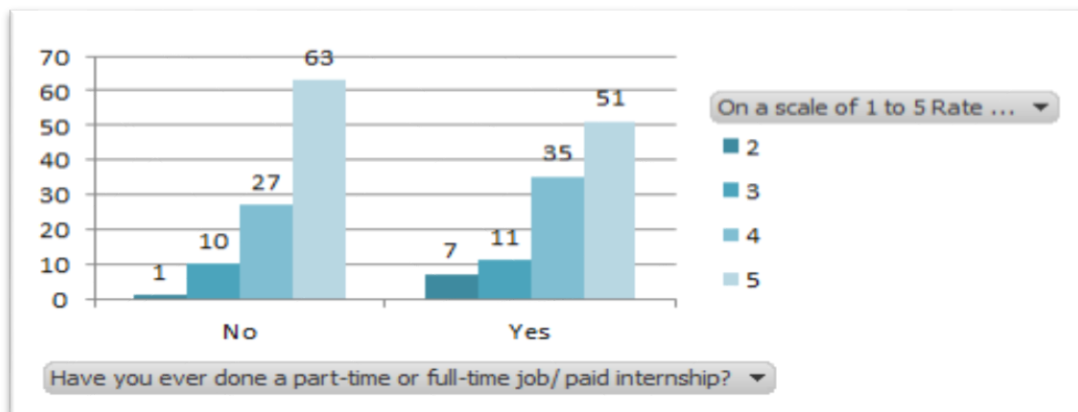
Finally, the respondents were asked to rate the importance of financial literacy on a scale of 1 to 5 with 1 being least important to 5 being most important as a life skill to which majority of the respondents chose 5, indicating that the respondents feel financial literacy is one of the most important life skills.

Graph 1.11 Importance of Financial literacy:



Out of 176 respondents who have rated Financial Literacy as Important (Rating 4) to Most Important (Rating 5), 90 respondents have never done a Paid internship / Job indicates that the respondents who have never earned money, believe that Financial Literacy is an Important Life Skill. This establishes the importance of Financial Literacy among the Respondents who earn money is marginally less than those who don't earn money. This inverse relationship shows that managing money earned by oneself has marginally less importance than managing money earned by parents/ guardians.

Graph 1.12 Rating financial literacy as a life skill w.r.t paid jobs:



CONCLUSION:

The findings of the survey show that financial literacy is not widespread among Indian Youth. Certain basic banking procedures are not well understood. As most personal financial decisions involve these basic procedures, limited understanding of the same will prove to be a serious matter in the future. This is mainly because of the poor performance of the educational system in introducing finance as a mainstream subject. From making a budget to understanding and managing debts to retirement planning, basic concepts of finance must be imparted to the youth. It is important for educational institutions to have financial education as it gives a head start to the young adults. On the contrary, the financial attitude and behavior of the youth is positive according to the survey as most of the respondents were not misled by the myths and were well aware of the important concepts. The youth have theoretical knowledge however practical knowledge is limited. Financial literacy is considered as an important life skill to the majority of the respondents which shows that the youth is aware of how important it is to be financially literate and independent. However, few respondents do hold misconceptions regarding investments like agreeing to the statement ‘insurance is a waste of money’ which points out the need to create more awareness regarding investments and at the same time, giving people the confidence to invest their wealth in these investment sources. It is also crucial for people to do a thorough research on the working of various investment schemes regarding the benefits that they can gain, the risks involved with these investments and make decisions only after taking their financial situation into account. There have been some initiatives undertaken by the government in order to create some awareness about financial literacy. The Reserve Bank of India has undertaken a project titled ‘Project Financial Literacy’, the objective of which is to disseminate information regarding the central bank and general banking concepts to various target groups, including school and college students, women, rural and urban poor, defense personnel and senior citizens. However, more efforts are needed in terms of making sure that these initiatives benefit all the sections of the society.

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