

Financial Literacy of Young and Teenagers in India

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Abstract

Financial literacy is one of the founding pillars to achieve financial freedom. The objective of the primary study designed on a Structured Questionnaire is to elaborate on the financial literacy of young and teenage people in India. The pivotal findings of the paper are: firstly, the respondents in the Age group of 15-19 and Class 5-9 and Class 10-12 seem to have more Financial Knowledge. Secondly, the respondents of Business/Management/Commerce/Law seem to have more of a saving-oriented Financial Behaviour than their counterparts of other streams.

Keywords: Financial Literacy, Financial Knowledge, Financial Attitude, Financial Behaviour

Introduction

Financial literacy is one of the founding pillars to achieve financial freedom. Huston (2010) says that an individual's understanding and use of personal finance-related information is financial literacy. Sen et al., (2014) believe financial literacy is all about the elementary knowledge and understanding of basic economic concepts and business terminologies to become well-equipped to take various financial decisions. Fauziha & Sarib (2019) cite OECD (2012) and define financial literacy as, "knowledge and understanding of financial concepts and risks as well as confidence in applying that knowledge and understanding to make effective financial decisions, so as to improve the well-being of individuals and society" (OECD, 2012). Garg & Singh (2018) believe that financial literacy expedites financial well-being. It helps individuals, households, society and the economy in a variety of ways. Alwee Pg Md Salleh (2015) opine that possessing financial literacy would help households with day-to-day financial tasks, deal with financial emergencies and even pull them out of the clutches of poverty. Subbarao (2013) feels that financial literacy provides awareness. Williams & Satchell (2011) observe that financial literacy has become a prominent item from 2007 onwards after the global credit crisis. Regarding the origin of financial literacy, Financial Corps (2014) writes that the term financial literacy was first coined in 1787 in the USA when John Adams in a letter to Thomas Jefferson admitted the need for financial literacy for overcoming the confusion and widespread distress in America that had arisen due to ignorance towards credit, circulation and nature of the coin. Thereafter, several developments took place and the term financial literacy was used again and again by different researchers, organisations and governments and was addressed differently.

The objective of the paper is to elaborate on the financial literacy of young and teenage people in India. The second objective of the paper is to identify the saving-oriented groups on the basis of demographic factors. The study covers the following seven such factors: Gender, Age (in Completed Years), Marital status, Qualification (Completed/Pursuing), Subject/ Discipline of Academic Qualification, Occupation and Family Income (per annum).

Literature Review

Mahapatra et.al., (2017) find the financial literacy of Indian college students is influenced by their socio-demographic characters, parental influence and their attitude towards financial planning. The authors observe that while both socio-demographic and parental influences have a positive impact on financial literacy, attitude towards financial planning is observed to have a negative impact. Garg (2019) opines that due to the shifting landscape of the financial services sector as well as the ever-evolving needs and wants of young adults at various life stages, a comprehensive life-long just in time learning approach to financial literacy is needed. Inder et al., (2021) study show that the most important factor of financial literacy is financial or professional training followed by financial behaviour, financial attitude, and financial knowledge, and the least important factor is financial culture. The authors find that financial literacy is essential from the youth's point of view. Vijayakumar (2022) shows that among all significant predictors such as financial socialization, financial self-efficacy, and peers' financial behaviour, a financial discussion is a comparatively more influencing variable than others in the context of Indian young students. Mishra (2018) finds financial education programmes useful for enhancing financial awareness among households to invest. Kateryna (2020) believes that financial literacy can be achieved either at school or in the process of providing financial services to target groups. The author says that financial education is factored by digitalization, state legislative and financial subsidizing, socioeconomic conditions and new demands provided for by the globalization and economic cycles. Grohmann et al., (2015) opine that both family and school positively affect the financial behaviour and financial literacy of adults. Mishra (2015) finds women as more conservative investors than men. The author says that they are more intimidated by financial issues than men because of their low level of interest in money matters and fear of going wrong. The author further adds that women often allow men (father/brother/ husband) to take financial decisions on their behalf. Filipiak & Walle (2015) show that women, on average, are less likely to know about different financial instruments and practices than men. The authors say that education, English language skills and the use of different information sources like TV and radio explain a large part of the differences in financial knowledge among women. Chen & Volpe (1998) opine that less knowledgeable students tend to hold wrong opinions and make incorrect decisions. The authors conclude that college students are not knowledgeable about personal finance which limits their ability to make informed decisions. Rink et al., (2021) find that women are significantly less financially literate than men. The authors reveal that education, English language skills and the use of different information sources, such as newspapers and TV, are key transmission channels in explaining differences in financial knowledge between men and women in patriarchal states, and between patriarchal and matrilineal societies. Bakar & Bakar (2020) write that prudent financial behaviour is the foundation for future financial well-being specifically for today's youth. The authors feel that in the present uncertain economic environment the situation requires each person to acquire and possess sufficient financial skills with strong financial knowledge and sound financial management as tools to manage their own and family's financial affairs effectively.

Methodology

The primary study is based on a Structured Questionnaire. The data collection has been done by Convenience and Snow-Ball Sampling. The questionnaire has been drafted as Google form

(<https://docs.google.com/forms/d/e/1FAIpQLSc92w-3A0II5EcUbDP-B0ZS2eCkADQoyVwMi2Foaq6uJ-rITg/viewform>).

Financial Literacy is studied by three constructs: Financial Knowledge, Financial Attitude and Financial Behaviour.

A) Financial Knowledge is measured by 5 questions.

1. Which account usually pays the highest interest?
[Savings Account/Current Account/Recurring Deposit Account/Fixed Deposit Account]
2. The risk-return trade-off theory states that an investment with a high rate of return is also associated with a higher rate of risk. This statement is:
[True/ False/ Do not know]
3. Net worth is: [The difference between expenditures and incomes. /The difference between assets and liabilities./ The difference between cash inflows and outflows./ The difference between borrowings and savings.]
4. Suppose you had ₹ 10,000 in a savings account and the interest rate was 2% per annum. After 2 years, the money will grow to....
[Less than ₹ 10,400/ Equivalent to ₹ 10,400/ More than ₹ 10,400]
5. In your opinion, which asset has the highest fluctuations in returns with time?
[Saving Bank Interest/ Stocks/ Bonds/ Mutual Funds/ Real Estates/ Treasury Bill/ Sovereign Gold Bonds]

The respondent is marked 4 points for every correct response. So, the respondent with the higher score is categorised as more knowledgeable. (Max score= 4 x 5 = 20 points)

B) Financial Attitude is measured by 5 questions on a scale of Strongly Disagree/Disagree/ Neither Agree nor Disagree/ Agree/ Strongly Agree.

1. I feel comfortable with my current financial situation.
2. I prefer to buy insurance or make investments first over my expenditures.
3. I keep identifying the ideal investment opportunities from my peers.
4. Spending today is better than to save for the future.
5. Keeping funds in saving bank accounts is better than investing in stock markets.

The summated score of these questions may total from 5-25 on the Likert scale. Hence, the Financial Attitude is considered a Negative Attitude (5-13), Neutral (14-17) or Positive Attitude (18-25).

C) Financial Behaviour is measured by 4 questions on a scale of Strongly Disagree/Disagree/ Neither Agree nor Disagree/ Agree/ Strongly Agree.

1. My parents often complain about my expenses.
2. The financial decisions are mutually discussed and concluded with the consent of all the family members.
3. My parents explicitly taught me about rational management of funds (e.g., credit cards, debt, budgeting, savings).
4. My parents didn't talk much about finances.

The summated score of these questions may total from 4-20 on the Likert scale. Hence, Financial Behaviour is interpreted as Saving oriented Behaviour (4-10), Neutral (11-13) or Expenditure oriented Behaviour (14-20).

Data and Variables

The responses have been desired by 729 potential respondents. However, the sample size could be contributed by only 63 respondents. The paper comprises of the Latent Variable- Financial Literacy. Further, three constructs (Financial Knowledge, Financial Attitude and Financial Behaviour) have been tested on the following seven independent variables:

- Gender
- Age (in Completed Years)
- Marital status
- Qualification (Completed/Pursuing)
- Subject/ Discipline of Academic Qualification
- Occupation
- Family Income (per annum)

Data Analysis

The data has been analysed on the basis of seven independent variables. The statistical tests have been run on the three constructs for every variable. The non-parametric Kruskal Wallis Test has been run.

- **Gender**

The null hypothesis of the Kruskal Wallis test is “There is no significant difference in the Financial Knowledge on the basis of Gender” for the first construct and so on.

Table 1: Test outcome (Gender)

Ranks			
	Gender	N	Mean Rank
Financial Knowledge	Female	28	31.63
	Male	35	32.30
	Total	63	
Financial Attitude	Female	28	34.30
	Male	35	30.16
	Total	63	
Financial Behaviour	Female	28	31.02
	Male	35	32.79
	Total	63	

Test Statistics ^{a,b}			
	Financial Knowledge	Financial Attitude	Financial Behaviour
Chi-Square	.023	.803	.146
df	1	1	1
Asymp. Sig.	.881	.370	.702

a. Kruskal Wallis Test

b. Grouping Variable: Gender

There is no significant difference in Financial Knowledge, Financial Attitude and Financial Behaviour on the basis of Gender.

It seems that gender has an almost negligible role in determining the financial knowledge, financial attitude and financial behaviour of the respondents. This may also be pinpointing that since the data has been collected from the urban sections of the country, where an excess of education and knowledge is more unbiased for both the genders.

Age (in Completed Years)

The null hypothesis of the Kruskal Wallis test is “There is no significant difference in the Financial Knowledge on the basis of Age” for the first construct and so on. In the case of age, respondents between the age group of 15 to 19 have shown better financial knowledge. This can be taken forward as they have been in touch with the conceptual part of financial literacy. Besides, a significant response has been observed in the age group of 0 to 14. But since the respondents have been quantitatively two in number so no conclusion has been drawn for this category. More data is requested to consider this group further.

Table 2: Test outcome (Age)

Ranks			
	Age (in Completed Years)	N	Mean Rank
Financial Knowledge	0-14	2	42.00
	15-19**	42	35.62
	20-21	10	20.50
	Above 22	9	25.67
	Total	63	
Financial Attitude	0-14	2	39.00
	15-19	42	33.90
	20-21	10	30.10
	Above 22	9	23.67
	Total	63	
Financial Behaviour	0-14	2	36.25
	15-19	42	29.92
	20-21	10	36.65
	Above 22	9	35.61
	Total	63	

Test Statistics^{a,b}

	Financial Knowledge	Financial Attitude	Financial Behaviour
Chi-Square	7.741	2.737	1.660
df	3	3	3
Asymp. Sig.	.052**	.434	.646

a. Kruskal Wallis Test

b. Grouping Variable: Age (in Completed Years)

** significant at 10%

There is a **significant** difference in Financial Knowledge on the basis of Age. It seems that the respondents in the Age group of 15-19 have higher Financial Knowledge than their counterparts.

There is no significant difference in the Financial Attitude and Financial Behaviour on the basis of Age.

- **Marital status**

The null hypothesis of the Kruskal Wallis test is “There is no significant difference in the Financial Knowledge on the basis of Marital status” for the first construct and so on.

Table 3: Test outcome (Marital status)

Ranks			
	Marital status	N	Mean Rank
Financial Knowledge	Single	56	32.32
	Married	7	29.43
	Total	63	
Financial Attitude	Single	56	32.36
	Married	7	29.14
	Total	63	
Financial Behaviour	Single	56	31.05
	Married	7	39.57
	Total	63	

Test Statistics^{a,b}

	Financial Knowledge	Financial Attitude	Financial Behaviour
Chi-Square	.166	.193	1.358
df	1	1	1
Asymp. Sig.	.684	.660	.244

a. Kruskal Wallis Test

b. Grouping Variable: Marital status

There is no significant difference in the Financial Knowledge, Financial Attitude and Financial Behaviour on the basis of Marital status. However, the data collected for married people is considerably less in comparison to Single respondents. To draw a better picture, more respondents of the former category need to be analysed.

- **Qualification (Completed/Pursuing)**

The null hypothesis of the Kruskal Wallis test is “There is no significant difference in the Financial Knowledge on the basis of Qualification (Completed/Pursuing)” for the first construct and so on.

Table 4: Test outcome (Qualification)

Ranks			
	Qualification (Completed/Pursuing)	N	Mean Rank
Financial Knowledge	Class 5-9*	1	42.00
	Class 10-12*	37	37.47
	Diploma	1	23.50
	Graduate	19	22.32
	Others	5	28.00
	Total	63	

Financial Attitude	Class 5-9	1	36.00
	Class 10-12	37	34.89
	Diploma	1	50.00
	Graduate	19	25.92
	Others	5	29.30
	Total	63	
Financial Behaviour	Class 5-9	1	42.50
	Class 10-12*	37	26.30
	Diploma	1	56.50
	Graduate	19	37.18
	Others	5	47.50
	Total	63	

Test Statistics^{a,b}

	Financial Knowledge	Financial Attitude	Financial Behaviour
Chi-Square	9.996	4.168	10.905
df	4	4	4
Asymp. Sig.	.040*	.384	.028*

a. Kruskal Wallis Test

b. Grouping Variable: Qualification (Completed/Pursuing)

** significant at 5%

There is a **significant** difference in the Financial Knowledge on the basis of Qualification. The students of Class 5-9 and Class 10-12 seem to have more Financial Knowledge. This can be taken forward as they have been in touch with the conceptual part of finance and mathematical calculations. More data is requisite to consider this observation group further.

There is no significant difference in the Financial Attitude and Financial Behaviour on the basis of Qualification.

• **Subject/ Discipline of Academic Qualification**

The null hypothesis of the Kruskal Wallis test is “There is no significant difference in the Financial Knowledge on the basis of Subject/ Discipline of Academic Qualification” for the first construct and so on.

Table 5: Test outcome (Subject)

Ranks			
	Subject/ Discipline of Academic Qualification	N	Mean Rank
Financial Knowledge	Business/Management/Commerce/Law*	21	42.05
	Humanities/Social Sciences/Arts	26	23.37
	Engineering	10	32.55
	Medical	3	24.67
	Others	3	42.00
	Total	63	
Financial Attitude	Business/Management/Commerce/Law	21	34.00
	Humanities/Social Sciences/Arts	26	28.15
	Engineering	10	32.80
	Medical	3	46.83

	Others	3	33.83
	Total	63	
Financial Behaviour	Business/Management/Commerce/Law*	21	23.90
	Humanities/Social Sciences/Arts	26	38.69
	Engineering	10	32.10
	Medical*	3	18.00
	Others	3	44.33
	Total	63	

Test Statistics^{a,b}

	Financial Knowledge	Financial Attitude	Financial Behaviour
Chi-Square	14.387	3.439	10.783
df	4	4	4
Asymp. Sig.	.006	.487	.029

a. Kruskal Wallis Test

b. Grouping Variable: Subject/ Discipline of Academic Qualification

** significant at 5%

There is a significant difference in Financial Knowledge on the basis of Academic Discipline. The respondents of Business/Management/Commerce/Law seem to have more Financial Knowledge. This goes hand in hand with the subjects learnt by the respondents. Certainly, the Business/Management/Commerce/Law is bound to own a competitively higher knowledge than the counterparts.

There is no significant difference in the Financial Attitude on the basis of Academic Discipline.

There is **asignificant** difference in the Financial Behaviour on the basis of Academic Discipline. The respondents from Business/Management/Commerce/Law and Medical subjects are more saving-oriented than the Humanities/Social Sciences/Arts and Engineering background respondents. However, the sample size from the medical field is relatively low for conclusive results.

• **Occupation**

The null hypothesis of the Kruskal Wallis test is “There is no significant difference in the Financial Knowledge on the basis of Occupation” for the first construct and so on.

Table 6: Test outcome (Occupation)

Ranks			
	Occupation	N	Mean Rank
Financial Knowledge	Full time Student	53	32.12
	Part Time Student	2	42.00
	Salaried	6	30.42
	Homemaker	1	23.50
	Others	1	23.50
	Total	63	
Financial Attitude	Full time Student	53	31.64
	Part Time Student	2	36.75
	Salaried	6	29.00

	Homemaker	1	30.00
	Others	1	61.50
	Total	63	
Financial Behaviour	Full-time Student	53	30.99
	Part-Time Student	2	41.00
	Salaried	6	40.00
	Homemaker	1	37.00
	Others	1	14.50
	Total	63	

Test Statistics^{a,b}

	Financial Knowledge	Financial Attitude	Financial Behaviour
Chi-Square	1.146	2.944	2.801
df	4	4	4
Asymp. Sig.	.887	.567	.592

a. Kruskal Wallis Test

b. Grouping Variable: Occupation

There is no significant difference in the Financial Knowledge, Financial Attitude and Financial Behaviour on the basis of Occupation.

- **Family Income (per annum)**

The null hypothesis of the Kruskal Wallis test is “There is no significant difference in the Financial Knowledge on the basis of Family Income (per annum)” for the first construct and so on.

Table 7: Test outcome (Family Income)

Ranks			
	Family Income (per annum)	N	Mean Rank
Financial Knowledge	Less than □ 2,50,000	10	23.15
	□ 2,50,001 - □ 5,00,000	6	24.67
	□ 5,00,001 - □ 10,00,000	6	19.17
	□ 10,00,001 - □ 15,00,000*	6	35.92
	More than □ 15,00,000*	35	37.31
	Total	63	
Financial Attitude	Less than □ 2,50,000	10	26.20
	□ 2,50,001 - □ 5,00,000	6	20.75
	□ 5,00,001 - □ 10,00,000	6	28.58
	□ 10,00,001 - □ 15,00,000	6	32.08
	More than □ 15,00,000	35	36.16
	Total	63	
Financial Behaviour	Less than □ 2,50,000	10	35.75
	□ 2,50,001 - □ 5,00,000	6	40.00
	□ 5,00,001 - □ 10,00,000	6	39.00
	□ 10,00,001 - □ 15,00,000	6	34.83
	More than □ 15,00,000	35	27.87
	Total	63	

Test Statistics^{a,b}

	Financial Knowledge	Financial Attitude	Financial Behaviour
Chi-Square	10.098	5.317	4.402
df	4	4	4
Asymp. Sig.	.039*	.256	.354

a. Kruskal Wallis Test

b. Grouping Variable: Family Income (per annum)

** significant at 5%

There is a **significant** difference in the Financial Knowledge on the basis of Family Income. The respondents ranging between the Income group of 10,00,000 and above have more Financial Knowledge.

There is no significant difference in the Financial Attitude and Financial Behaviour on the basis of Family Income.

Conclusion

The paper can be concluded on the following lines:

1. There is no significant difference in the Financial Knowledge, Financial Attitude and Financial Behaviour on the basis of **Gender and Occupation**.
2. The respondents in the **Age** group of 15-19 have higher Financial Knowledge than their counterparts.
3. There is no significant difference in the Financial Knowledge, Financial Attitude and Financial Behaviour on the basis of **Maritalstatus**. To draw a better picture, more respondents of the former category need to be analysed.
4. The students of **Class 5-9** and **Class 10-12** seem to have more Financial Knowledge. This can be taken forward as they have been in touch with the conceptual part of finance and mathematical calculations.
5. The respondents of **Business/Management/Commerce/Law** seem to have more Financial Knowledge and a saving-oriented Financial Behaviour than their counterparts.
6. The respondents ranging between the **Income group** of \square 10,00,000 and above have more Financial Knowledge.

Limitations and scope for future research

Despite making all the efforts, the author believes that the following two limitations can be further addressed in the scholarly world. Firstly, the paper can further be extended with a broader response base. Secondly, the study has found that a recency effect in the financial patterns of the respondents has been observed owing to the pandemic making them more saving-oriented.

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