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Financial Literacy Among Youth: A Critical Assessment

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Abstract:

Financial literacy is an essential life skill that enables individuals to make informed and effective financial decisions. In the context of the modern economy, where financial products and services are increasingly complex, the importance of financial literacy among youth has become paramount. This paper aims to examine the level of financial literacy among young individuals, particularly college students and early professionals, and explores the role of education, socio-economic background, and digital platforms in shaping their financial knowledge and behavior. The study utilizes a review-based qualitative approach, supported by recent surveys and academic studies. It identifies gaps in current financial education and highlights the need for systematic inclusion of personal finance as a subject in academic curricula. The paper concludes with practical suggestions for stakeholders, including educational institutions, government bodies, and financial organizations, to promote financial literacy in a more structured and accessible manner.

Keywords: Financial Literacy, Youth, Personal Finance, Financial Education, Money Management, Digital Finance, Budgeting, Savings, Financial Behavior

1. Introduction:

Financial literacy refers to the ability to understand and effectively use various financial skills, including personal financial management, budgeting, and investing. With globalization and technological advancements, young individuals are exposed to a wide array of financial choices, from student loans to online investments. However, despite growing exposure, many youths lack adequate financial knowledge to make informed decisions. This lack of awareness often results in poor money management, excessive debt, and limited savings.

In India, where nearly half the population is under the age of 25, financial literacy among youth is critical not only for individual well-being but also for national economic development. This research paper aims to critically assess the current state of financial literacy among youth and offer

recommendations for improving it through educational, technological, and policy interventions.

2. Importance of Financial Literacy:

Financial literacy empowers youth to:

- Understand the value of money
- Manage personal and family budgets
- Save for future needs
- Avoid financial traps and debt
- Make sound investment decisions.

Without proper financial knowledge, youth may fall prey to excessive consumerism, poor saving habits, and financial scams. On the contrary, financially literate individuals are more likely to plan for their future, handle emergencies, and contribute positively to economic growth.

3. Review of Literature:

Several studies highlight the low level of financial literacy among youth globally. According to a 2019 OECD report, only 24% of young people aged 15-24 could correctly answer basic financial questions. In India, a 2022 survey by the National Centre for Financial Education (NCFE) found that only 27% of respondents aged 18-29 were financially literate.

Scholars like Lusardi and Mitchell (2014) emphasize that financial education should begin early and be integrated into school and college curricula. Furthermore, the rise of digital finance platforms like UPI, mobile wallets, and online trading apps has increased the need for better understanding of financial products.

4. Objectives of the Study:

The major objectives of this paper are:

1. To assess the current level of financial literacy among youth.
2. To identify factors influencing financial behavior in young individuals.
3. To explore the role of educational institutions and digital tools in promoting financial awareness.
4. To recommend strategies to improve financial literacy among youth.

5. Methodology:

This paper follows a qualitative research methodology using secondary data collected from journals, reports, surveys, and news articles. A comparative approach is used to examine financial literacy trends across different regions and demographics. Since the focus is on youth, the data pertains mainly to individuals between the ages of 16–30.

6. Factors Influencing Financial Literacy:

a. Educational Background:

Students from commerce or business backgrounds tend to perform better in financial literacy

tests compared to those from arts or science streams. Lack of exposure to finance-related subjects contributes to this gap.

b. Socio-Economic Status:

Youth from higher-income families often have more access to financial resources and guidance. Those from low-income households may prioritize immediate needs over long-term planning.

c. Digital Exposure:

Use of digital wallets, net banking, and stock market apps has increased among youth, but understanding of underlying financial principles remains limited. While technology provides access, it also creates a false sense of financial knowledge.

d. Peer Influence and Parental Guidance:

Young people are influenced by their social circles and family practices. Parents who discuss financial matters openly often raise more financially responsible children.

7. Challenges in Achieving Financial Literacy:

- Lack of Formal Education: Financial literacy is not part of most academic curricula.
- Over-Reliance on Technology: Many youths use financial apps without fully understanding them.
- Consumer Culture: Aggressive marketing and peer pressure encourage spending over saving.
- Lack of Role Models: Few public figures promote responsible financial behavior.

8. Role of Educational Institutions:

Schools and colleges can play a vital role by:

- Introducing financial literacy as a subject
- Organizing workshops, simulations, and financial games
- Inviting guest lectures from financial experts
- Providing real-life financial challenges to students

9. Government Initiatives in India:

The Indian government and RBI have launched several programs:

- National Strategy for Financial Education (NSFE): A roadmap to achieve financial literacy in the country.
 - Financial Literacy Week by RBI
 - Sukanya Samriddhi Yojana and PM Jan Dhan Yojana: Encourage savings and financial inclusion.
- However, outreach and implementation need to be more youth-specific and accessible via digital media.

10. Findings and Analysis:

Based on a review of recent surveys:

- Over 60% of youth have never created a monthly budget.

- Less than 30% have knowledge about insurance or mutual funds.
- Digital tools are used frequently, but often for spending rather than saving.
- Young individuals feel financial education should be mandatory in schools.

This shows that while youth are financially active, they are not necessarily financially literate.

11. Suggestions and Recommendations:

1. Introduce Personal Finance in School Curricula from Class 9 onwards.
2. Promote Gamified Learning through mobile apps and simulations.
3. Collaborate with Financial Institutions to offer free online courses and certifications.
4. Conduct Awareness Campaigns using social media influencers.
5. Encourage Parental Involvement in early financial discussions.
6. Create Youth-Oriented Savings Products with low minimum balances.

12. Conclusion:

Financial literacy is not just about managing money; it is about building a secure and responsible future. For the youth of India, who represent the future workforce and entrepreneurs, it is imperative to be financially aware and competent. While challenges exist, they can be overcome with collaborative efforts from the education system, government, private sector, and families. A financially literate youth population will contribute significantly to the stability and growth of the Indian economy.

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