Educational Administration: Theory and Practice
2024, 30(1), 5094 - 5098
ISSN: 2148-2403
https://kuey.net/ **Research Article**

An Analysis Of The Level Of Financial Literacy Among Young People Working In Urban Areas In India

Suman Nagpal[1*], Dr. Niyati Sharma[2]

[1*]Research Scholar, Mangalayatan University, Aligarh
[2]Assistant Professor, Mangalayatan University, Aligarh, Niyati.sharma@mangalayatan.edu.in

Citation: Suman Nagpal, et.al (2024), An Analysis Of The Level Of Financial Literacy Among Young People Working In Urban Areas In India, *Educational Administration: Theory and Practice*, 30(1) 5094 - 5098
Doi: 10.53555/kuey.v30i1.8631

ARTICLE INFO

ABSTRACT

The purpose of this study is to investigate the level of financial literacy among young people who are employed in metropolitan areas in India, with a particular emphasis on gaining an understanding of their financial behaviors and attitudes. The purpose of this study is to determine the level of financial literacy within this group, as well as to investigate the methods of making financial decisions and the budgeting habits that are prevalent among them. The information was gathered through a study that was based on questionnaires, and the sample was drawn from six major cities in India. These cities encompassed a wide range of socioeconomic backgrounds. Due to the fact that they have the capacity to alter situations, characteristics such as gender, age, education level, marital status, family income, and living circumstances were taken into consideration. After doing preliminary analysis, the usable sample was reduced to 754 individuals, despite the fact that the target sample size was 1,000. The findings bring to light major gaps in financial literacy among young people who are employed in metropolitan areas, highlighting the necessity of tailored interventions. It is clear that addressing socio-demographic gaps and supporting targeted financial education programs are two of the most important tactics that can be used to improve the outcomes of decision-making and financial happiness in this cohort. This study makes a contribution to the continuing conversation about improving financial literacy by offering insights that may be utilized by policymakers, educators, and other stakeholders. The findings of this study highlight the significance of holistic methods in the process of developing financial empowerment among urban working young in India. These findings have implications for future research and policy interventions that are aimed at boosting financial inclusion and resilience among this demographic.

Keywords: financial literacy, retirement planning, saving, investing, debt management, tax planning, employer contributions, financial security, risk management, social security, retirement preparedness.

Introduction

Over the course of the past several years, there has been a discernible decrease in the engagement of governments and employers in the supervision of investments for individuals. This is a direct result of developments in social support systems around the world. As a consequence of this, individuals are now taking on a greater responsibility for the management of their own finances and the guaranteeing of their long-term financial stability. A thorough understanding of the financial landscape is something that individuals need to cultivate in order to be able to make use of the growing number of complex financial products that are accessible. Therefore, having this information is essential in order to make decisions that are well-informed and in line with their own financial goals and expectations.
Research conducted in a variety of places around the world reveals that there is a lack of adequate financial literacy, which raises serious worries about the ability of individuals to protect their financial well-being. According to Yang et al. (2023), there is a substantial body of evidence suggesting that a significant number of people struggle with insufficient savings, making irresponsible investing choices, and frequently being in debt. It is especially obvious among young people in a variety of countries that this trend is occurring. As an illustration, Reed and Cochrane, who have conducted extensive research on student debt in the United States

over the course of several years, mentioned in their most recent report that approximately two-thirds of college graduates in 2011 were confronted with significant debt burdens as a result of education loans and credit card borrowings (Bottazzi & Lusardi, 2020). The continuously high unemployment rates that have been brought about by the ongoing economic slump have further contributed to the escalation of the delinquency rates among these young borrowers.

Emerging economies are particularly important since they are working to improve the financial well-being of their inhabitants while simultaneously working to achieve better economic growth rates. Financial literacy is particularly important for emerging nations. By increasing people's financial literacy, they can improve their ability to make sound financial decisions, which in turn will further improve the overall financial status of the population. This research not only provides a comparative comparison of the level of financial literacy among young urban workers in India and other similar groups in different nations, but it also marks the first comprehensive attempt to identify the factors that determine financial literacy especially within the setting of India. Over sixty-five percent of India's population is under the age of thirty-five, and the country is experiencing increasing urbanization. As a result, the findings of this study are quite relevant (Swiecka et al., 2020).

A study conducted by Yang in 2023 on the level of financial knowledge among young people is depicted in the following graph:

The ability to obtain, analyze, and evaluate relevant information in order to make informed financial decisions is an essential component of financial literacy, which is a concept that is essential for ensuring the financial futures of individuals. Huston (2010) contends that the concept of financial literacy must encompass not just the acquisition of knowledge but also the application of financial abilities in real-world situations. In order to simplify comparisons between countries and to serve as a standard for international surveys, the OECD has developed a definition of financial literacy that encompasses awareness, knowledge, skills, attitudes, and behaviors.

The findings of research conducted all over the world have indicated significant weaknesses in financial literacy, which has led to the establishment of financial literacy programs with the objective of enhancing the financial attitudes, behaviors, and general knowledge of individuals. Researchers Goyal and Kumar (2020) conducted an investigation into the level of financial literacy among young Americans. They discovered that low levels of proficiency were influenced by socio-demographic characteristics and the financial circumstances of families. Previous research conducted by Hasan et al. (2021) and related research conducted by other researchers over a wide range of age groups and nations came to similar conclusions.

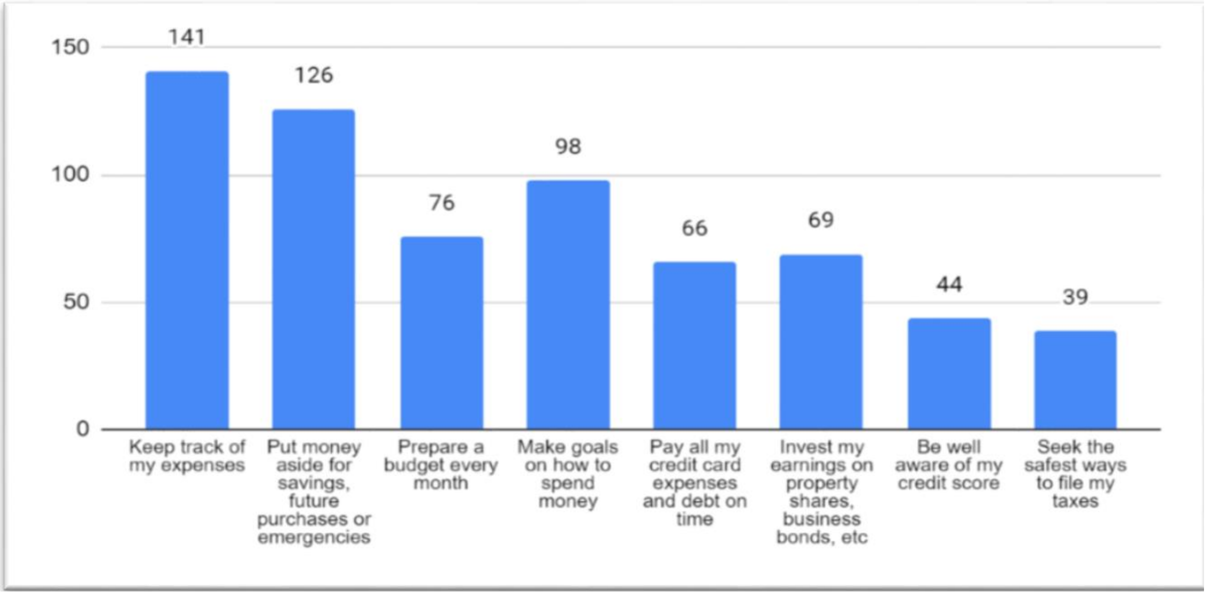
The findings of Lusardi et al. (2020) indicate that education, and more specifically college education, has a favorable impact on financial literacy. This finding is in line with the findings of previous studies. The study also revealed the considerable influence that mothers' education and the level of financial sophistication of their families have on their level of financial literacy within the family. The significance of schooling and the environment of the family in determining the level of financial literacy that an individual possesses is highlighted by these studies.

Many research, such the one conducted by Klapper and Lusardi (2019), have shown that the degree of financial literacy in India is significantly lower than in other countries. Utilizing the OECD questionnaire, the purpose of this research is to improve comprehension of the concept of financial literacy in India by investigating its three dimensions: financial attitude, financial behavior, and financial knowledge.

However, there is a lack in research about the understanding of the financial literacy, behavior, and attitudes of urban working millennials in India. This gap is particularly concerning the alignment of these individuals with worldwide standards and the role of socio-demographic characteristics. According to Ouachani et al. (2020), although there are research that investigate financial literacy in India, very few of these studies concentrate explicitly on urban youth and the financial capacities and behaviors that they engage in. There is a paucity of complete assessments of financial knowledge, behavior, and attitudes in this group in the existing research, and there is also a lack of comparative study with international norms. For the purpose of enhancing financial literacy and promoting good financial decision-making among urban young in India, addressing this research gap will provide useful insights that can be used to build targeted interventions.

In light of the analysis presented above, the research includes the following aims that should be taken into consideration:

Firstly, to determine the extent of financial literacy among young people who are employed in urban areas in India. Secondly, to investigate the financial behavior and attitude of young people who are employed in urban areas in India.



Financial Literacy Among Youth characteristics (Yang, 2023)

By providing light on the financial capabilities and practices of urban working young in India, data analysis gave insights on the financial knowledge, behavior, and attitude of these individuals. With the help of this study, we were able to determine the degree of financial literacy and behavior among the respondents, compare it to international benchmarks, and investigate the socio-demographic factors that influence financial attitudes, behaviors, and knowledge.

Research Methodology

An urban working youth population in India was the subject of the study, which drew a sample from six major cities in order to capture the socio-economic diversity of society. A survey that was based on questionnaires was used to collect the data. For the purpose of this evaluation, factors such as gender, age, level of education, marital status, family income, financial decision-making process, and budgeting were taken into consideration. In addition, information regarding living arrangements (nuclear versus joint family structure) was gathered because of the potential impact it could have. The minimum number of samples that could be used was 754, while the ideal sample size was 1,000. This was determined after preliminary analysis. Eight questions encompassing basic numeracy, interest computation, inflation, risk-return relationship, and diversification were used to assess the level of financial knowledge possessing the individual. The questions were graded in accordance with the recommendations of the OECD. There were eight elements that were used to evaluate financial behavior. These items included spending habits, bill payment, budget planning, product appraisal, saving, and borrowing, and they were rated based on the behavior that was considered desirable. An individual's financial attitude was evaluated by using three items that were scored on a scale of 1-5. These items assessed the individual's belief in planning, inclination to save, and consumption. In order to investigate the impact that socio-demographic factors have on financial knowledge, behavior, and attitude, an ordered multinomial logistic regression was utilized.

The fundamental behaviors demonstrate that the majority of young people are keeping track of their financial situation, putting money away in savings, and establishing a budget for each month while being conscious of their credit score. That being said, socio-demographic characteristics do have an effect on the level of financial literacy.

This study focuses light on distinct contextual variables that impact financial literacy and gives useful insights for policymaking (Dewi et al., 2020). The study was conducted by studying socio-demographic factors that influence financial attitudes, behaviors, and knowledge among urban youth in India.

As a result, the purpose of this research is to identify socio-demographic factors that have an impact on financial literacy and to offer useful insights that may be utilized by policymakers in order to build targeted interventions that aim to improve financial education and well-being within this particular demographic (Lyons & Kass-Hanna, 2021). The findings of this research have the potential to serve as a basis for further research that will investigate the efficacy of financial literacy programs that are aimed at urban working youth in India. With additional research, it would be possible to look deeper into the unique financial issues that are faced by different subgroups within this demographic and analyze the long-term impact that increased financial literacy has on the financial behaviors and results of individuals.

Data Analysis

Data analysis revealed insights into the financial knowledge, behaviour, and attitude of urban working youth in India, shedding light on their financial capabilities and practices. This analysis aimed to assess the level of financial literacy and behaviour among the respondents, comparing it with international benchmarks and exploring socio-demographic factors influencing financial attitudes, behaviours, and knowledge. The survey results have been analysed as follows :

Table 1: Survey result on financial knowledge of youth

Dimension	Percentage of Respondents	Key Findings
Financial Knowledge	**24%**	24% demonstrated high financial knowledge, lower than OECD averages. - Gaps identified in understanding basic financial principles. - Struggles with simple numerical tasks and lacks understanding of inflation's impact on returns.
Financial Behavior	**68%**	The majority (68%) exhibited desirable financial behaviour. - Comparable to OECD results. - Strong inclination towards assessing affordability and timely bill payments. - Prevalent financial goal-setting and prudent borrowing habits.
Financial Attitude	**~50%**	50 %displayed a positive attitude towards financial planning. Women exhibited superior financial attitudes. - Higher family income is associated with a positive attitude. - Decision-making autonomy linked to a decreased likelihood of a positive attitude.

Understanding of Finances

Approximately twenty-four percent of respondents indicated a high level of financial awareness, which is a smaller proportion when compared to the averages of the OECD survey. There were gaps in understanding of fundamental financial principles that were brought to light by the performance on many elements of financial knowledge. For example, a sizeable proportion of respondents had difficulty with math tasks that were quite straightforward and lacked a meaningful comprehension of the influence that inflation had on returns. The results indicated that there is a need for improvement in terms of financial literacy among young people who are working in metropolitan areas in India.

Behaviour Regarding Money

More than sixty-eight percent of those who participated in the survey exhibited positive financial behavior, showing that the bulk of them have solid financial habits. These ratios were comparable to the findings of the OECD survey for a number of other countries. Notably, respondents in India showed a strong tendency toward evaluating the affordability of things and making timely payments on bills, which is consistent with the patterns that have been found in other nations. Furthermore, the respondents exhibited a relatively disciplined attitude to the management of their personal money, as seen by the prevalence of the practice of defining financial goals and the adoption of conservative borrowing habits during the survey.

Attitude Regarding Money

Approximately half of the people who took part in the study demonstrated a positive attitude toward financial planning, in addition to a balanced tendency toward spending. Despite the fact that this level was equivalent to that of several OECD countries, it was far lower than that of other countries, particularly those in the Eurozone. This study found that gender, family wealth, and the ability to make decisions independently were major factors in determining financial attitudes. Approximately half of the people who took part in the study demonstrated a positive attitude toward financial planning, in addition to a balanced tendency toward spending. On the other hand, there was a correlation between having autonomy in decision-making and a lower likelihood of having a good attitude toward finances.

An additional level of insight into the influence of explanatory variables on financial knowledge, behavior, and attitude was obtained through the use of multinomial logistic regression analysis. One of the variables that demonstrated statistically significant influences on financial attitudes and behaviors was gender. Other variables that demonstrated such impacts included family income, decision-making autonomy, and housing circumstances. Particularly noteworthy is the fact that living in a joint family and not having a budget were both related with a lower likelihood of having a good attitude about money. The findings of the analysis, taken as a whole, highlight the importance of implementing specific interventions with the goal of improving the financial literacy and behavior of urban working youth in India. By addressing socio-demographic gaps and supporting financial education efforts that are targeted to their requirements, it is possible to contribute to improved results regarding financial well-being and decision-making within this demographic.

Conclusion

In conclusion, the findings of the study indicate that the degree of financial literacy among young people who are working in metropolitan areas in India is equivalent to that of similar groups in other countries. Similar socio-demographic factors, such as family income and gender, have been observed to exhibit similar influences on financial literacy in the setting of India, as has been observed in other studies. The fact that the respondents' financial literacy is still insufficient, despite the fact that they have high levels of education, highlights the necessity of incorporating financial literacy education within the curriculum of general education. Given the importance that India places on education, this might be a viable and efficient method for rapidly increasing the level of financial literacy among young people throughout the country.
In addition, the research shows the role of contextual factors in the formation of financial literacy. These factors include living in a joint family and participating in collaborative financial decision-making processes. These contextual considerations highlight how important it is to take into consideration sociological and behavioral aspects that are peculiar to the Indian setting while developing intervention strategies with the goal of enhancing financial well-being. Therefore, any strategy that aims to improve the level of financial literacy among young people in India ought to use a holistic approach that takes into account not only the qualities of the individuals involved but also the broader societal impacts. From a broader perspective, the study highlights the importance of tailor-made initiatives that take into account the specific socio-cultural environment of India in order to effectively promote financial literacy among the country's youth population.

References

1. Bottazzi, L., & Lusardi, A. (2020). Stereotypes in financial literacy: Evidence from PISA. *Journal of Corporate Finance*, *2*(5), 101831. https://doi.org/10.1016/j.jcorpfin.2020.101831
2. Dewi, V. I., Febrian, E., Effendi, N., Anwar, M., & Nidar, S. R. (2020). Financial literacy and its variables: The evidence from Indonesia. *Economics & Sociology*, *13*(3), 133–154. https://doi.org/10.14254/2071-789x.2020/13-3/9
3. Global Financial Literacy Excellence Centre (GFLEC). (2023). *S&P Global FinLit Survey*, 14(5),124-126
4. Goyal, K., & Kumar, S. (2020). Financial literacy: A systematic review and bibliometric analysis. *International Journal of Consumer Studies*, *45*(1). https://doi.org/10.1111/ijcs.12605
5. Hasan, M., Le, T., & Hoque, A. (2021). How does financial literacy impact inclusive finance? *Financial Innovation*, *7*(1). https://doi.org/10.1186/s40854-021-00259-9
6. Klapper, L., & Lusardi, A. (2019). Financial literacy and financial resilience: Evidence from around the world. *Financial Management*, *49*(3), 589–614. https://doi.org/10.1111/fima.12283
7. Lusardi, A., Hasler, A., & Yakoboski, P. J. (2020). Building up financial literacy and financial resilience. *Mind & Society*, *2*(5). https://doi.org/10.1007/s11299-020-00246-0
8. Lyons, A. C., & Kass-Hanna, J. (2021). A methodological overview to defining and measuring "digital" financial literacy. *FINANCIAL PLANNING REVIEW*, *2*(5). https://doi.org/10.1002/cfp2.1113
9. Ouachani, S., Belhassine, O., & Kammoun, A. (2020). Measuring financial literacy: a literature review. *Managerial Finance*, *ahead-of-print*(ahead-of-print). https://doi.org/10.1108/mf-04-2019-0175
10. Swiecka, B., Yeşildağ, E., Özen, E., & Grima, S. (2020). Financial Literacy: The Case of Poland. *Sustainability*, *12*(2), 700. https://doi.org/10.3390/su12020700
11. Yang, J., Wu, Y., & Huang, B. (2023). Digital Finance and Financial Literacy: Evidence from Chinese Households. *Journal of Banking and Finance*, *156*(2), 107005–107005. https://doi.org/10.1016/j.jbankfin.2023.107005