

The Need for Financial Literacy: A Research Study to Explore the Need for Imparting Financial Literacy among the Youth in South Mumbai

KULVINDER KAUR BATTH

Assistant Professor
Department of Commerce
K. C. College
Churchgate, Mumbai 400 020
Tel.: 98330 60902
kulprofessional@gmail.com

Abstract

Financial Literacy has been the need of the hour. A large amount research has been conducted and is also going on with the purpose of spreading financial literacy. The concern for adoption of financial literacy concepts arise at later stages in our lives. The research paper makes an attempt to emphasize the need for imparting financial literacy among the younger generation. A phase which has been always ignored from the view point of financial literacy with the purpose that the youth does not require the learning of financial concepts. Whereas the research paper aims at assessing the dire need for financial education among the youth so as to cultivate the right habits at an earlier stage of life. The research study makes an attempt to understand the level of financial knowledge and the factors responsible among the younger generation. The research in this area will be a guide and recommendation to the policy makers and finance firms while designing their policies. Also the academia would be able to adopt the mechanisms to inculcate financial literacy by designing new paradigms focusing on an innovative learning curve. The level of financial literacy will also present the amount of need to strategize the required skill set.

Keywords: Financial Literacy, Financial Inclusion, SEBI

Paper Type: Primary research

Introduction

“We can create confidence in the market by spreading financial literacy and merit of investment could be widely spread, hence the time is ripe to motivate our educated upper middle class to climb from saving mode to wealth generation mode.”

- Pranab Mukherjee, (Honourable President of India)

The new regimes in the financial world are changing the scenario of the overall market. National Strategy for Financial Education has been set up by SEBI, Securities and Exchange Board of India to understand the level of financial literacy in the country.

SEBI has initiated the need for imbining the financial literacy among the population. The government has been emphasising on the financial inclusion objective. Financial literacy will help fulfil the government's objective of financial inclusion. The right kind of financial knowledge will help the individuals to better plan their finances as well as it will lead them to be secure.

Review of Literature

Review of literature is important to understand the past and present level of research undertaken in the area of study as well as it supports the researcher in creating the research framework due to the existence of the research gap by filling the loopholes.

Batliwala, 1994¹, discusses the need for empowering women for a new gender construction in society. More empowered women will help in eliminating a large amount of problems arising out of various social issues existing in the society. The biggest problem of domestic violence can be curbed if women are more aware about their rights. There is a dire need for a social awakening among women to raise their status in the society.

Lusardi, et.al. 2009², discusses the results of the research conducted in USA, stating the low rate of financial literacy among the youth. It presents the statistical evidence to prove that the rate of financial literacy among the younger generation is very low. The poor financial knowledge thus is getting reflected in their inefficient management of credit card payments. The piling up of student loans year after year, leading to a large amount of interest payments.

Hashemi, et.al, 1996³, presents the research about the Grameen Bank in Bangladesh. The paper discusses the use of Grameen Bank in Bangladesh to empower the rural poor women. Grameen Bank operates on the major mode of offering credit to the rural women. The financial empowerment is leading to social empowerment of women. The loan payment rate in the rural poor women is very high. The rules and rituals followed in the payment of loans regularly is the real reason for the smooth functioning of the system.

Duflo, 2012⁴, presents the stark realities about the gender inequalities with respect to education especially pertaining to financial education. The need to address the aspects of financial education catering across the genders so as to provide equal justification across different arenas.

Framework of Study

Statement of Problem

The research study aspires and aims to adjudge the present availability of financial knowledge among today's younger generation. The results of the research will in turn help to devise the required curriculum at different levels and in different forms so as to provide financial education to the youth.

Need of the Study

The research study will focus on the disseminating value-based knowledge during the building years of the children. Financial education can be a part of the value system if provided in a diligent and responsible manner.

¹ Batliwala, Srilatha. 1994. "The Meaning of Women's Empowerment: New Concepts from Action", in Gita Sen, Adrienne Germain and Lincoln C. Chen eds. *Population Policies Reconsidered: Health, Empowerment and Rights*. Cambridge: Harvard University Press.

² Lusardi, Annamaria, Mitchell, Olivia S., and Curto, Vilsa, (2009), *Financial Literacy among the Young: Evidence and Implications for Consumer Policy* NBER Working Paper No. 15352, JEL No. D91

³ Hashemi, Syed M., Ruth Schuler, Sideny, Riley, Ann P., (1996), *Rural credit programs and women's empowerment in Bangladesh*, Vol.24, Issue 4, Pages 635-653.

⁴ Duflo, Esther, (2012), *Women Empowerment and Economic Development*, *Journal of Economic Literature*, American Economic Association, Volume 50, Number 4, December, pp. 1051-1079(29)

Objectives of the Study

- To understand the level of financial knowledge among the youth.
- To evaluate the different factors effecting the level of financial knowledge among the youth.
- To assess the relationship of demographic factors with the level of financial knowledge.
- To assess the relationship of sociological factors with the level of financial knowledge.

Hypothesis of the Study

Null Hypothesis (H0): There is no significant difference between level of financial knowledge and the demographic factors.

Alternative Hypothesis (H1): There is significant difference between level of financial knowledge and the demographic factors.

Null Hypothesis (H0): There is no significant difference between level of financial knowledge and the sociological factors.

Alternative Hypothesis (H2): There is significant difference between level of financial knowledge and the sociological factors.

Research Methodology

The purpose of the research is to understand the level of financial knowledge among the younger generation. The research methodology is the procedure for conducting the research to reach to the right kind of evaluation to assess the knowledge of financial world.

Research design incorporates the methodologies to collect the data so as to draw conclusion and suggest recommendations for further course of action. The research study was conducted with the help of survey based approach. To collect the data a carefully drafted questionnaire was designed and data was collected from 150 respondents by the use of purposive and convenient sampling technique.

The results of the research study were later used to draw conclusions and present recommendations for further research and to present the results to the policy makers, financial companies as well as the academic community.

Nature and Sources of Data

Primary data

Primary data is the first hand information which was collected by the researcher to fulfil the need of the research. The primary data was collected from the respondents based on purposive and convenient sampling technique. The questions were systematically and carefully drafted so as to collect the required information. The questionnaire was personally administered to also carry on the observational technique so as to judge the behaviour of the respondents.

Tools for Data Collection

The data collection was undertaken with the help of carefully crafted and designed questionnaire. The questionnaire was a structured questionnaire with all the questions well laid and asked in a systematic manner. Primary data was also collected with the help of interview method along with questionnaires.

Data Analysis and Interpretation

The analysis of data rejects the Null Hypothesis and accepts the Alternative Hypothesis: “There is significant difference between level of financial knowledge and the demographic factors”; and “There is significant difference between level of financial knowledge and the sociological factors”.

Table 1: Factors influencing financial literacy (N=150)

Factors	N=150	Percentage
Family Education	80	53.33%
Peer Characteristics	20	13.30%
Income	25	16.67%
Educational Background	15	9.99%
Others	10	6.67%
Total	150	100.00%

Source: Based on Primary data from the Questionnaire

Table 2: Responses to Financial Knowledge Questionnaire

Financial Knowledge Variables	Mean Score
I avoid spending more money than I have	1.24
I am aware about all the investment options available	1.33
I would like to invest my money on profitable investment options	2.89
I would like to invest in company's share than buying their junk food	1.45
I can easily manage my funds	1.01
I regularly do my savings	2.51
I have pretty good knowledge about Financial Management	1.55
I would like to learn more about Financial Management	3.45

Source: Based on Primary data from the Questionnaire

Findings and Recommendations

The findings of the research present that family education is the strongest factor playing a larger role among the financial literacy of youth. The results also show a positive and favourable opinion of the respondents wherein the larger response is towards the eagerness to learn and explore more about the financial management. The youth is keen to equip themselves with the required financial skills and expertise.

The research study will be applicable to bankers, financiers, finance companies, asset management companies, mutual fund companies, insurance companies, insurance agents, financial advisors. The results of the study could also be useful for the academic community to devise certain programs which will accommodate the finance literacy aspects relevant across different faculties.

The research will be applicable to the government organisations and agencies to devise policy framework to imbibe the financial education from the earlier phases of schooling and higher education as well as to initiate skill oriented initiatives to develop financial literacy among younger generation.

References

- Attarwala.Dr.A.A, (2014), '*Role of SEBI in Financial Literacy*', Abhinav International Journal of Research in Management and Technology, Volume 3, Issue 3.
- Batliwala, Srilatha. 1994. '*The Meaning of Women's Empowerment: New Concepts from Action*', in Gita Sen, Adrienne Germain and Lincoln C. Chen eds. *Population Policies Reconsidered: Health, Empowerment and Rights*. Cambridge: Harvard University Press.
- Duflo, Esther, (2012), '*Women Empowerment and Economic Development*', Journal of Economic Literature, American Economic Association, Volume 50, Number 4, December, pp. 1051-1079(29)
- Hashemi. Syed M., Ruth Schuler. Sidney, Riley. Ann P., (1996), '*Rural credit programs and women's empowerment in Bangladesh*, Vol.24, Issue 4, Pages 635-653.
- Kolaskar. Ashok.S, 2012, '*Women and Society: The Road to Change*', Oxford University Press, New Delhi.
- Lusardi.Annamaria, Mitchell.Olivia S., and Curto.Vilsa, (2009), '*Financial Literacy among the Young: Evidence and Implications for Consumer Policy*' NBER Working Paper No. 15352, JEL No. D91
- Rana.Kranti, (1998), '*Modern Working Women and the development debate*', Kanishka Publishers, New Delhi.
- S.Raju and M. Gurupandi (2009), '*Analysis of the socio-economic background and attitude of the policy holders towards LIC*' Smart Journals, VOL 5, p.21.Sen.
- Gita, Germain. Adrienne, Chen. Lincoln C. Boston, Massachusetts, Harvard University, Harvard Centre for Population and Development Studies, (1994), '*Population policies reconsidered: health, empowerment, and rights*' (Harvard Series on Population and International Health), Mar. 127-38.

