A Study of Socio-Demographic Factors on Financial Awareness among Youth in Indian Context

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Abstract

Purpose: Financial Awareness is the attitude of the individuals towards the financial matters. It helps the individuals in making decisions. The present research would measure the financial awareness among youth who are in the age of 18-35 years. An attempt has been made to measure the financial awareness of the youth on basis of various socio-demographic factors like gender, age, education level, education background, parents' guidance and occupation and how the youth are well-versed with their financial decisions making. Results: The findings of the research showed that three socio-demographic factors viz., education level, education background and parents' guidance are significantly associated with the financial awareness of an individual.

Conclusions: It can be inferred from the study that financial related mindfulness level gets influenced by instruction foundation, parental direction and current training level. In the present context, the role of education has been multiplied manifold. In case we need to broaden the horizon and include more people in the financial inclusion programs, we need to put greater influence upon the education level of the individuals. At the same time, the parents, who themselves are not educated cannot be expected to guide their wards properly. Therefore, it's not only the young population but the issue of the awareness level needs to be addressed all across.

Keywords:

Financial Awareness, socio-demographic factors, youth.

INTRODUCTION

Financial Awareness is the attitude of the individuals towards the financial matters. An individual with the positive attitude towards his personal finances would be keen to make himself aware about the various financial products available in the market. The awareness would induce an individual about the importance of regular savings, preparing of monthly budgets regarding their expenses and savings, paying the outstanding bills regularly and generally keeping hold of his personal finances. Thus, financial awareness is the mix of one's knowledge, skill and attitude towards financial matters. It helps in making decisions regarding the personal finances among the individuals.

Monetary perusing and composing abilities empower people to explore the financial world, settle on educated choices about their cash and lessen their odds of losing cash. The requirement for financial education has turned out to be extraordinary with the advancement of financial related markets. Specifically, youngsters ought to comprehend the basics of speculation and making arrangements for the future,

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including the connection amongst risk and return.The social structure in the modern world is changing rapidly. Today, an individual can no longer contemplate that he would be financially taken care of by his children or any other family member in the future. This has expanded person's duty in dealing with their own funds and securing their financial future. In a situation where the range and the multifaceted nature of financial related items keep on increasing, it is basic that people create nuanced comprehension of the universe of fund to have the capacity to settle on decisions that are most proper to their financial objectives and requirements.

The ranges of financial products which are being offered in the market have grown immensely. Along with the plain vanilla financial products like fixed deposits and post office schemes, an individual has the choice of the exorbitant financial products as well. An individual first has to understand his risk taking capacity, the time frame for which he is going to invest and then only he can choose the right product for himself. The financial awareness becomes all the more important as there are many channels, both online and offline, through which an individual now avail these services. There are many studies which have been done on the financial literacy but not much work has been done on the financial awareness. The financial awareness is a wider term in the sense that it not only includes the numeracy skills but also the general attitude of an individual towards the financial matters. The present study is an attempt to bridge that gap.

This paper is attempting to find out the financial awareness among the youth and the various socio-demographic factors which are associated with the financial awareness.

REVIEW OF LITERATURE

The growth in the variety of financial products available and the unsteadiness in the economy around the globe have caused confusion in financial choices among individuals and they confront challenges in the matters related to finance. Sekar and Gowri (2015) concluded in their research that "levels of financial related mindfulness are influenced by sexual orientation, training, salary, societal position and number of wards, and won't be influenced by the age distinction." This overview was directed among Generali workers in the city of Coimbatore and the outcomes were extricated by it.

In the study conducted by Sages and Grable (2009), it was found that an individual with the minimal financial risk tolerance also has the lower level of financial numeracy and has the lower satisfaction with their financial management skills. Samy, M et al (2008) used sensitivity analysis and neural method to found out the factors which are the root cause of financial illiteracy. The financial literacy of the students was found to be almost negligible in the study conducted by Cude, B J et al (2006) and Futuna, F (2007). The students were not able to manage their finances properly because of lack of financial knowledge. They were not clear about the various investment avenues available and in general, lacked the decision making ability about savings. Shaari, et al (2013) further stated in their study that today the youth is becoming more materialistic and their focus has been shifted from savings to acquiring assets. This materialism would impact the long term financial position of the youth.

In another study, age and work experience have been decidedly connected with monetary mindfulness (Ansonget al, 2012). In addition, the level of mother's education in particular was found to be positively correlated with financial literacy. Another study conducted by the Canadian Institute of Chartered Accountants, CICA (2011) on financial literacy among youth found that parents are the source of financial information for their children. The parents have a major responsibility to educate their children about money. Bartley J (2011) also emphasized the importance of parents in making the today's youth understand the various nuance of finance. The parents need to involve the youth in the financial matters of the house and need to inculcate the value of money in them.

In the study conducted by Lusardi, Mitchell, Curto, (2009), it was found that finance related learning was unequivocally connected to the statistic and social qualities and monetary advancement of the family. Financial literacy is low among young adults and women. The study concluded that most of the time, young adults acquired financial knowledge through their parents. The young adults belonging to families, where mothers have high education or have invested in stocks or retirement plans, are more aware about the financial matters.

In a study done on the students of the higher education institution in Malaysia by Nga et al (2010), it was found that the level of an education of an individual and his major subject in university influence his financial awareness. The financial awareness is found to be more in male students as compared to the female students. Agarwallaet al (2013) have done the study among the working Indian youth and found that even when the education level of the respondents are high, it does not translate to adequate financial literacy levels. In addition, family income, gender and even the person living in a joint family would impact the financial literacy level of an individual. In a study conducted by Altaf (2014), it was concluded that even among the graduate students, the level of financial literacy is quite low. VISA study (2012) ranks India at the 23rd position among the 28 countries surveyed. Their study found that the children and the young have significantly lower level of literacy compared to adults. The findings suggest that high financial knowledge is not widespread among Indians. The financial knowledge among Indians appears to be low by global standards. The basic principles of money and household finance, such as compound interest, impact of inflation on rates of return and prices, and the role of diversification are not well understood. As most personal financial decisions involve these concepts, their limited understanding is a serious matter.

The problems related with low level of financial literacy are not confined to developing economies only. Beal et al (2003) in their study among the Australian students demonstrated that there was an absence of abilities and financial related learning among individuals with certain statistic attributes and that the issue should be tended to by concentrating on training, assessment, observing of national instruction programs and different activities. The survey among the people age between 18-40 years in UK conducted by Financial Service Authority (FSA) in 2006, assessed the patterns of attitude and behavior among individuals. It also included a 'money quiz'. The survey represented financial capability as encompassed by four different areas like managing money, planning ahead, making choices and getting help. Younger people are on average less financially capable than their elders. One in twelve people in the United Kingdom do not have access to a bank account, so they have limited financial choices and incur higher costs. In a study conducted by Scheresberg (2013), it was concluded that US population is mostly financially illiterate. The men are found to be more financially literate as compared to women.

Volpe et al (2002) conducted a financial literacy survey among online investors. The survey examined literacy across four main areas, investigated the relationship between literacy and the student characteristics, and analyzed the impact of literacy on student opinions and decisions. They found that those investors with a non-business major and who were female, in a lower class rank, under the age of 50 and with little work experience had lower levels of knowledge.

NEED OF THE STUDY AND OBJECTIVES

Research from around the globe (Samy, M et al, 2008, Cude B J et al, 2006, Futuna, F, 2007, Bartley, J 2011, Shaari, N A et al 2013, Scheresberg, C B , 2013, Altaf, N, 2014) reports insufficient financial literacy among the youth which raises genuine worries about the capacity of people to secure their monetary prosperity. There is to prove that people under-spare, neglect to contribute carefully and are regularly obliged. Such conduct is likewise clear among youth, crosswise over countries. All the previous researches have emphasized on the financial literacy aspect of the youth. The financial literacy studies highlighted the numeric knowledge of an individual. The emphasis is more on the concepts like compound interest, inflation, risk and diversification. But even if an individual has the knowledge of these concepts, it is not necessary that he would be generally aware about the practical aspects of managing personal finances. The financial awareness broadens the concept of financial literacy in which not only the knowledge of an individual is tested but also how this knowledge is going to impact his day to day behavior regarding his personal finances. The present study is an attempt to bring these two concepts of financial literacy and financial awareness together and bridge the important gap.

The following are the objectives of the present research:

- To measure the financial awareness among youth.
- To evaluate the influence of socio demographic factors viz., gender, age, education level, education background and parental guidance on financial awareness.

RESEARCH METHODOLOGY

The exploratory cum descriptive research was undertaken to fulfil the objectives of this study. A questionnaire was designed to test the effect of various socio-demographic factors on financial awareness. Based upon the literature review and interviews with experts in financial industry, six variables were identified. These are gender, age, education level, education background, parents' guidance and occupation. The questionnaire was administered to around 250 respondents. After data validation checks and deleting the invalid questionnaires, 202 questionnaires were selected for further analysis. The sampling method chosen was the combination of judgmental and snowball sampling techniques. These methods were chosen as people are not generally forthcoming in sharing their financial information with strangers. Therefore, only those people who are willing to share their financial information were selected as the sample population. This sample consists of youth with the age group of 18-35 years and consists of professionals, students, graduates and post graduates among the respondents.

The financial awareness and knowledge was measured by asking various questions from the respondents. These questions pertains to paying bills on time, saving regularly on a monthly basis, willingness to take risk while making investments, awareness about the monthly income and expenditure, keeping a close watch on one's financial affairs and having knowledge to manage one's personal investments. The responses were measured on the five-point Likert scale.

Based upon the literature review, following hypotheses were developed and tested:

Hypothesis 1:

H1: Gender is significantly associated with financial awareness of youth.

Hypothesis 2:

H2: Age is significantly associated with financial awareness of youth.

Hypothesis 3:

H3: Parental guidance is significantly associated with financial awareness of youth.

Hypothesis 4:

H4: Education background is significantly associated with financial awareness of youth.

Hypothesis 5:

H5: Current education level is significantly associated with financial awareness of youth.

The above hypotheses have been tested using ANOVA as a statistical tool. The significance of the hypothesis is tested at the level of 5%.

ANALYSIS AND DISCUSSION

The results of the hypothesis testing are depicted in Table I. The results showed that parental guidance, education background and current education level of youth are significantly associated with their financial awareness.

Table I: Results of statistical tests on Financial Awareness

Variable	F-Statistic	Significance	Hypothesis	Result
Gender	1.198	.267	H1	Rejected
Age	0.477	.965	H2	Rejected
Parental Guidance	1.906	.018	H4	Accepted
Education Background	2.022	.011	H5	Accepted
Current Education Level	2.231	.004	H6	Accepted

1) Gender and Financial Awareness- The hypothesis that gender is significantly associated with the financial awareness of youth has been rejected. This result is unlike the result of previous studies (Agarwalla et al (2013); Sekar & Gowri (2015); Nga et al (2010); Lusardi et al (2009) where the males were found to be more financially literate as compared to females. The reason could be that present sample consists of relatively young population and today the youth would like to be financially aware. More and more females are entering in the work force and they would also like to make investments with their surplus funds. Also, the previous studies were mostly talking about the financial literacy and studied the efficiency of an individual regarding numbers. The present study not only talk about the numbers but also about the general awareness viz., paying bills on time, saving regularly on a monthly basis, willingness to take risk while making investments, awareness about the monthly income and expenditure, keeping a close watch on one's financial affairs and having knowledge to manage one's personal investments. The female young population seems to know the importance of the regular savings and investments.

2) Age and Financial Awareness- The second hypothesis that age is significantly associated with financial awareness of youth has also been rejected. In the past studies, age got the mixed response from the researchers. Although, Sekar & Gowri (2015) stated in their research that levels of financial related mindfulness does not have any relationship with

age, Lusardi et al (2009) in their study concluded that financial literacy is low among young adults. Ansong et al (2015) also found in their study that age and work experience are connected with monetary mindfulness. In our study, sample of only young population was taken and as all of them are approximately in the same age group, there was no significant relationship found between age and financial awareness.

3) Parental Guidance and Financial Awareness- The third hypothesis that parental guidance is significantly associated with financial awareness of youth has been accepted. This result is similar to the result of the past studies. In all the previous studies (Ansong et al, (2012); CICA (2011); Bartley J (2011); Lusardi et al (2009)) spoke about the significance of parental guidance regarding the financial matters. As a matter of fact, Lusardi et al (2009) and Ansong et al (2012) particularly spoke about the impact of the mother's education on the young children. In a study done in Indian context, Agarwalla et al (2013) spoke about the significance of a joint family upon the individual's financial skills.

4) Education Background and Financial Awareness- The hypothesis that education background is significantly associated with financial awareness has been accepted. The finance is particularly related with the commerce stream in our higher education. So in the present study, the respondent was asked if he has a commerce background or not. Therefore, we can conclude that there would be a significant difference in the level of financial awareness between commerce and non-commerce individual. This result is similar to the previous studies. Nga et al (2010) in their study concluded that major subject in the university influenced the level of financial awareness of an individual. Volpe et al (2012) stated in their study that an individual from the non-business major would have low level of financial knowledge.

5) Current Education Level and Financial Awareness- The hypothesis that current education level is significantly associated with financial awareness has been accepted. The previous studies have somewhat mixed result regarding the relationship of level of education of an individual with his financial awareness. On the one hand, Nga et al (2010) in their study stated that education level of an individual influenced his level of financial awareness but on the other hand, Agarwalla et al (2013) and Altaf (2014) concluded in their respective studies that the higher education level does not automatically translates to higher financial literacy. As a matter of fact, the financial literacy was found to be quite low even among the graduate students.

CONCLUSIONS

The present study gives the important insights upon the various socio-demographic factors which are associated with the level of financial awareness of an individual. As the financial markets are becoming more and more complex and there are lots of avenues for an individual to invest, it has become imperative for an individual to be financially aware. Gone are the days, when an average person is happy investing in fixed deposits or post office schemes. Today, a person is looking at various investment options before taking a conscious decision to invest in a place which is most suitable for him to achieve his financial goals. The various financial institutions like banks and broking firms and certified financial planners are introducing a vast array of financial products to the investors. Until and unless, an individual is aware about the pros and cons of all those products, it would become difficult for him to take a conscious decision.

The study also highlights the importance of the parental guidance to the youth in creating financial awareness among them. But the parents would be able to help their wards only if they are aware about the various financial options. So we can say that if we are able to create the financial awareness among the parents today, we can be sure of raising a generation which would be conscious while taking the financial decisions. The true financial inclusion can happen only when we focus on the financial education of an individual. Both the education level and the education background are significantly associated with financial awareness of an individual. Therefore, the policy makers have to start from the root and try to make more and more people educated. The awareness level of a person who is barely able to read or write would be less as compared to the person who has got the higher education. The education system should include the financial literacy curriculum in totality so that we are able to raisea generation which is financially aware.

LIMITATIONS AND FUTURE SCOPE

The present research has its limitations that it is confined to a particular area viz., Delhi NCR with the limited sample size. The results would surely be more pronounced if the area of the study and sample size could be increased. The future studies can be done in the other geographical areas