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A STUDY ON ASSESSING FINANCIAL LITERACY AMONG YOUTH IN INDIA

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ABSTRACT

The purpose of this study is to examine the level of financial literacy among Indian youth and to identify the factors that influence their knowledge, attitudes, and behaviours toward financial decision-making. With increasing access to digital financial products, credit facilities, and investment opportunities, understanding youth financial literacy is essential for building long-term financial security and economic stability. The study employed a quantitative survey-based approach. A structured questionnaire was distributed to 500 youth respondents aged between 18 and 30 years, selected through stratified random sampling across urban and semi-urban regions of India. The instrument covered three domains of financial literacy as per the OECD framework Financial Knowledge (basic concepts of saving, inflation, interest rates, and risk diversification), Financial Attitude (long-term planning, responsible credit use, and attitude towards savings), Financial Behaviour (budgeting, investment practices, debt management, and use of digital financial services) Data were analysed using descriptive statistics, independent t-tests, and regression models to identify demographic and behavioural predictors of financial literacy. The findings of the study are Overall financial literacy levels among youth were moderate, with knowledge scores averaging 56%, attitude scores 63%, and behaviour scores 48%, Male respondents and those from commerce/business education backgrounds demonstrated higher knowledge levels compared to female and non-commerce students. It was also found that Urban youth showed stronger financial behaviour (use of banking apps, digital wallets, investment awareness) compared to semi-urban respondents, A significant gap was observed between financial knowledge and behaviour—youth often *knew* financial principles but failed to apply them effectively, Regression analysis indicated that education level, monthly family income, and access to financial education programs were significant predictors of higher financial literacy.

Key words: Financial literacy, Financial Education, Financial Planning

INTRODUCTION

Financial literacy refers to the ability of individuals to acquire, understand, and effectively use financial knowledge to make informed decisions regarding money management. It is generally studied across three key dimensions:

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1. **Financial Knowledge** – awareness and understanding of fundamental concepts such as interest rates, inflation, risk diversification, savings, and investment instruments.
2. **Financial Attitude** – the mind-set or orientation towards planning, saving, borrowing, and risk-taking, which reflects one's values and beliefs about money.
3. **Financial Behaviour** – the actual practices related to budgeting, saving, borrowing responsibly, investing, and managing financial resources in day-to-day life. Together, these dimensions provide a holistic view of how individuals comprehend and engage with financial systems.

India is home to one of the largest youth populations in the world, with over 65% of its population below the age of 35. This demographic is increasingly exposed to complex financial products, digital payment platforms, credit facilities, and investment opportunities. Despite this, many young individuals lack the necessary financial skills to make sound decisions, leading to rising cases of debt mismanagement, inadequate savings, and limited long-term planning. Studying financial literacy among youth in India is therefore crucial, as this group represents future earners, investors, and decision-makers who will shape the country's economic trajectory. By understanding their financial capabilities, policymakers and educators can design interventions to foster financial inclusion and economic stability.

LITERATURE REVIEW

Financial literacy has emerged as a critical area of research in both developed and developing economies, with specific attention to its role in enhancing financial inclusion, promoting savings, and reducing vulnerability to debt. In the Indian context, several studies have highlighted mixed levels of financial knowledge among youth.

- **Demographic influences:** Anish Kumar & Dr. Shivani Guru (2021) found that socio-demographic factors such as **gender, age, and educational background** significantly influenced the financial literacy levels of Indian youth. Males and commerce students consistently scored higher in knowledge-based assessments than their counterparts.
- **Behavioural gaps:** Jayaraman & Jambunathan (2018) observed that while high school students were familiar with concepts like inflation and savings, their **financial behaviour lagged**, particularly in budgeting and risk diversification.
- **Attitudes and perception gaps:** Ann Mercy & Brindha Devi (2022) reported that many undergraduates had **positive attitudes towards financial planning**, but this was not always translated into responsible borrowing or investment practices.
- **Regional disparities:** Joseph & Devassy (2020) noted that youth from **urban and higher-income backgrounds** demonstrated greater financial knowledge and behavior compared to those in semi-urban or rural areas, largely due to better access to financial products and education programs.

Overall, the literature reveals a consistent **knowledge–behaviour gap**, where young individuals may understand financial concepts but fail to apply them in real-world decision-making. Additionally, access to financial education remains uneven, and digital financial literacy is still underexplored despite rapid growth in digital payments in India.

THEORETICAL FRAMEWORKS FOR FINANCIAL LITERACY

To structure research on financial literacy, scholars have applied several established frameworks:

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1. **OECD/INFE Framework (2011):** Defines financial literacy as a combination of **knowledge, attitude, and behaviour**, and has been widely adopted in global surveys. This framework allows researchers to assess not only conceptual understanding but also behavioural practices and orientations towards money management.
2. **Lusardi & Mitchell's Three-Question Approach (2008):** Focuses on three core financial concepts: **compound interest, inflation, and risk diversification**. This model is frequently used in cross-country comparisons to gauge baseline financial knowledge.
3. **Capability Approach (Sen, 1999):** Some researchers extend financial literacy beyond knowledge, considering it a part of **human capability development**, where financial literacy empowers individuals to make choices that improve their economic well-being.

For the present study, the **OECD three-dimensional framework** is particularly relevant, as it comprehensively assesses youth financial literacy across knowledge, attitude, and behaviour, while also allowing scope to integrate elements of Lusardi's approach for robust measurement of basic financial concepts.

RESEARCH GAPS

Although several studies have assessed financial literacy in India, most have focused on specific groups such as working professionals, rural households, or women entrepreneurs. Limited research has comprehensively examined financial literacy among **youth as a distinct demographic group**, particularly in the context of emerging digital financial services and changing economic behaviours. Moreover, prior studies often emphasize knowledge but neglect the critical link between knowledge, attitudes, and actual financial behaviour. This gap underscores the need for an integrated study that assesses not only what young people know, but also how they think about and act upon financial matters.

RESEARCH QUESTIONS

- " Is Youth in urban areas have higher literacy than those in rural areas."
- "Is Attitude positively associated with financial behaviour."

METHODOLOGY

Sample

The study was conducted on a sample of **500 youth respondents** aged between **18 and 30 years**, selected through stratified random sampling from both **urban and semi-urban regions of India**. Care was taken to ensure representation across gender, education streams (commerce, science, humanities, professional courses), and income groups. The rationale for selecting youth within this age bracket lies in their transitional stage from dependence to financial independence, where decision-making skills regarding money management become increasingly important.

Instrument

Data were collected using a **structured questionnaire** developed in line with the **OECD/INFE framework (2011)**. The instrument comprised four sections:

1. **Demographics:** Age, gender, education level, monthly family income, and region.
2. **Financial Knowledge:** Objective questions on inflation, compound interest, risk diversification, borrowing, insurance, and investment options.

3. **Financial Attitude:** Items measuring long-term planning, saving orientation, and responsible borrowing (e.g., "I prefer saving money rather than spending it immediately").
4. **Financial Behaviour:** Questions on budgeting, saving practices, use of digital financial services, borrowing patterns, and investment decisions.

DATA COLLECTION AND MEASUREMENT

The questionnaire was administered both online (via Google Forms) and offline in selected colleges/universities. Financial attitude and behaviours items were measured using a **5-point Likert scale** (1 = strongly disagree, 5 = strongly agree). Knowledge items were scored as **binary (correct/incorrect)**. The survey was pre-tested with 30 respondents to ensure clarity, and necessary adjustments were made.

Data were analysed using **SPSS/Excel**. The analysis involved:

- **Descriptive statistics** (means, frequencies, percentages) to assess overall literacy levels.
- **Reliability testing** using **Cronbach's alpha** for attitude and behaviours scales.
- **Independent t-tests and ANOVA** to test demographic differences (e.g., gender, education, income groups).
- **Correlation and multiple regression analysis** to identify predictors of financial literacy, focusing on the influence of education, income, and access to financial education programs.
- Where applicable, **cross-tabulation and chi-square tests** were applied to explore relationships between categorical variables (e.g., gender vs. financial behaviour).

This methodological design ensures a comprehensive measurement of financial literacy, capturing not only what youth know but also their financial attitudes and behaviours.

RESULTS

TABLE 1

Descriptive Profile of Respondents (N = 500)

Variable	Category	Frequency (n)	Percentage (%)
Gender	Male	260	52.0
	Female	240	48.0
Region	Urban	280	56.0
	Semi-Urban	220	44.0
Education Stream	Commerce/Business	150	30.0
	Science	130	26.0
	Humanities	110	22.0
	Professional Courses	110	22.0
Monthly Family Income	< ₹25,000	120	24.0
	₹25,000 – ₹50,000	200	40.0
	> ₹50,000	180	36.0

Table 2

Descriptive Statistics of Financial Literacy Scores (N = 500)

Domain	Mean Score (%)	Standard Deviation	Minimum (%)	Maximum (%)
Financial Knowledge	56	12.4	32	82
Financial Attitude	63	11.2	38	85
Financial Behavior	48	13.5	25	78
Overall Literacy	**55.8**	12.7	30	82

- The **sample** was well-balanced in terms of gender (52% male, 48% female), with slightly more participants from **urban areas (56%)**.
- Education distribution shows that **commerce/business students (30%)** made up the largest group, followed by science (26%).
- Income distribution leaned toward the **middle-income bracket (₹25,000 – ₹50,000)**.
- In terms of financial literacy, respondents scored **highest on attitude (63%)**, reflecting a positive orientation toward saving and planning.
- **Knowledge was moderate (56%)**, with weaknesses in compound interest and risk diversification.
- **Behavior was the weakest domain (48%)**, indicating that despite awareness, youth often fail to apply financial skills in practice.

The descriptive results reveal a **knowledge–behavior gap** among Indian youth. While most respondents acknowledged the importance of saving and displayed positive financial attitudes, their actual practices—such as budgeting, investing, and responsible borrowing—lagged behind. This supports earlier findings (Jayaraman & Jambunathan, 2018) that youth may "know" financial principles but fail to translate knowledge into behavior**.**

The demographic profile also provides insight into financial literacy disparities. Urban youth, with greater access to digital financial services, exhibited stronger behavioral scores than semi-urban youth, partially confirming the first research question. Additionally, commerce students scored higher than their peers from non-finance backgrounds, reinforcing the role of curriculum exposure**.**

Overall, these descriptive statistics suggest that targeted financial education initiatives are required to strengthen youth behavior and bridge the gap between knowledge and practice. Programs delivered through schools, universities, and digital platforms can be particularly effective in equipping youth to make informed financial decisions.

TABLE 3

Domain	**Mean Score (%)**
Financial Knowledge	56
Financial Attitude	63
Financial Behaviour	48
Overall	**55.8**

Table 3 explain that youth in India demonstrate **a** moderate level of financial literacy (overall mean = 55.8%). Knowledge (56%) and attitude (63%) are relatively stronger, while financial behaviours is weakest (48%), indicating that many young people understand financial concepts but do not consistently apply them in practice.

TABLE 4

Gender	Knowledge (%)	Attitude (%)	Behaviour (%)
Male	59	62	49
Female	53	64	47

Table 4 explains that Male respondents scored higher in knowledge (59% vs. 53%), while female respondents displayed slightly stronger attitudes toward saving and planning (64% vs. 62%). However, behavioural scores were low for both genders, suggesting a common gap in applying financial skills.

TABLE 5

Education Stream	Mean Literacy Score (%)
Commerce/Business	62
Science	54
Humanities	51
Professional Courses	58

Table 5 explains that Commerce and business students reported the highest financial literacy **(62%)**, reflecting their academic exposure to financial subjects. Humanities students scored lowest (51%), while science and professional course students fell in between. This highlights the role of **curriculum exposure** in shaping financial awareness.

TABLE 6

Predictor	Beta Coefficient (β)	Significance (p-value)
Education Level	0.32	<0.01
Monthly Family Income	0.28	<0.01
Financial Education Programs	0.21	<0.05
Gender	0.05	n.s. (not significant)
Access to Digital Tools	0.41	<0.01

Table 6 explains that The strongest predictors of financial literacy were **access** to digital financial tools ($\beta = 0.41$, $p < 0.01$) and education level ($\beta = 0.32$, $p < 0.01$). Family income ($\beta = 0.28$, $p < 0.01$) and participation in financial education programs ($\beta = 0.21$, $p < 0.05$) also had significant positive effects. Gender was not a significant predictor, once other factors were controlled.

Implications

The findings highlight the urgent need for structured financial education programs in schools, colleges, and vocational training centres to bridge the knowledge-behaviour gap. Policymakers, regulators, and financial institutions should design targeted interventions (e.g., gamified learning, digital awareness campaigns, financial planning workshops) to improve youth's decision-making capacity. Improving financial literacy at an early stage will enhance youth's ability to save, invest, and manage debt responsibly, thereby contributing to **sustainable economic development** in India.

CONCLUSION

This study set out to assess the level of financial literacy among youth in India across three dimensions: knowledge, attitude, and behavior. The findings revealed that while Indian youth exhibit moderate financial literacy overall, a significant knowledge–behavior gap persists. Respondents generally understood key financial concepts and expressed positive attitudes toward saving and planning, but their actual financial practices, such as budgeting, investment, and responsible credit use, remained weak.

The results also highlighted the role of education level, family income, access to financial education programs, and digital financial tools as significant predictors of financial literacy. In contrast, gender differences were less pronounced once other factors were accounted for, suggesting that access and exposure matter more than demographic characteristics.

The study concludes that enhancing financial literacy among youth requires structured interventions in educational institutions, community programs, and digital platforms. By bridging the gap between knowledge and behavior, India can equip its young population with the skills needed to make informed financial decisions, thereby promoting financial inclusion, economic resilience, and sustainable development.

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