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BRIDGING THE FINANCIAL KNOWLEDGE GAP: A STUDY OF PUNJAB'S EMPLOYED YOUTH

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ABSTRACT:

Financial literacy refers to an individual's basic understanding of financial concepts and their ability to apply this knowledge effectively to make informed financial decisions that enhance their overall financial well-being. The present study aims to evaluate the financial literacy levels of working youth residing in Punjab. A total of 500 respondents were selected from four major districts of Punjab—Amritsar, Jalandhar, Ludhiana, and Chandigarh—using a structured, pretested, and personally administered questionnaire. The study examines three key dimensions of financial literacy: financial knowledge, financial behavior, and financial attitude. Upon aggregating scores across these three dimensions, the findings reveal that the majority of respondents possess an average level of financial literacy. The study emphasizes the need for government authorities and policymakers to implement targeted initiatives to enhance financial literacy among working youth, which may contribute positively to the region's economic growth.

Keywords: Financial Literacy, Financial Knowledge, Financial Behavior, Financial Attitude, Youth, India

INTRODUCTION:

Financial literacy holds significant importance for emerging economies, as these nations focus on enhancing the financial well-being of their citizens through sustained economic growth. An increase in individuals' financial literacy levels can lead to improved financial well-being by enabling them to make sound financial decisions. Financial literacy encompasses a fundamental understanding of budgeting, awareness and familiarity with complex financial products that possess diverse characteristics, and the skills required to make informed investments for personal benefit (Macy, 2001; Beal & Delpachtra, 2003). It serves as a foundation not only for managing routine financial activities but also for navigating more complex financial decisions such as long-term investment planning. A financially literate individual is better equipped to prepare household budgets, manage bank accounts, and identify the most suitable investment options among various alternatives. Informed financial decision-making is essential not only for the financial well-being of individuals but also for the efficient functioning of financial markets and overall economic stability (Gaberlavage& Policy, 2009).Financial literacy is not only about knowledge and understanding of financial concepts but it also includes the abilities of individuals for managing their day to day finances and long term financial planning (Remund, 2010). It is essential that people should know the financial options which they made and their likely outcomes (Lerman et al., 2006).

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LITERATURE REVIEW:

The present paper tries to cover the reviews of various research studies related to the aspects with regard to measurement of financial literacy. The efforts were made to know the scope of financial literacy as it is a wider term comprising of various aspects. Financial literacy is not only about the understanding of basic financial concepts, but also should have proper financial attitude to manage financial issues effectively in responsible manner (Schagen and Lines, 1996; Beal and Delpachitra, 2003).

Van Nieuwenhuyzen (2009) stated in his study that there is a great need for individuals to improve their financial knowledge. Lack of sufficient financial knowledge among individuals not only affects their financial well-being but also the national and global economy (Van Rooij et al., 2011). In India, the requirements of financial literacy is more due to less general literacy and most of the population still remains out of the formal financial set up (Seth et al., 2010). Bad financial decisions not only affect them but also the whole economy, therefore, government of different countries started various programs to enhance their financial literacy (Lerman, 2006).

After analyzing a host of papers on the subject, Huston (2010) proposed that financial literacy must also include application of financial knowledge; the argument being that absent demonstrated ability to apply financial knowledge, an individual cannot be regarded as being financially literate. After due consideration of different views and the feasibility of using the definition for research, the OECD definition of financial literacy was adopted for the study, which defines it as, "A combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual financial wellbeing."

RESEARCH METHODOLOGY:

The primary data is used for the present study. The data was collected from 550 respondents (working youth) from which 500 completed and appropriated questionnaires were selected. Five hundred respondents essentially consist of the salaried and self-employed with regard to different age groups, income groups, gender, working status and educational background have been selected. The respondents were interviewed through a pretested, well-structured and personally administered questionnaire.

QUESTIONNAIRE DEVELOPMENT

The current study is based on the primary data. The data was collected from the well-structured research instrument i.e. Questionnaire. The Standardized Questionnaire prepared by OECD (Organisation for Economic Cooperation and Development) was used for the measurement of financial literacy. This measure has also been used by Atkinson and Messy (2011) for measuring financial literacy across 14 countries. The pilot study was conducted on 100 respondents. There were minute changes in the questionnaire after the conduction of the pilot study for the final analysis.

RESULTS AND DISCUSSION:

Financial Knowledge

The level of financial knowledge was measured using a set of eight questions to identify their basic numeracy and understanding of computation of simple and compound interest (time value of money), relationship between inflation and return, inflation and prices, risk and return, and the role of diversification in risk reduction. Each correct answer was given a score of one and incorrect answer was given zero score. Respondents with score of 6 and above were categorized as individuals possessing high financial knowledge; respondents with scores between 1 to 5 were categorized as individuals with low financial knowledge.

Table 1.1

Results indicating Financial Knowledge of Working Youth

Category	Frequency	Percentage
Low Financial Knowledge	343	69%
High Financial Knowledge	157	31%
Total	500	100%

Table 1.1 revealed that most of the working youth (69%) are having low financial knowledge regarding basic financial concepts. Only 31% individuals possessed High Financial knowledge by scoring more than 5 marks in questions related to financial knowledge. The findings indicated that the level of financial knowledge among individuals was immensely low which is lacking to cope up with the complicated financial markets.

These findings are supported by Aggarwalla et al. (2012); Beal &Delpachitra (2003); Seth and Seth et al. (2010); Fraczek (2015) and Lusardi et al. (2010) who also highlighted in their findings that individuals had less understanding of basic financial concepts. It is significant to furnish people with sufficient knowledge regarding finance because of complex financial markets. Persons with good level of financial knowledge and experience can take the accurate decisions which leads to their financial well-being. Van Nieuwenhuyzen (2009) also stated that there is a great need for individuals to improve their financial knowledge.

Financial Behavior

A total of eight items were employed to confine the important dimensions including assessment of affordability of products and expenditures, behavior relating to timely payment of bills, planning and monitoring of household budget, efforts made to evaluate financial products and active saving habits and borrowing propensities. The response to each question was given a score of one if it indicated desirable financial behavior; otherwise zero. Respondents scoring 6 and above were categorized as Positive financial behavior; respondents with scores between 1 to 5 were classified indifferent financial behavior.

Table 1.2

Results indicating Financial Behavior of Working Youth

Level of Financial Behavior	Frequency	Percentage
Negative Financial Behavior	323	64%
Positive Financial Behavior	177	36%
Total	500	100%

The results given in Table 1.2 revealed that 64% of the working youth indicating negative behavior regarding their financial matters while only 36% are showing positive behavior while dealing with the day to day financial issues. It is inferred from the results that majority of the working youth disclosed unpleasant behavior with regard to major financial affairs like savings and investments, payment of bills and making household budgets. The findings of the present study are supported by (Nano and Cani, 2013; Gupta and Madaan, 2016; Mandell, 2008) which found that financial behavior among youth is very poor. The policy makers and financial organizations should take effective steps to enhance the financial behavior of respondents. Financial decision making would be improved by desirable financial behavior which leads to financial well-being.

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Financial Attitude

Financial Attitudes are considered as a vital component of financial literacy. Financial-literacy is not only about the understanding of basic financial concepts but also should have proper financial attitude to manage financial issues effectively in responsible manner (Schagen and Lines ,1996 and Beal and Delpachitra, 2003).

As per OECD approach, person with average score of 3 or above is considered as those with positive financial attitude. Respondents with an average score of 3 or above across the three items were categorized as those with positive financial attitude; respondents with score of 3 or less were categorized as possessing negative financial attitude.

Table 1.3

Results indicating Financial Attitude of Working Youth

Category	Frequency	Percentage
Negative Financial Attitude	296	59%
Positive Financial Attitude	204	41%
Total	500	100%

The results of the survey as shown in Table 1.3 showed that 41% of the working youth are having positive attitude towards money matters. The youth with positive financial attitude are able to understand the importance of future planning and systematic savings. While 59% individuals fall in the first category revealing their negative attitude towards money i.e. concentrating on short term needs without taking into consideration long term requirements. There is need to improve the attitude of respondents for improving their financial health for their safe long term financial future. Nano and Cani (2013) and Aggarwalla et al. (2015) supported our findings as their results also showed negative attitude of respondents regarding their financial matters.

FINANCIAL LITERACY

Measurement of financial literacy becomes the critical issue as the review of literature explained varied techniques for measuring financial literacy. Remund (2010) in his study measured financial literacy using four areas including personal finance budgeting, personal savings, credits and money borrowings, personal investing. Huston (2010) used the basics of finance including money value, purchasing power, personal financial accounting, investments, saving accounts, stocks and bonds, mutual funds, techniques of financial risk management and different types of insurance. Chen & Volpe (1998) measured level of financial literacy on four basic areas including general knowledge, insurance, investments and general concepts of savings and borrowings.

With these diverse opinions it is difficult to measure financial literacy through ideal instrument which is helpful to the policymakers and can be applied for evaluating the results. In the present study, standardized questionnaire prepared by OECD (Organisation for Economic Cooperation and Development) including three aspects, namely, financial knowledge, financial behavior and financial attitude was used for measuring financial literacy.

FINANCIAL LITERACY DIMENSIONS AND THEIR SCORING CRITERIA

In order to measure the level of financial literacy of respondents, the scores of 3 dimensions i.e. financial knowledge, financial behavior and financial attitude are summed up for obtaining the final scores of financial literacy. The maximum possible score for financial

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literacy is 22 (8 for Financial Knowledge, 9 for Financial Behavior and 5 for Financial Attitude). For the purpose of measuring the levels of financial literacy the score of 22 is divided into 4 categories using Quartiles.

The first level indicates *Poor Financial Literacy* of persons who score less than 6 marks. The second category named as *Low Financial Literacy* scoring between 6 to 11 marks. Then, next level shows *Average Financial Literacy* level for those who score between 12 to 17. The last level, represents the *Good financial literacy* having score between 18-22 thereby indicating the favorable responses regarding three components of financial literacy including Financial Knowledge, Financial Behavior and Financial Attitude.

Table 1.4

Results indicating Financial Literacy Level of Working Youth

Category	Frequency	Percentage
Poor	0	0%
Low	155	31%
Average	287	58%
Good	58	12%
Total	500	100%

The results of Table 1.4 showed that none of the youth fall under the 1st category i.e. (Poor Financial Literacy) which enables that all the respondents score more than 5 marks. All the respondents who have participated in the financial literacy survey have scored at least more than 5 marks. 31% people fall in the 2nd category (Low Financial Literacy). 58% people fall under the 3rd category i.e. (Average Financial Literacy). The people fall under this category can manage their financial matters but they have to be more financially aware for their future well-being. Only 12% of respondents fall under 4th category i.e. (Good Financial Literacy) indicating their abilities to manage their financial matters. Persons with low level of financial literacy have less financial knowledge and not able to apply that knowledge properly. They have no skill to intelligently think over financial issues which may lead to wrong financial decisions (Sharma & Jariwala, 2011). Chen & Volpe (1998) in their study also revealed low level of financial literacy. Bhushan (2014) and Beal and Delpachitra (2003) also highlighted low level of financial literacy among respondents. There is an emergent need for the government to improve the financial literacy of individuals especially youth for the economic development of the country.

CONCLUSION:

Every individual aims to optimize the use of their financial resources by making informed efforts; however, a lack of financial knowledge can lead them to rely on misleading information, potentially jeopardizing their entire financial future. In today's dynamic financial environment, it is crucial for individuals to maintain a positive financial attitude. Youth with constructive financial behaviour are better equipped to manage financial matters such as selecting appropriate financial products and effectively balancing household income and expenditure.Enhancing individuals' financial behaviour can contribute significantly to strengthening the overall financial system of the country. Those with adequate financial knowledge and experience are more capable of making sound financial decisions, ultimately leading to improved financial well-being. Previous research indicates that individuals with a high level of financial literacy can manage their personal finances more effectively, actively participate in the stock market, and make efficient investment choices. Therefore, improving

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financial literacy is essential for individuals to secure a stable and sustainable financial future. Moreover, policymakers and government authorities should implement targeted initiatives to enhance financial literacy among the working youth.

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