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Financial literacy among the youth-their perception and participation in investment decisions

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Abstract

The youth of today decide the future of any country. Gone are those days when people believed only in saving and locking it in heavy Iron Tijories. With the passage of time, people learn the importance of investing their savings because they understand that, due to inflation, the value of money decreases over a period of time. To maintain or increase its value, it is very much necessary to invest money in profitable investment opportunities. These opportunities are increasing day by day, and financial literacy plays a significant role in selecting the best investment options among many. 'Money begets money" proves itself if it is invested wisely; otherwise, money has wings if wrong decisions are taken regarding money. For the future prospects of any country, youth should be literate, and among all types of literacy, financial literacy plays a very crucial role. Living conditions can never remain the same throughout a person's life. A person can always be happy if money is wisely invested to prepare for life's rainy days. Our paper will try to understand the perceptions of youth about themselves with regard to their level of financial literacy. This paper will clarify the picture about the knowledge of youth about different investment options and their participation in their family's investment decisions.

Keywords: Financial literacy, youth financial literacy, family investment decisions

Introduction

The complexity of the financial markets has increased over the past 20 years. Financial companies today provide their clients with a wide range of products, many of which are novel and frequently quite complex. Individuals now have access to a wider range of investments thanks to the expansion of international investment opportunities. Traditional and unconventional borrowing options have also increased. People nowadays are more accountable than ever before for their financial health. Financial stability may depend on prudent and timely saving and investing decisions, while the repercussions of poor financial decisions may be severe.

Increased consumer spending and a sharp rise in household debt are the results of deregulation of the financial markets, the creation and marketing of sophisticated financial products and services through fintech, and people's simple access to personal loans and credit cards provided by financial institutions. (Boone *et al.*, 2003) ^[6].

Parents' financial instruction and behaviour also indirectly encouraged youngsters to actively seek out financial details through the process of risk information seeking. Additionally, youth's avoidance of financial knowledge was explained by parents' direct and indirect financial socialisation as well as the risk information gathering and processing model (Sharif & Naghavi, 2020) ^[12].

Teenagers and young adults in today's society need to understand personal finance and, more crucially, financial literacy since they are exposed to more investment decision than their parents. Financial literacy is widely acknowledged as a prerequisite for citizens who need to make informed decisions about their personal finances in a complex and increasingly deregulated financial system, as well as one where fintech is rapidly emerging. Only 27% of Indian adults – and 24% of women – meet the minimum level of financial literacy as defined by the Reserve Bank of India.

In recent decades, a more financialized world has increased the significance of consumers' financial literacy. Consumers must now make more sophisticated financial decisions than

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ever before due to the quick growth of financial goods and services. (Banner and Schwarz, 2018) ^[1]. Studies on how families affect socialisation are widely available in the literature, but research on how families influence and how children learn about money is still in its infancy. In fact, the majority of earlier studies on financial literacy looked at how people's socio-demographic traits affected their financial literacy and behaviour (Lusardi & Mitchell, 2008, 2014) ^[8, 10].

Consumers with higher levels of financial literacy showed higher savings and wealth planning. Additionally, previous research demonstrated that parental financial guidance and conduct have a greater influence than other agents like employment and educational attainment. (Pinto *et al.*, 2005; Shim *et al.*, 2010) ^[11, 13].

Literature Review

Lusardi, A., Mitchell, O. S., & Curto, V. (2010) ^[9].

Using data from the 1997 National Longitudinal Survey of Youth, the author investigated financial literacy among young people. They discovered that financial literacy among the young is low; less than one-third of young adults have a basic understanding of interest rates, inflation, and risk diversification. Financial Literacy is strongly linked to sociodemographic characteristics and financial sophistication in families. A college-educated male whose parents have stocks and retirement savings is approximately 50 percentage points more likely to understand risk diversification than a female with less than a high school education whose parents are not wealthy.

Esmail Alekam, J. M. (2018) ^[5].

Based on previous research, the author examined the level of financial literacy among youth around the world. The study is particularly interested in how socioeconomic and demographic factors such as age, gender, marital status, and income influence the level of financial literacy of youth, as well as whether there is any interrelationship between financial knowledge, financial attitude, and financial behaviour. The global economy's strong effort to improve the financial well-being of its citizens has contributed to the growing importance of financial literacy, as it equips individuals to make quality financial decisions to improve their financial well-being.

Moreno-Herrero, D., Salas-Velasco, M., & Sánchez-Campillo, J. (2018) ^[10].

To explain the acquisition of financial knowledge by young people in fifteen OECD countries and economies, this paper focused on the family as a context for financial socialisation and students' experiences with money matters. The author discovered that parental involvement in their children's financial socialisation is still important. According to the findings, students who have the opportunity to discuss money with their parents tend to score higher in financial literacy. However, not all students can benefit equally from their families. Understanding the importance of saving is associated with students' financial literacy. Most students would save if they needed to buy something but did not have enough money. Finally, exposure to and use of financial products improves students' knowledge and skills in some countries. Students with bank accounts, in particular, outperform students of similar socioeconomic status who do not have a bank account in terms of financial literacy.

Esmail Alekam, J. M. (2018) ^[5].

The author discovered that Family/Parental and Peer Influenced Financial Literacy Significantly. As a result, this study implies that it is related to the general public, academic and university administrators, government, and financial advisors to increase the level of financial literacy by implementing various financial educational programmes. This study is regarded as one of those that have contributed to the literature by developing fears of financial literacy.

Brau, J. C., Holmes, A. L., & Israelsen, C. L. (2019) ^[2].

The data of 1500 undergraduate students were segmented into three potential learning areas by the authors: family and background, formal learning opportunities, and experiential learning opportunities. When taken separately, they reveal that gender (which cannot be controlled) Among the family and background variables, working for an income early in life has the greatest impact. Several variables are significant in the formal learning equation. Most importantly, the data indicates that high school classes have little influence on financial literacy. College classes, on the other hand, have a significant and positive impact. Reading or watching the news on a regular basis has a significant and positive impact. The personal management merit badge is also an important formal learning activity. Financial literacy will be more important for the next generation than it was for previous generations. The transfer of responsibility and risk from employers to employees imposes a significant learning burden on those preparing to enter the labour force.

Dewi, V., Febrian, E., Effendi, N., & Anwar, M. (2020) ^[4].

The author's goal is to determine the level of financial literacy among the millennial generation and to investigate the relationship between their financial knowledge, attitude, and skills and their financial behavior. To assess financial knowledge, multiple-choice questions were used, with the results divided into three categories: low, moderate, and high. Financial attitude, financial skills, and financial behavior were also classified as poor, fair, or good using the quartile method. To test the hypotheses, chi-squared analysis was used, and correspondence analysis was used to identify the characteristics of the millennial generation and to graphically illustrate the gap. Financial attitude and financial skills were found to be related to financial management behaviour. Millennials with a better financial attitude and skills will demonstrate good money management behaviour. They argued, however, that increased financial knowledge is an important factor in encouraging good financial management behaviour. Individuals from the millennial generation who are financially literate are better able to demonstrate good financial behaviour for their economic security and well-being. They are financially capable of promoting the economic development of their community.

Caplinska, A., & Ohotina, A. (2019) ^[3].

According to the author, young people who are studying need more awareness of various financial instruments that are rapidly developing in today's rapidly changing market, as their lack exacerbates decision-making. Education policymakers and higher education institutions must collaborate to develop a common, coordinated, and multifaceted action plan for implementing financial literacy promotion measures. Higher education institutions must collaborate with public opinion research organisations to identify the financial aspects about which young people are most ignorant, in order to develop new initiatives that are not broad in scope but are focused on specific financial

issues. The Ministry of Education and Science, the Ministry of Finance, and local governments should work together more closely to ensure that additional financial literacy information is available.

Objectives of the study

1. To learn about young people's perceptions of their knowledge of various investment options.
2. To know whether they are aware enough about the importance of consistency in their investment.
3. To analyze their role in financial decisions of their family

Research methodology

Our research study will be based on primary data collected from 80 respondents through the medium of structured questionnaire. The data will be analyzed by way of excel and SPSS software, and wherever it will be possible and needed Secondary data will also be utilized as per its availability.

Analysis of data

Collected data has been analysed with the help of tabular

presentation and visual tools.

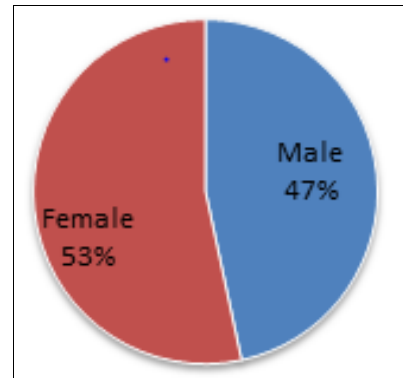
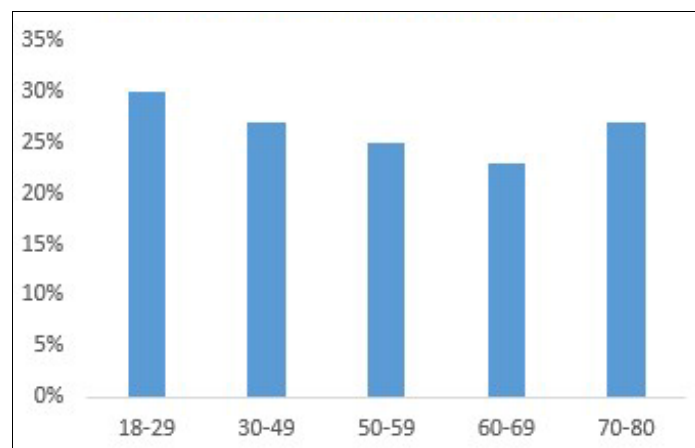


Fig 1: Gender of respondents

In our study we have taken the sample of 75. The sample comprises both the genders. 53% of the respondents are female and 47% respondents are male. The participation of female is continuously increasing in the financial decisions as they are not financially dependent upon males.



Source: National Centre for Financial Education report, 2015 & Financial Literacy and Inclusion in India Survey Report, 2019

Fig 2: Age wise financial literacy 2019

Because of recent technological advancements and media coverage, India's financial literacy rate among its young and adult population has been increasing. The government of India and various regulators are constantly working towards growth by implementing financial literacy courses, workshops and schemes. From mobile banking to online payments and insurance; the country has a huge number of online financial services users. As awareness and ease of

insurance and banking increased, India's financial literacy improved. Number of transactions with respect to digital payments in India grew 5x from 1,004 crores (10.04 billion) in 2016-17 to 5,554 crores (55.54 billion) in 2020-21. Furthermore, the value of fintech transactions is expected to increase by 20% per year to US\$ 138 billion in 2023, up from US\$ 66 billion in 2019.

Table 1: Awareness among the youth about various financial instruments

Investment Options	Fully aware	Somewhat aware	Fully Unaware	Aware %	Unaware %	Total
FD	35	37	3	96	4	75
NSC	1	40	34	55	45	75
Recurring deposits	18	34	23	69	31	75
Precious metals	25	32	18	76	24	75
Mutual Funds	22	43	10	87	13	75
Shares	41	29	5	93	7	75
Immovable property	17	30	28	63	37	75
PPF	14	30	31	59	41	75
Futures/ options	26	25	24	68	32	75
Insurance Schemes	31	33	11	85	15	75
Debentures/ Bonds	37	31	7	91	9	75
Kisan Vikas Patra	17	29	29	61	39	75
GDR	9	27	39	48	52	75

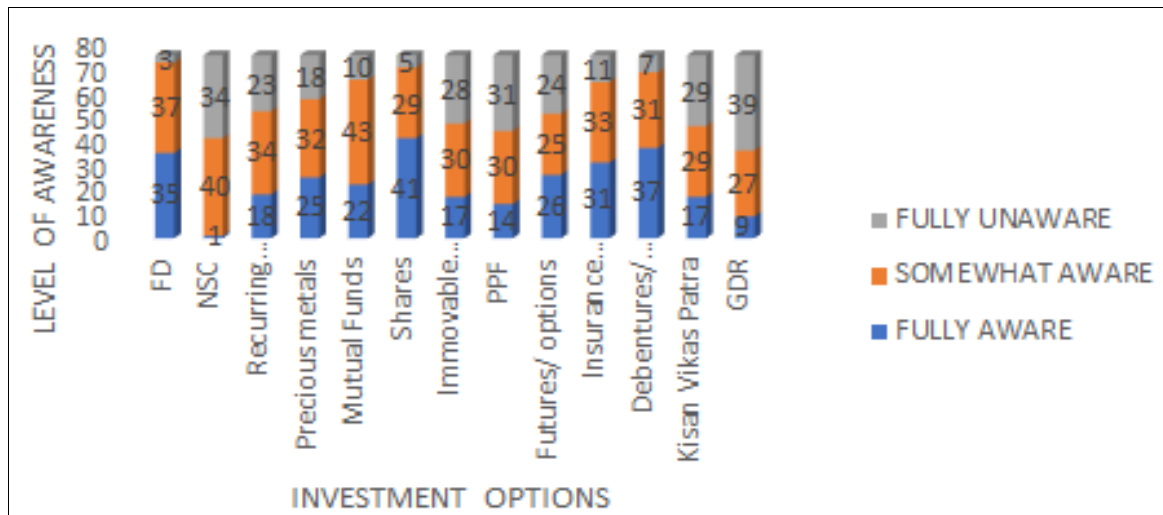


Fig 3: Awareness among youth about different investment options

Awareness is the primary condition for investment. The youth is not having needed awareness about investment options. NSC, PPF, GDR, Kisan Vikas Patra, immovable property are the investment options about which the respondents are not so aware as only 50-60% of the respondents are aware to some extent. The youth is aware

about the market securities as more than 85% of the respondents are aware about shares, debentures and mutual funds. Recurring deposits, NSC, Kisan Vikas Patra are not so talked about investment option these days as that may be the possible reason of unawareness.

Table 2: Investment instruments categorised by the youth

Investment Options	Rightly Categorised	Wrongly Categorised	Total
FD	31	44	75
NSC	44	31	75
Recurring deposits	34	41	75
Precious metals	29	46	75
Mutual Funds	31	44	75
Shares	51	24	75
Immovable property	28	47	75
PPF	32	43	75
Futures/ options	20	55	75
Insurance Schemes	34	41	75
Debentures/ Bonds	51	24	75
Kisan Vikas Patra	52	23	75
GDR	13	62	75

Table 2 depicts that the respondents are not aware about the categories of securities. The category decides the features and risk associated with any investment options. Shares, Debentures and Kisan Vikas Patras are categorised rightly

by only 51 and 52% of the respondents. it shows the lack of proper knowledge about the investment options available as per their features. Surprisingly, all the other options are categorised wrongly by more than 50% respondents.

Table 3: Youth’s perception of return for investment categories

	Govt. backed Securities	Market-based securities	Insurance schemes	Banks Deposits	Physical assets
Lowest Return	21	8	11	7	33
Low Return	7	19	13	16	5
Neutral	11	13	38	5	11
High Return	11	20	12	23	9
Highest Return	25	15	1	24	17
Total	75	75	75	75	75

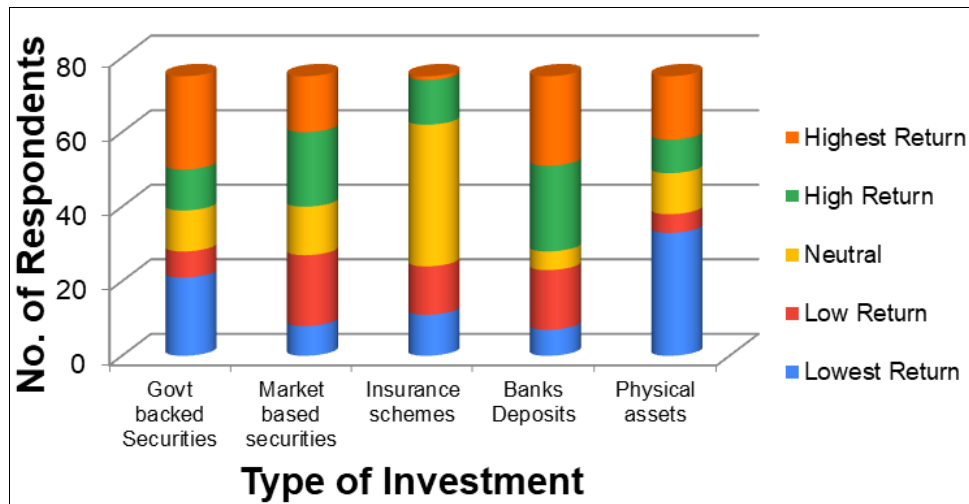


Fig 4: Perception about return on investment

Table 3 shows that the maximum respondents perceive the lowest return in physical assets while the highest return is perceived in govt. backed securities and bank deposits. Insurance schemes are placed in low income or unaware neutral position by 38 respondents. It shows the insurance schemes are not perceived and seen as an investment option

rather it is treated as only safeguarding investment. Govt. securities and market securities are perceived as high return by 36 and 35 respondents while the bank deposits are perceived as high return by 47 respondents. This picture shows that the respondents are more inclined towards the bank deposits.

Table 4: Youth’s perception of risk for investment categories

	Govt. backed Securities	Market based securities	Insurance schemes	Banks Deposits	Physical assets
Lowest Risk	31	14	18	26	28
Low Risk	11	10	9	17	16
Neutral	11	11	22	18	8
High Risk	11	14	18	11	9
Highest Risk	11	26	8	3	14
Total	75	75	75	75	75

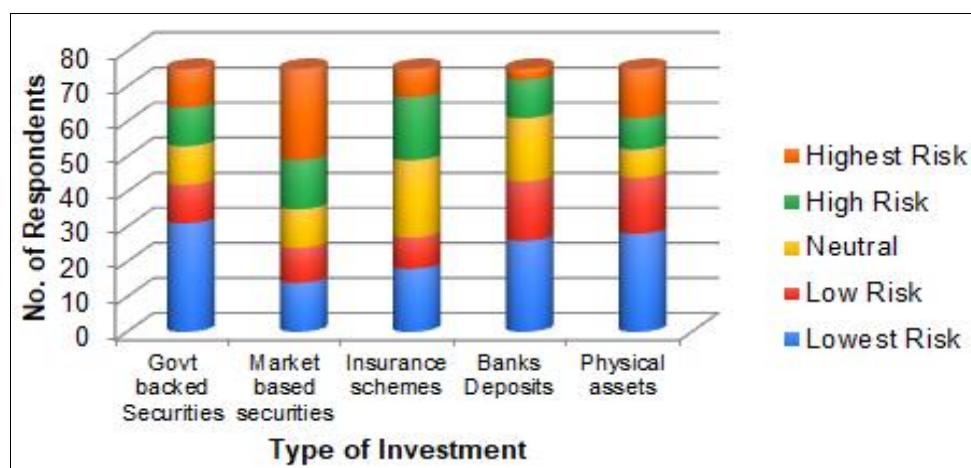


Fig 5: Perception about risk on investment

Table 4 shows that 14 respondents perceive the lowest risk in market-based securities and 31 in govt. backed securities while the highest risk is perceived in market-based securities by 26 respondents and by 11 in govt. backed securities. Even the physical assets are perceived as less risky in comparison to market-based securities. The data here shows that the youth perceive the market-based securities as highest risky investment in comparison to other type of investments. It emphasizes that there is a need of

proper study and knowledge while making any investment in market-based securities.

Table 5: youth perception whether they are Informed enough

Response	Count
Yes	36
No	23
Can't say	17

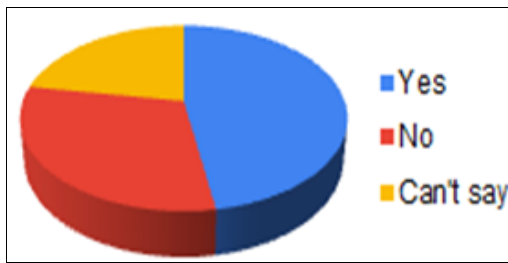


Fig 6: Youth perception whether they are informed enough

Table 5 shows that the 48% youth perceive themselves as completely informed about the investment options' pros and cons but 31% believe that they are not informed enough to take decisions regarding investments.

Table 6: Participation in family investment decisions

Never	17
Sometimes	49
Always	9

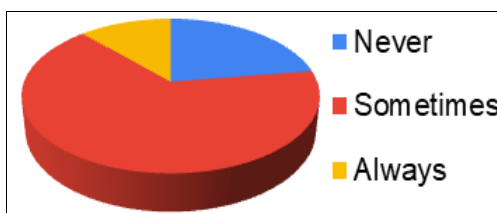


Fig 7: Participation in family investment decisions

Table 6 shows that 23% of the respondents have never participated in the family's investment decisions while only 12% respondents have always participated in the investment decisions of the family. 65% of the respondents have participated sometimes in the investment decisions taken in their families. The parents do not have enough confidence that their children are well informed and mature enough to take the investment decisions and so there is less participation of the youth in family's investment decisions. Conclusion: The youth is the backbone of any country. Future of any county can never be bright without youth active participation in any activity. Majority of youth are thinking themselves capable of giving useful investment advice in their family investment decisions, yet they are having least participation to give their advice. Practice makes a men perfect. If in the early age they will be given chance to take part they will be valuable citizens of our country in future.

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