FINANCIAL LITERACY AMONG YOUTH IN TWENTY FIRST CENTURY

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Abstract: A crucial component of our lives is financial knowledge. Early instruction gives young adults life skills they may use now and in the future. It can assist people in transitioning from surviving to thriving. While not taught in schools or colleges, financial literacy is crucial in today's society. One learns not only how to survive in a capitalist society, but also how to increase and protect their financial resources. Understanding and being proficient in the use of different financial skills, such as investing, budgeting, and personal financial management, is known as financial literacy. The cornerstone of your relationship with money is laid out by financial literacy, which is a lifetime learning process. The earlier you begin, the better off you will be as education is the secret to financial success. This study will give a brief overview of young people's financial literacy in the twenty-first century.

Keywords: financial literacy, income, twenty first century

Introduction

Financial education[1] is crucial for young people since they must make financial decisions that could have lasting effects. Due to their greater responsibilities, the younger generations must be equipped with the knowledge necessary to make wise financial decisions at a young age. One such choice is whether or not to invest in education, or whether to attend college and how to pay for it. Financial awareness is crucial when facing decisions of this magnitude. A significant portion of the overall population29%[2] of India's population is under the age of 25. They make up 44.32 percent of the labour force and are well off.For the purpose of producing good returns for the individuals, this revenue needs to be invested in the appropriate financial instruments. The majority of the young people have taken out loans to pay for their homes, cars, and credit cards. Due to the current economic climate's uncertainty and high unemployment rate, young borrowers are more likely to default on their loans. With 1.2 billion people, India is the second most populous nation after China. 17.6% of the world's population resides there, and 1.2 billion of those people are believed to be financially illiterate (76 percent).In addition, India's average age is 25, and by 2020 it will be 29, compared to China's 37 and Japan's 48. This means that India will have a large population of young, energetic individuals who are eager to move our nation ahead.

How to manage money is among the most crucial lessons anyone can acquire.[3] Many young individuals lack basic financial management skills when they become adults, which causes them to make costly mistakes that they later come to regret. To a large extent, costly mistakes can be avoided by teaching young people the value of effective money management and decision-making. Additionally, this will motivate students to exercise sound financial judgement while making judgements. It is therefore impossible to overstate or understate the significance of teaching young people financial literacy.

The process of obtaining the knowledge and abilities necessary for one to use all of their financial resources wisely is known as financial literacy. Financial literacy also includes the ability to apply financial concepts and principles, including financial planning, budgeting, forecasting, managing compound interest debt, using profitable saving methods, and appreciating the value of money and wealth management principles. Making poor financial decisions as a result of a lack of financial literacy can have a detrimental impact on a person's financial wellbeing.

Importance of Financial Literacy

Basic financial concepts including how interest compounding works, the distinction between nominal and real values, and the fundamentals of risk diversification are not well known to the public. Even fewer people understand more complicated ideas like the distinction between bonds and stocks, how mutual funds operate, and fundamental asset pricing.[4]

Need For Measuring Financial Literacy

Understanding young people's financial literacy is crucial for policymakers in a variety of fields because it can help those who want to create effective youth-focused financial education programmes as well as those who want to create legislation to safeguard younger consumers.[5] Knowing where young people are having financial issues is essential so that corrective action can be implemented. As a suggestion to the nations, these actions are listed in the results section. Although there are many definitions of financial literacy that are frequently used, they all basically indicate that people should be able to find, comprehend, and assess the information necessary to make decisions that would best safeguard their financial future. Huston[6] contends that in order to qualify as financially literate, a person must be able to apply their knowledge. If this is not the case, they are not considered to be financially literate.

Among the young people around the world are some indicators[7] of a lack of financial literacy;

- Not having a budget, a goal or a plan.
- Excessive spending
- Living on debt.
- Not having emergency savings.
- Borrowing for the wrong reasons.
- Banking on an expected money
- Not investing for the long term.

- Ignoring insurance.
- No retirement plan
- Pressure from social media and friends.
- The main steps to achieving financial literacy include;
- Learning the skills to create a budget
- The ability to track spending
- Learning the techniques to pay off debt
- Effectively planning for retirement.

These actions may also involve receiving financial professional counselling. Understanding how money works, setting and accomplishing financial objectives, and dealing with both internal and external financial issues are all part of the topic's education. The development of self-sufficiency through financial literacy enables people to achieve financial stability. People who are knowledgeable about the topic have should be able to respond to a number of inquiries regarding purchases, including if a product is necessary, whether it is affordable, and whether it is an asset or a liability.This area shows how a person's thoughts and behaviours around money are applied to his daily life. Financial decision-making is demonstrated by one's level of financial literacy. This ability can assist someone in creating a financial road map that shows what they earn, what they spend, and what they owe.

The essential elements of financial literacy are as follows:

Budgeting[8]

Keeping track of your financial transactions is the first step in developing financial literacy and is known as budgeting. To grasp budgeting, you don't need to be an expert in mathematics, statistics, or any other subject. You can simply keep a pen-and-paper budget or use any of the many online tools and applications that are available.

Saving[9]

The ability to save is the most important component of financial literacy and may also be the biggest benefit. Young students sometimes ignore the importance of saving money. However, most people finally understand that saving is frequently the only option to generate excess (profit). Savings skills are developed via hard work, patience, and incremental steps until you can start seeing significant improvements in your personal finances.

Understanding the language of finance[10]

Learning about the various parts of finance and how they operate is a crucial part of becoming financially literate, from how to complete a transaction to how to successfully launch a mutual fund. Banking, interest rates, credit and debit cycles, loans, profit production, financial stability and safety, and similar concepts are some of the most essential elements of finance. Financial literacy can be achieved by understanding how money affects us and how to control it.

Investing[11]

The development of good investing skills is the last step in being financially literate. The practise of making investments and building wealth has evolved over time and is now more important than ever. With the aid of financial literacy, people all around the world are starting to invest, regardless of their age or even financial situation. The ability of financial literacy may enable pupils to move closer to independence and self-reliance. Additionally, it will provide them the ability to control their smaller spending, student loans, and ultimately, their total financial situation.

Financial attitude[12]

A person's financial attitude is their propensity to act in a certain way as a result of their economic and non-economic ideas about how certain behaviours would turn out. It is believed that the most important aspects of financial literacy are attitude and preferences. The likelihood of having a positive outlook on planning, lower inflation expectations, a greater propensity to save than consume, and a high risk tolerance were all higher in people with a good financial attitude. In India, almost half of the working-age respondents showed a favourable attitude toward financial planning and a low inclination to consume, which was significantly lower than in the less developed nations of the Eurozone, according to Agarwalla et al.[13]

Conclusion

Being financially literate is now a necessary skill for surviving and flourishing in the modern economy. Younger generations have much more difficult financial decisions than previous generations did. As an illustration, financial products and services have improved in complexity and accessibility as a result of globalisation and digital technologies. Today's people need to be more accountable for their financial choices, whether they're saving for retirement, paying for a child's education, or investing in further education. The younger generation of today will experience more financial risks as adults because of longer life expectancies, declining welfare and employment benefits, and uncertain economic and employment outlooks.

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