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## **Financial literacy among youths with special reference to Assam**

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### **Abstract**

Education plays a vital role in civilization. It's a revolution and slowly and steadily people explore its field of knowledge in their daily life, including the most important management that is finance. But how this influences people, why they consider them to know, what kind of factors they consider much more revealing to analyze the situation of a city to understand how much they are actually literate in finance. It's also important to understand the composition of old youth and their viewpoint regarding savings investment. In this article we are analyzing the importance and necessity of financial literacy, especially in Guwahati city of Assam, because it is considered as a perfect place for upgrading society and economy as it is the capital of the state.

**Keywords:** literacy, finance management, saving, spending, records

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### **Introduction**

Humans are always progressive in nature. From the Stone Age to till date, we are still working on our system to make it even better for today. We introduced different things to build a strong society. But in the end, all are in vain if you do not have enough money in today's reality. Your progress will just be a dream if you are not capable of drawing interim role of money in today's world. It is not a concealed truth or misconception or an exaggerated fact that money plays an indispensable role in making the world go round today. In a nutshell money is the driving force of this modernization era. But there is a slight difference between the concept of money and financial literacy. Although the concept of money is familiar to everyone but there is a lacking behind in respect of knowledge in regard of financial literacy. Money is a part of finance, whereas broad term finance covers the study of money and involves planning to use it. The main focus of finance involves money management. Managing your finance is a personal skill that benefits you throughout the life. Despite its significance, people are still reluctant to acquire the skill of financial literacy, especially the youth. Youth is a crucial phase of a person's life where life lessons are learnt either from others or from own experience. Learning finance management skill from the time of youth is a must in this changing and fast moving commercialized world. At this stage learning and developing financial management skill will not enable the youth generation to efficiently grow their wealth and economic assets in the future but also make them independent and self-sufficient in times of financial crisis. A balanced and sound knowledge of finance is a must in order to cope up with the recent changing financial environment although our education system lacks in providing the essential knowledge and learning.

### **Review and Literature**

Thavya sudeshna (2021), "Financial literacy has been recognized as a key skill for individuals who are embedded in an increasingly complex financial scenario. Financial literacy helps individuals make more assertive and efficient decisions in the monetary context of their lives."

Lusardi Annamaria, Mitchell S. Mitchell, Curto Vlisa (2009), "Financial literacy is strongly related to socio-demographic characteristics and family financial sophistication. Specifically, a college-educated male whose parents had stocks and retirement savings is about 50 percentage points more likely to know about risk diversification than a female with less than a high school education whose parents were not wealthy."

Deb Rajat (2020), "Financial literacy implies the ability of individuals to understand, manage, and plan their personal finances. By gaining financial Literacy, people are likely to develop critical thinking, judgment, and other skills for making informed personal finance Decisions."

Wei zhang (24 Dec 2020), "The level of financial literacy of rural residents will affect their financial decisions and the financial well-being behind the decisions. At the same time, we introduce financial technology penetration as a threshold variable in the model and find that the financial literacy has stronger impact on financial decision-making if the financial technology penetration is above the threshold".

Sandra Braunstein and Carolyn Welch, "Financial literacy has gained the attention of a wide range of major banking companies, Government agencies, grass-roots consumer and community interest groups, and other organizations. Inter-Ested groups, including policymakers, are concerned that consumers lack a working knowledge of financial concepts and do not have the tools they need to make decisions most advantageous to their economic Well-being. Such financial literacy deficiencies can affect an individual's or family's day-to-day

money Management and ability to save for long-term goals Such as buying a home, seeking higher education, or Financing retirement. Ineffective money management can also result in behaviors that make consumers Vulnerable to severe financial crises.”

Annamaria Lusardi, Olivia S Mitchell (2011),” In an increasingly risky and globalized marketplace, people must be able to make well-informed financial decisions. New international research demonstrates that financial illiteracy is widespread in both well-developed and rapidly changing markets. Women are less financially literate than men, the young and the old are less financially literate than the middle-aged, and more educated people are more financially knowledgeable. Most importantly, the financially literate are more likely to plan for retirement. Instrumental variables estimates show that the effects of financial literacy on retirement planning tend to be underestimated. In sum, around the world, financial literacy is critical to retirement security.”

### Objectives

1. To identify or study youth attitude towards financial management.
2. To study the awareness or ability of the upcoming generation in the regard of finance management.

### Overview of the Study

Assam is a state of North-East India known for its Wildlife, Archaeological sites and Tea plantations. In the west lies Guwahati, Assam largest city, Gateway of North –East, featuring Silk bazaars and the hill top Kamakhya Temple, an increasing domicile of India. If we analysis the growth of Assam we found the Gross Domestic Product (GSDP) of Assam for 2021-22 (at current prices) is projected to be rupees 3, 77,102 cr. This is an annual increase of 4% over the GSDP of 2019-20.The GSDP for 2021-22 is estimated to be 0.9% higher than the revised estimated for GSDP 2020-21, which is totally a significant point. Besides, growing prospects of Assam it has total population of 31.205,576 of which male population is 15,939.443 and females were 15,266,133. The total area of Assam is 78,438 square km. From this massive population, the total literacy rate of Assam is 72.19% according to the 2011 census study, where the male literacy rate 71.85% and female literacy rate 66.27%.

By analyzing the current situation of Guwahati City, we found that the government took a flagship programmed to ensure a bank account for every household in the country. It has been given its due priority by the Government of Assam and has been regularly monitored through the forum of State Level Bankers Committee (SLBC). Now and then people get aware about it a bit, but they are confused as various malpractices are being given on the market. In our study, we are focusing on youth attitudes and family behavioral habits regarding financial information and financial management. We are focusing on how they collect, interpret and utilize finance in day to day life. Our study ranges in between 18-30 age groups enlightening the past and current affairs of finance management through a useful study.

### Methodology of Study

The Study was conducted by convenience sampling method by providing up a questionnaire to the respondent in the city of Guwahati.

### Response of the Survey

1. On A scale of A to E what grade would you give yourselves in terms of your knowledge about personal finance management?

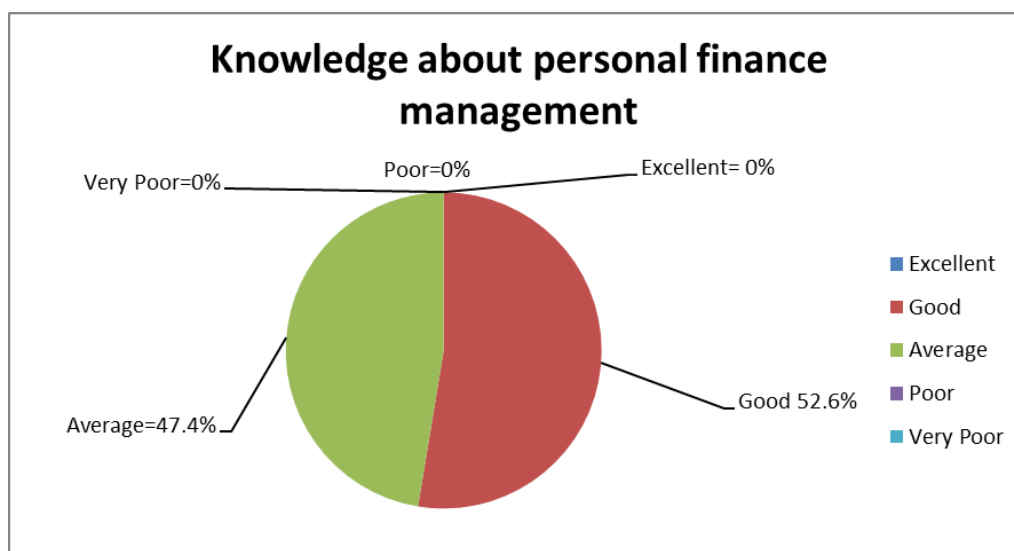
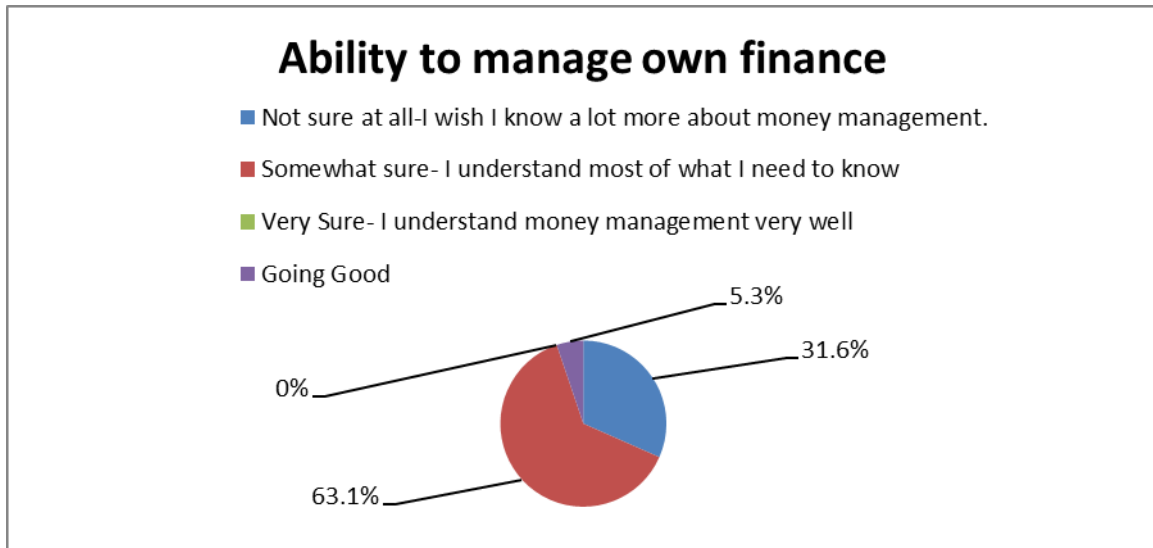


Fig 1

As per the response received 52.6% respondent believed that they have good knowledge about personal finance management whereas 47% is on an average or neutral view point in regard of their knowledge or concept about personal finance management. No respondent consider themselves as excellent, poor and very poor in regard of knowledge of personal finance management.

**2. How confident do you feel about your ability to manage your own finance?**

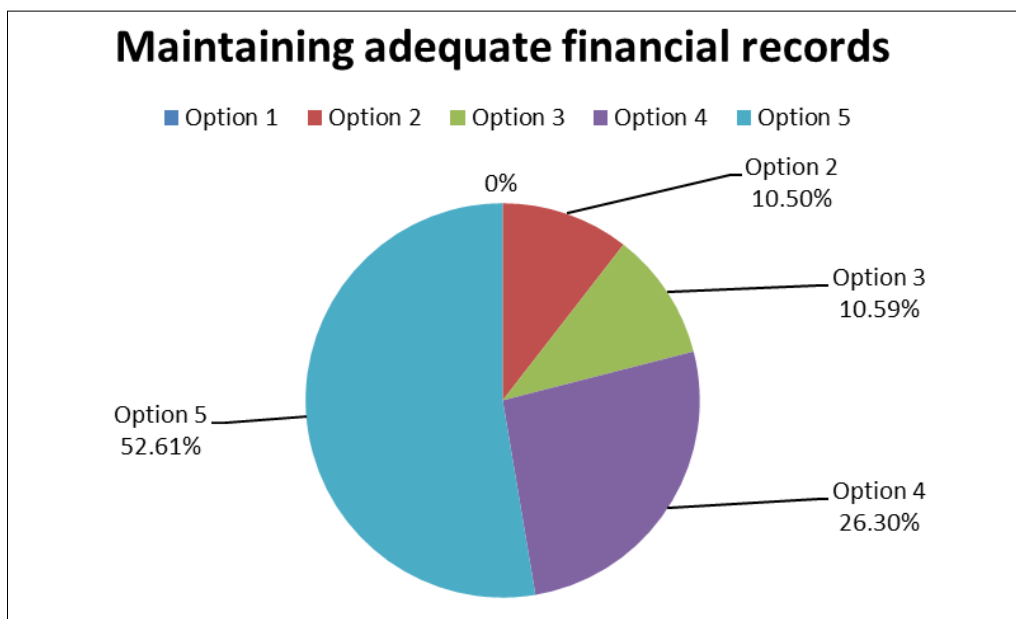


**Fig 2**

As per the response provided 5.3% people have expertise or ability to manage own finance in a very good way, whereas 31.6% is not sure at all about their money management skill and wish they could have learn more about the life changing skill i.e. about finance management. Whereas majority of person i.e 63.1% respondent is somewhat sure or understand the concept of money management to that extent they feel necessary to know in this financially evolving environment.

**3. Using the scale given below, please rate the importance of item according to you. (1. Not important 2. Somewhat unimportant 3. Not sure, 4. Somewhat important. 5. Very important)**

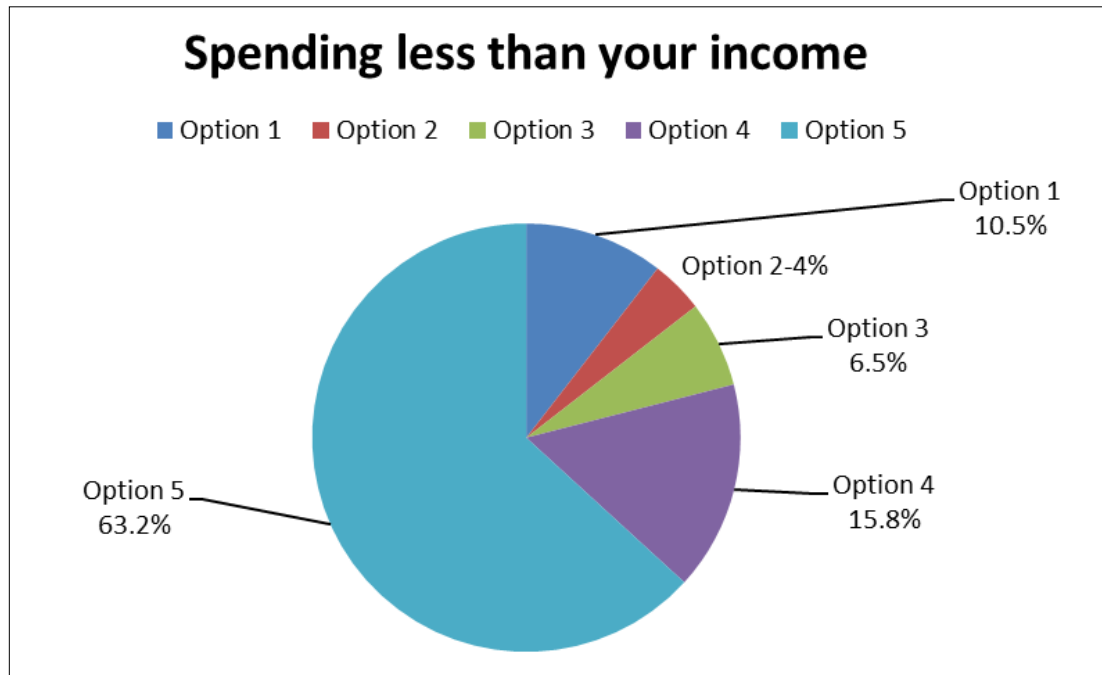
**A) Maintaining adequate financial records.**



**Fig 3**

As per the survey 52.61% respondent believe that it is very important to maintain adequate financial records whereas 26.30% agree to the point that it is somewhat important to maintain adequate financial records. 10.50% respondent is of the opinion that it is somewhat unimportant to maintain adequate financial records and 10.59% respondent is not sure whether to maintain adequate financial records.

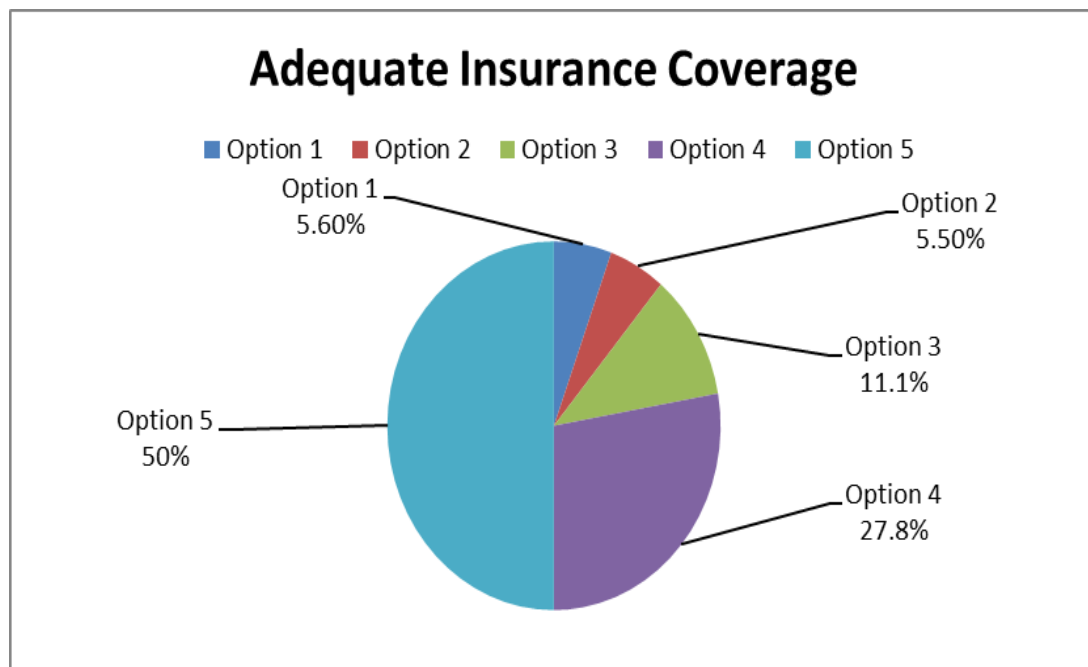
**B) Spending less than your income.**



**Fig 4**

As per the response received 63.2% believed that spending less than income is very important in today situation to survive whereas 15.8% believed that spending less than income is somewhat important. Accordingly 10.5% believe that it is not important at all to spend less than income. 6.5% is not sure in regard of this concept or not at all sure whether spending less than income is essential or not. 4% of respondent believe it is somewhat unimportant to spend less than your income.

**C) Maintaining Adequate Insurance Coverage.**

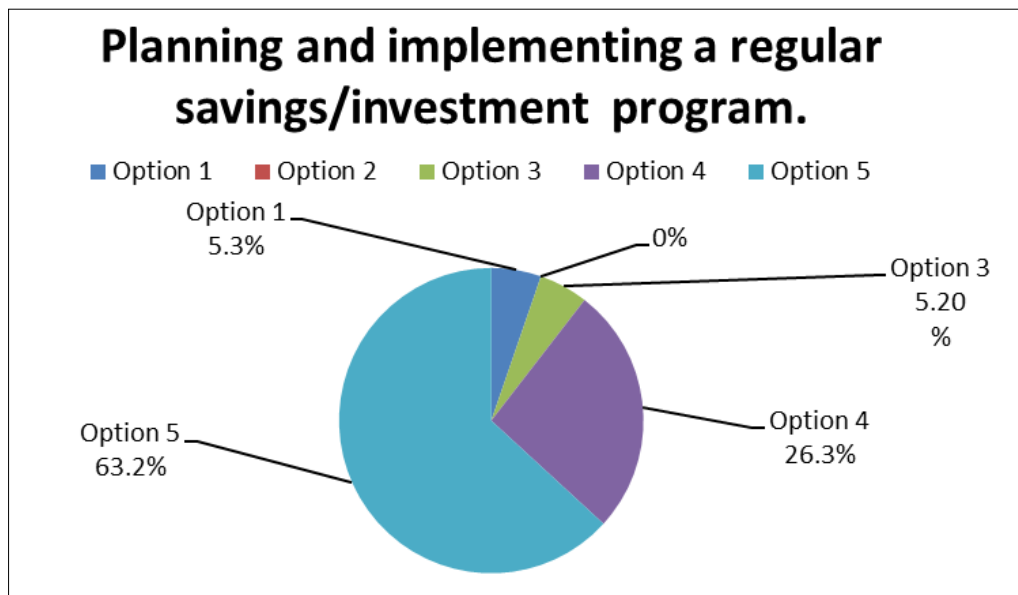


**Fig 5**

50% respondent agree on the point that maintaining adequate insurance coverage is very important whereas 27.8% respondent believe that it is somewhat important to maintain adequate insurance coverage. Whereas 5.60% believe it is not important at all to maintain adequate insurance coverage, 5.50% believe it is somewhat unimportant to maintain adequate insurance coverage and 11.10% respondent are not at all sure of this concept.

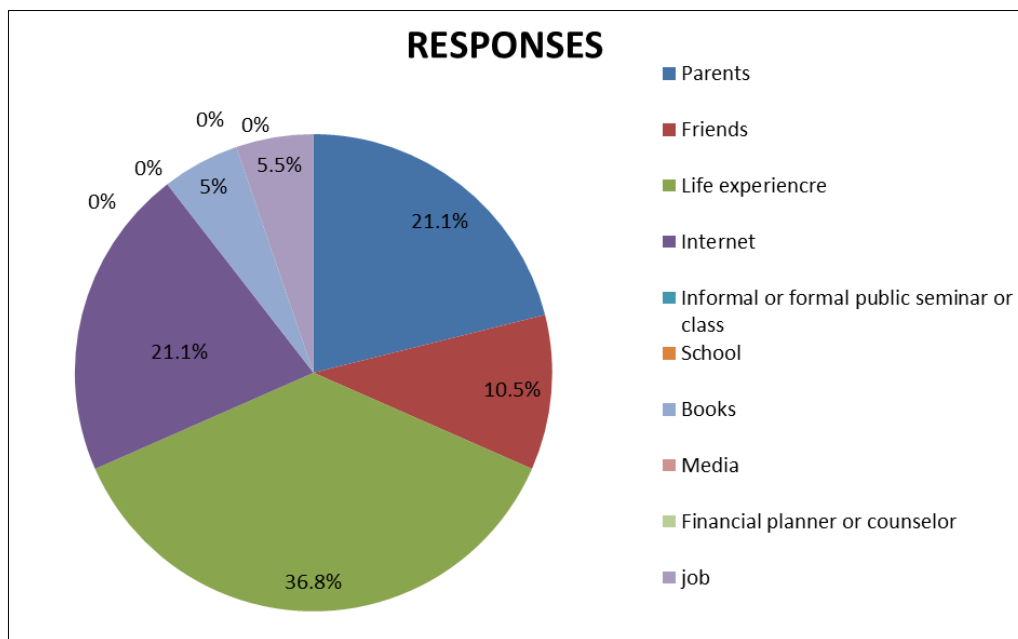
**D) Planning and Implementing A Regular Savings/ Investment Program.**

63.2% respondent of the survey do believe on the point that planning and implementing regular savings/ investment program is very important whereas 26.3% is of the opinion that planning and implementing regular savings/ investment program is somewhat important. 5.3% respondent believe that it is not important at all to plan and implement a regular saving/investment program and 5.20% is not sure at all whether to plan and implement a regular saving and investment program or not.



**Fig 6**

**4. Whose influenced helped you in managing your money or finance?**

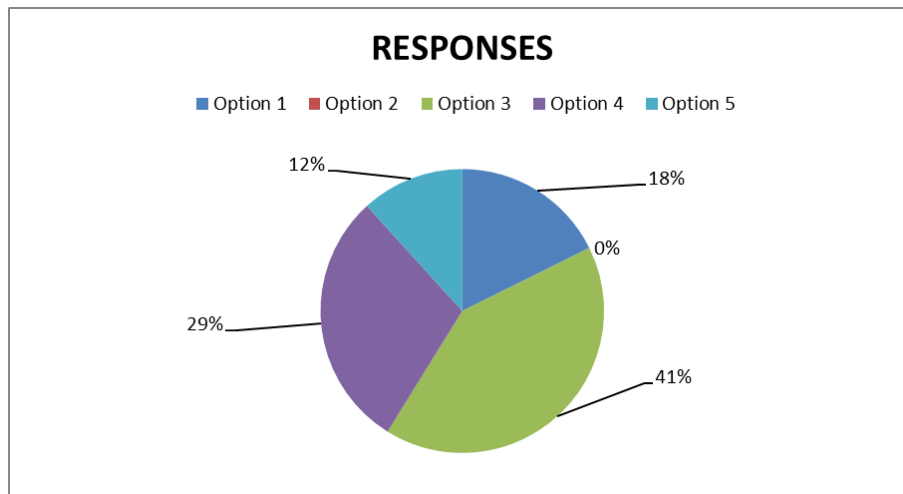


**Fig 7**

From the response received, it can be concluded that the majority of people i.e. 36.8% have been influenced or have learn from experience of life. 21.1% have learnt from the skill of managing finance from parents whereas 21.1% have learnt the skill of managing finance by using internet. 5.5% of respondent have learn the skill from media and 5% have the acquired the skill by reading books and learning from it.

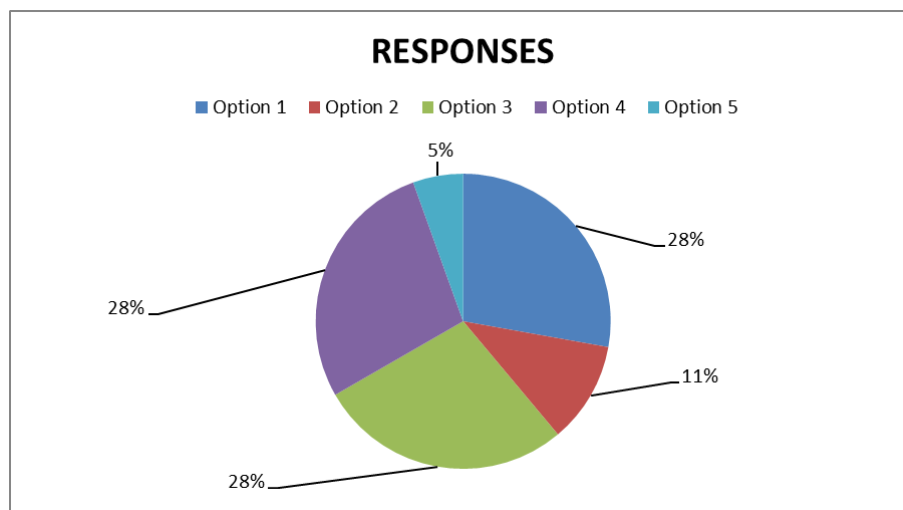
**5. Rate the following items on a scale of 1-5 (1= not at all true of me and 5 = very true of me)**

- a. I feel in control of my financial situation and feel capable of using my income to achieve my financial goal.**



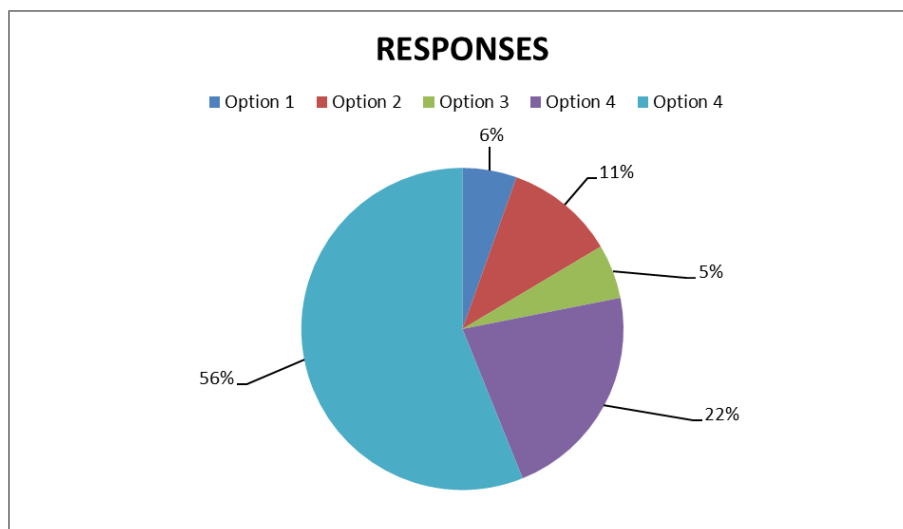
**Fig 8**

- b. My finances are a significant source of worry or “hassle” for me and I am uncertain about where my money is spent.**



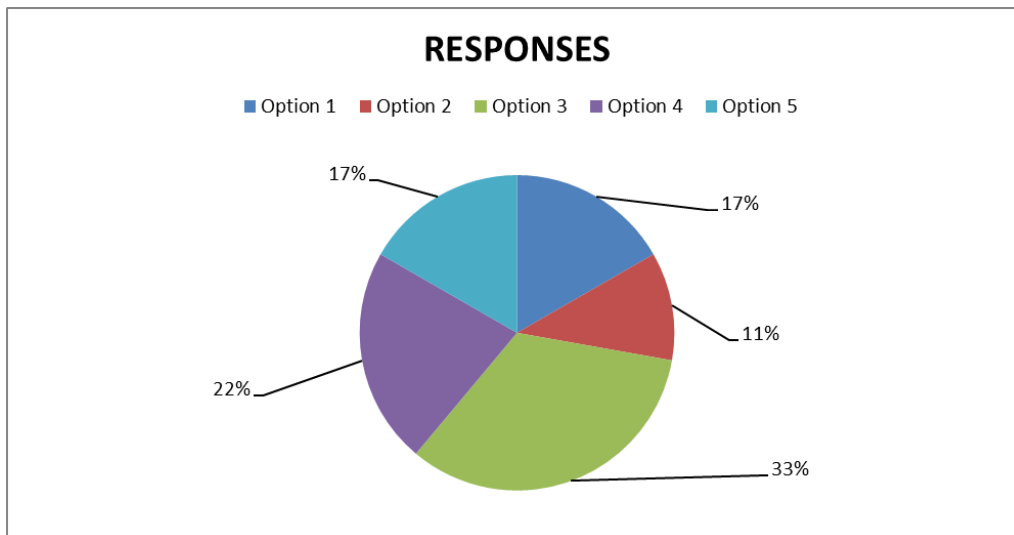
**Fig 9**

- c. I feel putting away money each month for savings or investment is important.**



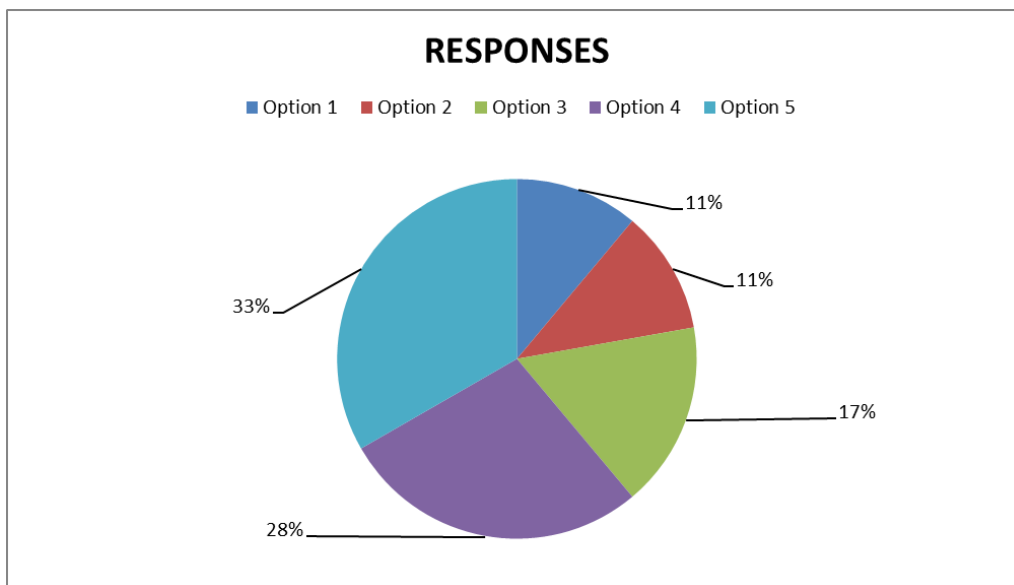
**Fig 10**

**d. Purchasing things is very important to my happiness.**



**Fig 11**

**e. I feel capable of handling my financial future (e.g. buying insurance or investments)**

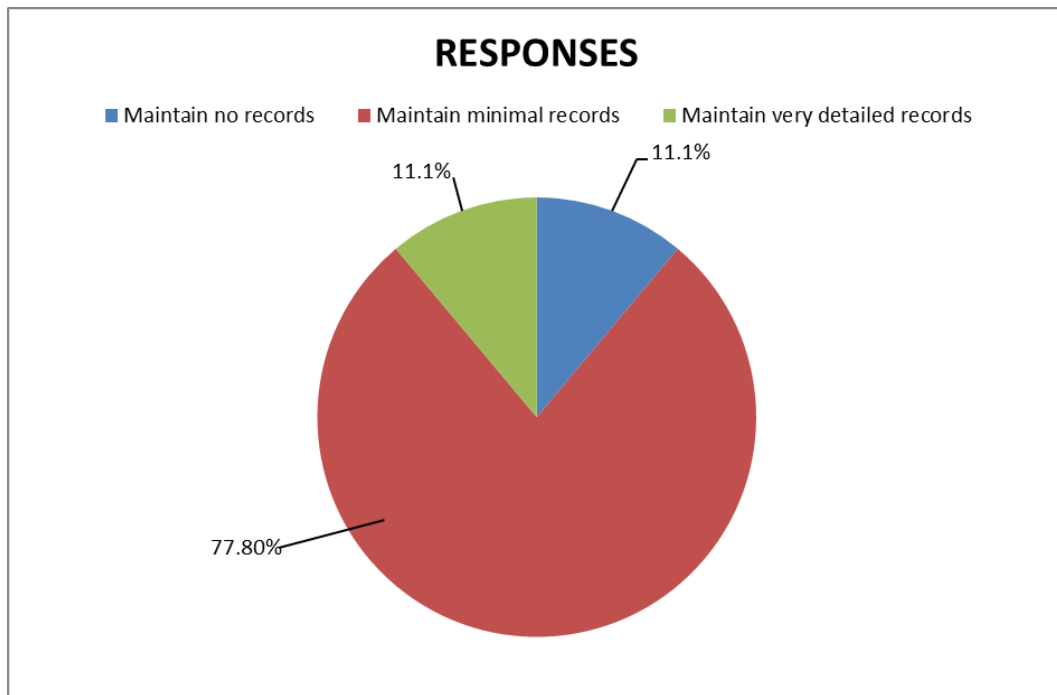


**Fig 12**

From the responses we can conclude that:

1. Most people feel that they have moderate grip on their expenditure and are capable enough to achieve their financial goal. where only 11.1% respondents think that they can strongly control their financial situations and 27.8% people believe that this statement is not so strong about them but somehow they are near to option 5. Hence, it is clearly evident that respondents tried their level best to control their financial conditions to achieve their targeted goal of life.
2. From the responses received it can be seen that, respondents were quite confused regarding their money spent. Because option 1, option 3 and 4 i.e. 27.8% share the same percentage regarding the statement. Only a few 5.6% people think that they are aware of knowing where their money is gone. Thus, it can be conclude that uncertainty is there on their spending habits.
3. From the survey found that, 55.6% of people invest their earnings as they think it's very important to them. Only 5.6% respondents think it's not true about them to save for near future, hence it can be conclude that majority responses show youths are more likely to be interested in investment and savings.
4. From responses, 33.3 % of respondent slightly think that purchasing thing is quit important for their happiness. While option 1 and option 5 share i.e. 16.7% percentage as both respondents equally likely think buying goods may be a reason for their happiness or not.
5. From responses received, 33.3 % of respondent feel that they are capable of handling financial future by buying insurance and investment.

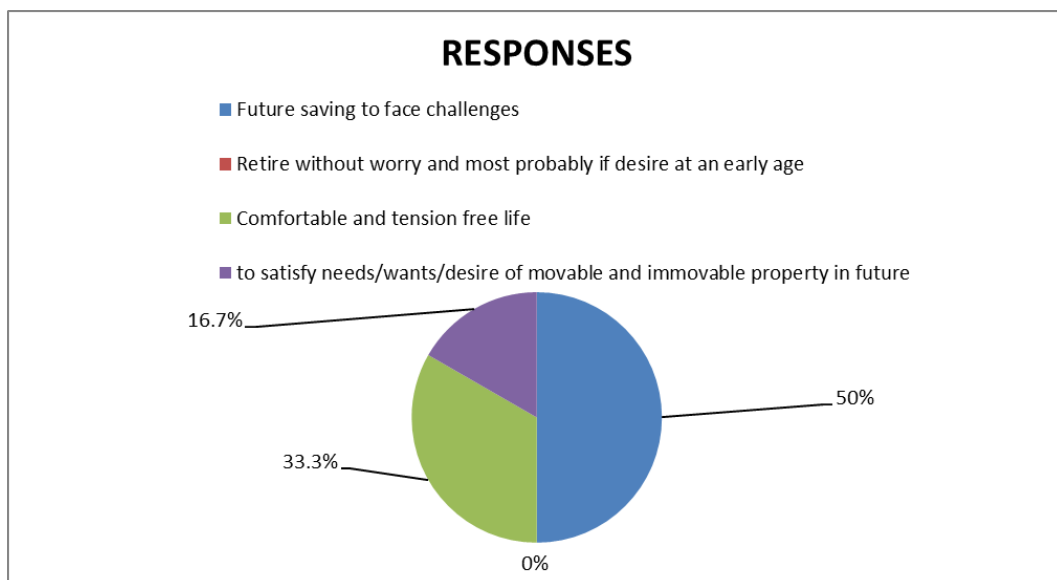
## 6. In what manner do you maintain financial records?



**Fig 13**

As per the response received, 77.8% of respondents maintain minimal records of their financial transactions. Whereas maintain no records and maintain detailed recording respondents both share the same percentage as 11.1%. Hence, the survey showed that almost a major portion of people considered essential to maintain record of financial transaction.

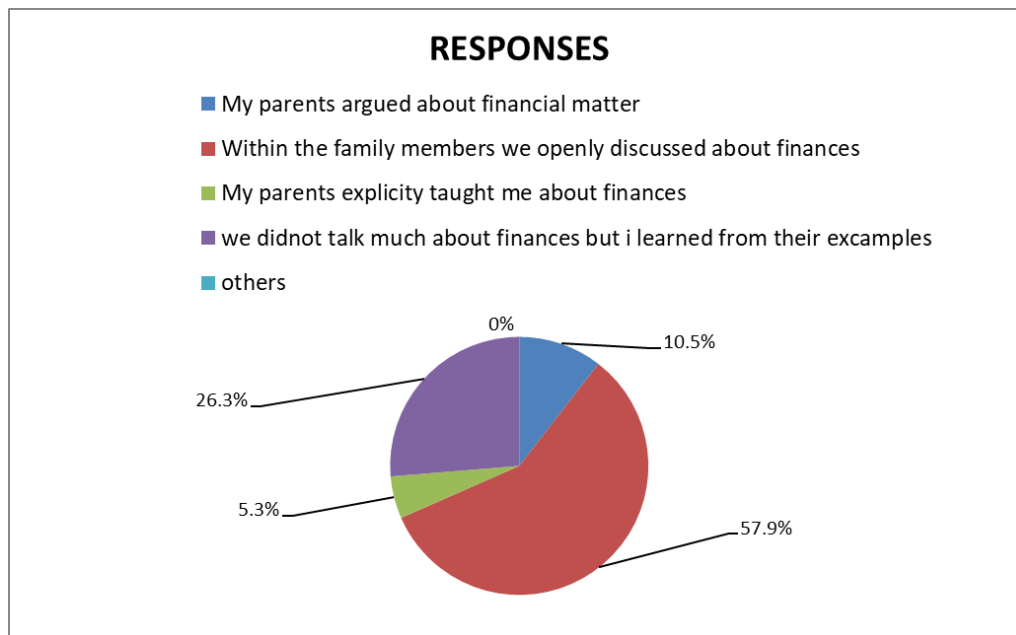
## 7. Need for a sound financial literacy at present days arise because of?



**Fig 14**

From the responses, 50% of respondents feel that sound financial literacy is needed to understand the need of saving to face challenges from their future. Whereas 33.3% of respondents believed that proper financial literacy is essential to lead a comfortable and tension free life in the upcoming future. Besides 16.7% respondents feel the need for proper education of finance is essential to fulfill their needs and wants of movable and immovable property in future. The future is uncertain and enough financial education may always lead us towards a happy life and from the responses we can easily summarized it.

## 8. How finances were handled in your family?



**Fig 15**

As per the responses received, 57.9% of respondents openly discuss their financial issues and others within their family. On the other hand, 26.3% do not talk about their financial issues but youth learn from their example of family and 10.5% respondents shows that their parents usually argued much about financial matter. On the Other hand 5.3 % responses tell us that their parents explicitly teach them about financial arrangements.

### Summary

The survey showed the crystal clear picture of perception and idea of youth regarding financial literacy. Though conducted an unbiased survey by convenience method, majority of people in the survey was female and was from commerce background. The surveys showed that majority of surveyed respondent are acquainted in dealing with finance. The survey also showed that the respondent was by good acquainted with the knowledge about personal finance management and simultaneously it can be seen that they are highly interested in increasing their financial knowledge in upcoming days. The survey result pinpointed the fact that the youth is highly interested in maintaining adequate financial records, spending less than their income, maintaining adequate insurance coverage and implementing a regular savings/ investment programs. In a nutshell we can conclude that today's youth are budget oriented and highly believe in learning the skill of money management. The survey crystal clear the point that mostly today generation believe in maintaining a saving account rather than any other and life experience has moulded them in managing their own finance in a better way. The survey reflected the mindset of today youth in regard of how they control financial situation and whether their income derived is capable of achieving their financial goals and where they spent their hard earn money and whether saving or purchasing goods is more essential to them. On the other hand although it can be derived from the survey that today generation maintains minimal financial records but they also believe in gathering more knowledge about sound financial literacy at present days because of need of future saving to face challenges. The survey also pinpointed the fact that within a family mostly members openly discuss about finance topic and youth comparing themselves to parents they are somewhat more likely to save in days to come.

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