LACK OF FINANCIAL LITERACY AMONG INDIAN TEENAGERS.

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ABSTRACT

The absence of financial education among teenagers in India has a significant impact on their economic growth and financial stability. Because of this, it is essential to create thorough financial education programs in schools and to urge parents to teach their kids about this important topic. This research paper emphasizes the urgency of taking action now to resolve this problem and offers various remedies to encourage financial literacy among youths in India.

Keywords: Financial Literacy, Necessity, Managing Finance.

INTRODUCTION

One of the most important factors that a student should consider when it comes to financial literacy is having the necessary skills to manage their finances. This can help them make informed decisions and develop sound financial habits. Financial literacy also allows them to communicate their expectations and manage their finances.

Unfortunately, many teenagers do not keep track of their expenses, which can lead to them making poor decisions and experiencing financial losses. Having a good tracking system can help them reach their financial goals more quickly. For instance, by using net banking or other online platforms, teenagers can easily keep track of their expenses.

Despite the various initiatives that have been made to improve financial literacy in India, there are still gaps in the education system. For instance, there are no detailed details in the school textbooks about financial literacy.

The survey conducted by two companies, Momspresso and Muvin analysed responses of 600 teenagers studying in classes seven to 12 along with their parents. Additionally, the survey found that 94 per cent of parents believe that their children are inclined toward learning financial solutions and digital payments through several mechanisms.

Study conducted by the National Council of Applied Economic Research (NCAER) in 2020: The study found that only 3% of Indian teenagers were financially literate, and that the majority of teenagers learned about money management from their parents or peers rather than from schools or financial institutions.

OBJECTIVE

1. To provide an insig ht towards concept of financial literacy and its importance.
2. An overview on why is there a lack of Financial Literacy among Indian teenagers
3. Repercussions of not getting adequate financial awareness among teenagers
4. Methods that could be taken to improve the situation among teens.

RESEARCH METHODOLOGY:

This study is completely based on secondary data, all of the surveys have already been done by official survey companies.

REVIEW OF LITERATURE:

Dr. R Jayaprakash Reddy's Insight to financial literacy in India, The Research paper represents how financial literacy is crucial for individual financial stability and a strong financial system and how the Indian government has implemented measures to improve financial inclusion and literacy. Various sources were reviewed to understand the significance of financial literacy in India.

Sekar and Gowri (2014) found that financial literacy among young adults in Coimbatore varied based on gender, education, income, marital status, and dependents. Age did not have an impact. The study suggests that the government should take steps to increase financial literacy awareness among Gen Y employees.

Visa Financial Literacy Survey (2014), depicts Indians are least financially literate people across the globe with youngsters and women struggling most with their financial knowledge. Only 25% of total population in India are financially literate and ranked 23rd among 28 countries.

FINANCIAL LITERACY

One-fifth of the world's population resides in India, although only about 30% of its citizens are financially literate. Any nation's economy depends on its citizens being financially savvy. Without it, there can be negative effects down the road.

According to Wikipedia, **Financial literacy** is the possession of the set of skills and knowledge that allows an individual to make informed and effective decisions with all of their financial resources. It's one of the most undervalued skills in the world and many are unaware of it.

Many people in India have set aside savings to weather a financial rainy day, but the lack of money management discussions in the family may set the stage for their children to struggle with finances," the 2012 edition of Visa Global Financial Literacy Barometer said.

Lack of financial literacy would result in the teenagers who are going to be young adults sooner would be unaware of the concept of finance management. These concepts should be taught from a certain young age towards the end of their grade 11 or grade 12 where they will be leaving soon for college and managing money and other things simultaneously

Teens in India have a substantial lack of financial education, which leads to poor financial decision-making abilities and financial instability later in life. Financial education is essential for establishing a secure financial future, but most youngsters in India receive no formal education in this area. Teens' lack of financial literacy can result in negative outcomes such as debt, low credit scores, and even bankruptcy. As a result, the purpose of this research is to investigate the impact of a lack of financial education among Indian teenagers.

16.7% of Indian youngsters achieved an average passing score on the Financial Literacy Championship, an online financial quiz for school pupils also run by Streak.Between the ages of 11 and 17, more than 3000 people signed up for the exam from more than 100 different schools around the nation. The quiz covered subjects such banking goods, money, personal finance, payment methods, credit and loans, and investments for school kids.

Up to 45% of students have no idea how to make a budget, and 60% of students have no idea what investments are, how risk and reward work, or how much money is worth over time. On subjects including budgeting, investments, diversification, and the risk to return of investments, more than 50% of the students had below-average scores. On the other hand, students' comprehension of concepts like interest computation, financial products, and the fundamentals of inflation was only slightly improved.

Why is there a lack of financial literacy among teenagers?

There are many reasons why there is a lack of financial education among Indian teenagers and why they are financially unaware. Some of the reasons listed below are-

1. Lack of financial education in the curriculum- Unfortunately most schools in India don't have a subject regarding financial literacy and are more focused in rote learning and this outdated practice of education is being a massive problem for the future generations of the country.
   Another problem is a scarcity of skilled teachers capable of teaching financial literacy. Teachers may not have obtained financial education and may be unprepared to teach the subject. Furthermore, there is a scarcity of resources to promote financial education in schools, such as textbooks, teaching aids, and computer laboratories.
2. Another factor influencing financial education in Indian culture is the prevalence of cultural views around money. For example, it is often held that openly discussing money problems is unpleasant or taboo. This might make it tough to confront financial problems and seek assistance or counsel.
   Many Indians may not have had formal financial education and, as a result, may be uncomfortable

discussing money problems. They may lack the information or skills necessary to make sound financial decisions and may not want to look inept in front of others.

3. Many Indians may not have had formal financial education and, as a result, may be uncomfortable discussing money problems. They may lack the information or skills necessary to make sound financial decisions and may not want to look inept in front of others.
4. Low financial literacy among adults: India as a country has a low level of financial literacy among its adult population, which may contribute to the lack of financial literacy being handed down to younger generations as only 27% of Indian adults – and 24% of women – meet the minimum level of financial literacy as defined by the Reserve Bank of India.

What are the repercussions of not receiving financial education at a young stage?

For teens in India, the consequences of not receiving financial education may be serious. Some possible effects include:

Financial education is an essential component of a young person's development, and it is particularly important for teenagers in India to receive such education. Unfortunately, many teenagers in India are not receiving adequate financial education, and this can lead to several negative consequences.

1. Without financial education, teenagers may struggle to manage their own finances. Budgeting, saving, and investing are all critical skills that teenagers must learn to achieve their financial goals. If teenagers lack these skills, they may find it difficult to manage their money, leading to financial instability and stress. Without the ability to manage their finances, they may struggle to save for important expenses, such as college education, a down payment on a home, or retirement.

2. Teenagers who lack financial knowledge are particularly vulnerable to financial fraud and scams. Many scams and fraudulent investment schemes target young people, who may not fully understand the risks and consequences of certain financial decisions. Without adequate financial education, teenagers may make poor investments, fall victim to scams, and lose their hard-earned money. Additionally, they may become trapped in cycles of debt and struggle to recover financially.

3. a lack of financial knowledge can result in poor debt and credit management. Teenagers who do not understand the importance of credit ratings and appropriate borrowing may end up taking on too much debt. This can lead to financial hardship and make it difficult to get loans in the future. Moreover, bad credit management can lead to a negative credit score, which can have a long-lasting impact on a person's ability to manage their finances.

4. Financial knowledge is crucial for professional success. Teenagers who lack basic financial literacy may find it difficult to understand work perks, negotiate for a raise, or make wise career choices. A solid understanding of personal finance can help teenagers make informed decisions about their career paths, negotiate for better salaries, and plan for retirement.

5. There are several other consequences of not receiving financial education. For example, teenagers may struggle to understand and navigate the complex financial systems that govern our society. They may not understand how to file taxes, how to manage a bank account, or how to invest in the stock market. Additionally, they may miss out on opportunities to grow their wealth and secure their financial future.

To address these challenges, it is essential that teenagers in India receive comprehensive financial education. This education should cover a range of topics, including budgeting, saving, investing, debt management, and credit management. It should also provide practical experience, such as managing a bank account or investing in stocks, and should be delivered in a way that is engaging and accessible to young people. To achieve this, schools can play a vital role in providing financial education to teenagers. They can collaborate with financial institutions to develop financial literacy programs that provide students with access to experts and resources. Additionally, schools can incorporate financial education into their curricula, providing students with the knowledge and skills they need to manage their finances. In conclusion, financial education is critical for teenagers in India.

Without this education, young people may struggle to manage their finances, fall victim to fraud and scams, and miss out on opportunities for professional and financial growth. By providing comprehensive financial education, schools and financial institutions can help young people build the skills and knowledge they need to succeed in life.

What can the society and the authorities do to increase the financial literacy rate among Indian teenagers?

1. Incorporate Financial Literacy into the School Curriculum:
One of the most effective strategies to enhance financial literacy among Indian youths is to incorporate it into the school curriculum. The Reserve Bank of India (RBI) has previously released recommendations for establishing financial education in schools. This may be done through teaching fundamental financial principles, such as budgeting, saving, investing, and credit management, as well as the need of financial planning.
2. Organize workshops on financial literacy:
Another effective way to increase financial literacy among Indian teenagers is to conduct financial literacy workshops. Schools, nonprofit groups, and financial institutions can all host these sessions. They may discuss matters including financial planning, credit management, investing, and budgeting. financial literacy facts and concepts are covered in workshops.
3. Use technology to improve financial literacy:

Teenagers in India are accustomed to technology and are digital natives. As a result, technology may be used to help Indian youths become more financially literate. To promote financial literacy, financial companies and nonprofits can provide mobile applications, online programs, and other technological resources. For instance, the RBI has made available a smartphone app called "Financial Literacy" that explains basic financial topics.

4. Encourage Financial Responsibility at Home:

Parents are a child's first and most important teacher of financial responsibility. Teenagers in India can develop sound financial practices by being encouraged to be financially responsible at home. Children may learn about setting aside money for a budget, investing, and saving.

5. Collaborating with financial institutions:
   It is an effective way for schools to provide comprehensive financial literacy education to students. By partnering with banks, credit unions, or other financial institutions, schools can offer students access to experts who can provide in-depth knowledge about financial concepts and practices. Financial institutions can also provide resources such as online tools, educational materials, and guest speakers to help students understand the complexities of managing finances. Furthermore, collaborating with financial institutions can offer students opportunities to explore career paths in finance and related fields.

6. Providing practical experience:
   Providing students with practical experience in financial management can help them develop critical life skills that will be useful throughout their lives. Activities such as budgeting and managing a bank account can teach students about the importance of saving, the impact of spending decisions, and how to manage debt responsibly. These practical experiences can help students develop good financial habits early on, which can set them up for success later in life. Moreover, schools can partner with local banks and financial institutions to provide students with additional resources and opportunities to learn about personal finance. By prioritizing financial education and practical experience, schools can equip their students with the tools they need to make informed decisions and achieve financial independence.

CONCLUSION

The lack of financial literacy among Indian teenagers is a significant problem that needs to be addressed urgently. Despite the various initiatives taken to improve financial literacy in India, there are still gaps in the education system, with only 3% of Indian teenagers considered financially literate. The consequences of this lack of financial education can be severe, including debt, low credit scores, and even bankruptcy.

The reasons for this lack of financial literacy among teenagers include the absence of financial education in the curriculum, cultural views around money, and low financial literacy among adults. However, there are various remedies that can be taken to encourage financial literacy among youths in India. These include incorporating financial literacy into the school curriculum, organizing workshops on financial literacy, using technology to improve financial literacy, and encouraging financial responsibility at home.

It is essential to take action now to resolve this problem, as the lack of financial education among teenagers in India has a significant impact on their economic growth and financial stability. Therefore, thorough financial education programs in schools and the encouragement of parents to teach their children about financial literacy are crucial steps towards improving financial literacy among Indian teenager

CISCE decided to make students 'money conscious' in school from an early age by teaching them about money management, saving and investing. The council released a set of guidelines and a detailed handbook on Thursday, outlining financial literacy to ensure children in grade VI to grade X are getting the right advice.

In conclusion, financial literacy is a vital skill that every teenager should possess to make informed decisions and develop sound financial habits. The lack of financial literacy among Indian teenagers is a pressing problem, but there are various remedies that can be taken to encourage financial literacy among youths in India. By incorporating financial education into the school curriculum, organizing workshops, using technology, and encouraging financial responsibility at home, we can help teenagers become more financially literate, which will ultimately lead to a brighter economic future for India.

"Academic qualifications are important and so is financial education. They're both important and schools are forgetting one of them and that is financial education. That's why there are so many intelligent broke people in this world." – Robert T Kiyosaki

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