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Financial Literacy Awareness among the Young Adults

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Abstract: *Financial literacy has become a crucial skill set for personal economic wellbeing, especially among young adults navigating increasingly complex financial environments. This study investigate the level of the financial literacy awareness among young adults aged 18 to 30, explores factors affecting their financial knowledge , and examines between the relationship between financial literacy and financial behaviours such as budgeting, saving and debt management. A mixed methods approach including surveys and interviews was used to collect data from 400 participants across universities and workplaces. Findings reveal moderate financial literacy levels, significant gaps in financial literacy levels, significant gaps in specific financial concepts, and a positive correlation between financial knowledge and responsible financial behaviour. The study highlights the need for enhanced financial education interventions to empower young adults to make informed financial decisions.*

Keywords: Financial Literacy, Young adults, financial awareness , financial behaviour, financial education.

I. INTRODUCTION

Background

In today's economic landscape, financial literacy is not merely a desirable competency but a fundamental necessity. The rapid evolution of financial products, digital finance platforms, and credit mechanisms has made financial decision making more complex. Young adults, often transitioning from structured environments like school to autonomous financial decision making, are especially vulnerable to financial mistakes due to limited exposure and knowledge. Financial literacy refers to the ability to understand and effectively use various financial skills, including personal financial management, budgeting and investing. Financially literate individuals are better positioned to make informed decisions that contribute to long term financial stability and well-being..(Lusardi & Mitchell, 2014.)

Problem Statement

Despite its importance, research shows that young adults often possess insufficient financial knowledge and skills.(OECD,2020). This deficiency can lead to poor financial behaviours heightened debt levels, and reduced financial security. In the absence of adequate financial education young adults may fall prey to high-interest loans, ineffective budgeting practices, and impulsive spending.

Objectives of the study

The primary objectives of this research are :-

- To assess the level of financial literacy awareness among the young adults.
- To identify demographic and socio economic factors influencing financial knowledge.
- To examine the relationship between financial literacy and financial behaviours such as budgeting, saving and debt management.
- To recommend strategies for improving financial literacy among the young adults.

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Significance of the study.

This research contributes to academic literature and policy making by :-

- Highlighting critical gaps in financial literacy among the young adults.
- Offering evidence for educational institutions and policy makers to integrate financial education within curricula.
- Providing insights into behavioural patterns linked to financial knowledge.

II. LITERATURE REVIEW

2.1 Concept of Financial Literacy.

Financial literacy encompasses knowledge of financial concepts (e.g. interest rates, inflation) and the ability to apply this understanding to make sound financial choices. It includes budgeting, saving, borrowing, investing and planning for retirement. Financial literacy is not static; it evolves with the individuals exposures to financial products and life experiences.

2.2 Importance of Financial Literacy for Young Adults.

Young adulthood marks a significant transition period involving major financial decisions such as managing students loans, initiating savings plans and understanding credit. Lusardi (2015) argues that early financial education lays the foundation for lifelong effective financial behaviour. Research suggests that financially literate individuals are more likely to save consistently, avoid excessive debt, and accumulate wealth over time.

2.3 Factors Affecting Financial Literacy.

Several determinants influence financial literacy, including educational background, socioeconomic status, gender and access to financial information. A study by Atkinson and Messy (2012) indicated that individuals with higher education level tend to exhibit greater financial knowledge. Similarly, access to financial education courses has been linked with improved financial outcomes.

2.4 Financial Literacy and Financial Behaviour.

Research consistently shows a positive relationship between financial literacy and responsible financial behaviours. For instance, Xiao et al. (2014) found that individuals with greater financial knowledge are less likely to engage in high risk financial behaviours and more likely to plan for future financial needs.

2.5 Gaps in Existing Literature.

While numerous studies explore financial literacy in general populations, limited research specifically focuses on young adults in diverse socioeconomic settings.

Additionally, much of the existing literature emphasizes quantitative assessment of financial knowledge without exploring behavioural context and subjective financial confidence.

III. METHODOLOGY

3.1 Research Design

This study employed a mixed-methods research design to gain both quantitative and qualitative insights. Surveys were used to assess financial literacy and behaviours among the young adults, while semi structured interviews provided depth on personal financial experiences and attitudes.

3.2 Participants and Sampling.

A total of 400 young adults aged 18-30 were selected using stratified random sampling frm universities, workplaces and online platforms. Stratification ensured representation across education levels, gender and employment status.

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3.3 Data Collection Instruments

1. Financial Literacy Questionnaire

Adapted from validated instruments used by Lusardi & Mitchell (2014), the questionnaire measured understanding of financial concepts such as compound interest, budgeting, inflation, and risk diversification.

2. Financial Behaviour Scale.

Participants rated their financial behaviours (e.g. Budgeting, saving, debt repayment) on a 5-point Likers scale.

3. Interviews

Semi structured interviews explored attitudes toward financial planning, perceived barriers, and sources of financial knowledge.

3.4 Procedure.

Data collection involved administering surveys both online and in person. Participants provided informed consent and confidentiality was assured. A subset of 30 participants was selected for follow up interviews to provide qualitative insights.

3.5 Data Analysis

Quantitative data were analysed using descriptive statistics, correlation analysis, and regression models. Qualitative data from interviews were analysed through the matic coding to identify recurring patterns and insights.

IV. RESULTS

4.1 Demographic Profile

Variable	Category	Percentage	
Gender	Male	52%	
	Female	48%	
Education	Undergraduate	45%	
	Graduate	35%	
	Postgraduate	20%	
Employment Status	Students	55%	
	Employed	30%	
	Self Employed	15%	

4.2 Financial Literacy Scores.

Financial literacy was measured on a scale of 0-15 based on correctly answered questions.

Mean Score: 9.4

Standard Deviation: 2.8

Distribution of Knowledge:-

30% scored high (12-15)

45% scored moderate (07-11)

25% scored low (00-06)

4.3 Financial Behaviours:

Participants reported their frequency of financial behaviours:

Behaviour	Always	Often	Sometimes	Rarely	Never	Remark
Budgeting	20%	30%	25%	15%	10%	

Saving	15%	25%	30%	20%	10%	
Monitoring Expenses	18%	28%	27%	17%	10%	
Debt Awareness	25%	35%	20%	12%	08%	

4.4 Correlation Results

Correlation analysis indicated:-

Financial literacy had a positive correlation with budgeting ($r = .52$, $p<.01$), saving (r =.48,p,.01, and debt management behaviour (r =.45, p,.01)

Higher financial literacy was associated with a greater sense of financial confidence.

4.5 Qualitative Insights.

Interviews revealed several themes:

- Perceived Lack of Practical Education : Many participants noted that academic settings did not provide real-world financial lessons.
- Influence of Family: Participants with family members who discussed money management informally showed better financial habits.
- Digital Tools as Learning Aids: Young adults often relied on apps and online tutorials to understand financial concepts.

V. DISCUSSION

Level of Financial Literacy:

The findings show that while a moderate proportion of young adults possess basic financial knowledge, significant gaps remain in specific areas such as investment fundamentals and inflation understanding. Comparable studies corroborate that overall financial literacy among the youth remains suboptimal. (Lusardi & Mitchell 2014; OECD, 2020)

Determinants of Financial Knowledge:

Consistent with prior research, education level and access to financial information were significant determinants of financial literacy. Those with higher academic attainment tended to demonstrate greater financial understanding, reinforcing the arguments for integrated financial education in curricula.

Financial Literacy and Behaviour:

The statistically significant correlations between financial knowledge and positive financial behaviour support the hypothesis that awareness fosters better financial management. Individuals with higher literacy were more likely to budget consistently, save deliberately, and manage debts responsibly. This aligns with Xiao et al. (2014) findings that financial literacy positively influences financial decision making.

Barriers to Financial Literacy.

Interviews highlighted practical barriers such as limited exposure to real life financial decision scenarios, lack of structured financial education, and reliance on informal knowledge channels. These barriers may result in over reliance on digital financial tools without critical evaluation of their recommendations.

Implications for Education and Policy.

The study underscores the need for policy makers, educational institutions, and financial organizations to collaborate in developing targeted financial education programs. Incorporating experiential learning (e.g. simulations, budgeting exercises) can enhance comprehension and retention.

VI. CONCLUSION

This study has provided empirical evidence that financial literacy among young adults is moderate yet insufficient for optimal financial well-being. Key findings indicate that financial knowledge positively correlates with responsible financial behaviours, and gaps in education are persistent. The research highlights the urgency for structured financial education that is practical, accessible and relevant to young adults needs. Future research should explore longitudinal outcomes of financial literacy inventions and the role of technological platforms in financial education.

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