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Financial Literacy And The Need For Financial Education Amongst Youngsters

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ABSTRACT
Today's changing economic scenario makes it essential that financial planning must start from early stage amongst youngsters. Youngster's knowledge in financial literacy improves their own money management skills and helps them to become financially responsible adults. Personal financial planning knowledge eases social pressure to enjoy a more comfortable lifestyle in college. The youngsters without financial knowledge are more likely to have ''Just Do It'' attitude. This leads to competitive consumption for immediate fulfillment that youngsters are more likely to spend borrowed rather than earned money. Youngsters who are financial literate, can have different attitude towards credit in comparison to youngsters without knowledge of financial planning.

I. INTRODUCTION

Today's changing economic scenario makes it essential that financial planning must start from early stage amongst youngsters. Youngster's knowledge in financial literacy improves their own money management skills and helps them to become financially responsible adults. Personal financial planning knowledge eases social pressure to enjoy a more comfortable lifestyle in college. The youngsters without financial knowledge are more likely to have ''Just Do It'' attitude. This leads to competitive consumption for immediate fulfillment that youngsters are more likely to spend borrowed rather than earned money. Youngsters who are financial literate, can have different attitude towards credit in comparison to youngsters without knowledge of financial planning. As it's the parents duty to teach their children to have great dental hygiene habits, they know how to teach their children to do well in school, and they know how to teach their children toget along with others same way it's parents duty to teach basic finance to the children.

Financial Literacy refers to knowledge and skills related to money management. It includes the ability of balancing the cheque book, manage a credit card, prepare a budget, takeout a loan and buy insurance (Jacob, Hudson & Bush, 2000).

Financial literacy is defined as "one's knowledge of facts, concepts, principles, and technological tools that are fundamental to being smart about money." (Garman & Gappinger, 2008). Financial literacy is a measure of an individual's knowledge of financial concepts and his ability to use that knowledge to make critical decisions in the money management process. The ability to manage personal finances has become increasingly important in today's world.

The increasing social pressure to enjoy a more luxurious lifestyle in college and in high schools among the students, their "Just Do It" attitude and competitive consumption for immediate fulfillment are the reasons that students are more likely to spend borrowed rather than earned money. At the same time, the parents are also compelled to get used to the virtual money transactions due to their children's lifestyles heavily influenced by Internet. In general, all the public, especially middle class salaried people must plan for long-term investments for their retirement and children's education. They must also decide on short-term savings and borrowings for a vacation, down paymentfor house, car loan etc. Additionally, they must manage their own medical and life insurance needs.

IMPORTANCE OF BEING FINANCIALLY LITERATE:

The role of financial educator falls primarily on parents, guardians and other adults in the home. For many adults, however, talking about money is similar to talking about other challenging subjects. Unsure of where to begin and worried about saying the wrong thing, many adults simply avoid conversations about money. This is often made worse by adults' lack of confidence in their own handling of finances. It is important for adults to remember that, even if they are not financial rock stars themselves, they have experience and perspective on their sides, and can draw both from their financial mistakes and successes to share essential knowledge and skills to their children.

There are three primary benefits to being financially literate. Financial literacy plays "a key role in preventing individuals from becoming involved with fake financial transactions or engaging in financially destructive behavior". Financial literacy is also advantageous for wealth creation and proper investment. Several studies show that people who are more financially literate tend to be betterat retirement planning, accumulating wealth and avoiding debt. In fact, "people who develop financialplans tend to be 10 to 15 percent wealthier than those who do not" (Palmer, 2008). Finally, "a financially literate electorate is more able to understand microeconomic problems and make informed decisions related to fiscal and monetary policies than an electorate that has not undergone financial education" (Levin, 2012). This indirectly reflects in the formation of a government in a democratic country which in itself will be an indication of the country‟s progress.

NEED OF FINANCIAL KNOWLEDGE :

Good financial management requires adequate technical skills and the mastery of basic financial concepts. Financial literacy also involves the mastery of basic emotional skills and practical outlook. One should have knowledge of financial management much earlier in life rather during college days itself. Students must become proficient in exhibiting self-discipline, flexibility to financial setbacks and willingness to delay enjoyment in the face of temptation and easy credit opportunities. At thesame time, students now a day are leaving the college with a job opportunity and they will have the financial freedom immediately after their studies. In this view, financial literacy helps them to spend wisely and to have a secured life.

SOURCES OF MONEY:

An important concept for youngsters to understand is that throughout their lives, they will have money coming in and going out.

Income = Money comes in (allowance, gifts, jobs etc.) Expenses = Money goes out (goods and services you buy)

The following are the common sources of money of youth:
1) Money from Parents
2) Govt. financial aid
3) Part-time job
4) Borrowing

Most of the cases in India, parents support their children till they complete their higher education. Since most of the students live away from their parents during higher education, hence they have to make a financial decision on whether to save, spend or invest based on their financial knowledge. By assessing the financial literacy level of the students, we can understand better about the financial habits and behaviors of the students who would be potential citizens of the country in future. In some cases, youngsters now a day are more cautious while spending their money. They prepare simple budget sothat they plan for the future expenditure. They should essentially have a basic knowledge in the preparation of a simple budget. First, they should know the sources/ money they have and second,they should know the expenditure. Based on the surplus (Total money minus total expenditure) they can plan for the savings.

SPENDING BEHAVIOR :

Youngster's spending behavior combined with their limited understanding of money managementpromotes habits that may lead to costly financial mistakes today and in the future. Youngsters being exposed to latest technology, they try to lead lavish life and tend spend more money on luxuries. Youngsters are more likely to spend their money on doing things with friends, cloths, music, on food, entertainment and electronic games etc. More options were added for college students as they have different expenses.

The following are the common expenses of youth:
1) Eating Out
2) Wardrobes
3) Mobile Phones
4) Excursion
5) Entertainment

TEACHING FINANCIAL LITERACY:

It is necessary to teach basic financial education. They should know spending plan which is also known as a budget, is an outline of anticipated income and expenses that can be used to track actual cash flow. A budget is an important financial tool that can help Youngsters in the following way:

- Plan for expenses: Short-term expenses happen in the immediate next month, and mid-term expenses occur in between one month and a year, long-term expenses are longer than one year.
- Spend wisely: If they are spending more than they earn, something will have to change, viz., they have to earn more, spend less or a combination of the two. If they earn more than they spend, theyshould determine what

to do with the surplus.

- Save for future goals: Helping the Youngstersto save money aside for future expenses. With a budget, they can identify areas of extra spending and allocate that money towards future goal.
- Develop lifelong money management skills. It is priceless to learn as a teenager how to save for a goal. For most people, this is not as simple as setting aside a certain portion of money each income; it usually involves making spending choices, and prioritizing savings over wants.

Some advantages of financial education are:

- Helps build a secure financial future.
- By incorporating emergencies in your financial plan you are ready to face unseen circumstanceshead on and help them to be prepared for financial emergencies
- People who are financially literate are cautious to buy financial products that they do notunderstand and thus do not buy them.
- Financial education is effective and helps people to move closer to their goals
- Makes a more responsible individual with a disciplined approach to money and helps peoplefrom overspending and inculcates a habit of savings and investment

II. CONCLUSION

Today's youngsters face a difficult economic climate and financial literacy will be critical asthey begin to navigate their careers and work towards a successful financial life after graduating. It is also emphasized that the importance of learning simple personal finance practices, such as following a budgeting and creating financial goals, when it comes to ones financial self- efficacy and exhibiting positive financial behaviors. Society should focus scarce resources towards arming their youngsters with the skills and confidence to learn more about their financial situations and take control of their financial futures. Teaching youngsters the basics of finance through online lectures, workshops, seminars and personal sessions will help them to form positive financial behaviors and set them up for a lifetime of financial success.

Financial literacy in India is on the positive side now. Recent developments in education have increased the awareness for financial education in teaching and learning programs. By creating awareness among youngsters on financial literacy, it effectively will increase youngsters financial knowledge and consumption skills and attitudes towards credit. A plan of action is required for integrating financial education into state standards, training teachers, implementing curriculum, verifying behavioral impacts, widening disciplinary expertise and input. A big improvement in financial knowledge of individuals is necessary. This is possible with appropriate financial education programs targeted at right people at right time.

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