



FINANCIAL PRUDENCE OF YOUTH: A STEP TOWARDS NATIONAL DEVELOPMENT

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ABSTRACT

Youth plays very important role in nation building. Empowering youth to be financially savvy is today widely seen as an essential key pillar in helping every country's government build economic stability in the future. The ability to manage money, planning for future requirements, tracking expenses, paying bills on time, borrowing within limits, choosing right financial product for investment are the important habits to be inculcated in youth to become financially prudent. These habits enable the avoidance of the threat of financial disaster. Financial literacy through financial education can provide youth financial knowledge and confidence to take financial decisions prudently. In this research an attempt has been made to examine financial prudence level of working youth in Pune region. This study adopted mainly primary data approach for first objective and secondary data approach for second. Primary data was collected through appropriately developed questionnaire. Study pointed out that promoting financial prudence among youth would provide them with essential knowledge about financial markets, financial products; their benefits and financial responsibility that will improve their lives, community's life and ultimately grow the economy. The paper therefore strongly recommended involvement of universities as well as colleges in implementation of personal financial education across the country.

Keywords: Financial education, financial literacy, financial prudence, economic development, Pune region.

Introduction

In India youth constitutes one third part of the total population. Youth in the age group of 18 years to 29 years create near about 45% of total workforce and contributes major part of GNI (gross national income). Empowering this working youth financially savvy is the major task of today. In this empowerment pathway, financial education plays very important role as the expedition to gain financial success can't just be listed by having good educational background, a wide-ranging resume and a job with a pleasant pay. Instead, the financial liberty road necessitates growth of good financial habits, practices and discipline.

Financial Prudence is linked with financial literacy and financial education. Prudence means careful or wisely handling practical matters, exercising good decision or common sense. It means wisdom in forecasting for future. Financial prudence means handling day to day money or financial matters carefully or wisely with the help of financial knowledge. **Indian National Strategy**¹ has mentioned in the report that few habits such as saving more, borrowing within limits and using formal intermediaries can make an individual financially prudent. **K.R. Pillai et al.**² have measured financial prudence of youth on the basis of questions related to financial literacy, savings and spending habits, credit card usage and borrowing, and financial planning. Financial literacy is described by **OECD INFE**³ as a combination of financial awareness, knowledge, skills, behaviour and attitude required to make better financial decisions and eventually accomplish individual financial wellbeing. Individuals can easily achieve financial literacy through a process of financial education. Financial education has been described by **OECD**⁴ as the process by which financial consumers/investors improve their understanding of financial products, concepts and risks and through info, instruction and/or objective advice, develop the skills and confidence to become more aware of financial risks and opportunities, to make informed selections, to recognize where to go for help, and to perform additional actions effectively to improve their financial well-being.

India is a country where efforts are being made to improve literacy level by teaching children to read and write. We don't give same attention to their financial literacy. As a result, very few young adults are able to manage their finances efficiently and understand their long term financial goals. Several studies have attempted to examine the Indian peoples' level of financial literacy. Maximum of them have reported poor level of financial literacy in India. Similarly, the **VISA**⁵ study ranks India at the 23-rd position among the 28 countries surveyed. According to that study "Indian people do not normally discuss money matters with

their children. On an average, Indian respondents discuss just 10 days per year money matters such as budgeting, savings and responsible spending with their children.

In terms of overall financial literacy, India is at the bottom among 16 countries in the Asia-pacific region with 61 index points, according to the annual MasterCard's index for financial literacy.⁶

This study focused on a specific segment of working young population of age group 18 to 29. In this study an attempt has been made to measure their money management decisions/practices i.e.prudence.

Objectives of the study

1. To determine the level of financial prudence of youth.
2. To understand the importance of financial prudence of youth for national development.

On the basis of objectives study was divided into two parts. First part discussed about research methodology and analysis for determining level of financial prudence of youth.

Second part emphasized importance of financial prudence of youth for national development.

Part 1: For Objective 1 (Primary Study)

Research methodology and techniques

Type of Research: Analytical in nature.

1) Sampling Design

Population: For the research work Population comprised of:

- a) Educated Working Youth: 18 years to 29 years.

Sample Frame: Age group 18 to 29

Sample Unit: An Individual (male/female)

Sample Size: 52 Individuals

Sample Technique: Method of sampling selected is Quota Sampling with convenience sampling as sample was divided in 2 categories:

- 18 years to 21 years
- 22 years to 25 years
- 26 years to 29 years.

Then each was again sub divided into 2 categories male and female.

2) Data Collection and Analysis

- **Primary data:** For the purpose of studying second objective, a survey was done amongst young individuals of Pune region. To check the financial prudence, thirteen

to fifteen questions about personal financial habits were asked in order to measure respondent's behaviour and decision making in the areas of financial numeracy, savings and investments, borrowings, risk and return.

- **Secondary data:** Data was collected from research articles, journals and websites.

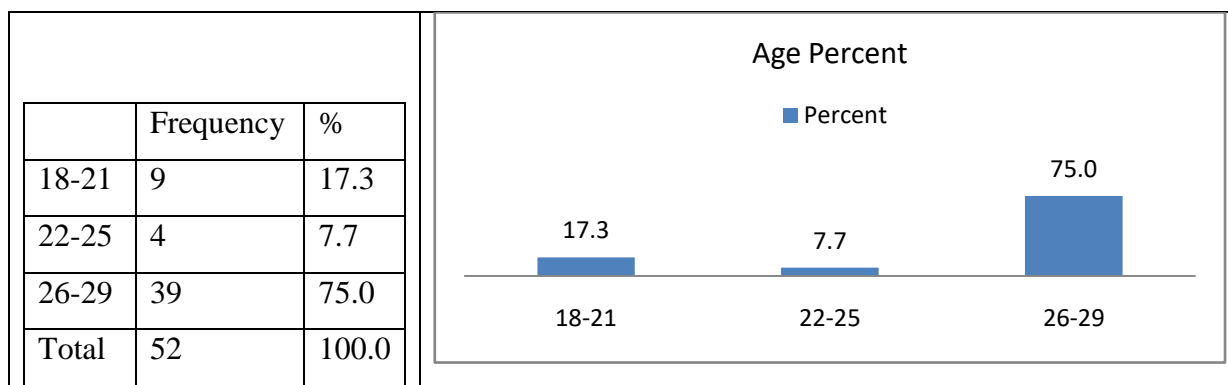
Data Analysis

Data collected by distributing questionnaire hard copy. Out of 55 individuals invited 52 total completed the survey giving a 95% completion rate. The data analysis process for this research study was conducted in two phases; data preparation and data analysis.

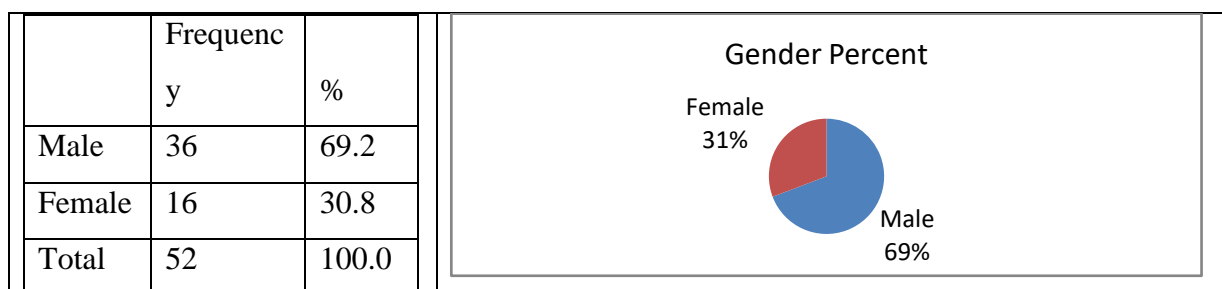
In the data preparation phase first of all collection of filled questionnaires data was entered to Excel in numeric form and then the data were cleaned and organized for analysis.

Primary analysis was done on the basis of age and gender. Out of total 52 respondents, 17.3% were from age 18 to 21; 7.7% were from the age group 22 to 25 and 75% were from the age group 26 to 29. Gender wise analysis results show that data collected consists of 31% females and 69% males. From education wise analysis it can be seen that 71.2% respondents were post graduated, 13% were graduated and remaining were pursuing education UG/PG.

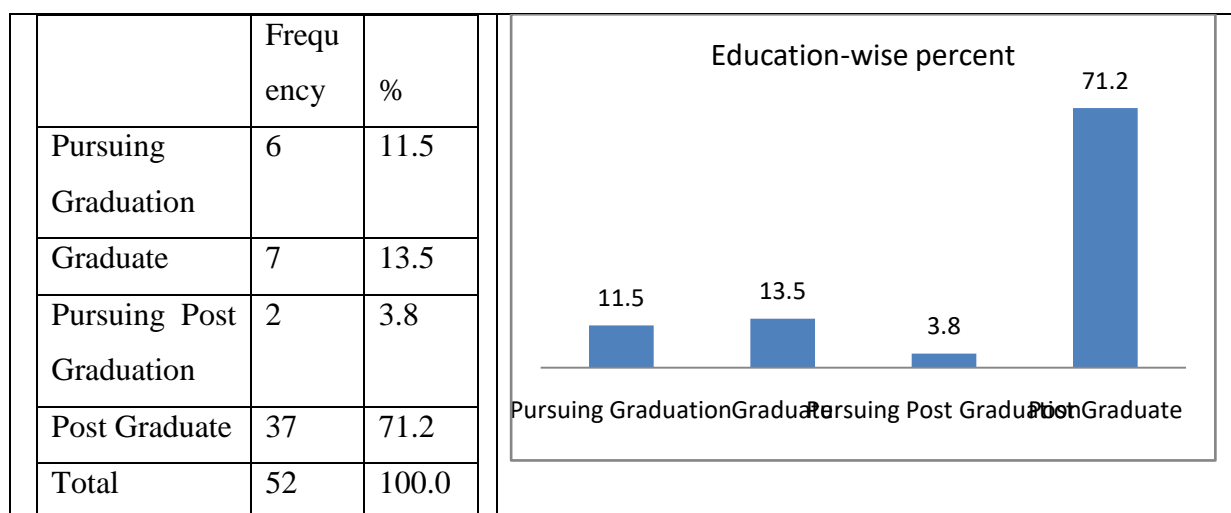
Age wise data analysis



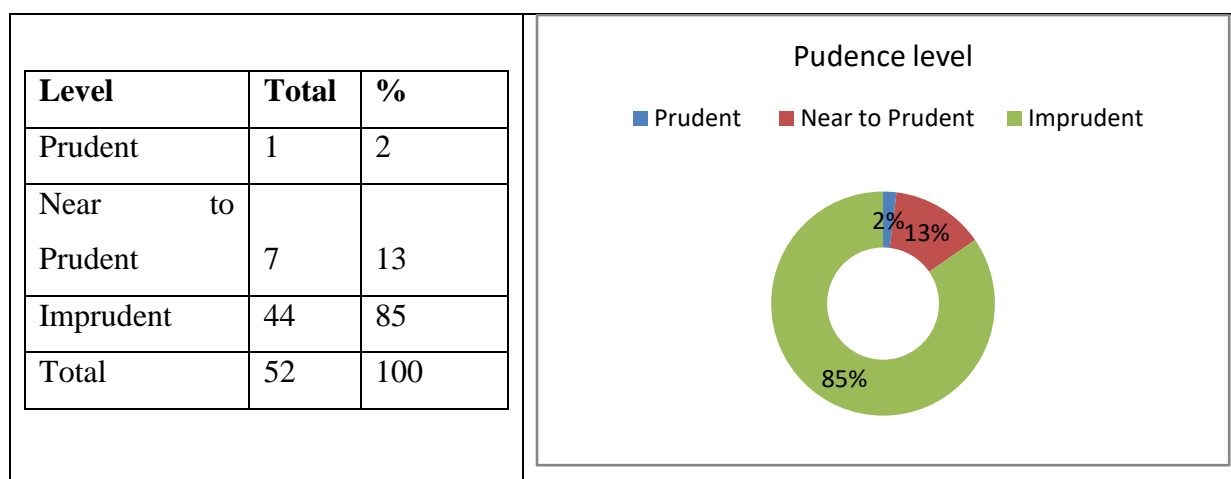
Gender wise data analysis



Education wise data analysis



Analysis of financial prudence level



On the basis of answers collected total scores were calculated for each respondent. The scores so calculated are then grouped into more than 80%, 60% to 79%, and below 60%.⁷ 80 above category is described as Prudent. 60% to 79% is representing near to prudent and below 60% is Imprudent.

This table showed that 85% (i.e. 44 out of 52) individuals were imprudent, 13% (i.e. 7 out of 52) were near to prudent, and only 2% (i.e. 1 out of 52) were prudent.

This showed that though major data collection was done from post graduated working youth, 85% respondents proved themselves imprudent. It proved that level of education does not guarantee financial prudence.

Part 2

Second part of study was completely based on secondary data collection.

Secondary data: Data was collected from research articles, journals and websites to understand importance of financial prudence for national development.

As per **ShriPranabMukharjee**⁸ financial literacy and financial education plays vital role in financial inclusion, inclusive growth and sustainable prosperity. In **Indian National strategy**⁹ it is clearly mentioned that financial education increases financial prudence and construction and application of national strategy for financial education reap rich benefits to the country. If we link these two statements, this report stated that inculcating financial prudence in people helpimprovement of nation.

Financial prudence help in increasing savings of people, it make them capable to borrow within limit and only for asset creations. It helps boosting earnings. All these ultimately lead to happy and healthy personal as well as family life. Happy family contributes knowledge and happiness to community. It increases confidence of individuals which induces them to participate in financial markets; it increases their understanding about financial policies and regulations. Individuals' increased confidence and involvement in financial market leads to increase demand side of financial inclusion. This leads to inclusive growth, economic progress and ultimately development of overall nation.

Conclusion and Recommendations

Youth plays important role in development of country and empowering them to be financially savvy is one of the important national requirements. Financial prudence linked with financial literacy plays very significant part in country's overall development. But studies have shown that financial literacy of India youth is poor. In this study attempted to determine level of financial prudence of youth in Pune region and study results have shown that youth in Pune is imprudent though highly educated.

This study would like to recommend that current education fails to provide personal financial education. Therefore colleges and universities should take initiatives in promoting financial education because financial prudence not only ensures individual financial wellbeing but also ensures the smooth functioning of financial markets and the economy.

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⁵ Visa's International Financial Literacy BAROMETER 2012,
http://www.practicalmoneyskills.com/resources/pdfs/FL_Barometer_Final.pdf

⁶<http://www.masterintelligence.com/content/intelligence/en/research/press-release/2014/youth-in-asia-pacifics-developing-markets-more-money-savvy.html>

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⁸Shri Pranab Mukherjee. (2010, March). *RBI-OECD Financial Literacy Workshop* .
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⁹ Financial Stability and Development Council Council, F. S. (2012). *National Strategy for Financial Education.* SEBI.