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**FINANCIAL LITERACY AMONG TEENAGERS IN A DEVELOPING COUNTRY-  
WITH REFERENCE TO HIGH SCHOOL STUDENTS OF NORTH INDIA**

*Dr Harvandna, Assistant Professor,  
Department of Commerce, GC Barwala (Panchkula)*

*Sehajpreet Kaur, Class: 12<sup>th</sup>  
Vivek High School, Chandigarh*

*Deepanshi, Class : 12<sup>th</sup>  
Vivek High School, Chandigarh*

**Abstract**

All the countries of the world have become increasingly concerned about the level of financial literacy of their citizens. The issue of financial literacy is a contemporary issue in a developing world, and there is a need to research this field, so that the citizens are aware of the topic. This study was initiated to survey the level of basic financial literacy among high school students in north India. The data was collected through an online questionnaire via google forms. This study is based on the primary data collected from the students of age group 11 to 19 from various high schools. And the results are being shared in the concluding paragraphs. The study concludes that the level of financial literacy is not very good in high school students.

**Key Words**

Financial Literacy, high school students, simple and compound interest.

**Introduction**

Financial literacy is the ability to understand and efficiently use various financial skills, including financial management at personal level, budgeting, investing. If a person is financially literate, he has a relationship with money, and it is a lifelong journey of learning. The earlier one starts, the better off he will be, because education is the key to success when it comes to money. The term “financial literacy” refers to a variety of important financial skills and concepts. People who are financially literate are generally less vulnerable to financial fraud. Financial literacy also requires the experience of financial principles and concepts, such as financial planning, compound interest, debt management, efficient investment strategies, and money-time value. Financial illiteracy can lead to poor

financial choices which can have negative effects on an individual's financial well-being. The key steps to improve financial literacy include: - Learning the skills to create a budget - Ability to track expenses - Learning the strategies to pay off debt - Planning for retirement effectively. Such measures can also include financial specialist counselling. Educating about finances involves understanding how money works, developing and achieving financial goals, and handling internal and external financial challenges.

Financial literacy focuses on the ability to manage personal finance effectively, which requires experience of making appropriate financial choices, such as savings, insurance, real estate, college payments, budgeting, retirement and tax planning. Those who understand finances should be able to answer questions concerning transactions, such as whether an item is required, whether it is accessible, and whether it is an asset or a liability. This field illustrates a person's habits and perceptions towards money related to his or her daily life. The financial literacy demonstrates how an adult makes financial decisions. This expertise will help an individual build a financial road map to define their income, their expenses, and their liabilities. This subject also affects small business owners, who contribute significantly to economic growth and stability.

However, this skill doesn't come naturally and must be nurtured right from childhood. Those who are financially literate do not only secure their future but are also less likely to fall prey to various scams as they have a good understanding of financial matters and thus take informed decisions. They possess skills to make sound investments, create and manage a budget and maintain a good financial portfolio. The first classroom for this skill; therefore, is the home. Parents must teach their children how to manage money in the ever-increasing complexity of shares, savings, loans, and now, digital currencies. However, schools also have a role to play and must restructure their pedagogy to nurture this skill to allow children to make financially wise decisions as they become adults. As a step in this direction, schools have to first look at changing the overall approach towards teaching Economics and Finance. As per a recent report by SEBI, only 27% of adults and 16.7% of teenagers in India are financially literate. The National Education Policy (NEP) identifies the need to inculcate a financial aptitude from a young age. In addition, Central Board of Secondary Education (CBSE) and the National Payments Corporation of India (NPCI) have collaborated to develop a financial literacy curriculum for grade VI students that will allow them to grasp basic financial concepts early on. These are all encouraging steps. In line with the NEP, a few progressive schools have introduced Financial Literacy Programs for all grades. At the

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School that I represent, the financial literacy curriculum is carefully planned for different age-groups and grades. Concepts such as the barter system, emergence of money, essential components of the market system and exchange are introduced in the primary classes. Being financially literate also encourages the entrepreneurial spirit amongst students. It helps them to understand the various ways in which they can manage and grow money, along with an understanding of running a start-up. These entrepreneurial skills enhance the overall financial knowledge and experience of the learners. The students are given the opportunity to implement their knowledge by way of projects.

In the present study we have examined whether the teenagers/high school students have knowledge about their finances or not, and whether they are aware of the investment opportunities present in the economy.

### **Objectives of the study**

The present study is undertaken with the following objectives:

1. Whether the high school students have basic knowledge about their finances.
2. How high school students seek out financial information.
3. Whether high school students are allowed to have decision in investments made by family.
4. How stressful is choosing the right investment.

### **Materials and Methods**

The study consists of 250 students of high schools from north India 89% females and 11% males. The participants were aged between 11 and 19 years and they filled an online questionnaire titled “Financial Literacy among Teenagers”. This study was conducted to study whether these students are aware of their finances, from what sources they get money, whether they are aware of what can be done to maximize the value of money. The questionnaire was shared online via WhatsApp groups and emails and those who were willing to share information were asked to fill them.

## Results of the study

The following are the results that are analysed based on the collected data:

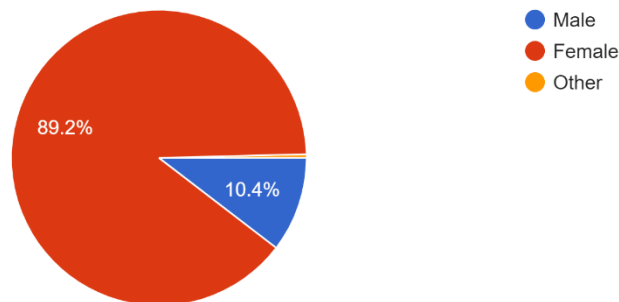
### ❖ Number of Respondents:

The questionnaire was shared through google form and the responses were received through the same medium and each respondent shared their individual e-mail address. The total number of respondents are 250.

### ❖ Composition

The respondents are all high school students from north India. The age of the respondents ranges from 11 years to 19 years. They all participated in the survey voluntarily. Out of these respondents, 89.2% are females, 10.4% are males and 0.4% are of other gender.

Gender  
250 responses



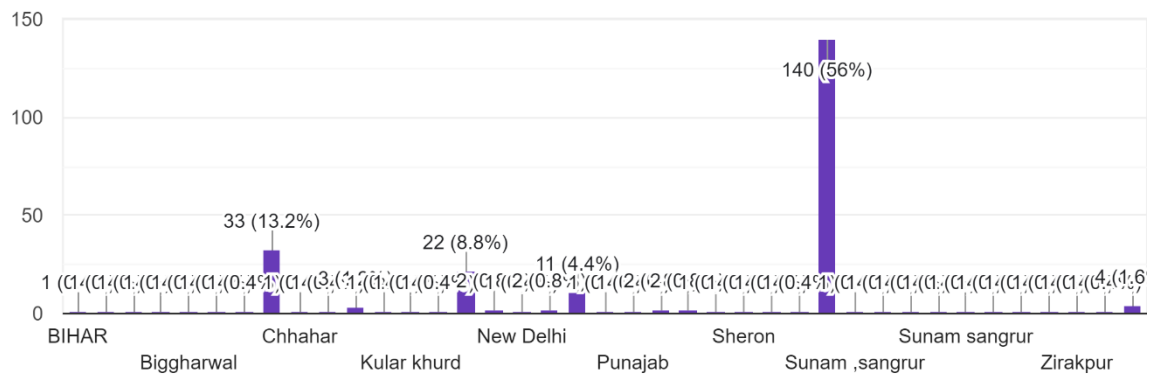
Several questions were asked from the respondents regarding their financial literacy. The following analysis of the responses have been done:

### ❖ Name the city in which you live.

There were total 250 responses from various parts of north India with majority of responses from Punjab, Haryana and Chandigarh.

### Name the city in which you live

250 responses

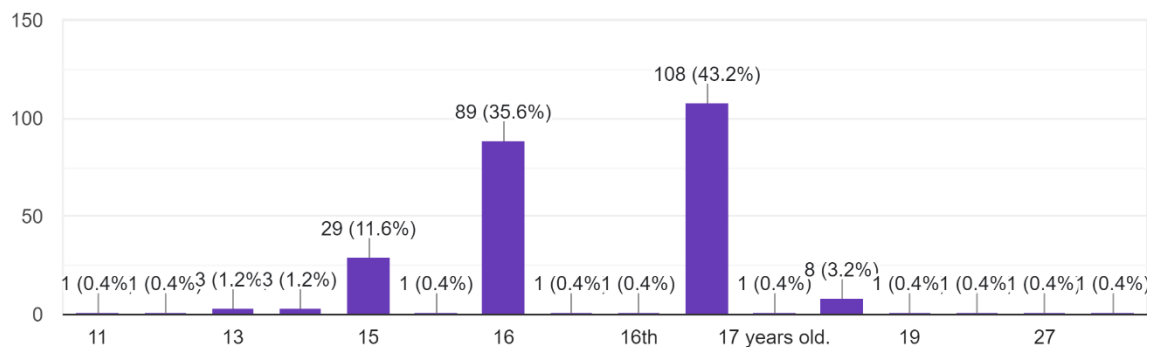


### ❖ Age of the respondents

The age of the majority of respondents ranged from 11 to 19 years and one of them was 29 years old who participated in the survey voluntarily.

### Age

250 responses

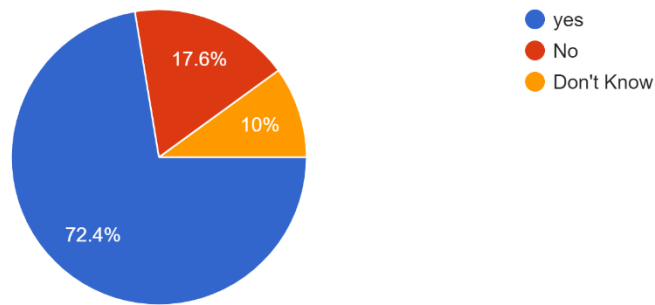


### ❖ Have you ever learned how to manage your money?

As regards this question 72.4% of the respondents said they have learned how to manage their money, 17.6% of respondents said they have not learned and the remaining 10% were not sure about it.

Have you ever learned how to manage your money?

250 responses

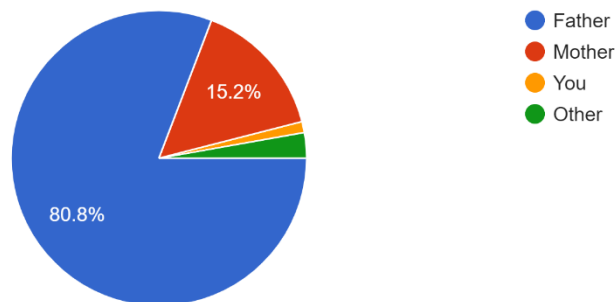


❖ **Who takes financial decisions at home?**

When asked about the person who takes financial decision majority of respondents ie 80.8% replied that father takes it, 15.2% said that their mother takes financial decisions and a very less students said that they themselves take financial decisions which means that the students have no say in the financial decisions of the family.

Who takes financial decisions at home?

250 responses

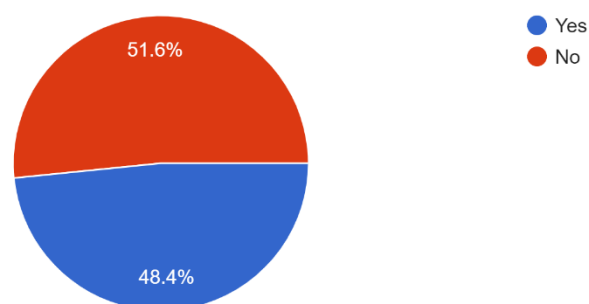


❖ **Have you learned managing money in school?**

When asked about learning about managing money in school, 51.6% of the respondents said yes and the remaining 48.4% said that they have not learned about money in school.

Have you learned managing money in school?

250 responses

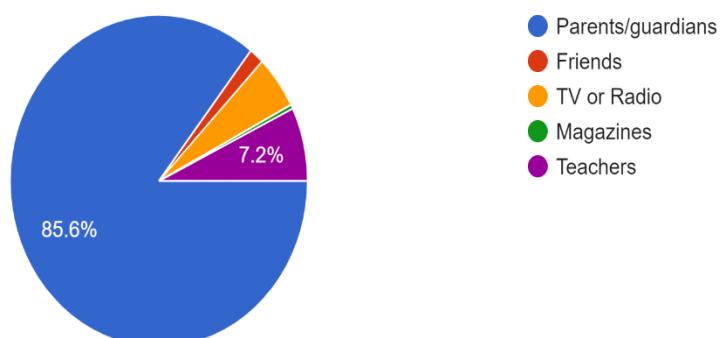


❖ **Where do you get financial information from?**

When asked about the information source regarding the financial aspects 85.6% of the respondents said that they learn it from their parents, 7.2% said from teachers and the remaining respondents had various sources like friends, TV or radio, magazines etc.

Where do you get the information you need about money matters (such as spending, saving, banking, investment)

250 responses



❖ **What are the sources of money?**

As majority of the students are not working in India and are dependent on their parents for money, this question was asked. Nearly 65% respondents' source of money was pocket money which they received from their parents, some received money for working for family business, some received as gift from relatives and friends and some were even earning themselves.

### What are your sources for money?

250 responses

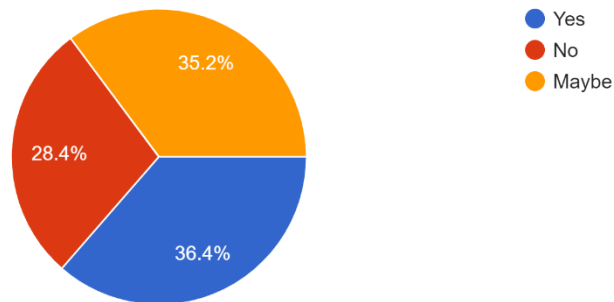


### ❖ Do you take your financial decisions?

Regarding taking their own financial decisions 36.4% of the respondents said yes, 28.4% of the respondents said no and the remaining 35.2% were unsure about it which means that at this age major financial decisions are taken by elders in the family.

### Do you take your financial decisions?

250 responses



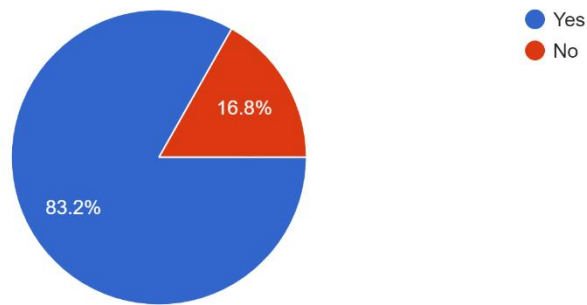
### ❖ Do you have a bank account?

Regarding having a bank account 83.2% of the respondents had a bank account and the remaining 16.8% of the respondents do not have a bank account.



Do you have a bank account?

250 responses

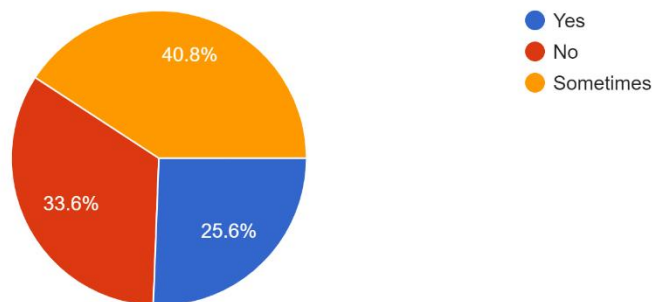


❖ **Do you make a monthly budget?**

When the respondents were asked about whether they make monthly budget or not, only 25.6% said that they prepare it, 33.6% said that they don't and the remaining 40.8% said they do it sometimes. Therefore, there is a need to teach students about the importance of budgeting in life.

Do you make monthly budget for the money you have?

250 responses

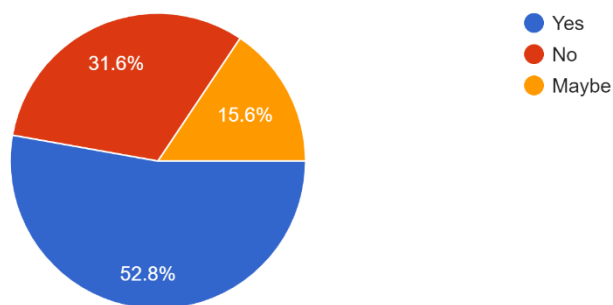


❖ **The difference between simple interest and compound interest.**

52.8% of the respondents knew the difference between simple interest and compound interest and the remaining were either not sure or had no idea about it.

Do you know the difference between simple interest and compound interest and how to calculate them?

250 responses



#### ❖ Do you find taking an investment decision stressful?

As regards whether taking investment decision is stressful, the respondents found it stressful because they are not taught about it from a young age. They mostly remain dependent on adults of the family for such decisions. Therefore, schools and curriculum should be such that they are sensitized regarding the investment options, their pros and cons and the decisions.

#### Conclusion and Suggestions

After carefully studying the responses on the abovementioned questions the following suggestions and recommendations are observed:

1. **Give Monthly Allowance:** Calculate and set up a monthly allowance for your children. Let them juggle with it. It will be their personal money that they spend. Let them decide what to buy and how much to spend on it. Increase the allowance reasonably from time to time. Remember to give them extra in terms of rewards and recognition, and maybe a yearly bonus attached to festivals such as Diwali can also be considered.
2. **Have Review Sessions:** Ask your children to write down everything that they spend by making a daily diary. Tell them that it doesn't matter where they spend. They must note it and balance it at the end. Discuss and review the expenses at the end of each week. Tell your children how one high expenditure can impact your monthly budget. If your child is too young, then sit down with him/her and help them do this. Explain the math that goes behind it. Remember to inspire your kids to do this consistently by doing the same with your finances.

3. **Set Goals and Save:** Firstly and most importantly, discuss wants vs needs with your children. Tell them that they need to save to buy that expensive toy. Tell them about how we save money right now to buy things we desire later. Ask your children to set aside these desires in terms of saving goals. Tell them to give you the amount they decide to save, and you shall keep it safe for them. Let them know that you saved to buy the car. Children observe parents very closely, and therefore the behaviour of parents tends to be the biggest source of learning for them.
4. **Get Your Kids Involved:** For true financial understanding, you need to get your kids involved. Tell them about how you set your monthly budgets and keep aside savings to run the household. Instead of numbers, you can talk in percentages if you are not very comfortable sharing the information.
5. **The Real World:** You need to tell your children about how money works in the real world. Teach them about living within one's means and chewing only as much as one can bite. Remind them that the budget helps you do that. Take your kids out to the market and discuss various occupations. Tell them about wage rates and how the pay is attached to various occupations. Most importantly, the more active a learning experience is, the greater the learning gains and retentions.
6. **Grocery Shopping Turns Classroom:** Make taking your children grocery shopping a habit. This healthy habit is not only fun but also very beneficial in the long run. Before going shopping, make a list. This prevents you from overspending and even missing out on the essentials. Ask your children to make their list too. At the market, introduce them to the rates of various items. Also, introduce your kids to the various measuring scales and units. Throw them math problems by asking them to calculate the price of 250 grams of an item. Ask them to do the totals. Make this a regular practice. Providing financial literacy for students and kids in an interesting way can help them organize their funds and expenses better.
7. **8. Get Your Kids to Open a Bank Account:** Many banks have the option of a child-friendly, zero minimum balance account. Enrol your kids, for one, and help them see their money grow over time. Tell them about how a bank works. Discuss the concept of interest and how the banks pay us back for saving money.
8. **Play Games that Involve Strategy:** Try to make learning fun. Introduce concepts and life lessons, including financial literacy, through and with the help of board games. Board games like Monopoly, Game of Life, Business, Payday, and the stock exchange impart a variety of tips on money management, financial planning,

negotiation, and career planning. These games can be an effective way to teach concepts like using money for emergencies rather than hoarding, saving and investing in stocks, real estate, and banks, and using money sensibly.

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