

Role of Financial Education in Shaping Financial Behavior of Young Adults: An Empirical Study

Rajwinder Kaur, Manjit Singh

Senior Research Fellow, Professor, University School of Applied Management,
Punjabi University, Patiala

Abstract

As young adults of contemporary era, marked by revolutionizing financial technology, traverse through the existing complex financial landscape, the role of financial education in guiding them comprehend the financial practices become paramount for ensuring the economic well-being of the society. Financial education that helps the youth understand and gain knowledge on effective and strategic financial measures not only pave the foundation for long-term responsible financial behavior but also empowers the individual by allowing them to effectually apply their knowledge on conducting fruitful day-to-day financial activities. Young adults often find themselves grappled among various financial situations that encompass student loans, debt management, savings, earning of personal income etc. and often fail to practice proper financial engagement that result in potential engagement of risky economic behaviors. Financial education programs which increase the confidence in financial decision-making by impacting investment, savings, debt and credit management behavior hence contribute to the long-term financial security of these young adults. By conducting extensive research on this arena helps policymakers and financial educators develop an intense framework that delve into ways of imparting and expanding effective financial education to young adults, thereby contributing to the economic well-being of the society. Study survey was conducted among 223 young adults to know the role of financial education in shaping financial behavior of young adults and the impact of financial education on their financial behavior and concludes that there is significant impact of financial education on financial behavior of young adults.

Keywords-Financial education, young adults, financial behavior, financial activities, financial engagement, economic, financial literacy

Introduction

In the modern era, marked by unparalleled financial transformations, complexities and ever-evolving financial technology, it has become the immediate need of the time to incorporate effective financial measures in order to ensure the financial well-being of individuals and society. As young adults who step into their beginning stage of dealing with their own personal finance, equipped with lots of desires and responsibilities, the imperative of financial education in building effective financial engagement become very evident. Financial education that encompasses the knowledge and skills to make informed financial decisions help shape financial behavior of young adults and protect them from prominent potential negative consequences that arise as part of risky financial attitudes. The young adults who traverse through their budding personal income stage, grappled with student loans, credits, debts, savings and budgeting hence undoubtedly require effective financial guidance in understanding these financial nuances as well as develop various financial habits that work towards constructing long-term financial goals.

Financial education, more than a way of acquisition of knowledge on financial aspects, emerge as an empowering way of application of financial information in conducting strategic, effective and informed financial activities. Being young adults, they traverse through intricate web of financial choices which encompass various options regarding diverse loans, investment schemes, plans and savings method which automatically confuse these young people about taking precise and wise decisions. Moreover, the revolutionizing nature of financial dealings have also made it significant to equip oneself with latest knowledge on innovative financial technological methods of payment, investment and savings that help in fast and smooth financial engagement. These factors emphasize the importance in attaining effective financial education in establishing financial literacy that not only guides in shaping good financial attitudes and behaviors among young adults but also contribute towards constructing long-term economic well-being of the group.

Despite the fact that financial education help shape financial behavior of young adults, cater to their financial well-being as well as contribute to broader economic stability, there exists several challenges and limitations in implementing

financial literacy for all. By integrating financial education into the academic curriculum helps policymakers, educators and financial counselors to constructively guide youth towards practicing financial activities in a strategic and responsible manner. Further, by promoting accessible and targeted financial education initiatives as well as aligning with diverse financial institutions enhance various financial engagement methods that help young adults conduct effective spending and investment ways. The advancement of financial education will cater to the improvement of a financially literate and empowered generation, exhibiting huge transformative potential towards enhancement of economic well-being of the society.

Literature Review

Financial education plays pivotal role in shaping the financial behavior of young adults, particularly in building the financial perspectives of youth who traverse the complex landscape of personal finance for the first time. The existing literature review in this arena investigates the impact of financial education in augmenting financial behavior of adolescents, there by comprehending ways to develop attitude of the youth towards managing finance, financial problems and risks.

Kaiser and Menkhoff (2017), in the research conducted, depict the significance of financial education in intensifying the financial literacy of youth. In an empirical study conducted by investigating financial behaviors of 126 respondents, the study reveals the heterogenous nature of financial education, exposing its low impact on low-income families and thereby signifying the necessity to increase the intensity of financial education in order to improve financial perspectives. Andarsari and Ningtyas (2019) discuss how financially educated individuals conduct budgeting, saving, expense controlling, debt management, pension plan, stock market etc. in an organized manner. The well conduct of these above-mentioned financial activities coherently indicates that the higher the financial education of an individual, the more likely they are to impart good financial behavior in their day-to-day life.

Zhu (2021) put forward the huge discrepancy between financial objective and subjective knowledge of the young adults, exposing how overconfidence among youth often put them in risky financial behaviors as well as reveal the higher levels of financial autonomy existing among them. The research communicates how proper financial education to youth help develop their financial practices, skills and incorporate ways for financial counselors and educators to advance better financial engagement framework for young adults. In addition, the empirical research study conducted by de Bassa (2013) points out that only 49% of young respondents who have college education could exactly answer a simple questionnaire prepared to evaluate the financial literacy. Further the findings also reveal that these young adults who display the higher financial education or literacy also resist themselves from carrying out high-cost borrowing methods, have good financial outcomes and moreover save for retirement or other emergencies.

The study by Lučić, Barbić and Uzelac (2020), in which the researchers analyze the financial behavior of adolescents after being exposed to a financial education workshop titled “My money, my future” exhibit significant impacts brought by financial interventions in the financial behavior of young adults, showing ways in which youth create their own bank accounts and begin engaging in saving behavior. Lusardi (2019) also emphasizes the importance of financial education, indicating that it is more of a way of applying knowledge and skills regarding finance towards the betterment of financial well-being of individuals and society. Moreover, the transformative nature of financial technology that modifies the ways in which people make payments, opt for investments as well as look about for financial advices further intensifies the necessity to update oneself on information in relation to financial matters.

Mountain, Kim, Serido and Shim (2021), in their research, explain that meeting financial educators and counselors, reading personal finance magazines, books as well as similar sources on internet, looking up to parents as financial role models and gaining objective financial knowledge are associated with positive financial behaviors. In addition, young adults often face several issues on student loans, credit card debt, savings etc. that raise the importance of taking informed decisions. Wagner and Walstad (2019) propose how financial education result in building long-term impacts for adults by helping them formulate financial perspectives on saving money and spending the same effectively. Gerrans and Heaney (2014) confirm the need for financial education among young adults particularly to avoid potential negative consequences of uninformed financial decisions. Moreover, the findings of the study also depict the positive outcomes of effective financial education to young adults that include improved financial decision-making as well as responsible financial engagement in their daily life.

Brown, Grigsby, Van Der Klaauw and Zafar (2016) depict how comprehending debt emerge as one of the significant aspects of financial education and further indicate how financial literacy help young adults to manage their debt responsibly thereby leading to their financial well-being. Batty and Collins (2015) comment on the necessity to integrate financial education to formal education curriculum, particularly considering the intensely complex and evolving financial landscape of modern era. In such a revolutionizing financial landscape, it is essential to update adults at the earliest to conform to better financial practices that facilitate them to engage in responsible financial engagement. The existing literature review not only helps comprehend the significance of financial education in constructing responsible financial behavior among young adults but also extend the scope for further studies to develop ways that help build a constructive financial education curriculum that guide adults to conduct effective financial practices in their day-to-day life.

Objective

1. To know the role of financial education in shaping financial behavior of young adults.
2. To know the impact of financial education on financial behavior of young adults.

Methodology

Study survey was conducted among 223 young adults to know the role of financial education in shaping financial behavior of young adults and the impact of financial education on their financial behavior. “Convenient sampling method” and “t test” were used to collect and analyze the data.

Data Analysis

In the total population of study survey males are 61.4% and females are 38.6%. 20.2% of them are below 30 years, 43.5% comes under the age group of 30-32 years and rest 36.3% are above 32 years of age. 27.8% of the respondents are UG and below, 37.2% are PG and above and rest 35.0% are having professional degree.

“Table 1 General Details”

“Variables”	“Respondents”	“Percentage”
Gender		
Male	137	61.4
Female	86	38.6
Total	223	100
Age (years)		
Below 30	45	20.2
30-32	97	43.5
Above 32	81	36.3
Total	223	100
Education		
UG and below	62	27.8
PG and above	83	37.2
Professional Degree	78	35.0
Total	223	100

Table 2 Role and impact of financial education in shaping financial behavior

“S. No.”	“Statements”	“Mean Value”	“t value”	“Sig.”
1.	Financial education builds financial viewpoints of youth who pass through the complex landscape of personal finance	3.19	2.887	0.002

2.	Develops attitude towards managing finance, financial problems and risks	3.17	2.600	0.005
3.	Help to conduct budgeting, saving, expense controlling, debt management, pension plan, stock market	3.20	3.107	0.001
4.	Develop financial practices, skills and incorporate ways for financial counselors and educators	3.16	2.436	0.008
5.	Resist young adult to carry out high-cost borrowing methods	3.21	3.249	0.001
6.	Help to have good financial outcomes and save for retirement or other emergencies	3.18	2.738	0.003
7.	Assist to create own bank accounts and begin engaging in saving behavior	3.15	2.303	0.011
8.	Modifies ways of making payments, opt for investments and look for financial advices	3.10	1.542	0.062
9.	Help to avoid potential negative consequences of uninformed financial decisions	3.14	2.133	0.017
10.	Improves financial decision-making and responsible financial engagement in daily life	3.12	1.861	0.032

Table 2 is showing different role and impact of financial education in shaping financial behavior. The respondents says that financial education helps young adults to resist young adult to carry out high-cost borrowing methods with mean value 3.21, help to conduct budgeting, saving, expense controlling, debt management, pension plan, stock market with mean value 3.20 and financial education builds financial viewpoints of youth who pass through the complex landscape of personal finance with mean value 3.19. They also share that financial education help to have good financial outcomes and save for retirement or other emergencies with mean value 3.18, develops attitude towards managing finance, financial problems and risks with mean value 3.17, develop financial practices, skills and incorporate ways for financial counselors and educators with mean value 3.16 and assist to create own bank accounts and begin engaging in saving behavior with mean value 3.15. The respondent also says that financial education help to avoid potential negative consequences of uninformed financial decisions with mean value 3.14, Improves financial decision-making and responsible financial engagement in daily life with mean value 3.12 and Modifies ways of making payments, opt for investments and look for financial advices with mean value 3.10. All statements pertaining to role of financial education exhibit statistical significance, with p-values below 0.05 following the application of a t-test except *Modifies ways of making payments, opt for investments and look for financial advices* with p-value 0.062.

Conclusion

Financial education not only refers to the acquisition of financial knowledge and insights but emerge as the empowering ways of boosting confidence of young adults in applying this knowledge in their day-to-day financial engagement, thereby contributing towards a responsible financial behavior as well as the long-term financial security of these individuals. The positive outcomes of effective financial education to young adults are undoubtedly multifarious. From heightened financial knowledge to insights on proper management of savings, investments, credit and debt, financial education pave way to financial literacy that aid the youth exhibit informed financial decision-making which in turn ensures their financial well-being. However, despite the transformative impact, the arena of financial education also does exhibit various nuanced challenges and limitations. There are existing questions on conducting optimal methodologies, long-term retention of financial knowledge as well as imparting this education beyond the realm of individual arena to a larger group of sections in society. These challenges coherently indicate the necessity to integrate financial education into the basic curriculum to help young adults gain financial insights at the earliest that help them engage financially responsible as well as later benefit the economic well-being of the entire society. The research on the arena opens up the necessity to develop an extensive framework of effective financial education which help address various financial challenges, refine strategies and ultimately foster a financially literate and empowered generation of young adults.

The study was conducted to know the role of financial education in shaping financial behavior of young adults and found that financial education helps young adults to resist young adult to carry out high-cost borrowing methods, help to conduct

budgeting, saving, expense controlling, debt management, pension plan, stock market, builds financial viewpoints of youth who pass through the complex landscape of personal finance, help to have good financial outcomes and save for retirement or other emergencies and financial education develops attitude towards managing finance, financial problems and risks. The study concludes that there is significant impact of financial education on financial behavior of young adults.

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