Financial literacy among youth

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Abstract

Purpose – The purpose of this paper is to analyse the level of financial literacy among youth in the world based on previous studies. The study, particularly, focus at how socio-economic and demographic factors such as age, gender, marital status and income influence financial literacy level of youth and whether there is any interrelationship between financial knowledge, financial attitude and financial behaviour. Strong endeavour of the world economies to improve the financial well-being of their citizens has contributed to the rising importance of financial literacy as it equips the individuals to take quality financial decisions to enhance their financial well-being.

Design/methodology/approach – This literature review consists of seven key sections. The first section of this paper reviews the conceptual definitions of youth. Second part summarises the literature on financial literacy. Third, fourth and fifth section summarises the literature on the components of financial literacy, i.e. financial knowledge, financial attitude and financial behaviour, respectively. Sixth section reviews the empirical studies on the influence of socio-economic and demographic factors on financial literacy level. Seventh section summarises the literature on interrelationship between financial knowledge, financial attitude and financial behaviour.

Findings – The study reveals that the financial literacy level among youth is low across the most part of the world that has become a cause of concern. Also, it has been observed that various socio-economic and demographic factors such as age, gender, income, marital status and educational attainment influence the financial literacy level of youth and there exists an interrelationship between financial knowledge, financial attitude and financial behaviour.

Originality/value – Youth have to live a longer life ahead, thus, the decisions taken by them are going to affect them for a longer period of time, making it imperative for them to develop an understanding of the world of finance so as to avoid wrong choice of financial products. Thus, financial literacy is of significant relevance. This paper aims to understand the influence of various factors influencing the financial literacy as understanding the factors that contribute to or detract from the acquisition of financial literacy among youth can help in making policy interventions targeted at youth to enhance their financial well-being.

Keywords Youth, Financial literacy, Financial attitude, Financial behaviour, Financial knowledge

Paper type Literature review

1. Introduction

In the present scenario, with the increasing complexity and availability of huge basket full of extensive variety of financial products and services, the task of managing money has become even more difficult particularly for youth. Nowadays, in developing countries like India, there have been abundant financial products available even for lower income individuals, such as bank account can be opened without minimum deposit; thus providing for huge alternatives to choose from (Filipiak and Walle, 2015). Now, it is upon the individuals as to how and which options they select. As the youth have to live a longer life ahead, thus, the decisions taken by them are going to affect them for a longer period of time. This makes it imperative to develop an understanding of the world of finance to avoid wrong choice of financial products. Lusardi and Tufano (2009) stressed the need of financial competence (financial literacy) as the financial markets recently offer more complex products and the responsibility for investing and saving has shifted from government, employers (Herd *et al.*, 2012) and even parents (who worry about their own retirements) (Mandell, 2006) onto the individuals. Research from around the world has evidenced lower level of financial literacy particularly among youth (van Rooij *et al.*, 2009; Lusardi *et al.*, 2010; Lusardi and Mitchell, 2011; Allgood and Walstad, 2013; Agarwalla *et al.*, 2013) which raises serious issue about the individual's capability to secure his financial well-being. Due to the changing circumstances, changing needs of individual along with the passage of time and dynamic nature of the financial products, there is a dire need for continual updation of

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financial literacy among the individuals of all age groups (Bernanke, 2011). That is why several economies and organisations have attempted to improve the financial literacy level of individuals. In Australia, Australian Securities and Investment Commission launched the ASIC (2011); New Zealand framed the National Strategy for Financial Literacy (2012). In UK – Financial Services Authority of UK and in India – Reserve Bank of India (which has also opened various Financial Literacy Centres) have been entrusted to undertake the efforts to improve financial literacy. Financial literacy is of significant relevance for the developing economies along with the developed economies as they strongly endeavour to improve the financial well-being of their citizens. Meanwhile, financial literacy is considered as a means to expedite financial well-being, hence, possessing financial literacy would help the households with day to day financial tasks, deal with financial emergency and even pull them out of the clutches of poverty (Alwee Pg Md Salleh, 2015). "Financial literacy and financial inclusion are integral to each other and are important because they are integral to attacking poverty. They are two elements of an integral strategy; while financial inclusion provides access, financial literacy provides awareness" (Subbarao, 2013).

2. Literature review

With a view to understand the present and future, it is obvious to comprehend about what was the past so that present and future can be linked to it so as to lay down a firm foundation on which the edifice of a strong future knowledge can be built. This process is essential so as to derive maximum benefits from future research. From this viewpoint, an attempt has been made to lay firm foundation by reviewing the existing literature on financial literacy among youth that is relevant for getting domain knowledge about the field and further to find out the gaps for further research.

2.1 Youth

According to UNESCO, "Youth is best understood as a period of transition from the dependence of childhood to adulthood's independence and awareness of our interdependence as members of a community" and age has been considered as the easiest way to define youth by UNESCO which has indicated youth as a person between the age of leaving compulsory education and finding first employment. UN has defined youth as the persons ranging between the age group of 15-24 years, for ensuring statistical consistency in international programmes. For national level programmes, UN has adopted the particular member states' definition of youth. African Youth Charter has considered "Youth" to be person between the ages of 15-35 years. In India, as per the Factsheets (2014), youth are defined as the persons of age between 15-29 years.

2.2 Financial literacy

The term financial literacy was first coined in 1787 in the USA, when John Adams in a letter to Thomas Jefferson admitted the need for financial literacy for overcoming the confusion and widespread distress in America that had arisen due to ignorance towards credit, circulation and nature of coin (Financial Corps, 2014). Thereafter, several developments took place and the term financial literacy was used again and again by different researchers, organisations and governments and was addressed differently (Hung *et al.*, 2009). Remund (2010) reviewed various research studies since 2000 and considered the conducting of research on financial literacy a big challenge as there was no well-defined standard definition of financial literacy in the literature. Some researchers considered financial literacy synonymous to financial knowledge (Hilgert *et al.*, 2003; Lusardi and Mitchell, 2011; Bucher-Koenen *et al.*, 2016). Lusardi (2008a, b, c) and Lusardi and Mitchell (2011) conceptualised financial literacy as the knowledge of basic financial concepts and ability to do simple calculations. Mandell (2007) defined financial literacy as "the ability to evaluate the new and complex financial instruments and make informed judgments in both choice of instruments and extent of use that would be in their own best long-run interests". Lusardi and Tufano (2009) reported debt literacy as an important component of financial literacy and hence comprising the ability to take simple decisions regarding debt and applying knowledge about interest compounding to real-life situations. A widely accepted comprehensive definition by Organisation for Economic Co-operation and Development (OECD) conceptualised financial literacy as "knowledge and understanding of financial concepts and risks, and the skills, motivation and confidence to apply such knowledge and understanding in order to make effective decisions across a range of financial contexts, to improve the financial well-being of individuals and society, and to enable participation in economic life" (OECD, 2014). OECD focused on three basic comprehensive dimensions of financial literacy: financial knowledge, financial behaviour and financial attitude (OECD, 2005, 2013, 2014; OECD-INFE, 2011; Atkinson and Messy, 2012). Most of the researchers have been applying, the more or less, the financial literacy conceptual models as proposed by OECD and Lusardi, such as Agarwalla *et al.* (2013) and Potrich *et al.* (2015). It has been evidenced that individuals with high financial literacy are more likely to perform better in terms of numeracy (van Rooij *et al.*, 2009; Lusardi and Mitchell, 2011; Atkinson and Messy, 2012; Agarwalla *et al.*, 2013; Jariwala, 2013; Yu *et al.*, 2015), savings (Atkinson and Messy, 2012; Klapper *et al.*, 2012; Agarwalla *et al.*, 2013; Jariwala, 2013), earnings on savings, identifying bank accounts giving higher interest rates (Deuflhard *et al.*, 2015), risk diversification (Lusardi and Mitchell, 2011; Atkinson and Messy, 2012; Agarwalla *et al.*, 2013) and risk tolerance (Jariwala, 2013; Yu *et al.*, 2015). Researchers have found that financial literate individuals have lower inflation expectations (Bruine de Bruin *et al.*, 2010), have an understanding of the impact of inflation on return (Lusardi and Mitchell, 2011; Atkinson and Messy, 2012; Agarwalla *et al.*, 2013), usually borrow at low cost and pay attention to fees (Moore, 2003; Lusardi and Tufano, 2009; Bucher-Koenen *et al.*, 2016), feel more empowered to take investment decisions and experience controlled spending behaviour (Jariwala, 2013). Usually highly financially literate individuals possess debt literacy (Lusardi and Tufano, 2009, 2015), understand the concept of interest compounding (van Rooij *et al.*, 2009; Lusardi and Mitchell, 2011) and time value of money (Atkinson and Messy, 2012; Agarwalla *et al.*, 2013). People with high financial literacy tend to plan retirement (Lusardi and Mitchell, 2006, 2008; van Rooij *et al.*, 2009; Lusardi and Mitchell, 2011; Bucher-Koenen *et al.*, 2016), have high spending capacity (Klapper *et al.*, 2012), participate in stock market and formal financial markets (van Rooij *et al.*, 2007, 2011; Klapper *et al.*, 2012; Bucher-Koenen *et al.*, 2016) and during crisis, are less likely to experience low spending capacity (Klapper *et al.*, 2012), and better face macroeconomic and income shocks (Klapper *et al.*, 2012; Bucher-Koenen *et al.*, 2016). Huston (2012) found that financially literate credit card holders, with no intention to use card as a borrowing instrument, were not concerned about borrowing cost, instead only those who used credit cards as borrowing instrument, were twice likely to exhibit low cost borrowing behaviour. Alwee Pg Md Salleh (2015) found that non-welfare recipients were more likely to give correct responses to financial literacy questions relative to welfare recipients in Brunei but as the questions became more complex, the trend of correct answers went downward for both types of recipients. Low level of financial literacy is the most prevalent phenomenon in all parts of the world as reported by research from around the world, for instance, among US consumers (Huston, 2012), among developed economies (Lusardi and Mitchell, 2011), among youth in the USA, the Netherland and Germany (Bucher-Koenen *et al.*, 2016), among students from well-developed market economies in a survey of OECD countries (Lusardi, 2015), in India and Indonesia being India the lowest scorer (Cole *et al.*, 2009), among investors of Gujarat (Jariwala, 2013), and low level of debt literacy among Americans (Lusardi and Tufano, 2009). Agarwalla *et al.* (2013) concluded that the overall financial literacy level among working young in India was much at par with that of 13 OECD countries.

OECD model of financial literacy has mentioned about three comprehensive dimensions of financial literacy: financial knowledge, financial attitude and financial behaviour.

2.3 Financial knowledge

A financially literate person will possess the basic knowledge of some key financial concepts (OECD, 2013). Therefore, financial knowledge is termed as a key dimension of financial literacy (Huston, 2010) and most of the time it is considered as a synonym of financial literacy (Hilgert *et al.*, 2003; Lusardi and Mitchell, 2011; Huang *et al.*, 2013; Bucher-Koenen *et al.*, 2016). Various researchers have conceptualised the term financial knowledge considering different content areas. Huang *et al.* (2013) considered financial knowledge as an individual's understanding of financial concepts. Huston (2010) identified four main components of financial knowledge after reviewing 71 studies: basic money concepts, saving or investment, borrowing and protection concepts. OECD-INFE (2011) included the knowledge or understanding of five basic concepts to constitute financial knowledge dimension – simple interest, compound interest, time value of money, impact of inflation on price levels and impact of inflation on investment returns. Lusardi and Mitchell (2011) evaluated financial knowledge of the Americans covering the concepts – interest rate calculation, inflation and working of risk diversification. Herd *et al.* (2012) measured financial knowledge as the person's knowledge of his own financial situations, instead of basic financial concepts, and treated it as a pre-requisite to take financial decisions effectively. To capture financial knowledge of Indians, Filipiak and Walle (2015) asked them about general financial knowledge questions (regarding government guarantees for deposits in national banks, current value of their investments) and specific financial knowledge questions (regarding credit card, Kisan card). Individuals with high financial knowledge were more likely to better understand basic financial concepts (van Rooij *et al.*, 2009; Remund, 2010; Lusardi and Mitchell, 2011; Atkinson and Messy, 2012; Agarwalla *et al.*, 2013), interest compounding (Lusardi and Mitchell, 2006, 2011; van Rooij *et al.*, 2009; Lusardi and Tufano, 2009; Atkinson and Messy, 2012; Agarwalla *et al.*, 2013; Huang *et al.*, 2013), time value of money (van Rooij *et al.*, 2009; Atkinson and Messy, 2012; Agarwalla *et al.*, 2013), impact of inflation on price levels (Lusardi and Mitchell, 2006, 2011; van Rooij *et al.*, 2009; Atkinson and Messy, 2012; Agarwalla *et al.*, 2013; Huang *et al.*, 2013), impact of inflation on investment returns (Lusardi and Mitchell, 2006, 2011; van Rooij *et al.*, 2009; Atkinson and Messy, 2012; Agarwalla *et al.*, 2013; Huang *et al.*, 2013), numeracy (van Rooij *et al.*, 2009; Lusardi and Mitchell, 2011; Atkinson and Messy, 2012; Agarwalla *et al.*, 2013; Yu *et al.*, 2015), relationship between risk and return (Atkinson and Messy, 2012; Agarwalla *et al.*, 2013), role of diversification in risk reduction (Lusardi and Mitchell, 2006, 2011; Atkinson and Messy, 2012; Agarwalla *et al.*, 2013; Huang *et al.*, 2013), working of credit cards (Lusardi and Tufano, 2009) and have high self-perceived financial knowledge (Yu *et al.*, 2015). Most of the researchers found that individuals possessed a low level of financial knowledge (van Rooij *et al.*, 2009; Lusardi and Mitchell, 2011), had low understanding of interest compounding calculation and working of credit cards (Lusardi and Tufano, 2009). Agarwalla *et al.* (2013) reported that working youth of India performed poor on financial knowledge dimension of financial literacy by displaying lack of basic numeracy, inability to understand the basic money-related principles and inability to assess the impact of inflation on rate of return. These results were very much low than the findings of the survey of 13 OECD countries.

2.4 Financial attitude

Financial attitude is the pre-disposition to behave in a particular manner formed due to some economic and non-economic beliefs possessed by the individual on the outcome of certain behaviour (Ajzen, 1991). Attitude and preferences are treated as the vital components of financial literacy (OECD, 2013). Individuals with high financial attitude were more likely to have positive attitude towards planning (Lusardi and Mitchell, 2008, 2011; van Rooij *et al.*, 2009; Remund, 2010; Atkinson and Messy, 2012; Agarwalla *et al.*, 2013), lower inflation expectations (Bruine de Bruin *et al.*, 2010), more propensity to save (Atkinson and Messy, 2012; Agarwalla *et al.*, 2013), less propensity to consume (Atkinson and Messy, 2012; Agarwalla *et al.*, 2013), high risk tolerance (Yu *et al.*, 2015). van Rooij *et al.* (2009) argued that Dutch households did not exhibit positive financial attitude for retirement planning and only a small group (12.9 per cent) of those respondents thought a lot about retirement and others a little bit. Agarwalla *et al.* (2013) observed that, in India, almost half of the working young respondents were displaying positive attitude towards financial planning and low propensity to consume which was much lower than less-developed countries of Eurozone.

2.5 Financial behaviour

The way in which a person behaves will significantly influence his financial well-being. Therefore, it is imperative to capture evidence of behaviour dimension within the financial literacy measure (OECD, 2013). Individuals with high financial behaviour were more likely to participate in stock market and formal financial markets (van Rooij *et al.*, 2007; Klapper *et al.*, 2012; Bucher-Koenen *et al.*, 2016), actively save (Atkinson and Messy, 2012; Klapper *et al.*, 2012; Agarwalla *et al.*, 2013), make timely payment of bills (Atkinson and Messy, 2012; Agarwalla *et al.*, 2013), carefully evaluate financial products (Atkinson and Messy, 2012; Agarwalla *et al.*, 2013), prefer savings than borrowings at time of crisis (Atkinson and Messy, 2012; Agarwalla *et al.*, 2013), self-assess the affordability of products (Atkinson and Messy, 2012; Agarwalla *et al.*, 2013), do retirement planning (Lusardi and Mitchell, 2008, 2011; van Rooij *et al.*, 2009; Herd *et al.*, 2012), accumulate and manage assets well (van Rooij *et al.*, 2007, 2008; Herd *et al.*, 2012), prefer low cost borrowing (Lusardi and Tufano, 2009; Huston, 2012; Allgood and Walstad, 2013), plan and monitor household budget and personal finance (Lusardi and Tufano, 2009; Remund, 2010; Atkinson and Messy, 2012; Agarwalla *et al.*, 2013), have a bank account (Klapper *et al.*, 2012), have a formal credit (Klapper *et al.*, 2012), make appropriate financial decisions (Remund, 2010; Bucher-Koenen *et al.*, 2016) and have high spending capacity (Klapper *et al.*, 2012). Lusardi and Tufano (2009) found that only one-third of the US population could apply compound interest concept in real-life situations. Huston (2012) established that those who exhibited low cost behaviour possessed more wealth. Cole *et al.* (2009) surveyed India and Indonesia and reported less access to bank accounts in both countries, i.e. just 12 per cent for India and 41 per cent for Indonesia; and more access to informal credit – 64 per cent Indian households and 52 per cent Indonesian households. Agarwalla *et al.* (2013) found that majority of Indian working youth (68 per cent) were exhibiting desirable financial behaviour, i.e. were self-disciplined when dealing with household finance and personal money and were more likely to make timely payment of bills, to assess affordability of products, to set financial goals, to carefully evaluate financial products and to depend on savings or assets instead of borrowings in times of crisis. These results were similar to the findings of the OECD countries survey.

2.6 Socio-economic and demographic factors

Researchers have found that socio-economic and demographic factors such as age, gender, income and family background of an individual also influence his/her financial literacy level and its dimensions (financial knowledge, financial attitude and financial behaviour).

2.6.1 Socio-economic and demographic factors and financial literacy. Prior research has evidenced that the socio-economic and demographic factors of an individual influence the level of financial literacy and its dimensions. In context of age, generally, young adults (OECD, 2005; Lusardi and Tufano, 2009; van Rooij *et al.*, 2009; Lusardi *et al.*, 2010; Lusardi and Mitchell, 2011; Allgood and Walstad, 2013; Jariwala, 2013) and older adults

(OECD, 2005; Lusardi and Mitchell, 2011; Allgood and Walstad, 2013; Jariwala, 2013) displayed lower financial literacy. In terms of gender, women were more likely to possess low financial literacy (Chen and Volpe, 2002; Lusardi and Mitchell, 2011; Herd *et al.*, 2012; Jariwala, 2013; Yu *et al.*, 2015; Bucher-Koenen *et al.*, 2016), gave more "do not know" response to financial literacy questions (Bucher-Koenen *et al.*, 2016), and possessed low debt literacy (Lusardi and Tufano, 2009, 2015). Lusardi *et al.* (2010) revealed financial literacy gender gap among young adults (23-28 years) in the USA. Cole *et al.* (2009) found that families with female head were having low level of financial literacy; however, in India, financial literacy was not significantly predicted by gender. Filipiak and Walle (2015) surveyed matrilineal and patriarchal states of India and argued that it is not that nature had made men to be more knowledgeable than women, but the type of nurturing they got (involvement in taking financial decisions) decide their financial literacy level. Yu *et al.* (2015) stated the need for more research for uncovering the underlying gender differences in financial literacy. In context of income, the financial literacy level tends to increase with an increase in income (Lusardi and Tufano, 2009). The financial literacy level among the low income group was low (OECD, 2005; Jariwala, 2013). The financial literacy was low among young female (with college degree) as compared to young man (with college degree) (Lusardi *et al.*, 2010). Cole *et al.* (2009) found significant positive correlation between cognitive ability and financial literacy both in India and Indonesia. Some research studies established that there was a significant relationship between financial literacy and educational attainment, with higher education implying high financial literacy (Lusardi, 2003; van Rooij *et al.*, 2009; García and Tessada, 2013) and less educated people more likely to be less financial literate (Lusardi and Mitchell, 2011); those with courses in algebra, trigonometry, and physics were having high financial literacy and the association between financial literacy and schooling characteristics was the most significant for percentage of asset values known and less significant for percentage of checking account values known (Herd *et al.*, 2012), while other reported no association between education and financial literacy (Chen and Volpe, 2002; Mandell, 2006; Jariwala, 2013). Some established a positive relationship between financial education and financial literacy (Lusardi, 2003) while other reported no influence of financial education on financial literacy among high school students (Mandell, 2006). In context of marital status, lower financial literacy was more prevalent among divorced, widowed or separated individuals (Lusardi and Tufano, 2009), young single and young married without children (Jariwala, 2013). However, Cole *et al.* (2009) reported marital status to be an insignificant predictor of financial literacy in India as well as Indonesia. There exist no significant association between financial literacy and employment structure but significant association exists between years of work experience and financial literacy (Jariwala, 2013). In terms of family background, individuals, with high parental socio-economic status, were less financial literate (Herd *et al.*, 2012). In context of socialisation, financial literacy and financial advice complement each other (Bucher-Koenen *et al.*, 2016). Financial socialisation could occur via formal sources like schools (Goldsmith and Goldsmith, 2006; Shim *et al.*, 2009) or informal sources like family (John, 1999; Lusardi *et al.*, 2010).

2.6.2 Socio-economic and demographic factors and financial knowledge. Several research studies have attempted to discover the socio-economic and demographic variables that seem to influence financial knowledge. In terms of age, young adults (van Rooij *et al.*, 2009; Lusardi and Mitchell, 2011; Allgood and Walstad, 2013) and older adults (Lusardi and Mitchell, 2011; Allgood and Walstad, 2013) possessed low financial knowledge about the basic financial concepts, inflation, interest compounding and risk diversification. Filipiak and Walle (2015) showed a significant positive relationship between age and financial knowledge. In terms of gender, women were more likely to score low on financial knowledge (Chen and Volpe, 2002; Lusardi and Mitchell, 2007; van Rooij *et al.*, 2009; Bucher-Koenen *et al.*, 2016), possessed low financial knowledge about debt (Lusardi and Tufano, 2009, 2015), low perceived financial knowledge (Yu *et al.*, 2015; Bucher-Koenen *et al.*, 2016), stated "do not know" response to financial questions in almost all household surveys of most of the countries (Lusardi and Mitchell, 2007; ANZ Bank, 2008; OECD, 2013), and were unable to understand critical financial concepts like interest compounding, risk diversification, inflation (Lusardi and Mitchell, 2011), numeracy, etc. (Yu *et al.*, 2015). Filipiak and Walle (2015) argued that the root cause behind lower level of financial knowledge among women relative to men was mainly nurture and not nature, i.e. making low investment in acquiring financial knowledge or less use of mass media sources or low formal education or lower understanding of English language. That is why in matrilineal (female dominated) states of India – Mizoram, Nagaland and Meghalaya, there was no gender gap in financial knowledge (as women used to take financial decisions in the family) and even women of matrilineal states performed better on financial knowledge relative to men and women of patriarchal (male dominated) states of India. In contrast, in patriarchal states, gender gap in financial knowledge was prevalent and on overall basis, men were having high financial knowledge relative to women in India. High income households displayed better financial knowledge (van Rooij *et al.*, 2009). Even the individuals with higher income tend to possess high financial knowledge (Filipiak and Walle, 2015). Alwee Pg Md Salleh (2015) studied the financial literacy among welfare and non-welfare recipients in Brunei and provided empirical evidence of the significant positive relationship between earnings and money management and retirement planning knowledge. In terms of educational attainment, even younger women with high educational attainment were possessing low level of financial knowledge (Bucher-Koenen *et al.*, 2016). Others found low level of financial knowledge among less educated (van Rooij *et al.*, 2009), for instance, those without college degree were having low level of financial knowledge in late life (Herd *et al.*, 2012). While some others found significant positive relationship between educational attainment and financial knowledge (Lusardi and Mitchell, 2007; Filipiak and Walle, 2015). Early life experiences (related with cognition and schooling) were correlated with late life financial knowledge and for respondents without college degree, academic performance had statistically significant relationship with asset knowledge in late life and mathematics-specific skills contributed more to financial knowledge than general reading comprehension (Herd *et al.*, 2012). In contrast, some reported no significant influence of education on financial knowledge (Mandell, 2005; Huston, 2012). Filipiak and Walle (2015) found no statistically significant relationship between marital status and the financial knowledge level in India. In terms of employment status, low financial knowledge was prevalent among even working women (Bucher-Koenen *et al.*, 2016) as well as among unemployed (Lusardi and Tufano, 2009). Unemployed were more likely to answer financial literacy questions much worse than self-employed or workers (Lusardi and Mitchell, 2011). In terms of family background, respondents with high family socio-economic status were having less knowledge about their asset levels (Herd *et al.*, 2012). In context of socialisation, women were more likely to approach friends and family for financial advice and not the financial advisors (Bucher-Koenen *et al.*, 2016). There is a significant association between personal financial education and financial socialisation (John, 1999). Financial socialisation could be through formal or informal sources (John, 1999; Shim *et al.*, 2009; Lusardi *et al.*, 2010; Bucher-Koenen *et al.*, 2016).

2.6.3 Socio-economic and demographic factors and financial attitude. Several research studies have attempted to discover the socio-economic and demographic variables that seem to influence financial attitude. Regarding age, it was found that youth were less likely to think much about retirement planning (van Rooij *et al.*, 2009) and were more likely to have negative attitude towards planning (Lusardi and Mitchell, 2011). Older respondents were more likely to have higher inflation expectations (Bruine de Bruin *et al.*, 2010). In terms of gender, men were more likely to think more often about retirement planning (van Rooij *et al.*, 2009), more risk tolerant (Filipiak and Walle, 2015; Yu *et al.*, 2015), and had a positive planning attitude (Lusardi and Mitchell, 2008) relative to women. Individuals with low income were having relatively higher inflation expectations (Bruine de Bruin *et al.*, 2010). In terms of educational attainment, some studies reported significant association between educational attainment and attitude towards retirement planning (van Rooij *et al.*, 2009), between education and willingness to take risk (García and Tessada, 2013), while some observed no positive impact of studying personal finance on financial attitude (Mandell, 2006). Lower educated respondents were more likely to have higher inflation expectations (Bruine de Bruin *et al.*, 2010). In context of marital status, single (vs married or living with partner) individuals were more likely to have high inflation expectations (Bruine de Bruin *et al.*, 2010). In context of employment status, self-employed individuals displayed positive financial attitude towards retirement planning than working employees (van Rooij *et al.*, 2009). In context of socialisation, early parental socialisation is likely to be a factor in influencing the individual's idea about perceived importance of doing retirement savings during childhood (van Dalen *et al.*, 2010).

2.6.4 Socio-economic and demographic factors and financial behaviour. Several research studies have attempted to discover the socio-economic and demographic variables that seem to influence financial behaviour. Financial behaviour is likely to change over the whole life cycle (Agarwal *et al.*, 2009). Credit card use was most prevalent across all age groups for different purposes (Allgood and Walstad, 2013). Age significantly predicted the use of formal loans in India (Cole *et al.*, 2009). Young respondents were more likely to have less costly credit card behaviour (Allgood and Walstad, 2013), and were less likely to plan (Lusardi and Mitchell, 2011). Older respondents were more likely to have less costly credit card behaviour (Allgood and Walstad, 2013). In contrast, Huston (2012) reported that there was no impact of person's age on his ability to access low cost borrowing. In terms of gender, women were less likely to plan for retirement (Lusardi and Mitchell, 2008), and to have pension accounts (Herd *et al.*, 2012); women in Hong Kong were more likely to depend on their own after retirement for financial management due to rising trend of divorce there (Yu *et al.*, 2015). Married men were more likely to be involved in household financial activities than married women (Yu *et al.*, 2015). Cole *et al.* (2009) found gender to be a significant predictor of use of bank accounts as well as formal loans in Indonesia only and not in India. In contrast, Huston (2012) reported gender to be not an important variable in explaining variation in cost of borrowing and ability to access low cost borrowing. Individuals having high income were more likely to have a bank account (Klapper *et al.*, 2012). Last year income shocks were more likely to result in use of informal credit (Klapper *et al.*, 2012). Respondents suffering from sharp decline in income or having low income were more likely to be unable to judge their debt load (Lusardi and Tufano, 2009), and engage in retirement planning afterwards (Lusardi and Mitchell, 2011). Marital status was found to be a significant predictor of access to bank accounts in India (Cole *et al.*, 2009). In context of educational attainment, more educated were more likely to have a bank account (Klapper *et al.*, 2012; Cole *et al.*, 2009), earn more income on financial investments and retirement savings, have high credit scores and were less likely to declare bankruptcy in the USA (Cole *et al.*, 2012) and less educated were more likely to have informal credit (Klapper *et al.*, 2012; Cole *et al.*, 2009), no pension account (Herd *et al.*, 2012). More educated Chilean households were more likely to participate in financial market and vice versa (García and Tessada, 2013). While some other studies did not find any significant association between education and retirement planning (van Rooij *et al.*, 2009) and between studying personal finance course and financial behaviour (Mandell, 2006). In context of employment status, employment stability had a direct impact on individual's ability to access low cost borrowing (Huston, 2012). In terms of family background, single persons were more likely to have informal credit (Klapper *et al.*, 2012). In context of socialisation, formal socialisation sources like schools (Shim *et al.*, 2009) and informal socialisation sources like family (Lusardi *et al.*, 2010) impact the personal financial behaviour. Decisions regarding the retirement savings and when to opt for retirement were influenced by friends and colleagues (Duflo and Saez, 2002) and spousal influence (Henkens, 1999), respectively. Male workers had more spousal support for retirement savings (Yu *et al.*, 2015). Parents could be role models for their children by themselves saving for retirement (Bandura and Mischel, 1965). Economic socialisation, i.e. encouragement to save in early childhood has long lasting impact and influences the adulthood's economic behaviour (Webley and Nyhus, 2006).

2.7 Financial knowledge, financial attitude and financial behaviour

Some studies have also attempted to discover the interrelationship between these three dimensions of financial literacy. Klapper *et al.* (2012) found that person giving more correct answers to financial literacy questions were more likely to have a bank account. Lusardi and Tufano (2009) established a strong association between debt literacy and financial experiences and over indebtedness and found that less knowledgeable Americans were suffering from excessive debt loads or were doubtful about the appropriateness of their debt position, were engaged in high cost borrowing and less advantageous financial transactions and it was also found that borrowers, savers and payers in full displayed high level of financial knowledge and high cost borrowers seem to be financially weak and exhibit low level of financial literacy. van Rooij *et al.* (2009) identified a significant positive relationship between financial knowledge and retirement planning among households of the Netherland and found that financial sophistication boosted retirement planning. Lusardi and Mitchell (2011) found that more financially knowledgeable US respondents thought more about retirement planning. Huang *et al.* (2013) reported that having a child development account positively affect respondent's financial knowledge and they also supported the proposition that enhancing the financial capability required supportive policy and improved financial knowledge both. Nkundabanyanga *et al.* (2014) provided empirical evidence in a study of SMEs in Uganda that possessing financial literacy positively influenced access to formal credit and suggested that the Government should aim at promoting financial literacy so as to improve their access to finance. Huston (2012) argued the need of understanding of credit terms and markets for making credit decisions. van Rooij *et al.* (2009) established a strong positive association between financial knowledge and attitude towards retirement planning and thus, more financially sophisticated Netherland's respondents thought more about retirement. Inflation expectations were found to be higher among respondents who thought more about specific prices (while forming their inflation expectations) and about how to cover expenses (Bruine de Bruin *et al.*, 2010). Future orientation, i.e. the attitude of postponing the consumption for future benefit was positively correlated with retirement planning and saving (Burtless, 2006; van Dalen *et al.*, 2010). Risk tolerance, i.e. willingness to take more risk to fetch more return on investments was associated with retirement savings (Dulebohn, 2002; Jacobs-Lawson and Hershey, 2005). Allgood and Walstad (2013) found a significant positive association between actual and perceived financial literacy and credit card behaviour. Cole *et al.* (2009) identified a significant association of financial literacy with immense use of insurance in India and bank accounts in Indonesia and reported financial literacy to be the significant predictor of financial behaviour in developing economies and signalled the financial illiteracy as a significant barrier to financial inclusion. Agarwalla *et al.* (2013) found a significant positive association between financial knowledge and financial behaviour but found negative relationship between financial behaviour and financial attitude and found no association between financial knowledge and financial attitude.

3. Conclusion

After going through various studies related to the financial literacy, it has been observed that financial literacy has been of utmost interest to various researchers, organisations and economies since last two decades. Strong endeavour of the world economies to improve the financial well-being of their citizens has contributed to the rising importance of financial literacy for it equips the individuals to take quality financial decisions to enhance their financial well-being. Orienting households with the benefits of proficient management of savings products can positively influence their household welfare (Deuflhard *et al.*, 2015). Various studies have been conducted focusing on the different dimensions of financial literacy and also to assess the impact of different individual's socio-economic and demographic factors on their financial literacy level and it has been generally revealed that financial literacy level is low in the whole world that has become a cause of concern. That is why the studies are done so as to understand the influence of various factors influencing financial literacy because understanding the factors that contribute to or detract from the acquisition of financial literacy among youth can help in making policy interventions targeted at youth to enhance their financial well-being. In the previous studies, it has been found that in developing countries like India, Financial Literacy is low. Further, it has been evidenced that males generally possess better financial knowledge, financial attitude, financial behaviour and overall Financial Literacy relative to females. In India, the situation is same except in the female dominated states like Nagaland, Mizoram and Meghalaya (Filipiak and Walle, 2015). Youth tend to score low on financial knowledge, financial attitude, financial behaviour and financial literacy aspect. In most of the cases, high educational status was also found to be a significant indicator of high financial knowledge, financial attitude, financial behaviour and financial literacy. Usually along with these factors, employment status, family background as well as financial socialisation also influence financial knowledge, financial attitude, financial behaviour and financial literacy of an individual. Also most of the researchers have found interrelationship between financial knowledge, financial attitude and financial behaviour. In a study, Cole *et al.* (2009) found that the incentives as well as financial literacy training programme for households with low level of financial literacy were having modest effects on opening bank accounts. Considering all these findings of previous studies, the present study is imperative to assist in formulating policies specially targeted at youth after analysing the impact of specific socio-economic and demographic factors of youth on their financial literacy level.

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