

Descriptive Analysis of Financial Literacy among Youth

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Abstract: Financial literacy among youth have presently become a very important issue to a country because it is recognized that the financial literacy facilitate wealth accumulation. Through this study it has tried to explore the data related to financial literacy among youth. People have to face lots of financial issues through their life time in many places. Especially for the youth generation should have the ability to manage money and assets, investments, credit etc. Hence this study focuses to analyze the knowledge of financial literacy among youth. Sample of this study included randomly selected two hundred respondents those who have already completed their Advance Level studies in various streams in Sri Lanka. Study stream mainly divided in two main areas. As commerce and non-commerce. Various descriptive statistical techniques such as graphical representations, central tendency measures and measures of dispersion were used to analyze the data. Data collecting instrument used here was questionnaire. Questionnaire divided into six main areas as investments, taxation, credit, financial institution, currency and export import. Through the analysis it was investigated that literacy gap were widened among the youth according to their study streams in the areas investments and taxation. Apart from that less than 20% literacy gap were identified in the areas credit, currency, financial institutions and exports and imports. Further the measures of dispersion revealed that variation is higher among the male students. Therefore it can be concluded that the youth who were not studied in the field of commerce are in low level of financial literacy. This situation has confirmed by some scholars in literature as well. Hence most suitable solution for enhancing the financial knowledge among non-commerce students are to include the financial literacy education to the national curriculum and take necessary steps to popular the financial literacy education among youth.

Keywords: *Financial literacy, Youth, Study stream, Descriptive Statistics*

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1. BACKGROUND OF THE STUDY

Financial literacy is mainly used in connection with personal finance matters. It is often involve the knowledge of properly making decisions affecting to certain personal finance areas like Investing, Savings, planning, Credit, Financial institutions, Currency, Importing and Exporting. And it involves knowledge of financial concepts like compound interest, financial planning, mechanics of a credit card, advantageous savings methods, consumers' rights, and time value of money. The absence of financial literacy can lead to making poor financial decisions that can have adverse effects on the financial fitness of an individual.

People can understand basic financial concepts through the financial literacy. They may include basic concepts such as compounding of interest, trade-offs between risk and return, effect of inflation, and diversification. In fact, finance is a really complex subject. If a person does not much understanding in this area, his financial objectives can be very pathetic. But as the literacy it does not mean that a person has to be a

literary genius or a scholar. And financially literate does not mean that one has to be a specialist. Basic understanding can be helpful to make important advances in some important life decisions.

And also financial literacy is supportive to evaluating and finding other investment opportunities. Knowledge of financial literacy is very important to the day-to-day life in today's modern world and the global scenario. And financial activities contribute for the economic development and the inclusive development of a country. Hence it is very essential to improve the knowledge of financial literacy in Sri Lanka since the country is trying to reach higher standard of living.

11. PROBLEM STATEMENT

The term Financial Literacy is a common principle for everyone in the world. As a human being it has to face to a lots of financial issues throughout the life time. Though what is our gender, social state, profession people have to engage with many economic activities. In order to deal with proper economic activities, it is needed sufficient financial awareness. But the problem is many of the young people are not much aware about some financial areas such as Investment, Savings, Deposits, Lending, and Foreign Trade etc. Therefore doing a research is very much important to the generation of youth in Sri Lanka since there is no sufficient work on this regard in the literature.

11.1. SIGNIFICANT OF THE STUDY

It has recognized that financial literacy facilitate to wealth accumulation in stock markets and other places. Further it is important consequences for debt related decisions. Less literate tend to transact in high cost manners, high cost borrowings. Hence the financial Literacy education and understanding of several financial areas is timely important to the youth generation.

IV. LITERATURE REVIEW

Financial literacy is ensure the degree to which one understand key financial concepts and possesses the ability and confidence to manage personal finances through appropriate ,short term decision making and sound long-range financial planning ,while mindful of life events and changing economic conditions(Remund,2010).According to some scholars financial literacy has defined as “a combination of consciousness, knowledge, skills, attitudes and behavior necessary to make sound financial decisions and eventually achieve individual well-being” (Lusardi & Mitchell,2007, Mason & Wilson,2000,Baur et al,2000) .

Chen & Volpe in 1998 claim that business-major students have better understanding on financial and investment matters compared to other non-business major. Further they have mentioned that on average business major, answered more than half of the questions correctly. Andalso they conclude that participants from different class ranks have different levels of financial knowledge. However, it is reported that, even though accounting, economic and business students have been exposed to financial and investment subjects in their curriculum yet there were multiple mix decisions among them in order to make a proper decision. Thus, this study will examine whether there is any different in the financial literacy of students from different programs.

Norvilitis et al. (2006) found that in their research 74% of students had at least one credit card. Robb & Sharpe (2009) found that in their study 66% of Midwest students had at least one credit card andstudents used them. Nearly half reported using the card only for emergencies. Another 36% used it less than five times a month. Nearly 13% use their cards frequently. Interestingly, nine students (1.1%) reported using their cards more than once a day”

Vitt et al. (2000), found that financial literacy is the ability to read, analyze, manage, and communicate about the personal financial conditions that affect material well-being. It includes the ability to recognize financial choices, discuss money and financial issues without suffering, plan for the future and respond competently to life events that affect every day financial decisions, including events in the general economy. And according to some scholars financially literate individuals are: knowledgeable, educated and informed on the issues of managing money and assets, banking, investments, credit, insurance, and taxes. Understand the basic concepts underlying the management of money and assets and use that knowledge and understanding to plan and implement financial decisions. Further “financial literacy may be considered a vital skill for all consumer” (ASIC 2003).

Furthermore literature revealed that in the past scholars have tried to investigate the impact of financial literacy on financial behavior. It has been demonstrated to facilitate students' involvement in savings and investment, freeing themselves from debt, effective money management through living on a budget. Lacking

financial knowledge has often leads to financial difficulties in students' lives (Hibbert and Beatter,1991).So, increasing financial literacy can be effective strategy to improve the quality of lives and ultimately it leads to better decision making(Kaapp , 1991).

V.STREAM OF STUDY

There has a different financial literacy level among people according to the stream of study. The level of education and discipline (commerce and non-commerce) influence financial literacy among youth also. People are not receiving the financial knowledge necessary to be successful in today's fast faced economy. Those who have studied in Commerce stream have some knowledge about financial environment. As mentioned above Chen & Volpe in 1998 claim that business-major students have better understanding on financial and investment matters compared to other non-business major.

VI.DEFINITION FOR 'YOUTH'

UNESCO uses different definitions for youth. 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. Youth is a more fluid category than a fixed age-group. Moreover age is the better measurement to define the youth. Especially, it is often indicated that a person between the age where he or she may leave compulsory education, and the age at which he or she finds first employment is considered as youth. This latter age limit has been increasing, as higher levels of unemployment and the cost of setting up an independent household puts many young people into a prolonged period of dependency(UNESCO).The UN, for statistical consistency across regions, defines 'youth', as those persons between the ages of 15 and 24 years, without prejudice to other definitions by Member States. All United Nations statistics on youth are based on this definition, as illustrated by the annual yearbooks of statistics published by the United Nations system on demography, education, employment and health.

VII.OBJETIVE OF THE STUDY

Quality of life depends on individual's capacity to manage the lifecycle. It's need knowledge. The level of knowledge of a person attains and preserve related to financial affairs makes life easy. When making day today financial decisions financial literacy play a major patron. If individuals have knowledge outside the major financial concepts such as understanding relationship between risk and return, bonds, stock and basic asset pricing they can get effective investment decisions. Therefore, the objectives of this study is to detect underline trends and relationship about financial literacy among youth generation in Sri Lanka by using the descriptive statistical techniques.

VIII.METHODOLOGY

Sample and Sampling Technique

Respondents were selected through stratified random sampling technique since the population falls into natural groups and it was easier to divide the population into non overlapping groups. Within the strata simple random sampling technique was used to select the respondents(Thattil,1999).Accordingly two hundred respondents were selected to the sample by using random sampling method within the strata by considering their study stream as commerce and non-commerce from advance level students' in Sri Lanka.

Data Analysis and Discussion

Data and data collecting instruments

Primary data were used in this analysis and data collected via a questionnaire.

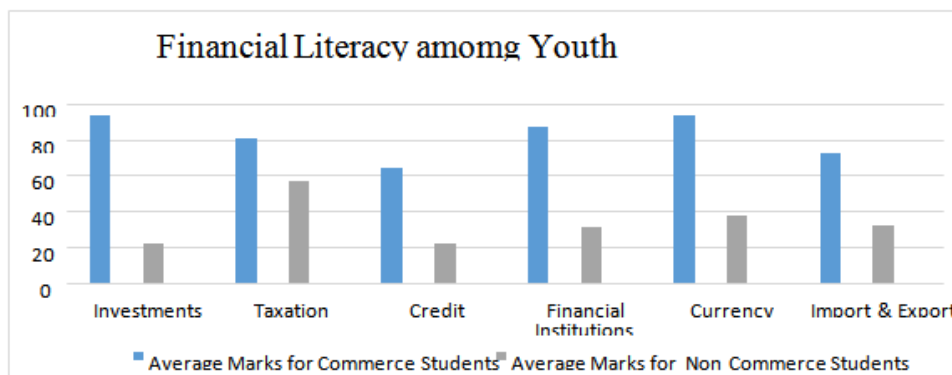
Questionnaire

Financial Literacy is evaluated through a Questionnaire based on six major areas. These six major areas are as follows and they were identified according to the past scholars findings.

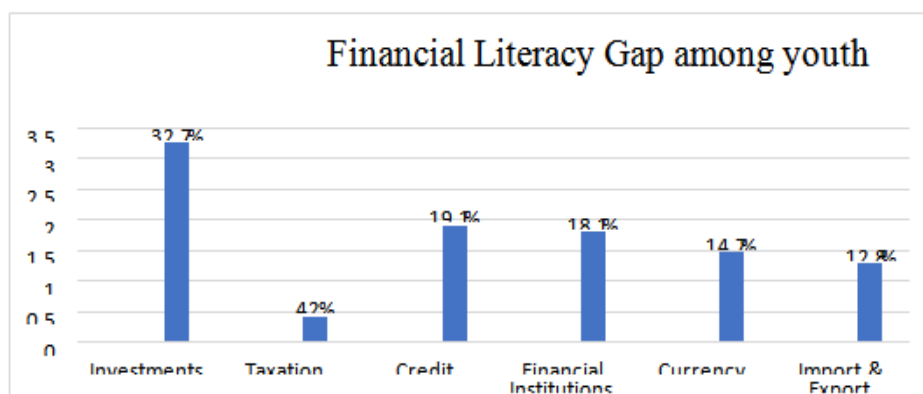
1. Investment & savings
2. Taxation
3. Credit
4. Financial Institutions
5. Currency
6. Import & Export (Foreign Trade)

Further the above mentioned six major areas were divided into small sub measures as to get clear understanding about financial literacy.

Data is presented using descriptive statistical techniques. Descriptive statistical techniques involves mainly two methods. One is Central tendency measures. The other one is Measures of dispersion. Descriptive statistics involve graphs and charts as well. The bar chart below describe financial literacy among respondents according to the average marks they obtained. It is every clear that every time students who learned in commerce have achieved to a highest level in in the literacy ability than the non- commerce students.



When looking at the financial gap between youth those who have learned in non-commerce and commerce following figure also shows some important investigation between them.



According to the above bar chart, it can be understand that there is a considerable financial literacy gap between commerce & non-commerce students.

When consider the “Investment Areas” non- commerce Students obtained the average 22 marks while commercestudents have obtained the average 94. Literacy Gap as a percentage value is 37.2%. Therefore it can be concluded that knowledge about investment is higher among students who are having the knowledge commerce. And there can be seen a 42% literacy gap between commerce and non -commerce students in the area of taxation also.

In the third area of financial literacy checking in this study, “Credit” is recorded the average of 22 marks for non-commerce students while commerce Students having the average of 64. There can be seen a 19.1% difference in literacy between Commerce and non-commerce students in the area “credit”.

The fourth area which is tested the knowledge “Financial institutions” recorded same situation as above. In this part non-commerce students have achieved the average of 31 while commerce students achieved 87. Here also recorded high level financial literacy in credit among commerce stream students than non-commerce students. And there is 18.1% literacy gap between Commerce and non-commerce Students.

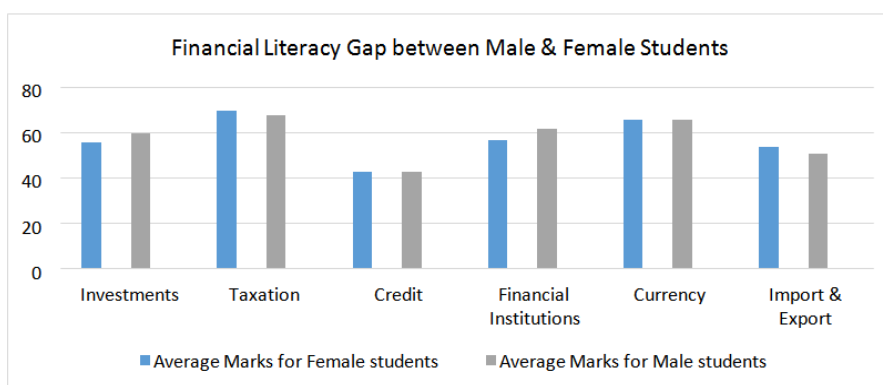
In the case of “Currency” Non-Commerce Students have achieved to the level of average 38 and commerce students achieved to the level of average 94. So there can be seen high level financial literacy knowledge among the respondents who have studied in commerce. The last area of literacy checking in the questionnaire is “Import and Export”. For the knowledge about import and export non-commerce students

recorded the average of 32 & Commerce Students recorded the average of 73. Knowledge gap recorded between them is 12.8%.

Comparison of Central Tendency Measures and Measures of Dispersion

Measurement	Commerce	Non-Commerce
Mode	82.3	34.5
Median	81.6	33.22
Mean	81.1	32.7
SD	9.83	10.59
Skewness	-0.122	-0.1473

When consider the measures of central tendency overall mean, median and mode values are higher among commerce students in the financial literacy checking. And standard deviations are closely related each other. But the two distributions shows same type of skewness that are negative.



In the case of “Investment” Male Student have recorded the average of 60 while Female Student have recorded the average of 56. There is only 7% literacy gap between Male & female.

In the case of “Taxation” male students recorded the average of 68 marks while female students recorded the average of 70 marks. There is 6% Literacy gap between male & female respondents. The worst responded area is “Credit”. While the male students have recorded the average of 43 and female students have recorded the same average mark. In the case of “Financial Institutions” Male students have obtained the average of 62 while the female students’ average is 57. There is 9% knowledge gap between males & females. In the case of “Currency” which is fifth part of the questionnaire having same knowledge among males and females. Both Male & Female students have been obtained average mark of 66 students and they performed equally.

The last part or the questionnaire is “Import and Export”. Male students have been obtained average of 51 marks while female students obtained 54 marks. Here female students have achieved to the level 6% in the financial literacy knowledge.

Coefficient of Variance

Above calculated Standard Deviations are absolute measures. Those can be used when considering one distribution. But when consider Comparative variance between Male Students literacy distribution and Female Students literacy distribution it should be used “Coefficient of Variance”. It is giving by

Coefficient of Variance = $SD \bar{x} * 100$. Hence the coefficient of variances for males and females are ;

Coefficient of variance for Male Students = $26.6855.9 * 100 = 47.7\% \sim 48\%$

Coefficient of variance for Female Students = $25.5556.5 * 100 = 45.22\% \sim 45\%$.

Coefficient of Variance for Male Students literacy level distribution is 48% while Coefficient of Variance for Female Students literacy distribution is 45%. That means literacy level distribution of male students has recorded higher variance than female students.

IX. CONCLUSION AND RECOMMENDATIONS

According to the analysis, respondents those who are having prior knowledge of commerce are higher than the others. And between these two parties is showing considerable knowledge difference. This performs a weakness in the current education system. Further the important areas of investments, taxation, financial are showing big knowledge gap according to the study stream. And the other prominent feature is males are showing higher knowledge in the area of investment and currency. The other important feature is when consider the overall marks of the respondents, higher variation recorded among the males. Females recorded low variation. Further the analysis revealed that the males and the females recorded dissimilar Knowledge. This type of investigation has been discovered by some researchers but they noted that it is not significant. (Harris/Scholastic Research, 1993; Chen & Volpe, 1998). As overall summary, most of the respondents do not indicate much understanding about financial process what they needed day today life. Therefore it can be recommended that there should be some mechanism to enhance the knowledge of financial literacy among the people at their school age.

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