

Financial Literacy among Young Adults

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Abstract

Financial literacy is an essential life skill that enables young adults to make informed financial decisions regarding saving, budgeting, investing, borrowing, and long-term financial planning. This review paper examines the importance of financial literacy among young adults, the factors influencing financial knowledge, the challenges they face, and strategies for improving financial capability. The paper concludes that strengthening financial literacy contributes to financial well-being, responsible decision-making, and sustainable economic development.

Keywords

Financial Literacy, Young Adults, Financial Education, Personal Finance, Investment, Budgeting, Financial Well-being

Introduction

Rapid economic changes, digital banking, online investment platforms, and expanding financial products have increased the need for financial literacy among young adults. As students and early-career professionals begin making independent financial decisions, they must understand budgeting, saving, credit management, taxation, insurance, and investment planning. Financial literacy empowers individuals to manage money effectively, avoid excessive debt, prepare for emergencies, and achieve long-term financial goals. Despite increased access to financial services, many young adults continue to face knowledge gaps that influence their financial behaviour and economic security.

1. Importance of Financial Literacy

Financial literacy helps young adults make informed decisions about income management, expenditure, savings, investments, retirement planning, and responsible borrowing. Individuals with stronger financial knowledge are more likely to develop healthy financial habits, improve financial resilience, and reduce the risk of financial stress.

2. Factors Influencing Financial Literacy

Financial knowledge is shaped by education, family background, socioeconomic conditions, access to financial information, digital literacy, and practical financial experience. Schools, universities, financial institutions, and government awareness

programmes all play significant roles in developing responsible financial behaviour among young adults.

3. Challenges Faced by Young Adults

Many young adults experience challenges such as limited financial education, rising educational expenses, credit card debt, digital financial fraud, impulsive spending, inadequate savings, and misinformation shared through social media. These issues highlight the importance of structured financial education and consumer awareness.

4. Strategies for Improving Financial Literacy

Financial literacy can be strengthened by integrating personal finance into educational curricula, promoting financial awareness campaigns, encouraging practical budgeting exercises, providing digital financial education, and improving access to trustworthy financial counselling. Collaboration among educational institutions, policymakers, and financial organizations can further enhance financial capability.

Conclusion

Financial literacy is a critical competency for young adults navigating an increasingly complex financial environment. Developing sound financial knowledge and responsible financial behaviour enables individuals to achieve greater financial security, make informed investment decisions, and contribute to sustainable economic growth. Continuous financial education should therefore remain a priority for educators, policymakers, and financial institutions.

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