



The Need for Financial Literacy Among Youth: A Descriptive Synthesis of Evidence and Policy Imperatives

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Abstract: *This descriptive paper examines the need for financial literacy among youth (approximately ages 15–29) by synthesizing pre-2020 international frameworks and national survey evidence, with emphasis on standardized measures combining knowledge, behaviour, and attitude. Drawing on OECD/INFE's three-pillar approach and India's 2018–2019 National Centre for Financial Education (NCFE) Financial Literacy and Inclusion Survey (FLIS), the paper documents persistent gaps among youths in everyday money management behaviours, uneven product engagement beyond basic bank accounts, and disparities by gender, location, education, and income. Youth generally underperform older age cohorts on behavioural metrics such as budgeting, affordability checks, and keeping a close watch on finances, which compounds risks of indebtedness and weak savings buffers across the life course. In India's 2019 baseline, only around a quarter of adults met composite financial literacy thresholds, with youth showing relatively better scores than older groups but still constrained by low knowledge and behaviour performance and limited inclusion in non-banking products such as insurance, pensions, and capital markets. The paper argues for age-targeted, behaviourally informed financial education integrated into schooling and early work transitions, coupled with a measurement regime aligned to OECD/INFE standards for tracking youth outcomes over time. Implications for curriculum design, pedagogy, and policy are discussed.*

Key Words: Financial literacy, financial education, financial behaviour, financial inclusion.

Introduction - Financial literacy has emerged as a foundational capability for young people navigating increasingly complex financial ecosystems characterised by digital payments, consumer credit proliferation, and diversified saving and investment options (OECD/INFE, 2018; OECD, 2019). Youth cohorts today face early exposure to financial decisions with long-term consequences for well-being, particularly in contexts where social safety nets are thin and market-based risk management tools such as insurance and pensions require informed participation (OECD, 2019). Pre-2020 policy measurement converged on a multidimensional definition of financial literacy—combining knowledge, behaviour, and attitudes—to reflect not only what individuals know but also how they manage money and whether they hold future-oriented orientations (OECD/INFE, 2018). Within this paradigm, youth-specific gaps are consistently observed, especially on behaviour metrics—budgeting, timely bill

payment, and affordability assessment—which are more predictive of day-to-day resilience than knowledge alone (OECD, 2019). The purpose of this descriptive paper is to synthesize up-to-2019 frameworks and evidence on youth financial literacy needs and to articulate programmatic and curricular implications for educators and policymakers (NCFE, 2019; OECD/INFE, 2018).

Conceptual Framework: Definition and Pillars - By 2019, the OECD/INFE framework had become a de facto international standard for assessing adult financial literacy, emphasizing three pillars: financial knowledge, financial behaviour, and financial attitudes (OECD/INFE, 2018). Financial knowledge encompasses understanding of concepts such as simple and compound interest, inflation, risk–return trade-offs, and diversification (OECD/INFE, 2018). Financial behaviour addresses practical money management, including budgeting, careful consideration of affordability, timely bill payments, active



monitoring of finances, and regular saving (OECD, 2019). Financial attitudes capture future orientation, such as a preference for long-term financial security over short-term consumption (OECD/INFE, 2018). The framework's strength lies in its explicit weighting of behaviour, reflecting the insight that functional capability depends more on what individuals do than on what they merely know (OECD, 2019). In addition, the OECD/INFE approach links financial literacy to financial inclusion through the assessment of product awareness, holding, and operating, thereby bridging capability with market engagement (OECD/INFE, 2018). This structure is particularly relevant for youths transitioning from dependence to independent financial decision-making, during which long-run habits are formed and reinforced (NCFE, 2019; OECD, 2019).

Why focus on Youth ?

Youth occupy a formative life stage in which financial habits are established, and early errors can compound over time through interest costs, fee accumulation, and missed savings opportunities (OECD/INFE, 2018; OECD, 2019). Early adulthood often coincides with first exposure to credit, online payments, and investment products, frequently without structured scaffolding in budgeting routines, savings discipline, or consumer-protection awareness (OECD, 2019). Prior to 2020, cross-national assessments indicated that younger cohorts often scored lower than older adults on behavioural components—keeping a close watch on finances, planning expenditures, and assessing affordability—behaviours that underpin resilience during shocks and predict day-to-day financial stability (OECD/INFE, 2018; OECD, 2019). Because behaviour carries substantial weight in composite financial literacy indices, youth behaviour gaps translate into increased risk of debt stress, irregular saving, and underutilization of risk-protection instruments such as insurance and pensions (OECD, 2019; NCFE, 2019).

Global and regional evidence up to 2019 - OECD/INFE-aligned assessments conducted before 2020 consistently showed

that younger adults typically underperform older adults on behavioural metrics even when knowledge levels are similar, indicating weaker routine money management among youth (OECD/INFE, 2018; OECD, 2019). Regional analyses from Europe and Central Asia, among others, reported that sizable shares of young respondents did not keep a close watch on personal finances and were less consistent with budgeting practices, implying lower day-to-day financial discipline despite exposure to modern financial products (OECD, 2019). These findings suggest that interventions should target habit formation and practical money management—budgeting, affordability checks, timely bill payment, and savings automation—rather than emphasizing conceptual knowledge alone (OECD/INFE, 2018; OECD, 2019). India's 2018–2019 baseline: NCFE-FLIS

The National Centre for Financial Education (NCFE) conducted the Financial Literacy and Inclusion Survey (FLIS) from mid-2018 to late-2019 using OECD/INFE methods over a nationally representative adult sample exceeding 75,000. The composite financial literacy score—requiring minimum thresholds across knowledge, behaviour, and attitude—was achieved by only about 27% of adults nationally. Disaggregated results indicated 49% meeting the knowledge threshold, 53% meeting behaviour, and 89% meeting attitude, identifying knowledge and behaviour as the binding constraints. Urban residents outperformed rural, males outperformed females, and higher education and income groups exhibited higher literacy. While the 18–29 age bracket often registered comparatively higher literacy than older groups, the absolute levels remained moderate, with many youths failing behaviour thresholds that matter most for practical resilience.

Youth positioning and inclusion landscape - Beyond literacy, the 2019 inclusion baseline highlighted a critical gap: high access to basic bank accounts coexisted with low inclusion in non-banking financial products (insurance, pensions, and capital market instruments). Youth, even when



banked, often lacked exposure to diversified, regulated products that support risk management and long-term asset building. State-wise disparities were significant, with some territories achieving much higher overall inclusion than large, populous states with lower inclusion—a structural challenge for youth in low-inclusion regions. For students and early-career individuals, the survey's occupational breakdown implied relatively weaker practical capabilities compared to government and private employees, pointing to an unmet need for structured, applied financial education early in life.

Behavioural gaps that matter -

Behavioural deficits—limited budgeting discipline, weak monitoring of finances, and inadequate affordability checks—were consistently observed among youth across comparative analyses. Given the heavier weight assigned to behaviour in composite scoring, these deficits materially reduce youths' overall literacy. More importantly, they portend real-world vulnerabilities: higher likelihood of missing bill payments, revolving debt burdens, insufficient savings buffers, and reactive rather than planned use of financial products. Addressing these gaps requires pedagogies that build routines and decision processes, not just conceptual instruction.

Measurement and comparability -

Standardisation through OECD/INFE's pillars and scoring thresholds enables comparability across countries and over time. The NCFE-FLIS adoption of this framework permits calibrated tracking of youth progress and the identification of specific levers—knowledge versus behaviour—to target. On the inclusion side, measuring awareness, holding, and operating of products distinguishes superficial access from meaningful engagement. For youth, this distinction is crucial: awareness alone does not ensure correct product usage or resilience during shocks.

Determinants and disparities among youth - Pre-2020 Indian data reveal systematic gradients associated with gender, location, social category,

education, and income. These disparities intersect with youth outcomes during education-to-work transitions, where females, rural residents, and lower-income groups face compounded disadvantages. Without intentional inclusivity in youth financial education, these gradients risk becoming entrenched across the life course, with implications for broader goals of equitable financial inclusion and economic mobility.

Policy and programmatic implications

- Target behaviour, not just knowledge: Curricula should prioritize budgeting practice, regular bill-payment routines, affordability assessments, and building savings buffers, using applied exercises and real-world scenarios.
- Scaffold product engagement: Move beyond bank account access to phased exposure to regulated saving instruments, insurance (health, life, and general), retirement products, and basic capital market vehicles, emphasizing suitability and consumer protection.
- Embed early: Integrate financial education into secondary and higher education, vocational programs, and first-job onboarding, aligning content with developmental stages and contextual financial choices.
- Localize and segment: Tailor programs by region, gender, and socioeconomic status; leverage state-level dashboards to allocate resources where inclusion and behaviour scores lag.
- Leverage standardized measurement: Use OECD/INFE-aligned tools for repeated assessment to evaluate program impact on youth knowledge, behaviour and attitudes.

Curriculum and pedagogy guidance - A youth-focused curriculum aligned to OECD/INFE should cover:

- Foundational concepts: inflation; simple and compound interest; risk-return; diversification.
- Practical money management: budgeting templates; expense tracking;



affordability and trade-offs; setting up automatic savings; debt management basics.

- Product literacy and consumer protection: regulated providers; key features and costs; reading statements; disclosures; fraud and grievance redress.

Monitoring and evaluation - Programs should incorporate baseline and follow-up assessments aligned to OECD/INFE, with disaggregation by age bands (e.g., 15–17, 18–24, 25–29), gender, education, and region. Outcome indicators should include:

- Behaviour metrics: frequency of budgeting, on-time bill payment, affordability checks, savings regularity.
- Product engagement: awareness, holding, and operating across banking and non-banking domains.
- Resilience: presence of emergency funds, insurance coverage, and avoidance of costly debt.

Regular reporting enables course correction and supports evidence-based scaling.

Limitations - This descriptive synthesis is restricted to evidence and frameworks available through 2019, which predates widespread pandemic-era shifts in digital financial behaviour and literacy initiatives. While the OECD/INFE standard offers comparability, local adaptations and youth-specific psychometrics may yield additional nuance in future studies. Country-level findings (e.g., India's NCFE-FLIS) may not generalize to other contexts without considering institutional and market differences.

Conclusion - The pre-2020 evidence base shows that youth face distinct and consequential financial literacy gaps, particularly in behaviours that drive day-to-day stability and long-run resilience. Even where bank account access is high, meaningful engagement with non-banking products remains low, and disparities by gender, location, education, and income persist. Policy responses should therefore prioritize

early, behaviourally informed financial education, scaffolded product engagement, and standardized measurement to track youth outcomes. Embedding practical financial capability into the transition from schooling to work can reduce lifetime vulnerability and improve financial well-being for the next generation.

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