



A Study on the Extent of Financial Literacy among Tech-Savvy Young Adults in Mumbai City

Pruthvi Pokar¹, Deep Wadukul², Dhairya Bhanushali³, Ashwamedh Nair⁴ Asst.
Prof. Ms Falguni Mathews⁵

1(Student, TYBFM, (SIES College of Commerce and Economics)

2(Student, TYBFM, (SIES College of Commerce and Economics)

3(Student, TYBFM, (SIES College of Commerce and Economics)

4(Student, TYBFM, (SIES College of Commerce and Economics)

Guide: Ms Falguni Mathews (Asst Professor)

Corresponding Author- Pruthvi Pokar

Abstract

After seeing the financial impact of coronavirus on many families, young adults in Mumbai are now getting interested in investing through different avenues using mobile phones and many other applications available at the tips of their fingertips, to save for their own and their family's future. They are also getting aware of the benefits of investing and through these investments, especially through their very own device, they know that they can achieve their personal and financial goals. An online survey method containing 20 questions was used to get information from the respondents in Mumbai city. 43 tech-savvy respondents filled out the survey that was distributed via Google Forms. The result of the survey showed that young adults who invest or trade via online mode in different avenues are financially literate, whereas those who do not, either using technology or don't do at all, were interested to know more about finance and investments. One thing that can be seen is that they have a strong attraction towards the world of finance using digital tools.

Keywords: Young adults, Financial literacy, Finance, Trading, Investments, Tech Savvy, Digital Instruments

Introduction

A devastating pandemic like “The Coronavirus” (2020-2021) awoke individuals, especially young adults to realize the necessity of educating themselves about financing, investing and trading as the capital required can be as minimum as five thousand rupees. Financial literacy analyzes various skills such as personal financial management and other aspects related to finance. An adequate level of financial literacy is necessary for the overall well-being of young adults and their future. It helps an individual to formulate short and long-term plans accordingly. Financial education, financial inclusion and financial stability are three important components of an integral strategy. The research will help to understand the shortcomings faced by young adults when it comes to investing or trading and help them understand what and how investing and trading are different from each other and what these young adults are

into. Some financially literate students who are self-taught use electronic means and applications like youtube, linkedin, investing.com, and trading view to get their selves educated.

Review of Literature

To understand financial literacy among young adults in Mumbai we prepared, distributed and reviewed questionnaires. Our goal with this research paper is to understand and comprehend the data that we have collected. We have asked a few very basic questions about a young individual's finances. Our questions revolved around personal finances on the lines of investing, trading, different brokers, using benchmarks when investing, and trading using archaic guesswork.

Sobhesh Kumar Agarwalla, Samir K. Barua, Joshy Jacob and Jayanth R. Varma published a paper in 2013, which concluded that Indian youth have similar levels of knowledge and understanding of

finance. Social-economic situations do have a lot of influence on one's financial literacy. Also, higher levels of financial education did not equate to greater or better financial literacy as this topic is multi-dimensional.

Naman Jain, Miloni Sanghani, Nidhi Surana, Nihal Sohal and Peeya Barath published a paper which concluded that traditional methods of spreading financial awareness are ineffective. The "Mutual funds sahi hai" campaign is the most well-remembered financial ad campaign. They also suggested that financial education can be made a subject in schools and colleges to inculcate the basics right from the beginning. They also suggested a separate campaign specifically for women, who are becoming a part of the workforce but have very little financial knowledge.

Dr Vijetha S. Shetty and Baby Jaison Thomas concluded that the financial knowledge of students in Mumbai is poor when compared to global standards. India needs financially literate youth as it embarks on high economic growth as the growth wouldn't be meaningful without well-educated masses.

Mr Hazlaili Binti Hashim, Mr Andy Lim Yee Chee, Mr Yeo Sook Fern, Mr Anushia Chelvarayan and Mr Khairol Nizat Bin Lajis concluded as Malaysia marches towards becoming a developed nation by 2025 youth having financial skills are very important for the country. Universities should inculcate financial literacy as one of the subjects for graduation. Families always perform better financially if they start planning their finances early on.

Ms Aina Caplinska and Ms Alina Ohotina concluded young people need more awareness towards their finances and their inner workings. The Ministry of Education and Science, the Ministry of Finance, as well as local governments, should improve their cooperation to ensure the accessibility of additional information about financial literacy.

Objectives of the Research

1. To find out the financial awareness of young adults based in Mumbai city.
2. To gauge the quality of financial awareness.

3. To understand the penetration and reach of financial education among young adults.
4. To understand how they are involved in the finance domain.

Statement of the problem

1. Unawareness about personal finance among young adults.
2. No information on the existence of discount brokers to youth as they save 90% or more on brokerage than traditional brokers.
3. Youth not having about increasing capital allocation towards assets rather than mundane expenses like spending on fast fashion, restaurants, etc.

Scope of the Study

The study is limited to the age group of 15-25 years. Data were collected from college students and fresher or interns who were from Mumbai city and studying in commerce, science and arts streams. 43 responses are collected in total. An online questionnaire was circulated to cover major areas of personal financial knowledge among the participants. The survey includes 16 financial questions. The study focuses on investment and trading patterns along with money management and financial literacy among the students.

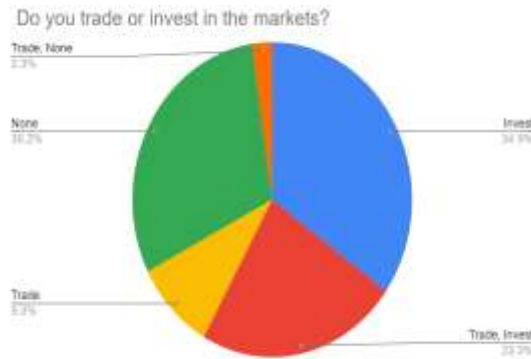
Limitations of the Study

1. Mumbai city was taken into consideration, and not any other city.
2. The age limit was 15-25 years which included young adults.
3. Only people who were aware of finance were able to understand the questions.
4. The questionnaire was in only one language which is English.
5. Certain jargon was used which was difficult for some to understand.

Research Methodology

Primary and secondary data were used for the formation of the research paper. In the primary data, a questionnaire was spread across the college and other known contacts of the mentioned age group. A total of 43 answers were received out of 100 that we have spread to the college students in Mumbai city. Secondary data was taken from the google scholar website, and different research papers mentioned in the bibliography.

Data Analysis and Interpretation 1.Do you invest in the markets?



Trading or investing is the most used term that participants in the market use when it comes to participating in the stock markets. According to the pie chart above, around 34.9% of the respondents chose the option invest which denotes that they only invest in the stock market. Investing in the stock

market is very different from trading in the stock market as investing requires a longer time commitment invested in different assets as compared to trading in the stock market. Trading in the stock market requires a shorter time commitment being involved in the stock market.

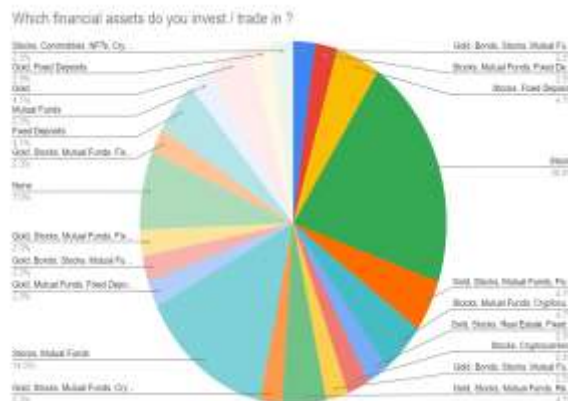
2..For how long have been trading and investing?



81% of respondents are new investors in the markets. As the study is aimed at young adults most of the respondents are recent graduates or pursuing graduation. Those individuals have recently achieved financial

freedom, as we can see they have a chance, and they have started to invest in markets. 14% of respondents are invested in markets for 2 to 5 years. 4.7% of respondents are in markets for more than 5 years.

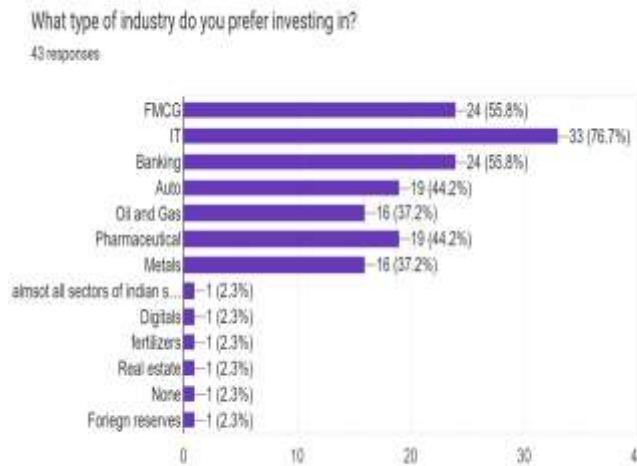
4.Which financial assets do you invest/trade-in?



Investing in financial assets such as gold, bonds, stocks, mutual funds, real estate, fixed deposits, commodities, NFTs, cryptocurrency and other such assets is one of the ways that investors can use to build their wealth over a longer time frame. Most asset investors prefer to park their money in our stocks or equity. 76.6% of the respondents chose stocks as their investments. The next asset respondents have invested in our mutual funds.48.8% of the respondents have chosen the option of

mutual funds. A mutual fund is a professionally managed investment fund that pools money from many retail investors to purchase securities such as stocks, bonds etc. The next investment tool preferred by 39.5% of respondents is fixed deposits, which are considered safe and traditional investments by many investors. 34.9% have chosen gold as their preferred investment avenue. Gold is considered a defensive investment among the people as it is a safeguard against inflation.

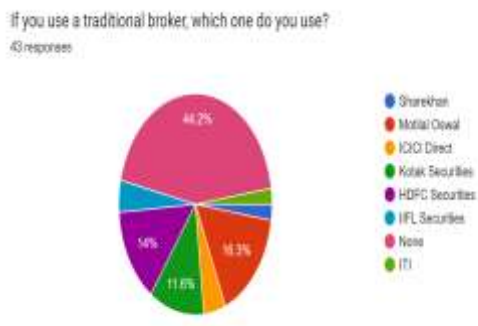
5. What type of industry do you prefer investing in?



Investors and traders participate in the stock market by investing or trading companies in companies representing different sectors. 76.7% of the respondents chose the IT sector as the preferred sector of investing. The IT sector is a flourishing sector in the economy and the majority of the stocks representing the major indices are IT sectors. An equal percentage of respondents, 55.8% of the total number of people have chosen FMCG and

banking as the sector of stocks they invest their funds in. This is followed by the Auto and the Pharma sector, where 44.2% of the total respondents have chosen these sectors. Oil Gas and Metal follow with an equal 37.2% of the respondents choosing these sectors of stocks to invest in. An equal percentage of respondents have chosen digital, fertilizers, and real estate and 2.3% have chosen these options.

7.If you use a traditional broker,which one do you use?

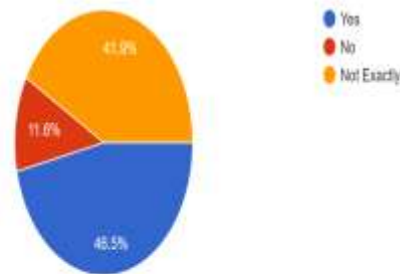


Traditional brokers provide a vast assortment of products and services to their customers. These services include securities trading, investment advice, retirement planning, management of investment portfolios etc., in exchange for a hefty commission. They are a part of the stock market as an intermediary along with

discount brokers. 44.2% of the respondents do not use the services of traditional brokers. 16.3% of the respondents use Motilal Oswal as their traditional broker. This is followed by HDFC securities and Kotak securities with 14% and 11.6% of the respondents using their services respectively.

8. Do you use a particular benchmark when investing long term or short-term?

Do you use a particular benchmark when investing long term and or short term?
43 responses

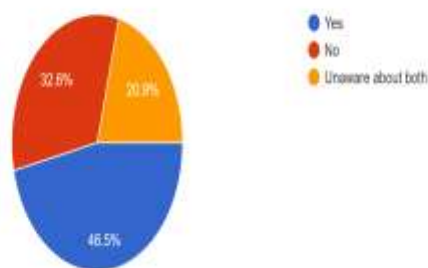


The above pie chart indicates whether respondents rely on benchmarks while making their investment decisions. According to 46.5% of respondents do rely on

benchmarks while investing, irrespective of tenure. While 41.9% prefer to rely on their research and analysis before investing in any asset classes.

10. Do you follow a rule of diversification and rebalancing in your portfolio?

Do you follow a rule of diversification and rebalancing in your portfolio?
43 responses



This question is added to further understand respondents' mindset and their knowledge of diversification and rebalancing of one's portfolio. Around 46.5% of the respondents believe and follow the rule of diversification

and rebalance of the portfolio according to the movement of the market, whereas 32.6% of respondents do not believe in the above-mentioned formula.

Recommendations

1. Understand Different Financial Products

Before investing, an investor must analyze different financial products, and understand their working mechanism and the associated risks. By doing so, they can gauge if the product is in sync with one's risk tolerance and objectives or not. For instance, if

someone likes assured returns and gets unnerved by the slightest volatility, it doesn't make sense to invest in market-linked products such as stocks and mutual funds.

2. Start Small

It's advisable to start small and stagger one's investments. This is especially true if someone is investing in equities for the first time. Equities are a volatile asset class. If they initially lose a large amount of money, it leads to a bitter investing experience.

3. Have a Financial Goal

Investing without a financial goal is akin to sailing a ship without radar. Financial goals lay the blueprint for one's investment and help to identify the investment avenues one should choose to achieve them. They must invest depending on their goals and the amount needed to achieve them.

Conclusion

The main purpose of this research paper was to identify the extent of Financial Literacy among young adults in Mumbai who use technology to invest or trade. In conclusion to all the interpretations, we observed that most of the respondents are financially literate to the extent that they observe the important difference between trading and investing and are aware of different investment avenues. We interpreted this based on some basic questions the respondents responded to wisely. As a part of our first objective, it was observed that many of our respondents based in Mumbai city, the financial capital of India, are financially literate and equipped with the latest digital tools. Based on the survey conducted, it was observed that the respondents preferred investing over trading in the long term and participating in the market in this exact capacity. The majority of the respondents were from a commerce background, a few from science followed by arts, comparatively science students were more updated with the tech world. On observation, it was clear that a commerce background has a greater affinity for being financially literate as compared to science and arts. This could be due to a lack of awareness among respondents about financial literacy as the former emphasizes a lot on investing, trading and the stock markets as compared to the other two. In conclusion, some respondents are financially literate and possess quality knowledge about finance whereas a few are still not that aware of finance. Nevertheless, India is a developing country and there is a lot to achieve and explore in the field of FinTech, hopefully, one day India will be a developed and financially literate country very soon.

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