



FINANCIAL LITERACY AND ITS IMPACT ON ACHIEVING FINANCIAL INDEPENDENCE FOR INDIVIDUALS

Mr.Sunny Masand^{1*}, Mr.Maulik Chandnani²

Abstract

Navigating the transition from financial dependence on parents to achieving financial independence is a crucial phase for students, as well as for employees such as teachers and HR managers. This study aimed to assess the current financial knowledge of individuals, and their interest in learning more, and to explore the impact of financial literacy on achieving financial independence. In today's challenging economic environment, having a sound financial plan is essential for survival, prompting us to investigate the level of financial knowledge among both students and employees. The majority of responses were from students, followed by employees, with 52.9% being male and 47.1% female participants in our research data. The collected data indicates that financial literacy plays a significant role in an individual's life and influences their aspirations for achieving financial independence.

Keywords: Financial Literacy, Financial Independence, Financial Education, Employees, Students, Finlet, Self-Reliance

^{1*,2}Assistant Professor-RNB Global University-Bikaner

***Corresponding Author:** Mr.Sunny Masand

*Assistant Professor-RNB Global University-Bikaner

DOI: 10.53555/ecb/2022.11.6.75

Introduction

Attaining Financial Independence is a crucial concept for individuals, their parents, and society at large. Parents typically desire their children to become self-reliant, breaking away from perpetual dependence. However, the journey to achieve Financial Independence is time-consuming and can be tedious, requiring patience. To reach this goal, individuals must focus on prudent savings, investing surplus funds in financial instruments, and maintaining composure while awaiting favorable outcomes. While these are secondary factors, the primary determinants revolve around the individual's knowledge of finance. The slow progression in acquiring financial knowledge is attributed to educational institutions not adequately imparting the necessary information and skills to students.

Review Literature

Given the limited research on this topic, we have reviewed some related papers. An early study offers a definition of financial independence for students, considering them financially independent if they reside in a group living arrangement, live alone in a non-institutional environment, join the military, or leave home for marriage. Notably, children living in institutional housing, such as at college, or those with income who still reside with their parents, are not classified as financially independent according to this study (Whittington and Peters, 1996).

- Economic factors such as wages for both male and female or welfare income receipts for female have been found to be important determinants of financial dependence (Whittington and Peters, 1996).
- Employees Financial Independence depends on their work environment, job security and desire to achieve are some of the determinants of financial independence. (DeMarco and Berzin, 2008)

Research Design

Research Topic: A study on financial literacy and how it affects an individual's financial independence. **Statement of the Problem:** Impact of financial literacy in achieving financial independence among students and employees.

Objectives

- To understand and analyze an individual's financial literacy.
- To find out if Financial Literacy really plays a role in achieving individual's financial independence.

Methodology: Descriptive Research

Scope: To study and analyze impact of financial literacy of an individual's in achieving financial independence.

Data: Primary Data

Method of Data Collection: Information available on internet, Questionnaire

Sampling Methods and Sizes

- Simpler random sampling
- Purposive Sampling

Data Analysis

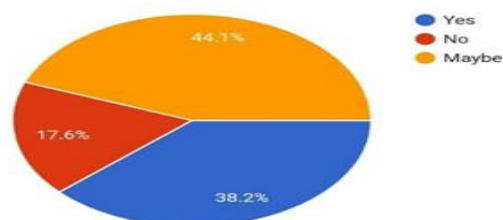
- 67.6% agree that without Financial Literacy, one cannot achieve Financial Independence and 32.4% believe that one can achieve Financial Independence without much knowledge about Finance.
- According to the data obtained 85% of the population believed that the topic 'Financial Literacy and Financial Independence should be added to the Curriculum.

When asked the Question 'Is the current financial literacy enough to over come any financial crisis they may face in future?' 47% of the population were unsure while 32% believed that 'Yes', they can!

When asked if without knowing the above chosen source of finances one would be financially independent? More than 65% of the population was in favor of the comment.

On a rating of 0-5, when asked about an individual's confidence in achieving financial Independence. 38.2% of the population scored 3 and 4 each while 23.5% rated them as 5.

With your current financial literacy are you confident in becoming financially independent?



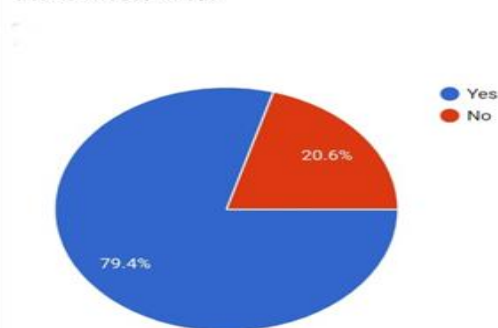
Analysis

- All agree that in today's world, Financial Literacy plays a vital role in an individual's financial independence.
- Majority of the people insist on Building Emergency Funds.
- Most prefer investing in Gold and Silver

followed by Stocks, Real Estate and Mutual Funds.

- Our Data showed that Employees maintain a monthly budget by Building Emergency Funds and with Students, only a few and the rest (Students) don't maintain a monthly budget due to a lack of source of income.
- Also, when asked if their "present Financial Literacy is enough to achieve Financial Independence", most of the Employees and few students have agreed with the statement but the rest i.e., most of the students are doubtful if they achieve or not.

Financial literacy is often believed to be the source of financial independence. Do you believe in the statement?



Findings and Suggestion

Major findings and suggestion sare:

- Almost all are interested in Increasing their financial knowledge.
- 85.3% of the respondents agree and suggest that the concepts of Financial Literacy and Financial Independence should be added to the Education System.
- All of the respondents stand with the statement "Higher a person's financial literacy is, higher the chance of him achieving financial independence."
- We asked if "Financial literacy affects an individual's financial independence?" and some of the answers were
- "Financial literacy is the knowledge necessary to make important financial decisions. It can help with decisions about budgets, debt, and investing."
- "Yes, I believe that a financially literate person will have better decision making skills and knowledge that will reduce the chance of being financially dependent on someone. Everyone should be financially independent at least for basic human requirements."
- "Yes, without knowledge, we can't invest in a proper scheme or plan and without proper knowledge, our investment will never stand us

with financial independence".

Conclusion

Financial literacy is a major life skill one needs to have as it increases your financial capability. Planning finances, managing budgets and savings should be taught right from the school days. However, it's never too late to learn about it.

One can improve financial literacy by understanding the components of it. One can always begin their investment journey even after one turns 50. But starting early has its benefits. The sooner you start, the better it is.

So, we can conclude that Financial Literacy does play a very vital role in helping one achieve Financial Independence.

References

Financial literacy and the need for financial education-Swiss Journal of Economics and Statistics.

Financial literacy is the way to an individual's financial independence-Financial Express, Written by Priyadarshini Maji Financial Literacy Can Help Lead Towards Financial Independence-Forbes, written by Julia Carlson Factors associated with financial independence of young adults-2014, International Journal of consumer Studies, written by Jing Jian Xiao The influence of education and experience toward investment decision moderated by financial literacy-Polish Journal of Management Studies Financial Literacy Among Working Young in Urban India - Indian Institute of Management Ahmedabad

References

1. Agarwalla, Sobhesh Kumar, et al. "Financial Literacy among Working Young in Urban India." *IIMW.P. No. 2013-10-02*, 2013.
2. Carlson, Julia M. "Financial Literacy can Help Lead towards Financial Independence." *Forbes*, 2022.
3. Fachrudin, K.R., and K.A. Fachrudin. "The Influence of Education and Experience toward Investment Decision with Moderated by Financial Literacy." *Polish Journal of Management Studies*, vol. 14, no. 2, 2016, pp. 51-59.
4. Lusardi, Annamaria. "Financial literacy and the Need for Financial Education: Evidence and Implications." *Swiss Journal of Economics and Statistics*, vol. 155, 2019.
5. Maji, Priyadarshini. "Financial Literacy is the Way to an Individual's Financial Independence." *Financial Express*, 2022.
6. Ramakrishnan, R. "Financial Literacy-The Demand Side of Financial Inclusion." 26th

SKOCH Summit, 2011.

7. Whittington, Leslie A., and H. Elizabeth Peters. "Economic Incentives for Financial and Residential Independence." *Demography*, vol. 33, no. 1, 1996, pp. 82-97.
8. Xiao, JingJian, et al. "Factors Associated with Financial Independence of Young Adults." *International Journal of Consumer Studies*, vol. 38, no. 4, 2014, pp. 394-403.