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Financial Literacy and How it and Affects an Individual's Financial Independence

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Abstract

Students are in an important transition period from financially depending on their parents to becoming financially independent. The same went with the Employees (Teachers, HR Managers, etc) but now they have a source of income and are solely dependent on themselves. The purpose of this study was to identify an Individual's current financial knowledge, their interest in knowing and learning more and to finally know if financial literacy really affects an individual's financial independence among Students and Employees. In today's world, in order to survive one must have a proper plan about finance and how they can achieve financial independence, so we decided to research about how much knowledge the working employees and students have in order to find out if the financial literacy really have an effect on Financial Independence. We got most of the responses from students followed by employees and 52.9% were male and 47.1% were females who were a part of our research data. And the data collected shows that Financial Literacy does plays a very important role in individual's life and his/her desire to achieve Financial Independence.

Keywords Financial Literacy, Financial Independence, Financial Education, Employees, Students, Finlit, Self Reliance

Introduction

The concept of Financial Independence is very important for an individual, his/her parents and the society. No parents would like their children to rely on them for life. But the process of achieving Financial Independence takes a lot of time and is a boring journey for people with no patience. In order to achieve that, one has to make proper savings and invest their excess into any financial instruments, stay calm and patient and hope for the best. Those are the secondary factors but the main primary factors are how much knowledge they possess about Finance. The process in obtaining the knowledge is slow because the school/college aren't teaching students the required knowledge and information they need.

Review Literature

Due to lack of research done in this topic, we have reviewed some similar papers:

- One early study defines the student to be financially independent if she or he resides in a group living arrangement, alone in a non-institutional environment, joins the military, or leaves the home for marriage. Children living in institutional housing such as at college or children who have income but still live with parents are not considered financially independent (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 analyse 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 analyse 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

- Simple random sampling
- Purposive Sampling

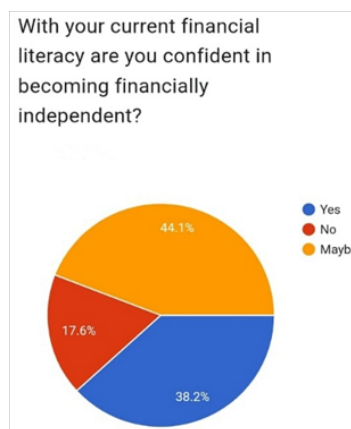
Data Analysis

- 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 overcome any financial crisis they may face in future?' 47% of the population were unsure while 32% believed that 'Yes' they can!.

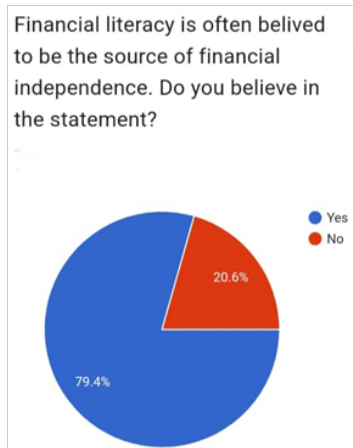
When asked if without having the knowledge about the above chosen source of finances one would be financially independent? More than 65% of the population was in favour of the comment.

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



Analysis

- All agree that in today's world, Financial Literacy plays a vital role in a 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 actually 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 upon the statement but the rest i.e., most of the students are doubtful if they achieve or not.



Findings and Suggestion

Major findings and suggestions are:

- 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
 1. “Financial literacy is the knowledge necessary to make important financial decisions. It can help with decisions about budgets, debt, and investing.”
 2. “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.”
 3. “Yes without knowledge we can’t invest in 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 they turn 50. But starting early has its own benefits. The sooner you start, the better it is.

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

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