



Building a Foundation for Financial Success: The Role of Financial Education in Shaping Children's Money Management Habits

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DOI - 10.5281/zenodo.14936603

Abstract:

Financial education plays a crucial role in shaping children's attitudes and behaviors toward money management. The financial landscape becomes increasingly complex, it is essential to adopt young individuals with the knowledge of money management as it increases the power of problem solving and skills needed to navigate economic challenges effectively. This paper explores the importance of early financial education in building a strong foundation for future financial success. It highlights the role of schools and parents in delivering impactful financial education. Ultimately, this paper talk about importance of financial education into children's lives, emphasizing its potential to empower the next generation with the tools necessary for achieving financial stability and success.

Key words:*Financial literacy, financial inequalities, Budgeting, investment options, saving goal.*

Introduction:

In an increasingly complex global economy, the ability to manage personal finances has become an essential life skill. Early financial education plays a crucial role in shaping everyone's life. As children grow, they are exposed to a wide array of economic decisions that influence their financial futures. Unfortunately, many children lack the foundational knowledge required to navigate these decisions effectively, leading to poor financial habits which may be harmful for future. Building a foundation for financial success requires not only knowledge but also the development of critical thinking skills and good financial habits at an early age of 14-15 years. Financial education, therefore, has the potential to positively impact children's financial decision-making and increase the power of thinking.

This research is about the role of financial education in shaping children's

money management habits and its long-term effects on their financial well-being. By examining current educational practices, identifying gaps, and proposing effective strategies, this study seeks to contribute to the growing field of financial literacy and its impact on youth development. As per new education policy financial management is skilled based subject which should be included in schools, but still some of schools have not adopted it. schools should include this subject to promote financial literacy among the children. Even parents are facing the problem to develop good financial habits in their children about this subject as children are getting money easy handed and have no value of it.

Problem Statement:

Despite the growing recognition of the importance of financial literacy, many children lack the necessary education to

develop strong money management habits as some schools have still not included it as a subject. Inadequate financial education can lead to poor financial decision-making, which may result in long-term economic challenges, such as debt traps, fail to recover losses and lack of savings. The problem lies in the limited integration of financial education into school curricula and the insufficient focus on teaching essential money management skills during childhood. As a result, children may not be able to manage their financial responsibility when they grow up.

Objectives of the Study:

1. To examine the current state of financial education in schools and its impact on children's financial decision-making.
2. To identify the key factors that influence spending habits of the children.
3. To provide recommendations for integrating financial education into early childhood learning frameworks and curricula.
4. To know the effectiveness of different educational approaches and tools in teaching children about money management.

Literature Review:

Siti Sukenti (2023): This review serves as an educational resource for professionals, students, and researchers by clarifying the essential concepts and definitions of financial management. It bridges theoretical understanding with practical applications, making it valuable for decision-makers in the finance sector. It examines the methods and tools used to

assess returns and manage financial resources effectively.

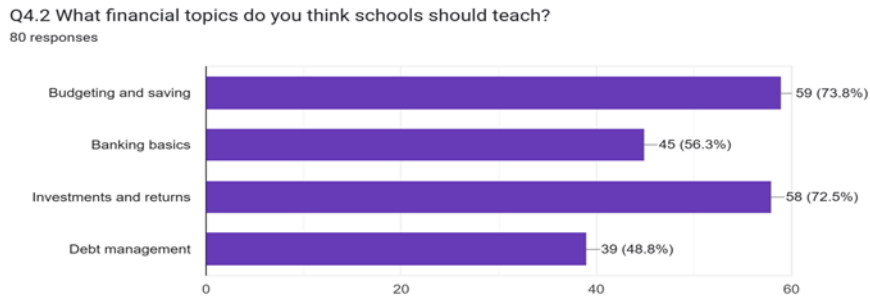
Dew and Xiao (2011): The Financial Management Behavior Scale is a robust and reliable tool that contributes to the understanding and improvement of financial management behaviors. This research measures financial management behaviors across several dimensions, including budgeting, saving, debt management and financial planning.

Eli A. Atatsi, Edem M. Azila-Gbetor, Harriet Akuma-Zanu, and Christopher Mensah (2023): The study highlights the importance of financial literacy and proper management of personal finances in achieving higher levels of satisfaction and well-being in life. It examines the impact of financial management practices on life satisfaction and explores the mediating role of financial satisfaction in this relationship.

Importance of Early Financial Education:

There is need of financial education in early age of children of 14-15 years as there are many reasons. Nowadays money is important for survival on this earth. No money in pocket then there is no value, for betterment of future as in future if there is loss or virus like covid-19, you can use your saved money for your survival, it also increases our power of problem solving etc. According to the 2024 Global Multidimensional Poverty Index (MPI), 1.1 billion people in 112 countries are living in poverty. This is about 17.5% of the world's population. And if money management is not taught to the youth the poverty will rise more.

Data Analysis:



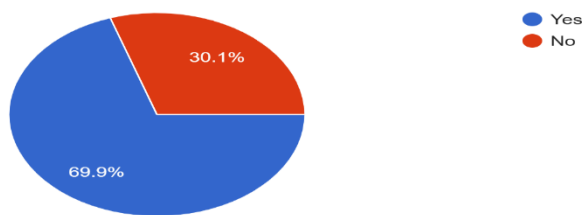
This chart represents what schools should teach in finance management subject. The most recommended topics are "Budgeting and saving" (73.8%) and "Investments and returns" (72.5%), closely followed by "Banking basics" (56.3%). "Debt management" is the least prioritized topic, with only 48.8% support. The responses indicate a strong preference for practical financial literacy skills to be part of the school curriculum. These results says that schools should prioritize budgeting and investment

education to meet the majority's expectations.

Role of Schools:

Schools plays an important role in the education of financial management subject. As per new education policy skill subject should be included in the schools then to 30.1% that is one-third of schools don't have this subject. This absence can limit students understanding of vital life skills related to budgeting, saving, and managing finances.

Q3.1 Has your school taught you about managing money?
93 responses



Benefits of Financial Education:

In the survey it was asked that what are benefits of this subjects in early age of 14-15 years and the answers were, it helps avoiding debts, helps to understand the value of money, build healthy habits of saving, financially free in future, helps to reduce poverty and financial inequality, helps in asset creation and good financial portfolio, etc. Overall, early financial education equips

individuals to make informed decisions and build a stable financial future.

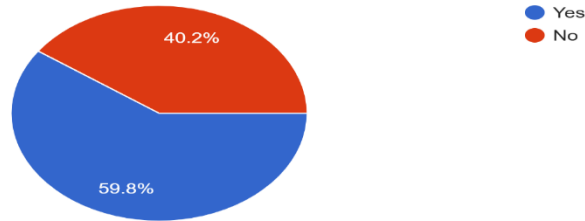
Challenges faced while teaching money management subject to Students:

In the survey it was asked that what are challenges faced while teaching this subject to students. Some common challenges faced while teaching this subject were lack of knowledge, no value

of money, analyzing charts, lack of examples, lack of training and resources

needed to effectively teach financial literacy, etc.

Q4.1 Do you have bank Account?
92 responses



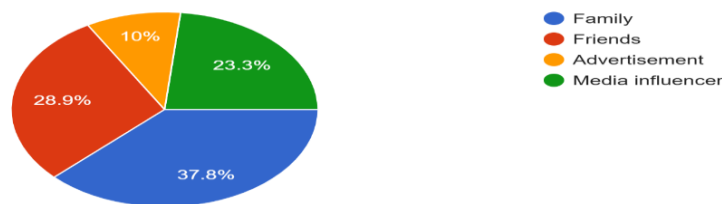
Analysis of Bank Account Ownership among Respondents:

The chart shows that 59.8% have a bank account, while 40.2% do not. This indicates that a majority of individuals have access to banking services, but a significant portion still don't have bank accounts. The data suggests a need for increased awareness and initiatives to promote financial inclusion among the population. Early exposure to financial literacy could help bridge this gap, particularly for younger individuals. Expanding access to banking is crucial for fostering financial independence and security.

Influencers of your spending habits:

The data indicates that family is the most significant influence on spending habits, with 37.8%, followed by friends at 28.9%. Media influencers have a moderate influence at 23.3%, while advertisements have the least impact, contributing only 10%. The results tell that personal relationships play a stronger role in shaping spending habits than external marketing, which highlights the importance of trust and social connections in consumer behavior.

Q3.3 Who influences your spending habits the most?
90 responses

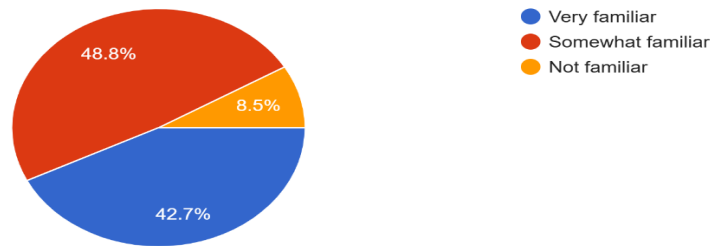


Familiarity with Alternative Investment Options :

The majority of respondents (48.8%) are somewhat familiar with alternative investment options. A significant portion (42.7%) is very familiar with these investment vehicles, indicating a strong awareness of alternative investment options. While

only a small percentage (8.5%) of people are not familiar with these alternatives. This suggests that there is a general awareness of such options, with most people having at least some level of understanding. The data also indicates that financial literacy regarding alternative investments is relatively high.

Q4.3 How familiar are you with alternative investments like mutual funds, SIPs, or cryptocurrency?
82 responses

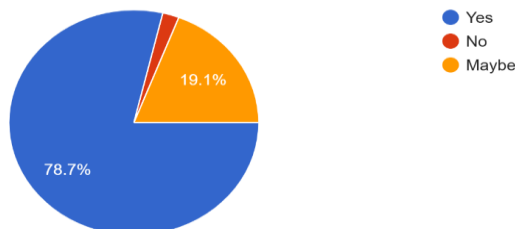


Financial Management Boost Career:

The data indicates that a significant majority (78.7%) believe financial management is beneficial for career growth, highlighting its importance in professional development. Only a small percentage (2.2%) feel it does not contribute. A notable portion (19.1%) is uncertain, which may reflect a lack of understanding of the subject's practical

applications or its relevance to their specific career paths. Overall, the "Yes" response underscores the general consensus that financial literacy is a valuable skill. This suggests institutions and individuals should prioritize integrating financial management education into career planning.

Q4.5 Do you think financial management subject will help to boost your career?
94 responses

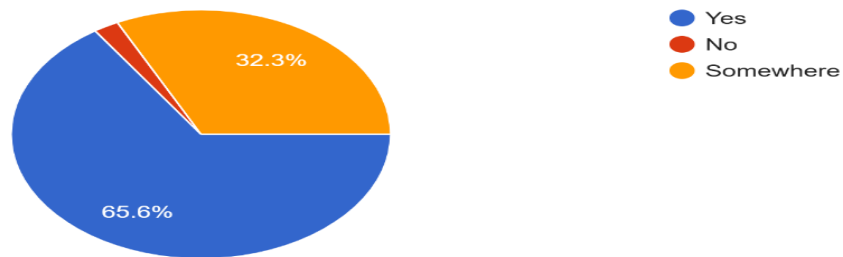


Impact of Financial Management on Problem-Solving Skills:

A significant majority (65.6%) believe that financial management enhances problem-solving skills, indicating a strong connection between understanding financial concepts and developing critical thinking abilities. A smaller group (32.3%) feels that it somewhat improves problem-solving skills, suggesting some variability in how individuals perceive its impact. Only a small minority (2.2%) disagree, indicating that very few think financial management doesn't contribute to problem-solving. This data highlights that financial education is generally seen as beneficial for strengthening analytical skills. This shows that the subject helps in improving problem solving skills.

Q4.6 Does it increases power of problem solving skill?

93 responses



General Information:

1. Only 27% of Indian people are in finance sector and out of it 24% know about financial management which means still 76% of people don't know about money management.
2. Only 33% of world's population is in finance sector.
3. Finance is necessary for the arrangement of physical facilities and human satisfaction.
4. Financial management is a process that organizes financial activities from planning, implementation and control to financial accountability.
5. Financial management behaviour is the acquisition, distribution, and use of financial resources directed toward a personal goal constituting financial management behaviour.

5. Keep lectures on budgeting and savings for children as per their age.
6. Children should be taught smart spending choices by parents.
7. Parents should discuss about financing/ money management at home with their children.
8. Government should promote finance management by keeping webinars related to it.
9. School should start bank where students can deposit their monthly/weekly pocket money. So students can gain practical experience in banking operations, including transactions and documentation.

Suggestions:

On the basis of above data here are some of the suggestions-

1. Schools should introduce skill subject in curriculum syllabus and should make this subject mandatory for all the students.
2. Introduce students about some basics of banking.
3. Use real-life examples to teach students for better understanding.
4. Introduce some basic investments ideas in school.

Conclusion:

At the end of this research, there should be financial management subject in every school at the early age of student. It is important for teens to learn about money management for avoiding future financial problems. Parents and teachers should teach their children about different investment options, saving habits and budgeting. Parents should talk to their child about impact of peer pressure or advertisement or societal norm on their spending habits. There should be lectures related finance management in every school for students

because knowledge that they acquire might stick with them for the rest of their life.

References:

1. "Financial management practices and life satisfaction: Mediating effect of financial satisfaction,"

authored by Eli A. Atatsi, Edem M. Azila-Gbetteor, Harriet Akuma-Zanu, and Christopher Mensah.

2. "Financial Management Concepts: A Review." of Siti Sukenti
3. "The Financial Management Behavior Scale," authored by Dew and Xiao.