Financial Literacy of Young Adults in Higher Education: Do They Master the Key Concepts?

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Abstract
Financial literacy is one of the main skills that adults must acquire in order to make a right financial-decisions throughout their lives. Most of the adults learn and face with financial literacy concepts in their university years. This study analyses the financial literacy level of students in North American University and examines the learning sources of the students. To analyse the level of financial concepts that students are aware of, survey was conducted among different departments of the university, number of total participants are 181. The findings reveal that students know in moderate level basic financial concepts like inflation, interest rates. However, students have almost no awareness about long-term financial planning, investment risks and mortgage structure. Study also found that there are no significant learning sources for students to learn Financial literacy. Study suggests that universities should beside classical lecturing use “Blended Learning” teaching method and cooperate with financial institutions to deeply teach Financial Literacy to the students.

Keywords: financial literacy, financial concepts, financial education, teaching methods

Introduction

In today's era, where Artificial Intelligence (AI) and Smart Finance are revolutionizing the financial landscape, providing financial services has become more accessible and convenient than ever. With a single click on a smartphone, individuals can apply for loans, send money, pay bills, manage their budget, and even trade international assets, including cryptocurrencies (Malani, 2024). However, along with these advancements, users face significant risks, such as financial scams, fraud, and potential monetary losses (Yu et al., 2022). Additionally, the easy availability of credit, attractive payment conditions, and frequent sales promotions often encourage impulsive spending and unintended shopping, leading to excessive debt and severe financial distress (Lusardi & Streeter, 2023).

To reap the full benefits of these accessible financial services and reduce the associated risks, improving financial literacy is crucial. Financial literacy empowers individuals to make informed financial decisions, understand complex financial products, and recognize potential threats. Studies show that individuals with higher financial literacy are less likely to fall victim to financial scams (Kasim et al., 2023; Umar & Dalimunthe, 2024; Yu et al., 2022) and are better equipped to avoid impulsive spending, manage finances effectively, and create long-term sustainable financial plans (Lusardi & Streeter, 2023). Furthermore, Lusardi and Streeter (2023) found that financial literacy enhances overall well-being.

The significance of financial literacy has led to increasing interest, particularly among young adults, including university students. Financial literacy is typically defined as the ability to understand and effectively use various financial skills, such as personal financial management, budgeting, and investing (Lusardi & Mitchell, 2014). Studies have highlighted alarmingly low financial literacy levels among young adults, both in the U.S. and globally (Lusardi & Tufano, 2015).

The concept of financial literacy has evolved over time. Remund (2010) redefined it as the ability to understand and apply financial skills such as budgeting, investing, and financial planning. More recent definitions emphasize not just knowledge, but practical competence in making sound financial decisions (U.S. Financial Literacy and Education Commission, 2020). Financial literacy covers a wide range of competencies, including understanding inflation, risk diversification, investment strategies, stock markets, and emerging fields like cryptocurrency. In a rapidly evolving digital financial landscape, it is imperative that students acquire these competencies for long-term financial well-being.

Financial literacy also aligns with several global goals, including the United Nations Sustainable Development Goals (SDGs). It supports poverty reduction (SDG 1) by enabling individuals to manage personal finances effectively (Delgadillo et al., 2024). It fosters gender equality (SDG 5) by ensuring equal access to financial education (Mittal, 2024) and contributes to inclusive economic growth (SDG 8) through better financial decision-making (Chandel & Arora, 2024). These broader social benefits underscore the importance of promoting financial literacy both at the individual and institutional levels.

This study examines the financial literacy of students from various departments at North American University (NAU) in Houston, Texas. It assesses their understanding of core financial concepts such as inflation, risk diversification, investment, the stock market, cryptocurrency, and basic numerical skills relevant to finance. Furthermore, it investigates how financial literacy influences students' future financial behaviors, considering factors like attitudes, intentions, and subjective norms.

Financial Literacy Among Adults and College Students in the United States

In the U.S., the financial literacy of adults leaves much to be desired. According to a World Economic Forum report, the financial literacy level among U.S. adults has remained around 50% for the past eight years, with a 2% decline in the past two years (World Economic Forum, 2024). Additionally, 65% of Americans live paycheck to paycheck, only 44% can cover a $1000 emergency expense from savings, 28% have no savings, and 39% lack a retirement plan (ExcelinEd, 2025). Alarmingly, financial literacy among college students is even more worrying. Studies show that only 38% of Gen Z and 45% of Gen Y exhibit sufficient financial literacy (Moneyzine, 2025). This lack of financial knowledge contributes to the growing issue of student loan debt, which totals $1.7 trillion in the U.S. (USA Today, 2024). The average borrower graduates with over $45,000 in debt (National Center for Education Statistics, 2021), and many students are unaware of alternative repayment options, struggling to meet financial obligations (Consumer Financial Protection Bureau [CFPB], 2024).

While these statistics highlight the need to enhance financial literacy among adults and college students, they also prompt the question: Why do college students end up with such significant debt? Many studies attribute this to financial illiteracy, as students lack the skills and knowledge to manage their finances effectively (Dewi et al., 2019; Lusardi & Tufano, 2015; Ninan & Kurian, 2021). As a policy recommendation, experts suggest incorporating financial literacy education early on, such as including it in high school and college curricula (Bastedo, 2019; Mandell, 2008; Ranjan, 2024). However, without deeper analysis of students' financial behavior, such recommendations risk oversimplifying the issue. It is essential to identify the specific factors influencing students' financial decisions to develop effective educational policies.

Bridging Financial Literacy Gaps in Higher Education

Financial literacy has become a critical issue in higher education. College students face unique challenges, including managing student debt and planning for future financial stability. Many students are required to make complex financial decisions but lack the necessary knowledge or skills to do so. This gap between financial responsibility and capability underscores the importance of studying financial literacy among young adults.

To address this gap, several studies suggest integrating comprehensive financial education into higher education curricula. Research shows that structured financial education improves students' financial knowledge and confidence (Lusardi & Mitchell, 2014; Mandell & Klein, 2009). Effective financial education programs often combine theoretical instruction with practical exercises, such as budget simulations, investment games, and real-life case studies (Fernandes et al., 2014). Research also emphasizes the importance of tailoring financial education to students' life stages and career goals. For example, first-year students may benefit from content on budgeting and debt management, while graduating seniors need more advanced investment and retirement planning strategies (Cude et al., 2006).

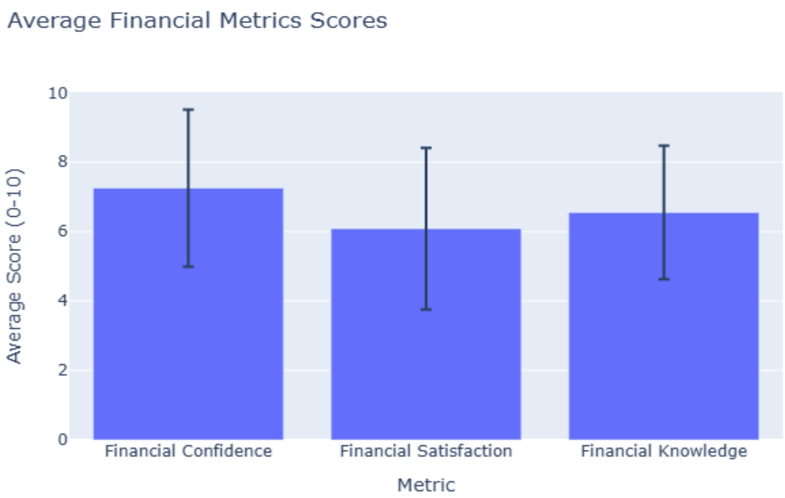
Despite these efforts, many students still struggle with basic financial concepts such as inflation, interest rates, and risk diversification (Chen & Volpe, 1998). Research has also shown that students with higher financial literacy tend to display more responsible financial behaviors, including lower credit card debt, higher savings rates, and better investment diversification (Lusardi, 2019). However, the financial literacy rates among young adults remain alarmingly low. According to the U.S. National Financial Capability Study, only 24% of young adults demonstrate basic financial literacy (U.S. Financial Literacy and Education Commission, 2020). Among 15-year-olds, only 16% achieve a proficient level of financial literacy, indicating that the issue often begins well before students enter college.

This knowledge gap contributes to widespread financial stress, with 70% of students reporting significant financial anxiety (Financial Literacy and Education Commission, 2024).

One of the major concerns is student loan debt. In the U.S., 42.2 million individuals hold federal student loan debt, totaling $1.75 trillion (Forbes Advisor, 2024). Unfortunately, many students do not fully understand the terms and repayment obligations of their loans (Financial Literacy and Education Commission, 2024), leading to widespread regret, with 61% of borrowers expressing remorse about the amount of debt they took on (Citizens Bank, 2019). These findings highlight the real-world consequences of financial illiteracy and its impact on students' future economic well-being.

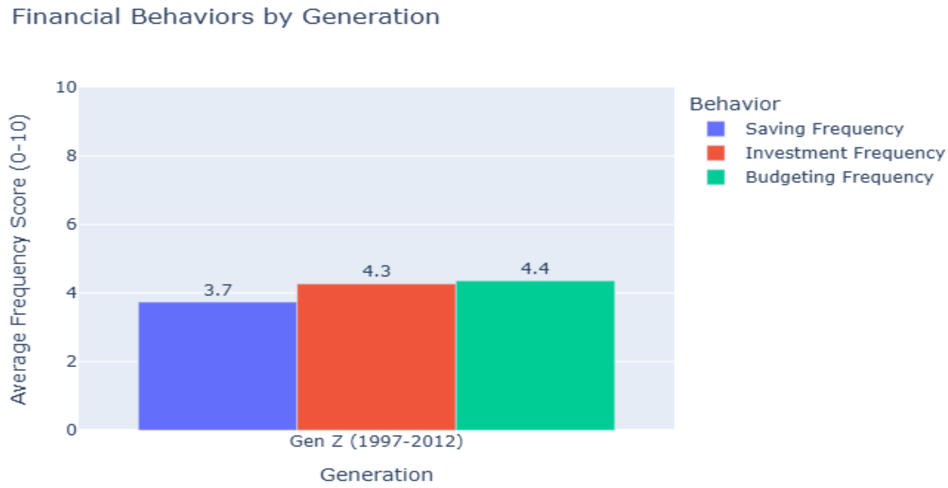
Results and Discussion

Figure 1: Financial Metrics: Confidence, Satisfaction and Knowledge



According to the results of our survey in NAU, Financial confidence has the highest average score, having slightly above 7 points out of 10. This shows that students have confidence about their financial abilities. However, Financial Satisfaction of the students are at the lowest average score, around 6, which indicates that they are less satisfied with their financial situation compared to their confidence and knowledge. Having the lowest financial satisfaction can be interpreted as even students feel confident and informed about financial literacy, they are still not satisfied with their financial situation. This can be because of external financial pressures as debts or uncontrolled expenses etc. Knowledge lays between satisfaction and confidence. Showing that students feel overconfident within having low knowledge about financial literacy.

Figure 2: Financial Literacy by Generation



If we look to the generations, scores as 3.7, 4.3 and 4.4 out of 10 seems to to moderate but inconsistent behavior. It is not strong, but not as extremely weak either. This shows that students have moderate level of knowledge about budgeting and investment with lower frequency in savings. This suggests that financial habits are not firmly established in Gen. Z students. In addition, we can conclude that there is a significant gap for improvement saving, investment and budgeting habits among students.

Figure 3: Understanding Financial Concepts

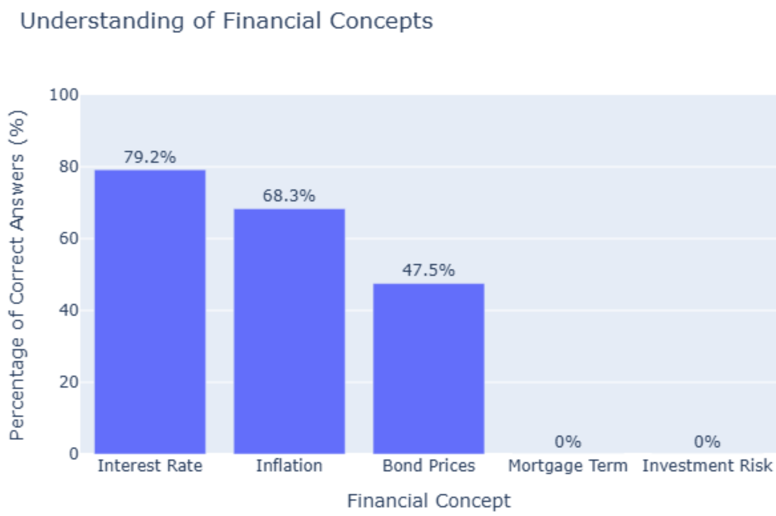
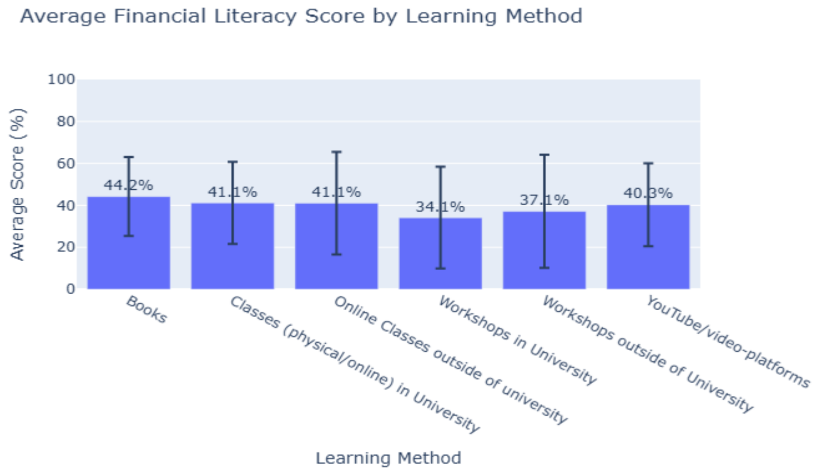


Figure 3 shows that students know in moderate level the basic financial concepts as interest rates and inflation. However, more complex and less used terms as bond prices, mortgage terms, and investment risk are poorly understood or completely unfamiliar. Students are not familiar with mortgage and investment risk concepts which is really concerning, because these concepts are crucial for long-term budgeting and financial decision making. These findings suggest that we must focus more on complex concepts as investment strategies, risk management and mortgaging in our educational process, particularly in the course of Personal Finance.

Figure 4: Learning Methods of Students



We also wanted to know from where students learn financial literacy. Results show that there is no significant learning method that helps students to improve their financial literacy. All the leaning sources have the moderate impact on students' learning of Financial Literacy. These findings suggest that just traditional methods as courses in class is not enough for students to deeply learn financial literacy. Universities can use combined teaching methods as "Blended learning" where students also learn more from different sources (books, YouTube, podcasts, discussion, workshops, trainings and application of the concepts in real cases etc).

Conclusion

In conclusion, we can say that while students know basic concepts of Financial Literacy in moderate level, they are struggling in practical financial decision-making and long-run financial planning concepts like mortgage structure, investment risks and financial markets. From these results we suggest universities to integrate into the curricula of their educational program regardless of the faculty or department Financial literacy courses. This course should be one of the required courses especially for freshmen students. Moreover, Financial Literacy courses should be taught in a practical way with the partnership of financial institutions as banks or stock markets etc. By combining traditional lectures with real cases from financial institutions and other digital tools, self-paced online modules, "Blended learning" teaching method can be used to deeply learn, apply and analyse financial concepts of the students.

Declaration of Generative AI and AI-Assisted Technologies in the Writing Process

For analysing the data quadratic.ai was used and for the proofreading the mainscript and organizing the references Chat GPT was used.

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