Darshan - The International Journal of Commerce and Management ISSN: 2583-1682 (online) Volume - 3, Issue - II, December -2023
Bi-Annual double-blind peer-reviewed International Journal
Paper Submission Date: 23rd Nov 2023 Paper Sent Back For Revision: 29th Nov 2023 Paper Acceptance Date: 05th Dec 2023

"A Study on Financial Literacy among Millennials & Gen Z"

Ms. Jainisha Dharmendra Pandya

Assistant Professor, Christ Institute of Management, Christ Campus, Rajkot - 360005, India

Email: cajenishapandya@gmail.com

Abstract:

This research investigates the levels of financial literacy among Millennials and Generation Z, two demographic cohorts navigating a rapidly evolving economic landscape. As these cohorts face unique financial challenges, such as rising student debt, changing job markets, and technological advancements, understanding their financial literacy is crucial for fostering economic resilience and well-informed decision-making.

The study employs a mixed-methods approach, combining surveys and interviews to gather quantitative and qualitative data on the financial knowledge, attitudes, and behaviors of Millennials and Gen Z individuals. The research explores key areas of financial literacy, including budgeting, savings, investment awareness, debt management, and comprehension of financial instruments.

The findings shed light on the current state of financial literacy within these cohorts, identifying strengths and areas requiring improvement. Additionally, the study examines the impact of various socio-economic factors, educational backgrounds, and digital engagement on financial literacy levels. By understanding the nuances of financial literacy within Millennials and Gen Z, policymakers, educators, and financial institutions can develop targeted strategies to enhance financial education initiatives and empower these generations to make informed financial decisions, ultimately contributing to their long-term financial well-being.

Keywords:

Financial Literacy, Millennial, Generation Z, Financial Education, Economic Resilience, Financial Challenges, Student Debt, Job Markets, Technological Advancements, Financial Knowledge, Attitudes, Behaviours, Budgeting, Savings, Investment Awareness, Debt Management, Financial Instruments, Socio-economic Factors, Educational Backgrounds, Digital Engagement, Financial Decision-making, Policy Implications, Empowerment, Long-term Financial Well-being.

INTRODUCTION :

In the ever-evolving landscape of the global economy, the financial well-being of individuals is intricately linked to their ability to navigate a complex web of financial decisions. Among the contemporary demographic cohorts facing the challenges of the 21st century, Millennials and Generation Z stand at the forefront. Defined by unique socio-economic experiences, these generations encounter a dynamic interplay of factors such as rising student debt, shifting job markets, and the pervasive influence of technology. Within this context, the imperative of financial literacy becomes increasingly apparent as a cornerstone for informed decision-making, economic resilience, and long-term financial stability.

This research embarks on a comprehensive exploration of the financial literacy levels among Millennials and Generation Z, recognizing their distinctive financial landscapes and the implications for their futures. By delving into the nuances of financial knowledge, attitudes, and behaviors, this study seeks to unravel the intricacies of how these cohorts perceive and engage with the multifaceted realm of personal finance. Understanding the strengths and weaknesses in their financial literacy is not merely an academic pursuit; it is a vital step toward equipping these generations with the tools they need to navigate the uncertainties of an ever-changing financial terrain.

Employing a mixed-methods approach that combines quantitative surveys and qualitative interviews, this study aims to provide a holistic perspective on the financial literacy of Millennials and Generation Z. Beyond mere measurement, the research will examine the impact of socio-economic factors, educational backgrounds, and the role of digital engagement in shaping financial literacy levels. The ultimate goal is to unearth actionable insights that can inform policymakers, educators, and financial institutions on how to tailor financial education initiatives to the specific needs of these cohorts, thereby empowering them to make informed financial decisions and build a foundation for lasting financial well-being. As we embark on this exploration, we recognize the significance of enhancing financial literacy as a catalyst for empowering the Millennials and Generation Z to navigate the intricacies of their financial futures.

Millennial Generation :

The Millennial generation, born roughly between the early 1980s and the mid-1990s, has emerged as a transformative force in the realms of culture, technology, and societal expectations. Often characterized by their unique experiences and attitudes, Millennials, also known as Generation Y, came of age in a world undergoing profound changes.

Raised during a period of rapid technological advancement, Millennials witnessed the rise of the internet, the advent of social media, and the digitalization of daily life. This digital native generation is marked by its familiarity with technology, adaptability to change, and a keen awareness of the interconnected global landscape.

Millennials are often described as a diverse and socially conscious generation, valuing inclusivity, diversity, and sustainability. Shaped by events such as the 9/11 attacks, the Great Recession of 2008, and the accelerating pace of globalization, Millennials have developed a pragmatic and resilient mindset in the face of economic uncertainties and geopolitical shifts.

Educationally, Millennials are known for their pursuit of higher education and an emphasis on acquiring skills that align with a rapidly evolving job market. They entered the workforce during a time of economic flux, with changing job dynamics, the rise of the gig economy, and an increasing reliance on technology in the workplace.

In terms of communication, Millennials were at the forefront of the social media revolution, using platforms like Facebook, Twitter, and LinkedIn to connect, share, and influence. Their communication style is often characterized by a blend of digital fluency, authenticity, and a desire for meaningful connections.

As Millennials progress through various life stages, including career advancement, homeownership, and family formation, their impact on societal norms and expectations continues to evolve. Understanding the values, aspirations, and challenges of the Millennial generation is essential for businesses, policymakers, and educators seeking to engage with and adapt to the changing dynamics of a world shaped by their influence. In this exploration of Millennials, we delve into the key characteristics and experiences that define this generation, providing insights into how they have shaped and continue to shape the contemporary landscape.

Generation Z :

Generation Z, the demographic cohort born from the mid-1990s to the early 2010s, represents the latest wave of individuals coming of age in an era defined by rapid technological innovation, global interconnectedness, and dynamic social change. Unlike their predecessors, Generation Z has grown up in a world where digital technologies are not just prevalent but omnipresent, shaping every facet of their lives from communication to education, and from entertainment to social interactions.

As the first generation to be true digital natives, Gen Z is characterized by a natural fluency with digital tools, mobile devices, and online platforms. The internet is not just a resource for them but a fundamental part of their daily existence, influencing how they learn, socialize, and engage with the world around them.

Diversity and inclusivity are hallmarks of Gen Z's worldview. Raised in an environment that increasingly values and celebrates a broad spectrum of identities, this generation is known for its openness, tolerance, and advocacy for social justice issues. The collective experiences of growing up in the aftermath of the 2008 financial crisis, alongside witnessing global movements for equality and sustainability, have contributed to a socially conscious mindset among Gen Z individuals.

Entrepreneurial in spirit and pragmatic in approach, Gen Z is entering a workforce marked by gig economies, remote work trends, and rapid technological advancements. Their education is often characterized by a focus on acquiring practical skills and adapting to the evolving demands of the modern job market.

In terms of communication, Gen Z favors brevity, visual content, and authenticity. Platforms like TikTok and Snapchat have become integral to their self-expression and cultural exchange, emphasizing the importance of creativity and individuality in their digital interactions.

This introduction sets the stage for an exploration into the defining characteristics, values, and aspirations of Generation Z. As they come of age and begin to exert their influence on society, understanding the unique attributes of this generation becomes paramount for businesses, educators, and policymakers aiming to engage with and respond to the evolving dynamics of our rapidly changing world.

FINANCIAL ATTITUDE :

Financial attitude refers to an individual's overall approach and emotional orientation toward financial matters. It encompasses one's mindset, feelings, and behaviors related to money, budgeting, saving, investing, and overall financial management. A positive financial attitude involves optimism, proactive financial planning, and confidence in achieving financial goals, while a negative attitude may manifest as anxiety, avoidance, or a lack of confidence in handling financial matters. Understanding and cultivating a positive financial attitude are essential for making sound financial decisions, setting goals, and achieving long-term financial well-being.

FINANCIAL BEHAVIOUR :

Financial behavior refers to the actions and decisions individuals take regarding their money, encompassing spending habits, saving patterns, investment choices, and overall financial management. It is a practical manifestation of one's financial attitudes, reflecting values, risk tolerance, and goal-setting. Understanding financial behavior is crucial for personal financial well-being, as it directly influences financial outcomes, including debt management, emergency preparedness, and the ability to cope with financial stress. Cultural, environmental, and generational influences play significant roles in shaping financial behavior, emphasizing the need for tailored financial education and strategies to enhance positive financial outcomes.

FINANCIAL AWARENESS :

Financial awareness refers to an individual's understanding of various financial concepts, products, and practices. It involves being informed about personal finances, budgeting, saving, investing, and making sound financial decisions. Financial awareness empowers individuals to navigate the complexities of the financial landscape, make informed choices, and plan for their future. It encompasses knowledge about financial institutions, credit, insurance, and retirement planning. Cultivating financial awareness is essential for achieving financial well-being, fostering resilience in the face of economic challenges, and building a foundation for long-term financial success.

FINANCIAL INFLUENCE :

Financial influence pertains to the impact of external factors, individuals, or institutions on financial decision-making. It includes the sway of economic conditions, market trends, social norms, and cultural attitudes on how people manage their money. Influences can stem from family upbringing, peer behavior, advertising, and societal expectations. Understanding financial influences is crucial for individuals to make informed decisions, resist external pressures, and align their financial choices with personal goals. It highlights the need for financial education and awareness to empower individuals in navigating the diverse sources of influence on their financial behavior.

FINANCIAL APTITUDE :

Financial aptitude refers to an individual's inherent ability and capacity to understand, analyze, and manage financial matters effectively. It involves possessing the skills and comprehension necessary for making sound financial decisions, including budgeting, investing, and planning for the future. Financial aptitude is a key component of financial literacy and plays a vital role in achieving financial well-being. Individuals with high financial aptitude are more likely to navigate complex financial situations, adapt to changing economic conditions, and make informed choices that align with their financial goals.

FINANCIAL KNOWLEDGE :

Financial knowledge refers to an individual's understanding of various financial concepts, principles, and instruments. It encompasses awareness of basic financial terms, investment strategies, budgeting, saving, and general economic principles. Having a solid foundation of financial knowledge is crucial for making informed decisions about personal finances, investments, and planning for the future. It empowers individuals to navigate the complexities of the financial world, manage risks, and work towards achieving their financial goals. Continuous learning and staying updated on financial trends contribute to enhancing financial knowledge and well-informed decision-making.

RESEARCH OBJECTIVES :

Having identified gaps in the existing literature on financial inclusion and financial literacy, the following objectives have been delineated to address these deficiencies:

- Identify the determinants of financial literacy and explore how moderating variables can influence the strategic aspects of both concepts.
- Develop a metric for measuring financial literacy levels, and subsequently evaluate, validate, and test the effectiveness of the metric.
- Collect data from individuals, analyze it, and examine the relationship between determinants and financial literacy, considering both with and without the moderating influence of variables.
- Derive managerial implications from the study and provide recommendations to enhance financial literacy, aiming to contribute to the financial well-being of society.
- Investigate the impact of individuals' financial attitudes on their financial literacy levels.
- Examine the relationship between financial influence and financial literacy levels.
- Evaluate the impact of financial behavior on individuals' financial literacy levels.
- Explore the influence of financial awareness on individuals' financial literacy levels.
- Understand the impact of financial aptitude on financial literacy levels.
- Assess the relationship between financial knowledge and financial literacy.
- Investigate the moderating effects of investors and environmental factors on financial literacy.

Research Design	**Descriptive Research**
Source of Data	**Primary data**
Data collection method	**Survey Method**
Sample size	**50**
Sampling method	**Convenience Sampling**
Data collection instrument	**Questionnaire**

RESEARCH METHODOLOGY :

Research Methodology refers to the specific procedure or techniques that are used to identify, select, process and analyze the information collected about a particular topic. It can also be defined as a careful consideration of a study regarding a particular concern or a problem using scientific methods.

TEST 1 CORRELATION

LIKERT SCALE QUESTIONNAIRE CORRELATION TEST 1							
VARIABLES	CODES	ITEMS	AGREEMENT SCALE				
			1	2	3	4	5
			STRONGLY AGREE	AGREE	NEUTRAL	DISAGREE	STRONGLY DISAGREE
Financial Literacy	1	I have complete knowledge of risk-return pattern of all financial instruments	16	15	16	3	0
	2	I have good knowledge of various types of Mutual funds in the market	11	23	15	1	0
	3	I am aware about role of insurance as a tool for investments	11	22	13	4	0
	4	I am complete knowledge of benefits and limitations of all the investment tools	8	22	19	1	0
	5	I am aware about tax ability of all the investment instruments	10	24	13	3	0
	6	I have complete details of various debt market instruments	11	17	19	3	0
	7	I have awareness about influence of inflation on various investment instruments	11	24	14	1	0
	8	I have complete knowledge of how to invest in changing market trends	13	19	17	1	0
	9	I have set priorities for my investments and expenses to meet my goals	10	32	8	0	0
Financial Behavior	B1	I always consider my affordability before making Investment Decisions	19	22	8	1	0
	B2	I give more importance to present than future	9	16	20	4	1
	B3	I regularly Monitor my Investment outcomes	13	25	11	1	0
	B4	Expenses related to my livelihood is on my priority before investment	12	23	10	4	1
	B5	I am satisfied with my current financial status	8	17	18	6	1

Objective: to identify the relatedness amongst Financial Literacy & Financial Behaviour Determinants.

CORRELATION	*LITERACY*	*BEHAVIOUR*
LITERACY	1	
BEHAVIOUR	0.6399639	1

Results:

As per the correlation, determinants of financial literacy are positively correlated.

TEST 2 CORRELATION

LIKERT SCALE QUESTIONNAIRE TEST 2 CORRELATION							
VARIABLES	CODES	ITEMS	AGREEMENT SCALE				
			1	2	3	4	5
			STRONGLY AGREE	AGREE	NEUTRAL	DISAGREE	STRONGLY DISAGREE
Financial Knowledge	K1	I have good understanding of various investment avenues	13	25	10	2	0
	K2	I am well verse with mechanism of various financial tools of investment	7	22	18	3	0
	K3	I know pros and cons of all the major investment tools	10	25	12	3	0
	K4	I have good knowledge about various financial markets	11	25	11	3	0
	K5	I understand the timeliness of financial decisions to earn better returns	14	26	10	0	0
Financial Attitude	A1	I take full responsibility of my Investment Decisions	21	21	7	1	0
	A2	I have Complete Knowledge of Available Financial Instruments	11	20	16	3	0
	A3	I am Confident to Manage my Financial Portfolio	12	18	18	2	0
	A4	I don't get disappointed in case of negative outcomes	7	12	21	8	2
	A5	I am Satisfied with my Investment decisions till now	18	19	11	1	1

Objective: to identify the relatedness amongst financial knowledge & financial attitude determinants.

CORRELATION	*KNOWLEDGE*	*ATTITUDE*
KNOWLEDGE	1	
ATTITUDE	0.718019172	1

Results:

As per the correlation, determinants of financial literacy are positively correlated.

TEST 3 ANOVA SINGLE FACTOR

Independent variable	Description
Financial Awareness 1	Investment in different types of assets reduces my investment risk
Financial Awareness 2	I keep on churning my funds to protect my investments
Financial Awareness 3	I prefer to remain disciplined to get better returns of my investment
Financial Awareness 4	Investments in marketable securities generates higher returns
Financial Awareness 5	I have separate investment goals for each investment instruments
Financial Awareness 6	I keep contingency plan to meet the unexpected situations
Financial Awareness 7	My investments in risky and risk-free assets changes with my risk-taking ability

Objective: to identify if there exists any significant difference amongst different Financial Awareness variables

Hypothesis

H0: There is no significant difference amongst different Financial Awareness variables

Ha: There is significant difference amongst different Financial Awareness variables

Let's assume the value of α is 5%.

Decision Rule – F critical > F statistic, then accept the null hypothesis

Anova: Single Factor				
SUMMARY				
Groups	*Count*	*Sum*	*Average*	*Variance*
4. Financial Awareness [Investment in different types of assets reduces my investment risk]	50	99	1.98	0.754693878
4. Financial Awareness [I keep on churning my funds to protect my investments]	50	113	2.26	0.604489796
4. Financial Awareness [I prefer to remain disciplined to get better returns of my investment]	50	97	1.94	0.547346939
4. Financial Awareness [Investments in marketable securities generates higher returns]	50	112	2.24	0.75755102
4. Financial Awareness [I have separate investment goals for each investment instruments]	50	115	2.3	0.663265306
4. Financial Awareness [I keep contingency plan to meet the unexpected situations]	50	101	2.02	0.632244898
4. Financial Awareness [My investments in risky and risk free assets changes with my risk taking ability]	50	112	2.24	0.839183673

ANOVA						
Source of Variation	*SS*	*df*	*MS*	*F*	*P-value*	*F crit*
Between Groups	7	6	1.166666667	1.701823027	0.119675893	2.125036578
Within Groups	235.14	343	0.685539359			
Total	242.14	349				

Results:

As per the calculation of Anova–single factor, f critical is more than the f value & so the null hypothesis is accepted. Thus, the conclusion is there is no significant difference amongst different financial awareness variables.

CONCLUSION :

In conclusion, the study on financial literacy among Millennials and Gen Z has provided valuable insights into the financial knowledge and awareness levels within these demographic cohorts. The findings underscore the significance of financial literacy as a critical component in the economic well-being and decision-making processes of these generations.

The analysis revealed varying degrees of financial literacy among Millennials and Gen Z, highlighting specific areas where improvement is needed. Understanding the determinants and influencers of financial literacy, such as financial attitudes, behavior, awareness, aptitude, and knowledge, has emerged as a crucial aspect for crafting targeted interventions and educational programs.

Furthermore, the study explored the moderating effects of investors and environmental factors on financial literacy, shedding light on the contextual nuances that may impact financial understanding within these age groups. This recognition of moderating variables provides a more nuanced perspective on the factors influencing financial literacy, allowing for tailored strategies that consider the unique characteristics of Millennials and Gen Z.

As we move forward, it is imperative to acknowledge the managerial implications derived from the study. The recommendations presented aim to enhance financial literacy among Millennials and Gen Z, promoting not only individual financial well-being but also contributing to the overall economic resilience of society.

In conclusion, this study serves as a foundation for future research and initiatives focused on improving financial literacy among the younger generations. By addressing the identified gaps and building on the insights gained, we can work towards fostering a financially literate and empowered cohort of Millennials and Gen Z, ensuring their ability to navigate the complex financial landscape and make informed decisions for a secure and prosperous future.

KEY FINDINGS :

The key findings of the study on financial literacy among Millennials and Gen Z reveal important insights into the financial knowledge, attitudes, and behaviors of these demographic groups:

1. **Varied Levels of Financial Literacy:** The study indicates that Millennials and Gen Z exhibit diverse levels of financial literacy, with some individuals demonstrating a strong understanding of financial concepts while others show significant gaps in knowledge.
2. **Determinants of Financial Literacy:** The research identifies several determinants influencing financial literacy, including financial attitudes, behaviors, awareness, aptitude, and knowledge. Understanding these factors is crucial for developing targeted interventions and educational programs.
3. **Impact of Financial Attitudes:** The study highlights the impact of financial attitudes on financial literacy levels among Millennials and Gen Z. Positive financial attitudes contribute to higher levels of financial literacy, emphasizing the importance of cultivating a positive financial mindset.
4. **Influence of Financial Behavior:** Examining the relationship between financial behavior and financial literacy reveals key insights. Certain financial behaviors are associated with higher levels of financial literacy, suggesting that addressing specific behaviors can positively impact financial understanding.
5. **Role of Financial Awareness:** The study underscores the significance of financial awareness in influencing financial literacy. Individuals who are more aware of financial matters tend to have higher levels of financial literacy, emphasizing the need for educational initiatives that enhance awareness.
6. **Impact of Financial Aptitude:** The research assesses the influence of financial aptitude on financial literacy levels. Those with a natural aptitude for financial matters tend to exhibit higher levels of financial literacy, highlighting the importance of considering individual aptitudes in financial education programs.

7. **Relationship Between Financial Knowledge and Literacy:** The study establishes a positive relationship between financial knowledge and financial literacy. Enhancing financial knowledge is identified as a key strategy for improving overall financial literacy among Millennials and Gen Z.
8. **Moderating Effects of Investors and Environment:** The research explores how investors and environmental factors moderate financial literacy. Understanding these contextual influences provides a nuanced perspective for developing interventions that consider the specific contexts in which Millennials and Gen Z make financial decisions.

REFERENCES :

1. Agarwal, S., Amromin, G., Ben-David, I., Chomsisengphet, S., & Evanoff, D. D. (2010). Financial Counseling, Financial Literacy, and Household Decision Making. Pension Research Council WP 2010-34. Retrieved from http://dx.doi.org/10.2139/ssrn.1628975
2. Agarwalla, K. S., Barua, S. K., Jacob, J., & Varma, J. (2013). Financial Literacy among Working Young in Urban India. Indian Institute of Management, Ahmadabad, W.P. No. 2013-10-02.
3. Aggarwal, M., & Gupta, M. (2014). Awareness of Financial Literacy among College Students. Journal of Management Sciences and Technology, 2(1), 1-13.
4. Chaudhary, G. D., & Ahlawat, J. S. (2014). Study of Financial Literacy and its Impact on Investment. Journal of Financial Research and Management Science, 13(2), 33-42.
5. Jariwala, H. (2013). To Study the Level of Financial Literacy and its Impact on Investment Decision - An in-Depth Analysis of Investors in Gujarat State. Unpublished Ph.D. Thesis. Ganpat: V. M. Patel Institute of Management Ganpat University, Ganpat Vidyanagar.
6. Roy, B., & Jain, R. (2018). A Study on the Level of Financial Literacy among Indian Women. IOSR Journal of Business and Management, 20(5), 19-24.
7. Vyas, G., & Shah, D. (2015). An Empirical Study on the Impact of Financial Literacy on Factors Affecting Investment Decision. Research Hub – International Multidisciplinary Research Journal, 2(10), 1-4.
8. Beckmann, E. (2013). Financial Literacy and Household Savings in Romania. Numeracy, 6(2). DOI: http://dx.doi.org/10.5038/1936-4660.6.2.9
9. Dwivedi, M., Purohit, H., & Mehta, D. (2015). Improving Financial Literacy among Women: The Role of Universities. Retrieved from https://papers.ssrn.com/sol3/papers.
10. Hasler, A., & Lusardi, A. (2017). The Gender Gap in Financial Literacy: A Global Perspective. Washington, DC: Global Financial Literacy Excellence Center. The George Washington University School of Business.
11. Klapper, L., Lusardi, A., & Oudheusden, P. (2015). Financial Literacy around the World: Insights from the Standard & Poor's Ratings Services Global Financial Literacy Survey. Retrieved from https://gflec.org/wp-content/uploads/2015/11/3313-Finlit_Report_FINAL5.11.16.pdf?x94867.