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A Study Of The Relationship Between The Financial Literacy And Financial Decision Of Gen Y

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Abstract

A financially responsible mind-set is a prerequisite for financial well-being and is enhanced by financial knowledge. Financial well-being and the ability to make wise financial decisions depend on having a solid understanding of finance. The capacity to comprehend and evaluate financial possibilities, make future plans, and react suitably to circumstances is known as financial literacy. This skill can affect how life and work are conducted and is highly beneficial when predicting future events to boost earnings. (Philippas & Avdoulas, 2020)
The paper aims to measure the relationship between financial literacy and the financial decisions of Gen Y. Financial literacy helps to take corrective financial action, and financial decision influence with awareness, knowledge, skills, mindset, and financial behavior. Gen Y is technology-friendly gather more information from various sources, and deciding with AI tools. This research paper begins with the measurement of financial literacy with the support of various references, second part deals with the financial decision-making (behaviors) of Gen Y. This paper is based on primary as well as secondary data.

Keywords: Financial literacy, financial decision making, Financial Behaviour, Generation, Generation Y.

Introduction

Financial literacy deals with awareness knowledge skills mindset and financial behaviour in this current era of technology and technological advancement add information age the financial background of Generation Y is characterised by unpredicted opportunities and challenges. Financial literacy and financial decisions are in built interlinked with each other, as Generation Y understands critical financial concepts or terminologies with technology-friendly awareness, they try to build a relationship between financial literacy and financial decisions with the help of AI tools it's very crucial nowadays.
Financial literacy is defined by various authors and explained with their understanding so according to Vicky Robin and Joe in the books 'your money or your life' "financial literacy is **the ability to understand and apply the fundamental financial concepts** such as budgeting, saving investing and debt management to make inform and effective financial decision"

According to the above definitions financial literacy emphasizes on the ability to understand and apply the financial concept so it builds relationship with financial literacy and financial decisions so strongly which includes the various tools we need to use that is saving budgeting investing and debt management.

'Financial literacy encompasses the knowledge and skills required to evaluate financial products analyse risk and device strategic plans for achieving short term and long term financial goals' from The Total Money Makeover by Dave Ramsey, financial literacy deals with the knowledge and skills to analyse the risk and making a plan for the short terms and long term financial goals so these knowledge and skills will work together to make firm financial decisions.

'According to the books 'smart money habits for life' "financial literacy is the aptitude to interpret financial information enabling inventive individuals to create and follow a personalised financial road map for secure and prosperous future".

The three major themes enumerated are—levels of financial literacy amongst distinct cohorts, the influence that financial literacy exerts on financial planning and behavior, and the impact of financial education (Goyal, K., & Kumar, S)(2021).

The investigation differs from previous empirical investigations in three areas. To begin with, none of these studies—as far as we are aware—have calculated the degrees of financial literacy, fragility, and well-being in tandem with the identification of the socioeconomic and demographic variables influencing these three financial components. Three key areas set our study apart from previous empirical research.

To understand financial literacy and the relation between financial decisions 3 fundamental concepts used and the basis of most financial decision making 1. Numerical understanding which includes interest rate calculation understands the interest compounding capacity of interest. 2. Understanding the inflation 3. Understanding the risk diversification.(Lusardi, 2019)

Financial decision-making is a regular and crucial activity, few of them are critical and consequential

According to adam eric Greenberg, financial decisions are understood with three initial areas financial behaviours that contribute to financial wellbeing, psychological determinants of financial wellbeing, and the role of situational factors in financial decision-making. (Greenberg & Hershfield, 2019)

The first part includes day-to-day decisions related to inflows and outflows of money. It includes how this choice affects financial well-being and with selection of various financial products.

1. Adequate savings not only for day-to-day needs, avoid getting into debt, but also to make long-term investments, mostly converting income phare earnings to retirement phase. One out of three Individuals fail to save for emergency funds, debt management, and retirement.(Wiener & Doescher, 2008)
2. It may be affected by other factors like poor financial health, unfavourable economic conditions, low income, or financial accidents in life.

   But a higher level of saving can be achieved by SMART goals, and setting sub-goals. lack of goals diverts into unintentional financial behaviors. Specific goals increase the confidentiality in their ability to save, without including goal conflict.

   Generation Y is also known as Gen Y or Millennials it comes after generation X and comes before Gen Y, Researchers and popular media use the early 1980s as starting birth years and the mid-1990s to early 2000s as ending birth years, with the generation typically being defined as people born from 1981 to 1996 (Wikipedia)

Literature Review

It has been discovered that financial literacy is low in developing nations like India. Furthermore, compared to women, men have been shown to have superior financial literacy in terms of knowledge, attitude, behavior, and overall financial literacy. When it comes to financial literacy, attitude, conduct, and knowledge, young people typically perform poorly. (Garg & Singh, 2018)

Financial literacy determines an individual's ability to make wise financial decisions and achieve financial well-being. Three things make up financial literacy: understanding of finances, handling of money, and attitude toward money. Because they will eventually rule the country and perhaps the entire world, this study attempts to evaluate the financial literacy of Indonesia's Generation Z population. Our results demonstrate that respondents' decisions to save are reinforced by their understanding of finances.(Pangestu & Karnadi, 2020)

Y investment decision: an analysis using behavioural factors.

Generation Y (1982–1999) has been described as having higher self-esteem, narcissism, lower dependence on social approval, and a greater external locus of control than their older counterparts—characteristics that may have a bearing on how they view or manage their money (Twenge & Campbell, 2008).

The concept of a generation can be used to locate particular birth cohorts in specific historical and cultural circumstances,
Historian Hans Jaeger shows that, during this long history, two schools of thought coalesced regarding how generations form: the "pulse-rate hypothesis" and the "imprint hypothesis.
Social scientists follow the "imprint hypothesis" of generations
People who have developed a habit of consumption are less likely to have a developing culture. Because many still believe that only those with high salaries engage in personal financial investment planning, there are still a lot of people who do not understand the significance of financial management in their daily lives. (Rosdiana, n.d.)
According to(Bado et al., 2023) (1) There is no significant and positive impact of financial literacy traits on Generation Z's money management. Generation Z's financial management is positively and significantly impacted by the financial management learning elements. Individual money management in Generation Z. (3) Financial attitudes, at least in part, have a negative and substantial impact on individual financial management among Generation Z.
Financial behaviour influenced by financial knowledge and Financial satisfaction. (Purnamasari et al., 2021)
The study conducted on students proves that financial education has positive effect on the credit behaviors of young adult. (Urban et al., 2020)Financial behaviour is positively affected by financial knowledge and financial education financial education interposes have a decent effect on both financial knowledge and financial behaviour. This study also included financial education there's no prove to bolster or negate rot of budgetary instruction treatment impacts six months or more after the intercession.(Kaiser et al., 2020)
Those who thought of time as cyclical- who saw saving as a regular, habitual behavior – reported saving more than those who imagined time passage as linear.
Thinking linearly causes people to delay saving more.(Greenberg & Hershfield, 2019)
Financial education improves financial awareness and attitude i.e. Financial Behaviour but falls short of improving longer term behavioural outcomes on saving, budgeting, and debt management.(Kumar et al., 2013)
Individuals are facing of attention deficit hyperactivity disorder (ADHD) problems while taking financial decision problems than healthy controls. (Bangma et al., 2020)

Statement of Problem
Financial literacy should be major with the simplicity to understand the building block of fundamental decision making in an enter temporal setting, it should be relevant with the concept of people's day to day financial decision over lifestyle, 3rd is brevity 4th capacity to risk diversification.(Lusardi, 2019)
Achieving financial objectives is only one aspect of financial literacy; another is understanding one's present financial state or circumstances, which includes income, expenses, and cash inflows and outflows. Clearly defined financial goals should be set in accordance with your financial road plan; they shouldn't be dispersed; instead, they should be time-bound, practical, reachable, and specific—that's a wise goal. The following steps in the financial literacy process are creating a budget for daily or monthly spending and monitoring all cash inflows and outflows in relation to the budget. After that, saving is crucial, conversion of saving into investment, you should invest the majority of your savings after learning about risk management and risk reward, creating investment portfolio, time to time review and rebalancing.

Objective of Study

1. To measure the relationship between financial literacy and financial decision-making behaviour among the Generation Y
2. To assess the financial literacy level within Generation Y
3. Analyse the financial decision-making behaviour exhibited by Generation Y

Hypotheses
1. There is a significant positive relationship between the level of financial literacy and the financial decision-making behaviour of Generation Y
2. Higher levels of financial literacy help to make more informed and effective decisions.
3. There is a significant variation between the financial literacy of Gen Y

Working Definitions

1. Financial literacy: Financial literacy, defined in Verilog's simple language as follows: first, awareness of one's current financial status and understanding of one's current financial strengths and weaknesses; second, having the proper knowledge about personal finance to make informed financial decisions; third, developing the necessary skills and putting those sound financial decisions into practice in order to achieve one's financial goals; In other words, financial literacy includes financial awareness, knowledge, skills, right mind-set, and the ability to make corrective decisions with the aid of awareness, knowledge, and skills. The fifth and final element is appropriate financial behaviour, which guide against financial misbehaviour or financial deception in one's personal financial stage

2. Financial decision making: Individuals are making choices about saving, at what percentage, in which form, where to save, for archiving specific goals or for general purposes, it may be for repayment of loans, to beat inflation and for many reasons. Decisions include How to manage debts, current financial resources, investment, retirement, etc.

3. Financial Behavior: It refers to the way an individual manages the finances, makes financial decisions, and deals with financial issues.

4. Generation *Generation* is also often used synonymously with *cohort* in social science

It signifies the entire body of individuals born and living at about the same time, most of whom are approximately the same age and have similar ideas, problems, and attitudes (e.g., Beat Generation and Lost Generation)

Generation refers to all the people born & living at about the same time, regarded collectively. The average period generally considered to be about 20-30 years during which children are born and grow up become adults, and begin to have children.

Generation Y: For the study pole born between 1980 to 2000 are considered as generation Y for this study.

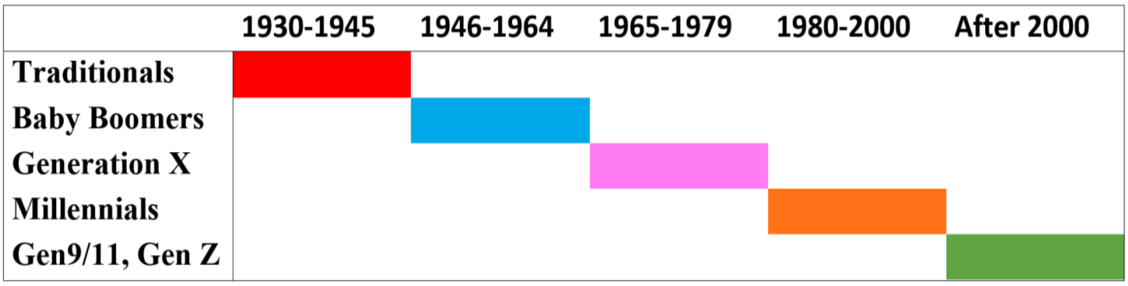


Figure 1.1: Different generational cohort with year brackets
From the book, Forgotten Respect, 2015, Dennis E Gilbert, Framework of workplace Generations
#Year bracket positions may vary slightly with different experts.

Research Methodology

Data Collection

This study aims to assess the connection between Generation Y's financial actions and their level of financial literacy. We gathered primary data from Individuals in the 23–43 age range in Pimpri Chinchwad City using a random sampling method.

Chosen based on the main technique of gathering data, which involved 216 undergraduate and graduate students from Pune's Pimpri-Chinchawad city. Participation in this study is voluntary, and personal data was calculated with confidence between 2023 and 2024.

1. For this research primary and s we are collecting data with the questionnaire and using primary data as well as secondary data, using a descriptive statistics research design to examine detailed relationships between financial literacy and decision-making behavior within Gen Y.
2. For systematic data analysis use a suitable method.
3. Using statistical tools to analyze any quantitative data found in the literature.

Data Analysis

In this session first part is to concentrate on demographic, parental, socio economic, and financial behaviours of respondent. Second part deals with financial literacy level. And last part deals with how financial literacy

influences the financial decision-making of Gen Y. we are considering 179 Respondents filled out a questionnaire of 37 questions.
Specifically, in the first part questions deal with demographic characteristics gender, educational background, age, Income Group and financial awareness as well as financial behaviours.
The second part includes financial literacy testing questions of generation via we included 8 questions to test the financial addresses level
In third part will test the financial decision-making behaviour of respondents with the help of 23 questions

Data Interpretation
Financial literacy
Based on the detailed interpretation of the analysis of responses related to the financial literacy among Generation Y following are the same conclusions

Understanding of basic financial concepts

Mean	1.960894
Standard Deviation	1.035131
Kurtosis	2.407508
Skewness	1.615537

Generation Y generally demonstrates a moderate to strong understanding of financial concepts such as budgeting saving and investing. There is some variability in responses, with a portion of respondents indicating either a strong disagreement or a neutral stand regarding their understanding of financial concepts.

Active information finding

	1.960894
Standard Deviation	1.035131
Kurtosis	2.407508
Skewness	1.615537

Generation Y tends to actively find information and stay updated on financial matters through various channels such as books online resources workshop courses. And other materials. The distribution of respondents indicate a relatively balanced perception among the respondents with the majority strong agreeing with the statement.

Confidence in investment decision-making - according to the responses collected from

Mean	2.296089
Standard Deviation	1.052838
Kurtosis	-0.79346
Skewness	0.404514

Generation Y they feel confident in making informed decisions about various investment avenues and they are aware of associated risks and rewards. So there is some variations in responses, with the portion of respondents expressing either strong agreement or neutral stand regarding their confidence in investment decision making.

Knowledge of risk and return

Mean	1.620112
Standard Deviation	0.654147
Kurtosis	4.136776
Skewness	1.311579

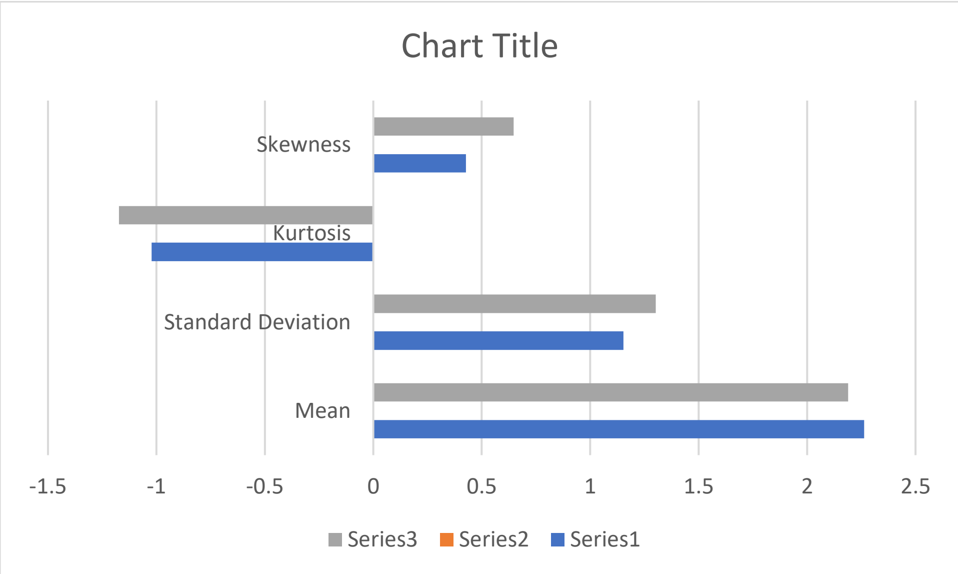
Generation Y demonstrates a neutral stand regarding their level of financial knowledge of risk and return. Respondents are relatively evenly distributed. Indicating a mix of options among respondents regarding their understanding of risk and return.

Belief in importance of financial literacy

Mean	3.100559
Standard Deviation	0.942713
Kurtosis	0.049394
Skewness	0.28547

Generation Z influences the importance of increasing financial literacy for attaining long term financial goals and welth building, respondents in some variations, the portion of respondents expressing either strong agreement or neutral stands regarding importance of financial address

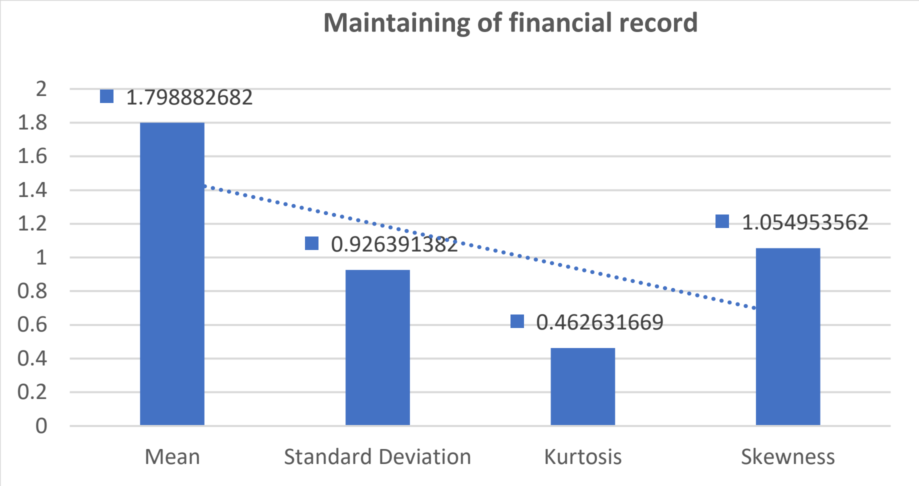
Experience in managing personal portfolio and experience of investing in stock market - Mean	2.26257	Mean	2.189944
Standard Deviation	1.153059	Standard Deviation	1.301559
Kurtosis	-1.02272	Kurtosis	-1.17264
Skewness	0.427453	Skewness	0.646616



Generation Y has some level of experience in investing in stock market and handling personal portfolios, respondents are moderately skewed towards agreement, they are indicating that majority how some level of experience hey in this area.

Maintaining of financial record

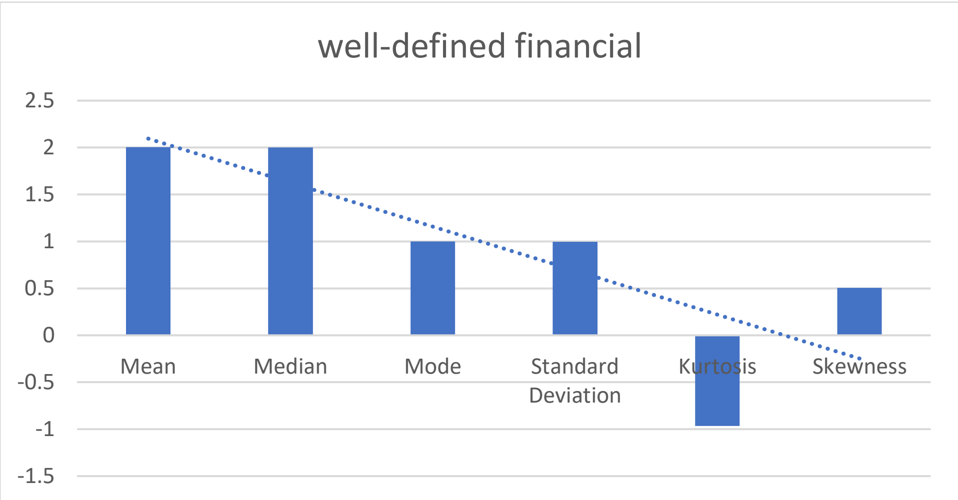
Mean	1.798883
Standard Deviation	0.926391
Kurtosis	0.462632
Skewness	1.054954



Most of the respondents of Generation Y maintain the financial records they are moderately skewed towards agreement and indicating majority of them are engage about financial record keeping. With the above responses and analysis by using descriptive statistical method Generation Y normally demonstrates average too strong level financial literacy, with variation of variation degree of confidence, hey believe regarding financial matters,. So these are the findings highlights the importance of ongoing financial education and awareness initiatives targeted towards the Generation Y to enhance their financial literacy and decision making skills.

To understand and interpret the financial decision-making behaviour of Generation Y we made some interpretations as follow

Mean	2.005586592
Median	2
Mode	1
Standard Deviation	0.997171318
Kurtosis	-0.964972907
Skewness	0.504427553



Well defined financial plan and regular financial assessment - according to the response the mean value for statement reality to having well financial plan and regularly assessing financial progress are moderately high so it shows average respondents Agri all strongly agree with an importance of having financial plan and regularly assessing financial progress.

Wellness to discuss and discussing financial issues - asper response the mean value for these variables indicates that respondents are generally ready to discuss the financial issues and do engage in discussion about financial matters so it shows that an open attitude towards the financial discussion among Generation Y individuals.

Emergency fund and reservation of financial records- the mean value for keeping funds for emergency purpose and maintaining financial records are moderate, it shows a balanced approach among Generation Y respondent, so it concludes that respondents shows the importance of both emergency fund and record keeping in financial decision making.

Regular evaluation of financial statement and risk management through insurance- according to the data analysis the mean value for these variables are relatively high, it shows that respondents tend to the agree or strongly agree with the importance of regularly evaluating they are financial statements and managing risk through the insurance policies.

Evaluation of depth and timely bill payments - the mean value shows variables are moderate, indicating a balanced approach among the respondents regarding the evaluation of depth and timely bill payments.

Holding cash and planned use of income - the mean value for holding cash and making plans for effective use of income are relatively high indicating that respondents tends to agree or strongly agree with this statement.

Long term financial planning and investment decisions without planning - the mean value for these variables are moderate, suggesting a balanced approach among the respondents regarding the long term financial planning and investment decisions.

Impulse purchases regret for impulse purchases and purchasing on impulse - the mean value for these variables are relatively high, indicating that respondents tend to agree or strongly agree with the statement related to impulse purchases so this shows the tendency towards the impulsive buying behaviour among the generation Y individuals.

The overall analysis suggests that respondents that is Generation Y exhibit positive financial decision making behaviour, including aspects suggest financial planning assessment risk management and responsible spending. However, there are variations in responses across the different demographic and behavioural factors.

Overall financial literacy level Generation Y generally demonstrates average 2 strongly agree level of financial literacy, my understanding basic financial concepts, active information-seeking behaviour confidence in investment decision making and recognition of the importance of financial address.

Areas of improvement while Generation Y shows strength in certain financial literacy aspect and decision making so there are areas for improvement which includes enhancing knowledge about risk return, strengthening the belief in the importance of financial literacy, improving experience in managing personal portfolios and investing in stock market and promoting more discipline spending habits to reduce the impulse purchases and impulsive decision making.

Implications for financial education and intervention - according to the study the finding out score the importance of targeted financial education and intervention programme tailored to the specific needs add characteristics of Generation Y. This study focuses on the enhancing financial literacy, promoting responsible financial decision making behaviour, addressing gap in knowledge and experience and fostering long term financial planning skills.

Policy and industry implications - Policymakers and financial industry stakeholders can use these insights to design policies, products and services that cater to financial needs and preferences of Generation Y. This includes developing educational resources investment products and digital tools that facilitate financial literacy enhancement and encourages sound financial decision making practices.

Show me the detailed analysis of data and hypothesis testing made a following conclusion

Hypothesis 1 - there is a significant positive relationship between the level of financial literacy and financial decision-making behaviour of Generation Y.

The analysis shows that Generation Y demonstrates n average to strong level of financial literacy, with a good understanding of basic financial concepts, hey active information finding behaviour, confidence in decision making and focus of the importance of financial literacy.

Financial decision-making behavior of Generation Y inculcate positive financial decision making behavior including aspect such as having well defined financial plan aligned with their goals, regularly assessing financial progress, holding funds for emergencies, discussing financial issues, evaluating financial statements, timely bill payments, death management plan use of income, managing risk through insurance or hedging tools, and making long term financial plans.

The finding suggests a positive relationship between the financial literacy and financial decision-making behavior among generation Y individuals, as those with the higher level of financial literacy tend to exhibit more informed and effective financial behavior.

Hypothesis 2- higher level of financial literacy helps to make more inform and effective decisions

The analysis shows that Generation Y individual with the higher level financial literacy indeed contribute to making more informed and effective financial decision among Generation Y.

Hypothesis 3 - significant variation between the financial literacy of Generation Y. The analysis shows variation in a level of financial literacy among the generation why individuals such as indicated by variability in responses across the different financial literacy testing questions, while generation wise generally demonstrate an average to strong level of financial literacy there are variations in the understanding of specific financial concept and behaviours, this suggests that while some generation why individuals may possess a strong understanding of financial concepts and exhibit positive financial behaviours, authors may have room for improvement in certain areas of financial literacy. So therefore indeed significant variations in financial literacy of Generation Y highlights the need for targeted financial education and intervention programme tailored to their specific needs and characteristics.

Conclusion

With this analysis higher level of financial literacy is associated with more informed and effective financial decision but there is also significant variation in the financial literacy level within Generation Y. As Such with these findings the importance of ongoing financial education and intervention initiative targeted towards Generation Y so as to enhance their financial literacy and decision making skills.

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