

A Study on Financial Literacy and it's Determinants among Millennials in Mysore City

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Abstract

Financial literacy is the integration of individual's knowledge, attitude, skills and planning with respect to financial activities. It directs to make effective decisions and well-being of an individual. There are many researches have been conducted globally for measuring the financial literacy and also survey on financial literacy has been conducted at country level by the governments. Most of the research have done in order to know the financial knowledge of the investors. The present study focuses on financial literacy among millennials. An attempt has been made through this study to understand the demographic and socio-economic profile of the millennials in Mysore city. And also measure the financial literacy among millennials. Findings of the study interpret that gender, age, education, occupation, income, expenditure and savings have significant impact on the level of financial literacy. This study would assist in acquiring appropriate strategies to enhance the level of financial literacy among millennials.

Keywords: Income, Savings, Expenditure, Financial Literacy, Financial Knowledge, and Millennials.

Introduction

Financial literacy is the serious challenge face by all countries world-wide. Financial literacy is the integration of individual's knowledge, attitude, planning, and control towards financial activities. It assists to make effective decisions and well-being of an individual. In present world which has a market complicated financial instruments, the essential for financial literacy becomes inevitable. Country like India which has prominent young population, the government has to conduct various programs in order to provide financial education. So, that it helps increase the level of financial literacy. The financial literacy is more than the provision of financial advice. It is the potential to know, monitor, and efficiently use of financial sources to improve the welfare and economic society of an individual, his/ her family and his/her business. The financial literacy is defined by The Organisation for Economic Co-operation and Development (OECD) as "A combination of awareness, acquaintance, skill, attitude, and behaviour necessary to make sound financial decisions and ultimately achieve individual financial well-being".

Financial literacy is mainly engaged with better planning of reaping regular wealth, retirement life and making preferential financial decisions. So to be financially literate becomes necessary from the primary stage of one's career. But, due to some personal or professional quandaries they become financially illiterate. This leads them with poor financial knowledge about financial dealings, undesirable decisions etc. Therefore, they have to be improved with financial knowledge and skills which are required to make better decisions. Financial literacy influences the promotion of financial incorporation which finally results in financial soundness of any economy. The need of financial literacy in India is important because of low level of literacy and huge population which is financially excluded from the formal financial structure.

Surveys have been taken place globally for measuring the level of financial literacy and also there are many surveys have been conducted at country level by the governments and it was found that poor level of financial literacy among Individuals. This study attempt to measure the financial literacy among millennials. The research also focuses on their sources, their knowledge and skills they have in financial matters.

Need for the Study

Complicated financial Instruments, lack of awareness and low level of knowledge about financial activities make the need of financial literacy noteworthy. The level of literacy varies from person to person. Gender gap also plays a vital role in deciding the level of financial literacy. A woman's decision with respect to financial activities is often determined by her personal life experience. Emotion, money, and family are interconnected in the life of a woman. Lack of consistent information to make better decision results in low level of confidence and knowledge about financial matters.

The changes proposed in financial markets have declined the scope of governments and employers in matching the employees to plan their future financial requirements. So, the responsibility of managing and deciding their future financial requirements has increased among the millennials. Job insecurity, changeable income and easy access to use credit have a high influence on their financial behaviour. Very countable research has been done on financial literacy. In India, high young demographic and socio-economic diversities should undertake researches in this area. Around 65% of Indian population consists under the age group of 35 years. A large segment of this population belongs to the millennials. So, measurement of financial literacy among the millennials is important. This research focuses on measuring the financial literacy among millennials in Mysore city.

Review of Literature

This part of the paper deals with review of literature. Study pertaining to financial literacy of the millennials has been covered. Few important studies in the chosen topic has been covered in the following paragraphs. Each paper was reviewed individually and presented chronologically. Finally the results are discussed in order to draw meaningful conclusion that provides directions for further studies.

Vera Dewi, Erie Febrian, Nury Effendi and Mokhamod Anwar (2020) were examined a study titled that "Financial Literacy among the Millennial Generation: Relationships between knowledge skills, attitude and behaviour." The study aimed to examine the correlation of their financial knowledge, financial attitude, and financial skills with respect to financial behaviour. Chi-square test was used to test the hypotheses. There was significant relationships were found not only between financial skills and financial behaviour but also between financial attitude and financial behaviour. It was found that respondents in the 'fair' category of financial attitude, financial skills and financial behaviour were 70.6%, 66.5% and 72.2% respectively.

Annamaria Lusardi (2019) conducted a study titled that "Financial literacy and the need for financial education: evidence and implications." The study described that how to measure financial literacy, level of financial literacy around the world and implications of financial literacy for financial decision making. It was found that there was lack of financial literacy even in few of the world's most well-developed financial markets. It showed that majority if the respondents (54%) who belong to age group between 70-74 years, answered correctly all big three question followed by age group between 65-69 years answered correctly (47%), further investigated that Jap had highly financial literate women (69%) followed by USA (53%). There were 50% v of women and 34% of men were financially literate. In Switzerland, 22% of women and 12% of men were financially literate.

Joshi J. Beck and Richard O. Garris (2019) were examined a study titled that "Managing personal finance literacy in the United States: A case study." The study investigated the perspectives and impact of the personal finance education had on participants in Western Pennsylvania. The study was exploratory in nature and direct semi-structured interview was conducted. It was found that majority of the respondents were prepared for investment for future purpose. Further, respondents demonstrated that they were more comfortable with personal finance incorporated at a young age. Millennials also realized the importance of personal finance knowledge and also revealed that a large portion of participants have foresight when it comes to their finance.

Daniel Kim and Dimitri Katsanos (2018) conducted a study titled that "Financial Literacy of Millennials; Increasing awareness, offering recommendations and providing a quick educational guide to financial literacy." The study investigated the rates and effects of financial literacy in the Georgetown University. Data have been collected from the Georgetown students through non independent and non-random survey. It was found that only 20% of the respondents had an awareness of personal finance, 14% of the people had a high-level of financial literacy.

Germani pamarhea, Jaco Fouche, Freda Van du walt (2017) conducted a study titled that "Financial literacy of undergraduate students – A case study of a public university in South Africa." The aim of this study was to determine undergraduate students' financial literacy at a public university in South Africa. It was conducted a cross sectional study with sample size of 300 undergraduate students. The study revealed that there was a need of financial literacy training programmes among students. Further, found that the students' financial knowledge was low and there was poor performance in banking and taxation, and financial planning. It was also showed that there was a significant difference among many group with the biological data.

Sudhir Chandra Das (2016) investigated a study titled that "Financial literacy among Indian millennials Generation and their reflections on financial behaviour and attitude: An explanatory Research." The study focused to measure the level of financial literacy among Indian millennials and also understanding the reflections of financial literacy on financial behaviour and attitude. There were 210 respondents of PG students of marketing, accounting / finance and HR group (Millennials) of an institution for

national importance complying sampling adequacy chosen through proportionate stratified sampling method. The study has used various statistical tools such as means cluster technique, Man-Whitney and Multinomial logistic model. It was found that more than 60% of respondents correctly answered majority of questions. Further, revealed that maximum select indicators of financial literacy were dependent on select indicators demographic variables. High level of financial literacy was found among finance students followed by HR and marketing students. Reflections of financial literacy on financial behaviour and financial attitude were found to 0.859 and 0.897 respectively.

Sekar and Gowri (2015) conducted a study titled that “A study on financial literacy and it’s determinants among Gen Y employees in Coimbatore city.” The study aimed to examine financial literacy among generation – Y employees. Convenient sampling has been used to collect the data from 200 respondents. The study revealed that highest level of financial literacy (61.4%) was found among PG students followed by undergraduate students (48.3%). Further, it was found that there was significant difference between education and financial literacy level and also between income and financial literacy level.

Objectives

1. To understand the demographic and socio-economic profile of the millennials in Mysore city.
2. To investigate the relationship between selected variables and financial literacy of millennials in Mysore city.

Research Methodology

For the purpose of the study a survey was conducted among millennials of Mysore city. Respondents were selected by using convenience sampling method. Primary data from the respondents was collected through structured questionnaire. A total of respondents constitute a sample for the study. Out of the 120 questionnaire only 106 were filled completely. Were used for the study. To measure the financial literacy level, questions regarding personal finance were asked to the respondents. The questions were asked in the view that to measure respondents’ financial knowledge, financial attitude and financial skills. Total score for each respondent is evaluated. The total for each respondent was further converted into their percentage score and financial index is developed. The following hypotheses are constructed.

Hypotheses

H₀: there is no association between selected variables (gender, age, education, marital status, occupation, income, expenditure and savings) and financial literacy level of millennials.

H₁: there is an association between selected variables (gender, age, education, marital status, occupation, income, expenditure and savings) and financial literacy level of millennials.

The hypotheses of this study has been tested by using statistical tools such as Chi-square test and ANOVA with 5% significance level.

Results and Discussions

This part of the study carries out data analysis and interpretation. The data have been collected from primary source. The stratified sampling has been used to select 106 respondents through structured questionnaire for the study. The demographic and socio-economic profile of millennials have been presented below:

Table 1. Demographic and Socio economic profile of Respondents

Sl.No	Demographic factors Socio-economic factors	No. of respondents (Frequency)	Percentage
1	GENDER		
	a)Male	41	38.68
	b)Female	65	61.32
2	AGE		
	a)21-25 years	41	38.68
	b) 26-30 years	24	22.64
	c) 31-35 years	19	17.92
	d) 36-40 years	22	20.75
3	EDUCATIONAL QUALIFICATION		
	a) Higher Secondary Level \ Diploma\ITI	9	8.49
	b) Under graduate	82	77.36
	c) Post graduate	8	7.55
	d) Professional	6	5.66

4	OCCUPATION		
	a) Agriculturist	1	0.0094
	b) Business Person	1	0.0094
	c) Private employee	51	48.11
	d) government employee	19	17.92
	e) Student	33	31.13
5	MARITAL STATUS		
	a) Married	42	39.62
6	TYPE OF FAMILY		
	a) Nuclear Family	75	70.75
7	NO.OF EARNING MEMEBERS		
	a) One member	29	27.36
	b) Two members	49	46.23
	c) Three members	11	10.38
8	NO. OF DEPENDENTS		
	a) No dependent	10	9.43
	b) One dependent	46	43.40
	c) Two members	25	23.58
9	MONTHLY INCOME		
	a) Below Rs.20000	34	32.08
	b) Rs.20000-Rs.30000	28	26.42
	c) Rs.30000-Rs.40000	12	11.32
10	MONTHLY EXPENDITURE		
	a) Below Rs.10000	28	26.42
	b) Rs.10000-Rs.20000	62	58.49
	c) Above Rs.30000	16	15.09
11	MONTHLY SAVINGS		
	a) Below Rs.5000	51	48.11
	b) Rs.5000-Rs.10000	28	26.42
	c) Rs.10000-Rs.15000	4	3.77
	d) Above Rs.15000	23	21.70

Source: Primary data

The above table shows the demographic profile of the respondents. Majority of respondents (61.32%) were female. Nearly 39% of respondents have come under the age group between 21-25 years, followed by 23% under age group of 26-30 years. 77.36% of respondents have completed their under graduation and 5.66% are professional. Most of them (60.38%) were unmarried. 48.11% of millennials were private employees. Majority of respondents (70.75%) belonged to nuclear family.46.23% of respondents have two earning members in their family. Majority of the respondents (43.40%) have one dependent and the respondents who earned Below Rs.20000 were relatively high (32.08%) followed by who earned Above Rs.40000 (30.19%) and who earned between Rs.30000-Rs.40000 were relatively low (11.32%). Majority of the respondents (58.49%) who spent between Rs.10000-Rs.20000 were relatively high and who spent above Rs.30000 were relatively low (15.09%). Nearly 48.11% of the respondents have monthly savings below Rs.5000 and who saved between Rs.10000-Rs.15000 were relatively low (3.77%).

Table 2. Chi-square test for selected variables and financial literacy at 5% level of significance

Sl.No	Demographic and Socio-economic factors	F-Value	P-value
1	GENDER	25.913	0.523
	a)Male		
	b)Female		
2	AGE	80.772	0.486
	a)21-25 years		
	b) 26-30 years		
	c) 31-35 years		
	d) 36-40 years		
3	EDUCATIONAL QUALIFICATION		

	a) Higher Secondary Level \ Diploma\ITI	87.208	0.929
	b) Under graduate		
	c) Post graduate		
	d) Professional		
4	OCCUPATION	197.217	0.031
	a) Agriculturist		
	b) Business Person		
	c) Private employee		
	d) government employee		
	e) Student		
5	MARITAL STATUS	29.413	0.341
	a) Married		
	b) Unmarried		
9	MONTHLY INCOME	112.059	0.013
	a) Below Rs.20000		
	b) Rs.20000-Rs.30000		
	c) Rs.30000-Rs.40000		
	d) Above Rs.40000		
10	MONTHLY EXPENDITURE	53.522	0.493
	a) Below Rs.10000		
	b) Rs.10000-Rs.20000		
	c) Above Rs.30000		
11	MONTHLY SAVINGS	86.527	0.371
	a) Below Rs.5000		
	b) Rs.5000-Rs.10000		
	c) Rs.10000-Rs.15000		
	d) Above Rs.15000		

Source: Primary data

Association between Gender and financial literacy level

Based on gender, from the table it can be shown that p- value (0.486) is more than alpha value (5%), therefore there is no significance difference between gender and financial literacy. Hence accept the null hypothesis I.e. There is no association between Gender and financial literacy level. Thus it can be concluded that the level of financial literacy does not differ between male and female respondents.

Association between age and financial literacy level

From the table, it can be seen that P value (0.523) is not significant at 5% significance level, hence accept the null hypothesis I.e. There is no association between age and financial literacy. Thus it can be concluded that financial literacy level does not depend on age.

Association between education and financial literacy level

From the table it can be seen that P value (0.929) is not significant at 5% significance level. Therefore accept the null hypothesis i.e. there is no association between education level and financial literacy level. Thus it can be concluded that financial literacy level does not depend on the education level.

Association between marital status and financial literacy level

From the table it can be shown that P value (0.341) is not significant at 5% significance level. Hence null hypothesis is accepted, i.e. there is no association between marital status and financial literacy level. Thus it can be concluded that nature of marital status does not influence financial literacy level of the respondents.

Association between occupation and financial literacy level

From the table it can be seen that P value (0.031) is significant at 5% significance level. Hence null hypothesis is rejected and alternative hypothesis is accepted i.e. there is an association between occupation and financial literacy level. Thus it can be concluded that occupation influences financial literacy level of the respondents.

Association between Income and financial literacy level

From the table it can be shown that P value (0.013) is significant at 5% significance level. Therefore null hypothesis is rejected and alternative hypothesis is accepted i.e. there is an association between income and financial literacy level. Thus it can be concluded that financial literacy level depends on the income of a person.

Association between expenditure and financial literacy level

From the table it can be seen that P value (0.493) is not significant at 5% significance level. Hence null hypothesis is accepted i.e. there is no association between expenditure and financial literacy level. Thus it can be concluded that financial literacy level does not depend on the expenditure of the respondents.

Association between savings and financial literacy level

From the table it can be shown that P value (0.317) is not significant at 5% significance level. Therefore null hypothesis is accepted i.e. there is no association between savings and financial literacy level. Thus it can be concluded that financial literacy level does not depend on the savings of a person.

Conclusion

From the study it can be concluded that financial literacy does not depend on gender age, educational qualification, marital status, expenditure and savings as all these selected variables' p-values were less than 5% level of significance. Level of financial literacy is positively related to occupation and income level i.e. our results indicate that financial literacy level increases with increase in income level and influences with respect to the individual's occupation. Therefore results are statistically significant. Earlier studies have shown that the savings habit among millennials is not so high. Likewise the whole burden of planning their future in terms of finance is on the young individuals. All this has an impact on their financial position. Need for proper financial literacy and information related to financial matters becomes predictable.

The results of the research suggest that level of financial literacy varies significantly among respondents based on various demographic and socio-economic factors. It can be concluded that financial literacy level gets affected by gender, education, income, marital status and number of dependent whereas it does not get affected by age. Finally it can be concluded that financial literacy level is low among millennials in our Mysore city and necessary actions should be taken by government to increase awareness about financial related issues.

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