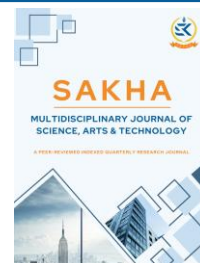




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Financial Literacy among Gen Z. A special reference to Chennai City

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Abstract

Objective: The purpose of this study is to examine the factors influencing financial literacy among Gen Z in Chennai city. Gen Z is the respondent born between 1997 and 2012. Methods: Data for this study was collected through a questionnaire from Gen Z, and a convenient sampling method was used for this purpose. Analysis: One-way Anova and Chi-square tests were used to determine the significant difference and association between independent and dependent variables in financial literacy among Gen Z. Findings: The demographic factors of age and financial attitude, income, and financial behavior are significant at the 5% level. Results: Financial education must be provided to the school students to make them aware of the financial concepts to save and invest for the future, budget their income, manage their debt and credit, make them knowledgeable about risk tolerance within the limit, and make them take a sound financial decision.

Keywords: Financial Literacy, Financial Attitude, Financial Behaviour, Financial Knowledge, Gen Z.

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Introduction

Financial literacy is the important concept for the youth in this current scenario. Nowadays, financial literacy plays a vital role among Gen Z. Understanding the concept and components of financial literacy is more essential for Gen Z.

First and foremost, tracking their income and expenses for spending and saving their money, then learning how to manage their credit and how to save their income and make investments for the future. This was studied by many researchers, such as Noctor, Stoney and Stradling (1992) , Schagen and Lines (1996), Hastings et al, (2012). The Organization for Economic Cooperation and Development (OECD 2005) defines financial literacy as the process by which financial consumers or investors improve their understanding of financial products and concepts. Lusardi (2008), Huston (2010) Financial literacy includes the ability and confidence of an individual to use the financial knowledge to make sound financial decisions.

Gen Z refers to respondents born between 1997 and 2012. Generation Z has been determined by the digital age, the first generation to grow up with the internet. Mckinsey (2024), Bloomberg (2019), Abode (2018) studied how Gen Z spends more time online and on social media. Many authors include people born after 1990 and 2000 Robak and Albrychiewicz (2019). Generally, those who have better education knowledge are able to make sound financial decisions. Financial literacy consists of three main components: (1) Financial behaviour includes preparing a budget, financial goals, and making financial decisions. (2) Financial knowledge includes budgeting and savings; debt and credit management; investment in stocks; mutual funds; cryptocurrency; tax and retirement planning. (3) Financial attitude includes confidence in managing finances and risk tolerance for investments.

1.1 Statement of the Research Questions

1. How does financial attitude influence different age groups of Gen Z?
2. What factors influence Gen Z's decision-making behavior in saving, investment, and budgeting?
3. How does education influence financial knowledge?

1.2 Objectives of the study

1. To determine the differences in financial attitudes between the age groups of Gen Z.
2. To determine the association between income level and financial behavior among Gen Z.
3. To determine the association between education level and financial knowledge among Gen Z.

1.3 Significance of the Research

1. Financial literacy enables Gen Z to make sound financial decisions regarding budgeting, savings, investing, and managing debt.
2. Knowledge in financial literacy leads to greater financial stability, reduces the debt, and increases savings among Gen Z.
3. Developing good financial habits helps Gen Z for long term financial security, and it leads to success.

1.4 Brief overview of the paper structure

Gen Z has frequently accessed the digital platform for budgeting, investing, and financial resources. Most of them are interested in financial independence and eager to lead a high standard of living in the short span of time. Only a few authenticated resources are available for the investment awareness for gaining more financial knowledge. More challenges faced by Gen Z while making savings, credit management, and planning the tax and also easily getting into the spam result in taking wrong decisions. These will be reduced when they learn the financial concepts in the school curriculum with hands-on training.

Literature Review and Formulation of Hypothesis

2.1 Theoretical Framework

Financial Literacy

Financial literacy is an individual approach to making use of their money in the right manner for the present needs as well as future purposes. Servon and

Kaestner (2008), Howlett, Kees, and Kemp (2008), Mandell (2009), Huston (2010), Wachira and Kihui (2012).

Financial Behavior

Financial behavior consists of saving habits, investing habits, allocating money in the appropriate manner, and planning for future requirements. Shima et al. (2009), Burton (1995), OECD (2013), Banerjee et al., (2017), Atkinson and Messy (2012), Bhushan and Medury (2014), Ali Raza et al., (2024).

Financial Knowledge

Financial knowledge describes how to save, when to invest, where to invest, how to plan for tax and retirement, and how to make sound financial decisions. Mandell and Klein (2009), Robb and Woodyard (2011), Kindle (2010), Lusardi, Mitchell, and Curto (2010), Chen and Volpe (1998).

Financial Attitude

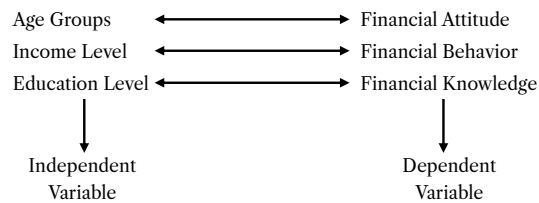
Financial attitude explains the attitude behavior of an individual regarding their money management for saving, investment, debt, and credit management. Hasting et al. (2013), Niwanthika (2016). Kenton (2019).

2.2 Research Gap

Although much research has examined the significant level of financial literacy among demographic factors, financial attitude, awareness of financial behavior, and knowledge of financial concepts, this study aims to fill the gap between the financial literacy concept and Gen Z, which plays a vital role in society, but they lack the concept of financial literacy, attitude, behavior and knowledge of how to invest, save for the future, and keep funds for emergencies, debt and credit management, and risk tolerance to make sound financial decisions. Financial literacy education has not been in the school curriculum, so Gen Z are facing an inadequate concept of financial literacy, which consists of attitude, behavior, and knowledge; most of the time they spend time on the online platform.

Conceptual Framework and Hypothesis Development

The diagram is framed by the author for this study; demographic factors such as age, annual income, and education are the independent variables, and Financial attitude, financial behavior and financial knowledge are dependent variables that are taken into consideration. To examine the relationship between independent factors and dependent factors for this purpose, financial literacy consists of financial attitude, financial behavior, and financial knowledge.



Source: Authors

3.1 Demographic Factors of Gen Z and Financial Attitudes

The study analyzes the significant differences between financial attitude and age groups of Gen Z. Various studies have examined the positive impact of demographic factors on financial literacy, including age, gender, income, marital status, and level of education of youth. BujanI, CervicL, Dukic Samarzija N (2016), Bharucha (2017), Damayanti R et al. (2018), Jayanthi M, Rau (2019). Neha Garg, Shveta Singh (2018), Mouna and Anis (2015), Lusardi and Mitchell (2017), Megan Ann McCoy (2019), Singla and Malik (2021) and Xiawei Tan et al. (2024)

- **H₁:** There is a significant difference in financial attitudes among the age groups of GenZ.

3.2 Demographic Factors of Gen Z and Financial Behavior

The study analyzes the association between the income level of Gen Z and their financial behavior; most of the study concluded that demographic factors have a positive impact on financial behavior. Bhoomi Patel, Vasudevmodi (2017), Geeta and Narta (2019), Bhandari and Deaves (2010) and Metawa et al. (2018).

- **H₂:** There is an association between income level and financial behavior among Gen Z.

3.3 Demographic Factors of Gen Z and Financial Knowledge

The study determines the association between the education level of Gen Z and their financial knowledge; most of the study investigates the demographic factors and financial knowledge of college students. Swiecka (2019), Lusardi et al. (2011), Ana & Wan Ahmad (2020), Johan et al. (2021), Happ, Hahn, Jang, & Rüter ((2022) and Nour El Houda Yahiaoui (2023).

- **H₃:** There is an association between education level and financial knowledge among Gen Z.

Methodological Framework

4.1 Research Design and Sample

To measure the financial literacy level, the present research was conducted among Gen Z in Chennai. A descriptive research design and convenience sampling method were used for this study. The data was collected from Gen Z (Born between 1997 and 2012) through an online questionnaire from mail to the school students, college students and others. Though the questionnaire was distributed to more than 320 respondents, only 296 were useful for this study. A Likert 5 point scale was utilized for financial attitude (3), scale 1 to 5 as Strongly disagree to Strongly agree and financial behavior (3), scale 1 to 5 as Never true to Always true and financial knowledge (3), low to high for this research.

4.2 Data Analysis

The descriptive analysis was used for demographic factors, and Inferential analysis, such as One way Anova and Chi square, was applied through SPSS.

Results

5.1 Descriptive Analysis

Table 1 : Demographic details of the Gen Z

Demographic		N	Percentage
Gender	Male	151	51%
	Female	145	49%
Age	14 – 18 years	58	20%
	19 – 23 years	132	45%
	24 - 28 years	106	35%

Education	10 th standard	22	7%
	12 th standard	35	12%
	Under Graduate	139	50%
	Post Graduate	100	31%
Employment status	Student	175	59%
	Self employed	18	7 %
	Private employee	71	24 %
	Government employee	32	10 %
Income	Below Rs.2,50,000	78	26 %
	Rs.2,50,000 – Rs.4,00,000	112	38%
	Above Rs.4,00,000	106	36%

5.2 Inferential Analysis

- **H₁:** There is a significant difference in financial attitude across different age groups of Genz

Table 2: Table Showing One Way ANOVA

Age Group	Mean	S.D.	F-value	p-value	Significant
14 – 18 years	18.95	2.89	3.473	0.034*	5% Level
19 – 23 years	18.41	3.41			
24 – 28 years	20.00	3.66			

Table 3: Table Showing Post Hoc Test

Age	Age Group	p-value	Significant
14 – 18	19 – 23	0.433	
	24 – 28	0.413	
19 – 23	14 – 18	0.433	
	24 – 28	0.034*	5% Level
24 – 28	14 – 18	0.413	
	19 – 23	0.034*	5 % Level

- **H₂:** There is an association between income level and financial behaviour among Gen z.

Table 4: Table Showing Chi-square Test

Income	Track the budget regularly	Plan to save every month	Plan to keep money for emergencies	Total	Chi-square	p value	Significant
Below Rs.2,50,000	42	24	12	78	2.47	0.041*	5% Level
Rs.2,50,000 – Rs.4,00,000	31	32	48	112			
Above Rs.4,00,000	19	38	50	106			
Total	92	94	110	296			

- **H₃:** There is an association between education level and financial knowledge among Genz

Table 5: Table Showing Chi-square Test

Education	Low	Medium	High	Total	Chi-square	p-value	Significant
10th Standard	9	12	1	22	8.473	0.337	Not
12th Standard	13	18	4	35			
Under Graduate	38	39	62	139			
Post Graduate	22	35	43	100			
Total	92	94	110	296			

Discussion

6.1 Findings from Demographic Factors

- Males have a higher level of literacy compared to women. Women are willing to invest in stocks and mutual funds but are unaware of the financial knowledge of how to invest, where to inquire, and how to get financial advice; they are facing many challenges in the financial concept.
- Age groups of between 19 and 23 years have an interest in savings, investment, and debt management but are not interested in retirement planning; 24-28 year age groups are mostly interested in tax and retirement planning apart from their regular savings and investment, but 14 – 18 year age group is interested in saving for present needs or for the future.

- Under Graduates mostly use social media for online financial products and services, and they face challenges to identify the scam. Postgraduates are also using social media, but they compare with others and get advice from financial advisors, but school students lack the financial knowledge about how to save, invest, and manage debt and credit for their future.
- Students have ideas to invest and save for the future and for uncertain situations, but they lack the knowledge of saving and investing their money properly and making financial decisions for the future. Private employees and government employees are more aware of the savings and investment for the present and also for the future, particularly most interested in tax and retirement planning. Self employed and homemakers are interested to investing for the future but are financially not possible in all situations.
- Government and private employees with an annual income between Rs. 2,50,000 and Rs. 4,00,000 are willing to save for the future, invest in diversification and tax planning, and people who have an income above Rs. 4,00,000 are willing to invest for the future, retirement planning, and tax planning, but those with an income level below Rs. 2,50,000 are interested to saving for the present and are not interested in tax and retirement planning.

6.2 Findings from One-way Anova

- There is a significant difference among age groups with respect to financial attitude at the 5% level. Based on the post hoc test, the age group of 19-23 years is significantly difference from 24–28 years at the 5% level, but the age group of 14-18 years has no significant difference with others at the 5% level of significance.

6.3 Findings from Chi-square

- There is a significant association between income levels and financial behavior at the 5% level. Income ranges between Rs. 2,50,000 and Rs. 4,00,000 and above Rs. 4,00,000 have more prudent financial behaviors at the 5% level compared to others.

- There is no significant association between education level and financial knowledge at the 5% level. Different levels of education also do not clearly specify their financial knowledge to save, invest, or tax and retirement planning for their future.

6.4 Limitations of the Study

Due to time constraint, research is carried out for 30 days and only in Chennai city..

Conclusion and Suggestion

Financial education must be included in the school curriculum for the betterment of Gen Z, so that they can learn how to invest, where to inquire, what is needed, why saving and investment are necessary for the future, and how the risk is tolerated within their limit. Most of them are willing to earn and spend their income for luxury or fulfill their needs through credit beyond their risk tolerance.

7.1 Future Research

There is still a long way to go in terms of promoting financial literacy among Gen Z. Research should be done in terms of financial education in the school curriculum to learn the financial awareness about how to budget, when to save, where to invest, why to save for the future, and how to plan for retirement. The scope of the future research extended with financial education and financial influence of Gen Z to understand the importance of financial literacy, tolerate the risk, and make sound financial decisions.

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