A STUDY ON FINANCIAL LITERACY AND ITS DETERMINANTS AMONG GEN Z WORKING PROFESSIONALS IN KDMC REGION

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ABSTRACT

The culmination of one's knowledge, aptitude, and perspective on financial issues is referred to as financial literacy. It enhances an individual's well-being and ability to make informed decisions. Global research has been done to gauge people's financial literacy. Additionally, governments have carried out national surveys on financial literacy. Most surveys have shown the lack of financial literacy among the population. This research studies the level of financial literacy among working professionals in Generation Z and assesses their ability to make financial decisions. The study's conclusions show that age, gender, income, and education all influence one's degree of financial literacy. The results of this study will aid in adopting sensible measures to raise the overall level of financial literacy among working professionals from Generation Z.

Keywords: Financial Literacy, Financial Decisions, Gen Z.

INTRODUCTION

One of the main issues that every country in the world is dealing with is financial literacy. Financial literacy promotes an individual's ability to make informed decisions. Given the intricate nature of today's market and its goods, financial literacy is becoming increasingly necessary. In a nation like India, where a large portion of the population is young, the government has the power to improve financial literacy. Programs for financial education have been implemented by the government and various private entities. The OECD defines financial literacy as "a combination of awareness, acquaintance, skill, attitude, and behavior necessary to make sound financial decisions and ultimately achieve individual financial well-being."

The primary objectives of financial literacy include improved retirement life planning, progressive asset growth, and better financial decision-making. Thus, it becomes crucial to have sound financial knowledge from the beginning of one's professional life. However, people develop financial illiteracy as a result of many personal or professional obstacles. They must be provided with the financial information and resources necessary to make informed decisions as their current situation keeps them uninformed of financial matters and unable to make appropriate decisions. The advancement of financial inclusion, which in turn leads to the financial stability of any economy, is impacted by financial literacy. Due to poor literacy rates and a sizable portion of the population being financially excluded from the financial system, financial literacy has become more important in India.

NEED FOR THE STUDY

The need for financial literacy is notable due to complex financial products, limited awareness, and ignorance of financial issues. Every person has a different level of financial literacy. Gender disparity is one of the significant factors in determining financial literacy as well. A woman's individual life experiences often influence her financial decisions and relationships. In a woman's life, family finances and emotions are all interconnected. Low confidence and lack of understanding about financial matters stem from not having access to reliable information needed to make informed decisions. A person's life may be stimulated by stressful events such as a new job, a divorce or separation, or the death of a spouse.

The financial market changes have limited the ability of governments and companies to assist employees in forecasting their future financial requirements. Thus, young employees now have more responsibility for monitoring and making decisions about their future financial requirements. Their financial behavior is greatly influenced by factors such as easy access to consumption credit, high employment insecurity, and uncertain income. The field of financial literacy has seen very little study. The Gen Z generation makes up around 27-30%

of the total population in India, and around 10-15% of India's population consists of Gen Z working professionals. Thus, it is now crucial to gauge Gen Z's financial literacy. The goal of this study is to gauge the level of financial literacy among Generation Z working professionals in the KDMC area.

OBJECTIVES

The objectives of the study include:

1. Ascertain the young employees' degree of financial literacy.
2. Comprehend the obstacles and aspirations of the young generation with regards to financial matters.
3. Assess the young employees' degree of financial literacy.

REVIEW OF LITERATURE

According to Lusardi and Mitchell (2011), one of the main factors influencing financial literacy is the educational level. Better financial knowledge and abilities are correlated with higher levels of formal education.

Agarwalla et al. (2013) found that young professionals' financial awareness in India might be greatly improved by including financial education in the curriculum of schools and colleges.

Cole et al. (2011) noted that financial literacy is greatly influenced by socioeconomic background. People from wealthier backgrounds frequently have easier access to resources, both educational and financial.

Shim et al. (2010) discovered that views about money management and parental supervision had a big influence on Gen Z's financial actions. Research indicates that those who learn about money management from their parents are more likely to follow wise financial habits.

The Pew Research Center (2019) observed that Gen Z differs from other generations in that they have distinct financial practices since they grew up in the digital age. They are distinguished by a greater inclination to employ digital financial services and a predilection for quick, technologically advanced fixes. Studies show that this population has a variable degree of financial literacy in spite of this. For example, an Organization for Economic Co-operation and Development (OECD) poll revealed that although Gen Z is comfortable using digital banking tools, they have a weak grasp of basic financial concepts like interest rates, inflation, and risk diversification (OECD, 2020).

RESEARCH METHODOLOGY

A survey was carried out among the KDMC region's Generation Z workforce for the study's purposes. Respondents were chosen conveniently. For gathering primary data from the respondents, a structured questionnaire was developed. For this study, 120 respondents in total constitute the sample. Only 100 of the 120 questionnaires were properly submitted and used in the research.

The respondents were asked questions related to personal finances to gauge their degree of financial literacy. The purpose of the questions was to evaluate the respondents' level of understanding in the following areas: risk and return, insurance, borrowing, savings and investments, and financial competence.

In addition, inquiries on behavior and attitude toward finance were made. Each respondent's total score is computed.

Hypotheses:

H1: There is a significant difference in financial literacy levels between male and female Gen Z working professionals.

H2: There is a significant relationship between age and financial literacy among Gen Z individuals in the KDMC region.

H3: There is a significant relationship between educational attainment and financial literacy levels among Gen Z individuals in the KDMC region.

H4: There is a significant relationship between income and the financial literacy level of Gen Z individuals in the KDMC region.

The hypotheses of this study have been tested with the help of ANOVA. The hypotheses have been tested at a 5% significance level.

RESULTS AND DISCUSSIONS

Table 1: Demographic and Socioeconomic Details of the Respondents

S.No	Demographic factors	No. of respondents (Frequency)	Percentage (%)
1	**GENDER**		
	a) Male	63	63%
	b) Female	37	37%
2	**AGE**		
	a) 21-22 years	23	23%
	b) 23-25 years	38	38%
	c) 26-27 years	39	39%
3	**EDUCATIONAL QUALIFICATION**		
	a) Diploma	32	32%
	b) Undergraduate	26	26%
	c) Postgraduate	42	42%
4	**MONTHLY INCOME**		
	a) Rs.10001-20000	19	19%
	b) Rs. 20000–30000	46	46%
	c) >Rs. 30000	35	35%

Source: *Primary data*

The above table depicts the demographic profile of the respondents. Nearly 63% of the respondents are male. The majority of the respondents fall under the age group of 24-27 years. 42% of the respondents have completed their post-graduation. Most of the respondents are earning in the range of Rs 20000 to Rs 30000.

Association between Gender and Financial Literacy Level

The results indicate that compared to female employees, male employees possess a higher level of financial literacy. Compared to female employees (41.2%), male employees (69.80%) had a higher mean score. The table shows that the F value is significant at the 5% significance level, which means that hypothesis number one—that there is no correlation between gender and financial literacy level—is rejected. Thus, male and female respondents have different levels of financial literacy.

Association between Age and Financial Literacy Level

Table 2 presents the average financial literacy scores across various age groups. The data indicates minimal variation in financial literacy levels among the different age groups. The F value, as shown in the table, is not significant at the 5% significance level, leading to the rejection of Hypothesis 2 (H1), which posited an association between age and financial literacy levels. Therefore, it can be concluded that financial literacy levels are not influenced by age.

Table 2: Mean & F Values of Financial Literacy Level

Sr. No	Demographic factors	Mean	F Value	Significance
1	**GENDER**			
	Male	69.8	55.07	0.000
	Female	41.2		
2	**AGE**			
	21-22 years	48.9	1.354	0.241
	23-25 years	49.6		
	26-27 years	45.5		
3	**EDUCATIONAL QUALIFICATION**			
	Diploma	42.3	12.87	0.002
	Undergraduate	48.3		
	Postgraduate	61.3		
4	**MONTHLY INCOME**			
	Rs.10001-20000	57.5	30.51	0.000
	Rs. 20000–30000	47.9		
	>Rs. 30000	52.9		

Source: *Primary data*

Association between Education and Financial Literacy Level

Table 2 demonstrates the relationship between educational attainment and financial literacy. Higher education levels are associated with higher financial literacy levels. Table 2 indicates that respondents with postgraduate degrees (61.3%) had the highest level of financial literacy, followed by those with undergraduate degrees (48.3%). It is evident from the table that the F value is significant at the 5% significance level. Therefore, the null hypothesis (H0) of Hypothesis 3—that there is no correlation between education and financial literacy—is rejected. Thus, it follows that educational attainment influences one's degree of financial literacy.

Association between Income and Financial Literacy Level

The results of Table 2 show that a person's degree of financial literacy increases with income. According to Table 2, respondents with monthly incomes above Rs 30000 (52.9%) and those earning between Rs. 20000–30000 (47.9%) have the highest levels of financial literacy. It is evident from the table that the F value is significant at the 5% significance level. Therefore, Hypothesis 4's H0, which states no correlation between income and financial literacy, is rejected. Thus, it follows that a person's income influences their level of financial literacy.

CONCLUSION

It is not encouraging that all respondents' total financial literacy level can be deduced from the data above. This demonstrates how ignorant people are still concerning financial matters in our city. Previous research has indicated that young individuals have a low savings habit. Similarly, with fewer perks for employees, the onus of financial preparation for the future falls entirely on the young. The present generation of employees' financial behavior has altered as a result of early credit card purchases. Their financial situation is impacted by all of this. It becomes necessary to have appropriate financial literacy and knowledge about financial concerns.

According to the study's findings, respondents' levels of financial literacy vary greatly depending on several demographic and socioeconomic variables. We may infer that factors such as gender, income, and education have an impact on the level of financial literacy. Overall, it can be said that Gen Z employees in our KDMC region do not have a satisfactory level of financial literacy, and the government should take the appropriate steps to raise awareness of financial-related issues.

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