A Study of Financial Knowledge and Financial Behaviour of Generation Z: Evidence from Haryana

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Abstract: *The study is conducted on the generation z in India to see the level of financial literacy. The study is done with a view of projecting the financial well-being of the economy as the generation z is the future of economy. The study shows that the problem of men being more financially literate than women which was the case with older generations is same in generation z also. The study also shows the irrational behaviour of generation z in choosing the source of help needed in taking financial decisions being not financially literate themselves.*

1. Introduction

Financial literacy, financial stability, and financial inclusion are the three foundations of a developing economy, financial literacy is becoming a significant concern due to a lack of financial education among the general public. (Klapper et al., 2017) Worldwide, just 1-in-3 adults show an understanding of basic financial concepts. Study reported less than 25% of adults are financially literate in South Asian countries. Financial knowledge is yet to become a priority for an average Indian. The study also shows that nearly 76% of its adult population does not understand even the basic financial concepts. Although financial knowledge is higher among the wealthy, well educated, and those who use financial services. It is clear that billions of people are unprepared to deal with rapid changes in the financial landscape. Credit products, many of which carry high interest rates and complex terms, are becoming more readily available. Governments are pushing to increase financial inclusion by boosting access to bank accounts and other financial services but, unless people have the necessary financial skills, these opportunities can easily lead to high debt, mortgage defaults, or insolvency. As a result, financial institutions, banks, government authorities, and insurance companies must work together to provide financial literacy/education and to improve financial awareness of all sections of society.

Budgeting, saving & investing, money management, insurance, banking, credit, and protection connected to products and services are all becoming more popular in developed and emerging countries. The Indian government has made numerous efforts to promote inclusive growth and the development of a stable financial system. RBI, SEBI, IRDA, PFRDA and other market players have jointly taken initiative to spread awareness about the importance of financial education and have programs and courses for the same.

Generation Z, the future of our society, is expected to have at least a rudimentary understanding of finance. In view of contemporary economic realities, it is critical to comprehend financial knowledge. Individuals will need basic financial knowledge to handle their finances effectively and efficiently in order to have a wealthy life in the future, especially generation Z, who will find financial literacy to be highly advantageous in the future.

2. Literature Review

(Philippas & Avdoulas, 2020) This study intends to be the first of its type to assess the relationship between financial literacy, financial fragility, and financial well-being while also identifying the factors that influence them. We designed and distributed a questionnaire to a random sample of 456 university students in Greece for this aim. The university students represent Generation Z, which was affected by a financial crisis that was unprecedented in terms of duration and severity. We use cross-tabulations, chi-square tests, logistic regressions, and a marginal impact analysis to assess the data. Male students, students who keep spending records, and students whose father is well educated are shown to be more financially knowledgeable. The study also looks at the many aspects of financial fragility, and the findings reveal that financially educated students are better equipped to deal with an unexpected financial shock. As a result, financial literacy has the potential to be a crucial driver of financial well-being among Greek university students. Furthermore, the paper discusses possible policy prescriptions while taking into consideration relevant behavioral elements and technology advances.

(Pangestu & Karnadi, 2020) The study discovers that I age, gender, and major of study have a substantial effect on financial literacy score; (ii) financial literacy has a favorable influence on saves choice; and (iii) materialism has a negative effect on savings decision. Our findings indicate that future generations of Indonesians will have better financial prospects. Finally, the report strongly advises politicians to make financial education a mandatory element of every school's curriculum, regardless of level.

(Mohammed Esmail Alekam et al., 2018) The goal of this study is to determine the level of financial literacy among Malaysia's young people. It aims to provide a distinct representation of financial literacy among young people based on the assumption that family, peer, attitude, saving, and spending behaviour all have a substantial effect on financial literacy among young people. According to the findings, there is a considerable positive association between behaviour and financial literacy. Furthermore, the data revealed that Family/Parental and Peer Influenced Financial Literacy significantly.

(Afgani et al., 2021) The study is to examine the influence of financial literacy, particularly among Bandung City's Generation Z, on stock market participation. This study took a quantitative approach to data collection, giving questionnaires to 400 respondents in Bandung City. Using linear regression analysis, the researcher discovered that financial literacy has a substantial impact on Generation Z's stock market engagement.

(Edwy et al., 2022) The goal of this research is to assess the impact of financial behaviour and attitude on financial literacy in generation Z. This study is a quantitative investigation. Data were acquired using a questionnaire that included a list of assertions that were delivered to responders. The respondent then selects one alternate response that best suits his or her perspective. Secondary data were gathered from a variety of literatures, printed information sources, and other publications. Multiple linear regression was employed to analyze the data. The findings revealed

that: 1) financial attitude had a substantial effect on financial literacy, and 2) financial conduct had no significant effect on financial literacy.

(Utami & Sitanggang, 2021) The purpose of this research is to better understand the financial literacy and investing behaviour of Gen Z in Jakarta, Indonesia. Data were gathered utilizing a quantitative approach, namely through the use of an online questionnaire and the convenience sample technique. The association between financial literacy and investing decisions was then examined using the statistical program - Lisrel's Structural Equation Model regression. Finally, financial literacy was discovered to have a considerable effect on the investing decisions of Gen Z in Jakarta.

(Beck & Garris, 2019) According to the findings of this survey, participants desire personal finance classes to be given in K-12 institutions as well as at the university level. They also want personal finance to be taught as a co-curricular subject in K-12 schools. Based on participant feedback, it is suggested that co-curricular personal financial instruction be included into math classes. Participants in this survey have either profited from personal finance training or are strong advocates for the future teaching of personal finance. The financial future is also a source of concern for many generations. Generation X is more concerned about the financial decisions of future generations, but Millennials and Generation Z are concerned about the economy's future and how it will affect them.

(Ayuningtyas & Irawan, 2021) The purpose of this study is to investigate: (1) the influence of financial literacy on consumers' impulsive purchasing behaviour; (2) the influence of financial literacy on self-control; and (3) the influence of financial literacy on consumers' impulsive purchasing behaviour with self-control as a moderating variable. This study employs a quantitative approach to comparative causal investigation. The target population for this study is Generation Z, defined as people aged 17 to 24 who live in Bandung, Indonesia, as Bandung is one of the most popular cities in Indonesia for higher education. The study's findings revealed that: (1) financial literacy has a negative and significant effect on consumers' impulsive purchasing behaviour; (2) financial literacy has a positive and significant effect on self-control; and (3) self-control can mediate the effect of financial literacy on consumers' impulsive purchasing behaviour.

(Mikhratunnisa & Ananda, 2020) Nowadays, good financial conduct is required to face an era in which spending or conserving money is simple. Because Generation Z is a consumer generation, the purpose of this research is to discover the financial behaviour of Generation Z. The sample size for this study was 200 people. Partial Least Squares Structural Equation Modeling (SEM) data analysis methodologies. The findings revealed that financial literacy influenced financial behaviour via financial attitude.

3. Research Gap and Hypothesis

There has been a lot of studies on financial knowledge of different age groups, except for the generation z as per the knowledge of researcher. This being the generation which is the future of

the economy it is very important to study their level of financial knowledge. A more knowledgeable generation z means a better economy and financial well-being.

Hypothesis:

$1H_0$: The distribution of Final Score is the same across categories of Gender

$2H_0$: The distribution of Final Score is the same across categories of financial decisions taken?

4. Research Methodology

To study the level of financial knowledge 10 multiple choice questions were selected from the Organisation for Economic Cooperation and Development (OECD) database of survey of financial literacy around the globe. Each question is allotted 1 point, if the respondent marks the correct answer, they get the point if they answer wrong, they don't get the point and a total score is calculated on the scale of 0-10. The questionnaire contains two questions for categorization and further study namely gender and how financial decision is taken by the respondent. The questionnaire is administered to respondents from India through digital mode via google forms which is circulated for collection of primary data.

The study is conducted using nonparametric tests a) Mann-Whitney U Test for the analysis of financial knowledge of generation z based on the respondent's gender; b) Kruskal-Wallis Test for understanding the financial behaviour of the generation z, on how they take their financial decisions.

5. Findings and Analysis

There are 148 respondents to the questionnaire.

Table 1

Independent-Samples Mann-Whitney U Test

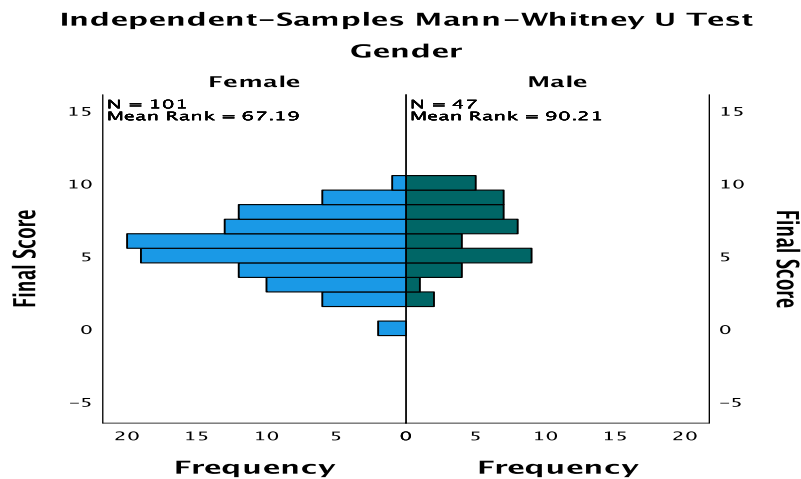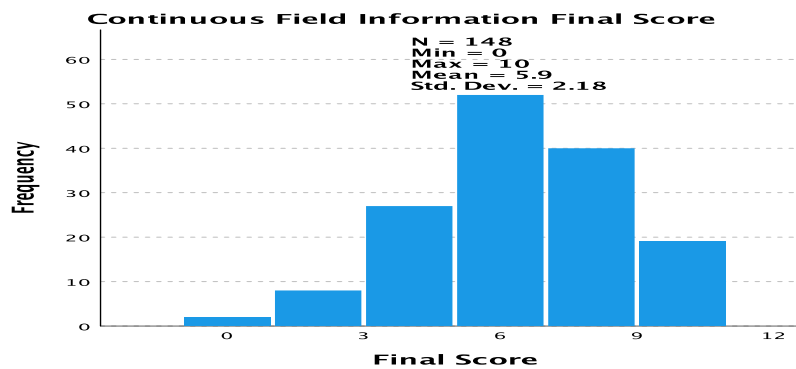|	
Total N	148
Mann-Whitney U	3112.000
Wilcoxon W	4240.000
Test Statistic	3112.000
Standard Error	240.518
Standardized Test Statistic	3.070
Asymptotic Sig.(2-sided test)	.002

Chart 1

Chart 2

(Table 1) The test proved to be significant for the gender at 0.002 significance level. The financial knowledge varies across the category of gender in generation z. Females are less financially literate as compared to males in the new generation. The mean rank for men stands at 90.21 whereas for women is 67.19 only. The $1H_0$ is thus rejected.

Table 2

Independent-Samples Kruskal-Wallis Test Summary

Total N	148
Test Statistic	5.341[a]
Degree Of Freedom	3
Asymptotic Sig.(2-sided test)	.148

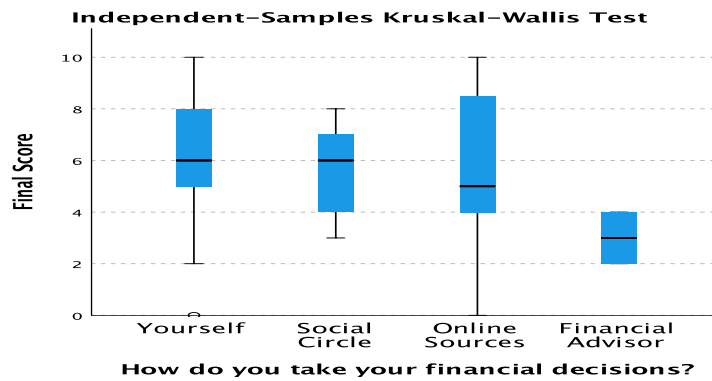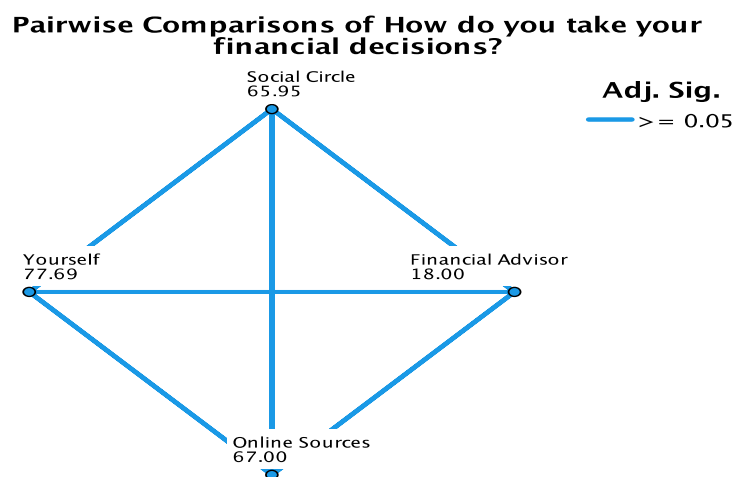a. The test statistic is adjusted for ties.

Chart 3

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Table 3

Pairwise Comparisons of How do you take your financial decisions?

Sample 1-Sample 2	Test Statistic	Std. Error	Std. Test Statistic	Sig.	Adj. Sig.[a]
Financial Advisor-Social Circle	47.950	31.496	1.522	.128	.767
Financial Advisor-Online Sources	49.000	32.646	1.501	.133	.800
Financial Advisor-Yourself	59.687	30.290	1.971	.049	.293
Social Circle-Online Sources	-1.050	15.942	-.066	.947	1.000
Social Circle-Yourself	11.737	10.289	1.141	.254	1.000
Online Sources-Yourself	10.687	13.403	.797	.425	1.000

Each row tests the null hypothesis that the Sample 1 and Sample 2 distributions are the same. Asymptotic significances (2-sided tests) are displayed. The significance level is .050.

a. Significance values have been adjusted by the Bonferroni correction for multiple tests.

Chart 4

There is no significant difference in the level of financial knowledge for those who take their financial decisions by themselves, or use services of financial advisor, or social circle, or the online

sources. The significance level as per the test remains at 0.148. Also, the pairwise comparison does not show significance for any pair. Thus, the $2H_0$ retains.

6. Conclusion

The difference in the level of financial knowledge between men and women persist for the new generation also, as per previous studies this difference was obvious among the older age groups. This study shows that more efforts are required to improve this gap in education especially financial education. It is also concluded that the generation z is taking financial decisions from different sources and there is no significant change in the level of financial knowledge. Overall, the financial knowledge of the generation z is poor and needs to be enhanced for a better future. The financial well-being is hampered due to financial illiteracy and if generation z is not financially strong the economy will be affected.

7. Reference

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