A Study on Financial Literacy and its Determinants among Gen Y Employees in Coimbatore City

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Abstract: *Financial literacy is the mix of one's knowledge, skill and attitude towards financial matters. It helps to make informed decisions and well-being of an individual. Research has been conducted globally for measuring the level of financial literacy. And also financial literacy survey has been conducted at country level by the governments. Most of the surveys have thrown light on their poor level of financial literacy. This study focuses on financial literacy among Generation Y employees and to examine how well-equipped they are to make financial decisions. An attempt has been made through this study to measure the level of financial literacy of Gen Y employees. Findings of the study depict that gender, education, income and age impacts the level of financial literacy. This study would help in adopting appropriate strategies to improve the level of financial literacy amongst the Gen Y employees.*

Keywords : Financial Literacy, Financial decisions, Gen Y.

INTRODUCTION:

Financial literacy is the major challenge faced by all countries globally. Financial literacy is the mix of one's acquaintance, skill and attitude towards financial matters. It helps to make informed decisions and well-being of an individual. In today's world which has a market with complicated products, the need for financial literacy becomes predictable. Country like India which has high young population, the government is in a position to increase the level of financial literacy. The government and other private institutions have taken ladder through financial education programs.

Financial literacy goes beyond the provision of financial information and advice. It is the ability to know, monitor, and efficiently use financial sources to enhance the welfare and economic refuge of an individual, his family, and his business. 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."

Financial literacy is mainly concerned with better planning of retirement life, gradual wealth accumulation and better financial decision making. So to be financially literate becomes important from the initial stages of one's career. But due to some personal or professional hindrances they become financially illiterate. This leaves them with incompetent knowledge about financial dealings, unacceptable decisions etc., so, they have to be enhanced with financial knowledge and tools which are needed to make informed decisions. Financial literacy impacts the promotion of financial inclusion which ultimately results in financial stability of any economy. The need for financial literacy in India has benefited importance because of low level of literacy and large section of population which is financially excluded from the formal financial set up.

Research has been conducted worldwide for measuring the level of financial literacy.And also financial literacy survey has been conducted at country level by the governments. Most of the surveys have thrown light on their poor level of financial literacy. This study focuses on financial literacy among Generation Y employees and to examine how well-equipped they are to make financial decisions. The research also concentrates on their sources, their knowledge and the challenges faced by them in financial matters.

NEED FOR THE STUDY

Complicated financial products, low level of awareness and lack of knowledge about financial matters makes the want of financial literacy noteworthy. The level of financial literacy differs from individual to individual. Gender gap also plays an important role is deciding the level of financial literacy. A woman's decision or relationship with money is often determined by her personal life experience. Emotion, money and family are interlinked in the life of a woman. Lack of equipped access of consistent information to make informed decision leads to low level of confidence and knowledge about financial issues. Life changes like new employment, divorce or separation, demise of the partner are some of the stressful stimulators in an individual's life.

The reforms introduced in financial markets have reduced the scope of governments and employers in supporting the employees to plan their future financial needs. So, the responsibility of managing and deciding their future financial needs has increased among the young employees. High job insecurity, uncertain income and easy access to consumption credit have a great influence on their financial behaviour. Very less research has been done on financial literacy. A country like India with high young demographic dividend and socio-economic diversities should undergo researches in this topic.With 65 percent of its population under the age of 35 years, India today assertions one of the largest

available workforces in the world. A large segment of this demographic belongs to the Gen Y group. So, measuring financial literacy among the people under the age of 35 becomes important. This research focuses on measuring the financial literacy among Generation Y employees in Coimbatore city.

OBJECTIVES

The objectives of the study includes

1. Determine the level of financial knowledge of the young employees

2. To understand the challenges and goals youth have with financial matters

3. To measure the level of financial literacy of young employees

4. To find out the relationship between financial literacy and various demographic and socio-economic factors.

REVIEW OF LITERATURE

Increased variety of financial products and the instability of the global economy in twenty first century caused increasing complexity of financial decisions and also caused consumers to face the challenges in economic and financial activities. For this reason, in the last decade, the significance of financial management skills in personal and work life has increased and researches in this area has been done. Financial Development is widely recognized as an important determinant of economic growth, with a large literature examining the determinants of the supply of banking and financial intermediation services (Levine (2005).Yet the determinants of the demand for financial services are much less well understood, particularly in emerging market countries.

Some of the reviews of the existing studies are listed below.

Studies by Marcolin and Abraham (2006); Schuchardt et al., (2008); Remund (2010) and Huston (2010) found that " Despite the rapid growth of interest in and funding for financial literacy and financial education programs, it remains the case that the field of financial literacy has a major obstacle to overcome: the lack of a widely disseminated measure of financial literacy, developed through rigorous psychometric analyses".

Michael (2009) argues that "A lack of financial literacy can hamper the ability of individuals to make well-informed financial decisions. For people who

exhibit problems with financial decision making, financial advice has the potential to serve as a substitute for financial knowledge and capability".

Agarwalla Sobhesh Kumar, Barua Samir, Jacob Joshy, Jayanth R. Varma (2012) conducted a study among 3000 individuals, and found that " Financial knowledge among Indians is very low than the International standards. But the financial behaviour and attitude of the employees and retired seems to be positive. The financial knowledge among the women are marginally high than the men. Greater access to consumption credits has influenced the financial behaviour of young employees".

Financial literacy was examined among wave11 individuals which showed that the financial literacy is low and lesser than one third of the young adult possess the basic knowledge of interest rates, inflation and risk diversification. Financial literacy was strongly related to socio demographic characteristics and family financial sophistication. Specifically, a college educated male whose parents had stocks and retirement savings was about 45 percentage points more likely to know about risk diversification than a female with less than a high school education whose parents were not wealthy (Lusardi, Mitchell and Curto 2006).

Sages and Grable, (2009) in their study found that "the individuals who has the lowest level of financial risk tolerance is the least competent in terms of financial matters, have the lowest subjective evaluation of net worth and are less satisfied with their financial management skills. The level of financial risk tolerance of the individuals determines the financial behaviour".

Ansong and Gyensare (2012) conducted a study among 250 UG and PG University students of Cape Coast reveals that " the age and work experience are positively related to Financial literacy. Also, mother's education is positively correlated with respondents' financial literacy. But, level of study, work location, father's education, access to media and the source of education on money has no influence on financial literacy".

Responsibility of money management lies with parents. Parents are the source of financial information. They are confident about their financial future. Their parents are successful in money management and they take them to be their role models in deciding upon financial matters, Canadian Institute of Chartered Accountants CICA Youth Financial Literacy Study 2011.

The level of financial literacy required depends upon the financial needs and behaviour of an individual. From the above studies, it is inferred that financial literacy is highly influenced by age, region or country in which the individual resides, the financial environment which he experiences, the level of income, socio demographic factors like his family, number of dependents, mother's education, financial advice etc. And most of the studies have focused either on college students or adults as a whole. The need to know the level of financial literacy of various groups and especially Gen Y employees becomes inevitable.

METHODOLOGY

For the purpose of the study a survey was conducted amongst Generation Y employees of Coimbatore City. Respondents were selected conveniently. Primary data from the respondents was collected by using a structured questionnaire. A total of 200 respondents constitute a sample for this study. Out of the 200 questionnaires only 189 were duly filed and were used for the study.

To measure the financial literacy level, questions about personal finance were asked from the respondents. The questions were asked in order to measure respondent's knowledge in the areas of financial numeracy, savings and investments, borrowings, insurance, risk and return.

Along with which questions related to financial attitude and behavior were also asked.

Total score for each respondent is calculated. The total for each respondent was further converted into their percentage score and financial literacy index is developed. The following hypotheses are developed.

Hypothesis 1:
H1: There is an association between gender and financial literacy level of Gen Y employees.
Hypothesis 2:
H1: There is an association between age and financial literacy level of Gen Y employees.
Hypothesis 3:
H1: There is an association between education and financial literacy level of Gen Y employees.
Hypothesis 4:
H1: There is an association between income and financial literacy level of Gen Y employees.
Hypothesis 5:
 H1: There is an association between marital status and financial literacy level of Gen Y employees.

The hypothesis of this study has been tested with the help of ANOVA. The hypothesis has been tested at 5% significance level.

RESULTS AND DISCUSSIONS

Table 1. Demographic and Socioeconomic Details of the Respondent

S.No	Demographic factors	No. of respondents (Frequency)	Percentage
1	**GENDER**		
	a) Male	113	59.8
	b) Female	76	40.2
2	**AGE**		
	a) 20-25 yrs	47	24.9
	b) 26-30 yrs	56	29.6
	b) 31-35 yrs	86	45.5
3	**EDUCATIONAL QUALIFICATION**		
	a) Schooling	21	11.1
	b) Diploma / ITI	27	14.3
	c) Undergraduate	63	33.3
	d) Post graduate	78	41.3
5	**MARITAL STATUS**		
	a) Married	122	64.5
	b) Unmarried	67	35.5
6	**NO. OF DEPENDENTS**		
	a) 1	76	40.2
	b) 2	64	33.9
	c) 3	32	16.9
	d) Above 3	17	9.0
7	**MONTHLY INCOME**		
	a) Rs.10000	52	27.5
	b) Rs.10001-20000	34	17.9
	c) Rs. 20000–30000	49	25.9
	d) >Rs. 30000	54	28.7

Source: Primary data

The above table depicts the demographic profile of the respondents. Nearly 60% of the respondents are male. Majority if the respondents fall under the age group of 31-35 yrs. 41% of the respondents have completed their post-graduation. Majority of them are married. Most of the respondents have 1 dependent and the respondents who earn Rs.10001 to Rs.20000 are relatively low when compared to other categories. The above profile shows that majority has completed at least their under graduation and are married.

Association between Gender and financial literacy level

Based on gender, the results it is clear that male employees working are more financial literate as compared to female employees .The mean score of male employees working is 69.80% as compared to mean score of female employees working (41.2%). From the table it can be seen that F value is significant- at 5% significance level, hence H0 of hypothesis 1-There is no association between Gender and financial literacy level is rejected. Thus it can be concluded that the level of financial literacy differs between male and female respondents.

Association between age and financial literacy level

Table 2 shows the mean score of financial literacy level for different age groups. There is no great difference in the level of financial literacy among the different age groups. From the table, it can be seen that F value is not significant at 5% significance level, hence H1 of hypothesis 2-There is an association between age and financial literacy level is rejected. Thus it can be concluded that financial literacy level does not depend on age.

Table: 2 Mean & F Values of Financial Literacy Level

S.No	Demographic factors		Mean	F Value	Significance
1	**GENDER**	a) Male	**69.8**	**55.07**	**0.000**
		b) Female	41.2		
2	**AGE**	a) 20-25 yrs	**48.9**	**1.354**	**0.241**
		b) 26-30 yrs	49.6		
		b) 31-35 yrs	45.5		
3	**EDUCATIONAL QUALIFICATION**	a) Schooling	**31.1**	**12.87**	**0.002**
		b) Diploma / ITI	42.3		
		c) Undergraduate	48.3		
		d) Post graduate	61.3		
5	**MARITAL STATUS**	a) Married	**64.5**	**30.94**	**0.000**
		b) Unmarried	45.2		
6	**NO. OF DEPENDENTS**	a) 1	**40.2**	**7.9**	**0.002**
		b) 2	53.9		
		c) 3	61.9		
		d) Above 3	49.6		
7	**MONTHLY INCOME**	a) Rs.10000	**57.5**	**30.51**	**0.000**
		b) Rs.10001-20000	47.9		
		c) Rs. 20000–30000	52.9		
		d) >Rs. 30000	63.7		

Source: Primary data

Association between education and financial literacy level

Table 2 shows that financial literacy level is correlated with the level of education. More the education level more is the level of financial literacy. Table 2 shows that financial literacy level is highest for respondents who have PG degree (61.4%) followed by those respondents who have under graduate degree (48.3%). From the table it can be seen that F value is significant- at 5% significance level. Hence H0 of hypothesis 3-There is no association between education level and financial literacy level is rejected. Thus it can be concluded that financial literacy level depends on the education level.

Association between Income and financial literacy level

The results of the Table 2 indicates that more the income, more will the level of financial literacy. Table 2 shows that financial literacy level is highest for respondents having income level above 30,000 (63.7%) per month followed by those who earn between Rs. 20-30 thousand (52.9.06%) per month. From the table it can be seen that F value is significant- at 5% significance level. Hence H0 of hypothesis 4 - There is no association between income and financial literacy level is rejected. Thus it can be concluded that financial literacy level depends on the income of a person.

Association between marital status and financial literacy level

On the basis of marital status we have divided the respondents into four categories i.e. married, unmarried, separated and widow. But we have respondent from married and unmarried category. Table 2 shows that married employees have higher financial literacy level as compared to unmarried employees. From the table it can be seen that F value is significant- at 5% significance level. Hence H0 of hypothesis 5-There is no association between marital status and financial literacy level is rejected. Thus it can be said that nature of marital status influences financial literacy level of the respondents.

Association between number of dependents and financial literacy level

When we look the level of financial literacy with respect to number of dependents, it can be observed that financial literacy is high with the respondents who have 3 dependents. Overall financial literacy level of 50.9% among generation Y employees is not very encouraging. Financial literacy level of males is higher than that of females. Financial literacy does not depend on age. From the study we can say that the respondents whose age is less than 30 has high financial literacy than those who fall under the age group of 31-35 yrs. Level of financial literacy is positively related to education and income level i.e. our results indicate that financial literacy level increases with increase in education and income level. The results are statistically significant. The employees who got married are more financially literate as compared to those in unmarried employees and the difference is statistically significant.

CONCLUSION

From the above analysis it can be concluded that overall financial literacy level of 50.90% among all respondents is not encouraging. This shows that in our city people are still not much aware about their finance related issues. Earlier studies have shown that the savings habit among young people is not so high. Likewise the whole burden of planning their future in terms of finance is on the young individuals, as employee benefits are reduced. Early purchased through credit cards have changed the financial behaviour of the current generation employees. All this has an impact on their financial position. Need for proper financial literacy and information related to financial matters becomes inevitable.

The results of the study 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. Overall it can be concluded that financial literacy level is low among Gen Y employees in our Coimbatore city and necessary measures should be taken by government to increase awareness about financial related matters.

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