A Study on Financial Literacy among Millennials in Mysore City

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Abstract - Financial system influences the economic development of any country. Every generation affects the economy, but generation–Y or millennials have grown up with respect to rapid economic change, which provided them wider career opportunities compared to previous generations. Financial literacy plays a vital role for accomplish the financial goals of the millennials and assist to make financial decisions. The present study aims to investigate the demographic and socio economic profile level of millennials and to measure the level of financial literacy among millennials in Mysore city. The findings of the study will establish the relationship among financial knowledge, financial attitude and financial control in Mysore city.

Keywords: Millennials, Financial system, financial knowledge, financial attitude, financial control and financial literacy.

I. INTRODUCTION

Economy of any country is driven by investments leading to capital formation. Savings lead to investments. In India, the household sector occupies the major place as far as savings is concerned as compare to institutional sectors, whether it is private or public. Every government in the world would like households to save, as personal saving constitutes the largest segment of national saving in most of the countries. Every generation has a transformative effect on the economy, the younger generation investors are willing to invest in capital market instruments. The present study is to review and synthesis of recent studies on the savings and investment patterns of Millennial in India. Millennial is the name given to the generation who born between 1981 and 1996, dates now clarified by the Pew Research Center, the millennial generation follows Generation X. This helps the researcher in understanding the research problem clearly and to design the methodology by which the study is to be conducted. It also helps to identify a gap that exists in the chosen area of research. In India, two- third of the population will consist of later millennials (22-38 years) by 2021, the study on the financial literacy of millennials is essential for success of the Indian economy. The present paper is to understand the financial awareness and the financial literacy of millennials and related issues. Increasing number of studies through finance, economics and financial capability surveys showed that majority of people have lack of basic financial knowledge and skills. Few studies showed that youth of India is unaware about investment opportunities which restricted them from venturing out into the area formal savings and investments and so savings habit among young people is not

so high. Therefore, financial literacy among the youth is the need of the hour.

Significance of the Study

India turn into the largest millennial market in the world. Currently, millennials or Generation- Y are 34% of the total population in the country. Millennials encounter grater difficulties such as economic uncertainties and related to their personal finance, therefore it is very essential to carrying personal financial responsibilities and aware of financial security.

Nowadays, financial system has updated with advanced technologies. Financial markets come up with new financial instruments. Millennials must have the financial knowledge in order to overcome economic uncertainties. Financial literacy plays a vital role to obtain an in-depth visualization of financial situation, financial knowledge and financial behavior. Financial ignorance causes significant costs. Very few research have been done on the financial literacy of the millennials. A country like India with high population belongs to millennials should undertake researches in this topic. So, it is important to measuring financial literacy among millennials. It would increase personal wealth, which leads to the development of the country and preventing economic meltdown. The present study focuses on the estimating the financial literacy among millennials in Mysore city.

II. 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.

Pirmin fessler, Marilies jelovsek and Maria silgoner (2020) were conducted a study titled that "Financial Literacy in Austria- focused on Millennials." This study summarized the main findings from the second wave of the Austrian survey of financial literacy. The study observed that men significantly outperformed women in terms of financial knowledge. Further, it showed that financial knowledge increased with the level of education and from the study, self-employed people scored highest in terms of financial knowledge. The study found that women scored better in terms of behaviour and attitudes. Millennials those who younger than 39 years differ from other age cohorts in several respects and showed relatively low levels of financial literacy were less financially organized, showed more risky and less forward looking behaviour.

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.

Jamie wagner (2019) attempted a study titled that "Financial education and financial literacy by income and education groups." The study examined the association between financial education and financial literacy among respondents with respect to different levels of income and educational qualification. The study revealed that people who had financial education were likely to had higher financial literacy compared to those who without financial education. The study was found that financial education had a higher positive correlation compared to income of the people. Therefore, it suggested that people need more financial education in order to invest their income into the right investments alternatives.

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.

Priyanka Agarwal, Radhika choudary kureel and Suman Yadav (2017) have done a research titled that "A study on future plan for increasing financial literacy among people." The study focused to provide future plan for increasing financial literacy among people by proposed school level curriculum on financial literacy among people. The study mentioned the topics related to financial literacy and it has proposed curriculum to be taught at school level in order to increasing financial literacy. The study showed that impact of topic which establishes the direct and positive relationship between investment decision and capabilities of the people.

The study also revealed that most of the respondents invested in low return financial instruments due to bear of loss.

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 know the demographic and socio-economic profile of the millennials in Mysore city.
2. To understand the financial awareness of the millennials in Mysore city.
3. To measure the level of financial literacy among millennials in Mysore city.

III.   RESEARCH METHODOLOGY

The study has been conducted among millennials of Mysore city. Stratified sampling method has been applied in order to select the respondents for the study. The primary data collected from 106 respondents through structured questionnaire. To measure the level of financial literacy, structured questionnaire consisted of various questions regarding demographic and socio economic profile of the millennials, awareness towards various selected investment instruments and questions with respect to know the financial knowledge, financial attitude and financial control of the millennials.

Total score for each respondent has been evaluated. The total for each respondent was further converted into their percentage score. The Exploratory Factor Analysis (EFA) test has been run in order to measure the financial literacy by establish the relationship among financial knowledge, financial attitude and financial control. The following hypotheses are constructed.

Hypotheses:

H_o = There is no significant relationship among financial knowledge, financial attitude and financial control of millennials in Mysore City.

H_a = There is a significant relationship among financial knowledge, financial attitude and financial control of millennials in Mysore City.

IV.   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
	d) Housewife	1	0.0094
	e) Student	33	31.13
5	**MARITAL STATUS**		
	a) Married	42	39.62
	b) Unmarried	64	60.38
6	**TYPE OF FAMILY**		
	a) Nuclear Family	75	70.75
	b) Extended Family	31	29.25
7	**NO.OF EARNING MEMEBERS**		
	a) One member	29	27.36

	b) Two members	49	46.23
	c) Three members	11	10.38
	d) More than three members	17	16.04
8	**NO. OF DEPENDENTS**		
	a) No dependent	10	9.43
	b) One dependent	46	43.40
	c) Two members	25	23.58
	d) above Three 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
	d) Above Rs.40000	32	30.19
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%).

Financial awareness of millennials

From the research, it was found that majority of respondents (73.6%) were aware of online trading and 67.9% of respondents have DEMAT account. Majority of respondents (61.3%) have obtained sufficient information regarding investments. 76.4% of respondents were not aware of any investors' association in Mysore district. 61.3% of respondents were self-decision makers while making investment decisions followed by 46.2% of respondents have made investment decisions with the help of family members and 2.8% of respondents have consulted share brokers to make investment decisions.

The research involved various selected investment avenues, namely, bank deposits, chit funds, share and debentures, gold and silver, life insurance, mutual funds, financial company deposits, post- office savings and real estate.

Chart 1. The level of awareness towards various selected investment options
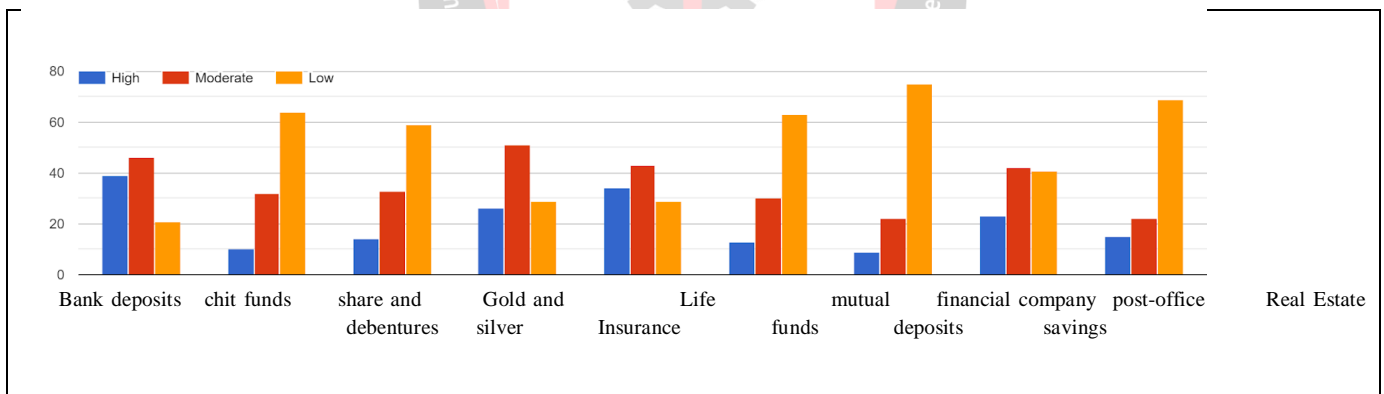
The above chart shows the level of awareness towards various selected investment options. It was found that majority of respondents (36.79%) have awareness of bank deposits followed by life insurance (32.08%) and least aware of financial company deposits (8.49%). Further, the result shows that 70.75% of respondents were not aware of financial company deposits followed by 65.09% in real estate and 19.81% of respondents were not aware of bank deposits. It's clearly showed that they were aware of bank deposits but not much aware of mutual funds, chit funds, share and debentures and least aware of real estate and financial company deposits.

Measurement of the level of financial literacy among millennials

The research has conducted an exploratory factor analysis (EFA) using SPSS 20 software.

Table 2. KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.856
Bartlett's Test of Sphericity	Approx. Chi-Square	544.189
	Df	66
	Sig.	.000

Above table shows the Kaiser- Meyer-Olkin index is equal to 0.856, whereas the Bartlett test significant (p=0.00). These results reject null hypothesis that there is no relationship among financial knowledge, financial attitude and financial control.

Table 3. Total Variance Explained

Component	Initial Eigenvalues			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.202	43.349	43.349	2.991	24.929	24.929
2	1.477	12.307	55.656	2.591	21.596	46.525
3	1.233	10.279	65.935	2.329	19.410	65.935
4	.740	6.169	72.104			
5	.651	5.426	77.530			
6	.598	4.979	82.510			
7	.445	3.712	86.222			
8	.419	3.493	89.716			
9	.370	3.079	92.795			
10	.330	2.751	95.546			
11	.301	2.507	98.053			
12	.234	1.947	100.000			

Extraction Method: Principal Component Analysis.

The research has tested with a principal component analysis, as well as three components with an Eigen value of over 1.00, explaining 65.935% of the total variance and showing a great internal consistency.

Table 4.Rotated Component Matrix

	Component		
	1	2	3
FK1	.735		
FK2	.802		
FK3	.774		
FK4	.740		
FK5	.614		
FA1		.719	
FA2		.755	
FA3		.842	
FC1			.737
FC2			.773
FC3			.747
FC4			.744

In the initial EFA, one item (I.e. FA4: I think I could repay all my borrowings) loaded onto a factor other than its underlying factor. Hence, the one item was removed from further analysis. The Bartlett's test of sphericty proved to be significant and all communalities were over the required value of 0.5. The three factors identified as part of this EFA aligned with the theoretical proposition in this research. Factor-one includes items from FK1 to FK5, referring to financial knowledge (FK). Factor –two gathers items from FA1 to FA3, which represents Financial Attitude (FA). Finally, Factor-three includes items from FC1 to FC4, referring to Financial Control (FC).

V.   CONCLUSION

From the current study's analysis it can be concluded that there was a significant relationship among financial knowledge, financial attitude and financial control. Millennials with a better financial attitude and financial control will establish good financial behavior in managing their economic security and well-being. These results are significant and consistent. Regarding awareness of the investment avenues, they were aware of savings schemes but not fully aware of investment schemes. Further, financial literacy level was moderate among millennials in Mysore city and required measures should be taken by the government to increase awareness about financial related matters. Therefore enhanced financial knowledge is an important factor in nurturing good financial management behavior as well as their community's economic development.

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