

Comparative Analysis of Financial Literacy and Behavioural Control on The Household Wealth of Generation Y With Special Reference to Bhavnagar

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Abstract

This study investigates the impact of financial literacy and behavioral control on the household wealth of Generation Y in Bhavnagar, employing a primary questionnaire method. As financial literacy becomes increasingly critical in managing personal finances and achieving financial stability, understanding its influence on wealth accumulation is essential, particularly for the younger generation facing complex financial environments. This research aims to quantify the extent to which financial knowledge and behavioral factors contribute to the financial well-being of individuals born between 1981 and 1996, known as Generation Y. The study utilized 215 structured questionnaires distributed to a representative sample of Generation Y residents in Bhavnagar. The questionnaire covered various aspects of financial literacy, including budgeting, saving, investing, and understanding financial products, along with behavioral control metrics such as impulse buying, financial planning, and risk-taking tendencies. Data analysis involved both descriptive and inferential statistics to identify significant relationships and draw comparisons between different levels of financial literacy and behavioral control and their impact on household wealth using Friedman test appropriate. The findings contribute to the broader understanding of personal finance management and its implications for wealth accumulation among young adults in urban India.

Keywords: Generation Y, Financial literacy, Household wealth, Behavioral control, financial planning, Wealth accumulation.

INTRODUCTION

Financial literacy is the ability to understand and effectively use a variety of financial skills, including personal financial management, budgeting and investing. When you are financially literate, you have the foundation for an intelligent relationship with money and it is the starting point for a lifelong journey of learning about more advanced financial matters. The sooner you start, the better off you will be financially, because the key to financial success is education. Financial literacy refers to knowing and understanding various financial products. It helps individuals manage money, personal finances, investments and tax planning. Its main purpose is to protect people from financial scams and scams. This is crucial for achieving long-term goals a child's higher education, buying a home or starting a business. It emphasizes emergency funds, retirement funds, insurance and estate

planning. Educating one person creates a chain reaction - raising awareness among friends, family members, co-workers, neighbors, customers, etc. Other products such as mortgages, student loans, health insurance and self-directed investment accounts have also grown in importance. This makes it even more important that people understand how to use them responsibly. Financial literacy can include a short-term financial strategy as well as a long-term financial strategy, and the strategy you choose depends on several factors, such as your age, time horizon and risk tolerance. Financial literacy involves knowing how investment decisions you make today will affect your tax obligations in the future. This also includes knowing which investment vehicles are best for saving, whether for a financial goal like buying a home or retirement.

WHAT IS THE AGE OF GENERATION Y?

The birth range of Generation Y is a matter of debate, but roughly considered Birth range is somewhere between early **1980s and mid 1990s till early 1996**. The age range for the **Gen Y can be estimated around 25 and 40 years old** currently.

WHAT ARE THE CHARACTERISTICS OF GENERATION Y?

Here are a few key characteristics of Generation Y:

1. Flexible enough with the work
2. Work-life balance
3. Tech-savvy
4. Civic and social consciousness
5. Entrepreneurial spirit
6. Diversification

LITATURE REVIEW

ANDRZEJ CWYNAR (2020)

The paper examines the financial literacy, behavior, and well-being of Millennials in Poland compared to previous generations. While statistical tests do not show significant differences in financial literacy and behaviors related to cash management, saving, and investment between Millennials and other generations, Millennials exhibit less healthy credit management and insurance behaviors. Interestingly, Millennials report higher levels of financial well-being compared to previous generations. The study contributes to the existing literature by focusing on generational differences in financial literacy, behavior, and well-being in Central and Eastern European countries, using a rich dataset of over 3,000 respondents. The research sheds light on the importance of financial behaviors in understanding intergenerational differences in the financial domain, emphasizing the need to consider behaviors rather than just financial outcomes for cross-generational comparisons.

ATKINSON AND MESSY,(2012)

The paper measured the financial literacy from the findings of the OECD INFE (International network on Financial Education) pilot study on 14 countries. They observed that each country surveyed, had a sizeable number of people lacking financial knowledge. The study focused on financial knowledge as well as the behavior and attitude of the individuals. The findings showed some concern towards people lacking basic knowledge of compound interest and diversification. Right attitude was also considered necessary with financial knowledge as there exists positive relation between the both. Demographic variable like gender

was studied and low financial literacy levels among females were also observed. They also found over confidence in various individuals. Thus, they concluded with the finding that right attitude with right financial knowledge should be encouraged through various literacy drives by many countries under study.

GROHMANN, (2018)

The paper studied the effect of financial literacy and behavior of people pertaining to urban middle class of Bangkok, Asia. The author observed that the financial knowledge of the basic concepts is still comparable with other developed countries but observed a huge lacuna in terms of advanced financial knowledge. A sample survey of almost 500 respondents was collected over a period of ten days in form of face-to-face interview. The questionnaire was designed in collaboration with a market research company based in Bangkok. The findings showed that almost every respondent held a savings bank account but they were less acquainted with more sophisticated and advanced financial products like mutual funds, stocks and bonds etc. Two step regression was carried out to conclude that indeed the financial literacy is the most important factor for the financial development and eventual growth.

KEMPSON,(2009)

The paper established the need of financial literacy survey which was internationally comparable as it may help the policymakers who do not have any experience of survey design. The survey was of nationwide basis. Respondents taken were above the age limit of 18 years but had no upper age limit. The survey was done through personal interview and telephonic interview. The questionnaire used, had five criteria which included day to day money management, financial planning, choosing appropriate products, financial knowledge and understanding. Individuals were surveyed rather than the entire household. The replies to individual questions were coded using factor analysis and the data was analyzed with cross tabulation and exploratory analysis. Respondents were divided into different clusters using cluster analysis. Report aimed for drafting a national financial literacy survey to act as a set of good practice questions for national service.

RESEARCH METHODOLOGY

RESEARCH OBJECTIVES

- To understand the behavioral characteristics and control of the Gen Y through extant literature.
- To assess and approximate the financial literacy level amongst the Gen Y through mixed method of qualitative and quantitative research component.
- To compare and contrast the effect of behavioral control and financial literacy level on the household wealth of Gen Y in a statistically significant manner

SAMPLING METHOD

The researcher uses **Convenient Sampling** method for the research project.

LIMITATION OF THE STUDY

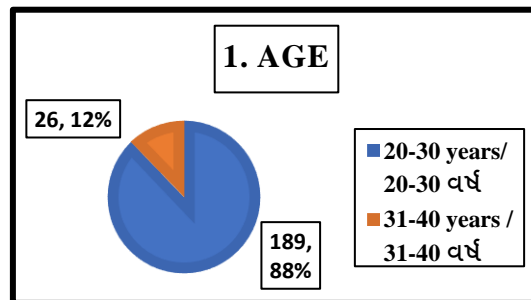
- This research was carried in a shorter period of time with limited geographical areas into consideration.
- Some of the respondents did not answer the questions accurately with interest.
- The sample size was small and constraint, the research would have been accurate if the sample size was more.

- This research is limited in Bhavnagar city only.
- For this research the scope of discussion was limited, the research could have been in more depth.

1. AGE:

	FREQUENCY	PERCENTAGE
20- 30 Years	189	88%
31- 40 Years	26	12%
TOTAL	215	100

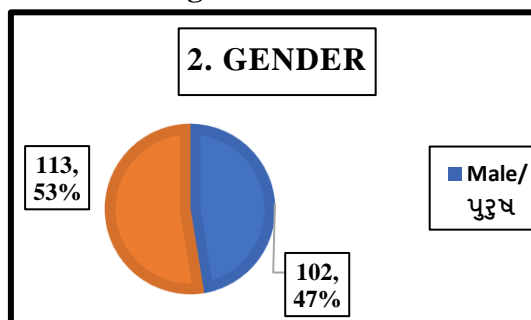
Figure 1: Age



2. GENDER :

	FREQUENCY	PERCENTAGE
MALE	102	47%
FEMALE	113	53%
OTHER	-	-
TOTAL	215	100%

Figure 2: Gender

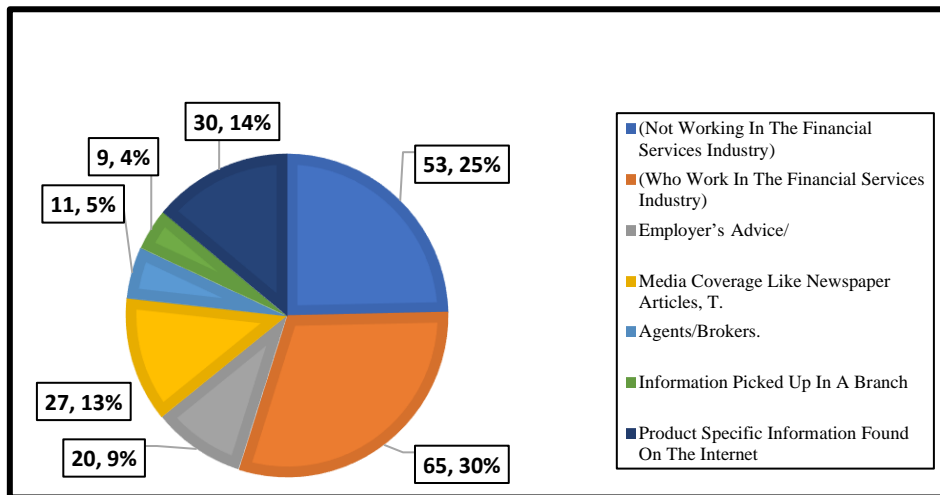


3. I Seek Financial Investment Guidance From?

	FREQUENCY	PERCENTAGE
Advice Of Friends/ Relatives (Not Working In The Financial Services Industry)	53	25%
Advice Of Friends/ Relatives (Who Work In The Financial Services Industry)	65	30%

Employer’s Advice/	20	9%
Media Coverage Like Newspaper Articles, Television Infomercials Or Radio Ads Or Social Media Platform.	27	13%
Agents/Brokers.	11	5%
Information Picked Up In A Branch	9	4%
Product Specific Information Found On The Internet	30	14%
TOTAL	215	100%

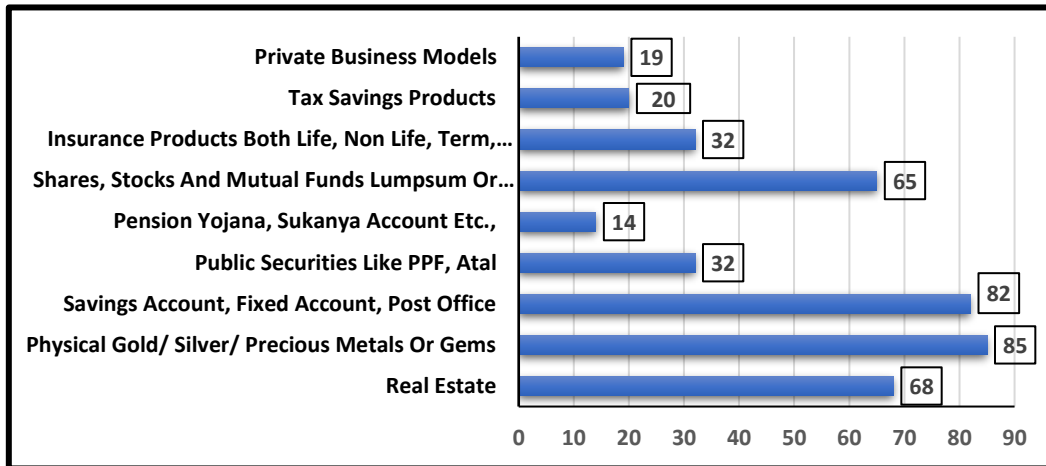
Figure 3: I Seek Financial Investment Guidance From



4. Buckets Preferred While Investing To Create Assets.

	FREQUENCY	PERCENTAGE
Real Estate	68	31.6%
Physical Gold/ Silver/ Precious Metals Or Gems	85	39.5%
Savings Account, Fixed Account, Post Office	82	38.1%
Public Securities Like PPF, Atal	32	14.9%
Pension Yojana, Sukanya Account Etc.,	14	6.5%
Shares, Stocks And Mutual Funds Lumpsum Or Systematic Investment Plans	65	30.2%
Insurance Products Both Life, Non Life, Term, Medical, House, Car, Theft, Fire Etc.	32	14.9%
Tax Savings Products	20	9.3%
Private Business Models	19	8.8%

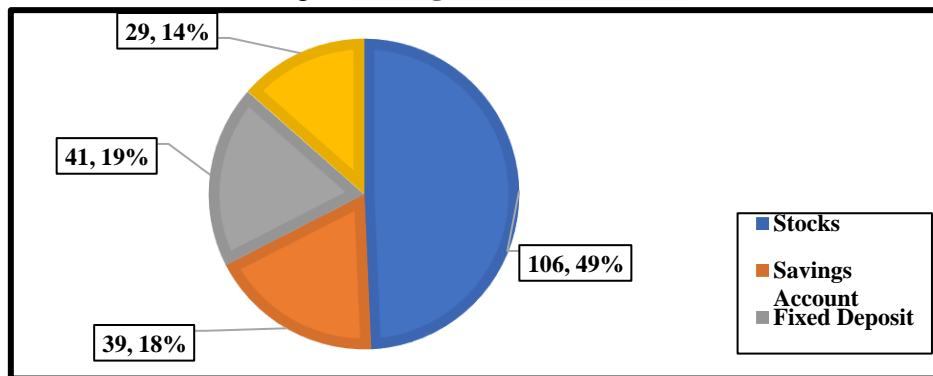
Figure 4: Buckets Preferred While Investing To Create Assets.



5. Considering a long time period, (e.g., to years), which asset described below normally gives the highest rate of return?

	FREQUENCY	PERCENTAGE
Stocks	106	49%
Savings Account	39	18%
Fixed Deposit	41	19%
Don't Know	29	14%
TOTAL	215	100%

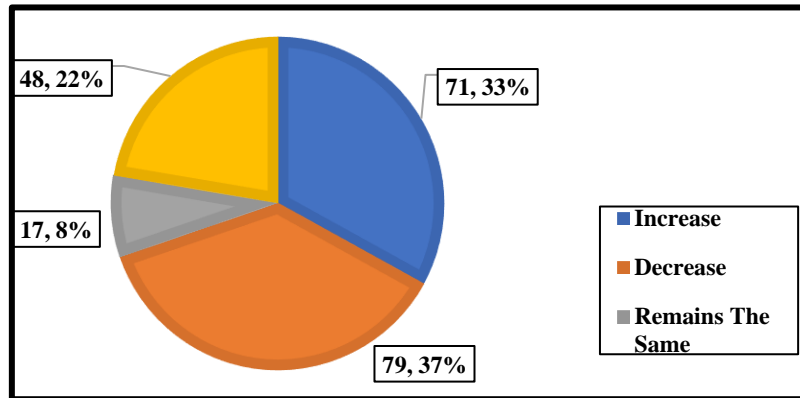
Figure 5: Highest return assets



6. When an investor diversifies, his investments are divided among different assets. The risk of losing money then:

	FREQUENCY	PERCENTAGE
Increase	71	33%
Decrease	79	37%
Remains The Same	17	8%
Don't Know	48	22%
TOTAL	215	100%

Figure 6: Risk

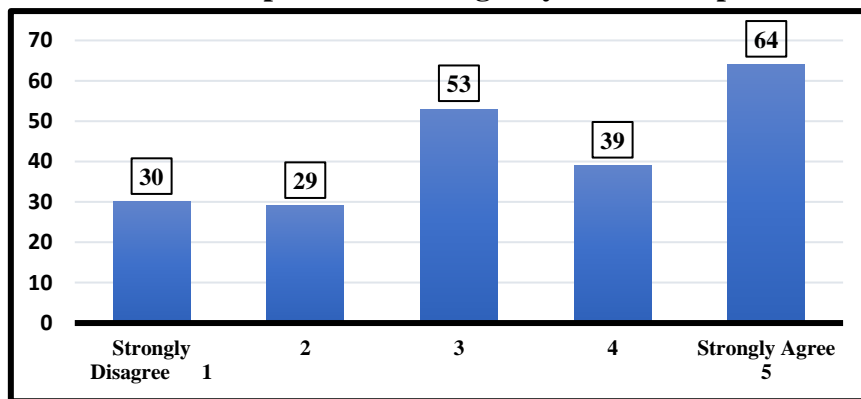


- and 8% investors said that the risk remains the same or 22% investors are not believed in this.

7. I Will Be Prepared to Manage My Finances Upon Retirement.

		FREQUENCY	PERCENTAGE
Strongly Disagree	1	30	14%
	2	29	13%
	3	53	24%
	4	39	18%
Strongly Agree	5	64	29%
TOTAL		215	100%

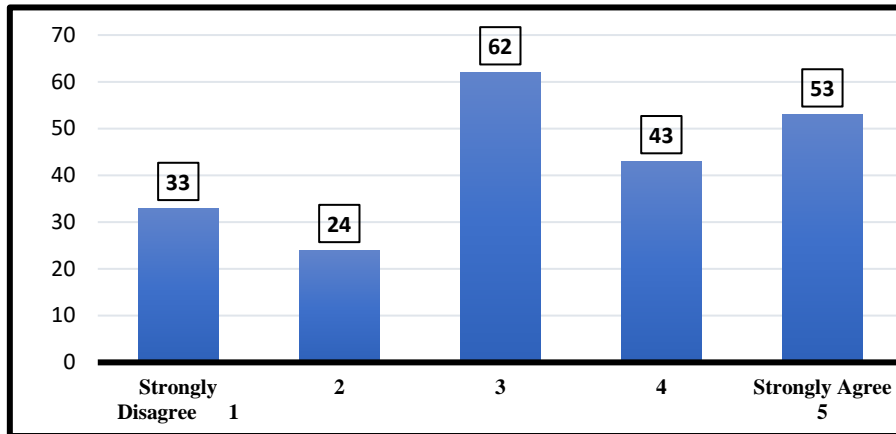
Figure 7: I Will Be Prepared To Manage My Finances Upon Retirement.



8. I Keep Myself Updated with Latest News Pertaining to Financial Market, Products, Stocks, Policies Etc.

		FREQUENCY	PERCENTAGE
Strongly Disagree	1	33	15%
	2	24	11%
	3	62	29%
	4	43	20%
Strongly Agree	5	53	24%
TOTAL		215	100%

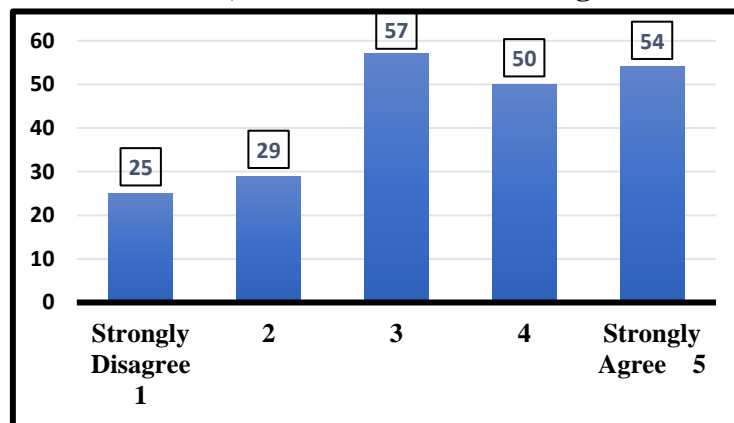
Figure 8: Updated with latest news



9. I Can Use Combinations of Skills, Resources and Knowledge to Make Financial Decisions.

	FREQUENCY	PERCENTAGE
Strongly Disagree 1	25	11%
2	29	13%
3	57	26%
4	50	23%
Strongly Agree 5	54	25%
TOTAL	215	100%

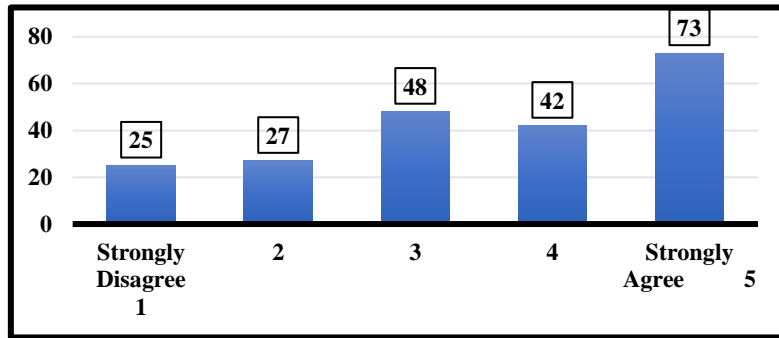
Figure 9: Use Combinations of Skills, Resources and Knowledge to Make Financial Decisions.



10. I Believe That Savings Give A Sense Of Security.

	FREQUENCY	PERCENTAGE
Strongly Disagree 1	25	11%
2	27	12%
3	48	22%
4	42	19%
Strongly Agree 5	73	34%
TOTAL	215	100%

Figure 10: I Believe That Savings Give A Sense Of Security



Particular	I Know How To Avoid, Check And Rectify The Inconsistencies In My Bank Statements	I Will Be Prepared To Manage My Finances Upon Retirement.	Latest News Pertaining To Financial Market, Products, Stocks, Policies Etc.	I Can Use Combinations Of Skills, Resources And Knowledge To Make Financial Decisions.	I Believe That Savings Give A Sense Of Security.	My parents and friends consider it important to save money every month for unexpected expenditures. /	I don't take large risks for high profits in less time.	I am not an impulsive buyer who buys without comparing prices	I don't get carried away with promotional offers while shopping.	I don't indulge in bad habits like smoking drinking and gambling.
Strongly disagree 1	45	30	33	25	25	21	24	26	26	27
2	34	29	24	29	27	20	31	27	31	26
3	65	53	62	57	48	49	60	60	58	37

4	34	39	43	50	42	51	45	45	43	30
Strongly agree 5	37	64	53	54	73	74	55	57	57	95
Total	215	215	215	215	215	215	215	215	215	215

Particular	Q-1	Q-2	Q-3	Q-4	Q-5	Q-6	Q-7	Q-8	Q-9	Q-10
Strongly disagree 1	10	8	9	3.5	3.5	1	2	5.5	5.5	7
2	10	6.5	2	6.5	4.5	1	8.5	4.5	8.5	3
3	10	4	9	5	2	3	7.5	7.5	6	1
4	2	3	5.5	9	4	10	7.5	7.5	5.5	1
Strongly agree 5	1	7	2	3	8	9	4	5.5	5.5	10
R _j	33	28.5	27.5	27	22	24	29.5	30.5	31	22
R _j ²	1089	812.25	756.25	729	484	576	870.25	930.25	961	484

H₀: There Is No Significant Difference in The Behavioral Characteristics of Gen Y

H₁: There Is Significant Difference in The Behavioral Characteristics of Gen Y

- Friedman Test Appropriate

$$C=10$$

$$df = c-1$$

$$= 10-1$$

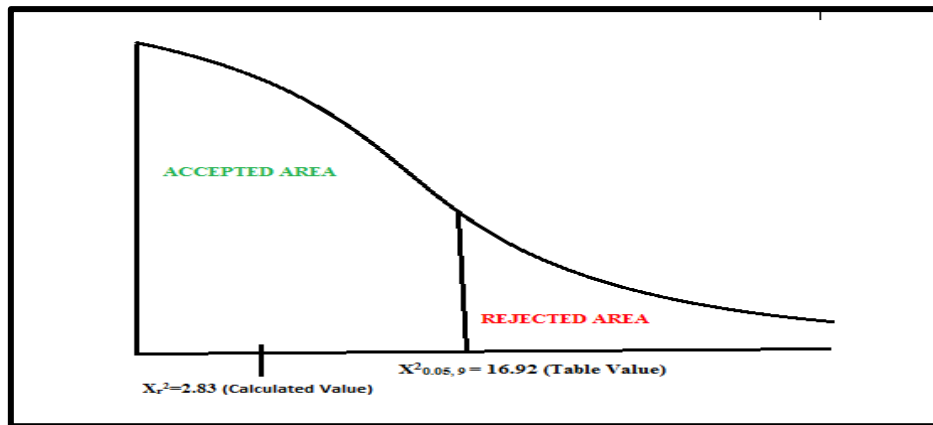
$$= 9$$

$$X^2_{0.05, 9} = 16.92 \text{ (Table Value)}$$

$$\sum R_j^2 = (1089+812.25+756.25+729+484+576+870.25+930.25+961+484) = 7692$$

$$\begin{aligned} X_r^2 &= \frac{12}{bc(C+1)} \sum R_j^2 - 3b(C+1) \\ &= \frac{12}{5 \times 10(10+1)} 7692 - 3 \times 5(10+1) \\ &= \frac{12}{50(11)} 7692 - 15 \times 11 \\ &= \frac{12}{550} 7692 - 165 \\ &= 167.825 - 165 \end{aligned}$$

$X_r^2 = 2.825 \text{ OR } 2.83 \text{ (Calculated Value)}$



Because The Observation Value $X_r^2 = 2.83$ Is Less Than The Table Value $X^2_{0.05, 9} = 16.92$, **The Decision Is To Accept The Null Hypothesis.**

the null hypothesis (H0) is accepted, the finding would be that there is no significant difference in the behavioral characteristics of Gen Y. This implies that any observed variations in behavior among individuals within this generation are not statistically significant and could be due to random chance rather than any inherent differences within the group. The acceptance of H0 suggests that the behavioral characteristics of Gen Y are relatively uniform and consistent across the sample population studied.

FINDING

The survey revealed that the majority of respondents (88%) were between the ages of 20 and 30, while the remaining 12% were aged 31 to 40. Female respondents slightly outnumbered males, making up 53% compared to 47%. Most respondents (76%) were single, with a smaller percentage being married (22%) and an even smaller percentage being divorced (1%). A significant majority of respondents (72%) did not have any financially dependent children. Among those who did, 15% had one child, 12% had two children, and only 1% had three or more children. In terms of education, the largest group (41%) had completed post-graduation, followed by graduates at 37%. Smaller percentages had completed high school (11%), vocational training or a diploma (9%), or had not finished high school (2%). Regarding employment status, 28% of respondents were self-employed and full-time students, while another 28% were full-time students. A significant portion of respondents (25%) sought financial advice from friends or relatives not employed in the financial services industry, while 30% turned to those who were. Additional sources of guidance included employer advice (9%), media coverage (13%), agents or brokers (5%), information from branch visits (4%), and product-specific information found on the internet (14%). When it came to investment preferences, the most popular options were real estate (31.6%) and physical gold, silver, or other precious metals and gems (39.5%). Savings accounts, fixed accounts, and post office schemes were chosen by 38.1% of respondents. Other investment options included public securities like PPF, Atal Pension Yojana, and Sukanya accounts (14.9%), shares, stocks, and mutual funds, either as lump sums or through systematic investment plans (30.2%), insurance products (14.9%), tax-saving products (9.3%), and private business models (8.8%)

CONCLUSION

In conclusion, this project aimed to examine the relationship between financial literacy, behavioral control, and household wealth among Generation Y individuals in Bhavnagar. While the detailed findings are unavailable, it is anticipated that the study offers valuable insights into the factors influencing financial

decision-making and wealth accumulation in this specific demographic. The research findings are expected to contribute to the existing literature on financial literacy and behavioral economics, providing practical implications for policymakers, financial institutions, and individuals seeking to improve their financial well-being. It is recommended that future research further investigates the subject matter, considering the limitations of this study, in order to gain a deeper understanding of the dynamics between financial literacy, behavioral control, and household wealth among Generation Y in Bhavnagar.

In summary, this project has laid the foundation for understanding the interplay of financial literacy, behavioral control, and household wealth among Generation Y individuals in Bhavnagar. Although the complete findings are not available, it is anticipated that this research will have practical implications for enhancing financial decision-making and promoting financial well-being among the targeted demographic. Further research is needed to build upon these preliminary findings, address the limitations of this study, and provide more comprehensive insights into the topic. The outcomes of this project can contribute to the development of effective strategies and interventions aimed at improving financial literacy and wealth management among Generation Y in Bhavnagar.

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