Personal Financial Savvy: A Study among Gen Edge in Coimbatore City

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This research work explores factors affecting personal finance by examining personal financial thinking and financial knowledge. In 2018, we set out to understand what real gen edge (people who are under 22) are saying about their finances. What do they know? What don't they know? The research model is examined using a survey approach on the gen edgers in Coimbatore. The study identified that overall financial savvy of the youngsters is affected by some of their demographic, educational and personality characteristics. The study suggests that they require help with budgeting, understanding credit and skills to save for the future.

Keywords: Financial Thinking, Financial Knowledge, Gen Edgers, Coimbatore

1. Introduction

Financial system plays a crucial role in the process of financial intermediation in particular to the growth of economy as a whole. Hence a better understanding of how it works and what they offer and how to utilize the financial products by the participants of the economy help to create a viable financial system and in turn enhance economic development as the chain effect of a viable financial system cannot be denied on the economy. When young adults leave home for college, they are beginning their first real experience of managing money and finance decision. Financial responsibility is one of the many skills edgers need if they are to be successful in college and life. It acts as a guide in helping choose the right types of investments to fit the needs, personality, and goals. Managing money helps to understand how much money need for tax payments, other monthly expenditures and savings. The purpose of this discrete study is to measure the interest and capability of more edgers to engage in personal finance and to identify reasons why they fail to decide appropriately. It has been suggested that while financial well-being is significantly related to some demographic factors, other variables such as financial behaviour (Hira & Mugenda, 1999b; Joo & Grable, 2004) financial attitudes (Grable & Lytton, 1998), and financial literacy (Joo & Grable, 2004; Shim et al. 2009) can also affect financial well-being. Robb and Sharpe (2009) collected survey data from 6,520 individuals which affirmed that financial knowledge is a significant factor in the credit card decisions of college students but not entirely in expected ways. Lusardi et al. (2010) examined financial literacy among the youth in Germany and showed that financial literacy is low; only less than one-third of young adults were found with basic knowledge of interest rates, inflation, and risk diversification. However, financial literacy was strongly related to socio-demographic characteristics and family financial sophistication. Age, gender, language, race and income level do have an impact on the level of financial literacy among the undergraduate level students (Clercqet al., 2009). The studies of financial behaviour among individuals (Knight & Knight, 2000; Eckel & Grossman, 2002; Borden, Lee, Serido & Collins, 2008) have shown that young generations have inadequate knowledge and skills to manage their finances.

2. Methodology

In this empirical work, Descriptive research design is done and survey method is followed. Data required for the study is obtained from primary sources and secondary data. Questionnaire is used to collect data from the respondents. Secondary Data was gathered from books, journals and websites for review of literature. The sampling techniques followed here is simple random sampling. The sample size is restricted to 150 respondents. The various statistical tools used are Frequency Analysis, Analysis of Variance and Structural Equation Modeling. The formula to calculate the expected frequency is,

$$E_i = \frac{\text{Row total } i \times \text{Column total } i}{\text{Grand total}}$$

And One way ANOVA test

$$F = \frac{MST}{MSE}$$

Where,
F = ANOVA Coefficient
MST = Mean sum of squares due to treatment
MSE = Mean sum of squares due to error.

Formula for MST is given below
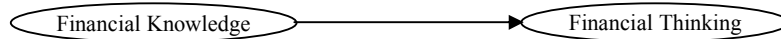
MST= SSE
P - 1
SSE=∑ (n-1) S2

Where,
SSE = Sum of squares due to error
S = Standard deviation of the samples
N = Total number of observations.

The Proposed Structural Equation Model

Financial Knowledge ───────────────▶ Financial Thinking

3. Results and Discussion

This section deals with various results and findings obtained out of the inference process. The results are divided among the areas of percentage analysis, Anova and SEM model.

Table 1 *Percentage Analysis*

		Frequency	Valid Percent
Gender: Female		65	43.3
Male		85	56.7
Credit Card: My Own		20	13.3
My Parents		41	27.3
Both my own and my parents		7	4.7
None I don't use a credit card		82	54.7
No of Credit cards:	1	50	33.3
	2	14	9.3
	3	4	2.7
	I don't own any credit cards	82	54.7
Managing Money			
Taught me specifically how to manage money		35	23.3
Taught me general ways of managing money		34	22.7
I learned through example		70	46.7
Did not teach me how to manage money		11	7.3
Monthly Budget: Yes		49	32.7
	No	78	52
	Sometimes	23	15.3
Stick to Monthly Budget: Yes		55	36.7
	No	62	41.3
	Occasionally	33	22

Sample Characteristics

Analysis of data indicated that gender was represented with nearly 57% of respondents were male and 43% were female. Similarly, three fourth of the respondents is not availed loans whereas remaining one fourth availed loans for their education and same percentage followed for employment and seminars. Likewise, credit card usage of the respondents is concerned, half of the respondents did not use and own credit card, whereas the remaining 50 % of the respondents have their own and parents credit cards. Overwhelmingly majority of students learn financial habits from parents directly or by example. Also, it appears that about one third of the respondent have prepared and stick to budget.

Hypothesis (H1:) Gender influences Financial Knowledge and Financial Thinking.

ANOVA Result

Table 2 *Gender – ANOVA*

	df	Mean Square	F	Sig.
Financial Knowledge	1	0.002	0.004	0.952
Financial Thinking	1	2.56	7.136	0.009
*Significance level 5%				

As seen from the table, the significance value is .009 which is less than 5% for Financial Thinking. Hence, null hypothesis is rejected and the gender influences the financial thinking. But Significance value is .952 which is above 5% for Financial Knowledge. So, null hypothesis is accepted and the gender does not influence the financial knowledge and financial decision

Hypothesis (H2:) Parents/Educational Institutions influences Financial Knowledge and Financial Thinking.

Table 3 *Managing Money - ANOVA*

|	df	Mean Square	F	Sig.
Financial Knowledge	3	2.348	5.684	.001
Financial Thinking	3	.793	2.144	.101
*Significance level 5%				

As seen from the table, the significance value is .001 which is less than 5% for Financial Knowledge. Hence, null hypothesis is rejected and the Parents/Educational Institutions influences the financial knowledge. But Significance value is .101 which is above 5% for Financial Thinking. So, null hypothesis is accepted and Parents/Educational Institutions does not influence the financial thinking.

Structural Equation Model Result
A construct level correlation analysis was used as a preliminary check for the five hypotheses. Visual PLS is used to calculate the construct scores. These scores are checked for significant correlation. The correlation scores are shown in table. It is seen that all the correlation are significant. Only the correlation between financial knowledge level and financial decision making level, financial thinking and financial knowledge level seems to be low (though significant).

Although the bivariate correlations are significant for most hypotheses when considered in pairs, it is still needed to check whether they are still significant when the constructs are put together in a structural model as a causal effect. A rigorous test of the significant of various proposed relations can be tested using the bootstrap function in Visual PLS.PLS path modelling is a non-parametric method, and as such it cannot be used for performing a t-test. But it is possible to use resampling methods (bootstrap and jack knife) to obtain the significance of the various paths in the model (Efron 1979; Efron and Gong 1983).

Bootstrap is more reliable in estimating the significance of paths. So this research has considered and it is used as bootstrap for the purpose of determining causal relations proposed in the model. In boot strap used in this research, random samples sized 150 (the respondent number) were taken. The results were examined for significance. At 5% level of significance the cut off t-statistics is 2. In general, it is assumed that if the t-statistics is more than 2, the path is significant.
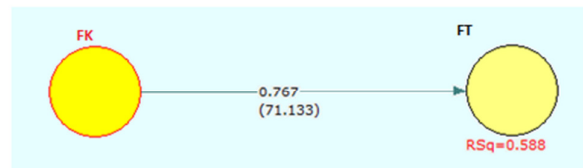
Reliability and AVE			
Construct	Composite Reliability	AVE	Cronbach Alpha
FK	0.912884	0.568125	0.892724
FT	0.815662	0.574597	0.732897

Structural Model—Boot Strap				
	Entire Sample estimate	Mean of Subsamples	Standard error	T-Statistic
FK->FT	0.7670	0.7678	0.0108	71.1329

H3: As the financial knowledge level increases, the financial thinking level also increases.

The relation was found to be significant (Beta=0.767, t=71.1329 shown in table). The R. Sq value is also positive (0.588). The result reveals that an increase in financial experience would lead an increase in financial thinking. It also indicates that the Gen Edgers high knowledge level was consciously increasing their thinking level. Thus, this hypothesis was supported.

4. Conclusions

This paper we have investigated the relationship between financial knowledge and financial thinking of Gen Edge. The results of the study suggest that both the constructs varies significantly among respondents based on various demographic and socioeconomic factors. It can be concluded that financial literacy level gets affected by gender, education, income, budgeting. The common research agenda discussed present opportunities for continued collaboration and development in the area of financial literacy and education. Continued interdisciplinary study of this field, as outlined by the symposium results, is essential to further understand financial decision-making, and develop education and other interventions that result in positive financial outcomes for individuals, families, and society as a whole. Edgers are economically more active, compared to their predecessors, but are also more fragile in dealing with personal finances. Overall it can be concluded that financial knowledge level is low among Gen Edgers in our Coimbatore city and necessary measures should be taken by government to increase awareness about financial related matters.

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