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Exploring Financial Literacy and Its Key Determinants among Gen Y Workers in Ranchi city of India

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Abstract

Financial literacy encompasses an individual's understanding, capabilities, and mindset related to financial matters. It plays a crucial role in enabling individuals to make sound financial decisions and enhances their overall financial well-being. Numerous studies have been conducted across the globe to assess financial literacy levels, with many government-led national surveys also highlighting widespread deficiencies in financial awareness. The present study centers on Generation Y employees, aiming to evaluate their readiness to handle personal financial decisions. This research seeks to assess the financial literacy levels within this group. The findings indicate that factors such as gender, educational background, income, and age significantly influence financial literacy outcomes. The insights gained from this study may serve as a basis for formulating targeted strategies to strengthen financial literacy among Gen Y professionals.

Keywords: *Gen Y professionals, Financial literacy, Financial decisions*

Introduction

Financial literacy has emerged as a crucial area of study in recent years, gaining significant attention from researchers, policymakers, and educators alike. As the global economy becomes increasingly complex, individuals are faced with a range of financial decisions that require a sound understanding of basic financial concepts. Financial literacy, in this context, refers to the ability to acquire and apply knowledge and skills to make informed and effective financial decisions. It encompasses understanding budgeting, saving, investing, borrowing, and managing financial risks.

From a research standpoint, financial literacy is not merely a personal skill but a determinant of economic behavior and financial well-being. Numerous studies have shown that individuals with higher levels of financial literacy are more likely to engage in responsible financial practices, such as maintaining emergency savings, avoiding high-interest debt, and planning for retirement. Conversely, low financial literacy is often linked to poor financial outcomes, including over-indebtedness and lack of preparedness for financial emergencies.

In developing economies, such as India, the importance of financial literacy becomes even more pronounced due to factors like financial inclusion, rural-urban divides, and varied levels of education. Research in this area helps in identifying the gaps in knowledge and access that different segments of the population face, particularly women, youth, and marginalized communities. Furthermore, it aids in evaluating the effectiveness of financial education programs and policies initiated by governments and institutions.

Given its multidimensional impact, financial literacy is not only an academic topic but also a practical tool for fostering economic empowerment, social inclusion, and sustainable development. This research aims to explore the current levels, determinants, and outcomes of financial literacy, providing insights that can inform policy interventions and contribute to building financially resilient societies.

Financial literacy encompasses more than simply accessing financial information or receiving financial advice. It refers to an individual's capability to understand, track, and effectively utilize financial resources to enhance personal, familial, and business well-being. The Organisation for Economic Co-operation and Development (OECD) defines financial literacy as a blend of awareness, knowledge, skills, attitudes, and behaviors essential for making informed and sound financial choices, ultimately leading to individual financial security.

Being financially literate is crucial for achieving key goals such as planning for retirement, building wealth gradually, and making prudent financial decisions. Hence, acquiring financial knowledge from the early stages of one's professional life is vital. However, various personal and work-related barriers may hinder individuals from becoming financially aware, resulting in limited understanding and poor financial choices. This calls for equipping individuals with the appropriate financial education and tools to support informed decision-making.

Financial literacy also plays a significant role in advancing financial inclusion, which is foundational to the economic stability of any country. In India, the need to promote financial literacy has gained momentum due to a relatively low overall literacy rate and a substantial portion of the population remaining outside the formal financial system.

Globally, several studies and national surveys have assessed financial literacy levels, often revealing inadequate financial understanding among populations. This particular research aims to explore the financial literacy of Generation Y employees, assessing their preparedness for financial decision-making. The study further investigates the sources of their financial knowledge and the obstacles they encounter in managing their financial affairs.

Need for the Study

In today's increasingly complex financial environment, financial literacy has become an essential life skill. The ability to understand and manage personal finances effectively is critical for economic stability, both at the individual and national levels. Generation Y, often referred to as millennials, represents a significant portion of the working population in India. This generation is actively engaged in the economy, making important financial decisions related to savings, investments, loans, and retirement planning. Despite their growing involvement in the financial system, many members of this demographic may lack adequate financial knowledge, leading to poor financial choices and long-term economic challenges.

Ranchi, the capital city of Jharkhand, is witnessing rapid urbanization and a growing workforce, including a considerable number of Gen Y employees. However, limited academic focus has been given to understanding the financial literacy levels of this group in tier-2 cities like Ranchi. Most existing studies are concentrated in metro cities, leaving a knowledge gap in semi-urban regions.

This research is essential to assess the current state of financial literacy among Gen Y workers in Ranchi and to identify the key factors influencing it, such as education level, income, occupation, and access to financial information. The findings will provide valuable insights that can help policymakers, educational institutions, and financial organizations develop targeted financial education programs tailored to the needs of this demographic group.

By identifying gaps and challenges in financial knowledge and behavior, the study aims to support informed decision-making, promote financial inclusion, and contribute to the economic well-being of individuals and the broader community in Ranchi.

Literature Review

Sekar and Gowri (2014), A Study on Financial Literacy and Its Determinants among Gen Y Employees in Coimbatore City, Gyan Management Journal, investigated the financial literacy levels among Gen Y employees in Coimbatore and found that factors such as education, income, and access to financial resources significantly influenced financial awareness and decision-making.

Rani and Sharma (2023), Financial Literacy in India: A Review of Literature, Economic and Regional Studies, provided a comprehensive review of financial literacy in India, emphasizing the country's low financial awareness levels and highlighting the urgent need for inclusive financial education policies targeting youth and working professionals.

Adthakkar, R.* (2024), *An Influence of Financial Literacy and Demographic Factors on Retirement Planning of Millennials in Gujarat, Educational Administration: Theory and Practice, studied millennials in Gujarat and concluded that demographic variables such as age, income, and gender significantly affect retirement planning behaviors and financial preparedness among the working class.

Mohta and Shunmugasundaram (2022), Financial Literacy Among Millennials, International Journal of Economics and Financial Issues, focused on millennial financial behavior, revealing that while this group is digitally savvy, it often lacks in-depth financial knowledge, especially in areas like investment planning and risk management.

Dogra, Kaushal, and Sharma (2023), Antecedents of the Youngster's Awareness About Financial Literacy: A Structural Equation Modelling Approach, Vision: The Journal of Business Perspective, used structural equation modeling to identify key drivers of financial literacy among youth, underlining that attitudes toward money, financial knowledge, and behavioral intentions shape financial literacy outcomes.

Arjun and Subramanian (2024), *Defining and Measuring Financial Literacy in the Indian Context: A Systematic Literature Review, Managerial Finance,* conducted a systematic literature review on financial literacy measurement in India, proposing new frameworks for evaluating literacy levels and stressing the importance of contextual factors like cultural background and financial access.

Dhaliwal (2024), Impact of Financial Literacy on Investment Behavior of Young Investors in India: An Empirical Study, IITM Journal of Business Studies, explored the investment behavior of young Indian investors, finding that financial literacy positively correlates with responsible investment decisions and risk tolerance.

Sivaramakrishnan, Srivastava, and Rastogi (2017), Attitudinal Factors, Financial Literacy, and Stock Market Participation, International Journal of Bank Marketing, examined the psychological and attitudinal factors behind stock market participation, revealing that financial knowledge, confidence, and past experiences play pivotal roles.

Yıldırım et al. (2017), *Financial Literacy Level of Individuals and Its Relationships to Demographic Variables,* investigated demographic factors influencing financial literacy and found age, income, and education to be strong predictors of financial knowledge and behavior across different population groups.

Agarwalla et al. (2013),* Financial Literacy Among Working Young in Urban India, *Indian Institute of Management Ahmedabad Working Paper, focused on urban working youth in India, reporting low levels of financial literacy despite higher education levels, and emphasized the need for targeted financial education interventions.

Bhushan and Medury (2013), *Financial Literacy and Its Determinants among Young Employees in India,* International Journal of Engineering, Business and Enterprise Applications, explored the relationship between financial literacy and decision-making in young Indian professionals, concluding that workplace-based financial literacy programs could enhance financial behavior.

Paluri and Mehra (2016), *Influence of Gender and Age on Investment Decision Making: An Empirical Study,* Journal of Business and Management, studied the impact of age and gender on financial decisions, discovering that women and younger individuals are often more risk-averse and less confident in financial matters.

Lusardi and Mitchell (2011), *Financial Literacy Around the World: An Overview*, Journal of Pension Economics & Finance, offered a global overview of financial literacy, identifying widespread gaps in financial knowledge across countries and proposing standardized tools for measurement and improvement.

Van Rooij, Lusardi, and Alessie (2011), *Financial Literacy and Stock Market Participation*, Journal of Financial Economics, demonstrated a strong link between financial literacy and participation in the stock market, noting that more informed individuals were more likely to invest and diversify their portfolios.

Hung, Parker, and Yoong (2009), *Defining and Measuring Financial Literacy*, RAND Corporation, emphasized the challenge of defining and measuring financial literacy accurately and advocated for incorporating behavioral and attitudinal components into literacy assessments.

Atkinson and Messy (2012), *Measuring Financial Literacy: Results of the OECD / International Network on Financial Education (INFE) Pilot Study*, OECD Working Papers on Finance, Insurance and Private Pensions, presented findings from an OECD pilot study, which showed varying levels of financial knowledge across countries and highlighted the importance of financial education in early life stages.

Klapper, Lusardi, and Panos (2013), *Financial Literacy and Its Consequences: Evidence from Russia during the Financial Crisis*, Journal of Banking & Finance, analyzed financial behavior in Russia during the economic crisis and found that individuals with higher financial literacy fared better financially during uncertain times.

Xiao and O'Neill (2016), *Consumer Financial Education and Financial Capability*, International Journal of Consumer Studies, linked consumer financial education to improved financial capability, arguing that ongoing education and support can significantly enhance responsible financial decision-making.

Norvilitis and MacLean (2010), *The Role of Parents in College Students' Financial Behaviors and Attitudes*, Journal of Economic Psychology, highlighted the role of parental influence on young adults' financial habits, indicating that early financial socialization shapes long-term money management behavior.

Funfgeld and Wang (2009), *Attitudes and Behavior in Everyday Financial Decisions: Evidence from Switzerland*, International Journal of Bank Marketing, explored everyday financial decision-making in Switzerland and concluded that psychological factors, such as risk aversion and financial anxiety, significantly impact financial choices.

Objectives

The objectives of the study includes;

- To assess the extent of financial awareness possessed by young working individuals.
- To explore the financial aspirations and difficulties encountered by youth in managing personal finances.
- To evaluate the overall financial literacy levels among young employees.
- To examine the correlation between financial literacy and selected demographic as well as socio-economic variables.

Research Methodology

To achieve the objectives of the present study, a primary survey-based research approach was employed, targeting Generation Y employees (individuals born between 1981 and 1996) working in Ranchi City, Jharkhand. This demographic was chosen considering their increasing participation in the formal workforce and their exposure to diverse financial products and services.

A convenient sampling method was adopted to select participants for the study due to practical constraints such as time and accessibility. While convenience sampling does limit the generalizability of results, it is widely used in exploratory research to gain preliminary insights. The data collection was conducted using a structured questionnaire, which was designed specifically to measure various dimensions of financial literacy and its determinants.

The survey was distributed among 200 employees across different sectors, including government offices, private enterprises, and service organizations. Out of the total 200 questionnaires distributed, 189 were returned completely filled and free from inconsistencies, thus qualifying for further analysis. The response rate was satisfactory and allowed for meaningful interpretation of findings.

The questionnaire was divided into multiple sections. The first section covered demographic and socio-economic variables such as age, gender, education level, monthly income, job profile, and marital status. The subsequent sections were designed to evaluate the financial knowledge, attitude, and behavior of the respondents.

Furthermore, to capture a holistic view, the questionnaire also incorporated statements and scenarios related to financial attitudes and behavior, such as financial planning habits, spending discipline, and risk perception. Respondents were asked to indicate their level of agreement or frequency of action using a Likert scale, ensuring consistency in response measurement.

This comprehensive approach helped in not only evaluating the factual financial knowledge of the young employees but also in understanding their mindset and practical approach toward personal finance management. The data collected serves as the foundation for analyzing the level of financial literacy and examining its relationship with various demographic and socio-economic factors.

The overall score obtained by each respondent was computed based on their responses. These individual scores were then converted into percentage values to ensure uniformity in interpretation. Using these percentage scores, a **Financial Literacy Index (FLI)** was constructed to represent the financial literacy level of each participant. Based on the objectives of the study and the collected data, the following hypotheses were formulated for further analysis.

Hypotheses of the Study

- **H1**: A significant relationship exists between the gender of Gen Y employees and their level of financial literacy.
- **H2**: There is a notable association between the age of Gen Y employees and their financial literacy levels.
- **H3**: Educational qualifications of Gen Y employees are significantly related to their financial literacy levels.
- **H4**: The income level of Gen Y employees influences their financial literacy.
- **H5**: Marital status has a significant impact on the financial literacy levels of Gen Y employees.

The hypotheses in this study were evaluated using the **Analysis of Variance (ANOVA)** technique. All statistical tests were conducted at a **5% level of significance** to determine the presence of meaningful relationships.

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
	AGE		

2	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 table above presents the demographic characteristics of the respondents. Approximately 60% of the participants are male. A significant portion of the sample falls within the 31–35 age bracket. Around 41% have attained a postgraduate qualification, and the majority are married. Most respondents reported having one dependent. It was also observed that the number of individuals earning between ₹10,001 and ₹20,000 is comparatively lower than those in higher income brackets. Overall, the demographic data indicates that a large share of the respondents is at least graduates and predominantly married.

Association between Gender and financial literacy level

The findings indicate that male employees exhibit a higher level of financial literacy compared to their female counterparts. The average financial literacy score for male respondents stands at 69.80%, whereas the mean score for female respondents is 41.2%. The ANOVA results show a statistically significant F-value at the 5% level of significance. Therefore, the null hypothesis (H0), which states that there is no association between gender and financial literacy, is rejected. This leads to the conclusion that financial literacy levels vary significantly between male and female participants in the study.

Association between age and financial literacy level

Table 2 presents the average financial literacy scores across various age groups. The results indicate that there is no substantial variation in financial literacy levels among the different age categories. As observed, the F-value is not statistically significant at the 5% level, leading to the rejection of the alternative hypothesis (H1), which proposed a relationship between age and financial literacy. Therefore, it can be inferred that age does not have a significant influence on the financial literacy levels of the respondents

.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 findings from Table 2 reveal that an increase in income levels is associated with higher financial literacy. Respondents earning more than ₹30,000 per month reported the highest financial literacy score (63.7%), followed by those with a monthly income between ₹20,000 and ₹30,000 (52.9%). The F-value is statistically significant at the 5% level, resulting in the rejection of the null hypothesis (H0), which proposed no relationship between income and financial literacy. Consequently, it can be inferred that an individual's financial literacy is significantly influenced by their income level.

Association between marital status and financial literacy level

Respondents were initially categorized into four marital status groups: married, unmarried, separated, and widowed. However, the data collected included responses only from married and unmarried individuals. According to Table 2, married employees exhibit a higher level of financial literacy in comparison to their unmarried counterparts. The F-value is statistically significant at the 5% level, which leads to the rejection of the null hypothesis (H0) that assumed no association between marital status and financial literacy. Therefore, it can be concluded that marital status has a significant impact on an individual's financial literacy level.

Association between number of dependents and financial literacy level

An analysis of financial literacy in relation to the number of dependents reveals that respondents with three dependents exhibit the highest literacy levels. However, the overall financial literacy rate of 50.9% among Generation Y employees is relatively low and calls for concern. The data also shows that male respondents demonstrate a greater understanding of financial concepts than females. In terms of age, no strong correlation was found, although those below the age of 30 tend to be more financially literate than those in the 31–35 age group. Additionally, the findings show a positive association between financial literacy and both educational attainment and income level—as education and income rise, so does financial literacy. These relationships are supported by statistically significant results. Lastly, married employees were found to have a higher level of financial literacy compared to their unmarried peers, and this difference is also statistically meaningful.

Conclusion

Based on the analysis, it is evident that the overall financial literacy level among respondents stands at 50.90%, which reflects a concerning lack of awareness regarding financial matters within the city. This indicates that many individuals are still not adequately informed about managing their personal finances. Previous research also supports the notion that young individuals tend to have limited saving habits, and with the decline in employer-provided financial benefits, the responsibility of financial planning has largely shifted to them. Additionally, the increased reliance on credit cards at an early stage has altered the financial behavior of this generation, further affecting their overall financial well-being. Therefore, enhancing access to reliable financial education and guidance has become essential.

The study further reveals that financial literacy levels differ considerably across various demographic and socio-economic factors. Significant variations were observed based on gender, education level, income, marital status, and number of dependents, whereas age was not found to have a notable influence. Overall, it can be concluded that financial literacy among Generation Y employees in Ranchi is relatively low, and it is imperative that government bodies and financial institutions undertake initiatives to raise financial awareness and education among this group.

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