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Role of Financial Literacy on Financial Well-being of Millennial Generation: An Empirical Study

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Abstract
In order to improve the financial well-being of India's millennial population, financial literacy is essential. This group has particular financial difficulties, such as growing living expenses, debt from education loans, and expectations to become financially independent early in life. Millennials that possess financial literacy are better able to manage their money, choose wisely when making investments, and create long-term plans. Millennials may steer clear of typical financial traps by having a basic understanding of concepts like debt management, investing, saving, and budgeting. They can better negotiate the complexity of financial products and services with greater financial literacy, which improves financial security and stability. Furthermore, financial literacy encourages responsible financial behaviour, which lowers the risk of taking on excessive debt and raises the potential for wealth building. In the end, developing millennials' financial literacy is crucial to creating a generation that is prosperous and resilient financially. A sample of 219 is collected from Millennial generation to know about their financial literacy. The factors that identify the role of financial literacy on Financial Well-being of Millennial generation are Improved Budgeting and Money Management, Effective Debt Management, Long-Term Financial Planning, and Informed Investment Choices.

Keywords: Financial literacy, Millennials, Debt management, Investing and Saving, Budgeting, Financial security, Responsible financial behavior.

Introduction

Today's young millennials in India need financial knowledge more than ever to overcome the obstacles brought on by money problems. Millennials can only acquire the knowledge necessary for sound money management—and avoid being taken by surprise by rising expenses, growing student loan debt, and early pressure to achieve financial independence—if they are financially literate. The importance of financial literacy in enhancing the financial stability of India's millennial generation cannot be overstated. "Digital financial literacy" and financial inclusion are key factors that contribute to financial well-being, according to Kamble et al. (2024). It draws attention to the crucial moment when people are able to access and utilise financial services. This group will gain a lot from having more financial literacy since it will provide them the tools they need to manage debt, prepare for the future, and make wise financial decisions. There are unique financial opportunities and difficulties in this market.

According to Shankar et al. (2022), ensuring the financial well-being of generations with financial literacy requires imparting adequate knowledge, as experienced by millennials. They evaluated the relationship between financial well-being and the enhancement of individuals' abilities to access and interpret financial data. Because many Indian millennials balance student loans against uncertain professions and early aspirations of financial independence, "financial literacy" is a useful tool. By preventing debt and encouraging prudent investment in sound financial planning, it assists individuals in managing complex financial goods and services to guarantee long-term financial stability and security. Furthermore, financial literacy gives millennials the self-assurance to engage in the financial markets more actively, which benefits both personal and societal economic development.

The significance of "digital financial literacy" and "financial confidence" in influencing financial behaviour and well-being was highlighted by Respati et al. (2023). When used effectively, digital financial tools can aid millennials in money management, intelligent investment selection, and the development of "financial confidence." Better financial behaviour and wellbeing result from this. Giving millennials a thorough understanding of both conventional financial literacy methods and "digital financial literacy" will allow stakeholders to help them seize opportunities, lower risks, and build a more secure financial future. Thus, fostering financial literacy becomes more than just an academic endeavour; rather, it becomes a crucial strategic requirement for guaranteeing the financial security of India's millennial population.

Literature Review

The connection between "financial knowledge," "digital financial knowledge," "financial attitude," and "financial behaviour" and millennials' "financial satisfaction" was assessed by Normawati et al. (2022). In influencing millennials' financial attitudes and behaviours, they emphasise the significance of full financial knowledge, encompassing both traditional and digital dimensions. Millennials can have a higher level of financial pleasure and well-being by adopting digital financial tools and learning the nuances of personal finance. With an emphasis on how "financial education" shapes financial literacy and behaviour, Zhu (2021) focused on teenagers and their financial habits. Teenagers can acquire the fundamental financial knowledge and skills they need to make wise financial decisions as they grow into adulthood by obtaining formal financial education. Millennials are better prepared to navigate complex financial landscapes and accomplish their financial goals because to this early exposure to financial principles, which lays a solid basis for future financial well-being.

"Financial well-being" and "financial literacy" are two sides of the same coin in Indian households, according to Mishra, 2022. Financial literacy is defined as "the ability to understand and apply various financial competencies for making sound judgements," which is necessary for making wise decisions. Millennials may experience less financial stress and greater financial stability as a result of this understanding. Financial literacy has been shown to enable people to save money, make prudent investments, and avoid debt, all of which are major contributors to sound financial management. This is especially important for them because millennials are currently facing uncertain job markets and burdensome student loan debt.

According to Kumar et al. (2023), there is a variation in financial decision-making and well-being depending on skills, digital financial literacy, competence, and autonomy. Possessing these kinds of digital financial abilities reportedly improves one's capacity or independence in managing finances, which may lead to improved financial results and ultimately higher well-being. According to Das (2016), digital competency gives millennials the ability to access a wide range of financial services and goods online, which promotes fair comparison shopping and decision-making and gives them a sense of financial empowerment. High levels of "financial literacy" are associated with responsible behaviour in this descriptive class, which includes consistent saving, budgeting, and responsible credit usage. In the long run, these actions are critical to one's "financial well-being". A higher level of "financial knowledge" also contributes to millennials' increased confidence in their financial judgements, which in turn influences their favourable opinions of financial planning and money management. This can help millennials approach financial issues more pro-actively while also casting a more optimistic light on their financial circumstances going forward. Therefore, improving their "financial literacy" is crucial to encouraging responsible financial conduct and guaranteeing the protection of the millennial generation's well-being.

Millennials' financial attitudes and behaviours are greatly influenced by their "financial literacy," which includes both theoretical knowledge and practical financial skills. Dewi et al. (2020) examined the complex relationships between "knowledge," "skills," "attitude," and "behaviour" among millennials. More financially savvy millennials typically demonstrate more responsible financial practices, like regular saving and meticulous budgeting. According to Mohta and Shunmugasundaram (2024) the moderating influence of millennials, millennials with higher financial literacy exhibit more measured and calculated investment strategies, whereas those with lower financial literacy may engage in riskier investment behaviours motivated by a high risk tolerance. Their improved knowledge of risk and financial markets, therefore, makes a substantial contribution to their "financial well-being" by shielding them against future financial losses and guaranteeing more steady financial growth.

Given how much the millennial generation is reliant on technology in their daily life, Normawati et al. (2021) stressed the importance of having both traditional and digital financial intelligence. It has been observed that millennials who possess extensive understanding of digital and financial matters tend to have more positive attitudes and behaviours related to money, including responsible use of credit and proactive financial planning. Global attention has been piqued by Lusardi and Oggero (2017) emphasised the fact that although millennials are frequently skilled users of contemporary technology, it's possible that they lack the financial literacy needed to make wise financial choices. In the end, this lack of financial literacy may have an impact on their overall financial well-being by making it more difficult for them to manage debt, save money for the future, and make retirement plans.

The financial wellbeing of working women is the specific subject of Khan and Surisetti (2020) investigation into the mediating roles of "cashless financial experience" and "digital financial self-socialization." Working women's financial well-being can be positively impacted by exposure to digital financial platforms and cashless transactions, which can also increase financial inclusion and empowerment among them. Millennial women can improve their saving and spending habits, attain long-term financial stability, and take more control over their finances by utilising digital financial resources and developing digital financial literacy. Mulyana et al. (2019) assessed how millennials' participation with financial education and awareness is impacted by their transfer to the present generation. It has been stated that millennials are realising the value of financial literacy in reaching their financial objectives as they get older and become more self-sufficient. Millennials can more adeptly traverse the intricacies of contemporary financial systems and make financially savvy judgements by actively pursuing financial education and resources.
According to Tamara et al. (2022), millennials' investment behaviour is influenced by their level of "financial literacy". They assessed that more educated investing decisions are typically made by millennials who possess a deeper comprehension of financial concepts like risk and return. With this comprehension, they are more equipped to evaluate investment options, which could result in bigger profits and more protection for their money. In order to enable millennials to accumulate money and safeguard their financial future, they emphasised the critical role that "financial education" plays in this process. Millennials can acquire the information and abilities required to handle the intricacies of the financial world by increasing their level of financial literacy. This involves knowing how to control risk, comprehend the various kinds of investments that are available, and create a long-term investing plan. After gaining this knowledge, millennials will be better equipped to manage their finances and will be able to make decisions with greater assurance and awareness.

Objective

For identifying “Role of Financial Literacy on Financial Well-being of Millennial generation”

Study’s Methodology

219 respondents are considered for this study which was collected from Millennial generation to know about their financial literacy. Random sampling method was used to collect data and examined by “Explanatory Factor Analysis” for results.

Findings of the Study

Below table shows demographic details of participants it shows that 52.97% are male, and 47.03% are female participants. Regarding age of the respondents, 32.42% are between 22 to 28 years, 31.51% are 28 to 32 years, and 36.07% are above 32 years of age. About Educational Level, 37.90% are graduates, 29.68% are post-graduates, and 32.42% have professional degrees.

Details of Participants

Variable	Participants	% age
Gender of Participants		
Male	116	52.97%
Female	103	47.03%
Total	**219**	**100**
Age in years		

22 to 28	71	32.42%
28 to 32	69	31.51%
Above 32	79	36.07%
Total	**219**	**100**
Educational Level		
Graduates	83	37.90%
Post Graduates	65	29.68%
Professional Degree	71	32.42%
Total	**219**	**100**

"Factor Analysis"

"KMO and Bartlett's Test"

"Kaiser-Meyer-Olkin Measure of Sampling Adequacy"		.779
"Bartlett's Test of Sphericity"	"Approx. Chi-Square"	3462.801
	df	91
	Significance	.000

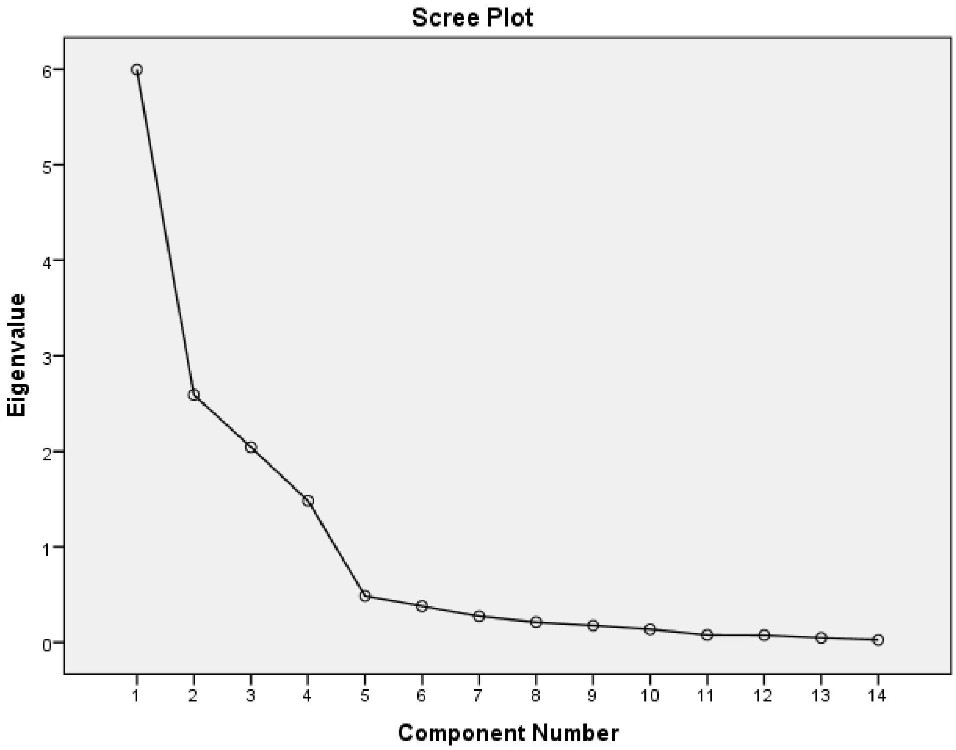
"KMO and Bartlett's Test", value of KMO is .779

"Total Variance Explained"

"Component"	**"Initial Eigenvalues"**			**"Rotation Sums of Squared Loadings"**		
	"Total"	**"% Of Variance"**	**"Cumulative %"**	**"Total"**	**"% Of Variance"**	**"Cumulative %"**
1.	5.999	42.846	42.846	**3.723**	26.590	26.590
2.	2.591	18.506	61.352	**3.640**	26.003	52.593
3.	2.044	14.598	75.950	**2.442**	17.446	70.039
4.	1.481	10.581	86.531	**2.309**	16.492	**86.531**
5.	.486	3.473	90.004			
6.	.379	2.708	92.712			
7.	.273	1.952	94.664			
8.	.210	1.502	96.166			
9.	.176	1.257	97.422			
10.	.137	.975	98.398			
11.	.077	.549	98.947			
12.	.074	.531	99.477			
13.	.047	.337	99.815			

14.	.026	.185	100.000			

All the four factors are making contribution in explaining total 86.531% of variance. The variance explained by Improved Budgeting and Money Management is 26.590%, Effective Debt Management is 26.003%, Long-Term Financial Planning is 17.446%, and Informed Investment Choices is 16.492.



ScreePlot

"Rotated Component Matrix"

S. No.	Statements	Factor Loading	Factor Reliability
	Improved Budgeting and Money Management		**.972**
1.	Financial literacy enables millennials to track their income and expenses	.953	
2.	It helps in creating realistic budgets, and prioritize savings	.945	
3.	A financially literate millennial is more likely to set aside an emergency fund	.928	
4.	It helps avoidance of overspending and management of money	.921	
	Effective Debt Management		**.956**

1.	Knowledge of interest rates, loan terms, and credit scores helps in making informed decisions	.952	
2.	Financial literacy helps in borrowing and debt management	.903	
3.	Financial literacy helps maintain a healthy credit score	.892	
4.	Financial literacy reduces the likelihood of accumulating high-interest debt	.883	
	Long-Term Financial Planning		**.880**
1.	Millennials with financial literacy are better at setting long-term financial goals	.890	
2.	They plan better for saving for retirement, buying a home, or funding education	.853	
3.	Financially literate start financial planning at early stage of life	.821	
	Informed Investment Choices		**.835**
1.	It equips millennials with the knowledge to evaluate different investment options	.916	
2.	It helps in understand risks, and make decisions that align with their financial goals	.906	
3.	It helps in investing in a mix of stocks, bonds, and mutual funds	.719	

Factors and the associated variables

The first factor of the study is Improved Budgeting and Money Management, it includes variables like financial literacy enables millennials to track their income and expenses, it helps in creating realistic budgets, and prioritize savings, A financially literate millennial is more likely to set aside an emergency fund, and it helps avoidance of overspending and management of money. Effective Debt Management is the second factor, it includes variables like Knowledge of interest rates, loan terms, and credit scores helps in making informed decisions, financial literacy helps in borrowing and debt management, financial literacy helps maintain a healthy credit score, and financial literacy reduces the likelihood of accumulating high-interest debt. Third factor is Long-Term Financial Planning, the variables that comes under this factor are Millennials with financial literacy are better at setting long-term financial goals, they plan better for saving for retirement, buying a home, or funding education, and financially literate start financial planning at early stage of life. Last and fourth factor is Informed Investment Choices, it includes variables like It equips millennials with the knowledge to evaluate different investment options, it helps in understand risks, and make decisions that align with their financial goals, and it helps in investing in a mix of stocks, bonds, and mutual funds.

"Reliability Statistics"

"Cronbach's Alpha"	"Number of Items"
.888	14

Total reliability of 14 items that includes variables for Role of Financial Literacy on Financial Well-being of Millennial generation is 0.888

Conclusion

Literacy in financial matters is, in a nutshell, a very significant component of the financial stability of millennials in India. Not having a good understanding of finances can result in unfavourable outcomes such as the accumulation of debt, making poor choices about investments, and failing to plan for the future. Millennials have the ability to acquire knowledge and skills on how to handle finances in the most effective manner through the use of financial literacy programmes. This allows them to better prepare themselves for guaranteeing good overall financial health. With the goal of addressing the specific challenges and requirements of this demographic group, these can take the form of formal educational programmes in schools and universities, as well as unofficial workshops and materials available on the internet. A greater number of millennials will be more equipped to handle money and, as a result, empowered to handle the rigours of today's complicated financial system. This generation may be one that India generates. Making an investment in the financial literacy of millennials is, in other words, an investment in the future economic growth of India. The ability to save for the future in order to achieve long-term goals, which will in turn assist people in establishing a society that is wealthier and more inclusive, is provided to individuals, so empowering them to take charge of their own financial lives. The factors that identify the role of financial literacy on Financial Well-being of Millennial generation are Improved Budgeting and Money Management, Effective Debt Management, Long-Term Financial Planning, and Informed Investment Choices.

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