

A Study Of The Awareness Of The Financial Planning And Implementation Amongst Generation Z

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Abstract

Financial planning is a buzzword in today's world. Authors aim to understand the awareness about the need and implementation of the financial planning amongst the Generation Z (those born between 1997 and 2012) with the help of primary data collected. Authors are interested in understanding the perspective of the Generation Z about earning-saving-spending with respect to the concept of the financial planning. Increased per capita income, improved life span, varying social structure from joint family to nuclear ones and lack of robust social security system; justify the need for a change in the management of personal finance. Regulators and governments are pulling away from guaranteed pensions and employers are pulling away from offering lifetime employment. Hence individuals, now need to take on the responsibility of creating wealth for themselves. This highlights the need and importance of personal financial planning. Authors aim to understand awareness level of financial planning among students who are future savers, aged between 18-25 years (Generation Z) based on testing their exposure to the current Indian financial system as a whole, covering financial institutions, markets, instruments and services.

The primary data is collected from students aged between 18-25 years, through a questionnaire. The data is scientifically to be explored for reflecting the association between the awareness and financial planning through the ever-evolving financial institutions, markets, instruments and their continuity in the life time of the Generation Z. Authors aim to find the relation between the financial awareness of Generation Z for effective financial planning ensuring wealth creation and maximization.

Keywords: Personal Financial Planning, Financial Literacy, Wealth Management, Financial Inclusion, Financial System, Generation Z

Introduction

This section introduces concepts such as Generation Z, Generation Z and financial literacy and importance of financial planning. Moreover, it lays down research objectives and hypotheses for the study.

1.1 Generation Z

Enthusiastic people born in between 1997 to 2012 are named as Generation Z, conversationally otherwise called zoomers, is the segment associate succeeding Millennials and going before Generation Alpha. Each age has a couple of special attributes and Generation Z is no exemption. The figure below highlights the differences across generations.

Today's young people differ from yesterday's.

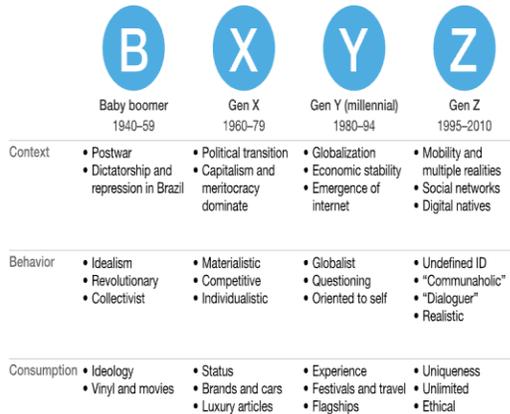


Figure 1: Generation Z Characteristics

(Source: Francis and Hoefel, 2018)

Attributes of Generation can be featured as Generation Z is - financially engaged, entrepreneurial, techno astute, comfortable around the all class of individuals, competitive and focused, adaptable to changes, truly trust the equity, independent, extrovert for their convictions and contemplations, and Generation Z can be a great deal like their parents (Clark, 2019).

1.2 Generation Z and Financial Literacy

Generation Z saw the sensations of fear and issues that began from the past generations. A significant parcel of them watched their Generation X guardians fight because of The Great Recession. An enormous number of them had secure positions and means, only for most of them to wallow during the financial slump. On the other hand, they also watched Millennial who expected to adjust to the start of new development. They watched the money related impact of individuals who focused on spending and didn't have even the remotest clue about the aftereffects of their exercises. They saw the outcomes of their fights to pay student obligation. Generation Z grew up not knowing what life took after before cell phones and the web, which have made them versatile in the circumstance of the change. They saw how Millennials struggled with seeking after their dreams with limited occupation availability. Regardless of whether in everyday schedule workforce, many consider openness and request before whatever else. They are also not actually amped up for obligation, with the bigger part choosing less

expensive advanced education. Recent college grads put away more money, yet Generation Z expects less obligation. This more young generation comes in with the data on past oversights, making them a savvy ability to manage. One of the progressions in the lead of this new generation is their anxiety about their accounts. An immense extent of Generation Z is familiar with money related capability and needs to end up being better at it. In any case, likely the best test they face is the wellspring of their knowledge. Around 84% still rely upon their parents and family for financial information. While it can serve to some degree, the information may be old, lacking, or wrong. The more prepared generations is expected to get comfortable with the most troublesome way that could be available. Others really have comparative off track decisions. Regardless of the way that Generation Z is beginning to learn at an energetic age, they need to extend their perspectives. One of the habits in which they can do that is through the web. The web gives a lot of resources to draw from. There's such a ton of information out there that everything's connected to disengaging the extraordinary ones from the rest. Luckily, the current generation is adequately adroit to get when something on the web is bona fide. Zoomers aren't usually the ones to surrender to stunts and can investigate the web towards their longing. While their system towards obligation is positive, there is conceivable perception that Generation Z is limiting their capacities by avoiding it. They need to learn management of debt and the right approach to

using things like credit cards. There is a piece of the populace that is at this point agreeable, but the bigger part is at this point learning (Moneyfit.org, 2021).

1.3 Generation Z and Financial Planning

Boosting investment funds level: Saving without executing the legitimate monetary planning can measure up to meandering without a guide. Monetary planning assists with getting sources and utilization of the cash according to current way of life. It gives an unmistakable picture about the improvement expected as far as limiting the avoidable costs and boosting the kinds of revenue at the same time.

Improved Standard of living: Most of the average lives on pay check to pay actually look at cycle because of obliviousness about the monetary education and living at the standard of living lower than anticipated. Then again monetary planning assists with working on the way of life by doing the evaluation of the current example of pay and costs recognizing the degree of current obligations and sources.

Creating possibility reserve: Vicissitude of life are erratic. Each circumstance in life accompanies the different monetary assumption. Monetary planning make a way toward building the expected corpus, providing funds at various stretches.

Nothing is a higher priority than the inward feeling of harmony: In the sensible world, one needs to acknowledge that larger part of the issues are addressed by the cash accessible in the appropriate quantum and ideal opportunity. Independence from the rat race offers the equivalent degree of genuine serenity while taking the choices. Monetary planning manages cash gainfully and leads to inner harmony (Franklintempleton.com, 2021).

It can be concluded that scope of financial planning is not restricted up to retirement planning but gives better results if started at the early as age.

Literature Review

2.1 Review

There is considerable research on the topic of financial literacy of Generation Z. Philippas and Avdoulas (2020) have posited that, financial

literacy has become prominent in the today's world to combat the contingencies arising out of instable global market. The progressive development in the field of financial world has increased the complexity of the financial product and method of their evaluation. Similar views have been expressed in the context of uncertainty created by COVID-19 as a motivation for Generation Z to improve their financial literacy (Yakoboski et al. 2021). Financial literacy has been considered as an important enabler for securing self-employment particularly in the pandemic times (Struckell et al. 2022). Harputlu and Kendirli (2019) believe that financial literacy has an important place to achieving sustainable economic development in the individual and social sphere and hence of significance for Generation Z. According to Legenzova et al. (2019), financial literacy contributes to the prosperity of each individual and overall standard of living in the country.

There are studies that have researched financial acumen of Generation Z as a part of measuring impact of national financial inclusion programs (Pangestu and Karnadi 2020). There are a good number of studies that have tried to establish relationship between various factors and financial literacy of Generation Z. For instance, Rosdiana (2020) noted that variables like return on investment, motivation, social environment impact the degree of financial literacy. Putri and Rasyid (2021) have found that demographic factors and socioeconomic status of parents influence financial literacy of Generation Z. In another study Rahmah et al. (2021) have established that gender, income of parents, educational background of parents, majors at vocational school are the factors that impact financial literacy of Generation Z. Fietroh and Mandasari (2022) found financial attitude, financial knowledge, and income of parents are the determinants of financial management behavior of Generation Z. Struckell et al. (2022) have stated that in the US gender and race are the two most studied variables as determinants of financial literacy. Fatma (2020) has argued that, the idea of literacy is correlated with degree of awareness in the sustainable subject and emphasizing the levels of accessible abilities. Author has evaluated the degree of awareness affected by individual's emotions, thoughts,

attitudes, and behaviors, related to the financial system.

Impact of digitalization on financial literacy and behavior of Generation Z has been researched by studies like Utami and Sitanggang (2021), Ayuningtyas and Irawan (2021), and Hutasoit (2021). These and studies like those by Afgani et al. (2021) state that due to technological advancements and digital currency developments stock market participation of Generation Z has increased in recent years.

2.2 Research gap

There is considerable research on the topic of financial literacy for Generation Z. However, there is hardly any study in the Indian context. This study endeavors to fill this gap. The research will add the Indian evidence to the existing literature. Based on the conceptual discussion and the research gap the research objectives and the hypotheses were formulated.

2.3 Research Objectives and Hypotheses formulation

The study has the following research objectives:

- 1) To study general financial awareness among Generation Z
- 2) To study awareness of financial planning among Generation Z
- 3) To study relationship between general financial awareness and awareness of financial planning among Generation Z

Based on the research objectives the following hypotheses were set for the study:

Ho1: The general financial awareness among Generation Z is not significant

Ho2: The awareness of financial planning among Generation Z is not significant

Ho3: The relationship between general financial awareness and awareness of financial planning among Generation Z is not significant

Research Methodology

3.1 Type of Research

An empirical approach was adopted. Primary data was gathered through a survey of 400 Generation Z students. Secondary data was sourced from the latest research and has been duly cited.

3.2 Population and Sample

Population of Generation Z students is assumed to be very large, in statistical terms, that is, more than 10000. Standard sample size tables like Krejcie and Morgan (1970) using 95% Confidence Level and 5% Confidence Interval returns a sample size for a population of 10000 as 370. It was rounded off to 400. Thus, the sample for the study was 400 Generation Z students.

3.3 Data Collection Scheme

The primary data from Generation Z students was collected through a survey questionnaire. The questionnaire had two sections. First section with 10 questions assessed their general financial awareness. The second section with 10 questions assessed their awareness of financial planning. The questionnaire is provided as an appendix.

3.4 Testing of Hypotheses

A survey questionnaire was designed to collect primary data in order to test the hypothesis as stated earlier. In line with the hypothesis the questionnaire was divided into following parts / sections: General financial awareness and Awareness of Financial Planning. Each section had ten questions/statements. Some questions were True/False type and the others were choice between 1 and 2. For both the sections, the awareness score was calculated by comparing the responses with the correct answers. For the t-tests, average score (sample mean) was compared with hypothesized mean of 5 (mid-point of 0-10 score). For testing the three hypotheses following methods were used: H1: t-test, H2: t-test, H3: Simple regression (Dependent variable: awareness of financial planning and Independent variable: general financial awareness). P-values along with R^2 values were calculated and the null hypotheses were checked for rejection or non-rejection.

Data Analysis and Interpretation

Profile information

Out of the 400 respondents 193 (48%) were female and 207 (52%) were male. 204 (51%) respondents were in the age group <20 years and 196 (49%) were in the age group ≥ 20 .

4.2 Testing of the hypotheses

Hypothesis 1

Ho1: The general financial awareness among Generation Z is not significant

The hypothesis was tested by comparing sample mean (average awareness score for 400 Generation Z students) with hypothesized population mean of 5 (being the mid-point of 0-10 score). The results showed that the sample mean (\bar{x}) was 5.8. Same was compared with hypothesized population mean of 5.0. Standard deviation of the sample was 2.19. Taking the sample size of 400, the t-statistic was 7.31, p-value for which was <0.0001 .

The null hypothesis was rejected in favor of the alternate which means, the general financial awareness among Generation Z is significant.

Hypothesis 2

Ho2: The awareness of financial planning among Generation Z is not significant

This hypothesis was tested by comparing sample mean (average awareness score for 400 Generation Z students) with hypothesized population mean of 5 (being the mid-point of 0-10 score). The results showed that the sample mean (\bar{x}) was 5.5. Same was compared with hypothesized population mean of 5.0. Standard deviation of the sample was 2.01. Taking the sample size of 400, the t-statistic was 4.82, p-value for which was <0.0001 .

The null hypothesis was rejected in favor of the alternate which means, the awareness of financial planning among Generation Z is significant.

Hypothesis 3

Ho3: The relationship between general financial awareness and awareness of financial planning among Generation Z is not significant

This hypothesis was tested using linear regression. The dependent variable was awareness of financial planning (FP) and independent variable was the general financial awareness (Generation Z). The correlation coefficient between the two variables was 0.325. The regression results returned F value of 46.848 with corresponding p-value of <0.0001 . Equation of the model (FP) was $FP = 3.76 + 0.29 * \text{Generation Z}$.

Interpretation (FP):

Variability to the extent of 11% of the predicted variable FP is predicted by the predictor variable

as is indicated by the value of R^2 . Based on the p-value of the F value calculated from the ANOVA table, and based on the level of significance of 5%, the information reported by the predictor variables is statistically significant (F 46.85, $p < 0.0001$).

The null hypothesis was rejected in favor of the alternate which means, the relationship between general financial awareness and awareness of financial planning among Generation Z is significant.

Findings, Conclusion and Implications

Findings of study

1) The testing of Hypothesis 1, revealed that the average general financial awareness score for the sample was 5.8 (on a scale of 10), with standard deviation of 2.19. The p-value of <0.05 , indicates that the general financial awareness among Generation Z is significant.

2) The testing of Hypothesis 2, revealed that the average awareness score of financial planning, for the sample was 5.5 (on a scale of 10), with standard deviation of 2.01. The p-value of <0.05 , indicates that the awareness of financial planning among Generation Z is significant.

3) The testing of Hypothesis 3, revealed that the correlation (R^2 value of 11% and p-value <0.05) between general financial awareness and awareness of financial planning among Generation Z is significant.

5.2 Conclusion

The findings of the study confirm that the general financial awareness among Generation Z is significant. Moreover, the awareness of financial planning among Generation Z is significant. Additionally, the correlation between general financial awareness and awareness of financial planning among Generation Z is significant. These findings are not at all surprising. The findings are corroborated by the general consensus that Generation Z are financially savvy. The general characteristics that Generation Z are that they are financially focused, entrepreneurial and fast adopters of technology, all support their awareness of general finance and moreover financial planning. The logical reason underpinning this awareness level is that Generation Z has seen their parents

weather the Global Financial Crisis (2008-09) and, moreover seen millennials struggle with their indebtedness. The learning from these crises has shaped the conservatism related to money matters of Generation Z. A sound financial plan helps to increase savings, leads to a better standard of livings and moreover helps prepare for financial emergencies. These benefits of financial planning are well understood by Generation Z, given the experiences of earlier generations.

5.3 Implications

Our study has implications for financial planners and advisors. They should attract more Generation Z investors as they are financially

literate and matured. The financial planners and advisors will find it easy to work with Generation Z investors given their background and understanding levels. Generation Z investors are well aware of financial matters and this awareness of them is a significant predictor of their ability to execute financial planning effectively. Financial planning leads to better investment decisions and behavior and Generation Z are likely to be good financial planners given their higher awareness and financial literacy levels.

The limitation of the study is that it is focused on India. Similar studies can be carried out in other countries and can focus on specific investment vehicles.

Appendix: Questionnaire

Gender	(Female, Male)	
Age	(<20, >20)	
Section I: General Financial Awareness		
Sr.	Question	Choice
1	KYC means Know Your Customer	1) True or 2) False
2	General Insurance Relates to Theft and Burglary	1) True or 2) False
3	Aadhar is 12-digit number card	1) True or 2) False
4	Currency notes are issued by	1) Central Govt. or 2) RBI
5	Which type of account earns higher interest rate	1) Savings, or 2) Fixed Deposit
6	Who is the regulator for Stock Markets	1) RBI or 2) SEBI
7	Which is the largest stock market exchange in India	1) BSE or 2) NSE
8	RTGS stands for Real Time Gross Settlement	1) True or 2) False
9	Who is the current RBI governor	1) Urjit Patel or 2) Shaktikanta Das
10	Banks pay monthly interest on savings account	1) True or 2) False
Section II: Awareness about Financial Planning		
Sr.	Question	Choice
1	Which is a more liquid asset	1) Fixed Deposit or 2) House
2	Net worth is the difference between assets and liabilities	1) True or 2) False
3	A commercial bank issues your credit report	1) True or 2) False
4	Which investment can beat inflation	1) Equity or 2) Fixed Deposits
5	ETF stands for Exchange Traded Funds	1) True or 2) False
6	NAV stands for Net Assessment Value	1) True or 2) False
7	Which is less risky instrument	1) Stocks or 2) Mutual Funds

8	If interest rate increases value of government bond falls	1) True or 2) False
9	A high-risk high-return strategy is suitable for a retired couple	1) True or 2) False
10	As a shareholder of mutual fund, you can tell the fund manager which securities to buy	1) True or 2) False

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