

An Overview of Awareness about Goal Based Financial Literacy among Millennials in India

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Abstract

Awareness regarding financial education and financial literacy has gained momentum in the recent years. With the increase in GDP and PCI, individual spending power has increased. With the advent of technology, information about investment and financial planning options is available at a click. Millennials being a large part of productive work force, they contribute substantially towards the country's economy. Their financial decisions make an impact. Thus, improvement of financial literacy among millennials is imperative for financial sustainability and liberation of individuals as well as for the economy. The present paper aims to study the level of awareness among the millennials about financial literacy with specific reference to goal based financial literacy. The study is an exploratory research based on the extensive literature review of research papers, articles, and websites, evaluating the level of financial literacy among various sections of individuals.

Keywords:-Financial literacy, Goal based, Financial liberation, Artificial Intelligence

Introduction

Millennials are individuals born between 1981 and 1996 as defined by PEW Research. They are with highest spending power, making maximum use of technology and known for making informed decision. However, it has been observed that most of the Millennials are lacking in terms of financial literacy.

Financial literacy means to understand and effectively make a right choice of financial options available, especially when it comes to personal financial decisions. A right financial decision helps an individual attain financial stability and sustenance whereas poor financial decisions lead an individual to a financial debt trap.

With the advent of Artificial Intelligence in financial sector, more and more people, especially the millennials, are now banking on online and mobile tools, influencers' reviews,

etc. for financial advice so as to take informed decisions. As a result they rely more on self-service and mobile apps rather than personalized guidance.

Literature Review

DilipAmbarkhane, BhamaVenkataramani and ArdhenduShekhar Singh (2015) highlights the need for basic level financial education as it will act preventive as well as curative measure for the consumers and prevent malpractices and frauds taking place in financial sector.

Terri Friedline and Stacia West (2016) aims at examining relationships between financial capability and financial behaviors of United States Millennials ($N = 6865$) which concluded that compared to their financially excluded peers, financially capable millennials were 176% more likely to afford unexpected expenses, 224% more likely to save for emergencies, 21% less likely to use alternative financial services, and 30% less likely to carry burdensome debt.

BlessyRoy and Dr. Ruchi Jain (2018) conclude that women in Jaipur, in spite of having better financial services, do not use it optimally, are highly negligent towards investment in financial instruments.

YilanXu, Carrie Johnson, Suzanne Bartholomae, Barbara O'Neill & Michael S. Gutter (2015) reviewed external and internal factors influencing homeownership decisions for millennials. It is anticipated that this information will enable financial advisors, educators, and policymakers to understand the challenges of homeownership for millennials and to formulate strategies to cohort with their personal financial planning.

AnnamariaLusardi and Noemi Oggero (2017) measured financial literacy around the world with a case study on Italy. It concluded that gap between financial responsibility and the ability to manage finances taking advantage of financial opportunities is widening. Hence, policy makers need to step up the efforts for financial education.

Research Objectives

The objective of the paper is to have an overview with respect to awareness among the millennials about financial literacy with specific reference to goal based financial literacy.

Research Methodology

The study is an exploratory research based on the extensive literature review of research papers, articles, and websites, evaluating the level of financial literacy among various sections of individuals.

Overview

Financial Literacy

Financial literacy is the ability to understand and effectively apply various financial skills, including personal financial management, budgeting, and investing. The main steps to achieving financial literacy include learning the skills to create a budget, the ability to track spending, learning the techniques to pay off debt, and effectively planning for retirement (Will Kenton, Investopedia.com).

Sudhir Chandra Das (2016) concluded that PG millennials are having moderate financial literacy and parents' level of education, especially mother's, has significant role among millennials' financial literacy.

Dr. S. Vidya (4.2.2020) concluded that the level of financial literacy of Millennials in Tamil Nadu is above the average level on basic financial aspects like Savings, Investment, Banking, etc. but have lesser level of financial literacy on Budgeting, Credit/Debt Management and Taxation.

Digital Financial Literacy

Digital Financial Literacy is having the knowledge, acquired skills and developing necessary habits to effectively use digital devices to do financial transactions. This intersects with an individual's basic literacy levels and the ability to use digital devices/technology (finextra.com, Feb. 2017). As on date there are various online sites, viz., policybazaar.com, moneycontrol.com, livemint.com, investing.com; apps viz., CNBC, Bloomberg, Marketwatch, etc. which are frequently used by the millennials to make informed financial decisions.

Hanuman Prasad, DevendraMeghwal and Vijay Dayama (2018) had made a survey to map digital financial literacy among the households of Udaipur city. The analysis was made on the parameters of gender, age, educational qualifications and profession. It was concluded that

the male respondents, youths, literate and working class people scored high in awareness level.

Goal Based Financial Literacy

Day by day, inclination towards achieving financial literacy is gaining momentum. Individuals, especially millennials, are keen on making investments for financial stability. But the motive behind making investments is either earning tax benefit or maximum returns. There is no specific target or goal set behind these investment decisions. The decisions are also based on the influencers' reviews expressed in the apps, etc. Thus, it becomes extremely difficult for an individual to make a right choice out of the platter of options available at one click. Here, RIGHT CHOICE means right for that individual and not universally right. There cannot be standardization of Right Choice for individual decisions. And hence, it is imperative to set one's own goals/targets and then make a choice. And this can be done either by personal research and calculation or by taking professional help.

Conclusion

In the VUCA environment with the availability of a wide range of choices for different financial products and services, it becomes very difficult for the millennial generation to take prudent financial decisions unlike the earlier generations which had comparatively limited options and money at their disposal.

The mobile apps/websites are to be blamed too. Instead of first understanding people's requirements about investments, they first promote a product/portfolio and then try to convince people to invest it, i.e., prescribe before diagnose. It's completely backward.

And that is where goal based financial approach comes into picture. Each person has different goals in life. There is no point in comparing with others. Competing/blindly following anyone with something as personal as personal finance shifts the focus from real goals of life which may end up into high price to be paid.

Thus, it is essential for government/policymakers, educationalists and financial advisors to create an online and/or offline financial literacy program that will take into consideration the unique challenges and skills of the millennials to help them take rational customized financial decisions.

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