CONCEPTUAL STUDY OF FINANCIAL LITERACY AND FINANCIAL INCLUSION: AMONG THE MILLENNIAL'S

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Abstract

In an evolving period of tremendous technological advancement and intensifying global competitiveness, an economy and its citizens need to operate with awareness, adaptability, and alignment with changes and development in order to stand ahead of and thrive with the dynamics. In spite of conventional and foundational work, modernism's recent introduction and its various benefits are something that one ought to weigh. It turns into a drive for improvement to make things now better in order to achieve the future better.

In order to this, Financial Literacy is something which assist to gain meaningful insight and leads to decide more rationally in managing the finance. Hence Relationship between financial literacy and financial inclusion among millennials is examined in this study. Millennials have particular financial opportunities and challenges because they are the first generation grown up in the digital era. This research examines how financial literacy affects the millennials use and access to financial services through an extensive literature reviews and qualitative analysis. It also looks at how educational initiative and technology supports financial inclusion and literacy. The result highlights the significance of focused training programs and digital platforms in boosting millennials financial capacities by pointing to a favourable association between financial inclusion and financial literacy levels. Policy makers, financial institutions and educators must comprehend these dynamics in order to create specialized plans that enable millennials to engage fully in the financial system and make wise financial decisions.

Keywords: Financial Inclusion, Financial Literacy, Millennials, Financial Skill, Financial Decisions.

Introduction

Financial literacy is not a new term in the present scenario. Understanding and utilizing a variety of financial abilities, such as managing debt, investing, saving and budgeting, is known as financial literacy. Financial literacy is more important than ever in the complicated financial environment of today, when people are progressively in charge of their own financial security.

The temporary landscape typified by fluctuations in the economy, Swift progress in technology and a proliferation of financial offerings, highlights the significance of financial literacy. People who lack sufficient understanding run the risk of being victims of predatory loan activities, choosing unwise investments or finding it difficult to properly manage their money. The explanation of financial fragility revolves around financial literacy. Studies reveal that a greater likelihood of managing an unforeseen expense is linked to a better level of financial literacy. Beyond the influence of education, financial literacy reduces financial fragility on its own (**Lusardi, Mitchell, and Oggero, 2016**). Moreover, in order to travel safely and profitably, a strong understanding of financial principles is required given the rise of digital currencies, alternative investing platforms, and internet banking. Furthermore, being financially knowledgeable is essential for people to weather unforeseen financial Storms, as a global pandemic has brought attention to the significance of emergency reserves and financial resilience.

People may make wise judgement, steer clear of financial hazards and eventually attain more financial and independence by fostering financial literacy. To enable people to take charge of their financial destinies and prosper in the rapidly changing economic environment of today, education and resources geared toward enhancing financial literacy are crucial.

Financial inclusion is the process of giving all the societal segments – especially those underserved or shut out of traditional banking system – access to financial services and products. This includes having access to credit, insurance, banking services and other financial resources.

Financial inclusion and financial literacy are closely associated with each other. Financial literacy makes sure that people have the information and abilities needed to use financial services properly, whereas financial inclusion concentrates on granting access to the financial products but may not know how to use them prudently. The level of financial literacy is influenced by several factors, including socio-economic status and lifestyle (**Prete, 2013; Bire et al., 2019**).

On the other hand, people with basic knowledge of finance may still be shut out of the financial system if they are unable to obtain banking services or encounter obstacles like exorbitant costs or prejudice.

People are given the tool to make wise financial decision and the ability to access and take the advantage of financial services when financial literacy and financial inclusion are promoted. This combination has the potential to lower poverty rates in communities and provide financial stability and economic opportunity. As a result, programs to raise financial literacy among marginalized groups are frequently included in efforts to increase financial inclusion. Financial literacy also improves financial sustainability by giving people the information and abilities they need to handle their money wisely. It makes it possible to make well-informed decisions about borrowing, investing, saving, and budgeting, which improves financial results. Increased literacy makes people more equipped to handle financial difficulties, reduce risks, and seize opportunities—all of which contribute to long-term personal and economic stability.

WHO ARE THE MILLENNIALS?

The generation known as millennials, who were born roughly between 1980 and 2000 (Goldman Sachs, 2017) millennials are a noteworthy generation with distinct traits. They are the perfect audience for financial inclusion programs that use fintech solutions because of their digital nativeness and receptivity to new technology. Since they were among the first in emerging economies to use peer-to-peer lending, digital payments, and mobile banking, millennials have the power to encourage underprivileged groups to use financial services. They are important resources for increasing financial access and fostering economic growth because of their social media connectivity, which also makes it easier for financial literacy and awareness to proliferate.

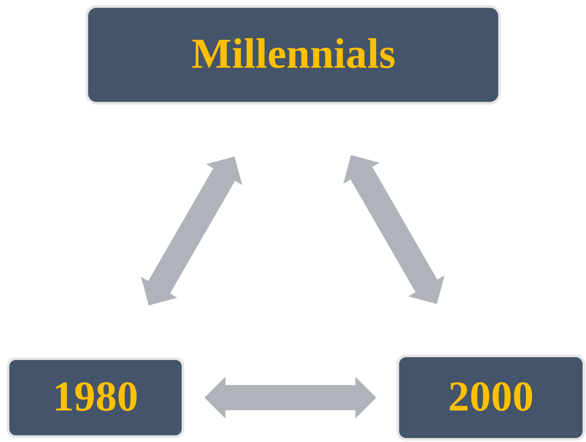

Figure:1 Source: Goldman Sachs Global Investment Research

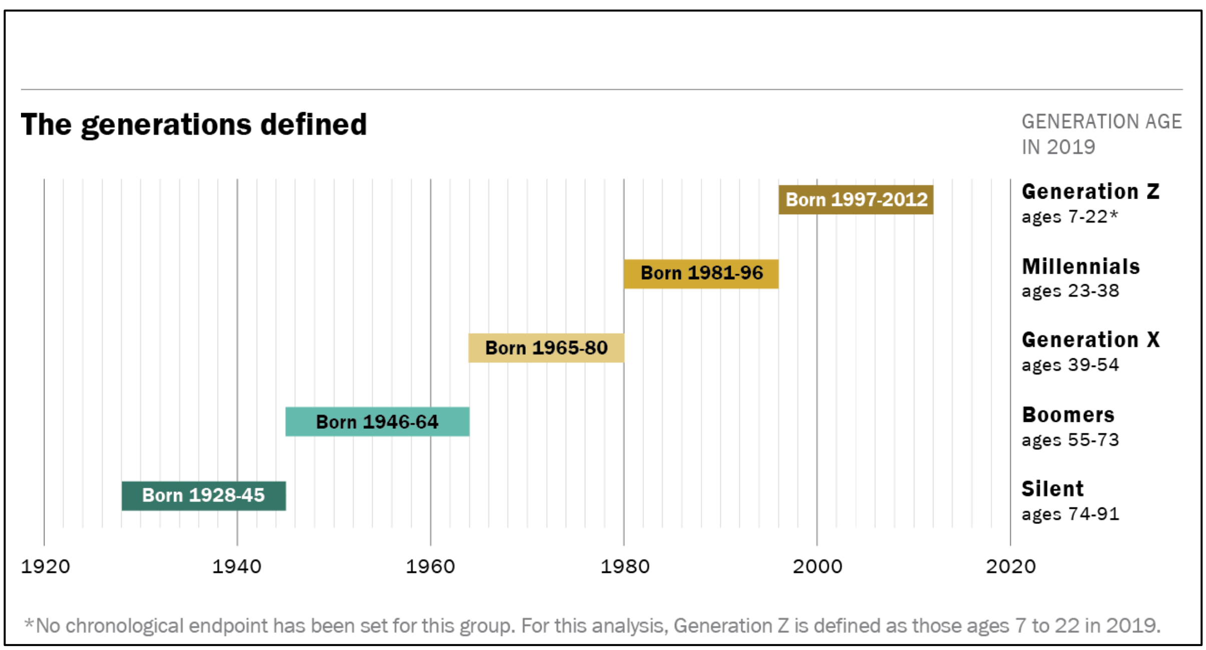

Figure:2 Source: Pew Research Centre, "Generation chart from Silent to Gen-Z"

Literature Review

According to the **ASIC report** from **2003**, financial literacy is widely acknowledged as a crucial component of economic and financial stability as well as growth. Uncertainty surrounds the definition of financial literacy. As stated by **Yoong**, **See**, and **Baronovich** (**2012**), **Howlett**, **Kees**, and **Kemp** (**2008**), **Al-Tamimi** and **Bin Kalli** (**2009**), and **Howlett**, **Kees**, and **Kemp** (**2008**), financial literacy, financial education, and financial knowledge are terms that may be used interchangeably (**Rai et al., 2019**) There are various ways to interpret the positive correlation between financial literacy and owning financial products. On the other hand, being more knowledgeable and competent with money (**Sherraden, 2011**). Research indicates that when socioeconomic position is taken into account across all OECD nations, pupils who have bank account tend to do a better on average than those who do not (**OECD, 2014**). Based on some findings, demonstrating that having savings account as a teenager age 12-17 is associated to saving in young adulthood ages 17-23 and adulthood (**Kotlikoff, 2001**), several research had hypothesized that owing a bank account could encourage the birth of saving habit. 23% of Millennials, or adults between the ages of 18 and 35, spend more on financial investments than they make, according to a recent National Capabilities research conducted in the United States (**Mottola, 2014**). It is anticipated that this generation Y, would innovate in personal finance management and revolutionize the economy. Compared to earlier generations, millennials are predicted to manage their financial resources differently, have new priorities, and have higher expectations. Millennials' choices, however, have a significant impact on their level of life and financial security (**Jain & Sharma, 2018).**

Data from the S&P Global FinLit Survey analysis provides insight into economic indicators that are linked to variation in Millennial's financial literacy around the globe. We will pay special attention to the connection between financial literacy among the youth and elements like formal and informal saving practices, internet usage and G20's capacity to accumulate savings. It demonstrates that the percentage of adults over the age of 15 who hold a personal or joint account at a bank or other financial institutions is highly correlated with financial literacy among millennials. Socioeconomic status has a role in the relationship that exists between having a bank account and performing well in a financial literacy. Financial literacy influences a person's ability to manage their finances and deal with financial difficulties, as well as their capacity to make personal financial decisions about investments, borrowing, savings and lifestyle selections. Furthermore, the way the banks and non-bank financial organizations run their operations and the goods they provide to investors and depositors are significantly impacted by financial literacy. The aforementioned all affect both economic stability and growth. (**Widdowson & Hailwood, 2007; Sarigul, 2014**). Positive and negative behaviours that a person engages in are indicative of their financial conduct (**Woodyard, 2013**). Numerous global studies contend that enhancing financial inclusion requires raising financial literacy (**Atkinson & Messy, 2012**; **Lusardi & Mitchell, 2014**). Financial inclusion and financial literacy are significant issues that must be addressed in the context of millennials. **Malcolm** (**2012**), for instance, contends that millennials have difficulty managing their money. According to his analysis, young persons in the US owe $45,000 on average, which is a significant amount of money for such a young age. According to **Brown**, **van der Klaauw**, **Wen**, and **Zafar** (**2013**), proper financial education for young people is a solution to this issue. According to their research, having more financial literacy can prevent unfavourable consequences like debt accumulation or poor credit record entries (**Rai et al., 2019**). Efficient cash management, emergency savings, credit management, long term goal planning (retirement plans, for example) risks management (buying insurance) and estate planning are examples of positive financial behaviour. Conversely, poor financial practices including squandering money, depending too much on employer- sponsored. A person's actions concerning money management are referred to as their financial behaviour, according to (**Xiao, 2008**). The theory of Planned behaviour (TPB) to predict and understand an individual's behaviour (**Ajzen, 1991**) and the trans- theoretical Model (TTM) of behaviour change to assist people in achieving positive behaviour and changing negative behaviour (**Prochaska, 1992**) are the two theories that form the basis of the development of the theory of financial behaviour. The psychological theory that assists individuals in altering their undesirable behaviour is highlighted by these two theories. "Trans- theoretical refers to applying theory to practice.

An Individual comprehension of financial matters is reflected in their financial knowledge. It is determined by evaluating a number of fundamental financial concepts, such as compound interest, debt, assets, time value of money, deposit, inflation and interest rates. Financial literacy which aids people in making decisions and developing sounds financial habits, is based on financial understanding. In a time when there is a growing variety of financial products available to a wide range of investors and depositors, having a solid understanding of finance is crucial. Government policies have aimed to promote greater access to financial services, more bank account, and credit products, particularly the fast-growing numbers of loans for consumption, in any nations, particularly in emerging nations. Financial literacy has multiple elements including financial skills and attitude in addition to knowing financial facts. (**Vera Intanie Dewi, et.al, 2020)**.

Objectives

- To identify the importance of financial literacy
- To investigate the association between financial literacy and financial inclusion.
- To elaborate the understanding of financial skills, attitude and behaviour.
- To evaluate the role played by Millennials in the financial inclusion

Research Methodology

This study delves to investigate the concepts of financial literacy and financial inclusion among millennials to boost the economy by examining the association between financial skill, attitude and behaviour for which different sources such as, Journals, research papers, and the other secondary sources has been used.

SIGNIFICANCE OF FINANCIAL LITERACY FOR DEVELOPING NATIONS

Economic Empowerment

Those who possess financial literacy are more equipped to manage their debt, save, invest, and create budgets. Individual and families may benefit from this in terms of upward economic mobility and stability. Mexico, Brazil, South Africa, China, India, and other rising markets all have similar spending and saving patterns among their millennial population, which presents potential for both traditional and innovative businesses (**Jain & Sharma, 2018; Goldman-Sachs, 2017**).

Poverty Alleviation

Cycle of poverty can be prolonged by lack of financial literacy. People can break the cycle of poverty by learning basic financial concepts, which will help them manage their resources, make money, and make future plan. Financial competence differs between sociodemographic groups and is important for raising standard of living (**Lubis, 2018**)

Entrepreneurship

Small enterprises play a major role in the economic progress of developing nations. Aspiring business owners that possess financial literacy are better able to manage their finances, obtain funding and comply with legal requirements, which promotes employment growth and entrepreneurship.

Financial Inclusion

Financial inclusion is a prerequisite for economic progress, according to the finance-growth theory (**Obayori & George-Anokwuru Chioma Chidinma B., 2020**)

Lack of access to formal financial services is a problem for many people in developing countries. By raising people's knowledge of the banking microfinance services that are available, financial literacy can motivate them to use credit and savings products as well as to engage with the official financial system. The study demonstrated that if financial inclusion in rural communities is not properly implemented, a country will not flourish (**Nwanne, 2015**)

Protection of the Consumer

People who are financially knowledgeable are better able to identify and steer clear of predatory financial practices and scams, shielding themselves from exploitation and loss of money. Financial literacy is crucial for youth to effectively control their costs and make prudent investments. It helps them avoid common financial difficulties like high credit card debt and build assets. Younger generations often lack knowledge about earning money and increasing holdings, but understanding investment concepts like stocks, bonds, and real estate can help them achieve long-term financial objectives. Therefore, young people should acquire financial management knowledge and incorporate it into their daily lives (**Journal Ekonomi, n.d.)**

Investing in Human Capital

A vital aspect of financial literacy is education. Developing countries can provide the skills needed for economic success for future generations by funding financial education initiative in schools and communities.

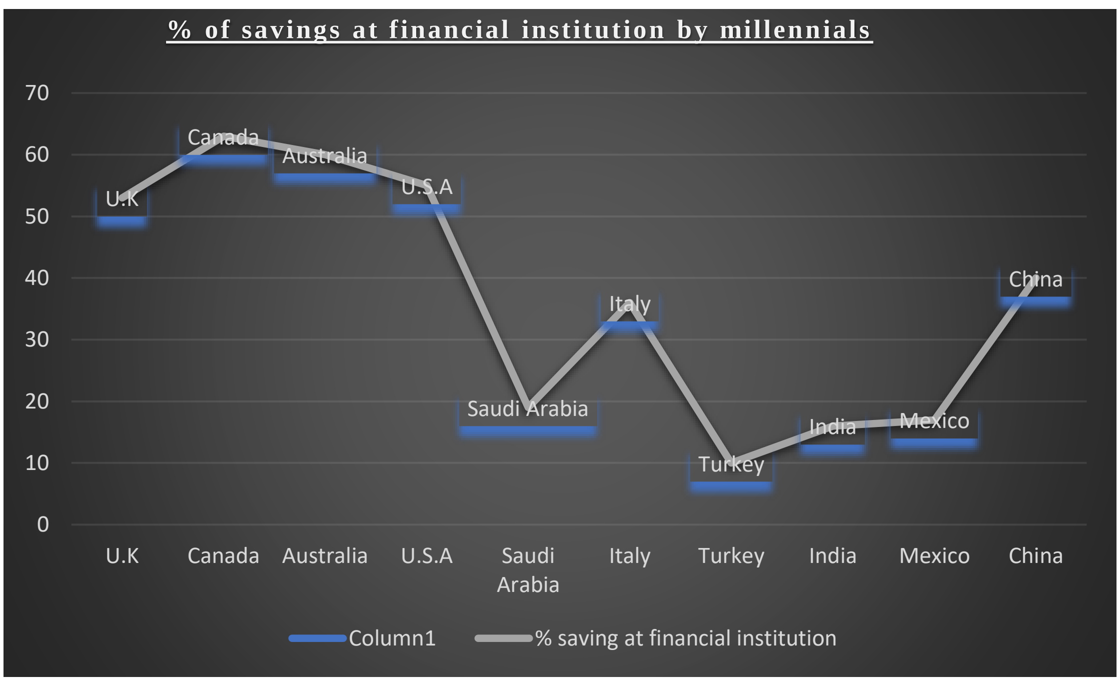

Figure:3 Source: Author

ROLE OF FINANCIAL LITERACY IN ACCELERATING THE PACE OF FINANCIAL INCLUSION IN DEVELOPING COUNTRIES

Financial literacy plays a crucial role in shaping the financial inclusion and landscape of developing nations in several ways:

Access to Financial Services

Financial literacy enables people to comprehend the significance and advantages of utilizing official financial services, including banking and insurance, and investment options. This knowledge promotes involvement in the official financial system, which raises the percentage of people who are financially included. In order to boost economic growth, more work has to be done to improve and expand financial inclusion services, such as electronic transactions via POS, ATMs, mobile money, etc., to all rural communities. Additionally, financial literacy and low-income people's participation in formal financial services are also important (**Obayori & George-Anokwuru Chioma Chidinma B., 2020**)

Improved Financial Decisions making

People who are financially literate possess the information and abilities necessary to make wise financial choices. This entails knowing fine print on financial products, handling debt sensibly, and creating an efficient budget. They are therefore more likely to establish more stable financial future and are less susceptible to predatory lending techniques.

Savings and Investing

People who possess sound financial literacy are more likely to save and make prudent financial decisions. People can accumulate wealth over time and safeguards themselves against unforeseen financial shocks by being aware of the advantages of saving for the future and the range of investing possibilities available to them.

Overall, enhancing the financial literacy is essential for promoting financial inclusion and economic development in developing nations. By equipping individuals with the tools, they need to navigate the financial system effectively. Countries can unlock new opportunities for growth and prosperity.

WHAT ARE FINANCIAL SKILLS?

The capacity to successfully handle and comprehend a variety of personal or commercial financial elements is referred to as financial skill sets. This incorporates debt management, investing, saving, and budgeting. Long-term planning, risk assessment, and financial literacy are further essential elements. Gaining financial literacy enables people to make wise financial decisions, promoting wealth growth and guaranteeing stability in one's finances. To make wise financial judgements, one must be skilled in financial analysis, comprehend financial products, and evaluate financial statements. (**Devi, 2016),** found that one of the key determinants of financial literacy in India is gender, and that Indian women have particular challenges when it comes to saving money and purchasing financial products.

WHAT IS FINANCIAL ATTITUDE?

The term financial attitude describes a person's attitudes, sentiments, and actions around handling money. It includes how one approaches debt management, investing, saving, spending and, budgeting. Being proactive, disciplined and responsible with money are characteristics of financial attitude, whereby impulsivity, avoidance, or overspending a characteristic of negative attitude. Long-term financial well-being depending on cultivating a sound financial mindset. One way to define financial attitude is one's individual preference for financial issues. What counts is having the ability to save money and make plans in advance (**Rai et al., 2019; Bhushan and Medury, 2014.**)

WHAT IS FINANCIAL BEHAVIOUR?

The decisions and activities people or corporation do in relation to their finances referred to as a financial conduct. It includes managing debt, investing decisions, saving and spending behaviours and general financial decision-making procedures comprehending one's financial conduct is imperative for individual financial administration and can impact enduring financial stability and we'll being. Numerous elements such as, psychological, societal and economic forces, have an impact on it.

MILLENNIALS AND THEIR ASSOCIATION WITH FINANCIAL INCLUSION

For millennials group born between 1981 and 1986, financial inclusion is important for number of reasons.

Digital Natives

Young people from emerging economies (86% of the world's millennials) crave for digitalization, leisure/experience and premium brands. According to **Goldman Sachs Report (2017)**, The desire for premium brands, digitalization, and leisure/experience is strong among young people from emerging nations, who make up 86% of the global millennial population.

Being grown up with technology, millennials are considered to be digital natives. Digital financial services like mobile banking and digital payment are more likely to be adopted and adjusted to by them. Millennials can be effectively reached and engaged by financial inclusion initiative that make use of technology, giving them easy access to comfortable financial services.

Student Loan Debt and other Financial Issues

A large number of millennials are dealing with serious financial issues such as raising living expenses, stagnating income and students loan debt. Financial inclusion programs that provide millennials with alternative credit options, affordable banking services, and financial education can help them manage their money more effectively, pay off debt, and establish the financial literacy. According to **Goldman Sachs Report (2017),** Even with modest financial resources, young millennials are clearly excluded from the banking system due to their lack of formal credit history, which forces them to turn to the new digital and mobile financial sector provided by for-profit companies **(Jain & Sharma, 2018)**.

Gig-economy and Entrepreneurship

Millennials are more inclined to pursue entrepreneurship and to engage in the gig economy. By giving them access to need Specific lending, savings and insurance products, financial inclusion can help them in their pursuits. Programs that promote financial literacy can also provide millennials the tool they need to handle erratic income sources that and successfully negotiate the challenges of self-employment.

Long Term Financial Planning

Even in the face of difficult economic conditions, millennials place a high priority on long term financial objectives including investing, homeownership, and retirement savings. Millennials can accumulate wealth and realize their financial goals with the support of financial inclusion programs that facilitates access to retirement accounts, investing platforms and financial planning services.

Social Impact and Value Based Investment

When people making financial decisions, millennials are increasingly value and socially conscious. The aspirations of millennials to match their values with their financial objectives is reflected in financial inclusion initiative that support impact investment, sustainable investing and accessibility to ethical financial goods. There is a complicated and variable relationship between financial literacy and the authority to make financial decisions in the home (**Lubis, 2018)**.

In general, financial inclusion is essential for meeting the particular financial requirements and preferences of millennials, assisting them in overcoming obstacles, achieving financial well-being, and supporting stability and growth in the economy.

Conclusion

It is evident that billions of people are ill- equipped to handle the swift changes in the financial landscape when one in three adults worldwide demonstrate a basic comprehension of financial concepts. Credit products are becoming more widely available; many of them have complicated terms and hefty interest rates. Governments are working to make bank accounts and other financial services more accessible in an effort to promote financial inclusion, but these avenues can quickly result in excessive debt, mortgage defaults, or insolvency if the people lack the requisite financial literacy. This is particularly valid for youth with the Little financial knowledge.

Financially astute adults tend to save more for retirement and other goals and are generally less likely to struggle with debt. Policymakers ought to think about steeping up their efforts to promote financial education in light of this, helping millennials to gain financial literacy in the classroom and at work can prove beneficial, given the significance of financial literacy in today's modern economy. Studies have indicated that specialized financial literacy initiative aimed at habits and demographics can result in more prudent financial choices.

There is the discrepancy in the amount of financial responsibility placed on young people and their actual financial decisions making and opportunity taking skills. Financial illiteracy will continue to be a barrier to Millennial's financial stability until substantial steps are done to change this.

The findings of the study suggests that there is a relationship between financial management behaviour and both financial attitude and skills. Better financially savvy Millennials will manage their money sensibly and exhibit positive financial behaviour.

One effective tactic for improving millennials' comprehension of money management is the usage of digital educational resources in the financial literacy space. The successful and efficient teaching of financial management to millennials can be achieved through the use of an interactive, interesting, and easily accessible approaches for better understanding of finances. The younger generation's financial literacy, knowledge, skills, and eagerness to learn could all be improved with the use of digital teaching tools. Adolescents can learn how to manage money wisely and achieve their long-term financial objectives by using these digital teaching resources.

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