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## Impact Of Financial Literacy On Personal Budgeting And Saving Habits Among Generation Z.

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### ABSTRACT:

Financial literacy has become an essential life skill in the contemporary economic environment characterized by rapid technological advancement and increasing financial complexity. This study examines the impact of financial literacy on personal budgeting and saving habits among Generation Z. The primary objective is to analyse how financial knowledge influences financial behaviour, budgeting practices, and saving patterns among young individuals. The study is based on primary data collected from 127 Generation Z respondents through a structured questionnaire covering demographic details, financial literacy awareness, budgeting practices, and saving habits. Secondary data were gathered from journals, research papers, government reports, and other relevant sources. Statistical tools such as percentage analysis, ANOVA, and correlation analysis were employed to interpret the data. The findings reveal that the majority of respondents, mainly aged between 18 and 22 years, possess basic financial knowledge acquired through formal education and workshops. Most respondents demonstrate a positive attitude towards saving, primarily for future security and emergency purposes, and recognize the importance of preparing personal budgets to control expenditure. The study also identifies a significant relationship between financial literacy and saving behaviour. The research concludes that financial literacy plays a crucial role in shaping responsible financial behaviour among Generation Z. Enhancing structured financial education programs can further strengthen

budgeting discipline and long-term saving habits, thereby contributing to individual financial well-being and overall economic development.

## INTRODUCTION:

Living in the modern world of economic uncertainty and rapid technological development, financial literacy has become an important life skill for all people. Financial literacy could be defined as the practice and capability to understand different financial skills, such as personal financial management, budgeting, and saving, and to turn those into action. It enables people to make informed choices about their money, think about the future, and stay financially afloat. With increasing financial product complexity, digital transactions, and consumer credit systems, it is more critical than ever to know how to handle money wisely.

Financial literacy is more than just knowledge of finance; rather, it encompasses the practical capacity to translate this knowledge into sound financial behaviour. A financially literate individual can realistically set financial goals, plan budgets, save on a regular basis, avoid unnecessary debt, and make informed choices about investments. On the other hand, lack of financial literacy results in poor budgeting, overspending, lower savings, and financial insecurity. In the developing economy of India, where the youth comprise a major portion of the population, financial literacy forms the bedrock for sustainable economic development and personal well-being.

Personal budgeting is one of the most significant tools of financial management. It helps an individual properly plan his or her income and expenditure, thereby ensuring that spending is within control and resources are placed toward savings and other future goals. A well-prepared budget not only averts overspending but also nurtures the element of financial discipline. It enables one to distinguish between needs and wants, gives priority to necessary expenses, and leads a balanced life without going into financial crisis.

Saving habits also play a very important role in financial stability. Regular saving builds a financial cushion that can support individuals in emergencies, the attainment of long-term goals such as education, housing, or retirement, and in fostering a feeling of security. Many people-especially young adults-understand the importance of saving but do not save regularly due to poor financial planning, lack of awareness, and impulsive spending. Hence, improvement in financial literacy will result in an improvement in saving behaviour and long-term financial well-being.

Financial literacy is not only a personal asset but also a national necessity. When people are taught the wise management of money, it leads to overall economic development and financial stability within the nation. Thus, financial education through educational programs, workshops, and other campaigns will help in bringing up a financially responsible generation that would take sound financial decisions. The impact of financial literacy on personal budgeting and saving habits is an area of great importance, standing at the juncture between financial knowledge and real-world financial behaviour. This research seeks to throw light

on the ways in which Generation Z perceives, plans, and puts into practice financial management in order to contribute to a financially secure future. The output of this study will be of immense use to educators, policymakers, and financial institutions in formulating programs that will ultimately equip young individuals with the essential financial skills they require to lead stable, secure, and prosperous lives

### **OBJECTIVES:**

- To analyse the financial behaviour and saving habits of Generation Z individuals, focusing on the key factors that influence their financial decisions.
- To identify the major factors that determine financial decision-making among Generation Z people.
- To examine the different dimensions and patterns of saving habits within Generation Z.
- To assess the level of financial literacy among Generation Z and its impact on their saving behaviour.
- To explore the influence of generational differences on financial literacy and saving habits.

### **REVIEW OF LITERATURE;**

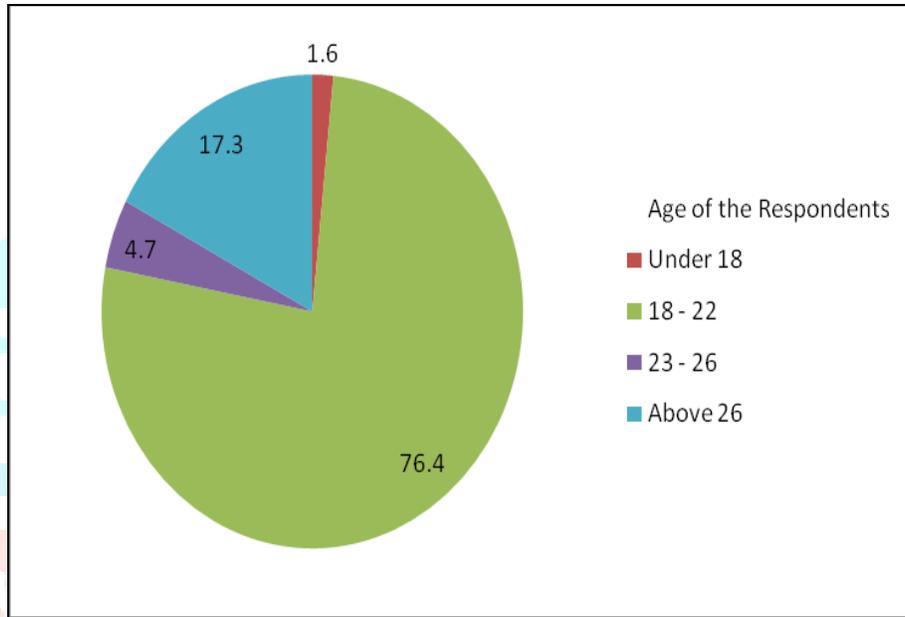
Several studies highlight the growing importance of personal financial management among Generation Z, particularly in the context of increasing digitization and consumer-oriented behaviour. Key factors such as financial literacy, financial attitudes, and family-based financial education are often cited as influential; however, their impact appears to vary. Recent findings suggest that while these variables may not individually influence financial behaviour significantly, structured financial management learning shows a strong positive effect. This indicates that formal education in financial practices could play a more vital role than previously assumed. As Generation Z navigates diverse financial demands, understanding these influences becomes crucial for promoting responsible financial behaviour

Recent literature highlights the complex interplay between financial literacy, lifestyle choices, and personal values in shaping the financial behaviour of Generation Z. Studies indicate that financial literacy positively influences responsible financial practices, reinforcing the importance of knowledge in money management. Interestingly, a hedonic lifestyle—often associated with impulsive spending—has also been found to positively affect financial behaviour, suggesting that enjoyment and discipline may coexist. Conversely, the love of money does not appear to significantly impact financial choices, challenging conventional views. These findings emphasize the need for financial education programs to address not only cognitive understanding but also emotional and lifestyle-related aspects of financial decision-making.

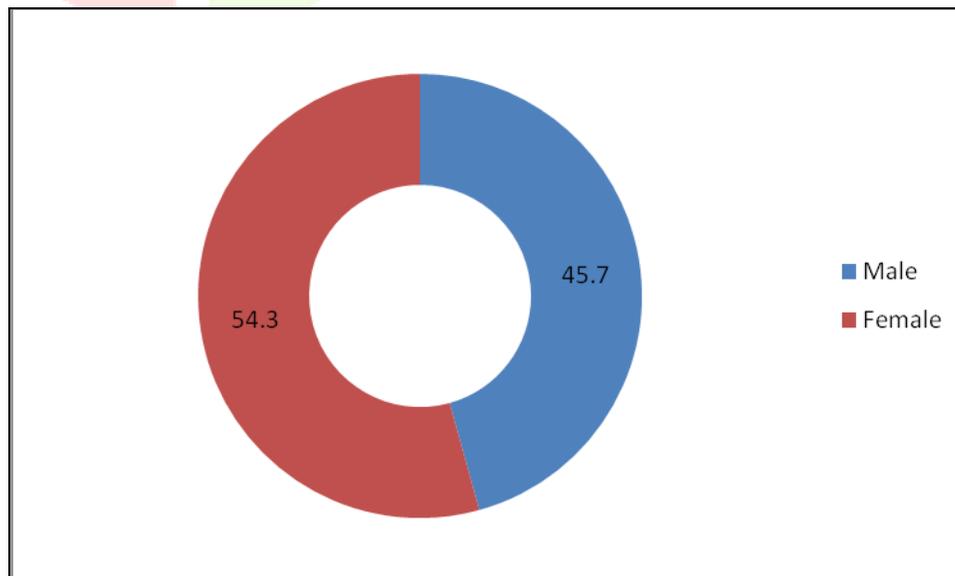
### **RESEARCH METHODOLOGY:**

Primary data have been collected through structured questionnaire distributed to Generation Z respondents. The questionnaire covers demographic details, financial literacy awareness, budgeting practices, and saving habits. Secondary data availed from journals, books, online research papers, government publications, financial literacy reports, and articles related to personal finance and youth behaviour.

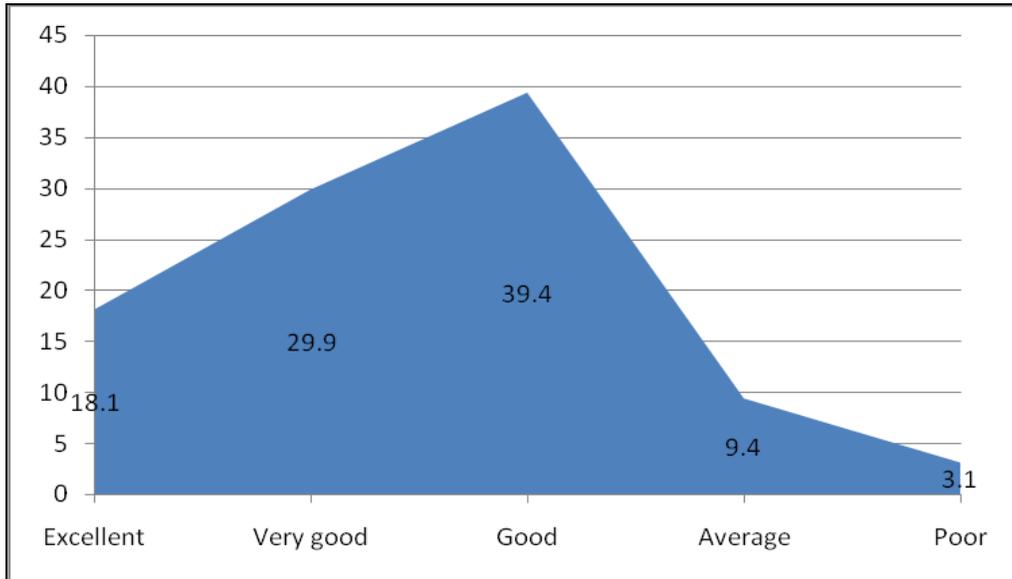
The questionnaire survey technique is used to collect responses. Respondents are approached both physically (within the study area) and digitally (through Google Forms and online platforms). The sampling unit consists of individuals belonging to Generation Z (born between 1997 and 2012). Respondents may be students, early job seekers, or young professionals within this age group. A total of 127 respondents are considered for the study. The sample size is chosen to provide adequate representation of the population while keeping the study feasible within time and resource constraints. Percentage Analysis, ANNOVA and correlation methods have been used.



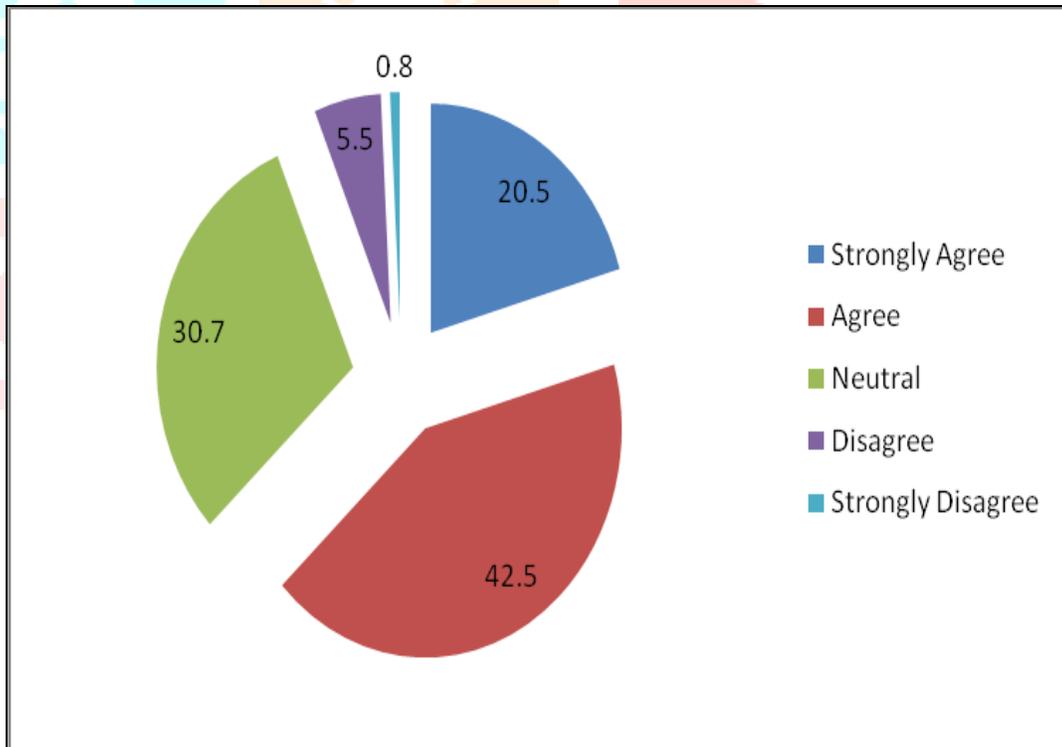
Age of the Respondents



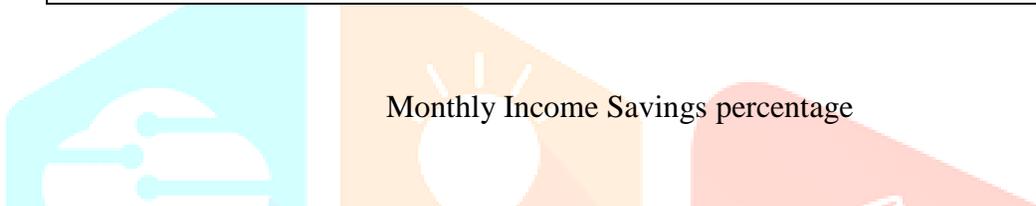
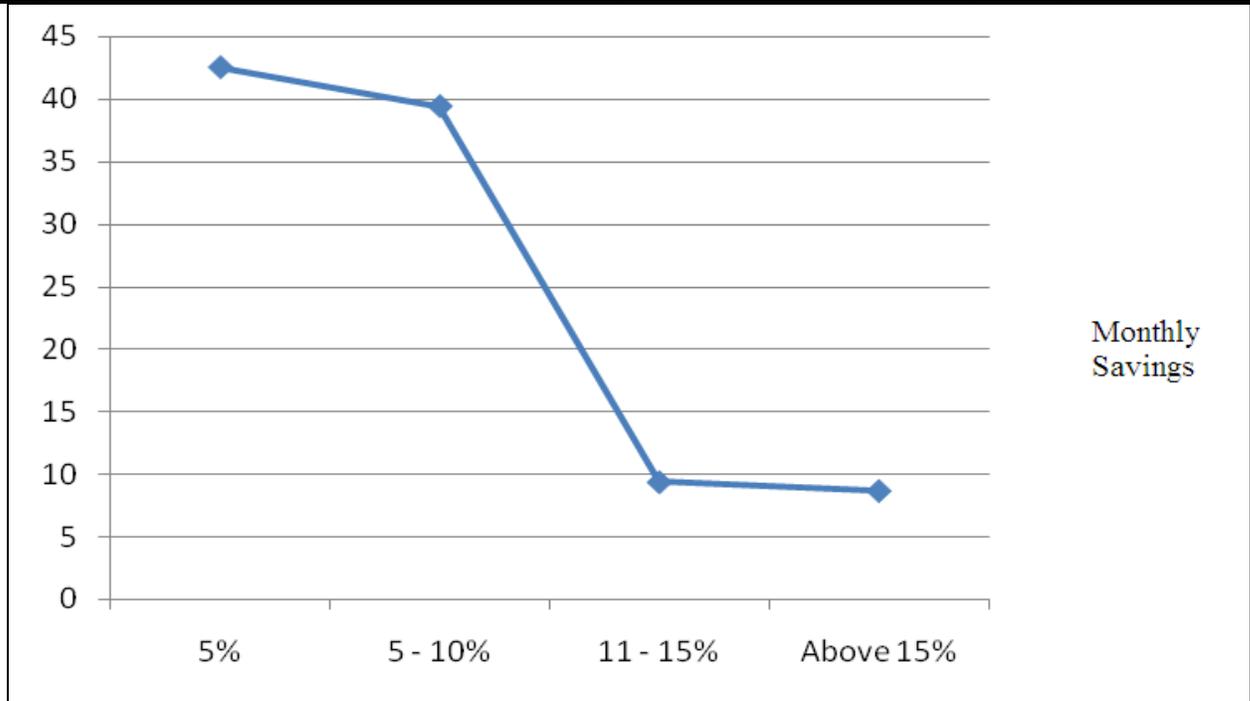
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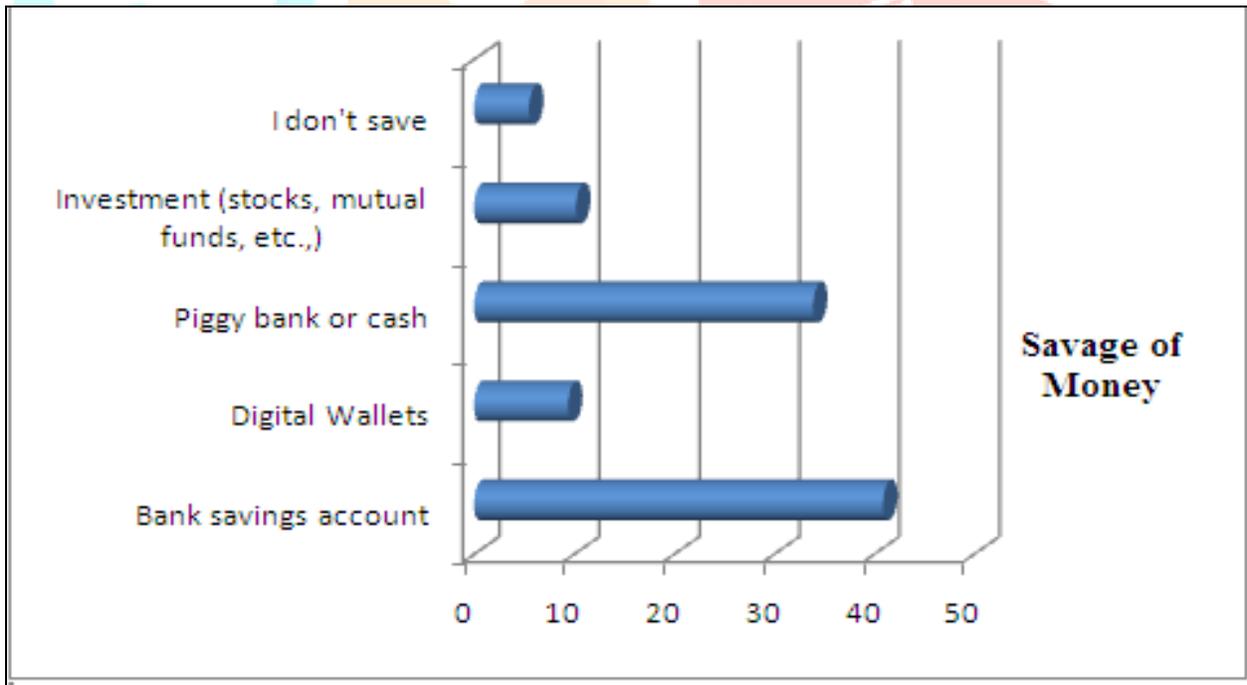
Knowledge in Financial Aspects



Preparation of Personal Budget



Monthly Income Savings percentage



**FINDINGS OF THE STUDY:**

The study depicts that most of the respondents age is between 18 to 22 years and they were educated. Most of them are students and they don't have salary income and for income they are depending upon parents or their belongings. The study states that most of the respondents having financial knowledge and they have received formal education for their financial knowledge. Most of them have a mindset have saving their money and they savings can be made through bank accounts.

Future security and emergency needs are the important reasons for savings and spending done for food and groceries. Majority of them agreed that they have a concept of preparing budget and it is very useful for them in savings and minimising the spending. Respondents feel that most of the financial decision was influenced by others and also they have financial literacy through workshops. Gen Z is very aware of financial savings when compared to earlier Generations. Through correlation method it is found that there is positive relationship between over spending and financial decision influence.

**CONCLUSION**

Financial Literacy is very important factor for all generations which can be useful in retirement life and financial freedom will be there if an individual has strong financial literacy. Gen Z has greater awareness and knowledge towards financial literacy and they were aware about the various financial products and also have a mindset to save money for future needs. The study concludes that financial literacy and budgeting awareness have a high impact over Gen Z when comparing to other generation peoples