



To Examine the Influence of Financial Literacy on Saving Habits Among Generation Z in Tamil Nadu, India

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1. Abstract: This study looks at how Generation Z in Tamil Nadu, India understands money and how it affects their saving habits. It is very important for young people to know about money because they are using banking getting easy credit and buying a lot of things. Even though Generation Z is good with technology they do not always save their money consistently. The main goal of this study is to see how knowing about money having an attitude about money making smart choices with money and being good at using digital banking affects the saving habits of Generation Z. This study uses a theory about being good with money and collects information from people in Tamil Nadu using a questionnaire. The information is then looked at using statistics, correlation and regression analysis. The study will show that when Generation Z knows more about money has an attitude about money makes responsible choices with money and is good at using digital banking they will save their money better. This research highlights the significance of financial education and banking awareness among young people for effective money management. The findings of this research can be used by policy makers, schools and banks to design financial education programs that not only teach money management but also encourage savings leading to financial stability.

Keywords: Financial Literacy, Financial Knowledge, Financial Attitude, Financial Behavior, Digital Financial Literacy, Saving Habits, Generation Z, Tamil Nadu.

2. INTRODUCTION

2.1 Background of the study

Financial literacy is an important skill that people need to know about these days especially the young people. They are using financial systems and buying things all the time so they need to understand how to manage their money. Financial literacy means that people know about things like making a budget saving money borrowing money and investing. They must have the capability to make financial decisions. Although digital banking is seeing a rapid increase in popularity in India, a significant chunk of the youth is not quite familiar with managing their finances Generation Z (the individuals born between the years 1997-2012) are extremely comfortable with technology. One of the ways they show it is by being habitual users of digital payments and online shopping, for instance. They have plenty of tools at their disposal but that doesn't mean they know how to save money or manage their finances. Tamil Nadu is an Indian state where a majority of young people live in metropolitan areas and have the opportunity to avail banking and other financial services. However they often do not save their money properly because of the way they live and the things they buy. They need to learn more about managing their money. So it is really important to find out how financial literacy affects the way Generation Z saves their money. If we understand this then we can help young people make decisions, about money. We can also help the people who make policies the teachers and the banks to create programs that teach people about money and help them have a better life. Financial literacy and saving habits of Generation Z are very important.

2.2 Research Problem

Generation Z in Tamil Nadu is becoming adults at a time when money matters are changing fast because of digital payments, online banking and easy access to credit. These changes make it easy to do transactions but they also need people to know about money. Financial literacy is important for young people to understand how to make a budget save money and plan for the future.. A lot of people do not know enough about money, which often leads to spending too much and not saving enough. Even though India has made it easier for people to use banks through things like the Pradhan Mantri Jan Dhan Yojana and digital banking services there are still gaps in what young people know about money. Many

people in Generation Z have smartphones. Can use digital financial tools but they still have a hard time managing their money. So this study looks at how knowing about money affects the way Generation Z, in Tamil Nadu saves money. Generation Z needs to learn about money to make choices. Financial literacy is very important for Generation Z to make a life for themselves.

2.3 Objectives of the Study

The aim of the present study is to find out the effect of financial literacy on the saving behavior of Generation Z in Tamil Nadu, India.

1. To examine the influence of financial knowledge on the saving habits of Generation Z in Tamil Nadu.
2. To examine the influence of financial attitude on the saving habits of Generation Z in Tamil Nadu.
3. To examine the influence of financial behavior on the saving habits of Generation Z in Tamil Nadu.
4. To examine the influence of digital financial literacy on the saving habits of Generation Z in Tamil Nadu.

2.4 Significance of the Study

This research work aims at expanding the current understanding of how different factors such as financial knowledge, financial attitude, financial behavior, and digital financial literacy impact the financial literacy and savings habits of Generation Z in Tamil Nadu, thus shedding light on their savings discipline. The outcomes of this study will furnish a roadmap for scholars policymakers banking and financial institutions, and teachers to develop successful methods in boosting the savings habit of Generation Z.

2.5 Review of Literature

- **Sivakumar, P. & Reddy, A. (2024) - Digital Financial Literacy and Fintech Adoption in South India** The study examined how digital financial literacy influences the use of fintech in South India. One of its main points is that people with a good level of digital financial literacy are the ones who can utilize internet banking and fintech services in an effective way.
- **Kumar, S. & Meenakshi, R. (2024) - Role of Financial Attitude in Saving Intentions** The study explored the role of financial attitude in the saving intentions of millennials in Tamil Nadu. It proposes that people with positive financial attitude will most likely involve themselves in disciplined savings as well as consumption.
- **Sahu, S. (2022) Digital Payments and Financial Literacy in Indian Rural Segments** The findings suggest that the use of digital payments and financial literacy together raise the levels of financial consciousness within the rural populations. Besides that, it helps in exhibiting good financial behaviour.
- **Sundar, K. & Murugan, M. (2022) Determinants of Digital Financial Literacy among Rural Households in Tamil Nadu** The research points out various reasons including level of education and availability of technology which determine ones digital financial literacy. Besides that, it also highlights the importance of financial consciousness in the rural areas.
- **Sahu, S. (2022) Digital Payments and Financial Literacy in Indian Rural Segments** The findings suggest that the use of digital payments and financial literacy together raise the levels of financial consciousness within the rural populations. Besides that, it helps in exhibiting good financial behaviour.
- **Iyengar, S. (2023) Digital Financial Literacy and Personal Financial Behaviour in India** This paper mentions that digital financial literacy enables people to handle their money, savings, and investments more efficiently. Besides that, it boosts self-assurance in using online financial instruments.
- **Agarwal, S. & Maiti, M. (2022) Impact of Financial Knowledge and Behaviour on Saving Patterns in India** The article reveals that not only does financial knowledge encourage a good saving habit, but also responsible financial behaviour has positive effects on saving patterns of one individual.
- **Kumari, S. & Devi, R. (2022) Financial Behaviour and Saving Patterns among Households in Tamil Nadu** Primary data analysis has been carried out in this research to understand the role of income and financial awareness on saving habits of households. Dissecting their financial behaviours for the last couple of years, the study also points out the significance of maintaining financial discipline.

3. RESEARCH GAP IDENTIFIED

The savings behavior of Generation Z is an important phenomenon that needs to be studied in India's current financial scenario. However, some research gaps are identified that need to be fulfilled. The research gap that is identified is to explore the influence of various financial literacy aspects like financial knowledge, attitude, behavior, and financial awareness on the savings behavior of Generation Z. Most studies that are conducted to explore financial literacy and savings behavior are conducted in developed countries. Very few studies are conducted at the regional level. The financial literacy of Generation Z may vary due to cultural, social, and economic factors. Moreover, most studies are conducted at the adult level or among professionals. Very few studies are conducted at the Generation Z level, as this is a new

phenomenon. Most of the research in this area is about financial knowledge and only a few studies target financial awareness. Hence, this paper sets out to examine the effect of financial literacy on the saving habits of Generation Z.

3.1 Research Methodology

This research was conducted primarily on financial literacy and the saving habits of Generation Z in Tamil Nadu using a quantitative research method. Google Forms was used as a tool for data collection from the convenience sample of respondents. Financial knowledge attitude behaviour, and digital literacy were the major aspects covered in the structured questionnaire. The gathered data were examined with SPSS using Frequency Percentage Correlation, Regression, and ANOVA. These statistics assisted in investigating the influence of financial literacy on Generation Z's saving habits.

4. RESEARCH DESIGN

The processes and methods used to collect and analyze data to assess the impact of financial literacy on the saving behavior of Generation Z in Tamil Nadu. The major objective is to ensure the reliability and accuracy of research data through a systematic approach. This chapter highlights various research design processes such as the purpose of the research, type of research investigation, research setting, and time horizon. Additionally, the chapter highlights the sampling design processes such as target population, sampling techniques, and sample size adopted for conducting research. Furthermore, the chapter highlights various processes adopted to design the research questionnaire, data collection methods, and data analysis processes to validate research hypotheses. Statistical methods such as Frequency and Percentage Analysis, Correlation Analysis, Regression Analysis, and ANOVA were adopted to analyze data and assess relationships between variables.

4.1 Sample Size & Sampling Technique

Sample size refers to the number of individuals selected from a population to represent that population as a whole. In this research, the population of interest comprises Generation Z in Tamil Nadu. The sample size was calculated by using a formula which made sure the results were dependable and precise. The study used convenience sampling as the sampling method, which made it easier for the researcher to reach the people since the research was focused on Generation Z.

4.2 Data Collection Methods

In this research study, structured questions were used to collect quantitative data. The structured questions were distributed to Generation Z respondents in Tamil Nadu through online and offline methods. This method is useful to collect data from a large number of respondents within a short period. Primary data collection methods were used to collect data from respondents to know about financial literacy and behavior. The structured questions were used to collect data from respondents. The structured questions were used to collect quantitative data from respondents. Questions were used to collect data from respondents using a five-point Likert scale to know about financial knowledge, financial attitude, financial behavior, and digital financial literacy. The data collected from respondents were entered into SPSS software to analyze the data using descriptive and inferential statistics to know about the relationship between variables.

4.3 Tools used for analysis

- SPSS software – for coding and statistical analysis of collected data.
- Frequency and Percentage Analysis – to describe demographic characteristics of respondents.
- Correlation Analysis – to examine relationships between financial literacy factors and saving habits.
- Regression Analysis – to determine the impact of financial literacy on saving behaviour.
- ANOVA – to test differences between variables and validate research hypotheses.

5. DATA ANALYSIS AND INTERPRETATION

5.1 KMO and Bartlett Test (Pilot Test)

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.744
Bartlett's Test of Sphericity	Approx. Chi-Square	264.314
	df	10
	Sig.	.000

The pilot study used the KMO test value of 0.744. A high test value like this one suggests that sampling is sufficiently good and therefore the data are appropriate for factor analysis. Besides, Bartlett's Test results show that its value is 0.000, which is less than the 0.05 significance level, so this result is statistically significant and the correlation matrix is not an identity matrix.

5.1.1 Pilot Testing: Reliability Test

Cronbach's Alpha	N of Items
.829	5

Table has shown an example of how the results of the pilot testing reliability test were conducted in this study. From the results, Cronbach's Alpha value for all the variables is 0.829. Cronbach's Alpha coefficient ranges from 0 to 1.0, and the closer the value is to 1.0, the higher the internal consistency of the items in the data. Hereby, from the results, it is evident that they are very reliable and performing further analysis on the whole dataset will be meaningful.

5.2 Reliability Test

Variables	Cronbach's Alpha	Number of items
Saving habits (Dependent Variable)	0.785	5
Financial Knowledge (Independent Variable)	0.620	5
Financial Attitude (Independent Variable)	0.857	5
Financial Behaviour (Independent Variable)	0.825	5

Table presents the Cronbach's Alpha values for all the variables. The reliability of the variable Saving Habits is 0.785, which is above 0.6. Therefore, the variable has good reliability. For the independent variables, the Cronbach's Alpha for the variable Financial Knowledge is 0.620. This is within the acceptable limit. The variable Financial Attitude has a reliability of 0.857. This is also acceptable since it is above the minimum limit of 0.6. Additionally, the variable Financial Behaviour has a reliability of 0.825. Therefore, the variables have met the minimum limit of reliability. This proves that the variables applied in the research are reliable and ready for further analysis.

5.3 Multiple Regression Analysis

Model Summary ^b				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.731 ^a	.535	.521	.45142
a. Predictors: (Constant), TDF, TFK, TFB, TFA				
b. Dependent Variable: TSH				

The study applied multiple regression analysis in establishing the association between the independent variables, i.e., Financial Knowledge, Financial Attitude, Financial Behavior, and Digital Financial Literacy, and the dependent variable, i.e., Saving Habits. H1, H2, H3, and H4 were research hypotheses that proposed that these independent variables have a positive and significant impact on saving habits. The model summary in Table 4.7 displays an R square value equal to 0.535. This suggests that 53.5% of the variation in Saving Habits is due to the independent variables, while 46.5% is due to other factors.

5.4 Regression ANOVA

ANOVA ^a						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	31.157	4	7.789	38.225	.000 ^b
	Residual	27.102	133	.204		
	Total	58.260	137			

a) Dependent Variable: TSH
 b) Predictors: (Constant), TDF, TFK, TFB, TFA

The table shows the ANOVA test results for the multiple regression of this study. The p-value is given as 0.000, which is less than 0.05. This means that the regression model is statistically significant relating the independent variables (Financial Knowledge, Financial Attitude, Financial Behavior, and Digital Financial Literacy) to the dependent variable (Saving Habits). Because the result of the F-test is significant, the model can be considered as one that fits this research well and is appropriate.

5.5 Multicollinearity and Beta Coefficient

Coefficients ^a													
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Correlations			Collinearity Statistics		
	B	Std. Error	Beta			Lower Bound	Upper Bound	Zero-order	Partial	Part	Tolerance	VIF	
1	(Constant)	.583	.319		1.827	.070	-.048	1.215					
	TFK	.526	.076	.554	6.960	.000	.376	.675	.696	.517	.412	.552	1.810
	TFA	.103	.098	.093	1.047	.297	-.091	.296	.570	.090	.062	.445	2.248
	TFB	.195	.079	.189	2.456	.015	.038	.351	.460	.208	.145	.590	1.696
	TDF	.023	.089	.021	.258	.797	-.153	.199	.443	.022	.015	.538	1.860

a. Dependent Variable: TSH

The VIF method was implemented to determine the existence of multicollinearity among the independent variables. The output indicates that VIF ranges from 1.7 to 2.2, which means there is no multicollinearity problem, and the independent variables can be considered trustworthy for the regression analysis. Furthermore, the results indicate that Financial Knowledge positively and significantly influences Saving Habits, evidenced by a t-value of 6.960 and a p-value of 0.000. Financial Knowledge and Saving Habits is not only positive confirming a beta coefficient of 0.554.

6. RESULT AND DISCUSSION

The result of the study reveals that financial literacy has a significant impact on the saving habits of Generation Z in Tamil Nadu. From the analysis, it is clear that financial knowledge, financial attitude, financial behavior, and digital financial literacy have a significant impact on the saving habits of young people. Among these factors, financial knowledge has a significant positive relationship with the saving habits of young people. From the study, it is clear that individuals who have adequate financial knowledge and exhibit proper financial behavior are likely to develop proper saving habits. Therefore, the study concludes that financial literacy is crucial in developing proper saving habits among Generation Z.

7. FINDINGS

- The research showed that financial knowledge is an important and powerful driver of the saving habits of Generation Z in Tamil Nadu.

- Financial behaviour was pinpointed by the study as one of the major factors that determine the customers' saving habits.
- Persons with a more thorough financial education are usually better at managing their money and make savings a regular habit.
- In this research, it was revealed that financial attitude has no considerable effect on the saving habits of Generation Z.
- Among the participants, digital financial literacy was also demonstrated to be not significantly correlated with saving habits.
- The findings show that increasing financial knowledge can lead to better saving behaviour of the youth.
- Besides, the paper points to the need for spending wisely and budgeting which are responsible financial habits.
- When viewed collectively, the results indicate that enhancing financial knowledge can serve as a catalyst in transforming saving habits and eventually lead to a greater level of financial stability of Generation Z in the Tamil Nadu region.

8. SUGGESTIONS

According to the study results, schools and universities ought to integrate financial literacy programs in their curriculum to elevate the financial knowledge of Gen Z. Besides, they can spread information campaigns and organize seminars that focus on educating youth about the Financial institutions can play a role here by not only advertising digital financial instruments that are easy to use but also equipping young customers with the know-how. Furthermore, raising.

9. FUTURE RECOMMENDATION

- Financial Knowledge and Financial Behaviour are pinpointed as the main factors which determine the saving patterns of people in Tamil Nadu.
- Through financial literacy programs, individuals' financial knowledge can be raised, leading to more competent financial decision-making.
- In order to encourage saving habits among people, financial institutions and government agencies should come up with saving schemes that are well-structured.
- By carrying out financial awareness programs, individuals can be unskilled in terms of money management and develop good saving habits.
- Financial literacy programs need considerable upgrading, particularly in relation to digital financial literacy.
- Such programs will be handy for individuals and as a result, it is expected that better saving behavior will be developed, ultimately leading to economic development in Tamil Nadu.

10. CONCLUSION

This research determine what exactly impacts saving habits of people in the state of Tamil Nadu. The factors investigated included one's knowledge about finances, attitude towards finances, behavior relating to finances, and the level of digital financial literacy. In all, 384 respondents were selected through the convenience sampling method. Data were collected through a structured questionnaire. The collected data were analyzed with the help of SPSS. Reliability of the research was also confirmed by means of a pilot test. The outcomes of the research showed that financial knowledge and financial behavior strongly influence saving habits. Therefore, persons with good financial knowledge and financial behavior are more likely to have good saving habits. However, financial attitude and digital financial literacy were the two factors that appeared to have no significant influence on saving habits of respondents. The research paper underlines the significance of financial knowledge and financial behavior in nurturing saving habits among the people of Tamil Nadu.

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