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Generation Y'S Spending, Consumption and Saving Habits

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Abstract: *The author has collected primary data to understand the spending, consumption and savings habits of the youth.650 youth residing in Mumbai city were administered a questionnaire on the basis of which inferences and conclusions have been drawn. The study concludes that young people are unable to make financially wise decisions. This deficiency of knowledge can lead to financially irresponsible or uninformed behavior.*

Key words: *saving habits, financial discipline, responsible financial behaviour*

Introduction: Financial literacy is very critical all sections of the population in any country and vital for the future of every economy. Increasing the level of financial literacy is a major challenge facing countries around the world. Since this topic is very dear to the heart of the author, a primary study was conducted among 650 respondents aged between 16 and 30 years in the city of Mumbai. The views of the respondents were elicited when they should be starting financial planning.

Ideal state vs. Real state

Table No. 1:Views of respondents on when to start financial planning(N=641)

Time of starting financial planning	Real state: When respondents started financial planning		Ideal state: When one should start financial planning	
	Total number of responses	Percentage of responses	Total number of responses	%age of responses
Junior college	22	03.43	024	03.75
Degree college but not working	31	04.83	121	18.88
Degree college and working	75	11.70	105	16.39
After working for a few years and on marriage	338	52.73	198	30.88
On getting first child	65	10.15	028	04.36
Cannot answer	110	17.16	165	25.74
Total	641	100	641	100

An analysis of the table No. 1 reveals that there is a substantial gap between attitude and action. When asked when one should start financial planning several respondents said that one should start financial planning early. However one-fourth of the respondents admitted they were unable to judge this issue and hence did not answer this question. 30% of the respondents who chose to answer this question felt they should start financial planning after working for a few years and on marriage. The majority who answered this question felt that one should start financial planning whilst in Degree College and not yet working (19%) while 16% of the respondents feel that one should start it when in Degree College and working.

However in reality the youth tend to start financial planning at a stage later than they considered ideal. There's a substantial gap between attitude and action. Though 35% felt that one should start financial planning while in Degree College, only 15% actually did. Similarly while 40% felt that financial planning should be started before marriage, barely 17% had actually started it before marriage.

The majority of the students and the numerous graduates who start earning by the time they are in their twenties do not know how the market works and are hence unaware of the investment options available to them. The researcher feels that programs or activities on financial literacy should be addressed directly and specifically to the youth so they can have positive cash management attitudes before they enter the job market. This positive attitude will help them to practice proper personal financial management as working adults. Youth who lack financial knowledge would and would have a tendency to make incorrect financial decisions.

Money management

This section tries to analyse whether the youth in Mumbai city have a habit of maintaining detailed financial records.

Table No. 2:Whether the youth maintain detailed financial records (N=650)

Response	Total responses	Percentage of responses
Maintain detailed financial records	087	13.38
Maintain minimal financial records	291	44.76
Maintain no records at all	272	41.84
Total	650	100

Maintaining regular financial records is very helpful as it enables to keep track of expendituresand develop disciplined habits. This would also enable them to save enough for further expenses such as higher education, managing a family and many more future responsibilities. From the analysis of the table, it is found that

291 respondents out of 650 i.e. a vast majority maintained very minimal records. It was shocking to observe that 272 respondents did not maintain any records at all. A small minority 87 of the respondents maintained detailed financial records. Thus only a minority of the youth covered in this survey keep close track of their expenses.Majority of therespondents expressed that they do not maintain proper financial records and they lack the habit of financial planning in their real life.

Keeping personal financial records is further important as it makes one aware how much he/she has spent in the recent past. It is a strong recommendation of this study that the youth must be trained on creation and maintenance of basic financial records.

Table no 3: Opinion of the respondents whether they possess the financial skills to manage their money and plan for the future (N=650)

Opinion on possession of financial skills	Total responses	Percentage of responses	Total responses from males	Percentage of responses from males	Total responses from females	Percentage of responses from females
Yes	164	25.23	110	31.76	058	19.29
No	283	43.53	131	38.43	151	49.74
To some extent	161	24.76	085	28.16	066	21.91
Cannot say	42	06.48	020	01.65	027	09.06
Total	650	100	346	100	304	100

Analysis of Table No.3 reveals that only about a quarter of the youth surveyed feel they possess the financial skills to manage their money and plan for the future i.e. to say they presumed themselves to be efficient money managers, having a good understanding of all what is required to be known in personal money management. But a greater proportion feels they are inadequately prepared. About 161 (25%) respondents felt that they possessed these skills only to a certain extent and hence did feel the need to be well educated with respect to this subject. It is surprising that as many as 42 respondents out of 650 felt that were not able to answer this question. The male respondents appeared to be more confident about their knowledge of financial skills compared to their female counterparts. Thus with respect to this age group`s self-assessed financial health, the survey discovered certain gender differences as well.

Thus understanding the level and intricacies of financial literacy is very important for policymakers in several areas –it can aid those who wish to devise effective financial education programmes targeted at the youth.

Table No.4:Whether the respondents had taken any financial planning class/course/seminar (N=650)

Response	Total number of responses	Percentage of responses
Often	02	00.32
Rarely	135	20.76
Never	513	78.92
Total	650	100

As is observed, only 2 respondents out of the 650 surveyed report having received any education or training on personal finances. 513 respondents (79%) had not undergone any kind of course on financial planning. Out of the 135 respondents who replied that they had rarely done such a course on further probing it was discovered that they had studied some topics at the undergraduate level on financial planning. However several respondents orally agreed and showed significant interest in undergoing such courses.

It needs to be highlighted that it may be particularly difficult to evaluate the effectiveness of financial education among the youth. In this respect, it is important to develop new ways to assess the impact of financial education among the youth.

Table No. 5:Views of the respondents on the importance of savings (N=649)

View held	Total responses	Percentage of responses
Very important	178	27.42
Quite important	415	63.96
Unimportant	56	08.62
Total	649	100

There is a huge need for saving among the youth because such savings could protect young people against the future and any sudden shocks that might hit them. As the youth make their transition to adulthood, it is assumed they begin to accept financial responsibilities and plan for the future. A vast majority (91%) have acknowledged that savings is important to them whereas 8% feel that at this stage in their lives, savings may not be important, as observed in Table No. 5.As is depicted in the table, 92 respondents and 123 respondents respectively said they save regularly i.e. all the time and most of the time. This means that 33% of the youth surveyed are highly confident of their ability to save and say they have good savings habits and save regularly. Only 12% report that they save sometimes and another 72 respondents (31%) opined that they are not saving anything at all. Thus, majority of the youth in this survey feel that they are not saving enough. A tangent observation of this study is that females are more likely than males to save.

Table No. 6:Views on whether the respondents save any money out of their incoming money (N=646)

Frequency of savings	Number of responses	Percentage of responses
Always	90	13.94
Most of the time	123	19.04
Sometimes	362	56.03
Never	71	10.99
Total	646	100

This study proves goes against the view that the youth today are very materialistic and give priority to the acquisition of physical assets and ostentatious expenditure rather than saving their income for the future. The responses are slightly contradictory in nature. The inference that can be drawn from this apparent contradiction is that the youth want to enjoy life but only within their means. In other words the youth want to have fun but on a budget.

Table. 7 Proportion of the total income saved per month by the respondents (N=646)

Proportion of the income saved per month	Total responses	Percentage of responses
0-20%	443	68.57
20-40%	183	28.34
40-60%	20	3.09
60-80%	Nil	Nil
Total	646	100

In order to assess their saving habits, the participants in the survey were asked to divulge what proportion of their income or allowance was saved each month. Subsequently, it was discovered that 28% of the respondents saved 20-40% of their allowance or income. While only 3% of young adults were found to be saving 40-60% of their earnings, the majority 68.57% demonstrated spendthrift tendencies having just 0-20% of their income spending virtually all of their allowance or income. This observation from Table No. 7 suggests that many of today's youth population lack the financial knowledge and skills to manage their money wisely when they enter the real world.

In order to have a financially secure life the youth should start their savingactivates early. This survey reveals that 10% are non-savers. 32% are regular savers. A majority of participants of this survey do not keep aside some proportion of their income.Thus we conclude that the youth in the city of Mumbai are not very forward thinking in their saving habits.

From this study, it is not just the question of financial literacy that matters, but rather the practical application of such knowledge to real-life situations. Youngsters today are aware of what is happening around them and are intelligent enough to decide what is best for them. Youth who lack financial knowledge have increased financial difficulties that continue into later years. Many of the youth do not know how to manage their income. Once they have abundance of money, they simply use it out on necessary expenses and some which are not necessary. This spending pattern clearly shows the lacking of financial literacy among students which need to be changed.

There appears to be a basic lack of knowledge about how to manage money. Students can enter college with strong academic backgrounds, but with weak or nonexistent financial knowledge or experience. Many young adults may never have talked to their parents or guardians about money management. Due to this lack of financial education, young people are unable to make financially wise decisions.

Financially literate youth people share several tendencies and attitudes. The literates tend to be older, all of them are working and several of them had worked part-time as teenagers. Some of them are married.

Keeping personal financial records is very important as it makes one keep track of his/her various expenses and also develop the qualities of a cautious spender. In order to store up enough money for future expenses such as higher education, buying a house/car, managing a family etc.It is crucial for the young to develop a disciplined habit of managing their money.

Main findings of the study

a) The youth tend to start financial planning at a stage later than they considered ideal. There is a substantial gap between attitude and action. The majority of the students and the numerous graduates who start earning by the time they are in their twenties do not know how the market works and are hence unaware of the investment options available to them.

b) Many students do not know how to manage their income. Once they have a lot o0f of money, they simply spend it out on unnecessary expenditure. Many of them seem to be resorting to buying without thinking and are not careful in their spending behaviour.

c) Only 2 respondents out of the 650 surveyed report having received any formal education or training on personal finances. However several respondents orally agreed and showed significant interest in undergoing such courses, and hence courses should certainly be introduced.

d) A majority of the youth in the survey feel that they are not saving enough. A tangent observation of this study is that females are more likely than males to save. This study proves that the youth today are very materialistic and give priority to the acquisition of physical assets and ostentatious expenditure rather than saving their income for the future.

e) Due to peer pressure, the youth tend to over-spend. They want to buy mobile phones, gadgets, branded clothes and do many things that their friend are doing. Financial literacy is thus critically important and the youth should start cultivating the culture of saving as early as possible.

Conclusions and Recommendations:

From this study, it is not just the question of financial literacy that matters, but rather the practical application of such knowledge to real-life situations. Youngsters today are aware of what is happening around them and are intelligent enough to decide what is best for them. Youth who lack financial knowledge have increased financial difficulties that continue into later years. Many students do not know how to manage their income. Many young adults may never have talked to their parents or guardians about money management. Due to this lack of financial education, young people are unable to make financially wise decisions. This deficiency of knowledge can lead to financially irresponsible or uninformed behaviour. It is crucial for the young to develop a disciplined habit of managing their money.