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Evidence To Millennials' Financial Literacy: A Systematic Literature Review

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Abstract

Purpose This review has been carried out to assess the level of financial literacy among millennials and to find out the variables which affect financial literacy, knowledge, behaviour and attitude.

Design/methodology/approach – This paper followed the Preferred Reporting Items for Systematic Reviews and Meta-Analyses (PRISMA). For this purpose, 311 articles were retrieved from EBSCO, EMERALD, JSTOR, JGATE, TAYLOR & FRANCIS between 2010 to 2024.

Findings: The study found no strong correlation between financial attitude, behaviour and financial understanding. Many socio-economic factors also affect economic literacy.

Originality/ value This review attempts to explore more variables and factors that affect financial literacy or an area that has rarely been studied.

Keywords Systematic review, Financial Literacy, Financial Behaviour, Financial Attitude, Financial Knowledge

Introduction

In recent years, financial literacy has advanced substantially and grown to be a serious global concern. These differences are caused by many socio-demographic factors in developed and developing countries. Studies show that men are more financially literate compared to women. Younger individuals are less financially literate and have less prudent financial behaviour compared to adults. (Dewi V. I., 2022). But financial literacy is an important life skill for everyone (J. D. Jayaraman, Jambunathan, & Adesanya, 2022) particularly the millennials or Gen-Y, whose decision will impact not only themselves but to the economic also. An individual who has capability to manages his/her bank accounts, credit cards, and bills on time, prepare budget and financial plan, make his /her future secured by taking investment decision and having knowledge of investment avenues and managing debts can be considered as financially literate. (Kwame Mireku, 2023).

Aim of the Study

A systematic literature review was conducted using the PRISMA guideline to:

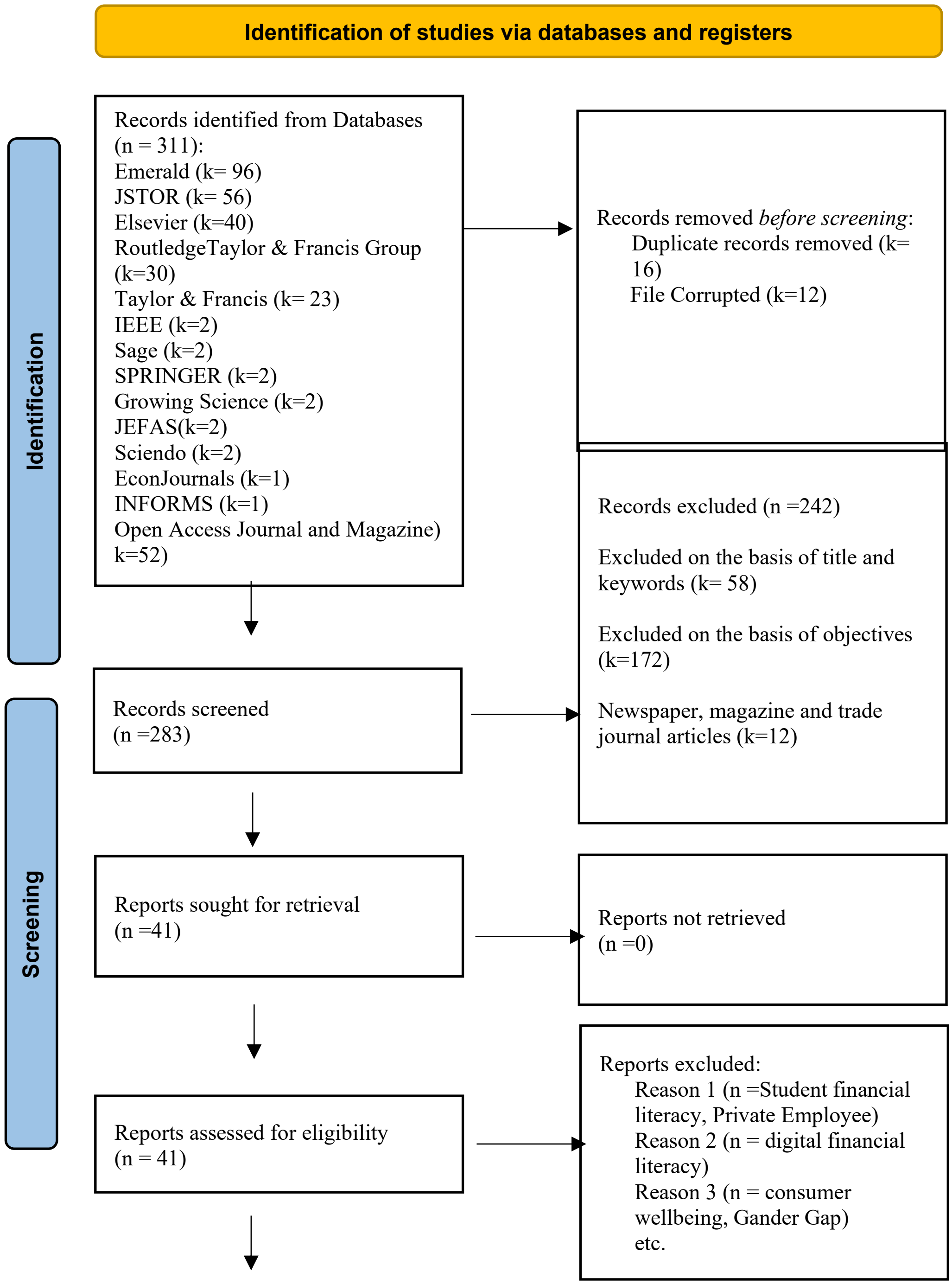
- To assess the level of financial literacy among millennials.
- Identify a gap in current literature.

Methods of Study:

The Systematic Literature Review was first suggested by (Tranfield, Denyer, & Smart, 2003) and also used PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analysis) which includes a three-stage flowchart Figure 1. PRISMA tool uses different tools and techniques to search papers systematically and literature for review studies. The PRISMA is segregated into three steps: records identification, records screening and study included for review.

Review Strategy

"Millennials and financial literacy," "Financial literacy in India," "Financial literacy model," and "Systematic literature review on financial literacy" were the keywords that were chosen. The study also sought to determine the characteristics pertaining to financial literacy, therefore the terms "Financial Behaviour of Millennials, "Financial Attitude," and "Financial Knowledge" were searched in conjunction with the keywords. Searches for the title, abstract, and keywords were conducted using EBSCO, EMERALD, JSTOR, JGATE, TAYLOR & FRANCIS.



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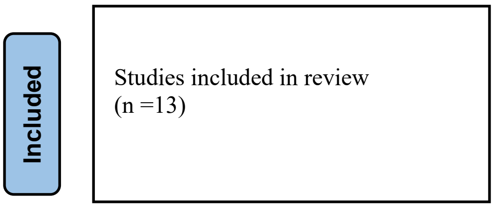

Figure -1 PRISMA 2020 flow diagram for new systematic reviews which included searches of databases and registers only

A total of 311 documents were found on the chosen databases, of which 16 were duplicates and 12 were corrupted. The following stage is to implement the screening process, in which 242 articles from trade journals, magazines, and newspapers are eliminated after these papers are examined based on titles, keywords, and aims. We assessed the remaining 41 papers for eligibility. Twenty-eight papers were eliminated because they did not address the study's goal and instead dealt with consumer welfare, digital financial literacy, and student financial literacy. As a result, 13 papers were chosen for thorough review.

Publications of articles by Year

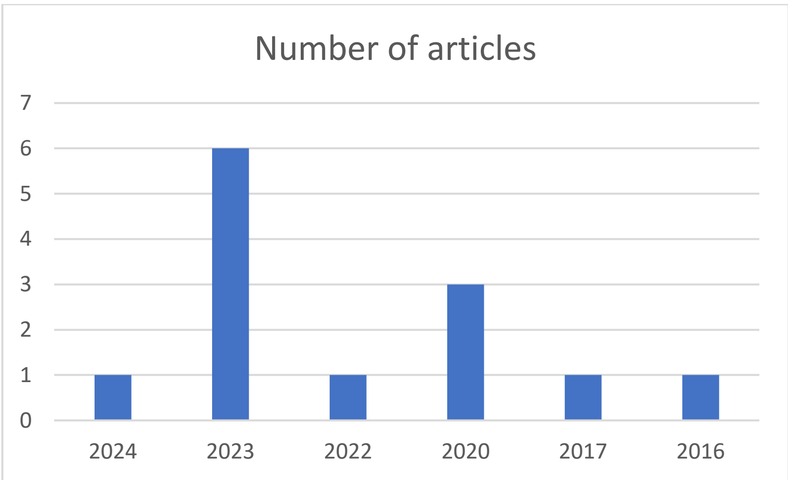

Figure-2 Research Growth

List of paper per Journal

There were 12 journal which published 13 articles related to financial literacy among millennials.

Sr. No	Journal Name	No. of articles
1	Financial Services Review	1
2	International Journal of Economics and Financial Issues	1
3	Review of Economic Perspectives	1
4	International Journal of Social Economics	2
5	International Journal of Economic Sciences	1
6	CAKRAWALA – Repositori IMWI	1
7	Theoretical and Applied Economics	1
8	Social Work	1
9	Darshan - The International Journal of Commerce and Management	1

10	INTERNATIONAL JOURNAL OF ACADEMIC RESEARCH IN BUSINESS AND SOCIAL SCIENCES	1
11	AABFJ	1
12	Humanities and Social Sciences Letters	1

Table-1 List of Journal

Literature review

The Interplay Between Financial Literacy and Financial Outcomes Among Millennials

Financial literacy plays a crucial role in shaping individuals' financial behaviour, decision-making, satisfaction, well-being, and knowledge. Millennials, a generation facing unique economic challenges, are particularly impacted by their level of financial literacy. While studies reveal a strong correlation between financial literacy and positive financial outcomes, inconsistencies arise when analysing specific behaviours and influencing factors. This essay critically evaluates the existing literature to assess the relationship between financial literacy and financial outcomes among millennials.

Financial Literacy and Financial Behaviour

The study by (Lopez, Mahdzan, & Rahman, 2024) demonstrates that financial literacy, along with time preference and intention to save, positively influences saving behaviour. This aligns with the notion that individuals with greater financial knowledge are more inclined to make prudent financial choices. However, (Shunmugasundaram, 2023) present a contrasting perspective by showing that higher financial literacy negatively impacts the intention to make risky investments, despite a strong positive correlation between risk tolerance and risk-taking behaviour. These findings suggest that while financial literacy promotes responsible saving habits, it also acts as a deterrent against potentially profitable, albeit risky, investments. This paradox highlights the complexity of financial literacy's impact on financial behaviour. (West & Friedline, 2016) study further emphasizes the role of financial capacity in financial behaviour among lower-income millennials. Their findings suggest that employment and education increase financial resilience, demonstrating the necessity of external financial support systems. This insight challenges the assumption that financial literacy alone determines financial behaviour, pointing instead to a more multifaceted interplay between education, employment status, and financial knowledge.

Financial Literacy and Financial Decision-Making

(Limantoro & Damayanti, 2023) study underscores the importance of financial literacy in influencing individual financial decisions. Their findings reveal a strong positive effect of financial literacy on decision-making, with demographic factors such as education and income playing significant roles. This reinforces the argument that financial literacy enables informed financial decisions. However, the study also notes that occupation does not correlate with financial literacy, suggesting that workplace exposure to financial concepts may be insufficient in cultivating financial knowledge.

This contradicts (MUKHTAR & JAN, 2023) findings, which suggest that biopsychosocial indicators (such as self-esteem and personality) mediate financial literacy's role in financial decision-making. Their research introduces the psychological aspect of financial literacy, revealing that intrinsic personal characteristics significantly influence how financial knowledge translates into financial satisfaction. Therefore, while financial literacy undeniably affects financial decisions, psychological and socioeconomic factors act as critical mediators.

Financial Literacy and Financial Satisfaction

(MUKHTAR & JAN, 2023) further argue that financial literacy mediates the relationship between biopsychosocial indicators and financial satisfaction, except in cases involving sensation-seeking behaviour. This suggests that while financial literacy enhances financial satisfaction by fostering risk-aware behaviour, it fails to significantly influence high-risk financial tendencies. This limitation underscores the need for financial education programs to incorporate behavioural finance concepts to address psychological predispositions effectively.

Financial Literacy and Financial Well-Being

The findings of (M. Lambert, Jusoh, Rahim, & Zainudin, 2023) and (Cwynar, 2020) provide significant insights into financial well-being among millennials. (M. Lambert, Jusoh, Rahim, & Zainudin, 2023) assert that financial literacy is the strongest determinant of financial well-being, as it equips individuals with the necessary skills to manage money effectively. However, (Cwynar, 2020) finds that millennials report higher financial well-being despite exhibiting less responsible credit management and insurance behaviours than previous generations. This discrepancy raises questions about whether millennials perceived financial well-being is sustainable or merely a reflection of short-term financial optimism. It also suggests that financial well-being cannot be solely attributed to financial literacy, but rather to a complex interaction of financial habits, economic conditions, and generational attitudes toward money.

Financial Literacy and Financial Knowledge

Several studies explore the intricate relationship between financial literacy and financial knowledge. (Killins, 2017) highlights the role of personality traits, such as extraversion and conscientiousness, in shaping financial knowledge. Similarly, (Pandya, 2023) examines how socioeconomic factors and digital engagement influence financial literacy levels. These studies suggest that financial literacy is not an isolated concept but is intertwined with individual characteristics and external influences.

Furthermore, (Mohta & Shunmugasundaram, 2022) identify a concerning trend: millennials exhibit low financial literacy, struggle with fundamental financial concepts, and face gender disparities in financial knowledge. This aligns with (GILL, CHANG LI, & MATOVU, 2020) conclusion that millennials' overconfidence in their financial knowledge impedes their actual financial literacy growth. These findings imply that financial education must address both knowledge gaps and overconfidence to foster genuine financial competence.

Research Gap

The SLR revealed lake of retirement planning (Killins, 2017) lake of financial attitude and skills (Dewi, Febrian, Effendi, & Anwar, 2020) , lower level of income possesses lower level of financial literacy (Mohta & Shunmugasundaram, 2022) negative effect of gender and financial literacy, factors influencing financial wellbeing and risk tolerance. While doing a systematic literature review, it has been be noted that very few studies have been made on financial literacy in India as well as in Gujarat and still the generation Y is untouched which is more than one third of the population and their financial decision and level of financial literacy also impact the saving and investment behaviour.

Conclusion

Unquestionably, financial literacy has a significant impact on millennials' financial behaviour, decision-making, contentment, well-being, and knowledge. However, the degree of its influence varies according to outside variables including socioeconomic background, education, psychological characteristics, and work position. Although financial literacy improves well-being and financial decision-making, it is unclear how it affects risk-taking behaviour, financial contentment, and self-perceived financial understanding. To guarantee that millennials attain long-term financial stability, financial education programs should take a comprehensive approach that incorporates behavioural finance concepts, tackles psychological biases, and offers useful money management techniques.

In order to determine the degree of financial literacy among millennials and the ways in which financial literacy impacts them, a systematic literature review was carried out using PRISMA. Numerous financial literacy variables, including financial behaviour, financial decision-making, financial attitude, financial wellbeing, financial satisfaction, financial knowledge, savings and investment behaviour, budgeting, investment awareness, debt management, time value of money, and credit management, have been identified using 13 research papers that were taken into consideration in order to meet the goal. Since knowledge alone is insufficient to make people financially sound, policymakers, the government, and banks may help extend the future growth of financial literacy by implementing financial literacy programs.

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