FINANCIAL BEHAVIOR AMONGST THE EMERGING ADULTHOOD

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Abstract : This study has been undertaken to investigate the relationship between the financial knowledge and financial behavior amongst the emerging adulthood investors. The linear relationship is between the financial decisions (dependent variable) and the independent variables i.e, the demographic factors, Individual Behavior and the Financial Knowledge based on present and past financial experiences

***IndexTerms* – Financial Knowledge, Financial Behavior, Emerging Adulthood.**

I. INTRODUCTION

With Liberalization and Globalization opportunities had opened for at domestic and international level for individuals cross borders. India with a long history of colonization bringing dual impact on the policy at national level, with the exploitation of natural resources; depletion is a point of concern, huge population dependent on limited resources had been the point of concern of policy makers. Need of the day is to utilize resources judicially and generate resources for preserving for future. With a young population its important to promote habit of savings with financial literacy.

Institutions like BSE, NSE and SEBI had been doing this with their financial literacy programs for the individuals. The impact needs to be deep routed for sustainable growth of individuals with financial independence. At this juncture the author feels the need of understanding the relationship between the financial literacy and individual behavior towards the financial products and concern towards the financial issues concerning as per circumstances and age of the emerging adulthood (more specifically generation Z).

Through this paper author had proposed a model to study this relationship amongst the emerging adulthood and shared the empirical study results for the policy makers to plan better. These policies and decisions of today will be helpful in building a new culture of financial independence with the changing business environment due to growing e-commerce and m-commerce.

Importance of Financial Knowledge:

E-commerce and m-commerce, changing financial service providers like banks and NBFCs had been a great support in making trade grow and promotion to the financial activities as per the need and desires of the individuals. Even the app based trading platforms had given users huge option base to utilize the resources to the maximum. These options had increased ease but with complication of different natures in front of the customers. With explosion of information it's tough to rely on the source and nature of information, at this juncture the need of hours is financial literacy and financial ability of investors to get themselves protected from evils resulting to financial frauds.

Literature on financial decision making by financially literates or ability to understand financial management and finance are found to be better decision makers then the illiterate and non-rational investors. Their ability to take informed financial decision after incorporating the issues related to borrowings, saving and investments yielded them better results.

Lusardi and de Bassa Sheresberg (2013) had found it their research that the most cost borrowers are those who are having low levels of financial literacy, in particular the lacking numeracy and less understanding of concepts in finance. This study was done in the developed countries, researchers wish to see that does the conditions in Indian borrowers differ from these studies.

In the same line Lusardi and Tufano (2015) had shown the relationship between the debt load and literacy with the financial experiences of individuals. Borrowers with lower levels of debt literacy were found to bear higher cost of borrowings in comparative to those with higher level of debt literacy. Similarly these customers with lesser knowledge were not able to judge their debt positions and such debt ignorance leads to other implications.

Indian investors and the financial literacy become more complex due to the lower level of financial literacy. As is evident from the S&P's Financial Literacy Survey for 2014 which shows that amongst the BRICS (Brazil, the Russian Federation, India, China and Souht Africa) economies the adult financial literacy is 24 percent, lower in comparison to the average rate for these emerging economies is 28 percent, South Africa had the highest amongst its counterparts with the financial literacy rate of 42 percent. Demographic factors and individual behavior are the factors needed to be studied to suggest most appropriate factors amongst emerging adulthood.

Emerging Adulthood: the decision making generation

Emerging adulthood was proposed by Arnett (2000) as a different period in terms of demography, subjectivity and identity exploration. He classified age group of 18 to 25, as a new period starting from late teens through the twenties. Emerging adulthood was a different period than the adolescence and the young adulthood. For India these behavioral aspects association with the age is the need of the hour due to industrialization, commercialization, nuclear families and socio-economic development. Need of the hour is to study the issues concerning the financial management by the emerging adulthoods investors and their saving patterns, as they are the decision makers of tomorrow.

In developed economies in the past half century the delayed in marriage and parenthood had got delayed till mid-twenties or late twenties Rindfuss (1991). Outcome of this is visible in the form of altering the nature of development in the late teens and early twenties. Arnett (1998) found that now no longer the late teens and early twenties were found to be settling into long-term adult profiles against the set norms.

Kadi (1987) found that for the 1981 census data, the population of rural females aging between 15-19 who had married dropped from 75 percent in 1961 to 57.6 percent in 1981, it was the result of the changing social attitudes in the last two decades. With increasing education levels, promotion to girl child, delayed marriage age, changes in fertility and mortality was a result of change in the status of woman in India. Even United Nations World Marriage Data (2017) the average age of Indians getting married is 22.8, while for the developed nations like Japan and Germany this average ages are 30.5 and 33.1 years respectively. This study had shown that the average age of getting married is being affected by the living place, financial condition, career options, pressure at family and office front effects on the individual(s). the relationship between the individuals demographic factors and investment biases will yield better results if the products are planned as per the emerging needs of the generation known as Emerging Adulthood.

Demographic factors: Tennyson & Nyguen (2001) in their research had shown that for the teenagers the most important component for finance knowledge and financial decision making is the role of demographic factors. As per UN Financial Literacy Report (2014) due to poor financial knowledge the women, poor and less educated investors are likely get more sufferings as a result of gap in financial knowledge. Ricciardi, V and Simon, H. (2000) specifically mentioned the demographic factors like age, marital status, income, occupation and experience needs to be studied for generalization of the findings and concepts in the area of behavioral finance.

SEBI Investor Survey 2015 had covered 29 states, 5 Union territories and National Capital Region and found that the average age of investor to be 41 years. This was an survey which had included the emerging adulthood, with the ongoing research the authors propose to conduct an empirical study on these factors for the better understanding of financial decision making by the emerging adulthood.

In a well knitted family structure in India, the researchers are interested in knowing the impact of family values and suggestions by the friends on the financial decision making of individuals. This will also help in understanding the individual decision making and group decision making. We wish to see does it stands the same for the emerging adulthood.

We propose that the result of this research will be helpful for the policy makers, financial products developing and marketing organizations and academic institutions in bringing the most effective and efficient tools targeting the emerging adulthood.

I. RESEARCH METHODOLOGY

The methodology section outline the plan and method that how the study is conducted. This includes Universe of the study, sample of the study, Data and Sources of Data, study's variables and analytical framework. The details are as follows;

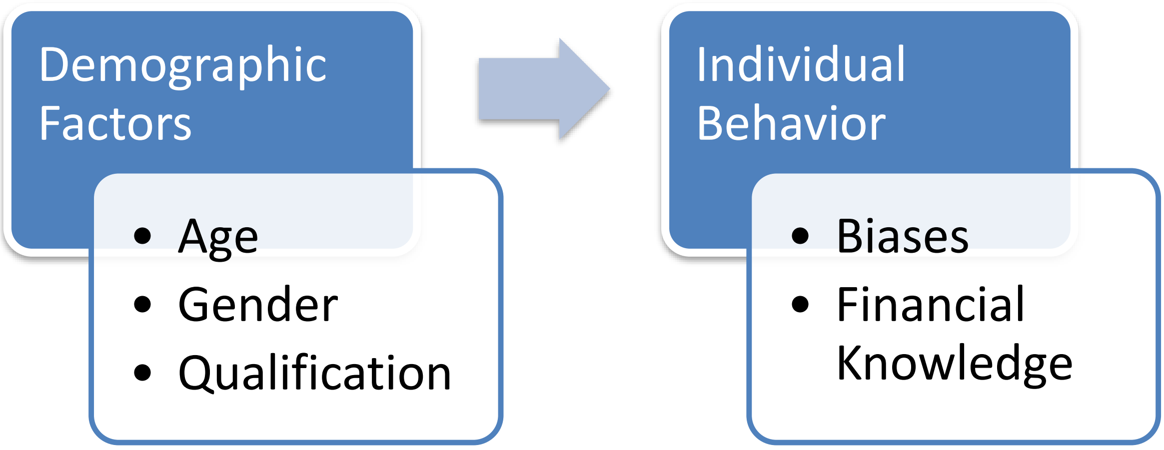
3.1 Data and Sources of Data

Data was collected through a author designed questionnaire. This questionnaire was administered by the author and data was collected from the students who qualify in the category of emerging adulthood. Specifically the respondent were students in the professional courses like Master of Business Administration, Master of Computer Application, Master of Commerce and other master programs of the university.

3.2 Theoretical framework and proposed conceptual model:

As we wish to find out the relationship between the financial knowledge and financial behavior amongst the emerging adulthood investors. The linear relationship is between the financial decisions (dependent variable) and the independent variables i.e, the demographic factors i.e, personal factors: age, gender, qualification and Individual Behavior i.e, different biases and the Financial Knowledge based on present and past financial experiences.

Model: Financial Decision Making Model



Source: Model is proposed by the author based on literature survey on Behavioral Finance

3.3Statistical tools and econometric models

This section elaborates the author designed model with the help of statistical analysis. For analysis SPSS software was used to generate results. The detail of methodology is as following.

IV. RESULTS AND DISCUSSION

4.1 Results of Descriptive Statics of Study Variables

The different biases were considered for the individual biases of an individual. The collected data from the complete questionnaire for the analysis were 220 (with 116 females and 104 males) Table 4.1. The questionnaire had a Cronbach's alpha of .756 which is good for making the data analysis on the collected data.
With the KMO (Kaiser-Meyer-Olkin) Measure of Sampling Adequacy of .717 (Table 4.2) we can go ahead with data analysis for the different components of the questionnaires and the variables.

Table 4.1 Frequency of Various Variables

	N	Mean	Std. Deviation
Gender (Male or Female)	220		
Overconfidence Bias	220	3.5682	.58120
Representative Bias	220	3.5091	.74937
Anchoring Bias	220	3.6864	.96836
Rational Decision	220	3.7091	.89489
Regret Bias	220	3.4318	.90654
Mental Accounting Bias	220	3.6045	.81256
Self Attribution Bias	220	3.3909	.78914
Gamble Fallacy	220	3.3409	.79792
Loss Aversion	220	3.2409	.85537
Herding Bias	220	3.5136	.76737
Personality Type	220	2.8364	1.40142
Investments(Yes or No)	220		
Valid N (list-wise)	220		

Source: Created by author after data analysis of questionnaire

Table 4.2 KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.717
Bartlett's Test of Sphericity	Approx. Chi-Square	1048.676
	df	78
	Sig.	.000

With a R value of .804 we can say that these factors are able to tell the 80 percent of the factors effecting on the rational decision making of an investor. And these factors i.e. Biases specifically the Overconfidence, Representative, Anchoring, Rational, Regret, Mental accounting, Self Attribution, Gamble Fallacy, Loss Aversion, Herding and Personality Type to be responsible for the decision making by an investor in the type of investments. With a model fit of .804 and the R square of .646 we can say that our model is able to predict the rational customers on the basis of the individual biases.
The predicting ability of the independent variables is there specifically for the Investments, Personality, Gender, Anchoring, Regret, Herding, Self attribution, Gamble fallacy, Loss aversion, Representative, Mental accounting, Overconfidence

Table 4.3 Model Summary

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.804[a]	.646	.625	.54777

a. Predictors: (Constant), Investments, Personality, Gender, Anchoring, Regret, Herding, Self attribution, Gamble fallacy, Loss aversion, Representative, Mental accounting, Overconfidence

b. Dependent Variable: RAT

The same is evident from the ANOVA table that shows that the Significance level of 0.000 for the ability of these factors on the Rationality of the individual investors

Table 4.3 Anova for the model (proposed)

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	113.271	12	9.439	31.459	.000[b]
	Residual	62.111	207	.300		
	Total	175.382	219			

a. Dependent Variable: RAT

b. Predictors: (Constant), INVTYNO, PERS, GENDER, A, R2, H, S, G, L, R1, M, O

II. Acknowledgment

The authors wish to acknowledge the Manav Rachna International Institute of Research and Studies, MRIIRS, Faridabad for promoting research at University and provide conducive environment in promoting empirical research in contemporary areas in management. Padam Shri Prof. (Dr.) Pritam Singh, Mentor and Guide, MRIIRS, Prof. (Dr.) Sanjay Srivastava (Vice Chancellor, MRIIRS) Prof. (Dr.) N. K. Chaddha, Chairperson Council for Doctoral Program, MRIIRS and Prof. (Dr.) Nand Dhameja, Dean Faculty of Management Studies, MRIIRS had been the continuous support and their suggestions on the same had been the guiding force in completing this research paper. .

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