



FINANCIAL LITERACY AMONG GEN Z IN MUMBAI

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Abstract:

This research paper explores the level of financial literacy among Generation Z (Gen Z) residing in Mumbai. As digital natives, Gen Z faces a rapidly evolving financial environment influenced by technology, online payments, credit accessibility, and investment platforms. The study examines their understanding of key financial concepts such as budgeting, saving, interest rates, credit management, and investments. Using primary data collected from 100 respondents through structured questionnaires, the research provides insights into financial behaviour, spending habits, and the role of digital finance. Findings reveal moderate financial awareness with strong familiarity in digital payments but significant gaps in financial planning, loan concepts, and long-term investments. The study concludes with actionable suggestions to improve financial literacy through education, awareness programs, and digital learning tools.

Introduction

Financial literacy has become a vital life skill in the 21st century. It refers to the ability to understand and apply financial knowledge to make effective decisions regarding money management, budgeting, saving, investing, and credit usage. As economies grow more complex and technology transforms financial systems, individuals—especially youth—must be equipped with the knowledge to navigate financial choices.

Generation Z, born between 1997 and 2012, represents the first fully digital generation. Growing up with smartphones, online banking, digital payments, and instant access to financial tools, Gen Z has greater exposure to modern financial systems than previous generations. However, increased accessibility does not necessarily translate to financial understanding. Mumbai, being India's financial capital, presents unique challenges and opportunities for Gen Z in terms of financial decision-making.

The objective of this research is to assess the financial literacy levels of Gen Z in Mumbai, analyze their financial behaviour, and identify the key gaps in knowledge related to credit, interest, investments, and budgeting.

Literature Review

Previous research indicates that financial literacy among young adults in India remains moderate. Studies conducted in Mumbai suggest that while Gen Z is highly familiar with digital tools such as UPI apps and online banking, they lack fundamental knowledge about investments, credit scores, compound interest, and risk management. Several researchers highlight that formal financial education is largely absent in schools and colleges, leading students to rely on peers, social media, or family for financial advice.

Studies further suggest that Gen Z demonstrates impulsive spending behaviour influenced by online trends, lifestyle aspirations, and social media. Although many students express interest in financial independence, they often lack structured planning, budgeting habits, and long-term saving strategies.

Research Methodology

This study adopts a descriptive research design to analyze the financial literacy levels among Gen Z in Mumbai. A quantitative approach was used, with primary data collected from 100 respondents aged 18–30 through structured multiple-choice questionnaires. The sampling method adopted was convenience sampling, focusing on students and young professionals residing in Mumbai.

Secondary data was sourced from journals, government reports, financial publications, and online resources related to youth financial literacy. Data analysis involved the use of percentages, charts, and frequency distributions to interpret trends and patterns.

Data Analysis

The findings indicate that 86% of respondents were familiar with the term interest rate, while only 58% could calculate simple interest correctly. Additionally, 75% claimed to understand compound interest, but many lacked practical knowledge. While more than 50% could identify investment options such as mutual funds and stocks, a considerable portion confused banking tools with investments.

About 67% maintained a monthly budget, and 46% regularly saved money. However, nearly 29% did not track expenses at all. Digital payment usage was high, with Google Pay being the most preferred UPI app. Despite this, 56% admitted to missing credit payments at least once, indicating poor financial discipline.

Findings

1. Gen Z shows strong familiarity with digital finance but lacks deep understanding of financial concepts.
2. Budgeting and saving habits exist but are inconsistent.
3. Significant confusion remains regarding loan types, EMI planning, and credit scores
4. A large portion of respondents follow financial trends without proper knowledge or planning.
5. Family influence plays a major role in financial decision-making.

Suggestions

The following recommendations are proposed to improve financial literacy among Gen Z in Mumbai:

1. Introduce financial education programs in schools and colleges.
2. Promote awareness about credit management and responsible borrowing.
3. Encourage regular saving and long-term financial planning.
4. Use digital apps for budgeting, tracking expenses, and learning finance.
5. Conduct workshops and webinars in collaboration with banks and financial institutions.

Conclusion

The study concludes that while Gen Z in Mumbai exhibits moderate financial literacy, significant gaps exist in areas such as credit management, long-term investments, and loan understanding. Despite being digitally active, many lack structured financial planning and discipline. By implementing systematic financial education initiatives and leveraging digital platforms, Gen Z can be empowered to make informed financial decisions and achieve greater financial independence.

References

- Reserve Bank of India (RBI)
- National Centre for Financial Education (NCFE)
- Securities and Exchange Board of India (SEBI)
- World Bank Reports
- Various academic journals and financial research publications.