Role of Financial Self-Efficacy and Financial Literacy on the Financial Management Behaviour among Youth

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Abstract

The study tries to identify the relationship between financial self-efficacy, financial literacy, and financial management behaviour among youth. Financial self-efficacy, defined as an individual's belief in their ability to handle financial tasks, and financial literacy, the knowledge of financial concepts and products, are vital in shaping responsible financial behaviours. This study aims to identify how these factors influence the financial decision-making and management practices of young individuals. Using a cross-sectional survey method, data was collected from a diverse sample of young adults aged 18 to 30 years. The findings of the study reveal that higher financial self-efficacy is significantly associated with more prudent financial management behaviours, such as budgeting, saving, and debt management. Moreover, there is a significant difference between some of the socio demographic variables and financial management behaviour among youth. Youth with higher financial literacy are better equipped to translate their confidence in handling finances into actual responsible behaviour. The study pinpoints the need for targeted financial education programs that not only increase financial knowledge but also increase a sense of financial competence among youth. This dual focus can better prepare young individuals for the financial challenges they will face throughout life.

Keywords: Financial self-efficacy, financial literacy, Financial Behaviour

Introduction

In today's dynamic financial environment, young individuals face a lot of challenges in managing their personal finances effectively. Increasing consumerism, easy access to credit, and rapid technological changes in financial services have made financial decision-making more complex than ever before. Against this backdrop, two major factors **financial self-efficacy** and **financial literacy** play an important role in shaping the financial management behaviour of youth. Financial self-efficacy refers to the confidence and belief in one's ability to perform financial tasks such as budgeting, saving, and investing effectively. On the other

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hand, financial literacy refers to the knowledge and understanding of financial concepts required to make responsible decisions.

The study suggests that youth, despite having greater access to financial resources, often lack the necessary skills and confidence to manage their money efficiently, which may result in poor financial discipline, excessive debt, and financial stress. By connecting both psychological and cognitive dimensions, this study assess how financial self-efficacy and financial literacy jointly influence the financial management behaviour of youth. Understanding this relationship is important for educators, policymakers, and financial institutions in designing interventions that not only improve financial knowledge but also increase confidence in applying that knowledge effectively.

Objectives of the Study

- To identify socio demographic factors may influence the financial management behaviour among youth.
- To identify the relationship between financial self-efficacy and financial management behaviour among youth.
- To identify the moderating role of financial literacy in the relationship between financial self-efficacy and financial management behaviour among youth.

Literature Review and Research Gap

Previous research highlights the importance of financial literacy and financial self-efficacy in shaping person financial behaviours. Studies have shown that financially literate individuals are more likely to engage in budgeting, saving, and responsible debt management. Similarly, financial self-efficacy, or the belief in one's capability to manage financial matters, positively influences financial decision-making and behaviour. However, much of the previous literature focuses on adults or specific subgroups such as working professionals, leaving a gap in understanding how these factors operate among youth, particularly those in the transitional phase of early adulthood (18–30 years). Only few studies have explored the interactive effect of financial literacy as a moderator in the relationship between financial self-efficacy and financial management behaviour. This study focuses this gap by examining both the individual and combined impact of financial literacy and self-efficacy on the financial management practices of youth.

Research Methodology

This study employs a quantitative, cross-sectional survey design to identify the role of financial self-efficacy and financial literacy on the financial management behaviour of youth. Target population comprises young adults aged 18 to 30 years, representing diverse educational and socio-economic backgrounds. Data was collected using a structured questionnaire consisting of standardized scales to measure financial self-efficacy, financial literacy, and financial management behaviours. A convenience **sampling technique was used to collect data. Sample size of the study was 100** respondents through both online and offline modes. The collected data was analysed using one way ANOVA, correlation analysis, and regression analysis to determine relationships between variables.

Discussion Results

Table:1 socio Demographic features of the respondents

Gender	NO	Percent
Male	70	70
Female	30	30
Education Qualification		
under graduate	61	61
graduate	38	38
other	1	1
employment status		
student	1	1
employed	78	78
unemployed	14	14
self employed	7	7
Monthly income		
below 10000	9	9
10000-25000	55	55
above 25000	36	36
	100	**100**

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Financial management behaviour

ANOVA

Table:2 Gender of the respondents and financial management behaviour

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	6.671	22	.303	1.586	.074
Within Groups	13.954	73	.191		
Total	20.625	95			

From the table, ANOVA test is used to identify there is any significant difference between gender and financial management behaviour among youth. From the table sig value is .074 which is greater than .05 so we can't reject the null hypothesis and say that there is no significant difference between gender and financial management behaviour among youth.

ANOVA

Table:3 Education qualification of the respondents and financial management behaviour

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	9.586	22	.436	2.099	.010
Within Groups	15.154	73	.208		
Total	24.740	95			

From the table, It is clear that sig value is less than .05 so we can reject the null hypothesis and say that there a significant difference between education qualification and financial management behaviour among youth.

ANOVA

Table:4 employment status of the respondents and financial management behaviour

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	7.731	22	.351	1.179	.293
Within Groups	21.759	73	.298		
Total	29.490	95			

From the table, It is clear that sig value is .293 which is greater than .05 so we can't reject the null hypothesis and say that there is no significant difference between employment status and financial management behaviour among youth.

ANOVA

Table:5 monthly income of the respondents and financial management behaviour

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	12.692	22	.577	1.891	.023
Within Groups	22.266	73	.305		
Total	34.958	95			

Sig value is .023 which is less than .05 so we can reject the null hypothesis and say that there is significant difference between monthly income and financial management behaviour among youth.

Table:6 Relationship between financial self-efficacy and financial management behaviour among youth.

		Financial self-efficacy	Financial management behaviour
Financial self-efficacy	Pearson Correlation	1	.320**
	Sig. (2-tailed)		.001
	N	100	100
Financial management behaviour	Pearson Correlation	.320**	1
	Sig. (2-tailed)	.001	
	N	100	100

Correlation is significant at the 0.01 level (2-tailed).

Correlation is used to test whether there is any significant relationship between financial self-efficacy and financial management behaviour among youth. From the above table it is clear that, there is a positive correlation between two variables (financial self-efficacy and financial management behaviour), r =.320, n=100, however the relationship between two variables is significant (p=.001)

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Table:7 Relationship between financial literacy and financial management behaviour among youth.

		Financial literacy	Financial management behaviour
Financial literacy	Pearson Correlation	1	.187
	Sig. (2-tailed)		.063
	N	100	100
Financial management behaviour	Pearson Correlation	.187	1
	Sig. (2-tailed)	.063	
	N	100	100

Correlation is used to test whether there is any significant relationship between financial literacy and financial management behaviour among youth. From the above table it is clear that, there is a positive correlation between two variables (financial literacy and financial management behaviour),r =.187, n=100, however the relationship between two variables is not significant (p=.063)

Table:8 The role of financial literacy in the relationship between financial self-efficacy and financial management behaviour among youth.

Summary Statisctics

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.743[a]	.551	.542	.44191

a. Predictors: (Constant), financial management behaviour, financial self-efficacy

Table :9 ANOVA

Significance of the table

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	23.280	2	11.640	59.605	.000[b]
	Residual	18.943	97	.195		
	Total	42.222	99			

a. Dependent Variable: financial literacy

b. Predictors: (Constant), financial management behaviour, financial self-efficacy

Table 8 presents the model summary of the regression analysis conducted to examine the role of financial literacy in the relationship between financial self-efficacy and financial management behaviour among youth. The multiple correlation coefficient (R = 0.743) indicates a strong positive association between the dependent variable and the independent variables included in the model. The coefficient of determination (R^2 = 0.551) reveals that 55.1 per cent of the variance in financial management behaviour among youth is explained by financial self-efficacy along with financial literacy.

The adjusted R^2 value of 0.542 indicates that after controlling for the number of predictors, 54.2 per cent of the variation in financial management behaviour is accounted for by the model, thereby confirming its adequacy and explanatory strength. The standard error of the estimate (0.44191) suggests an acceptable level of prediction accuracy.

Table 9 presents the results of the ANOVA test, which assesses the overall significance of the regression model. The obtained F value of 59.605 is statistically significant at the 0.001 level (p < 0.001), indicating that the regression equation is highly significant. This confirms that the independent variables, taken together, significantly predict financial management behaviour among youth.

Table:10 Significance of coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.169	.342		3.421	.001
	Financial self-efficacy	.743	.070	.759	10.567	.000
	Financial management behaviour	-.060	.076	-.056	-.778	.438

Dependent Variable: financial literacy

Table 10 presents the unstandardized regression coefficients assessing the influence of the independent variables on **financial literacy**, which is treated as the dependent variable in the model.

The constant (B = 1.169, Std. Error = 0.342) represents the expected value of financial literacy when all independent variables are held constant. This indicates a positive baseline level of financial literacy among the respondents.

The coefficient for financial self-efficacy (B = 0.743, Std. Error = 0.070) is positive and substantial, indicating that financial self-efficacy has a strong positive influence on financial literacy. This implies that an increase of one unit in financial self-efficacy leads to an increase of 0.743 units in financial literacy, holding other variables constant. The relatively low standard error further suggests the reliability of this estimate.

In contrast, the coefficient for financial management behaviour (B = −0.060, Std. Error = 0.076) is negative and comparatively small, indicating a weak inverse relationship with financial literacy. However, the magnitude of the coefficient and its standard error suggest that this relationship may not be statistically significant.

Conclusion

This research study highlights the pivotal role that financial self-efficacy and financial literacy play in shaping the financial management behaviour of youth. The findings of the study reveal that there is a significant relationship between financial self-efficacy and financial management behaviour but the relationship between financial literacy and financial management behaviour is not statistically significant. So, we can't say financial literacy directly influence the financial management behaviour among youth. Financial literacy provides the knowledge required for understanding financial concepts, while financial self-efficacy boost youth with the confidence to apply this knowledge in real-life situations.

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