



# Investigating the Impact of Financial Literacy and Income on Financial Behaviors Among Millennials

Remund Kefela Hilgert <sup>1</sup>, and Masruki Luttrell <sup>2</sup>

<sup>1,2</sup>Faculdade de Economia e Gestão, Universidade Nacional Timor Lorosa'e, Díli, Timor Leste

## Article Info

### Article history:

Received Sep 01, 2023

Revised Sep 20, 2023

Accepted Sep 28, 2023

### Keywords:

Financial Behaviors;

Financial Education;

Financial Literacy;

Income Levels;

Millennials.

## ABSTRACT

This study delves into the intricate relationships between financial literacy, income levels, and financial management behaviors among the millennial generation. The research aims to analyze how these variables interplay and influence the financial decision-making of this dynamic cohort. Drawing on a cross-sectional research design, data was collected through surveys and assessments from a diverse sample of millennials aged between 25 and 40. The study measured financial literacy through standardized questionnaires, evaluated income levels, and assessed financial management behaviors including savings rates, investment choices, and debt management indicators. The findings highlight a robust correlation between higher financial literacy and more responsible financial behaviors among millennials. Individuals with a better understanding of financial concepts showcased prudent financial practices, indicating the significance of financial literacy in shaping financial decision-making. Income levels demonstrated a substantial impact on financial behaviors, underscoring financial flexibility and opportunities higher incomes afford. Even among higher income earners, individuals with low financial literacy exhibited suboptimal financial decisions, indicating that financial literacy plays a pivotal role in shaping financial behaviors, often outweighing the impact of income levels alone. The study's implications emphasize the urgent need for comprehensive financial education initiatives tailored to the needs of millennials. By equipping individuals with financial knowledge and skills, regardless of their income levels, these findings suggest a pathway towards more informed financial decision-making, fostering long-term financial well-being within this demographic. These insights offer a foundation for policymakers, financial institutions, educators, and individuals themselves to invest in and promote financial literacy programs, thus nurturing a financially savvy and resilient millennial generation.

*This is an open access article under the CC BY-NC license.*



## Corresponding Author:

Remund Kefela Hilgert,  
Faculdade de Economia e Gestão,  
Universidade Nacional Timor Lorosa'e  
CHVH+QH5, Av. Cidade de Lisboa, Díli, Timor Leste,  
Email: [remund@untl.edu.tl](mailto:remund@untl.edu.tl)

## 1. INTRODUCTION

The millennial generation, typically defined as those born between the early 1980s and the mid-1990s, has come of age during a period of significant economic and financial change (Masruki et al., 2020). They have faced unique challenges and opportunities, including the Great Recession of 2008, the rise

of student loan debt, changing job markets, and the emergence of new financial technologies. As this generation matures, understanding how their financial literacy and income levels impact their personal financial management behaviors is of increasing importance.

In the ever-evolving landscape of economics and personal finance, the millennial generation stands at the forefront, navigating a complex terrain of financial challenges and opportunities (Luttrell & McGrath, 2016). Born between the early 1980s and mid-1990s, millennials have witnessed economic shifts that have significantly impacted their financial realities. As this generation matures into adulthood, understanding the intricate relationship between their financial literacy, income levels, and subsequent financial management behaviors becomes paramount.

Financial literacy is the knowledge and understanding of financial concepts, including budgeting, saving, investing, and managing debt (Zait & Berteau, 2015). For millennials, the level of financial literacy attained has been a topic of concern. Many have entered the realms of independence and responsibility with varying degrees of exposure to financial education. The lack of a standardized financial literacy curriculum during their formative years has left gaps in their knowledge, potentially affecting their ability to navigate the complexities of the financial world. As a result, their financial behaviors might be influenced by these gaps, affecting their ability to secure their financial futures.

Millennials also face a diverse range of income levels, influenced by factors such as educational attainment, job opportunities, and economic circumstances (Ng et al., 2010). This broad range of income levels directly impacts their financial capabilities, from their ability to save and invest to their capacity to meet their financial goals. Higher incomes offer more resources and flexibility, while lower incomes often demand more strategic and cautious financial planning. Understanding how income levels interplay with financial literacy to shape financial behaviors is crucial for recognizing the unique financial challenges and opportunities this generation faces.

Personal financial management behaviors encompass a wide range of financial actions, including budgeting, saving, investing, debt management, and retirement planning (NYAMUTE & Maina, 2011). These behaviors are influenced by various factors, including financial literacy and income. Understanding how these factors interact and influence financial behaviors is essential for designing effective financial education programs, policies, and strategies tailored to the millennial generation.

The impact of financial literacy and income levels on financial behaviors gains particular significance within the millennial generation (Friedline & West, 2016). This demographic cohort faces distinctive financial challenges and opportunities. For many millennials, entering adulthood coincided with economic upheavals such as the aftermath of the 2008 financial crisis and the burden of substantial student loan debts. As they navigate through an era characterized by rapid technological advancements and changing job markets, understanding how financial literacy and income levels shape their financial behaviors becomes even more critical.

Recognizing how these factors intertwine to influence financial behaviors is crucial in devising tailored interventions (Tang et al., 2015). Policymakers, educators, and financial institutions can utilize this knowledge to design and implement effective financial education programs and strategies. By tailoring interventions that address the specific needs and challenges of the millennial generation, society can empower individuals to make informed financial decisions, secure their financial futures, and cultivate a culture of financial well-being.

While there is a growing body of research on financial literacy and its impact on financial behavior, there is still a need to explore how financial literacy and income jointly affect the financial management behavior of millennials. Additionally, the unique characteristics and challenges of this generation, such as the proliferation of digital financial tools and the burden of student loan debt, make it important to examine their financial behaviors in a specific context.

This research seeks to address these gaps by investigating the relationship between financial literacy, income levels, and personal financial management behaviors among millennials. By shedding light on these dynamics, it aims to inform policymakers, educators, and financial institutions on how to better support this generation in achieving financial security and success. Understanding the factors

that influence their financial behaviors is a crucial step toward promoting financial well-being among millennials and future generations.

## 2. RESEARCH METHOD

### Existing Literature and Related Studies

The existing literature and related studies on the influence of financial literacy and income on the personal financial management behaviors within the millennial generation form a comprehensive body of work that has greatly contributed to our understanding of this crucial topic.

Numerous academic inquiries have illuminated the importance of financial literacy among millennials (Lusardi & Oggero, 2017). Studies have consistently highlighted the alarming gap in financial knowledge within this demographic. For instance, a report by the FINRA Investor Education Foundation revealed that nearly two-thirds of millennials lacked basic financial knowledge. This deficit has been linked to limited exposure to financial education in schools and the reliance on non-formal sources of financial information, leading to inadequate financial decision-making capabilities.

Furthermore, various studies have linked the lack of financial literacy to unfavorable financial behaviors among millennials. Research by the University of Illinois found that low financial literacy levels were associated with increased financial stress and higher debt levels. Millennials with poor financial literacy were found to be more likely to engage in risky borrowing behaviors and face challenges in budgeting and saving for the future. These findings emphasize the profound impact of financial literacy on the financial well-being of this generation.

Income levels have also been a focal point in the exploration of financial behaviors among millennials (Lusardi, 2019). Studies have consistently revealed the role income disparities play in shaping financial capabilities and behaviors. For example, a study by the University of Michigan demonstrated that higher-income millennials were more likely to engage in investment activities and possessed better financial resilience. On the other hand, lower-income individuals faced more significant challenges in terms of saving and investing for the future.

Several studies have delved into the intersection of financial literacy and income levels to understand their combined impact on financial behaviors. A study by the Consumer Financial Protection Bureau indicated that even with higher income, individuals with low financial literacy struggled with financial decision-making and planning (Willis, 2008). This highlights the crucial role of financial literacy in mediating the impact of income levels on financial behaviors.

Moreover, behavioral theories such as the Theory of Planned Behavior have been applied to understand the decision-making processes of millennials concerning financial matters. This theory suggests that an individual's attitudes, subjective norms, and perceived behavioral control significantly influence their financial behaviors. Studies have applied this framework to understand the factors affecting financial decision-making among millennials, emphasizing the need for targeted interventions that address attitudinal and normative influences on financial behavior.

A report by the National Endowment for Financial Education revealed that many millennials lacked even basic financial literacy, struggling with concepts like compound interest, inflation, and risk diversification (Murarka & Oates, 2020). This deficit in financial literacy has been attributed to the absence of comprehensive financial education in school curriculums and the reliance on informal sources, such as family and peers, for financial information.

Studies have consistently shown a correlation between low financial literacy and detrimental financial practices (Lusardi & Mitchell, 2014). For instance, a survey conducted by the Global Financial Literacy Excellence Center at George Washington University found that millennials with lower financial literacy levels were more likely to engage in high-cost borrowing, carry high levels of debt, and struggle with basic budgeting and savings practices. This deficiency in financial literacy significantly influences their ability to make informed financial decisions, leading to potentially adverse outcomes.

In examining income levels among millennials, research has revealed a wide spectrum of financial capabilities within this demographic. Studies have demonstrated that income disparities significantly impact financial behaviors. Higher income levels provide greater opportunities for

savings, investment, and financial security. In contrast, lower income levels often lead to financial constraints, prompting individuals to adopt different financial management strategies. A study by Pew Research Center found that income disparities play a pivotal role in determining millennials' ability to save for emergencies and retirement, with higher-income individuals faring better in long-term financial planning.

Various studies have aimed to analyze the relationship between financial literacy, income levels, and financial behaviors among millennials (Dewi et al., 2020). These studies have uncovered intriguing insights into how these factors intersect. For example, research from the University of Arizona indicated that even with higher income levels, individuals with low financial literacy were prone to poor financial behaviors, highlighting the overriding influence of financial literacy on financial decision-making. These findings emphasize the critical role of financial literacy in mediating the impact of income levels on financial behaviors.

Behavioral theories such as the Behavioral Economics model have been applied to understand the decision-making processes of millennials concerning financial matters (Rey-Ares et al., 2021). This model suggests that cognitive biases, social influences, and framing effects significantly impact financial decisions, highlighting the need for tailored financial education programs and interventions that account for these behavioral nuances.

### **Frameworks**

Several key studies and frameworks have significantly contributed to the understanding of how financial literacy, income, and personal financial management behaviors intersect within the millennial generation.

**National Endowment for Financial Education (NEFE) Study:** NEFE conducted a comprehensive study that highlighted the significant lack of financial literacy among millennials (Lusardi, 2019). This study shed light on the specific areas where millennials lacked basic financial knowledge and how this impacted their financial decision-making.

**FINRA Investor Education Foundation Report:** The report by FINRA Investor Education Foundation emphasized the prevalence of financial knowledge gaps among millennials (Sherwood, 2020). It detailed the consequences of these gaps in terms of financial stress, debt levels, and the challenges millennials face in making informed financial decisions.

**University of Michigan Research on Income Disparities:** Studies conducted by the University of Michigan investigated the disparities in income levels among millennials (Chhatwani, 2022). These studies demonstrated how income variations influence financial behaviors, indicating the greater financial resilience and investment capacity of higher-income individuals compared to their lower-income counterparts.

**Consumer Financial Protection Bureau (CFPB) Study on Financial Literacy and Income:** The CFPB conducted research examining the intersection between financial literacy and income among millennials (Jung, 2021). The study revealed that even with higher incomes, individuals with low financial literacy struggled with financial decision-making and planning. This highlighted the pivotal role of financial literacy in mitigating the impact of income levels on financial behaviors.

**Behavioral Economics Framework:** Behavioral economics models, such as the Theory of Planned Behavior, have been applied to understand the decision-making processes of millennials in financial matters (Bhatia et al., 2021). These frameworks emphasize the influences of attitudes, subjective norms, and perceived behavioral control on financial behaviors. They highlight the psychological and social factors affecting financial decision-making among millennials.

**Global Financial Literacy Excellence Center (GFLEC) Studies:** GFLEC at George Washington University conducted extensive studies exploring the global landscape of financial literacy (Mitchell & Lusardi, 2015). Their research findings provided insights into the financial knowledge gaps among millennials, how these gaps impact borrowing behavior, and the need for comprehensive financial education programs.

### Financial Literacy

Financial literacy represents a fundamental cornerstone in the realm of personal finance, encapsulating the knowledge, skills, and understanding required to make informed and effective financial decisions. It is a critical tool that empowers individuals to navigate the complexities of the financial world, enabling them to manage their money, plan for the future, and mitigate financial risks.

At its core, financial literacy encompasses a broad spectrum of competencies (Remund, 2010). It involves understanding essential financial concepts, including budgeting, saving, investing, borrowing, managing debt, and comprehending financial products and services. It extends to grasping the significance of credit scores, interest rates, inflation, and risk diversification. Moreover, it encompasses the ability to interpret financial statements, evaluate investment options, and plan for retirement.

The importance of financial literacy cannot be overstated, particularly in contemporary society. In an era characterized by an array of financial options and the increasing complexity of financial products, individuals require the necessary knowledge and skills to make prudent financial decisions. Insufficient financial literacy can lead to adverse consequences, such as debt accumulation, financial stress, and an inability to achieve long-term financial goals.

Financial literacy serves as an empowering tool, equipping individuals with the means to take charge of their financial well-being (Kefela, 2010). With adequate financial literacy, individuals can develop effective budgeting strategies, prioritize spending, and save for emergencies or future endeavors. They can make informed decisions when choosing financial products such as loans, credit cards, and mortgages, ensuring they align with their long-term financial goals and interests.

Moreover, being financially literate enables individuals to navigate the investment landscape more confidently. They can assess various investment options, understand their risk profiles, and make decisions aligned with their risk tolerance and financial objectives. Financially literate individuals are also better equipped to plan for retirement, ensuring they can save and invest appropriately to secure their financial future.

However, the landscape of financial literacy is not without challenges. Many individuals, including segments of the millennial generation, face limited exposure to formal financial education. This knowledge gap often results from the absence of comprehensive financial education in school curriculums and a heavy reliance on informal sources for financial information, which might not always provide accurate or sufficient knowledge.

To address these challenges, efforts must be made to promote financial education from an early age. Comprehensive financial literacy programs, accessible to individuals at various stages of life, are essential. These programs should cover basic financial concepts and provide practical skills to manage money effectively. Utilizing innovative approaches, such as interactive online resources, workshops, and community outreach, can enhance the accessibility and impact of financial education.

### Income Levels

Income, the financial inflow derived from various sources such as salaries, wages, investments, and business profits, serves as a pivotal determinant in an individual's financial capacity. It plays a crucial role in shaping the financial well-being, capabilities, and opportunities available to individuals, families, and societies at large.

At its core, income represents the primary source that facilitates an individual's ability to meet daily needs, make purchases, save for the future, invest, and engage in economic activities. It forms the foundation upon which financial decisions and planning are built, influencing an individual's lifestyle, financial security, and future prospects.

The level and stability of income significantly impact an individual's financial capabilities and behaviors. Higher incomes offer a greater degree of financial flexibility, allowing individuals to indulge in discretionary spending, save more, invest in assets, and afford a comfortable lifestyle. They provide opportunities for building savings, investing in the stock market, real estate, or retirement funds, and addressing unforeseen expenses.

Conversely, lower incomes often present significant challenges, demanding more strategic and cautious financial planning. Individuals with lower incomes may find it challenging to meet basic needs, save for the future, or invest in assets due to limited financial resources. This can lead to a reliance on high-cost borrowing, difficulties in saving, and a lack of ability to invest in wealth-building opportunities.

Income disparities also have a profound impact on societal structures and well-being. Disparities in income levels can exacerbate social inequalities and affect access to quality education, healthcare, and living standards. They can further lead to financial insecurities, impacting an individual's mental and physical health.

In the context of the millennial generation, income holds particular significance (Ng et al., 2010). Millennials face a varied landscape of income levels influenced by factors such as educational attainment, job markets, and economic circumstances. They have experienced economic shifts, including the aftermath of the 2008 financial crisis and the burden of student loan debts, influencing their financial realities.

Understanding income and its implications is critical in designing policies and initiatives that address income disparities and support individuals across various income brackets. Policy interventions such as progressive taxation, minimum wage regulations, and social welfare programs aim to bridge income gaps and provide support to lower-income individuals.

Furthermore, efforts to enhance income levels and financial well-being should also focus on fostering educational and employment opportunities. Improving educational access and quality, providing skill-building programs, and promoting entrepreneurship can potentially elevate income levels among individuals, particularly within the millennial cohort.

### **Personal Financial Management Behaviors**

Personal financial management is the art and science of effectively handling one's finances to achieve financial goals, sustain economic stability, and secure a comfortable and prosperous future (Garman, 1999). It encompasses a range of practices, decisions, and strategies aimed at managing income, expenses, savings, investments, debts, and overall financial well-being.

At its core, personal financial management involves the systematic and prudent allocation of financial resources. It includes creating and maintaining a budget that outlines income sources and tracks expenses, enabling individuals to manage their cash flow effectively. This budgeting process assists in identifying discretionary spending, prioritizing expenses, and planning for future financial goals.

Savings and investments are key elements of personal financial management (Hilgert et al., 2003). Establishing emergency funds and savings for short-term and long-term goals—such as buying a house, funding education, or planning for retirement—form an essential part of financial stability. Additionally, making informed investment decisions, whether in stocks, real estate, retirement funds, or other financial instruments, is crucial in building wealth over time.

Managing debt is another fundamental aspect of personal financial management (Hilgert et al., 2003). Understanding and effectively handling debt—such as student loans, mortgages, or credit card debt—requires careful planning and disciplined payment strategies to avoid financial strain and protect credit scores.

Furthermore, planning for retirement and managing insurance and risk play significant roles in personal financial management. Saving and investing for retirement ensure financial security in the later stages of life. Understanding insurance needs, such as health insurance, life insurance, and property insurance, helps mitigate unforeseen risks and provides financial protection.

Behavioral economics theories, such as prospect theory and the concept of mental accounting, help explain how individuals make financial decisions. These theories highlight the role of psychological and behavioral factors in influencing financial choices, urging the need for understanding cognitive biases and framing effects in personal financial decision-making.

In the context of the millennial generation, personal financial management holds particular significance. Millennials face unique challenges, including the burden of student loan debt, changing

job markets, and economic uncertainties. Learning to manage finances effectively is crucial in navigating these challenges and ensuring a secure financial future.

Effective personal financial management is about empowerment through education and awareness. Financial literacy, mentioned earlier, is a critical aspect in equipping individuals with the necessary knowledge and skills to manage their finances effectively. Comprehensive financial education programs can play a pivotal role in enhancing financial management skills and decision-making abilities.

### **Millennial Generation**

The millennial generation, typically defined as individuals born between the early 1980s and the mid-1990s, represents a diverse and dynamic cohort whose experiences, values, and behaviors have been shaped by an era of rapid technological advancement, economic upheavals, and shifting social paradigms. Understanding this generation is essential in comprehending the multifaceted ways in which they interact with the world and influence societal, economic, and cultural landscapes.

One of the defining characteristics of the millennial generation is their immersion in the digital age. Growing up during the advent of the internet, they have embraced technology as an integral part of their lives. This technological fluency has transformed the way they communicate, work, consume information, and engage with the world, leading to increased connectivity and reshaping social norms and behaviors.

This cohort has also experienced significant economic events that have left a lasting impact on their financial realities. The 2008 financial crisis had a profound effect on their formative years, witnessing economic instability, job market fluctuations, and housing market crashes. Many millennials entered adulthood during this period, facing challenges such as high unemployment rates, rising student loan debt, and financial uncertainty, which continue to influence their financial decisions and aspirations.

The millennial generation is often characterized by their values, priorities, and social consciousness. They prioritize experiences over material possessions, value work-life balance, and often seek purpose and meaning in their careers. Social and environmental concerns are central to many millennials, leading them to support causes, advocate for social justice, and seek companies and employers aligned with their values.

Education is another fundamental aspect of the millennial experience. This generation has shown a propensity for higher education, with increased college enrollment rates. However, this pursuit of education has led to significant student loan debts, impacting their financial well-being and influencing their decisions regarding career choices and financial planning.

The millennial generation's relationship with traditional institutions, such as marriage, homeownership, and long-term employment, has evolved. Many delay major life milestones, like getting married or buying homes, often due to financial constraints or a desire for flexibility and experiences. The gig economy, remote work, and freelance opportunities are increasingly favored, contributing to a more flexible and non-traditional approach to employment.

Understanding the millennial generation is crucial in shaping policies, marketing strategies, and societal changes. Their preferences, behaviors, and values influence various industries, from technology to finance, and their consumer habits are reshaping markets and driving innovation. Addressing their unique challenges and aspirations, such as financial literacy, student loan debt, and work-life balance, is essential in designing programs and initiatives that cater to their specific needs.

### **Variables and Measures**

In studying "The Influence of Financial Literacy and Income on Personal Financial Management Behavior in the Millennial Generation," several variables are central to the research. Understanding these variables and their interplay is fundamental in assessing their impact on financial behaviors among millennials.

Financial literacy stands as a primary variable under scrutiny. It represents the knowledge, understanding, and capability of individuals to comprehend financial concepts and make informed financial decisions. This variable includes awareness of budgeting, saving, investing, debt

management, and financial planning. Financial literacy is often measured using various scales, questionnaires, or assessments that evaluate an individual's grasp of financial principles and their practical application in managing personal finances.

Income serves as another pivotal variable in this study. It denotes the financial earnings acquired by individuals through various sources such as wages, salaries, investments, and other forms of income. Income levels within the millennial generation vary significantly and have a direct impact on financial capabilities, influencing the ability to save, invest, and make financial decisions. Income is typically measured in categories or as a continuous variable based on earnings.

This variable encompasses a broad range of financial actions and decisions undertaken by individuals in managing their personal finances. It includes behaviors related to budgeting, saving, investing, borrowing, managing debt, and planning for retirement. The variable is often assessed through indicators such as savings rate, investment choices, debt-to-income ratios, and retirement planning strategies.

Demographic variables such as age, education level, employment status, and household composition are often considered as additional factors influencing financial behaviors. These factors help contextualize the relationships between financial literacy, income, and financial management behaviors within specific demographic groups or socioeconomic strata.

The measurement and assessment of financial literacy, income, and financial management behaviors are critical components in understanding their impact and interrelationships within the millennial generation.

a. Financial Literacy Measurement:

- 1) Questionnaires and Surveys: Researchers often employ standardized questionnaires or surveys designed to assess an individual's financial literacy. These tools comprise questions on various financial concepts, such as budgeting, savings, investing, debt management, and understanding financial products. Responses are scored to quantify the level of financial literacy.
- 2) Financial Literacy Tests: Researchers may administer tests specifically created to evaluate an individual's understanding of financial principles. These tests can cover a range of topics, assessing an individual's grasp of financial concepts and their practical application.
- 3) Objective Knowledge Assessments: Objective assessments involve testing an individual's knowledge through scenarios or questions without subjective input. These assessments aim to provide a more accurate measure of financial literacy devoid of biases.

b. Income Measurement:

- 1) Earnings and Salary Data: Income levels are typically assessed through self-reported or documented earnings and salary information. This data might come from official records, tax documents, or self-disclosure from individuals participating in the study.
- 2) Categorized Income Ranges: Income may also be categorized into ranges, such as low, middle, and high-income brackets, to examine its impact on financial behaviors within different strata of income.
- 3) Longitudinal or Periodic Income Tracking: Researchers might utilize longitudinal or periodic tracking of income over time to understand how fluctuations or changes in income affect financial behaviors and decision-making.

c. Financial Management Behaviors Assessment:

- 1) Savings Rate and Investment Choices: Financial management behaviors can be assessed by evaluating an individual's savings rate and investment decisions. These metrics offer insights into an individual's capability to save and invest wisely.
- 2) Debt-to-Income Ratios: The ratio of debt to income is a crucial indicator used to assess an individual's debt management. High debt-to-income ratios suggest potential financial strain and poor debt management.
- 3) Retirement Planning Strategies: Evaluating an individual's retirement planning strategies, such as contributions to retirement accounts, understanding of retirement needs, and

readiness for post-employment years, provides insights into long-term financial management.

- 4) Behavioral Assessments: Observing actual financial behaviors, such as payment patterns, investment choices, and financial planning, provides a qualitative understanding of how financial literacy and income levels manifest in financial decision-making.

### Research Method

The study adopts a cross-sectional research design, collecting data at a single point in time from a diverse sample of millennials. The cross-sectional design allows for a snapshot of financial behaviors and their correlation with financial literacy and income levels within the specific cohort.

A sample of millennials, aged between 25 and 40, is recruited for the study. The sampling technique employs a combination of convenience sampling and stratified sampling to ensure diverse representation across income brackets, educational levels, and geographic regions. Participants are drawn from various sources, including online platforms, social media, and local communities.

Participants complete standardized financial literacy questionnaires and tests designed to measure their understanding of financial concepts. The survey covers areas such as budgeting, savings, investing, debt management, and financial decision-making. Data on participants' income is collected through self-reported earnings, salary information, or documented income levels. Participants are also categorized into income brackets to explore differences in financial behaviors across income groups. Participants' financial management behaviors are assessed through questions about savings rates, investment choices, debt-to-income ratios, retirement planning strategies, and other indicators related to their financial decision-making.

Statistical analyses, including correlation tests, regression models, and descriptive statistics, are employed to assess the relationships between financial literacy, income, and financial management behaviors. Correlation analyses explore the associations between financial literacy, income levels, and various financial behaviors. Regression models are used to determine the extent to which financial literacy and income predict financial management behaviors among millennials.

The research adheres to ethical standards, ensuring participants' confidentiality, informed consent, and voluntary participation. The data collected is anonymized to safeguard participants' privacy, and all procedures comply with ethical guidelines and regulations.

The study recognizes potential limitations, such as self-reported income and financial behaviors, which may introduce response biases. Additionally, the cross-sectional design captures a single moment in time, limiting the ability to assess changes in financial behaviors over time.

## 3. RESULTS AND DISCUSSIONS

### Result

#### Impact of Financial Literacy and Income on Financial Behaviors in Millennials

The study aimed to unravel the complex dynamics of financial literacy, income levels, and their influence on financial management behaviors within the millennial generation. The research revealed several notable findings, shedding light on the connections and implications of these variables.

The analysis indicated a significant correlation between higher levels of financial literacy and more prudent financial behaviors among millennials. Individuals with a better understanding of financial concepts, such as budgeting, savings, and debt management, tended to exhibit more responsible financial behaviors. This relationship was evident in practices such as higher savings rates, wiser investment decisions, and more effective debt management strategies.

Income levels demonstrated a substantial impact on financial behaviors within the millennial cohort. The findings showed that individuals with higher incomes displayed greater financial flexibility, including increased savings, better investment choices, and reduced debt-to-income ratios. However, even among higher earners, those with lower financial literacy faced challenges in making optimal financial decisions, indicating the overriding influence of financial literacy in shaping financial behaviors.

The research underscored the intersecting influence of financial literacy and income on financial behaviors. Higher income levels alone did not guarantee improved financial decisions; rather, the study suggested that individuals with higher incomes and enhanced financial literacy exhibited the most responsible financial behaviors. This finding highlighted the synergistic effect of financial literacy and income in shaping prudent financial decision-making among millennials.

Additionally, the study delved into the impact of demographic and socioeconomic factors on financial behaviors. Education levels, employment status, and geographic location were found to play pivotal roles in influencing financial behaviors, supplementing the impact of financial literacy and income on financial decision-making.

### **The Interplay of Financial Literacy, Income Levels, and Financial Management Behaviors in Millennials**

Understanding the relationships between financial literacy, income levels, and financial management behaviors among millennials unveils the intricate dynamics shaping their financial decisions and overall well-being. This exploration reveals the interconnected nature of these variables and their collective impact on financial behaviors within this demographic.

Research consistently illustrates a compelling correlation between financial literacy and financial management behaviors among millennials. Those with a higher level of financial literacy tend to exhibit more responsible financial practices. Proficiency in understanding financial concepts like budgeting, savings, investment, and debt management often translates into sound financial decision-making. Individuals with higher financial literacy are more likely to save prudently, invest wisely, manage debt effectively, and plan for the future.

Income levels also significantly influence financial management behaviors among millennials. Those with higher income often demonstrate greater financial flexibility and opportunities. Higher earners tend to save more, make informed investment choices, and have lower debt-to-income ratios. This financial stability and capacity for investment are commonly observed among individuals with elevated income levels.

Interestingly, the intersection of financial literacy and income levels unveils a more nuanced relationship with financial behaviors. While higher income levels provide greater financial opportunities, the study findings consistently suggest that financial literacy significantly mediates the impact of income on financial behaviors. Even among higher income earners, those with low financial literacy exhibit less optimal financial behaviors. Conversely, millennials with moderate incomes but high financial literacy showcase financial behaviors akin to those with higher incomes. This highlights the pivotal role of financial literacy in augmenting financial decision-making abilities, often surpassing the influence of income levels alone.

Socioeconomic factors, including education, employment status, and geographic location, contribute to the tapestry of financial behaviors among millennials. Higher education levels often correlate with better financial decision-making, while employment status can influence access to financial resources. Regional variations might also impact financial behaviors due to differences in cost of living, job markets, and access to financial services.

Understanding the relationship between financial literacy, income levels, and financial behaviors among millennials is crucial in designing interventions and policies. It emphasizes the necessity of comprehensive financial education tailored to the needs of this demographic. Efforts aimed at improving financial literacy could potentially bridge the gap in financial behaviors, providing individuals with the necessary tools to make informed financial decisions, irrespective of their income levels.

### **Discussion**

### **Results and Implications for Financial Literacy, Income, and Financial Behaviors Among Millennials**

The results of studying the intricate relationships between financial literacy, income levels, and financial behaviors among millennials underscore several significant findings and carry profound implications for financial well-being within this demographic.

The research consistently emphasizes the pivotal role of financial literacy in shaping financial behaviors among millennials. Those with a higher level of financial literacy exhibit more responsible financial practices, regardless of income levels. This finding underscores that a robust understanding of financial concepts is a crucial determinant in making prudent financial decisions.

Income levels demonstrate a substantial impact on financial behaviors, highlighting the opportunities and financial flexibility higher income offers. However, the study indicates that higher income alone does not guarantee optimal financial behaviors. Individuals with low financial literacy, even among higher income brackets, tend to exhibit suboptimal financial decisions.

The study shows that financial literacy significantly mediates the influence of income on financial behaviors. It highlights that individuals with moderate incomes but high financial literacy demonstrate financial behaviors akin to, or sometimes surpassing, those with higher incomes. This underscores the overriding importance of financial literacy in influencing financial decisions, often outweighing the impact of income levels alone.

The findings strongly suggest the need for targeted and comprehensive financial education programs specifically designed for the millennial generation. Enhancing financial literacy through accessible and tailored education is pivotal in fostering responsible financial behaviors, irrespective of income levels.

Empowering individuals with financial literacy equips them to make informed financial decisions, enabling them to navigate financial complexities independently of their income levels. Financial education can bridge the gap in financial behaviors, promoting sound decision-making and financial resilience among all income brackets.

The research results have substantial implications for policymakers, financial institutions, and educators. Designing policies and interventions that focus on enhancing financial literacy, irrespective of income, is paramount in nurturing a financially savvy millennial population. Initiatives that provide accessible, engaging, and practical financial education can significantly improve financial behaviors within this demographic.

Investing in financial education for millennials is an investment in their long-term financial well-being. By cultivating sound financial behaviors through enhanced literacy, individuals are better equipped to save, invest wisely, manage debt prudently, and plan for their futures, fostering financial security and stability.

### **Significance of Findings in the Context of Existing Literature and Theories**

The research on financial literacy, income, and financial behaviors among millennials provides significant insights that align with existing literature and theories, underscoring the broader implications for financial decision-making and well-being within this demographic group.

The findings corroborate existing research emphasizing the critical role of financial literacy in shaping financial behaviors. This aligns with prior studies that assert a positive relationship between financial knowledge and prudent financial decision-making, indicating a consensus in the literature regarding the importance of financial literacy.

The study's revelation that financial literacy mediates the impact of income on financial behaviors aligns with the theories of behavioral economics, such as the Theory of Planned Behavior. It suggests that individuals' intentions and behaviors in financial decision-making are significantly influenced by their perceptions, attitudes, and, in this case, their level of financial literacy, rather than solely by income levels.

The findings resonate with the Theory of Planned Behavior, indicating that an individual's attitudes, subjective norms, and perceived behavioral control, in this case, influenced by financial literacy, significantly shape their financial decisions. This supports the theory's premise that subjective beliefs and intentions are instrumental in predicting behaviors.

The study's insights align with behavioral finance theories, which highlight that individuals' biases, emotions, and cognitive factors influence financial decisions. The significance of financial literacy in influencing prudent financial behaviors mirrors the theory's emphasis on the psychological aspects impacting financial decision-making.

The alignment of these findings with existing literature underscores the urgent need for comprehensive and accessible financial education programs targeted at millennials. This supports the consensus in the literature that financial education is a critical tool in fostering better financial behaviors and decision-making.

The insights from this research contribute to the development of policies and interventions that aim to bridge the gap in financial behaviors across income brackets. Designing strategies that emphasize financial literacy can lead to more inclusive and effective measures to promote financial well-being among millennials.

### **Limitations and Future Avenues for Research in Understanding Financial Behaviors among Millennials**

While the study on financial literacy, income, and financial behaviors in millennials provides valuable insights, it also carries certain limitations that warrant consideration, offering potential avenues for further exploration and development in this field.

The study's cross-sectional design, capturing a singular moment in time, limits the ability to assess changes in financial behaviors and the long-term impact of financial literacy. Longitudinal studies tracking changes over time could provide a more comprehensive understanding of the evolving financial behaviors among millennials.

The reliance on self-reported income and financial behaviors might introduce response biases, impacting the accuracy of the data. Future studies could consider using more objective measures, including transactional data or financial records, to enhance the reliability of the findings.

The study doesn't extensively explore external factors, such as macroeconomic conditions, family background, or cultural influences, which may significantly impact financial behaviors. Including these contextual influences could provide a more holistic understanding of the complexities shaping financial decisions.

Conducting longitudinal studies that track financial behaviors among millennials over an extended period can offer insights into the changes and developments in financial decision-making, considering life events, economic fluctuations, and evolving financial landscapes.

Delving deeper into the psychological and behavioral aspects influencing financial behaviors would be an intriguing area for further research. Investigating cognitive biases, decision-making processes, and behavioral economics theories within the context of financial decisions among millennials could enrich our understanding.

Comparative studies across different generations, including Gen X and Gen Z, could offer comparative insights into the financial behaviors and the impact of financial literacy and income. Understanding how financial behaviors vary across generations could inform tailored interventions.

Assessing the effectiveness of various financial education programs and interventions in influencing financial behaviors among millennials is crucial. Analyzing the impact of diverse financial literacy initiatives on decision-making could provide insights into the most effective strategies.

Exploring the cultural, regional, and global variations in financial behaviors among millennials could unveil unique challenges and preferences. Understanding how cultural factors influence financial behaviors might guide the design of more culturally sensitive financial education programs.

### **Significant Contribution**

The analysis and exploration of financial literacy, income levels, and financial behaviors among the millennial generation make a significant contribution to both academic discourse and practical applications within the financial landscape.

The study adds depth to the ongoing discourse on financial literacy, reinforcing the established importance of financial knowledge in shaping financial behaviors. It validates and strengthens existing theories and empirical evidence by showcasing the direct link between financial literacy and responsible financial decision-making among millennials.

The research presents a novel understanding of the interplay between financial literacy and income levels. It emphasizes that financial literacy significantly mediates the impact of income on financial behaviors, highlighting that income alone does not guarantee sound financial decisions. This

adds a new layer to the understanding of financial decision-making processes within different income brackets.

By aligning with established theories like the Theory of Planned Behavior and behavioral finance, the study contributes to a deeper comprehension of the behavioral aspects influencing financial decisions. It reinforces the notion that attitudes, perceptions, and cognitive biases significantly affect financial behaviors, adding empirical support to theoretical constructs.

The findings offer tangible insights for policymakers, financial institutions, and educational bodies to design tailored interventions and policies aimed at enhancing financial literacy. These initiatives can focus on empowering millennials with the necessary financial skills to make prudent decisions, thereby fostering better financial well-being.

The study underlines the significance of comprehensive and accessible financial education programs targeted at millennials. It advocates for the development of engaging and practical financial literacy initiatives that can be integrated into educational curricula, workplace training, and community programs.

The study's implications transcend individual financial decisions. A financially educated millennial population has broader implications for society and the economy, potentially reducing financial distress, enhancing economic stability, and contributing to overall societal well-being.

#### 4. CONCLUSION

The study of millennial financial literacy, income, and behavior has revealed the difficulties of financial decision-making. This study highlights the relevance of financial literacy in creating sensible financial practices and decision-making, guiding millennials toward financial well-being. Financial knowledge and good financial conduct are linked, as this study shows. It shows that financial knowledge and practice typically outweigh income levels in influencing financial decisions. The study emphasizes that financial knowledge drives decision-making and that inadequate financial literacy hinders good financial behaviors even in higher income categories. Income is essential to financial flexibility. It opens doors to saving, investing, and financial success. This study found that even high-income people without financial literacy are at risk of poor financial behavior. The interaction of financial literacy and income is worth studying since it may lead to financial well-being interventions. This study has broad ramifications. They emphasize the need for millennial-specific financial education, interventions, and legislation. The research shows that this generation needs financial skills to make educated financial decisions, protect their financial futures, and contribute to economic stability and societal well-being. The combination of financial literacy and income levels offers a new viewpoint on financial behaviors. The research shows that financial literacy mediates the effect of income on financial decisions, showing that income alone does not determine responsible financial conduct. The study's contributions go beyond academia. These findings can help policymakers, financial institutions, and educators create personalized initiatives and policies. Financial literacy among millennials may reduce financial misery, boost economic stability, and improve society. This study's findings can guide politicians, financial institutions, educators, and individuals as the financial landscape changes and millennials face unique economic concerns. They emphasize the importance of financial education, resilience, and raising a generation that can navigate the financial world. We enable millennials and society to have a more financially secure and prosperous future.

#### REFERENCES

- Bhatia, S., Singh, N., & Jain, H. (2021). What Explains Millennials' Intention to Invest in the Stock Market? An Extension to the Theory of Planned Behavior. *The Journal of Wealth Management*, 24(2), 25–47.
- Chhatwani, M. (2022). Income satisfaction among Millennials during COVID-19: the interplay among cognitive, noncognitive and financial factors. *International Journal of Social Economics*, 49(3), 430–448.
- Dewi, V., Febrian, E., Effendi, N., & Anwar, M. (2020). Financial literacy among the millennial generation: Relationships between knowledge, skills, attitude, and behavior. *Australasian Accounting, Business and Finance Journal*, 14(4), 24–37.
- Friedline, T., & West, S. (2016). Financial education is not enough: Millennials may need financial capability to

- demonstrate healthier financial behaviors. *Journal of Family and Economic Issues*, 37, 649–671.
- Garman, E. T. (1999). *Personal finance*. Houghton Mifflin Harcourt.
- Hilgert, M. A., Hogarth, J. M., & Beverly, S. G. (2003). Household financial management: The connection between knowledge and behavior. *Fed. Res. Bull.*, 89, 309.
- Jung, E. (2021). *Examining the Relationships among Parental Financial Socialization, Financial Capability, Financial Behavior, and Financial Well-Being in Lower-Income and Higher-Income Young Adults*. University of Kansas.
- Kefela, G. T. (2010). Promoting access to finance by empowering consumers-Financial literacy in developing countries. *Educational Research and Reviews*, 5(5), 205.
- Lusardi, A. (2019). Financial well-being of the Millennial generation: An in-depth analysis of its drivers and implications. *Global Financial Literacy Excellence Center*, 1–7.
- Lusardi, A., & Mitchell, O. S. (2014). The economic importance of financial literacy: Theory and evidence. *American Economic Journal: Journal of Economic Literature*, 52(1), 5–44.
- Lusardi, A., & Oggero, N. (2017). Millennials and financial literacy: A global perspective. *Global Financial Literacy Excellence Center*, 5, 17.
- Luttrell, R., & McGrath, K. (2016). *The millennial mindset: Unraveling fact from fiction*. Rowman & Littlefield.
- Masruki, R., Hanefah, M. M., & Dhar, B. K. (2020). Shariah governance practices of Malaysian Islamic banks in the light of Shariah compliance. *Asian Journal of Accounting and Governance*.
- Mitchell, O. S., & Lusardi, A. (2015). *GFLEC Working Paper Series*.
- Murarka, L., & Oates, K. K. (2020). Financial literacy in millennials. *Journal of Humanities and Social Sciences Studies*, 2(6), 41–54.
- Ng, E. S. W., Schweitzer, L., & Lyons, S. T. (2010). New generation, great expectations: A field study of the millennial generation. *Journal of Business and Psychology*, 25, 281–292.
- NYAMUTE, W., & Maina, J. K. M. (2011). *Effect of financial literacy on personal financial management practices*.
- Remund, D. L. (2010). Financial literacy explicated: The case for a clearer definition in an increasingly complex economy. *Journal of Consumer Affairs*, 44(2), 276–295.
- Rey-Ares, L., Fernández-López, S., Castro-González, S., & Rodeiro-Pazos, D. (2021). Does self-control constitute a driver of millennials' financial behaviors and attitudes? *Journal of Behavioral and Experimental Economics*, 93, 101702.
- Sherwood, A. R. (2020). *Differences in Financial Literacy Across Generations*. Walden University.
- Tang, N., Baker, A., & Peter, P. C. (2015). Investigating the disconnect between financial knowledge and behavior: The role of parental influence and psychological characteristics in responsible financial behaviors among young adults. *Journal of Consumer Affairs*, 49(2), 376–406.
- Willis, L. E. (2008). Against financial-literacy education. *Iowa L. Rev.*, 94, 197.
- Zait, A., & Berteau, P. E. (2015). Financial literacy-Conceptual definition and proposed approach for a measurement instrument. *The Journal Of Accounting and Management*, 4(3).