

Role of Financial Literacy in Shaping the Personal Financial Management of Millennials

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Abstract

Despite the popularization of various financial products and services, effective personal financial management remains a significant challenge for millennials, who are at a key life stage where financial literacy greatly impacts their financial decisions in Sri Lanka. Yet, financial literacy plays a critical role in encouraging individuals to make informed financial decisions and achieve financial stability by optimizing their personal financial management skills. The financial literacy survey of Sri Lanka (2021) highlights that the overall financial literacy score of 18-29 age group is 12.81 out of 21. Since millennials fall within the said age group, it becomes particularly interesting to examine how their level of financial literacy influences their personal financial management practices. Hence, this study examines the multifaceted influence of financial literacy components: awareness, knowledge, skills, attitudes, and behavior, on personal financial management practices of the distinctive millennial population of Gampaha District, consists of a unique blend of urban and rural environments, presenting a different socioeconomic landscape. The study utilized a quantitative method following a deductive approach, employing a cross-sectional survey and convenience sampling to gather 324 responses. A pilot study was carried out before the mass survey. Reliability and validity tests, along with assessments of normality and outliers, verified the dataset's robustness. After conducting demographic and descriptive analyses, a multiple regression analysis was carried out to evaluate the hypotheses. The findings showed a significant positive impact of every sub-dimension of financial literacy on personal financial management of millennials. The findings emphasize the need to improve financial behavior and knowledge, which were identified as the most influential factors, along with awareness, skills, and attitudes. As a result, this study underlines the importance of customized financial education initiatives tailored to millennials, with an emphasis on practical skill development and behavioral changes. These findings provide useful empirical information for policymakers, educators, and financial institutions to develop interventions that target the unique financial issues of millennials.

Keywords: financial literacy, Gampaha district, millennials, personal financial management