

Impact of Financial Literacy on Saving and Spending Habits among Young Generation in Kurunegala District of Sri Lanka

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Abstract

This study investigates the impact of financial literacy on the saving and spending habits of the young generation in the Kurunegala District of Sri Lanka. The research problem arises as many youths face financial stress due to weak saving practices, excessive spending, and limited awareness of money management, despite access to financial services. Financial literacy, defined as the knowledge and skills to manage money effectively, is examined under four dimensions: investment literacy, credit management, budgeting, and understanding interest rates. The main objective is to assess how these factors influence saving and spending behaviour. A quantitative method was applied, and data were collected through a structured questionnaire from 384 respondents aged 18–35, selected using Krejcie and Morgan’s sampling table to ensure statistical validity and representativeness. Data analysis was conducted using descriptive statistics, correlation, and regression analysis through SPSS. The findings show that budgeting and credit management have the strongest positive effects on saving and spending habits, while investment literacy and knowledge of interest rates also show significant, though smaller, impacts. The study highlights that financial literacy enables young people to save regularly, control unnecessary expenses, and make informed financial decisions. These results are valuable for policymakers, educators, and financial institutions to design effective financial education programmes that enhance financial capability and promote long-term financial stability among youth.

Keywords: budgeting, credit management, financial literacy, interest rates, saving and spending habits