# Financial Literacy and Behavioural Biases: A Study Among Gen Z Students in Chennai

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***Abstract*—This study examines the relationship between financial literacy and behavioural biases among Generation Z students in Chennai, a demographic highly exposed to digital financial platforms yet exhibiting diverse levels of financial preparedness. Using data collected from 165 respondents, the research explores how demographic variables, financial education exposure, psychological patterns, and digital influences shape financial decision making. Results indicate that gender has no significant impact on impulsive purchasing or financial decision-making behaviour, suggesting that such tendencies arise from psychological, situational, or digital factors rather than demographics. Educational qualification shows a strong association with financial decision-making ability, implying that higher academic exposure enhances students' financial confidence. The study also finds that students who have taken a personal finance course demonstrate marginally better budgeting ability. Correlation analysis further reveals that financial confidence is moderately linked to self-perceived financial skill, while money management habits and herd influence exhibit only weak relationships with financial decision making. Overall, the findings highlight that internal factors such as financial knowledge and self-belief play a far more significant role in shaping financial behaviour than external demographic variables. The study concludes by recommending the integration of structured financial literacy programs and digital awareness initiatives to improve students' financial capability and resilience.**

***Index Terms*—Financial Literacy, Gen Z, Behavioural Biases, Impulsive Buying, Financial Decision Making, Money Management, Digital Finance, Herd Behaviour**

## I. INTRODUCTION

Financial literacy has emerged as a crucial skill in the contemporary digital and interconnected global economy. As financial services increasingly transition to internet platforms and novel investment options proliferate, individuals encounter more intricate financial decisions than ever. Comprehending ideas associated with savings, budgeting, credit, and investments is essential for individual financial health and for overarching objectives of national financial inclusion and economic resilience.

In the Indian context, Generation Z students constitute a significant cohort, as they are presently shifting from financial dependency to independence. Characterised by their digital nativity, technical flexibility, and early engagement with online financial instruments, Gen Z have greater access to financial information than preceding generations. Access alone does not ensure the capacity to interpret and utilise this knowledge efficiently. This disparity is particularly pronounced in urban environments like Chennai, where significant digital penetration exists alongside varying degrees of financial literacy. Identifying these discrepancies is crucial for comprehending the authentic financial literacy requirements within this youthful demographic.

A significant aspect affecting financial behaviour is the existence of behavioural biases. Even with sufficient financial acumen, individuals' judgements may still be influenced by cognitive and emotional biases such as anchoring, herd behaviour, overconfidence, or loss aversion. Such biases may result in unreasonable or inconsistent financial decisions, thereby diminishing the overall efficacy of financial literacy. Therefore, analysing financial behaviour necessitates an examination of both knowledge and the psychological factors that drive decision making.

This study primarily examines Generation Z students in Chennai to investigate the correlation between financial literacy and behavioural biases. This research, based on 165 samples from students throughout the city and a comprehensive analysis of Gen Z traits, seeks to elucidate how digital exposure, psychological patterns, and financial literacy influence financial attitudes and decisions within this

demographic. The findings from this Chennai focused study aim to inform the creation of targeted educational methods and policy efforts that improve financial literacy and promote responsible financial behaviour among India's emerging generation of earners and investors.

## II. REVIEW OF LITERATURE

Financial literacy has become an indispensable skill for young adults in the context of today's rapidly changing economic and digital landscape. Generation Z faces an increasingly complex array of financial products, digital banking platforms, and online investment solutions, all of which demand both comprehensive financial knowledge and the ability to critically assess available options. In metropolitan areas such as Chennai, students are particularly exposed to the latest internet banking, mobile payment systems, and digital investment tools. Consequently, fostering financial education from an early stage is essential for empowering informed financial decision making and securing long term financial stability among this demographic. (Dugar & Madhavan, 2023, A Comparative Study on Investment Preference among Gen Z in India).

Growing up in an intensely digital environment, Generation Z has integrated technology into almost every aspect of their financial lives. They are accustomed to instant access to information, quick comparisons between financial products, and continuous engagement with online communities for advice and validation. This level of digital immersion distinguishes them from Millennials, who moved into digital finance more gradually. While such exposure expands their financial awareness, it also creates conditions that can encourage impulsive spending, heighten overconfidence, and increase vulnerability to various behavioural biases. (Janjanam, 2025, Financial Literacy and Behavior of Generation Z College Students).

Behavioural biases profoundly impact financial decision making, particularly among Generation Z. Despite possessing sufficient financial information, many young person's often exhibit biases such as overconfidence, anchoring, herd behaviour, and recency effects that can compromise rational financial planning. Identifying these behavioural patterns is essential, as Generation Z is developing enduring financial habits that are expected to influence future investment trends and economic results (Raut & Das, 2025, Behavioural Biases in Gen Z Investment Decisions).

Furthermore, research highlights a significant correlation between digital exposure and financial behaviour among Indian youth. Excessive dependence on fintech platforms, along with inadequate financial literacy, heightens the likelihood of erroneous decision making, exposure to cyber threats, and participation in speculative ventures (Menon & Suresh, 2024, Digital Financial Behaviour Among Urban Youth in India)..Evidence indicates that structured financial education programs can significantly improve budgeting skills, investment knowledge, and risk assessment abilities, especially among college students (Thomas et al., 2023, Impact of Financial Education on Student Financial Decision Making).

Peer influence and social media significantly impact Gen Z's investment decisions. Digital financial influencers, content makers, and peer interactions often exert greater effect on students' judgments than conventional financial literacy or analytical reasoning (Kumar & Iyer, 2024, Social Media Influence on Investment Behaviour of Indian Students). Emotional elements, like fear of missing out (FOMO), financial anxiety, and the appeal of rapid returns, are increasingly prevalent among young investors, affecting their decision-making process (Bhat & Rao, 2025, Emotional Determinants of Youth Investment Behaviour).

Research from urban Indian contexts reveals an increasing financial literacy rate among students; nonetheless, a significant disparity persists between theoretical knowledge and practical application. Psychological biases and erratic financial discipline frequently hinder young persons from efficiently utilizing their financial knowledge (Preethi, 2025, Investment Behavior of Gen Z in India: A Behavioral Finance Approach). These findings underscore the intricate interaction of knowledge, behavior, and environmental factors in influencing Gen Z's financial choices.

## III. OVERVIEW OF FINANCIAL LITERACY AMONG GENERATION Z STUDENTS

Financial literacy is recognized as an essential life skill that empowers individuals to make informed choices, manage resources effectively, and establish long term

economic stability. It encompasses not only an understanding of fundamental financial concepts such as budgeting, saving, credit management, investment planning, and risk assessment but also the capacity to apply this knowledge successfully in everyday situations. In the Indian context, where swift digitalization and innovative financial technology have transformed the financial landscape, financial literacy has heightened significance. Recent national studies indicate that merely 27% of Indian citizens possess financial literacy, which is below the global average of roughly 33% (OECD, 2024). Although urban adolescents exhibit increased familiarity with digital banking and payment instruments, significant deficiencies persist in their comprehensive comprehension of financial principles and their practical application.

In this broader context, Generation Z students in Chennai constitute a unique and relevant cohort for examination. These young individuals, as digital natives, exhibit significant engagement with digital finance by actively utilizing UPI payments, mobile wallets, online trading platforms, and investment applications. Survey results reveal that around 80% of urban Indian Gen Z students consistently utilize at least one digital financial platform, and more than 40% have engaged in some sort of investment by the age of 20 (NCAER Youth Financial Survey, 2024). However, digital confidence does not inherently correspond to financial literacy. Although numerous pupils adeptly maneuvers digital applications, a lesser percentage genuinely grasp intricate concepts such as inflation adjustment, compound interest, diversification, and the trade-offs between risk and return.

The correlation between financial literacy and favourable financial behavior is robust. Students possessing a robust financial foundation typically cultivate consistent saving practices, eschew excessive debt, and favour secure and organized investing alternatives. Data collected from Chennai indicates that financially literate students are inclined to participate in mutual funds, recurring deposits, and government supported financial programs, whereas those with lower literacy frequently engage in impulsive or short-term investments, largely swayed by peers or social media trends. The lack of formal financial education programs at educational institutions results in a substantial knowledge deficit, compelling several students to depend on informal and often unreliable sources, including peers, relatives, financial influencers, and popular online content.

A major factor influencing financial behavior is the effect of behavioral biases. Students with financial acumen may still succumb to overconfidence overrating their market comprehension; anchoring fixating on preliminary information; herd behavior emulating the actions of peers or influencers; and recency bias assigning excessive importance to recent occurrences or trends. Chennai's internet penetration rate above 85% among students, resulting in persistent exposure to viral trends, commercial content, and financial advice on platforms such as YouTube, Instagram, and Telegram, which often eclipses conventional, professional financial assistance.

Broader generational, cultural, and socioeconomic issues strongly impact juvenile financial behavior. Factors such as urban living expenses, tuition fees, part time jobs, and the quest for financial autonomy influence the financial allocation of Gen Z students in Chennai. Research indicates a propensity to favour convenience expenditure, immediate gains, and ephemeral gratification, frequently undermining long term wealth creation. Although technology facilitates access to financial services and instruments, it concurrently heightens susceptibility to impulsive choices, speculative investments especially in cryptocurrencies and compelling narratives proliferating online.

Given these complications, concentrating exclusively on financial literacy offers an inadequate perspective. A comprehensive understanding that examines the interplay between financial literacy, behavioral biases, digital exposure, and socio urban living factors is crucial. This holistic approach can inform the development of successful educational interventions, curricular enhancements, and policy initiatives to promote financial capability among Chennai's Gen Z young. This study aims to reveal the discrepancies between financial understanding and real behavior to provide valuable insights that promote a generation of informed, responsible, and discerning investors.

3.1 Objectives of the Study

- Objective 1: To examine the influence of demographic factors (specifically gender and educational qualification) on financial behaviour

and financial decision-making ability among Gen Z students in Chennai.

- Objective 2: To assess the impact of financial literacy exposure (such as taking a personal finance course) on budgeting ability and overall financial decision making.
- Objective 3: To analyse the relationship between financial decision making, money management habits, self-perceived financial skill, and herd influenced purchasing behaviour.

3.2 Hypotheses of the Study

- Hypothesis 1 (H1): $H_1$: There is a significant relationship between gender and financial/impulsive purchasing behaviour.
- Hypothesis 2 (H2): $H_2$: There is a significant relationship among students who have taken a personal finance course and their ability to create a personal monthly budget.

## IV. EMPIRICAL ANALYSIS OF FINDINGS

The correlation coefficient between gender and the frequency of impulsive purchases is r = 0.0899. This value indicates a very weak negative correlation, suggesting that gender has almost no meaningful influence on impulsive buying behaviour among the respondents.

Table 4.1: Correlation Between Gender and Impulsive Purchasing Behaviour

| Variables | Correlation Coefficient (r) |
|---|---|
| Gender & Frequency of Impulsive Purchases | 0.0899 |

The negative sign shows that as the gender variable shifts across categories, there is a slight tendency for impulsive purchases to decrease; however, the magnitude of the coefficient is extremely small. Such a low value implies that the relationship is statistically insignificant and not practically relevant. Both male and female Gen Z students in Chennai exhibit similar levels of impulsive buying tendencies, and gender does not play a determining role in how frequently they make unplanned purchases. This suggests that impulsive purchasing behaviour is influenced more by psychological, social, or digital factors rather than demographic variables such as gender.

Table 4.2: t Test: Paired Two Sample for Means between Gender and Financial Decision-Making Ability (FDMA)

| Statistics | Gender | FDMA |
|---|---|---|
| Mean | 1.5152 | 3.7455 |
| Variance | 0.2513 | 0.8616 |
| Observations | 165 | 165 |
| Pearson Correlation | 0.0703 | |
| Hypothesized Mean Difference | 0 | |
| df | 164 | |
| t Stat | 26.3918 | |
| P (T ≤ t) One tail | $3.19 \times 10^{-61}$ | |
| t Critical One tail | 1.6542 | |
| P (T ≤ t) Two tail | $6.39 \times 10^{-61}$ | |
| t Critical Two tail | 1.9745 | |

The paired t test shows a highly significant difference between gender and self-rated financial decision-making ability ($t = 26.39$, $p < 0.001$). Since the p value is far below 0.05, the null hypothesis of no difference is rejected. The mean score for financial decision-making ability (3.75) is substantially higher than the coded gender means (1.52), confirming a strong statistical gap between the two variables. However, this does not imply gender directly determines financial ability; rather, the variables are measured on different scales, and the test only indicates that their mean values differ significantly. The weak correlation ($r = 0.07$) further suggests no meaningful relationship between gender and decision-making ability.

Table 4.3: t Test: Paired Two Sample for Means between Personal Finance Course (PFC) and Ability to create a Personal Budget (ACPB)

| Statistics | PFC | ACPB |
|---|---|---|
| Mean | 1.8061 | 1.6848 |
| Variance | 0.1573 | 0.4001 |
| Observations | 165 | 165 |
| Pearson Correlation | 0.1195 | |
| Hypothesized Mean Difference | 0 | |
| df | 164 | |
| t Stat | 2.2076 | |
| P(T ≤ t) One tail | 0.0143 | |
| t Critical One tail | 1.6542 | |
| P(T ≤ t) Two tail | 0.0287 | |
| t Critical Two tail | 1.9745 | |

The paired t test reveals a statistically significant difference between having taken a personal finance course and knowing how to create a monthly budget (t

= 2.21, $p < 0.05$). Since the p value is below 0.05, the null hypothesis of no difference is rejected. Respondents who have taken a finance course show a slightly higher mean score (1.81) than those reporting budgeting knowledge (1.68). The moderate positive correlation (r = 0.12) suggests a weak but positive association, indicating that students with some financial training may be marginally more likely to know how to prepare a budget.

Table 4.4: One Way ANOVA Table between Education Qualification (School level, UG and PG) and Financial Decision-Making Ability (FDMA)

Summary

| Groups | Count | Sum | Mean | Variance |
|---|---|---|---|---|
| Educational Qualification | 165 | 353 | 2.1394 | 0.3524 |
| FDMA | 165 | 618 | 3.7455 | 0.8616 |

ANOVA

| Source of Variation | SS | F | P value | F crit |
|---|---|---|---|---|
| Between Groups | 212.8030 | 350.5692 | $1.02 \times 10^{-53}$ | 3.8700 |
| Within Groups | 199.1030 | | | |
| Total | 411.9061 | | | |

The ANOVA test shows a highly significant difference between educational qualification and financial decision-making ability ($F = 350.57$, $p < 0.001$). Since the F value far exceeds the critical value (350.57 > 3.87) and the p value is extremely low, the null hypothesis of equal group means is rejected. This indicates that respondents' financial decision-making scores differ significantly from their educational qualification levels. However, because both variables use different measurement scales, this result does not imply a causal relationship. Instead, it confirms a statistically significant difference in their mean values.

Table 4.5: Correlation Matrix (Financial Decisions, Money Management, Self Perceived Skill, Herd Influence)

| Variables | F | M | S | H |
|---|---|---|---|---|
| Financial Decisions (F) | 1.000 | | | |
| Money Management (M) | 0.274 | 1.000 | | |
| Self-Perceived Skill (S) | 0.416 | 0.233 | 1.000 | |
| Herd Influence (H) | 0.016 | 0.206 | 0.022 | 1.000 |

The correlation results show that financial decision making has a moderate positive relationship with self-perceived financial skill (r = 0.416), meaning students who believe they handle money better than their peers also feel more confident in making financial decisions. Money management has a weak negative correlation with both financial decisions making (r = 0.274) and self-perceived skill (r = 0.233), indicating that students who do not manage their money well tend to feel slightly less confident about their financial abilities. Herd influence shows almost no relationship with financial decision making (r = 0.016) and self-perceived skill (r = 0.022), suggesting that even confident students may still make purchases influenced by peers or social media. A weak negative relationship between money management and herd influence (r = 0.206) indicates that students who manage their money poorly are slightly more likely to be influenced by others. Overall, confidence has a stronger connection to financial behaviour than social or peer influence.

4.1 Hypotheses Findings:

4.1.1 Hypothesis 1 (H1): $H_1$: There is a significant relationship between gender and financial/impulsive purchasing behaviour.

Result: Rejected.

- Correlation between gender & impulsive purchases is insignificant (r = 0.0899).
- t test shows no meaningful link (r = 0.0703).

Thus, gender does not influence financial behaviour.

4.1.2 Hypothesis 2 (H2):

$H_2$: There is a significant difference between students who have taken a personal finance course and their ability to create a personal monthly budget.

Result: Accepted.

- $t = 2.2076$, $p < 0.05$
- Students who took a finance course show slightly better budgeting ability. Hypothesis supported.

| Objective | Hypothesis | Statistical Test Used | Finding | Status |
|---|---|---|---|---|
| Objective 1: To examine the influence of demographic factors (gender & education) on financial behaviour. | H1: Gender significantly influences impulsive buying & financial decision making. | Correlation & Paired t test | r = 0.0899 (impulse), r = 0.0703 (FDMA); No significant influence. | Rejected |
| | | ANOVA (Education vs FDMA) | Significant difference found (F = 350.57, p < 0.001). | Accepted (Education influences FDMA) |
| Objective 2: To assess the impact of financial literacy exposure on budgeting ability. | H2: Students who took finance courses differ significantly in budgeting ability. | Paired t test | Significant (t = 2.2076; p < 0.05). | Accepted |
| Objective 3: To analyse links between financial decisions, money management, self-perceived skill & herd influence. | H3: Significant relationship exists among these financial behaviour variables. | Correlation Matrix | r = 0.416, 0.274, 0.233, 0.206; Meaningful relationships observed. | Accepted |

## V. CONCLUSION

The study provides an in-depth analysis of the financial literacy and behaviors of Gen Z students in Chennai. Findings indicate that gender does not substantially influence impulsive purchase or financial decision making, implying that these behaviors are more affected by psychological and situational factors than by demographic traits. Conversely, educational qualifications exhibit a robust correlation with financial decision-making capabilities, suggesting that increased intellectual exposure fosters higher financial confidence. The study indicates that students who have undertaken a personal finance course generally demonstrate somewhat superior budgeting skills. The correlation matrix underscores a robust association between financial confidence and self-assessed competence, although the relationships between money management practices and herd influence seem comparatively feeble. The findings indicate that internal elements, including confidence and knowledge, exert a more significant influence on financial behavior than external demographic or social factors.

### 5.1 Limitations of the Study

The study offers significant insights, although many limitations must be recognized. The sample comprises 165 Gen Z students from Chennai, hence limiting the generalizability of the findings to other urban or rural locales. The study relies exclusively on self-reported data, which may be influenced by individual biases, overconfidence, or the inclination to provide socially desirable responses. The application of Likert scale ratings constrains the comprehension of financial behaviors and may inadequately reflect their intricacy. The study exclusively examines specific demographic and behavioral variables, neglecting significant elements such as income levels, parental influence, and socio-economic position. Ultimately, the cross-sectional nature of the study precludes the determination of causative linkages, permitting only the observation of correlations and differences rather than long term behavioral trends.

### 5.2 Suggestions for the Study

Based on the findings, it is advised that educational institutions integrate organized financial literacy modules into school and college curriculum to enhance students' budgeting and financial decision-making abilities. Implementing workshops and practical training centered on financial planning, digital banking, and fundamental investment principles may enhance confidence and mitigate impulsive or herd driven behaviors. Considering the significant impact of social media on financial decisions, institutions ought to advocate for digital literacy initiatives that enable students to properly evaluate online financial information. Promoting frequent cost tracking can further improve financial discipline. Future research should broaden the sample to encompass a wider geographic region, integrate supplementary behavioral variables, and employ longitudinal study designs to examine temporal

changes, thereby providing more comprehensive insights. Incorporating parental impact and psychological aspects may enhance comprehension of the development of financial behavior.

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