Received: 29 May 2019 | Revised: 18 February 2020 | Accepted: 15 March 2020
DOI: 10.1111/ijcs.12583

ORIGINAL ARTICLE

International Journal of Consumer Studies WILEY

Catch them young: Impact of financial socialization, financial literacy and attitude towards money on financial well-being of young adults

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Abstract

A stream of research has examined the financial well-being of individuals. However, less research has been conducted on the financial well-being of young adults in developing economies. To further examine this domain, we developed a conceptual framework based on the existing literature of consumer research and financial well-being and assessed how financial literacy, socialization and attitude towards money influence the financial well-being of young adults. Two cross-sectional surveys were conducted on 446 young adults (preliminary study n = 156; main study n = 290; mean age 22 years) in India. This study contributes to the literature by demonstrating that financial discussion with parents during childhood positively influences financial well-being of young adults. In addition, we found that relationship between financial literacy and financial well-being is not significant. Furthermore, the study reveals the role of attitude towards money as a strong predictor of financial well-being. The results provide implications for educational and financial institutions and policymakers for improving the financial well-being of young adults.

KEYWORDS
attitude towards money, financial literacy, financial socialization, financial well-being, India, young adults

1 | INTRODUCTION

Financial well-being has recently gained prominence in the academic and public policy domains. A report by the Consumer Financial Protection Bureau (CFPB, 2015) emphasized that financial well-being must be the objective of financial literacy (Netemeyer, Warmath, Fernandes, & Lynch, 2017). The significance of financial well-being is not limited to personal financial success; it also promotes the work productivity and overall well-being of individuals; and the development of a healthy economy, overall (Diener, 2000; Netemeyer et al., 2017). Conversely, low levels of financial well-being create a vicious cycle of stress, thus, further hampering personal and societal growth (Elliott & Lewis, 2015; Shim, Xiao, Barber, & Lyons, 2009).

The personal, economic and societal effects of poor financial well-being are not limited to working adults or the mature population. An increasing number of young adults aged between 18 and 29 years are experiencing financial difficulties (Brüggen, Hogreve, Holmlund, Kabadayi, & Löfgren, 2017; Williams & Oumlil, 2015). This may be attributed to their phase of transition from financial dependence to financial independence (Gutter & Copur, 2011; Mimura, Koonce, Plunkett, & Pleskus, 2015; Sorgente & Lanz, 2017). Another factor can be the increasing student debt (Brüggen et al., 2017; Elliott & Lewis 2015; Insler, 2018; Shim et al., 2009; Williams & Oumlil, 2015). Moreover, young adults are vulnerable consumers, who lack sufficient knowledge to make critical financial decisions (Lusardi, Mitchell, & Curto, 2010; O'Connor et al., 2019; Williams & Oumlil, 2015). Therefore, studying the financial well-being of young adults, understanding the causes that hinder their well-being and proposing possible solutions is crucial (Sorgente & Lanz, 2017). The literature focusing on the financial well-being of university and college students is gaining research attention (Lanz, Sorgente, & Danes, 2019; Marchant & Harrison, 2019; Vosylis & Erentaitė, 2019; Watson, Barber, & Dziurawiec, 2015).

This issue seemed pertinent to us given the potential for young adults' choices to affect their later lives. Young adults are more susceptible to financial threats because of less experience in the financial domain and are unable to start saving at an early age, which hampers their future savings accumulation. Moreover, young adults may possess low financial literacy (Ergun, 2018), which negatively influences their savings rate. Finally, financial adversity, because of low family income and debt accumulation, can lead to unsatisfactory academic achievements and this can degrade the overall well-being of students (Gutter & Copur, 2011; Shim et al., 2009; Watson, Barber & Dzirawiec, 2015).

In addition, we were also motivated to focus on financial well-being in developing economies, where similar studies can make crucial contributions to enhance the overall well-being of individuals and society. Stress may be high in young adults because of the increasing cost of education, debt accumulation, uncertain employment opportunities and lack of financial literacy (Elliott & Lewis, 2015). Hence, this study could be valuable for building the base for future studies on the financial well-being of young adults in developing economies.

Research indicates that parents can play a vital role in developing positive financial behaviour in their children's later life by discussing financial issues at home (Lanz et al., 2019). In particular, few studies explain how financial socialization by parents influences the financial well-being of young adults (Lanz et al., 2019). Furthermore, financial literacy is expected to influence financial well-being and financial behaviour positively. However, contrary evidence casts doubt on the relationship between financial literacy and downstream financial behaviour (Fernandes, Lynch, & Netemeyer, 2014) and financial well-being (Netemeyer et al., 2017). Netemeyer et al. (2017) found that financial literacy was negatively related to expected financial well-being. It, therefore, appears that more research is needed. We argue that the attitude towards money developed by young adults could contribute substantially to their financial well-being, by improving saving and budgeting capacity. It would be interesting to investigate if attitude towards money is an important variable in addtion to financial socialisation and financial literacy influencing financial well-being. To this end, the current study investigated the effect of financial socialization, financial literacy and attitude towards money in improving financial well-being of young adults.

Our study has two parts. A preliminary study was conducted to validate the scale of financial well-being within the Indian context and asses the current level of the financial well-being of young adults (Prawitz et al., 2006). In the main study, a model of financial well-being was developed based on socialization theory, attitude development and the literature on financial literacy. In this study, financial well-being is defined as a subjective assessment of financial well-being, specifically "an expectation of future financial security" (Netemeyer et al., 2017). Researchers concur that financial well-being has a subjective and objective side (Netemeyer et al., 2017; Sorgente & Lanz, 2017; Sorgente & Lanz, 2019; Xiao & O'Neill, 2018). Objective financial well-being reflects material possessions such as income, savings and so forth, whereas the subjective side is individual's self-assessment of financial situation (Netemeyer et al., 2017; Sorgente & Lanz, 2017). The development of the financial well-being cannot be measured based on only the objective assessment of income and socioeconomic data (Netemeyer et al., 2017). In this research which focusses on young adults who are transitioning from financial dependence to independence, the assessment of financial well-being in future is a critical component. Therefore, we concur with the subjective side of financial well-being which emphasizes future financial security (Netemeyer et al., 2017). This study focused on three crucial determinants of financial well-being, that is, financial socialization, financial literacy and attitude towards money.

This study is crucial in the domain of the financial well-being of young adults (Brüggen et al., 2017; Drever et al., 2015; Gutter & Copur, 2011; Marchant & Harrison, 2019; Norvilitis & MacLean, 2010; Sansone, Rossi & Fornero, 2018; Shim et al., 2009). Because a substantial number of students report low financial well-being, educational institutions, financial institutions and policymakers must increasingly focus on young adults. Furthermore, this study contributes to the literature on consumer financial decision making by demonstrating that financial discussion with parents and attitude towards money positively affect financial well-being.

The paper is structured as follows. This introduction is followed by a literature review, where key research findings on the financial well-being of young people are examined and consolidated to develop the conceptual framework of the study. The methodology and findings of each of the two studies are then provided, followed by a discussion. The study concludes by suggesting the implications of the results and avenues for future research.

2 | THEORETICAL BACKGROUND

2.1 | Financial well-being of young adults

The literature on financial well-being is wider than it is deep and is scattered over different disciplines (Brüggen et al., 2017). Therefore, more research must be conducted in this area. This research falls within the domain of "Transformative Service Research", defined as the integration of consumer and service research, focused on improving the well-being of individuals, employees and ecosystems (Anderson et al., 2012). In the field of financial services, transformative service researchers can, for instance, examine the effects of consumption on the well-being of individuals (particularly vulnerable or disadvantaged individuals) beyond satisfaction and loyalty (Anderson et al., 2012). Brüggen et al. (2017) called specifically for more research on the financial well-being of young adults.

Financial well-being leads to life satisfaction, academic performance, psychological well-being (Shim et al., 2009). But what are the antecedents of financial well-being? Financial education at a college level can help in wealth accumulation (Binswagner & Carman, 2012). However, other psychological factors can influence financial well-being because formal education is not the only practical approach to improve financial well-being (Shim et al., 2009). In addition, parents play a vital role in enhancing knowledge on economic matters, which can positively affect financial well-being (Mimura et al., 2015; Shim et al., 2009).

Financial anxieties can escalate the level of overall stress of young adults when moving towards financial independence, adjusting to a new environment, overcoming personal concerns and making career choices (Elliott & Lewis, 2015; Lee & Jang, 2015), which may influence both financial and psychological well-being. Indeed, not having sufficient money to participate in activities among their peers is one of the most crucial factors causing financial stress among college students (Heckman, Lim, & Montalto, 2014).

Another key concern is the lack of financial literacy among young adults, which impairs financial decisions and reduces satisfaction. Less than one-third of the young adults possess basic knowledge of financial terms like interest rate, inflation and risk diversification (Lusardi et al., 2010). Additionally, this lack of financial literacy combines with easy access to plastic money to generate compulsive buying behaviour (Broughman, Jacobs-Lawson, Hershey, & Trujillo, 2011). Gutter and Copur (2011) found that financial behaviour and compulsive buying are significantly related to financial well-being, after controlling for demographics and financial literacy.

Financial well-being is a priority for developed and developing economies (Brüggen et al., 2017). However, most research in the financial well-being domain has been conducted in developed economies and an apparent gap is observed in understanding the financial well-being of individuals in developing and poor economies (Brüggen et al., 2017; Elliott & Lewis, 2015; Lusardi et al., 2010; Netemeyer et al., 2017; Shim et al., 2009). Certainly, a few researchers have acknowledged the importance of this research in the financial service domain for the very poor who are at the bottom of the pyramid (Brüggen et al., 2017; Gebauer & Reynoso, 2013). However, developing economies cannot be seen only from the bottom of the pyramid lens (see Prahalad, 2005). A substantial section of developing economies emulates developed economies, where residents enroll for higher education, live in cities with suitable infrastructure and have a high disposable income, with access to consumer loans. Therefore, studying financial well-being in developing economies is crucial for several service organizations, such as academic institutions, financial institutions and counselling organizations. A nuanced understanding of the financial well-being of young adults can have a long-lasting effect on their economic and life satisfaction.

For financial well-being, socioeconomic factors are crucial. Sociodemographic factors and financial knowledge of the family are the two most crucial factors leading to financial literacy among young people (Lusardi et al., 2010). Lusardi et al. (2010) reported lower financial knowledge among females than males. This observation is true for students. Ford and Kent (2010) showed that financial literacy among female students is lower than that of male students. Similarly, Mahdavi and Horton (2014) studied the impact of financial knowledge among educated women and reported numerous inadequacies in their financial knowledge. Based on the discussion above, we present the conceptual framework of this study.

3 | CONCEPTUAL MODEL

3.1 | Financial socialization

Financial Socialization is defined as acquiring and developing values, attitudes, standards, norms, knowledge and behaviours (Danes, 1994) that influence financial planning and behaviour that promotes financial well-being. Research indicates parents play a critical role in enhancing knowledge on economic matters, which can positively affect financial well-being (Agnew, Maras, & Moon, 2018; Shim et al., 2009) and are a crucial source of financial socialization for young adults.

Moreover, research has shown that parental financial socialization affects their financial behaviour (Jorgensen & Savla, 2010; Kim & Chatterjee, 2013; Otto, 2013; Shim et al., 2009; Sohn, Joo, Grable, Lee, & andMinjeung Kim., 2012). The effect of financial socialization in influencing well-being has received more attention recently (Sorgente & Lanz, 2017; Lanz et al., 2019; for review see Gudmunson & Danes, 2011). Sansone et al. (2018) evaluated the relationship between receiving an allowance (pocket money) in childhood and financial confidence in adulthood. They concluded that pocket money given by parents to their children becomes a crucial informal vehicle for developing their financial habits in later life. Motivating and instructing children to budget and save early improves their savings rate as young adults (Bucciol & Veronesi, 2013; Webley & Nyhus, 2006, 2013) as well as their tendency to invest regularly (Hira, Sabri, & Loibl, 2013).

In this study, the focus was on parental socialization because parents are a key socialization agent (Drever et al., 2015; Lanz et al., 2019). Financial socialization was considered to include discussion with parents during childhood on savings, investing, financial products, budgeting and spending behaviour. Given the strong relationship in the literature between parental financial socialization and financial practices, we hypothesize that financial socialization will be a determinant of financial well-being. Adults who discussed about financial aspects with their parents in childhood are more likely to have higher financial well-being. Therefore, we hypothesize that,

Hypothesis 1 *Financial socialization has a positive effect on financial well-being of young adults.*

3.2 | Financial literacy

Financial literacy is defined as the ability of an individual to plan their finances, plan for debt and retirement and maintain wealth (Lusardi

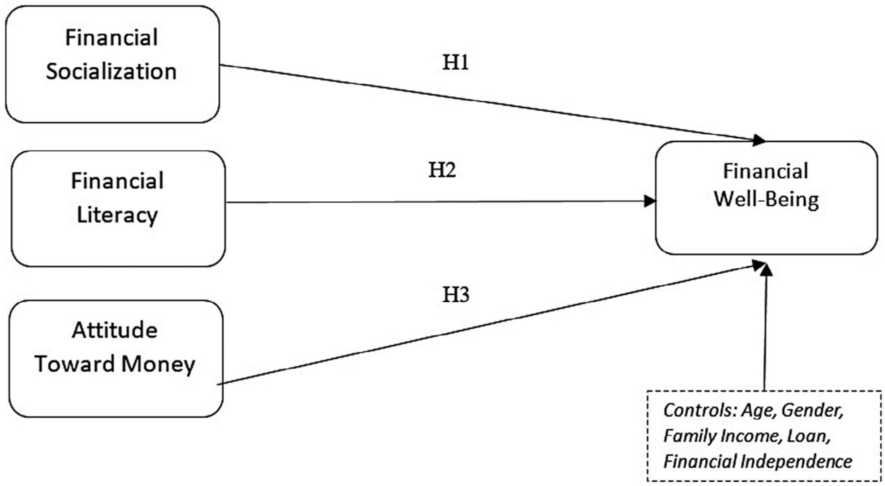

FIGURE 1 A conceptual model of factors influencing financial well-being

& Mitchell, 2014). Several researchers have stated that financial literacy is vital for improved financial planning and behaviour and consequently, several researchers have assessed the level of financial literacy and its positive consequences (Ergun, 2018; Landerretche & Martínez, 2013). Financial literacy promotes later wealth accumulation (Martin & Oliva, 2001; Van Rooij, Lusardi & Alessie, 2012) and effective debt management (Campbell, 2006; Huston, 2012) both key financial outcomes for young adults. Furthermore, high financial literacy can enable young adults to make complex financial decisions and promote savings. Improvement in financial literacy leads to increased savings, budgeting, improved financial planning and smart usage of credit cards (Wann, 2017).

Literature has raised concerns over the level of financial literacy among young adults (Ergun, 2018; Lusardi, 2015; Lusardi et al., 2010). Lusardi et al. (2010) found that among 7,138 young adults, only 27% had knowledge of inflation, risk diversification and simple interest calculations. Additionally, research shows demographic differences in the level of financial literacy. A consistent finding is that females have a lower level of financial literacy than males. Ergun (2018) examined the relationship between the financial literacy and demographic characteristics of university students in seven European markets. They reported the presence of a medium level of financial literacy on personal finance. Another interesting finding states that male students, students who live in rental houses, students whose parents have high monthly income and those who took financial courses before are more knowledgeable in personal finance (Ergun, 2018). On the contrary, young adults from low socioeconomic status have a low financial literacy score (Lusardi, 2015). Training on financial literacy is more crucial in improving savings behaviour (Kaiser & Menkhoff, 2017) however, less evidence is available to show that financial literacy has a positive effect on the financial well-being of young adults.

Financial literacy should positively affect the concerns of money and future financial well-being. However, Netemeyer et al. (2017) found that financial literacy has a negative effect on expected future financial well-being. Therefore, a more nuanced understanding of the relationship between these constructs is required. In sync with the above discussion, we hypothesize that,

Hypothesis 2 *Financial literacy has a positive effect on financial well-being of young adults.*

3.3 | Attitude towards money

Yamauchi and Templer (1982) devised an attitude towards the money scale, in which the factor "Time Retention" denoted "behaviours aimed at the future, which require planful preparation". In sync with the above definition in this study, attitude towards money is defined as the predisposition of an individual towards being financially prepared for future, reflecting tendency to save money and manage expenses. This definition reflects the priority of young adults, who are moving towards financial independence and preparing to deal with future financial uncertainties. Savings behaviour is positively associated with financial satisfaction in college students (Xiao, Tang, & Shim, 2009). Shim et al. (2009) concluded that subjective norms and financial attitudes are crucial in all aspects of financial well-being. Attitude towards money was selected as determinant because the development of a saving and tracking attitude can influence the financial well-being of individuals.

The model suggests that young adults with a positive attitude towards money have higher expected financial well-being because they have inculcated behaviour of saving and expense management (Figure 1). Therefore, we hypothesize that,

Hypothesis 3 *Attitude towards money has a positive effect on financial well-being of young adults.*

4 | PRELIMINARY STUDY: METHODOLOGY

4.1 | Instrument

This study aimed to validate the financial well-being scale and assess the level of the financial well-being of young adults in India. The scale of financial well-being proposed by Prawitz et al. (2006)

was employed in a self-administered questionnaire. This scale has been used in previous studies on the financial well-being of young adults (Gutter & Copur, 2011). The scale has eight items and responses are coded on a scale of 1 to 10, where 1 indicates high stress/low well-being and 10 indicates no stress/high well-being. Responses indicating 5–6 can be classified as the midpoint of the scale; the responses higher than 6 indicate low stress/high financial well-being; and responses less than 5 indicate high stress/low financial well-being.

4.2 | Participants

The Prawitz et al. (2006) scale was applied to a sample of 156 full-time students enrolled in the first year of the postgraduate programme of two business schools using convenience sampling. These students are Indians from different states, though the sample is not truly representative of the Indian population, considering the preliminary nature of the study the sampling was considered adequate. The Cronbach alpha for the scale was .89, which was sufficiently higher than the recommended criterion of .70.

Demographic information, such as gender, age, family income and family size, was used, and per capita family income was computed (Table 1). A few students did not report all the answers and the least answered question was related to income, where only 136 students shared income details. Furthermore, 64% of respondents were male and total sample age distribution was 20–26 years with average age was 22.56 years. The mean household income was USD 13,084 and the household per capita income was USD 3,213. The household size varied from 2 to 15 members with a mean of 4.

TABLE 1 Demographic profile of respondents of preliminary study

Characteristics	N = 156	Percent (%)
Gender (*n* = 154)		
Male	99	64
Female	55	36
Age (n = 154)		
20–22 Years	87	57
23–26 years	67	43
Mean age = 22.56		
Income (*n* = 138)[a]		
Below USD 7000	22	16
USD 7000 to USD 14000	81	59
Above USD 14000	35	25
Mean Income = USD 13207		
Family members (*n* = 150)		
2–3	26	17
4–5	105	70
Above 5	19	13
Median = 4		
Per capita income[a] (*n* = 137)		
Below USD 1,390	18	13
USD 1390 to USD 2780	70	51
Above USD 2780	49	36
Mean per capita Income = USD 3,221		

[a]1 USD = 71.50 INR.

4.3 | Data analysis

A confirmatory factor analysis was conducted through AMOS 16 to assess the applicability of the scale in the Indian context. Maximum likelihood estimation method was used because it is considered the best estimator with Likert scales of more than five items (Checa, Perales & Espejo, 2019; Finney & DiStefano, 2006). Furthermore, a descriptive analysis of the responses was performed to assess the level of financial well-being of young adults.

5 | FINDINGS

The confirmatory factor analysis approach suggested a good fit of the model. The Chi-Square was 21.1 with DF 14. Goodness of fit indices were CFI = .989, TFI = .978 and RMSEA = .057. Descriptive statistics were primarily employed to understand the financial well-being of students because of the exploratory nature of the study. The findings are relevant to researchers and policymakers. To assess the level of financial well-being, the sample was classified into two parts indicating a low and high level of financial well-being. The responses of each scale item and classified respondents indicating 1–5 and 6–10 were considered as having low and high financial well-being, respectively. Additionally, the overall score was presented and the classification is as per the full scale.

The description based on the scale item provides some exploratory insights. Approximately 37% of students worry about meeting their monthly living expenses and consider expenses management difficult (Table 2). Approximately 23% of the respondents indicate that they are dissatisfied with their present financial situation, feel stressed today (the day of providing the response) and avoid going to a movie or eating because of the lack of finances. In addition, approximately 32% of the respondents felt overwhelmed or worried about their current financial situation. This analysis indicated that numerous students are stressed about their financial situations, thereby reducing their financial well-being. Overall, on a summed scale approximately 23% of the respondents scored less than or equal to 5, thus, indicating average or low financial well-being. Overall, a mean of 6.92, with an *SD* of 1.61 was observed. Gutter and Copur (2011) also reported a median of 6.18 in a study on college students.

TABLE 2 Item-wise interpretation of financial wellbeing score

Item (*N* = 156)	Scale range 1–5	Scale range 6–10	Mean on a scale of 1–10	*SD*
How often do you worry about being able to meet regular monthly living expenses?	Worry all the time or sometimes worry 37%	Never worry or rarely worry 63%	6.58	2.18
How frequently do you find yourself just getting by financially and managing expenses with difficulty?	All the time or sometimes 36%	Rarely or never 64%	6.34	2.13
What do you feel the level of your financial stress today is?	Overwhelming or high stress 24%	Low or no stress at all 76%	6.89	2.04
How often do you want to go out to eat, go to a movie or do something else, but don't go because you can't afford it?	All the time or sometimes 23%	Rarely or never 77%	7.30	2.26
How confident are you that you could find the money to pay for a financial emergency that costs about Rs. 100,000?	No confidence or little confidence 28%	Some confidence or high confidence 72%	7.05	2.14
How satisfied you are with your present financial situation?	Dissatisfied 22%	Satisfied 78%	7.09	2.04
How do you feel about your current financial situation?	Feel overwhelmed or sometimes feel worried 32%	Not worried or feel comfortable 68%	6.79	2.03
How stressed do you feel about your personal finances in general?	Overwhelming stress or high stress 28%	Low stress or no stress at all 72%	6.74	1.88

6 | MAIN STUDY: METHODOLOGY

6.1 | Instrument

The questionnaire comprised questions on financial literacy, financial socialization, attitude towards money, expected financial well-being, and other demographic questions.

Financial literacy was measured by asking five questions on inflation, risk, return, investment and diversification adapted from previous literature. Furthermore, two of these questions have been commonly used in previous studies (Lusardi et al., 2010). Three questions used by Fernandes et al. (2014) were added considering the respondents pursuing higher education can have better financial literacy. Respondents were presented five multiple choice objective questions on financial literacy and accurate and inaccurate responses were recorded, thus, resulting in a composite measure ranging from 0 (all answers incorrect) to 5 (All answers correct). This method of developing a financial literacy measure is consistent with previous studies (O’Connor, 2018; Xiao & O'Neill, 2018).

Financial socialization was measured by asking the participants whether their parents discussed five financial concerns when growing up. For instance, one of the items was “Did your parents include you in discussion or speak with you while you were growing up, about the importance of savings”. This measure was adapted from Shim et al. (2009). The respondents indicated “yes” or “no” to the five questions. Finally, an index ranging from 0 (Not included at all) to 5 (Included in all financial issues) was created to analyse the data.

Attitude towards money was measured using a six-item scale developed by Yamuchi and Templer (1982) and was used by Fernandes et al. (2014). The Cronbach's alpha for the scale was .80. The scale included questions such as “I do financial planning for the future”, “I put money aside on regular basis for the future”. Finally, financial well-being was measured using a recent scale developed by Netemeyer et al. (2017), which included five questions (e.g., “I am becoming financially secure”, “I am securing my financial future”). The Cronbach's alpha for this scale was .75, above the recommended criterion of .70.

6.2 | Participants

Data were obtained from a survey of postgraduate students at five business schools in India. The survey was approved by a research ethics committee at the institution of the first author. The online survey was then e-mailed to full-time students seeking their voluntary participation. After a preliminary response check, 290 usable responses were retained. The median age of the respondents was 22.4 years and 48% were male. The age of respondents was between 18 and 29 years, which was consistent with the previous studies on the financial well-being of young adults. The students belonged to various states in India representing an appropriate amalgam of different cultural and economic backgrounds. Approximately

34% of respondents had previous work experience and 21% considered themselves financially independent from their parents. Table 3 shows the demographics of the respondents.

6.2.1 | Data analysis

Descriptive analysis was conducted to assess the financial literacy level of respondents. The difference between financial literacy level of male and female respondents was tested using one-way analysis of variance. To test the conceptual model, the data were analysed using Ordinary Least Square regression in SPSS 20. Several studies in the domain of financial behaviour and financial well-being have used regression method for data analysis (Fernandes et al., 2014; Netemeyer et al., 2017; Xiao & O'Neill, 2018). Demographic variables, such as age, gender, income, financial independence and student loan were included as control variables. Effect of demographic variables on financial well-being was insignificant, and thus, these variables are not further discussed.

TABLE 3 Demographic profile of respondents of the main study

Demographic Variables	*N* = 290	Percent (%)
Gender		
Male	140	48
Female	150	52
Age		
18–23 years	125	43
Above 23–29 years	165	57
Mean Age = 22.4		
Family Income		
Below USD 8000	101	35
USD 8000 to USD 14000	93	32
Above USD 14000	96	33
Work experience		
Yes	97	34
No	192	66
Financially independent		
Yes	60	21
No	230	79

7 | FINDINGS

We first present the descriptive findings, and then, present the findings from the regression analysis of the conceptual model. Financial literacy is a crucial factor in the literature. Table 4 depicts the financial literacy levels of our sample. Approximately 50% of the sample could accurately answer questions on inflation, risk and investment, whereas 26% of respondents accurately answered the question on returns and 70% on diversification. The average financial literacy score was 2.43 with a standard deviation of 1.39.

The literature indicates that generally, females have lower financial literacy than males. A one-way analysis of variance was conducted to evaluate the difference between the financial literacy level of males and females. Results validate that male respondents have a significantly higher level of financial literacy than females [Male (Mean) = 2.70 and female (Mean) = 2.18, F (1, 289) = 10.337, p = .001].

With respect to total number of questions answered correctly by each respondent, approximately 8% of the respondents could not accurately answer any question on financial literacy, whereas 19%, 20%, 23% and 24% of respondents accurately answered 1, 2, 3 and 4 questions, respectively. Additionally, only 7% of respondents could correctly answer all five questions.

Table 5 presents the correlation between the variables of the study. Attitude towards money is significantly positively related to

TABLE 4 Descriptive of financial literacy of young adults (*N* = 290)

	Inflation (M1)	Risk (M2)	Return (M3)	Diversification (M4)	Investment (M5)
Correct	140	144	76	202	141
Incorrect	150	146	214	88	149
Percentage of correct answers	48%	50%	26%	70%	49%

TABLE 5 Correlation of key variables of the study (*N* = 290)

	Financial well-being	Financial literacy	Attitude towards money	Mean	*SD*
Financial well-being	–	–	–	3.45	.74
Financial literacy	.110	–	–	2.43	1.39
Attitude toward money	.341**	.099	–	3.30	.845
Financial socialization	.095	.062	.223**	3.53	1.38

**Correlation significant at .01 level.

TABLE 6 Regression results on financial well-being

	Model 1			Model 2		
	B	*β*	*p*	*B*	*β*	*p*
Constant	3.233		<.001	2.492		<.001
Financial socialization	.076	.149	<.05	.037	.075	.217
Financially literacy	.050	.099	.110	.029	.059	.320
Attitude towards money				.260	.318	<.001

Notes: Model 1: $R = .205$, $R^2 = .042$, Adjusted r^2 .011, $p = .213$, $f = 1.347$, $df = (9, 286)$.
Model 2: $R = .357$ $R^2 = .127$, Adjusted r^2 .096, $p < .001$, $f = 4.011$, $df = (10, 285)$
Control variables: Age, gender, family income, work experience, financial independence, financial strain.

financial well-being ($r = .341$, $p < .001$) and financial socialization ($r = .223$, $p <. 001$). All other correlations were insignificant. All correlation estimates are less than .6, thus, suggesting that multi-collinearity is not a problem.

To evaluate the model 1, financial socialization and financial literacy were first regressed on financial well-being. Further in model 2 financial socialization, financial literacy, attitude towards money were regressed on financial well-being. Table 6 presents the regression results. Tolerance in both the regression models was higher than .10 and variance inflation factor in both models was less than 10, thus, suggesting the absence of multi-collinearity (Belsley, Kuh, & Welsch, 1980).

The results of the regression indicate that financial socialization positively affects financial well-being ($\beta = .149$, $p = .015$). The effect of financial literacy on financial well-being was insignificant ($\beta = .099$, $p = .110$). The model explained only 1.1% variance [F (9, 286) = 1.347, $p = .213$].

Attitude towards money was included in model 2, which significantly predicted financial well-being controlled for demographic variables ($\beta = .318$, $p < .001$). The inclusion of attitude towards money improved the R^2 and the model achieved significance. The model exhibited 9.6% variance and was significant [F (10, 285) = 4.011, $p < .001$].

These results on financial literacy indicate that literacy is not a very crucial factor in improving financial well-being of young adults. This result is consistent with the study of Netemeyer et al. (2017), who stated that financial literacy was insignificantly related to financial well-being. This observation is possibly favourable for future research on how and when financial literacy contributes to financial well-being if it does at all.

8 | DISCUSSION

The findings from two studies warrant a discussion. The preliminary study was conducted to assess the level of financial well-being among young adults. A survey of 156 young adults in business schools was conducted using the Prawitz et al. (2006) scale of financial well-being. The findings indicated lack of financial well-being among a sizable minority of young adults. A substantial number of the respondents indicated that they worried about managing expenses, were dissatisfied with their financial situations and exhibited a lack of finances.

The main study aimed to explore the effect of financial socialization, financial literacy and attitude towards money on financial well-being. The results of the main study indicate that financial socialization is a crucial variable, which has a positive effect on the financial well-being of young adults. Students who had a discussion with their parents, on spending behaviour, financial investments and the importance of savings, when growing up were more likely to display a positive attitude towards saving and tracking expenses, which resulted in improved expected financial well-being. Although researchers argue that individuals are more positive for temporally distant events, this is a positive trait for young adults. A positive outlook on financial well-being may reduce stress and enhance academic performance as research indicates financial well-being can influence the academic, personal and social growth of individuals (Elliott & Lewis, 2015; Netemeyer et al., 2017; Shim et al., 2009).

This study suggests that parents must engage with their children in financial discussions. This socialization at young age will improve their positive outlook on future financial situations. Furthermore, existing literature states that financial socialization is crucial for developing positive financial behaviour among young adults (Drever et al., 2015; Otto, 2013; Norvilitis & McLean, 2010). This study adds to this stream of literature by validating that financial socialization by parents at young age positively affects financial well-being of young adults. Moreover, developing positive attitude towards money, which includes inculcating habit of savings, tracking expenses and being prudent with money, is a strong predictor of financial well-being. This study contributes to the existing literature by highlighting the importance of attitude towards money for improving financial well-being.

The other aspect of our study was to investigate the relationship between financial literacy and financial well-being. The descriptive results indicate that young adults have a medium level of financial literacy. Approximately 50% of the respondents could not answer questions on inflation, risk, return and basic financial product, such as mutual funds, stocks and bonds. Financial knowledge levels are consistently low among young adults (Lusardi et al., 2010). Therefore, improving the financial literacy of young adults is imperative for developing positive financial behaviour. The literature on financial behaviour has emphasized the importance of financial literacy in promoting positive financial behaviour and current financial satisfaction however its effect on financial well-being is ambiguous. The regression results of this study indicate that financial literacy does not positively influence financial well-being.

Netemeyer et al. (2017) reported a negative relationship between objective financial literacy and financial well-being and no explanation was presented for this counterintuitive finding. One of the possible explanations could be the young adult's inability to assess the low level of financial literacy and thereby creating a positive perception of expected financial well-being (O'Connor, 2018). Research indicates that subjective financial knowledge can positively affect financial well-being (Shim et al., 2009). Researchers must address this concern of the effect of subjective and objective financial literacy on the expected financial well-being. O'Connor (2018) cautioned that the subjective perception of financial knowledge "may create a false sense of security". Therefore, investigating the role of objective versus subjective financial literacy in developing financial well-being is crucial.

Overall, this study contributes to the domain of the financial well-being of young adults by highlighting the importance of financial socialization by parents in developing financial well-being and explaining the role of attitude towards money. This denotes that early intervention by parents in form of financial socialization at young age can lead to financial well-being. The study also highlights the low level of financial literacy among young adults.

9 | CONCLUSION AND IMPLICATIONS

This study is possibly the first attempt in investigating the financial well-being of young adults in India. Considering that numerous students reported low financial well-being, focusing on the attitude towards money of young adults who perceive low financial well-being is necessary. The inculcation of positive financial habits, such as saving and tracking expenses, can positively affect expected financial well-being. In addition, this study emphasized the role of financial socialization by parents during childhood, which effects financial well-being. Additionally, this study exhibited the positive influence of attitude towards money on financial well-being. Therefore, this study contributes to the existing predictors of financial well-being and establishes financial socialization and attitude towards money as a crucial antecedent to financial well-being. This research is consistent with the previous findings that socialization by parents positively influences financial well-being of young adults (Shim et al., 2009).

Our study has important implications for academic and financial institutions as well as for policymakers. Policymakers can create programmes and interventions that encourage parents to initiate a dialogue with children on financial matters, such as the importance of savings, family income, spending behaviour and financial products. These discussions can promote financial well-being. In addition to the increasing emphasis on promoting financial literacy, early intervention by parents can be instrumental in shaping the financial well-being of adults.

This study also highlights the important role of attitude towards money in developing financial well-being. Therefore, it is suggested that policy makers should also focus on developing attitude towards money through effective communication highlighting the benefits of saving money, tracking expenses and being prudent with money.

In addition, academic institutions must focus on developing a support mechanism for students with low financial well-being. The provision of counselling and mentorship to such students can assist them to improve their overall well-being. Students can also be supported through the provision of scholarships and work facilitation. Furthermore, a course on managing personal finances may help in improving the financial literacy of young adults and induce confidence in them to manage their personal finances in a better way (Gutter & Copur, 2011). Academic institutions have significant role in developing and enhancing the financial well-being of young adults. Financial organizations must focus on assessing the financial well-being of young adults before disbursing loans and promoting financial literacy. The provision of personal loans at a high-interest rate can have unintended consequences on young adults, therefore, communication which promotes a positive attitude towards money can be developed for their benefit.

10 | LIMITATIONS AND FUTURE RESEARCH

One of the limitations of the study is reliance on convenience sample for conducting the study. Future studies can employ more robust sampling methods and conduct studies in different regions of India. Another limitation of the study is that the focus is on young adults who are students. Inclusion of working adults in the sample will be valuable to understand the financial well-being. This research has also considered parents as the only source of financial socialization. Future research can explore other socialization agents such as peers. Similarly exploring the relative effect of objective literacy and subjective literacy on financial well-being can be another fruitful research area. In addition, more research is required to examine the financial well-being on young adults in developing economies specifically by exploring the personality-related factors and financial education impacting objective and subjective financial well-being. Researcher can also attempt to investigate the role of financial literacy in promoting financial well-being. Our study shows an insignificant relationship. This can be a crucial are of future research considering the focus on financial literacy.

We also suggest young adults are vulnerable groups facing myriad financial challenges and more research should be conducted for promoting positive financial behaviour and financial well-being. In the United States (US), college graduates under the age of 35 years are spending 18% of their income on student loan payments (Brüggen et al., 2017; Citizens Financial Group, 2016) and many graduates who do not have high paying jobs have to spend a significant part of their income in paying the debt (Hoffower, 2018). This behaviour negatively affects savings and retirement planning (Touryali, 2014). Therefore, investigating the effect of education debt on financial well-being can be a very fruitful research area with meaningful implication for policymakers. Succinctly research on financial well-being of young adults is a crucial research area.

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How to cite this article: Utkarsh, Pandey A, Ashta A, Spiegelman E, Sutan A. Catch them young: Impact of financial socialization, financial literacy and attitude towards money on financial well-being of young adults. *Int J Consum Stud*. 2020;00:1–11. https://doi.org/10.1111/ijcs.12583