

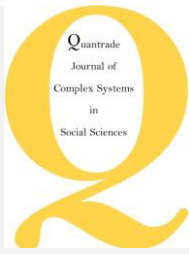
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AUTHORS: Selcuk Kendirli,Savas Mücteba Harputlu

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An Assessment on the Financial Literacy Level of Generation “Z”¹

Selçuk KENDİRLİ², 0000-0001-7381-306X

Hitit University Department of Finance, Türkiye, selcukkendirli@yahoo.com

Savaş Mücteba HARPUTLU, 0000-0002-1228-785X

Hitit University Department of Finance, Türkiye, savasharputlu@hitit.edu.tr

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Abstract

The ability to follow current economic events at a basic level and make decisions that best result for them by commenting on the possible effects of these events is called financial literacy. Financial literacy has an important place to achieving sustainable economic growth in the individual and social sphere. For this reason, efforts are being made to increase the level of financial literacy in the world. It is estimated that from 2020, about 40% of the worldwide consumer population will be made up of Generation Z. The purchasing power of this young adult group, born in the United States between 2000-2015, is thought to be \$ 44 billion. Generation Z, which is the future of our society, is expected to have at least a basic level of financial knowledge about financial literacy. In the literature, those who were born between 1925 and 1945 are named the traditional generation, those who were born between 1946 and 1964 are named the baby boom generation, those who were born in 1965-1979 are named generation X, born between 1980 and 2001 are named generation Y, born between 2000 and 2020 are named the generation Z. Within the scope of this study, 57 participants of Generation Z who were born after 2000 were asked questions about measuring the level of financial literacy. During the study, recognition questions were asked to identify the participants and to determine whether they had typical characteristics of the generation Z. It was concluded that the participants had the basic characteristics of the generation Z. The results of the study were compared with the results of previous researches.

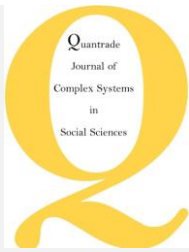
Key Words: Financial Literacy, Z Generation, Financial Literacy of Generation “Z”

1. Introduction

The importance of financial literacy has increased with fluctuations of economy in Turkey and the world in recent years. Individuals with incomplete knowledge of financial markets that they are likely to suffer economic losses as a result of the wrong decisions. The phenomenon of globalization, combined with financial liberalization and technological innovations, has given the ability to invest in real and legal persons with surplus funds independent of space and time. Indeed, these days, with the help of intermediaries, we can buy and sell the securities we want anywhere in the world (Ulusoy ve Çelik, 2019). Although there are studies that accept different year intervals in the literature, the most accepted generation, which was born after 2000, is called Z generation. According to TÜİK data, the Z generation in 2018 was 25.6 million population in Turkey (Turkey Statistics Institute, Population Projections, 2018-2080). The aim of this study is to evaluate the financial literacy levels of these generation members who will have a say in the national economy in the near future

¹ This study was created by updating and improving the paper presented at the international conference called 3rd International Conference on Economic Research held in Alanya between 24-25 October 2019 by the authors.

² Corresponding Author selcukkendirli@yahoo.com



2. Generation Theory

Generation theory was first proposed in 1928 by the German sociologist Karl Mannheim (Mannheim 1952). Although it was accepted to emerge in 1928, the differences between generations go back to ancient civilizations. Belonging to the Sumerians and BC. In the cuneiform script thought to have been written between 3500-2000; "What about the youth?" In a poem by Hesiod, who lived in 700 BC; "Young people who are our future, if they continue to live with today's unconcerned attitudes, I have no hope for them, and how careless they all are. When we were young, we were taught to be sober and respectful to our elders, but today's young people (disrespectfully) are very clever. And they are very impatient. Platoon said, Today's children are fond of luxury, they are disrespectful to their elders and they talk too much. They are not the servants of their homes, they are just bullies. When the elders enter the room, they do not stand up. They clash with their parents, they talk before everyone else in the community, they cross their legs, they treat their teachers badly." is an example of intergenerational conflict (Berkup, 2015).

However, the formation of the current generation concept has been possible as a result of other scientific studies.

Williams and Page (2011), in their study, say that the generations' expectations, lifestyles, perspectives to the world and purchasing behaviors are different from each other. Although different classifications have been made from the past to the present within the scope of generation theory, it can be said that today four generations live together. These are called Baby Boomers for 1946-1964, X for 1965-1979, Y for 1980-1999, and Z for those born after 2000 (Arslan and Staub, 2015).

2.1 *Baby Boomers Generation*

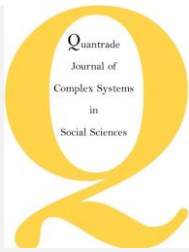
More than a billion babies were born worldwide during this period, which coincided with the years after World War II. Because of this population increase, this period is called Baby Boom Generation (Ayhün Erden 2013:99). The most prominent features of this generation are that they are idealistic, competitive, adopting the philosophy of "living for work", being thoughtful and emotional, having a high sense of loyalty, and depend on authority (Aka 2018; Benlisoy 2008). Representatives of the Baby Boom generation believe that it is only possible to spend the day very hard to live tomorrow.

2.2 *X Generation*

Individuals born between the years 1965-1979 are named as Generation X (Ayhün Erden 2013). The X generation, which came shortly after the baby boom generation lived in prosperity, experienced various economic crises. Because of these crises, the people of this generation have lived in a more materialist and anxious future. When compared to the previous generation, people of Generation X are more loyal, more considerate, think globally, have developed a sense of social responsibility and are more respectful of authority (Aka 2018).

2.3 *Y Generation*

This generation, which was born between 1980-2000, is the most populous generation today. This generation, which constantly criticizes the responsibilities imposed on it and questions life and the system, is also called Generation Why Generation ((Aka 2018). Since they are intertwined with technology, members of this generation are open to innovations. Growing under the supervision of the conscious generation X, people tend to think of their parents, teachers, or other people they trust when making decisions about their careers (Sherratt and Cogshall 2010). Generation Y members wish to be able to express themselves well in business life, to engage in more than one job at the same time, to understand everything and to play an active role in decision-making processes. Similarly, these generations are not only focused on money but also take care of the social opportunities provided by the working environment (Çetin Aydin and Başol 2015).



2.4 Z Generation

The generation that was born after 2000 is called the Z generation. Due to their intertwined technology, this generation is also called the “Next Generation“ (Levickaite 2010). Generation Z's ability to access information is much higher than other generations thanks to technology. They started their education at an early age. The sense of being an individual is more developed than other generations. Generation Z is result-oriented, unsatisfied, unstable and innate consumer. With the development of artificial intelligence, most decisions will be taken without question. It is predicted that this generation will be the most educated generation throughout history (Kon 2017). It is thought that these professions will lose their prominence due to their lack of interest in the occupational branches requiring crafts (www.kigem.com.tr). Almost all of this generation is active social media users. They do most of their shopping from e-commerce sites. Approximately 80% of generation Z does price research online without shopping (www.epnext.com).

3. Literature Review

There are studies in the literature on the measurement of financial literacy levels of young adults.

In the study conducted by Gutnu and Cihangir to Osmaniye Korkut Ata University staff in 2015, financial literacy levels of university staff were measured. According to the study 84.7% of respondents said the world economic and financial developments in Turkey have reached the conclusion that they follow.

Trying to determine the financial literacy level of Gaziantep University students, Kılıç et al. (2015) administered a questionnaire to 480 students. As a result of the study, they found the financial literacy success level of the students as 48%. In addition to this result, it is seen that male students have higher financial literacy level.

In a study by Beal and Delpachitra (2003) aimed at measuring the financial literacy levels of Southern Queensland University first-year students in Australia, they concluded that students' financial literacy levels were low and financial literacy education given in high schools was insufficient.

In the study conducted by Durmuşkaya and Kavas (2018) on 415 academicians, the male academicians were women, the academicians working in the social sciences were working in the health sciences, the graduate graduates of the graduate graduates, the academicians and the academicians were more literate. . In addition, as the age of academics increases, financial literacy levels increase.

İnce conducted a study on the entrepreneurship tendency of the Z generation in 2018 with 102 students from the Department of Tourism. According to the results of the study, it is concluded that generation Z, which is in uncertainty about the future, can contribute to financial and economic developments through proper guidance and education.

Silva et al. (2017) examined the financial literacy levels of high school students in Brazil. 4698 students from 14 different high schools participated in the study. As a result of the research, it was concluded that the students have financial literacy level but they are not sufficient.

4. Research

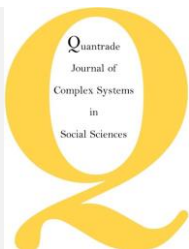
The main reason for this study is the preliminary evaluation of the future research on financial literacy levels of individuals who were born after 2000 and represent our future. In this context, 57 Z generation individuals who were born after 2000 were selected and asked 17 questions that we have compiled from previous studies in America.

The data was collected by the surface. Surfaces made by the researcher face to face. The first 5 questions used in the study were inspired by Lewis Mandell which one study of “The Financial Literacy of Young American Adults”.

The following questions were asked to the participants.

- **Question 1.** What is your father's education level? 74.5 percent of the participants are in primary school, 12.7% of them are high school, 3.6 percent university, 1.8 percent graduate, 1.8 percent are illiterate, 5.5 percent were literate, they chose the option.
- **Question 2.** What is your mother's education level? 74.5 percent of the participants are in primary school, 10.9 percent high school, 7.3 percent are illiterate, 7.3 percent of them chose the literate option.
- **Question 3.** Do you use credit card? 50 percent of the participants said they did not use a credit card while 50 percent.
- **Question 4.** What is your family's monthly income? 36.4 percent of the participants stated that their family's monthly income is 0-2000 Turkish Liras, 41.8 percent of the participants have a monthly income of 2001-3000 Turkish Liras, 10.9 percent of the participants stated that their family's monthly income is 4001-5000 Turkish Liras, 10.9 percent of the participants stated that their family's monthly income is more than 5000 Turkish Liras.
- **Question 5.** Do You Participate in the Private Pension System? 92.7% of the participants say that they are not included in the private pension system, while the remaining 7.3 percent are included in the individual pension system.
- **Question 6.** Do you use Internet Banking? 96.4 percent of the participants stated that they use internet banking.
- **Question 7.** How much have you saved in the last year? According to the results of the study, in the last year, 76.4 percent of the participants accumulated 0-1000 Turkish Lira, 9.1 percent of the participants accumulated 1001-2000 Turkish Lira, 5.5 percent of the participants accumulated 2001-3000 Turkish Lira, 1.8 percent of the participants accumulated 3001-4000 Turkish Lira, and 7.3 percent of the participants accumulated more than 4001 Turkish Lira this has been achieved.
- **Question 8.** Ali and Ayşe work in the finance department of X. While Ali is on his way to a computer course to improve himself when his out of working time, Ayşe spends time in the gyms with his friends. In your opinion, which of the following options would you expect after 5 years?
 - A. Ayşe saves more money because she is more social than Ali.
 - B. Ayşe will be more successful. Because Ali will likely to be fired.
 - C. Ali will earn more money because he is more valuable for the company.
 - D. Ali and Ayşe will continue their work with the same salary.

This question was asked to measure the awareness of the concept of Human Capital. While 67.9% of respondents answered this question correctly in 2008, this ratio was 92.1 in 1997. 11% of the answers indicated that Ali and Ayşe would continue to work at the same salary level. Four of the participants chose D while only one chose the correct answer.



- **Question 9.** It is a wrong investment to use a loan with an annual interest rate of 15% in a country with an annual inflation rate of 20%., 47.3 percent of the participants stated that this process is wrong.
- **Question 10.** “It is the measurement of the currencies of two different countries in terms of the currency of a third country and the relationship between them and the resulting exchange rate.” Which of the following refers to the expression given below?
 - A. Real Inflation
 - B. GDP Deflator
 - C. Cross Exchange Rate
 - D. Nominal Exchange Rate

84.9 percent of the participants chose the correct answer.
- **Question 11.** Which one is used to transfer money between accounts in the same bank?
 - A. Remittance
 - B. EFT
 - C. Swap
 - D. Repo

79,2 percent of the participants chose the correct answer.
- **Question 12.** Inflation is desirable because it increases the purchasing power of money.
 88.2 percent of the participants said that this stateme
- **Question 13.** Today, most young people benefit from the health insurance of their parents. Which is true about health insurance coverage?
 - A. I can benefit from my mother's or father's insurance until marriage without age and gender restrictions.
 - B. If my mother or father becomes unemployed, my health insurance will be canceled.
 - A. As long as I live in the same house with my parents, my health insurance will be continued.
 - D. I can benefit from my mother's or father's insurance until I'm 20 if I'm in high school and 25 when I'm in college.

In the USA, in 2006 and 2008, 40% of respondents answered this question correctly.
 Three of the participants selected the wrong option B, one wrong option A and one of them is chosen correct option D.
- **Question 14.** Ahmet receives 2000 TL salary per month. He pays 1000 Liras for home rent. He has got 300 Liras kitchen costs. There are 200 Liras transportation costs. He gives 100 Liras pocket money to his brother studying at the university every month. Since Ahmet has no other expenses, how much time does he save 10,000 Liras?
 - A. 20
 - B. 25
 - C. 30
 - D. 35

In 2008, 60.2% of respondents answered this question based on simple mathematics. All participants chose the correct option B.
- **Question 15.** Elif and Mustafa are the same age. When Elif turned 25, she decided to save 2000 Liras per month. Meanwhile, Mustafa does not want to save. When they reach the age of 50, when Mustafa retires, he realizes that he will not have any savings and decides to save 4000 Liras per month. Elif is still saving 2000 Liras. Since both of these days are 75 years old, which is true for Elif and Mustafa's savings?
 - A. The total amount saved by both is the same.

B. Mustafa's saved is more because, he has saved more money every month.
C. Elif's saved is more because she has saved the money more longer time.
D. Elif's money is more because her money has remained at compound interest rate for a longer time.
Two of the participants chose C which one is the wrong option. One of the participant chose A, which one is the wrong option. One of the participant choose D, which one is the right option.

- **Question 16.** Mehmet will start university next year. He has 10000 Liras which he has accumulated during summer vacation. Mehmet wants to keep this 10000 Liras until he starts university. Which is safer for Mehmet?
A. Storing in a secret place at home.
B. Take stock from the stock exchange.
C. Receive government bonds.
D. Deposit into the bank account.

In the USA, 87.7% of the respondents answered the question correctly. Three of the participants who participated in the study chose the wrong option D and two of them chose the wrong option B. As a result, none of the participants chose the right option.

- **Question 17.** Match the following currency symbols to the currency units.
a. American dollars b. Kuwaiti Dinar c. Ruble d. Chinese Yuan e. Sterling f. Euro g. Turkish lira
€
£
¥
\$

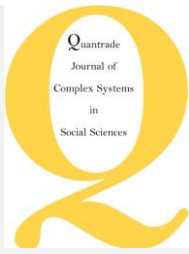
All the participants answered this question correctly.

5. Result and Conclusion

It was observed that the individuals of Generation Z who did not know the concept of human capital or did not understand the importance of human capital. According to the participants, the fact that the person has developed himself is not an advantage over his competitors. It can be said that the participants' knowledge of health insurance is extremely limited. Insurance policy implemented in our country is of great importance for this. Unlike the United States, young people are not very knowledgeable in this regard because there is an insurance obligation in our country. The aim of the third question is the ability of simple mathematical calculation. All of the participants answered this question correctly. This shows that basic mathematical skills have improved. Participants do not know the relationship between savings and interest. The reason for this is that they have not yet started to earn income and are unfamiliar with the savings evaluation processes. It would be wrong to say that participants have full knowledge of issues such as stocks, bonds and interest. All participants participated in the study, recognizing the most used currencies in the world.

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