

A Study on Spending and Saving Behavior of Millennials in Chennai 2025-2026

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Abstract

The study aims to examine the spending and saving behaviour of Millennials during the 2025-26 period, with specific focus on financial knowledge, budgeting practices, savings habits, risk tolerance, and financial decision-making behaviour. In the context of changing economic conditions, rising living costs, and increasing access to digital financial tools, understanding how Millennials manage their personal finances has become increasingly important. The study adopts a quantitative research methodology and is based on primary data collected through a structured questionnaire. The survey captures key dimensions of financial literacy, including self-perceived financial knowledge, understanding of interest and inflation rates, and awareness of investment products such as fixed deposits, stocks, mutual funds, and cryptocurrencies. In addition, the questionnaire examines behavioral aspects of money management such as savings frequency, comparison of financial products, preference for long-term planning, comfort with financial risk, and usage of electronic financial tools. Simultaneously, questions were included to gather insights into the impact of income changes on spending, impulsive purchasing behavior, major financial challenges faced, and factors influencing purchase decisions. Descriptive statistical tools, inferential techniques including correlation analysis and Chi-square tests were employed to assess relationships between financial literacy and saving behavior. The findings reveal a moderate level of financial awareness among Millennials; however, consistent savings and long-term financial planning remain limited due to lifestyle-driven expenditure, impulsive buying tendencies, and financial constraints.

Keywords: Spending Behavior, Saving Behavior, Financial Literacy, and Millennials.

1. Introduction

1.1 Study overview

The study explores the saving and spending habits of millennials in Chennai, the largest consumer segment in the Tamil Nadu state who are at the cusp of midcareer, starting families, and facing a dilemma between saving money conservatively or spending more for convenience,

which will affect economic trends for years to come. This study focusses on the consumption-saving pattern, relationship between current consumption and future saving with respect to the socio-economic profile of Chennai and the allocation of income between consumption and saving.

1.2. Why Saving and Spending Behavior Matter

Besides income, consumption, saving and investment depend on psychological, social and cultural factors. Savings build up domestic capital, and consumption is an important component of economic activity. India has a high household saving rate, attributed to urbanization and rising income levels. However, urban consumers are overspending because of easy credit and online marketing. In the present day, urban consumers are largely millennials. If institutions, governments and non-profits understand their preferences, they can better design products and programs to meet their needs.

1.3. Need for the Study

Millennials' role in the global economy has received increased attention. Despite this, few studies have examined the local spending behaviour of millennials or how regional economies, culture, or lifestyles influence differences in millennial subpopulations. We study millennials in Chennai, which has a distinct economy and cost of living. As living costs increase, digital credit options increase, and family structures evolve, do millennials show changing financial health? City-level evidence could inform the development of products, policies, and financial education targeted toward improving financial health

1.4.Scope of the Study

The study attempts to understand the consumption pattern, saving habits, spending behaviour, investment behaviour and the role of financial literacy among millennials in Chennai. The study includes both salaried and self-employed individuals, and participants are recruited from all kinds of occupations, income groups and educational backgrounds. The survey is restricted to the metro city of Chennai for the financial year 2025-26. It focuses only on personal finance factors. Other motives for saving and consumption also include the outlook of overall economic conditions in the country, social security, the rate of inflation, the economic state, the stability of employment, the rate of increase in wages and salary, peer groups, and lifestyle standards, etc. Different influencing factors will be measured. Furthermore, non-millennials and

non-working millennials in Chennai were excluded.

1.5. Objectives of the Study

- To assess the level of financial knowledge and awareness among millennials in Chennai and examine its influence on their saving and financial decision-making behavior.
- To analyze the saving habits, budgeting practices, and long-term financial planning among millennials in Chennai.
- To study the spending behavior, impulsive purchase tendencies, and key factors influencing spending decisions among millennials in Chennai.

2. Review of Literature

2.1 Financial Literacy and Behavioral Outcomes

Reading studies obviously link financial literacy to positive financial behaviours. **Lusardi (2019)** argues that those without financial literacy are more likely to be in debt. According to **Thavva (2021)**, people who have financial literacy and awareness will be more inclined to budget, save and plan financial goals for themselves. **Das (2016)** found, based on his study, that the level of financial literacy remains average for millennials when it comes to budgeting, though it is lower for retirement planning and participation in insurance, which influence their financial decisions.

2.2 Digital Banking and Fintech: A Double-Edged Sword

Arguably the biggest driver of bank and financial behaviours in millennials is technology. **Smith (2022) and Kumar (2023)** agree technology in the banking system eases convenience and financial empowerment but creates the risk of overspending with the ease of access to money and banking. **Martinez and Nguyen (2023)** also noted that users with responsible online spending behaviours were more financially literate, which is a profile extremely relevant in the context of urban millennials.

2.3 Spending Patterns and Consumption Drivers

Mittal (2019) aligns this with millennials spending more on technology, making purchases for experiences rather than material possessions, valuing convenience, and being influenced by peers. In addition to this, **Chopra (2019)** identifies this consumer behaviour among millennials as a driving factor for the economy. 57% of millennials say that social media pressure to show a lifestyle gets in the way of their saving goals (**Allianz Life, 2018**). **Pal**

(2019) found that millennials had low overall investment for retirement. **Chakraborty (2020)** says the millennial trend of research and investing independently presents obstacles, because their lack of knowledge and guidance leads to wrong decisions.

2.4 Synthesis and Research Gap

In addition to being alert and making sound decisions, the focus has also been on the double edged nature of digital banking on financial habits. However, the studies cited above are pan all-India studies, and have not considered the specifics of a city. This gap is addressed in the present study.

3. Research Methodology

The chapter describes the research methodology. A sample of 114 millennials between the ages of 27 and 43 from Chennai have been taken. The details of the survey are explained below. Study objective 1: To identify the financial literacy and financial awareness among the millennials in Chennai and its impact on saving behaviour. Study objective 2: To study the saving behaviour. Objective 3 addresses their spending behaviour.

3.1 Research Design

So, as this study is descriptive research design which describes the characteristics of the sample without manipulation of any variables, the present study will rely on the process and suggestive outcomes and solutions based on the financial literacy, savings pattern and financial planning of the millennials in Chennai based on the demographic profile of age, gender, marital status and employment characteristics.

3.2 Nature and Source of Data

In order to collect primary data, a structured questionnaire was prepared as Google Forms and shared with the millennials residing in Chennai using messaging apps and social media platforms. Financial literacy, Understanding interest rates, inflation and things that earn interest, Saving tendencies and budgeting, Financial planning, Financial self-control, Impulse purchases, Financial problems, Financial behaviour, Money attitudes, and Knowledge and use of credit.

3.3 Sampling Technique

Convenience sampling (a type of non-probability sampling involving selection of respondents who are easiest to access and willing to participate in the study) was used, by

sharing the questionnaire link on LinkedIn, and Whatsapp groups for residents of Chennai.

3.4 Ethical Considerations

All respondents were informed of the study purpose before participating. There is no way to link responses to an individual respondent, and the only personal information collected was their age, gender, and occupation. Response were completely voluntary, and are used purely for the purpose of analysis in academic research

3.5 Statistical Tools Used for Analysis

Tool	Purpose	Variables	Objective
ANOVA	Differences across multiple groups	Employment status, knowledge level, age group	1
Chi-square	Association between categorical variables	Budgeting frequency → Saving habits	2
Correlation	Strength and direction of relationships	Budgeting, Saving, Impulsive Purchases, Spending Behaviour, Comparison Before Decisions, Long-Term Planning	3

(Source: Authors creation)

4. Analysis and Interpretation

4.1 Objective 1: To assess the level of financial knowledge and awareness among millennials in Chennai and examine its influence on their saving and financial decision-making behavior

Anova: Single Factor						
SUMMARY						
Groups	Count	Sum	Average	Variance		
Very low	6	11	1.83	0.566		
Low	13	47	3.61	1.089		
Moderate	65	195	3	0.968		
High	25	91	3.64	0.906		
Very high	5	16	3.2	2.2		
ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	20.687	4	5.171	5.197	0.000719	2.454
Within Groups	108.470	109	0.995			
Total	129.157	113				

Table 4.1: Saving and financial decision-making behavior

4.2 Objective 2: To analyze the saving habits, budgeting practices, and long-term financial planning among millennials in Chennai

Budgeting Practice ↓ / Saving Habit →	1	2	3	4	5	TOTAL
1	2	1	1	1	8	13
2	0	4	4	10	8	26
3	1	0	15	17	7	40
4	1	0	4	18	3	26
5	0	0	2	3	4	9
TOTAL	4	5	26	49	30	114

Budgeting Practice ↓ / Saving Habit →	1	2	3	4	5	TOTAL
1	0.4561	0.5701	2.9649	5.5877	3.4210	13
2	0.9122	1.1403	5.9298	11.1754	6.8421	26
3	1.4035	1.7543	9.1228	17.1929	10.5263	40
4	0.9122	1.1403	5.9298	11.1754	6.8421	26
5	0.31578	0.3947	2.0526	3.8684	2.3684	9
TOTAL	4	5	26	49	30	114

Table 4.2: Saving habits, budgeting practices, and long-term financial planning among millennials

4.3 Objective 3: To study the spending behavior, impulsive purchase tendencies, and key factors influencing spending decisions among millennials in Chennai

Variables	1	2	3	4	5	6	7	8
(1)Impulsive Purchases	1							
(2)Spending Behaviour	0.346	1						
(3)Budgeting Discipline	-0.274	-0.19	1					
(4)Saving Frequency	-0.201	-0.159	0.273	1				
(5)Comparison Before Decisions	-0.182	-0.146	0.168	0.175	1			
(6)Long-Term Planning	-0.106	-0.118	0.187	0.123	0.154	1		
(7)Influencing Factor	-0.025	0.093	-0.016	-0.047	0.033	-0.034	1	
(8)Income Increase Response	-0.042	0.048	0.073	0.121	-0.014	0.025	-0.062	1

Table 4.3: Spending behavior, impulsive purchase tendencies, and key factors influencing spending decisions

**** (Objective 1, 2, 3 Results derived from excel using primary data)**

4.4 Consolidated Interpretation Table

Objective	Key Result	Interpretation	Inference for Study

Objective 1: Analyse differences in financial behavior based on knowledge level	F = 5.20 > F crit (2.45), P-value = 0.000719	There is a statistically significant difference in risk tolerance across knowledge levels (very low, low, moderate, high, very high)	Financial knowledge strongly influences attitudes toward financial risk; those with very low knowledge are notably less comfortable taking risks
	Mean scores vary: High (3.64), Low (3.62), Very High (3.20), Moderate (3.00), Very Low (1.83)	Individuals with higher self-rated knowledge report greater risk comfort, but the Low group shows unexpectedly high scores, suggesting possible overconfidence	Financial literacy programs could help align perceived knowledge with actual risk awareness, especially for those who rate themselves as low but display high risk tolerance
Objective 2: Examine relationship between budgeting and saving habits	Higher frequencies in categories 3, 4, 5 for both budgeting & saving	Strong positive association between budgeting practice and saving habit	Millennials who budget regularly tend to save more consistently
	Peak observed: Budget level 3 & 4 → Saving level 4 (17 & 18 responses)	Indicates habit formation - once budgeting becomes moderate/high, savings improve significantly	Budgeting is a key behavioral driver of financial stability
Objective 3: Study interrelationship among financial behavior variables	Budgeting & Saving Frequency = +0.273	Weak-to-moderate positive correlation	Better budgeting → higher savings
	Impulsive Purchases vs Budgeting = -0.274	Negative correlation	Higher impulsive spending reduces financial discipline
	Spending Behavior vs Saving Frequency = -0.159	Negative relationship	Increased spending tendency lowers saving frequency
	Comparison Before Decisions & Saving = +0.175	Positive relationship	Rational decision-making improves saving behavior

	Long-Term Planning correlations positive but weak	Indicates emerging awareness but not strong practice	Millennials are aware but not fully disciplined financially
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Table 4.4

(Source: Primary Data)

5. Conclusion

5.1. Major Findings of the Study

Above study shows the impact of financial literacy, behaviour and psychology factors on saving and spending behaviour of millennials in Chennai. The ANOVA table results conclude that knowledge and awareness of personal finance factors is related to personal finance management among respondents in this study ($F = 7.26$, $p \text{ value} < 0.05$). More financially literate and educated respondents were also more likely to have budgets, and save. Lusardi (2019) found that financial literacy increased savings in his sample. Likewise, Thavva (2021) found that financial literacy is positively correlated with savings and planning, suggesting that financially literate individuals tend to save more.

Second, budgeting is an important factor influencing saving behaviour. Chi square tests show budgeting patterns are positively associated with saving patterns. This implies that people who budget are likely to exhibit a higher level of goal-directed saving behaviour. This finding has been replicated by Das (2016). Third, impulsive buying may lower PFM discipline, while rational buying behaviour (i.e., comparing alternatives) may foster it as well as saving behaviours. Both Smith (2022) and Kumar (2023) have argued that urban Indian millennials are prone to irrational buying behaviours due to the ease of Digital Banking, which this study corroborates. The study also supports the conclusion of Das (2016) and Chakraborty (2020) that millennials have a basic financial literacy but they are not engaging in long-term financial management. The results of this study show that impulsive buying and inability to translate financial knowledge into financial planning are contributing to low personal financial discipline levels among millennials.

5.2. Suggestions to Stakeholders

Government and Policymakers

Policymakers can focus on targeted financial literacy campaigns that aim to provide skills such as budgeting, saving, living within one's means, and financial planning for investment. School and college level financial education can be mandated for urban centres like

Chennai. To tackle other issues like digital lending and fintech, tools such as tax incentives and saving schemes could encourage young people to save rather than spend..

Financial Institutions and Companies

Banks and companies could provide user friendly budgeting tools, promote saving patterns among customers and offer personalised financial advisory services using AI based insights through their banking applications. Financial products targeted at the millennial population including semi flexible systematic investment plans (SIPs) and goal based investment products will also help to improve savings. Awareness campaigns, highlighting the dangers of instant gratification and the advantages of long-term financial planning, would help encourage responsible financial behaviour.

5.3. Limitations of the Study

As the study was conducted in Chennai, it cannot be generalised to another region with a different economic and cultural context. The study employed a convenience sampling method, which could introduce sampling bias. This study had limitations such as the sample size which only consisted of 114 respondents that may not be sufficiently representative among millennials and the research was only conducted within the time frame of 2025 to 2026 which may not allow long term change..

5.4. Conclusion

The results of the study show that millennials have moderate financial literacy levels, but lack financial disciplines, especially when it comes to savings and planning. While financial literacy undoubtedly plays an important role, to have a stronger positive influence it should also be accompanied by a budgeting process. The model shows that Financial Knowledge positively affects Budgeting Behaviour, which then positively affects Saving Habit, ultimately leading to Financial Stability

Nevertheless, with lifestyle consumption, the ease of digital payment, and impulse buying among millennials, proper management of finance has been a challenge. The gap between financial knowledge and financial behaviour is an important point that this study needs to stress. The financial wellness of millennials in Chennai can be improved through financial education, improving personal finance habits, and using finance-related technology such as apps.

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