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Determinants of Financial Prudence among the young Adults in Bihar’s Tier 1 City: An Empirical Study on Savings Behavior and Gender Dynamics

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Abstract

In today’s uncertain economy, living within means and having a buffer for unexpected emergencies has become not only necessary for stability, but peace of mind as well. Increasing costs of living, an uncertain job market, rising health care costs, and abrupt events like pandemics and natural disasters show why a safety quilt is necessary. For young adults in growing metropolitan regions, these necessities seem most urgent. Most people experience income volatility, high living expenses, lifestyle pressures and limited access to sound financial advice. The goal of the current research is to understand how young adults cope with financial responsibility and crisis counseling in Patna, a Tier 1 city of Bihar. It explores closely the roles of savings behavior, gender on decision making, attitudes towards risk and methods of generating security.

The overall goal of this research is to provide information that can support responsible financial activities and promote saving as a sustainable goal. Emerging from a gender approach, the study points to the need to adopt measures towards inclusive access to financial knowledge and resources for both women and men. Ultimately, this research has the objectives of deepening knowledge and understanding of how young adults are more likely to become financially resilient not only for their own futures, but for the economic well - being of their communities.

Keywords; Financial Prudence, Savings Behavior, Gender Dynamics, Financial Literacy, Economic Stability.

INTRODUCTION

In today’s volatile world, businesses experience business cycle downturns, market meltdowns, and unexpected events - such as COVID-19. These events have reinforced the need for businesses to be financially prudent and fix the unexpected in order to rise above a downturn. This causes you to think about financial prudence and crisis preparedness. Financial prudence is the ability to spend wisely, avoid unnecessary debt, save for the unexpected, and prioritize longer term stability over short term profits. Crisis preparedness is the ability to have a planned response in place to respond to any change to your business (a decline in sales, disruption in your supply chain, etc.) to respond quickly and effectively to any unexpected change.

For young adults in India, this particular phase has a mixture of opportunities and pressure. While tracing independence, career advancement, and better living standards, they must confront the reality of limited income mixed with rising expenses. In a city such as Patna – a Tier 1 urban center within the state of Bihar – these challenges are more noticeable. The financial decisions made by this group of individuals have repercussions that impact not only their individual situations but also the larger economy. Although young adulthood is a more financially literate generation, many remain at risk due to low savings and ineffective financial planning.

The COVID-19 pandemic demonstrated how necessary one's financial resilience can become. Additionally, gender is an important contextual component because cultural expectations, social conventions, and workplace realities can often affect how a man or woman will accrue savings, deplete savings, and view risk. This project is designed to engage on saving behaviors and gender, while developing an understanding of factors that contribute to financial prudence and crisis resilience among young adults in Patna. By conducting research on saving behavior and gender, this research project is designed to develop information and ideas that may be used in the future to improve our social policy and programming to promote financial resilience in urban settings.

OBJECTIVES

1. To explore the determinants of financial prudence among individuals.
2. To examine the drivers and barriers of emergency savings behaviour among the young adults.
3. To analyze the relationship between gender and financial resilience.

RESEARCH METHODOLOGY

1. Research Design

This research adopts an empirical design, including quantitative research methods to establish the link between financial prudence and gender dynamics.

2. Data Collection Method

Primary Data has been collected through a structured questionnaire to assess financial knowledge, saving habits, budgeting, investment behavior, and financial crisis preparedness.

3. Sampling Technique and Size

The sampling technique adopted in this study is simple random sampling. The total sample size was 156 respondents.

4. Data Analysis Technique

For the purpose of the study, descriptive statistical tools such as frequency distribution, percentage, mean, average were used, along with factor analysis & binary logistic regression analysis conducted using SPSS software in alignment with the objective of the study.

Financial Prudence

Financial prudence and preparedness for crisis situations can be traced back throughout history as critical factors in

maintaining stability and sustaining existence. Societies of the past cared about issues of savings and resources as a way to survive challenging times, representing some of the earliest forms of graced behavior. Episodes of historical unrest and turmoil such as the Great Depression (1930s), the 2008 Financial Crisis, and COVID-19 have shed light on the need for disciplined financial planning, savings, and risk management. These periods were reminders that individuals and institutions that value principles of prudence and preparedness will, without question, experience greater success in challenging times, and ultimately hardship, than those who do not.

Financial prudence refers to the careful, responsible, and disciplined management of financial resources. It involves making thoughtful spending decisions, maintaining adequate savings, minimizing unnecessary risks, and planning ahead to ensure financial stability in both present and future situations. Financial prudence emphasizes long-term financial health over short-term convenience.

Financial Prudence in Vuca World

In today's VUCA (Volatile, Uncertain, Complex, and Ambiguous) world, financial prudence is vital to enable financial stability and resiliency in a constantly-changing society. Financial prudence consists of planning, disciplined saving, cautious investing, and spending smartly are important to help navigate unpredictable change introduced by economic uncertainty. Building an emergency fund, directing multiple streams of revenue, and tracking and limiting discretionary debt are tools to move towards a better position to navigate change influenced by volatile markets and global uncertainty. Financial prudence, ultimately, becomes an emphasis of how to understand the mechanisms of financial well-being that leads to long-term financial stability, a reduction in financial anxiety, and contextualizes outcomes for decision-making. Financial prudence can empower individuals and organizations to not only react to crises, but take advantage of emerging opportunities and experiences that promote a sustainable and thriving organizational entity. In today's VUCA, financial prudence can be both an approach to survival, but become an investment for success, stability, and confidence in the unpredictable world.

Financial Resilience

Financial prudence is essentially managing money in a wise and discerning manner, including monitoring expenditures, saving on a consistent basis, planning for

future needs, and avoiding unnecessary debts. If done consistently, they can effectively help develop financial resilience, defined as the capacity to weather and recover from financial difficulties or crises.

For example, consistently saving money creates a sort of cushion to use during emergencies involving a job loss, or hospital expenses. Limiting debt means there are not a lot of repayments when times are challenging. Budgeting and planning means that all critical needs will still be met even if income drops. Insurance means an unexpected, large expense does not break the bank.

The financial habits that exemplify prudent financial behavior creates an overall stronger person, or business, with the ability to withstand an economic shock, while avoiding falling into serious refinance trouble. Therefore, financial prudence directly supports financial resilience through increasing stability, reducing risk, and enabling an even quicker recovery to a disruption.

Factors influencing financial prudence among young adults

Using Factor Analysis in SPSS, the study identified factors affecting financial prudence.

The KMO & Bartlett's test confirms the appropriateness of factor analysis (since $p = 0.000$; $p < 0.05$). Therefore, it's statistically significant and captures the inter correlation among variables selected for the study.

According to total variance explained table, three components (factors) are extracted based on Eigen value > 1.

- The principal component which is component 1 explains 24.87% and the variability.
- The 3 components together explained 55.5% of the total variance stating that these 3 factors majorly influence decision making.

Based on Rotated Component Matrix the variables have been grouped into the following factors:

1. Financial Planning
2. Budgeting & Expenses Management
3. Digital Financial Management

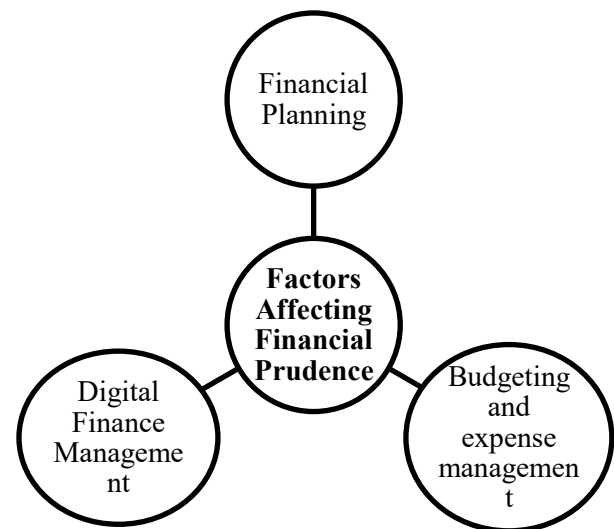


Figure 1

Therefore, these three factors were found to most strongly affect financial prudence among the Young Adults of Patna, Bihar,

Table 1 Drivers of emergency savings behavior.

Motivators	Sum of Number of Respondents	Sum of Male	Sum of Female
Asset Building	0.50%	0.82%	0.00%
Consumption	2.49%	2.46%	2.53%
Digital Convenience	15.42%	18.03%	11.39%
Emergency Use	1.00%	0.00%	2.53%
Family Encouragement	28.86%	24.59%	35.44%
Job Security	44.28%	45.08%	43.04%
Social Influence	7.46%	9.02%	5.06%
Grand Total	100.00%	100.00%	100.00%

Interpretation: Job Security (44.28%), emerged as the most important motivator for emergency savings among respondents. This indicates that almost half the respondents decision making depends upon the need for financial security and stability given the uncertain times. Followed by, Family Encouragement (28.86%) , which provides evidence that strong family ties, influence, and support, can play a dominant role in shaping decision-making of young adults. Digital Convenience (15.42%), reflects the increasing trust of digital financial platforms among young adults, due to the increase in awareness. Other motivators such as social influence (7.46%), consumption needs (2.49%), unexpected emergency use (1%), and asset building (0.5%) are relatively smaller, but noteworthy.

Males are more motivated by Job security(45.08%) and Digital Convenience (18.03%), where as Females are more motivated to save by Family encouragement (35.44%) and emergency preparedness.

Table 2 Barriers to emergency savings behavior

Barriers	Sum of Number of Respondents
Dependency	0.51%
High Expenses	24.10%
Lack Financial Discipline	14.87%
Lifestyle Pressure	18.97%
Limited Income	40.51%
No Barrier	1.03%
Grand Total	100.00%

Table 2

The data highlights the primary reasons that check people's ability to save effectively. The first barrier is insufficient income, which is relevant to 40.51% of the respondents. This means that relatively many people feel they cannot save regularly once they cover their basic expenses.

The second barrier is high expense categories at 24.10%. Such expenses may reflect both the rising cost of living and personal expenses, suggesting that people are finding it increasingly difficult to create savings based on necessities. Lifestyle pressure is a close third at 18.97%, pointing towards social pressures as well as the desire to save while attempting to keep up with a certain standard of living associated with the one's activities and peer groups.

Additionally, lack of financial discipline accounts for 14.87%, indicating behavioral challenges such as impulse spending or inconsistent budgeting tendencies. Only a small percentage face dependency (0.51%) or no barriers (1.03%), suggesting that the most of the respondents struggle with at least one financial or behavioral barrier in their ability to save.

Gender and Financial Resilience

To examine the relationship between gender and financial resilience, binary logistic regression through SPSS was applied.

- Independent Variable: Gender (Male=0, Female=1)
- Dependent Variable: Financial Resilience (High =1, Low=0.)

Financial Resilience has been analyzed on the basis of 5 parameters on the Likert scale, coded from 1 to 5 and converted to binary on the basis of median value.

The binary logistic regression indicated that gender significantly predicts financial prudence ($p=0.012$). Females are found to be 6.78 times more likely to exhibit high financial prudence as compared to males, confirming a strong association between gender and financial prudence.

The Way Forward

The pathway aims at supporting financial literacy, creating saving habits, and implementing financial strategies which will build stronger and stay more resilient. Individuals should be supported to establish achievable budgets, create emergency savings and invest for longer periods of time, while the government and mass financial institutions may promote through awareness programs, affordable saving plans, and advisory. Educational institutions must incorporate financial studies to form financially literate and supportive citizens. This research additionally offers benefit to researchers, educators, financial institutions and policymakers as it introduces perspectives of thinking, and behavior during uncertain times. Policymakers will have research to support the design of inclusive financial policies, the industry can develop financial products that are applicable financial institutions can explore behaviors around an individual's decision-making based on thoughts and behavior. These measures are intended to bolster individual and community financial resilience,

and prepare individuals to better thrive in an uncertain and unpredictable VUCA world.

CONCLUSION

In our rapidly changing business landscape, displaying financial prudence and being crisis-prepared is not only advantageous - it is prudent. When organizations act in a manner that promotes good fiscal habits, maintains an adequate reserve, and demonstrates appropriate financial stewardship, they create a buffer that allows even when disruption occurs. In parallel, having a crisis plan, recognizing the areas of possible risk, and being able to respond effectively to either planned and unplanned events, can be the difference between disruption for a short period and disruption that results in longer-term damage.

Financial prudence keeps the business strong during business-as-usual operations while crisis preparedness protects that strength when unexpected or prompted disruption is upon the business. When working together, financial prudence and crisis preparedness provide an advantage for confidence that the company will be resilient and remain operational, even during times of uncertainty. Organizations that utilize both of these constructs will be best positioned to survive, restore, and thrive - regardless of what the future holds.

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