

FACTORS INFLUENCING FINANCIAL FREEDOM OF GENERATION Y IN NAKHON RATCHASIMA PROVINCE

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Abstract

This research studies the factors influencing the financial independence of Generation Y in Nakhon Ratchasima Province, with personal financial planning as a mediating variable. The sample used in this research consists of 386 online consumers. Data were collected using questionnaires and analyzed with descriptive statistics and Structural Equation Modeling (SEM). The research results indicate that the SEM model fits the theoretical model at an acceptable level. Financial literacy, self-control, and financial risk influence personal financial planning and independence.

Personal financial planning indirectly influences financial independence at the .05 significance level. This indicates that good financial planning helps individuals clarify their financial goals and track their progress, increasing the likelihood of achieving financial objectives such as saving enough for retirement or paying off debts more quickly. Thus, effective planning serves as a bridge that facilitates the attainment of financial independence.

Keywords: Financial Freedom, Generation Y, Financial Risk, Personal Financial Planning, Financial Independence Goals

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Introduction

Generation Y has characteristics that differ from previous demographic cohorts, such as an emphasis on balancing work and personal life, as well as a keen interest in technology and the use of online media for work and learning. These factors significantly influence their financial management concepts and methods. Additionally, having grown up in an era of rapid economic and social change, this group has a different attitude towards finance and saving to achieve financial independence. Generation Y seeks knowledge and tools for effective financial planning, enabling them to build economic stability and meet life's demands in the long term.

The financial behavior of Thai people is considered a primary cause of these debt problems. Specifically, even though the population has an increasing income, their spending simultaneously rises as well. The main reason is the advancement of technology that facilitates online shopping, which stimulates the demand for goods and services even more. This technological advancement will likely encourage consumer spending (Chuenchoaksant et al., 2019).

Financial behavior encompasses spending, borrowing, saving, and investing, which can be reflected through financial independence analysis. An individual who begins to attain financial independence will have a survival ratio greater than or equal to 1. If the individual is financially independent, the wealth ratio will be greater than or equal to 1 (Stock Exchange of Thailand, 2015).

Consequently, financial independence implies that a person does not need to work for survival since they can depend on income generated from their assets (passive income). Suppose the population of the country achieves financial independence. In that case, they will be able to survive and build wealth, resulting in solid financial status and contributing to the macroeconomic strength at a Basic level. Thus, providing knowledge and preparing the younger generation is extremely important.

According to the Thai population data, as of December 31, 2020, there are 66,558,935 people, with the highest proportion of Generation Y at 28.11% (National Statistical Office, 2022). Generation Y refers to those born between 1981 and 1999 (Boltan et al., 2013) and is a group that has grown up alongside technological advancements, leading to a preference for speed, lower patience, and relatively high financial goals. However, on the contrary, a survey conducted by the Bank of Thailand found that 50% of Generation Y has a debt burden of about 432,000 baht per person, with 20% of Generation Y defaulting on loans, accounting for 7.1% of all non-performing loans. The default trend has been increasing and is expected to continue. This is caused by rapidly evolving technology, making it easier for Generation Y to access goods and services through various media. Combined with the fact that financial planning awareness is not widespread enough, it may lead Generation Y to have inadequate financial planning approaches.

Nakhon Ratchasima Province is an important economic and trade center in the northeastern region of Thailand, with a large and diverse population in both urban and rural areas. This region has the highest debt (National Statistical Office, 2022), particularly in provinces that primarily rely on agriculture, leading to debt for agricultural purposes and other expenses. If this research helps alleviate the debt burden in the province with the highest population, it could serve as a basis for analysis in different regional provinces.

Therefore, studying the factors that influence the financial independence of Generation Y in this area is significant. Such research can lead to understanding Generation Y's different financial management approaches based on their social and economic environments. Additionally, analyzing financial literacy, self-control ability, and personal financial planning will help

reveal the factors hindering or promoting financial goals for this group. This research can lead to the development of programs or measures to effectively enhance financial knowledge and skills among Generation Y.

Therefore, the researcher is interested in studying the factors that influence the financial independence of Generation Y in Nakhon Ratchasima Province and applying the findings to planning to enhance financial independence for this group. This research will also benefit government and private agencies by using the results to promote financial skills and increase awareness of personal risks for Generation Y.

Objectives

The purpose of this study is to study the factors that influence the financial independence of Generation Y in Nakhon Ratchasima Province, with personal financial planning serving as a mediating variable.

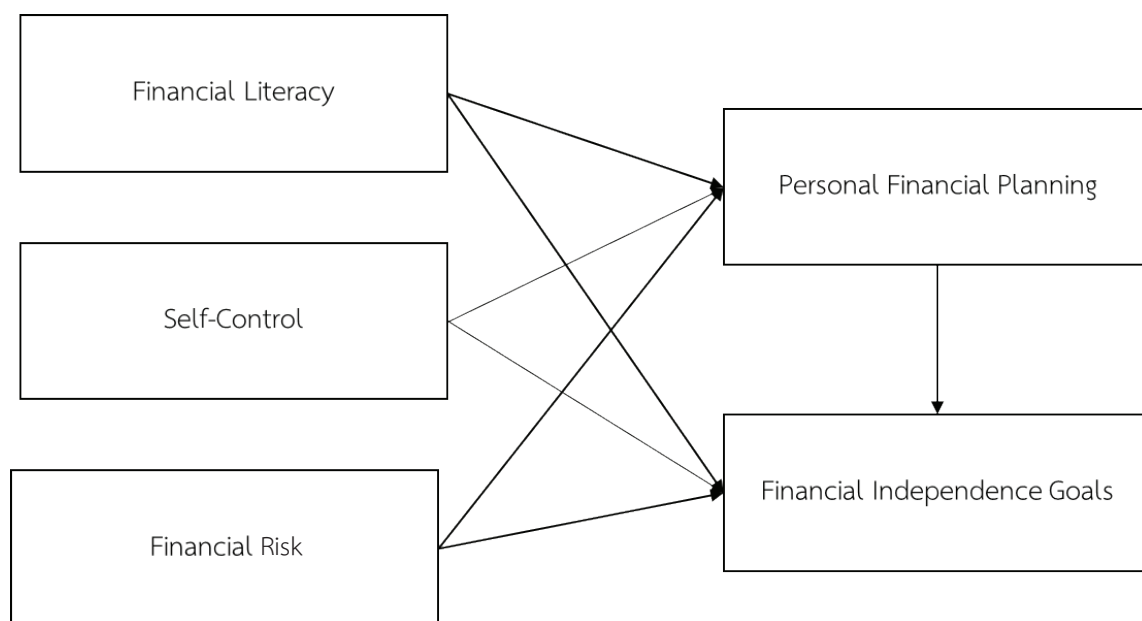


Figure 1 Research Framework

Literature Review

The Influence of Financial Literacy on Personal Financial Planning

A literature review by Lusardi et al. (2020) found that financial literacy is significantly related to retirement financial planning. Individuals with higher financial literacy are more likely to engage in retirement financial planning. Priya and Periyasami (2023) studied financial literacy and financial behavior and found that financial literacy plays a crucial role in effective financial decision-making. De Beckker (2020) focused on financial literacy and financial planning in developing countries and discovered that having financial knowledge increases opportunities for accessing financial services and effectively planning finances. Mahdzan et al. (2020) studied financial training and financial planning and found that financial training positively affects financial planning and saving. Bucher-Koenen et al. (2021) examined financial literacy in the Netherlands and found that financial knowledge is essential for effective financial planning and investment.

H1: Financial literacy has a positive influence on personal financial planning.

The Influence of Self-Control on Personal Financial Planning

A literature review by Thaler and Shefrin (1981) developed the “Planner-Doer” model, emphasizing the importance of self-control in financial decision-making. Individuals with higher self-control are likelier to engage in financial planning and saving. Castro-González et al. (2020) studied the relationship between self-control and saving behavior and found

that individuals with high self-control tend to plan their finances and save more. Gathergood et al. (2021) examined the impact of self-control on spending and saving behaviors. They found that individuals with low self-control are more likely to experience financial problems and higher debt levels. Wenzel et al. (2023) studied self-control in various contexts, including financial decision-making, and found that self-control is related to rational decision-making and effective financial planning. Guiney et al. (2024) conducted a long-term study on self-control from childhood to adulthood. They found that individuals with high self-control in childhood are more likely to have good financial health and effective financial planning as they grow older. In Thailand, a study found that self-control significantly affects financial behavior (Petpairote, 2023).

H2: Self-control has a positive influence on personal financial planning.

The Influence of Financial Risk on Personal Financial Planning

Guiso and Jappelli (2020) studied the relationship between financial risk perception and investment decision-making, finding that individuals with high financial risk are more likely to invest in low-risk assets. Mazzoli and Palmucci (2023) examined the investment behavior of investors in Australia and found that risk acceptance is related to financial decision-making and planning. Beck et al. (2023) investigated the factors influencing financial risk acceptance and discovered that demographic and psychological factors affect

risk perception and financial planning. Grable and Lytton (1999) developed a tool to measure financial risk and found that financial risk is significant in financial decision-making and planning. Rabbani et al. (2021) examined the relationship between financial risk acceptance and financial planning. Risk perception plays a crucial role in financial decision-making and long-term financial planning. It involves how individuals understand and interpret environmental risks shaped by their experiences, beliefs, values, and cultural backgrounds.

H3: Financial risk has a positive influence on personal financial planning.

The Influence of Financial Literacy on Financial Independence Goals

Lusardi and Mitchell (2023) found that financial literacy is crucial for making rational financial decisions, planning for retirement, and achieving long-term financial goals. Financial literacy enables individuals to make effective decisions to achieve their financial independence goals. Filotto et al. (2021) emphasized the relationship between financial literacy and debt management. They found that individuals with high financial literacy can manage their debts more effectively and have a greater chance of achieving their financial independence goals. Sovitha and Thavakumar (2020) studied the relationship between financial literacy and financial behaviors, such as saving and investing. They found that individuals with high financial literacy exhibit better and can achieve their financial goals more effectively. Amoah (2023) examined

financial literacy among individuals in the Netherlands and discovered that those with high financial literacy are more likely to successfully engage in retirement financial planning and achieve their financial independence goals. Hastings and Mitchell (2020) investigated the impact of financial literacy on financial decision-making and planning, finding that financial literacy plays a significant role in increasing the chances of achieving financial independence goals.

H4: Financial literacy has a positive influence on financial independence.

The Influence of Self-Control on Financial Independence Goals

Guiney et al. (2024) conducted a long-term study that found self-control from childhood affects success in various areas as individuals grow, including financial success. High self-control is associated with improved financial independence in adulthood. Baumeister et al. (2020) highlighted the role of self-control in various contexts, including financial planning, finding that good self-control enables individuals to manage their finances effectively and achieve their financial independence goals. Hagger et al. (2021) explored the relationship between self-control and various life outcomes, discovering that high self-control is associated with positive financial outcomes, including achieving financial independence goals. Wu and McIlroy (2023) investigated the importance of self-control in predicting life success, finding that self-control is more significant than intelligence in predicting success across various domains, including

finance. Van Steenburg and Naderi (2020) examined the impact of self-control on financial decision-making. They found that individuals with high self-control are likelier to make effective financial decisions and achieve financial independence goals.

H5: Self-control has a positive influence on financial independence.

The Influence of Financial Risk on Financial Independence Goals

DeVaney (1995) studied retirement planning and financial independence goals, finding that financial risk perception affects financial planning decisions needed to achieve retirement goals. Kim et al. (2020) examined financial risk acceptance and investment related to achieving financial independence goals, discovering that those who accept more risk are more likely to choose investments with higher profit potential. Li et al. (2020) investigated the relationship between financial risk and financial independence goals, finding that individuals with a more remarkable ability to take risks tend to engage in financial planning to achieve financial independence more effectively. Yao et al. (2021) studied risk perception and financial planning for retirement and financial independence goals, finding that risk perception influences decisions regarding planning and selecting appropriate investments. Smith and Finke (2021) explored financial decision-making and financial planning to achieve financial independence goals, concluding that financial risk impacts decisions regarding financial planning and investment to achieve those goals.

H6: Financial risk has a positive influence on financial independence.

The Influence of Personal Financial Planning on Financial Independence Goals

Hanna and Lindamood (2004) studied the importance of financial planning for retirement and financial independence goals, finding that good financial planning positively impacts the ability to achieve long-term financial goals. Ouyang and Hanna (2022) examined financial planning among retirees and found that those with careful financial planning have a greater chance of achieving financial independence goals. Stella et al. (2020) explored the relationship between financial planning and saving, concluding that individuals who engage in financial planning tend to save more and are better able to achieve their financial independence goals. Mitchell and Lusardi (2022) investigated financial planning for retirement and found that individuals with careful financial planning are more likely to achieve financial independence goals. Baláž (2021) studied the impact of financial planning on financial security, discovering that financial planning significantly contributes to enhancing financial security and achieving financial independence goals. Lee et al. (2020) explored the relationship between financial planning and financial stress, finding that good financial planning can reduce financial stress and increase the likelihood of achieving financial independence goals.

H7: Personal financial planning has a positive influence on financial independence.

Methodology

Population and Sample

The population used in this study consists of individuals born between 1981 and 1999 who reside in Nakhon Ratchasima Province. The sample for this research comprises 400 individuals from Nakhon Ratchasima Province born between 1981 and 1999. The sample size was determined using Taro Yamane's formula (Yamane, 1973) at a confidence level of 95% with a margin of error of $\pm 5\%$.

Research Instruments

The researchers have defined the characteristics of the research instruments and developed a questionnaire based on the reviewed literature, divided into seven sections as follows: Section 1: Demographic characteristics of the respondents; Section 2: Financial skills; Section 3: Self-control; Section 4: Financial risk; Section 5: Financial planning; Section 6: Financial independence. The questionnaire used a Likert scale with five levels: 1 = Very Low, 2 = Low, 3 = Medium, 4 = High, and 5 = Very High. Section 7 includes other suggestions and is an open-ended format.

Quality Assurance of the Instruments

1. The research team developed the

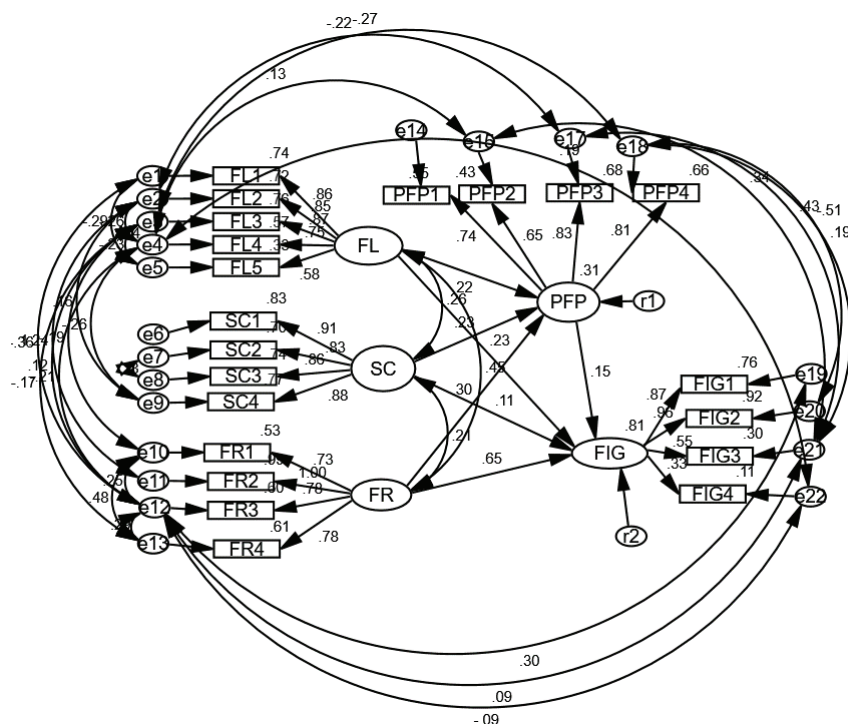
questionnaire based on a review of relevant documents, textbooks, and research to create the conceptual framework.

2. Three experts used the Item-Objective Congruence (IOC) method to evaluate the questionnaire. An IOC value should be 0.5 or above. If any questions did not meet the criteria, the research team revised and improved them until they passed, resulting in an IOC value of 0.779.

3. The IOC-approved questionnaire was then tested (Try-Out) on a sample of 30 participants to assess the reliability of each item. The reliability coefficient should be greater than 0.7. The reliability values for financial skills, self-control, financial risk, financial planning, and financial independence were found to be 0.911.

Results

The analysis results of the Structural Equation Modeling (SEM) for the research model on the factors influencing the financial independence of Generation Y in Nakhon Ratchasima Province involved analyzing the factors that affect financial independence in this demographic and testing hypotheses according to the research framework.



CMIN = 397.824, df = 152, CMIN/df = 2.617, $p = .000$, CFI = .916,

RMSEA = .064, RMR = .020

Figure 2 Adjusted Structural Equation Model of the Factors Influencing the Financial Independence of Generation Y in Nakhon Ratchasima Province

Table 3 Results of the Evaluation of the Fit of the Structural Equation Model Indices, Criteria, and Fit Testing Considerations Before and After Adjustment (Hair et al., 2014, P. 618)

Index Values	Criteria	Before Adjustment Model		After Adjustment Model	
		Statistic Value	Assessment	Statistic Value	Assessment
χ^2/df	<3.00	4.879	Not passed	2.617	Passed
p-value	>0.05	0.000	Not passed	0.000	Not passed
CFI	>0.90	0.888	Passed	0.960	Passed
GFI	>0.90	0.822	Not passed	0.916	Passed
RMSEA	<0.08	0.099	Not passed	0.064	Passed
RMR	<0.05	0.024	Passed	0.020	Passed

From Figure 2 and Table 3, the researcher conducted a structural equation analysis based on the research framework derived from a review of relevant concepts and theories. The analysis revealed that the indices displayed on the model did not meet all the criteria. Therefore, the researcher modified the model by using a double-headed arrow to connect error terms, considering the Modification Indices (MI), which indicate which pairs of variables should be connected. The model was modified until it appropriately fit the empirical data, resulting in acceptable model fit indices according to the specified criteria. These include a statistically significant chi-square value (equal to 397.824 with degrees of freedom (df) of 152), a relative chi-square ratio index (equal to 2.617, which is less than 3.0), and a p-value of 0.000. The Comparative Fit Index (CFI) was found to be 0.960, more significant than 0.90. The Goodness of Fit Index (GFI) was 0.916, more significant than 0.90. The adjusted Root Mean

Square Error of Approximation (RMSEA) was 0.064, less than 0.08, and the Root Mean Square Residual (RMR) was 0.020, less than 0.05. According to the theory, the structural equation model corresponds well with the specified theoretical model at an acceptable level (Hair et al., 2014). Details comparing the fit test results before and after adjustment are shown in Table 3 and illustrated in Figure 2.

Analysis Results to Test Research Hypotheses

From the structural equation analysis and the results of testing the influence of latent variables in the structural equation model regarding the factors influencing the financial independence of Generation Y in Nakhon Ratchasima Province, the coefficients of influence and the predictive coefficients of the causal variables affecting the outcome variable are presented. This allows the researcher to address hypotheses 1-7 according to the research framework, as shown in Table 4.

Table 4 Displays the Analysis Results of the Regression Weights of the Latent Variables (After MI Adjustment)

	Pathway			β	B	S.E.	t-value	p-value
H1	PFP	<---	FL	0.222	0.313	0.08	3.907	***
H2	PFP	<---	SC	0.225	0.21	0.047	4.463	***
H3	PFP	<---	FR	0.304	0.27	0.048	5.601	***
H4	FIG	<---	FL	0.227	0.432	0.07	6.168	***
H5	FIG	<---	SC	0.107	0.134	0.036	3.686	***
H6	FIG	<---	FR	0.653	0.784	0.053	14.825	***
H7	FIG	<---	PFP	0.147	0.199	0.048	4.179	***

*Statistically significant at the 0.05 level

From Table 4, the results of testing the research hypotheses to answer the hypotheses of the structural equation model regarding the factors influencing the financial independence of Generation Y in Nakhon Ratchasima Province, all hypotheses are accepted as follows:

Hypothesis 1 (H1): Financial skills positively influence Generation Y's financial planning in Nakhon Ratchasima Province, with a direct influence coefficient of 0.222 and a significance level of 0.000, less than 0.05.

Hypothesis 2 (H2): Self-control positively influences Generation Y's financial planning in Nakhon Ratchasima Province, with a direct influence coefficient of 0.225 and a significance level of 0.000, less than 0.05.

Hypothesis 3 (H3): Financial risk influences the personal financial planning of Generation Y in Nakhon Ratchasima Province, with a direct influence coefficient of 0.304 and a significance level of 0.000, which is less than 0.05.

Hypothesis 4 (H4): Financial skills positively influence the financial independence of Generation Y in Nakhon Ratchasima Province, with a direct influence coefficient of 0.227

and a significance level of 0.000, which is less than 0.05.

Hypothesis 5 (H5): Self-control positively influences Generation Y's financial independence goals in Nakhon Ratchasima Province, with a direct influence coefficient of 0.107 and a significance level of 0.000, less than 0.05.

Hypothesis 6 (H6): Financial risk influences Generation Y's financial independence in Nakhon Ratchasima Province, with a direct influence coefficient of 0.653 and a significance level of 0.000, less than 0.05.

Hypothesis 7 (H7): Personal financial planning influences the financial independence of Generation Y in Nakhon Ratchasima Province, with a direct influence coefficient of 0.147 and a significance level of 0.002, which is less than 0.05.

The analysis results of direct, indirect, and total influences between causal and outcome variables are presented.

Results of the analysis of direct influence, indirect influence, and total influence between causal variables and outcome variables.

Table 5 Direct Influence, Indirect Influence, and Total Influence between Causal Variables and Outcome Variables

Variables	Personal Financial Planning			Financial Independence Goals		
	DE	IE	TE	DE	IE	TE
Financial Literacy	0.304 (0.000)	-	0.304 (0.000)	0.653 (0.000)	0.045 (0.000)	0.698 (0.000)
Self-Control	0.225 (0.000)	-	0.225 (0.000)	0.107 (0.000)	0.033 (0.000)	0.14 (0.000)
Financial Risk	0.222 (0.000)	-	0.222 (0.000)	0.227 (0.000)	0.033 (0.000)	0.26 (0.000)

Table 5 Direct Influence, Indirect Influence, and Total Influence between Causal Variables and Outcome Variables (Cont.)

Variables	Personal Financial Planning			Financial Independence Goals		
	DE	IE	TE	DE	IE	TE
Personal Financial Planning	-	-	-	0.147 (0.000)	-	0.147 (0.000)
R ²		0.308 30.8%			0.810 81.0%	

Note: DE = Direct Influence, IE = Indirect Influence, TE = Total Influence

From Table 5, the results of the test on direct influence, indirect influence, and total influence of the structural equation model factors affecting the financial independence of Generation Y in Nakhon Ratchasima Province are as follows:

Financial Literacy is most significantly influenced by personal Financial Planning, with a direct influence value of 0.304. This is followed by Self-Control, with a direct influence value of 0.225, and Financial Risk, with a direct influence value of 0.222, at a significance level of 0.05. The coefficient of determination (R^2) for Personal Financial Planning (PFP) is 30.8%.

Financial Independence Goals (FIG) are most significantly directly influenced by Financial Literacy, with a direct influence value of 0.653. This is followed by Personal Financial Planning, with a direct influence value of 0.457; Financial Risk, with a direct influence value of 0.227; and Self-Control, with a direct influence value of 0.107, at a significance level of 0.05. The coefficient of determination (R^2) for Financial Independence Goals (FIG) is 81.0%.

At the same time, Financial Independence Goals (FIG) are indirectly influenced through Personal Financial Planning (PFP) via three pathways: the indirect influence of Financial Literacy (FL $\rightarrow$ PFP $\rightarrow$ FIG) with an indirect influence value of 0.045, Self-Control (SC $\rightarrow$ PFP $\rightarrow$ FIG) with an indirect influence value of 0.033, and Financial Risk (FR $\rightarrow$ PFP $\rightarrow$ FIG) with an indirect influence value of 0.033, at a significance level of 0.05.

Discussion

From objective number 3, which is to study the direct and indirect influences of factors affecting the financial independence of Generation Y in Nakhon Ratchasima Province, with Personal Financial Planning as a mediating variable, the study found that achieving Financial Independence Goals (FIG) is indirectly influenced through Personal Financial Planning (PFP) via three pathways: Financial Literacy (FL), Self-Control (SC), and Financial Risk (FR), each having an indirect influence value at a significance level of 0.05, as follows:

Financial Literacy (FL): The study shows that Financial Literacy indirectly influences

achieving financial goals through Personal Financial Planning (PFP), with an influence value of 0.045. This indicates that knowledge and understanding of financial matters help strengthen effective financial planning, which is crucial in achieving financial goals.

Self-Control (SC): Self-control has an indirect influence value of 0.033, indicating that controlling financial behavior and decision-making play a vital role in financial planning. Discipline and self-control enable individuals to adhere consistently and steadily to their financial plans.

Financial Risk (FR): Financial risk has an indirect influence value of 0.033 through Decision Making for Financial Transactions (DTC) and Personal Financial Planning (PFP), indicating that awareness of and effective management of financial risks positively impacts improved financial planning and decision-making.

The findings of this study suggest that the development of financial skills, self-control, and financial risk management are essential for effective financial planning and achieving financial goals. Investing in educational and training programs to enhance these skills will increase individuals' chances of achieving their financial objectives. Additionally, creating support systems and resources that promote self-control and risk management will benefit personal financial planning and management. The study's results strongly suggest that developing financial skills, fostering self-control, and enhancing risk management capabilities are essential for effective financial planning

and achieving financial independence among Generation Y. Investing in educational and training programs to improve these areas is highly recommended. Creating support systems and resources that promote self-control and responsible risk management would further benefit personal financial planning and management. The significant indirect influence of the three factors on financial independence highlights the importance of a holistic approach to financial planning education and support.

A multi-pronged approach is needed to effectively support Generation Y's financial independence. Leveraging their tech-savviness, outreach should utilize online channels (social media, targeted ads, apps) and strategic partnerships with educational institutions and employers. Educational programs should be engaging, using gamification to cater to their speed and efficiency preferences. Support should provide accessible resources, personalized guidance, and community-building opportunities while addressing debt concerns and emphasizing long-term financial planning.

Conclusions

The test on direct, indirect, and total influences of the structural equation model factors affecting the financial independence of Generation Y in Nakhon Ratchasima Province are as follows:

Financial literacy is most directly influenced by Personal Financial Planning (PFP), with a direct influence value of 0.304. Next is

Self-Control, with a direct influence value of 0.225, and Financial Risk, with a direct influence value of 0.222, at a significance level of 0.05. The coefficient of determination (R^2) for Personal Financial Planning is 30.8%.

Financial Independence Goals (FIG) are directly influenced by Financial Literacy, with a direct influence value of 0.653. Next is Personal Financial Planning, with a direct influence value of 0.457, Financial Risk with 0.227, and Self-Control with 0.107, at a significance level of 0.05. The coefficient of determination (R^2) for FIG is 81.0%.

At the same time, Financial Independence Goals (FIG) are indirectly influenced through Personal Financial Planning (PFP) via three pathways: the indirect influence of Financial Literacy (FL $\rightarrow$ PFP $\rightarrow$ FIG) with an indirect influence value of 0.045, Self-Control (SC $\rightarrow$ PFP $\rightarrow$ FIG) with an indirect influence value of 0.033, and Financial Risk (FR $\rightarrow$ DTC $\rightarrow$ BP) with an indirect influence value of 0.033, at a significance level of 0.05. The conclusion obtained is that FL, SC, and FR have a direct influence on PFP and FIG. In addition, FL, SC, and FR also have an indirect influence on FIG through the intermediary PFP.

Recommendations

1. Promote Financial Education and Skill Development: Providing knowledge and developing financial skills for individuals can enhance the effectiveness of Personal Financial Planning (PFP) and promote the achievement of Financial Independence Goals (FIG).

2. Create Self-Control Training Programs:

Good discipline and self-control significantly influence financial planning and achieving financial goals. Therefore, training and developing the ability to practice self-control will be beneficial.

3. Develop Financial Risk Management Skills: Learning about and understanding financial risks and effective risk management strategies can help individuals create effective financial plans and achieve their goals.

4. Organize Programs or Workshops: Establishing projects or workshops that focus on developing all three areas (financial skills, self-control, and risk management) will enhance individuals' knowledge and ability to plan and manage their finances.

5. Support Research and Financial Policies: Encourage further research and the development of policies to enhance these skills to create a financially knowledgeable society that can effectively achieve financial goals.

Suggestions for Future Research

Research should focus on the long-term impacts of financial skills, self-control, and risk management on achieving financial goals to determine how these factors are crucial for maintaining long-term economic stability. Additionally, the scope of the study should be extended to a national level to provide recommendations for national policy.

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