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**N Neela Roshini**  
Post Graduate Student  
(M.Com), Jain Deemed-To-Be  
University, Bengaluru,  
Karnataka, India

## The interplay of financial behavior and circular economy practices among youths

**N Neela Roshini**

### Abstract

As young people increasingly confront environmental and economic challenges, understanding the relationship between their financial behaviors and circular economy practices becomes essential. Today's youths, striving for both financial stability and environmental sustainability, are at a pivotal stage where their choices can significantly impact both their financial health and the planet's future. This study investigates how financial behavior-ranging from spending and saving habits to investment preferences-interacts with the principles of the circular economy, such as resource efficiency, waste reduction, and sustainable consumption.

By examining the motivations behind sustainable financial choices, this research aims to shed light on the factors that drive or deter youths from aligning their financial behaviors with sustainable practices. Furthermore, it explores how educational, familial, and societal influences shape youths' attitudes towards both financial responsibility and environmental stewardship. The insights gained will be valuable not only for youths in understanding the long-term impacts of their financial decisions but also for educators and policymakers seeking to promote financial literacy and sustainable practices in tandem. Ultimately, this study aspires to contribute to a generation of young adults who are financially responsible and environmentally conscious, fostering a sustainable and resilient future.

**Keywords:** Circular economy, environmental stewardship, financial behavior, resource efficiency, sustainable practices

### Introduction

The introduction brings into focus the increasing significance of youth financial behavior, especially as the world grapples with major economic and environmental challenges. Today's youth face unique pressures, from navigating rising costs of living to addressing the impact of climate change. Understanding how young people manage their finances and their willingness to adopt sustainable practices is critical to promoting both financial well-being and environmental sustainability at individual and societal levels. This study, therefore, seeks to provide insights into these interconnected aspects of youth behavior, helping to shape informed policies and interventions that encourage both responsible financial management and environmentally friendly consumption patterns.

Youth, as defined by the United Nations, includes individuals aged 15 to 24, a demographic that holds a strong influence on emerging trends in consumption, resource use, and sustainable practices (UNO, 1981). As they transition from adolescence to adulthood, they encounter financial and environmental responsibilities that are likely to impact their lifelong habits. This group, uniquely positioned at the intersection of digital literacy and a growing awareness of global challenges, is increasingly viewed as key to shaping future sustainability trends. Their openness to technology and new financial tools, such as mobile banking, fintech apps, and digital wallets, coupled with a heightened awareness of climate issues, enables them to adopt innovative behaviors that might drive significant shifts in financial and environmental landscapes. This study aims to investigate the relationship between youth financial behavior and circular economy practices-a model of economic activity that emphasizes resource efficiency, waste reduction, and product life cycle extension. By focusing on this relationship, the research examines how financial decisions made by young people can promote both personal financial health and contribute to environmental sustainability goals.

**Corresponding Author:**  
**N Neela Roshini**  
Post Graduate Student  
(M.Com), Jain Deemed-To-Be  
University, Bengaluru,  
Karnataka, India

The influence of youth on these issues is substantial: their financial habits and consumption patterns directly affect demand for sustainable products, services, and business models, which in turn shape markets and production practices.

Specifically, the study will explore how young people's financial choices-such as budgeting, saving, spending on eco-friendly products, and engaging in recycling or reusing activities-align with circular economy principles. Drawing on insights from Carlo de Bassa Scheresberg, the research suggests that these practices are not only reflective of personal values but also demonstrate a broader commitment to sustainable development. Youths' financial behaviors, when aligned with circular economy ideals, represent a new model of consumerism that supports environmental resilience while enhancing individual financial security. By examining the interplay between these behaviors and circular economy principles, the study aims to provide a more nuanced understanding of how financial habits can serve both economic and ecological interests. This approach contributes to the growing field of sustainable finance, offering insights that could inform future policies, educational programs, and financial products designed specifically to support young people in their dual pursuit of financial stability and sustainable living. The findings are expected to reveal how financial decisions made at a young age can contribute to a greener, more resource-conscious future, while simultaneously supporting personal economic resilience.

### **The Development of Financial Savings Habits among Youths**

This study aims to investigate the relationship between youth financial behavior and circular economy practices-a model of economic activity that emphasizes resource efficiency, waste reduction, and product life cycle extension. By focusing on this relationship, the research examines how financial decisions made by young people can promote both personal financial health and contribute to environmental sustainability goals. The influence of youth on these issues is substantial: their financial habits and consumption patterns directly affect demand for sustainable products, services, and business models, which in turn shape markets and production practices.

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### **Background of the Study**

Youth represents a critical phase of life, serving as a bridge between childhood dependence and adult independence, during which individuals develop financial habits that can have profound and lasting effects throughout their lives (Mead, 1934) <sup>[7]</sup>. During this transition, young people begin to take responsibility for their financial decisions, aiming to achieve greater autonomy. However, this quest for financial independence is often balanced by the continued reliance on parental support, either directly through financial assistance or indirectly through guidance and advice. This creates a complex dynamic where young people are both testing their financial decision-making skills and benefiting from the safety net of familial resources.

The spending behavior of youth is influenced by a range of factors. On one hand, there is the need to fulfill basic necessities like food, clothing, and transportation. On the other hand, lifestyle aspirations play a significant role in shaping how young people allocate their money. These aspirations are often driven by societal and peer pressures, with many young individuals feeling compelled to spend on status-driven or aspirational goods and services to establish their identity and differentiate themselves from others (Birari & Patil, 2014) <sup>[1]</sup>. In urban environments, such as Bengaluru, this often translates into spending on branded products, dining out at restaurants, attending social events, and engaging in leisure activities. The pull of lifestyle-oriented consumption is particularly strong in cities, where the exposure to trends and social comparison is heightened, making it easier for youth to justify discretionary spending (Arshath & Thahirunissa).

Moreover, focusing on youth as a key demographic is essential not only for understanding current consumption patterns but also for recognizing their future role in shaping the global economy. As young people develop their financial habits during these formative years, they are laying the foundation for their future financial well-being, determining whether they will become financially secure adults or struggle with debt and poor financial management. These financial habits are not just limited to personal consequences; they also have macro-level implications for economies as a whole. The collective financial behavior of the youth today will influence future economic growth, spending patterns, and even broader societal trends.

In addition to their financial choices, young people are becoming more aware of global sustainability challenges and environmental issues, making them an important demographic for the promotion of responsible consumption. With rising concerns about climate change and resource depletion, the youth are increasingly attuned to the importance of sustainable practices, such as reducing waste, recycling, and supporting environmentally-friendly brands. Their awareness and willingness to adopt circular economy practices-where products and materials are reused, recycled, and minimized-highlight their potential as drivers of significant change in the global marketplace (Neelam, 2020) <sup>[9]</sup>. Through their financial decisions, young people can contribute not only to their personal financial health but also

to the transformation of broader economic systems toward more sustainable and circular models.

In conclusion, the financial habits and decisions formed during youth are crucial, as they not only affect the individual's future financial stability but also have far-reaching consequences for economic systems and environmental sustainability. By focusing on this demographic, societies can better understand how to shape policies and interventions that promote financial literacy, sustainable consumption, and long-term economic growth. Thus, empowering young people to make informed financial decisions can lead to a more prosperous and sustainable future for everyone.

### Financial Behavior and Its Importance

Financial behavior refers to the actions individuals take in managing their money, including saving, spending, investing, and borrowing. Among youths, financial behavior is often shaped by factors such as financial literacy, peer influence, and parental guidance (Shim *et al.*, 2010) <sup>[12]</sup>. Understanding youth financial behavior is crucial because early financial habits can have lasting consequences. Poor financial decisions during youth, such as overspending or incurring debt, can lead to long-term financial challenges, while responsible financial behavior can set the foundation for economic stability and security.

Social influences, such as family and friends, play a significant role in shaping how young people handle money. Additionally, the economic environment, including income and employment opportunities, greatly affects youth spending and saving patterns. For instance, hostellers and day scholars, two distinct segments of students, often have different financial habits due to varying levels of financial autonomy. Hostellers may have more independence in their spending, while day scholars often experience greater parental oversight (Arshath, Thahirunissa).

### Circular Economy and Youth Engagement

A circular economy is an economic system that focuses on eliminating waste and maximizing the continuous use of resources. In contrast to the traditional linear economy, which follows the 'take, make, dispose' model, the circular economy emphasizes keeping products and materials in circulation for as long as possible. This approach aims to create a closed-loop system, where waste is minimized, and resources are continuously repurposed or recycled, leading to improved sustainability (Ellen MacArthur Foundation, 2013) <sup>[5]</sup>. Key practices within the circular economy, such as recycling, reusing, and reducing waste, are fundamental to achieving resource efficiency and reducing environmental harm. By integrating these practices into product lifecycles and prioritizing the use of renewable materials, the circular economy seeks to lower environmental impacts and promote long-term sustainability (Stahel, 2016) <sup>[13]</sup>.

Youth engagement with circular economy practices is steadily increasing, especially in areas like recycling and reusing. Many educational institutions, particularly universities, have implemented recycling programs that encourage students to participate in sustainable waste management. On campuses and in broader communities, young people often take the lead in sustainability initiatives, advocating for more responsible consumption and waste reduction practices. However, the level of engagement among youths varies depending on several factors, including

socio-economic status, education, and access to necessary resources. While recycling remains the most widely practiced form of sustainability, the ideas of reusing and upcycling-repurposing old materials into new products-are gaining popularity as young people become more conscious of their environmental impact (OECD, 2018).

The rise of the digital economy has also played a significant role in facilitating youth participation in the circular economy. Digital platforms have made it easier to engage in the sharing economy, where products are shared, rented, or reused rather than owned outright. For example, peer-to-peer platforms for car-sharing, clothing swaps, and second-hand markets allow young people to reduce waste by extending the life of products. This has helped promote the concepts of shared ownership and a reduction in the production of new goods, contributing to a more sustainable economic model.

Despite the enthusiasm for sustainability, financial constraints often pose a barrier to young people fully embracing circular economy practices. A study conducted by Divya (2022) <sup>[4]</sup> found that nearly 60% of youths expressed a willingness to prioritize environmentally sustainable products, even if it meant paying more. However, their ability to follow through on these intentions is often limited by the higher cost of some eco-friendly products, such as sustainably produced electronics or fashion items. This echoes findings from other research, which highlight the affordability gap that can limit access to sustainable products (Mont *et al.*, 2021) <sup>[8]</sup>. As a result, while many youths are eager to support the circular economy, their financial realities sometimes prevent them from making the most environmentally friendly choices.

Despite these challenges, it is clear that young people are becoming more aware of the importance of circular economy practices. As they increasingly recognize their role in shaping a more sustainable future, their participation in activities like recycling, upcycling, and sharing is expected to grow. By promoting circular economy principles, youths contribute not only to their own financial well-being but also to broader environmental sustainability goals. Their engagement is essential for advancing a more resource-efficient and environmentally friendly global economy. Adopting circular economy practices to contribute to a more sustainable future.

### Challenges and Barriers to Sustainable Financial Behavior

Despite the growing awareness among youth about the importance of sustainable financial behavior, several significant challenges hinder their ability to fully engage in such practices. One of the primary barriers is affordability. Many eco-friendly products, whether in the form of clothing, household items, or even food, tend to be more expensive than their conventional counterparts. This price disparity often forces young people to choose between their desire to support sustainability and the need to manage tight budgets (Mont *et al.*, 2021) <sup>[8]</sup>. For example, while some sustainable options, such as second-hand clothing or thrift shopping, can be more affordable than buying new, other environmentally conscious choices-such as purchasing eco-friendly electronics, organic food, or sustainably produced goods-are frequently priced at a premium. This limits access to sustainable products for many youths, particularly those

in lower-income brackets who may not be able to prioritize sustainability over affordability.

In addition to the financial constraints, there is a significant challenge related to the lack of awareness and understanding of circular economy practices. While basic practices like recycling are fairly well-known and widely adopted, many youths are unfamiliar with the more comprehensive principles of the circular economy, such as upcycling, reusing materials in innovative ways, or participating in the sharing economy. For instance, initiatives such as product repair programs or renting items instead of buying them outright, which are central to the circular economy, remain relatively underutilized by young people. A deeper understanding of these practices could lead to more sustainable behavior, but currently, such knowledge is not widespread.

Cultural attitudes also add complexity to the situation. In some regions, there is a social stigma associated with using second-hand items, which discourages many young people from embracing practices like buying used clothing or participating in product-sharing schemes. The perception that second-hand goods are inferior or indicative of lower social status can prevent youths from exploring more sustainable, cost-effective alternatives. This cultural resistance can be particularly pronounced in urban or affluent communities, where there is a greater emphasis on new, branded products as symbols of success and individuality.

To overcome these barriers, educational institutions and policymakers have a crucial role to play. Schools, universities, and other educational platforms should integrate sustainability topics into their curricula to foster a deeper understanding of circular economy concepts and the long-term benefits of adopting sustainable practices. For example, incorporating lessons on upcycling, waste reduction, and the environmental impact of consumer choices could equip young people with the knowledge needed to make more sustainable financial decisions. Furthermore, policymakers can help make sustainable options more accessible by offering subsidies or incentives for eco-friendly products and services, thereby reducing the affordability gap (Mont *et al.*, 2021) <sup>[8]</sup>. In addition, public campaigns aimed at reshaping cultural perceptions of second-hand items could encourage more youths to adopt sustainable behaviors without the fear of social stigma.

In conclusion, while there is a growing recognition among young people of the need to adopt sustainable financial behaviors, several challenges, including affordability, lack of awareness, and cultural attitudes, must be addressed to enable broader participation in sustainability efforts. By fostering greater awareness through education and policy interventions, and making sustainable choices more accessible and socially acceptable, young people can be empowered to engage in behaviors that not only benefit their personal financial health but also contribute to a more sustainable global economy.

### Relevance and Research Gaps

This research is both timely and highly relevant as the global urgency to address environmental degradation continues to escalate. Young people play a pivotal role in shaping future consumption patterns, and understanding how their financial behaviors align with circular economy practices is critical for promoting sustainability (Divya,

2022) <sup>[4]</sup>. As the environmental consequences of wasteful consumption become more evident, the actions and decisions of today's youth will have long-lasting effects on the sustainability of future economies. Therefore, examining the intersection between youth financial habits and circular economy practices offers valuable insights into how young consumers can contribute to environmental conservation and resource efficiency.

Although there is an increasing body of research on youth financial behavior and sustainability, significant gaps remain in our understanding of how these two areas intersect (Mont *et al.*, 2021) <sup>[8]</sup>. Much of the existing literature on youth financial behavior tends to focus on traditional spending patterns, such as how young people allocate their money across different categories like food, entertainment, and education. However, there is limited research on how these behaviors correlate with sustainable consumption choices that align with circular economy principles, such as recycling, reusing, and reducing waste. For example, while studies may explore the spending habits of youth, few have specifically examined how these financial behaviors support or hinder the adoption of circular economy practices, such as purchasing second-hand goods, participating in product-sharing services, or opting for longer-lasting, sustainable products (OECD, 2018).

Moreover, much of the existing research on the circular economy tends to focus on industrial and policy-level interventions, with less attention given to the role of individual consumers, particularly young people, in driving sustainable consumption (Ellen MacArthur Foundation, 2013) <sup>[5]</sup>. While macro-level approaches, such as government policies and corporate strategies, are essential for advancing circular economy goals, the role of individual actions-especially among youths-remains underexplored. Understanding how young people's financial decisions contribute to or detract from circular economy practices can offer valuable insights into promoting more sustainable consumption at the grassroots level. By focusing on individual consumers, particularly those within the youth demographic, we can gain a deeper understanding of how personal financial behavior intersects with broader sustainability efforts.

This study aims to address these gaps by investigating the interplay between youth financial behavior and circular economy practices. Specifically, the research will focus on comparing the financial behaviors of two distinct groups: hostellers (students who live on campus) and day scholars (students who commute to campus). These groups often have different financial circumstances and spending habits, which may influence their approach to sustainable consumption. For instance, hostellers may have more constraints on their spending due to the fixed costs of living on campus, whereas day scholars may have more flexibility in how they allocate their funds. Understanding how these financial circumstances affect youth engagement with circular economy principles-such as recycling, reusing, and purchasing eco-friendly products-will provide valuable insights into the factors that drive or hinder sustainable consumption among young people (Divya, 2022) <sup>[4]</sup>.

Ultimately, this study hopes to contribute to the growing literature on sustainable consumption by offering a detailed analysis of how youth financial behavior aligns with circular economy practices. By shedding light on the financial challenges and opportunities that young people face when



attempting to adopt sustainable behaviors, this research can provide practical suggestions for fostering sustainable financial habits. Such insights could help inform educational initiatives, policy interventions, and corporate strategies aimed at encouraging youths to make more environmentally conscious financial decisions. In doing so, this study seeks to empower young consumers to play a more active role in advancing the goals of the circular economy, thereby contributing to a more sustainable future for all (Mont *et al.*, 2021) <sup>[8]</sup>.

## Conclusion

1. **Financial Literacy Programs:** Incorporating financial literacy programs into educational institutions is crucial for helping young people develop the skills they need to manage their finances effectively. These programs should cover topics such as budgeting, saving, investing, and managing debt, which are essential for long-term financial security (OECD, 2018). By learning how to budget, young people can balance their income with expenses, preventing financial mismanagement and avoiding debt traps. Additionally, understanding the principles of saving and investing encourages youth to think about future financial goals and to prepare for unforeseen circumstances. Educational programs that integrate real-world examples and interactive tools like simulations and workshops make the learning experience more practical and impactful. Schools and universities should collaborate with financial institutions, nonprofit organizations, and government agencies to develop comprehensive curricula that address the diverse needs of youth from various socio-economic backgrounds (Mont *et al.*, 2021) <sup>[8]</sup>.
2. **Promote Circular Economy Awareness:** Raising awareness of circular economy principles is key to fostering a culture of sustainability among youth. Targeted campaigns can educate young people on the environmental and financial benefits of practices like recycling, reusing, and reducing waste (Ellen MacArthur Foundation, 2013) <sup>[5]</sup>. These campaigns should focus on making circular economy concepts relatable and accessible, using youth-oriented content such as social media challenges, infographics, and interactive workshops. Highlighting the importance of product longevity and resource efficiency can help young people understand how their consumption habits impact both their personal finances and the environment. Digital platforms, webinars, and educational programs can engage youth, demonstrating how circular economy practices contribute to both cost savings and environmental protection over time (Stahel, 2016) <sup>[13]</sup>. Collaborations between governments, businesses, and non-governmental organizations (NGOs) can enhance the reach of these campaigns, integrating sustainability into young people's daily decision-making.
3. **Collaboration with Influencers:** Social media influencers have a profound impact on youth, and partnering with them to promote financial responsibility and sustainable practices can significantly amplify these messages. Influencers with large followings can use their platforms to educate young audiences about the importance of financial literacy and circular economy

principles in a way that is engaging and easy to understand (Divya, 2022) <sup>[4]</sup>. They can share tips on budgeting, avoiding impulsive spending, and choosing sustainable products, showing how small, everyday decisions can make a significant difference both financially and environmentally. Influencers can also showcase positive outcomes, such as the long-term financial savings associated with sustainable living. This approach not only informs but inspires young people to adopt financially responsible and eco-conscious behaviors (OECD, 2018).

4. **Incentivize Sustainable Choices:** Incentivizing youth to adopt circular economy practices through discounts, cashback, or loyalty rewards can be an effective way to encourage sustainable behavior. Offering financial incentives for recycling, upcycling, or buying from sustainable brands can help overcome the price barrier often associated with eco-friendly products (Mont *et al.*, 2021) <sup>[8]</sup>. For example, retailers could provide discounts to customers who return used products for recycling or choose eco-friendly packaging. Government policies could also introduce tax incentives or rebates for individuals who participate in circular economy activities or purchase energy-efficient goods (OECD, 2018). Additionally, community-based programs could reward young people for leading sustainability initiatives, such as organizing recycling drives or educating peers on sustainable consumption. By making sustainable choices financially appealing and socially rewarding, these incentives can help embed circular economy principles in everyday decision-making among youth.

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