Personal Finance Knowledge of Young People and it's Impact on Economic Health in India

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ABSTRACT

This research work investigates personal financial knowledge and its impact on economic health by examining the relationships among the factors including Savings and Investments, Inflation and Effect of Interest Rate. The research model is examined using a survey approach on the young people in India. In the paper, Frequencies, Mean, Anova and SEM Model were used in carrying out analysis. The study identified that individual's need knowledge beyond the fundamental financial concepts. This is to be expected, any saving plan requires some numeracy, the ability to calculate present values, and an understanding of the advantages of starting to save early in life. It is also acknowledged that the rapidly growing body of economic health is bound with the young people's personal financial knowledge. This paper could be useful references for researchers who are interested in personal financial management in a context of emerging economies like India.

Introduction

Financial system plays a crucial role in the process of financial intermediation in particular to the growth of economy as a whole. Hence a better understanding of how it works and what they offer and how to utilize the financial products by the participants of the economy help to create a viable financial system and in turn enhance economic development as the chain effect of a viable financial system cannot be denied on the economy. Increasingly, individuals are in charge of securing their own financial well-being after retirement. With the shift from defined benefit to defined contribution pensions, today's workers must decide both how much to save and how to allocate their retirement wealth. Financial markets have become more complex and individuals are faced with a proliferation of new investment products. Investment opportunities have expanded beyond national borders, permitting individuals to invest in a broad range of assets and currencies. However, as the financial crisis has made clear, it is very hard to navigate this new financial system, and the consequences of mistakes can be devastating. How well equipped are individuals to make financial decisions and how much do individuals know about economics and finance?

Very few datasets provide information about financial literacy, and those that do often do not have any facts about saving and financial decision making. As financial markets become increasingly

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sophisticated and as households more of the responsibility and risk for financial decisions, financial education is increasingly necessary for individuals, not only to ensure their own financial well-being but also to ensure the smooth functioning of financial markets and the economy.

Over the past thirty years, individuals have had to become increasingly responsible for their own financial security following retirement. Financial literacy affects financial decision-making; ignorance about basic financial concepts can be linked to lack of retirement planning, lack of participation in the stock market, and poor borrowing behavior. Financial literacy matters for planning: Those who are more financially knowledgeable are much more likely to have planned for retirement. In terms of economic importance, both the knowledge of interest compounding and the ability to perform simple calculations are the strongest predictors of planning. This is to be expected, given that any saving plan requires some numeracy, the ability to calculate present values, and an understanding of the advantages of starting to save early in life. In the last few years, however, a few authors have begun to explore the decision to acquire financial literacy and the links between financial knowledge, saving, and investment behavior including **Delavande, Rohwedder, and Willis (2008), Jappelli and Padula (2011), Hsu (2011), and Lusardi, Michaud, and Mitchell (2013).**

Need for study

Young people need to understand how to make wise financial decisions before not after they are faced with life-changing decisions. Financial knowledge is good for young people because it allows them full participation in society, it is also essential for business, the economy, the country and, in this age of globalization, the world.Young people not only in India but also around the world face a new economic environment with more complex financial markets. They will have more individual responsibility in investing in their own education and in planning for their own financial security during their working lives and after retirement. And they will be doing this, among other things, on a global scale. . The purpose of this study is to seek and measure the personal financial knowledge of more financially sophisticated individuals to engage in personal financial decision and to its impact on economic development.

Objectives

- The main objective of the study is to research upon the personal finance knowledge of young people and its impact on economic health in India.
- To determine the level of financial knowledge of young people.
- To examine numeracy and financial literacy among a younger segment of the population.
- To evaluate whether respondents display knowledge of fundamental economic concepts and competence with basic financial numeracy.
- To investigate the current experiences which informing their financial planning for the future.

Theoretical Framework

To check the effect of personal finance knowledge of young people and its impact on economic health in India, number of studies has been conducted in the past decades. In this section researchers will describe the review of previous literature on this topic. Several researchers have explored the link between financial literacy and economic behavior directly, though often without accounting for the endogeneity issue. Research on financial literacy came to the attention of economists with work by **Bernheim (1995, 1998),** who was one of the first to show that most Americans lack basic financial knowledge and numeracy. Subsequently, surveys of the U.S. population as well as particular sub-groups have revealed very low levels of economic and financial literacy. For instance, the National Council of Economic Education **(NCEE)** periodically surveys high school students and working age adults to measure financial and economic knowledge. Its survey consists of a 24-item questionnaire on topics including economics and the consumer, money, interest rates and inflation, and personal finance. When results were tallied using standard grading criteria in 2005, adults earned an average score of C, while the high school population fared even worse, with most receiving failing marks.For instance, **Hilgert, Hogarth, and Beverly (2003)** uncover strong correlation between financial literacy and day-to-day financial management skills. Moreover, there is evidence that the more numerate and financially literate are also more likely to participate in financial markets and invest in stocks **(Kimball and Shumway 2006; Christelis, Jappelli, and Padula 2010; van Rooij, Lusardi, and Alessie 2011; Yoong 2011; Almenberg and Dreber 2011; Arrondel, Debbich, and Savignac 2012).** The conventional economic approach to saving and consumption decisions posits that a fully rational and well-informed individual will consume less than his income in times of high earnings, and he will save to support consumption when income falls (e.g. after retirement). In this context, building on **Modigliani and Brumberg (1954)** and **Friedman (1957),** the consumer is posited to arrange his optimal saving and decumulation patterns to smooth marginal utility over his lifetime. Many studies have shown how such a life cycle optimization process can be shaped by consumer preferences (e.g. risk aversion and discount rates), the economic environment (e.g. risky returns on investments and liquidity constraints), and social safety net benefits (e.g. the availability and generosity of welfare schemes and Social Security income), among other features.

Other studies find that those less financially literate are less likely to demand financial services. Using data from the Survey of Health, Ageing and Retirement in Europe **(SHARE)**, **(Christelis, et al., 2006)** show that those with higher cognitive ability have a higher propensity to participate in the stock market both directly (through the holding of stocks) and indirectly (through the holding of mutual and pension funds). Similarly, **(Van Rooij, et al., 2007)** also find a strong association between financial knowledge and stock market participation. **(Hilger & Hogarth, 2003)** are able to show a link between financial knowledge and higher scores in financial related practices such as cash flow management, credit management, and savings and investments management. There is mounting evidence that those with higher financial literacy are better able to manage their money, participate in the stock market and make better portfolio choices, and that they are more likely to choose mutual funds with lower **fees ((Hastings & Tejeda-Ashton, 2008); (Hilgert, et al., 2003); (Lusardi & Mitchell, 2011); (van Rooij, et al., 2011)). Garman & Forgue (2000)** defines financial literacy as knowing the facts

and vocabulary necessary to manage one's personal finances successfully. Having knowledge of personal financial management and the marketplace is indicative of a greater ability to manage the family's financial resources **(Godwin, 1994).** People are more likely to achieve their financial goals with appropriate knowledge. Lack of personal financial knowledge limits personal financial management and may cause financial problems, resulting in lower financial well-being.

Using a more general definition of financial literacy, **(Huston, 2010)** identified 71 studies using 52 different datasets that aimed to capture individual's knowledge related to personal finance and financial literacy.In a study that compares financial literacy in eight countries—Germany, Italy, Japan, the Netherlands, New Zealand, Russia, Sweden, and the United States—**Olivia Mitchel**l from the Wharton School and **Lusardi(2013),** found that women and those with low levels of education display disproportionately poor financial knowledge. This is the case at all stages of the life cycle, from youth to old age. The goal of evaluating student financial knowledge around the world has recently been taken up by the OECD's Programme for International Student Assessment (**PISA**), which in 2012 added a module on financial literacy. Accordingly, students across several nations will soon be able to be compared in terms of their financial knowledge in addition to their knowledge of math, science, and reading. In so doing, PISA has taken the position that financial literacy is now recognized as an essential skill to be able to operate in today's economy. Knowledge of inflation is related to national historical experience. For example, Italians and Germans are more likely to know the answer to the inflation question, whereas in Japan, which has experienced deflation, many fewer people do so. Several fundamental concepts lie at the root of saving and investment decisions as modeled in the life cycle setting described in the previous section. Three such concepts are: (i) numeracy and capacity to do calculations related to interest rates, such as compound interest; (ii) understanding of inflation; and (iii) understanding of risk diversification. Translating these into easily measured financial literacy metrics is difficult, but **Lusardi and Mitchell (2008, 2011a, 2011c)** have designed a standard set of questions around these ideas and implemented them in numerous surveys in the United States and abroad.

Interest rates are major economic factors that influence the economic growth in an economy. **Corb (2012)** argued that interest rates are economic tool used to control inflation and to boost economic development. Control of the inflation or deflation in the economy is a major role entrusted by the government. The rationale behind the need to control the interest charged on credit or any other financial instrument is based on the need to control economic patterns that has great effects to the society. Holding all factors constant, controlling and setting of rates has big economic implication to the economic growth hence creating for a need of a rational decision making process within the industry. Moreover, financial literacy is not related to simple decisions such as having a checking account **(Christelis, Jappelli, and Padula 2010),** but it is linked to complex portfolio decisions. Similarly, there is a very strong correlation between education and wealth-holding **(Bernheim and Scholz 1993).** it is important to note that controlling for educational attainment in empirical models of stock holding, wealth accumulation, and high-cost methods of borrowing, does not diminish the statistical significance of financial literacy, while often it enhances it **(Lusardi and Mitchell 2011b; Behrman, Mitchell, Soo, and Bravo 2012; van Rooij, Lusardi, and Alessie 2011, 2012; Lusardi and de Bassa Scheresberg 2013).** Based on the above literature, the following model was developed.

The Proposed Structural Equation Model

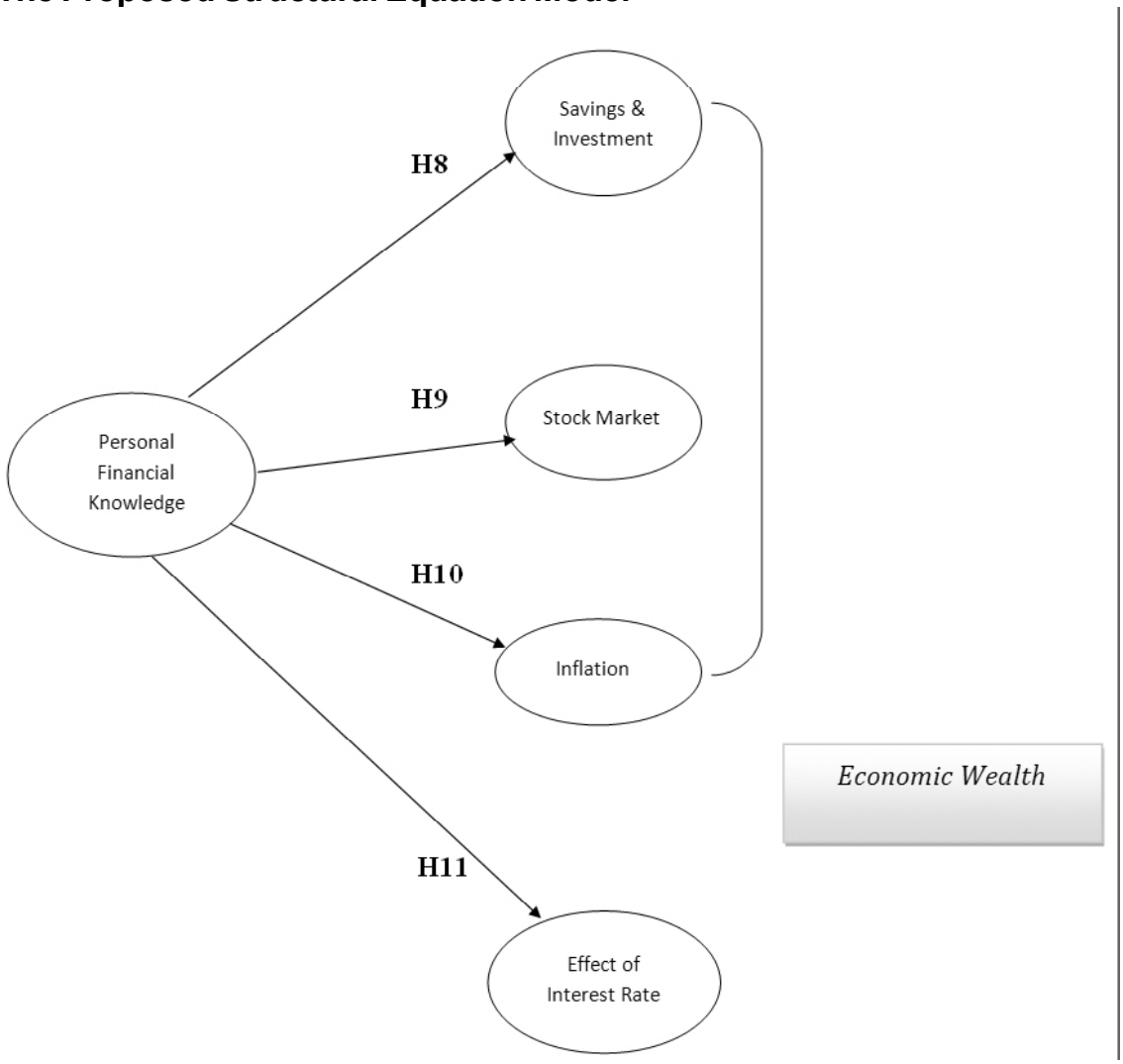

Figure1: Research Model Main Constructs Framework

Research Methodology

- **Research Design**: Descriptive research design is done. Survey method is followed.
- **Source of Data**: Data required for the study is obtained from primary sources and secondary data.
- **Data Collection:** Questionnaire is used to collect data from the respondents. Secondary Data was gathered from books, journals and websites for review of literature.
- **Sample Description**: The sampling techniques followed here is simple random sampling. The sample size is restricted to 200 respondents.

Statistical Tools Used

The various statistical tools used are

- **Frequency Analysis**
- **Analysis of Variance**
- **Structural Equation Modeling**

Analysis of Variance

One Way Anova: Computational Procedures	
Formula	Explanation
$y = T_{ijNiAjj}\sum$	T_{Aj} = the sum of the scores in group A_j, where A_1 = first group, A_2 – second group, etc. Add up the values for the observations for group A_1, then A_2, etc. Also sometimes called just T_j.
$YN = N)y(= (1)_{22ij}\Sigma\Sigma$	Sum all the observations. Square the result. Divide by the total number of observations.
$y - (2)_{2ij}\Sigma\Sigma$	Square each observation. Sum the squared observations.
$NT = (3)_{AA2jij}\sum$	Square T_{A1}, and divide by N_{A1}. Repeat for each of the J groups, and add the results together.

SEM Model Specification:

Y = Xâ + å

x1 = ë11î1 + 0î2 + ä1

x2 = ë21î1 + 0î2 + ä2

x3 = ë31î1 + 0î2 + ä3

x4 = 0î1 + ë42î2 + ä4

x5 = 0î1 + ë52î2 + ä5

x6 = 0î2 + ë62î2 + ä6

δi is the residual variable (error) which is the unique factor affecting xi.

λij is the loading of the observed variables xi on the common factor îj .

Analysis and Interpretation

Table 1: Demographic variables

		Frequency	Valid Percent
Gender	**Female**	84	42
	Male	116	58
Age	**19-25**	14	7
	26-30	49	24.5
	31 – 35	137	68.5
Occupation	**Business**	14	7
	Private Employee	137	68.5
	Student	49	24.5
Educational Qualification	**Others**	35	17.5
	UG	70	35
	PG	54	27
	Professional	41	20.5
Annual Income	**less than 2 lakhs**	35	17.5
	2 to 4 lakhs	27	13.5
	4 to 6 lakhs	42	21
	6-8 lakhs	68	34
	Above 8 lakhs	28	14
Monthly Budget	**Yes**	49	24.5
	No	62	31
	Sometimes	89	44.5
Preparing Income Taxes	**I do it myself by hand**	69	34.5
	I do it myself using a computer program	28	14
	A tax preparer	61	30.5
	My parents	42	21
Primary Sources of Income	**Dividends and interest**	7	3.5
	Salaries, wages, tips	35	17.5
	Profits from business	7	3.5
	Rents	151	75.5

Analysis of data indicated that gender was represented with 58% of respondents were male and 42% were female. More than half of the respondents are from age group of 31-35 followed by 26-30 and 19-25.Similarly the same percentage followed for Occupation. As far as 35% of respondents are UG whereas remaining 65% of respondents are PG, Professional and Others. Likewise, Annual Income is concerned; nearly 35% of the respondents' earnings are between 6 to 8 lakhs and 65% of the respondents' earnings are below 6 lakhs and above 8 lakhs and same percentage followed for income tax preparation. Also it appears that about one third of the respondent is preparing monthly budget. Moreover majority of respondents come back with primary source of income is Rents.

Hypothesis (H1 :) Gender influences Savings and Investments, Stock Market, Inflation, Interest Rate and Personal Finance Knowledge.

Table 2 : Gender- ANOVA

	Df	Mean Square	F	Sig.
Savings and Investment	1	.355	1.003	.318
Stock Market	1	.487	.570	.451
Inflation	1	.036	.071	.790
Interest Rate	1	1.262	1.779	.184
Personal Finance Knowledge	1	.275	.527	.469

***Significance at 5% level**

As seen from the table, the significance values are .318, .451, .790, .184 & .469 which is greater than 5% for Savings and Investment, Stock Market, Inflation, Interest Rate and Personal Finance Knowledge. So Null Hypothesis is accepted.

Hence, Gender does not influence the Savings and Investment, Stock Market, Inflation, Interest Rate and Personal Finance Knowledge.

Hypothesis(H2:) Age influences Savings and Investment, Stock Market, Inflation, Interest Rate and Personal Finance Knowledge.

Table 3 : Age- ANOVA

	Df	Mean Square	F	Sig.
Savings and Investment	2	1.285	3.727	.026*
Stock Market	2	0.493	.576	.563
Inflation	2	3.185	6.744	.001*
Interest Rate	2	2.145	3.075	.048*
Personal Finance Knowledge	2	1.549	3.036	.050*

***Significance at 5 % level**

As seen from the table, the significance values are .026, .001, .048 & .050 which is less than 5% for Savings and Investment, Inflation, Interest Rate and Personal Finance Knowledge. Hence, null hypothesis is rejected and the Age influences the Savings and Investment, Inflation, Interest Rate and Personal Finance Knowledge.

But Significance value is .563 which is above 5% for Stock Market. So, null hypothesis is accepted and the age does not influence the Stock Market.

Hypothesis(H3:) Occupation influences Savings and Investments, Stock Market, Inflation, Interest Rate and Personal Finance Knowledge.

Table 4 : Occupation – ANOVA

	Df	Mean Square	F	Sig.
Savings and Investments	2	4.565	14.662	.000*
Stock Market	2	21.049	32.490	.000*
Inflation	2	.870	1.755	.176
Interest Rate	2	3.919	5.768	.004*
Personal Finance Knowledge	2	4.633	9.670	.000*

***Significance at 5% level**

As seen from the table, the significance values are .000, .000, .004 & .000 which is less than 5% for Savings and Investments, Stock Market, Interest Rate and Personal Finance Knowledge. Hence, null hypothesis is rejected and the occupation influences the Savings and Investments, Stock Market, Interest Rate and Personal Finance Knowledge.

But Significance value is .176 which is above 5% for Inflation. So, null hypothesis is accepted and the occupation does not influence the Inflation.

Hypothesis (H4:) Educational Qualification influences Savings and Investments, Stock Market, Inflation, Interest Rate and Personal Finance Knowledge.

Table 5 : Educational Qualification – ANOVA

	Df	Mean Square	F	Sig.
Savings and Investments	3	1.563	4.656	0.004*
Stock Market	3	1.829	2.183	0.091*
Inflation	3	0.159	0.315	0.815
Interest Rate	3	4.696	7.213	0.000*
Personal Finance Knowledge	3	8.158	20.199	0.000*

***Significance at 5% level**

As seen from the table, the significance values are .004, .091, .000 & .000 which is less than 5% for Savings and Investments, Stock Market, Interest Rate and Personal Finance Knowledge. Hence, null hypothesis is rejected and the educational qualification influences the Savings and Investments, Stock Market, Interest Rate and Personal Finance Knowledge.

But Significance value is .815 which is above 5% for Inflation. So, null hypothesis is accepted and the education does not influence the Inflation.

Hypothesis (H5:) Annual Income influences Savings and Investments, Stock Market, Inflation, Interest Rate and Personal Finance Knowledge.

Table 6: Annual Income – ANOVA

	Df	Mean Square	F	Sig.
Savings and Investments	5	4.247	16.737	.000*
Stock Market	5	6.467	9.132	.000*
Inflation	5	2.795	6.349	.000*
Interest Rate	5	4.403	7.137	.000*
Personal Finance Knowledge	5	4.601	11.069	.000*

***Significance at 5% level**

As seen from the table, the significance values are .000, .000, .000, .000 & .000 which is less than 5% for Savings and Investment, Stock Market, Inflation, Interest Rate and Personal Finance Knowledge. So Alternative Hypothesis is accepted.

Hence, Annual Income influences the Savings and Investment, Stock Market, Inflation, Interest Rate and Personal Finance Knowledge.

Hypothesis (H6:) Monthly Budget influences Savings and Investments, Stock Market, Inflation, Interest Rate and Personal Finance Knowledge.

Table 7:Monthly Budget - ANOVA

	Df	Mean Square	F	Sig.
Savings and Investments	2	5.838	19.562	.000*
Stock Market	2	13.752	19.048	.000*
Inflation	2	4.124	8.913	.000*
Interest Rate	2	13.811	23.855	.000*
Personal Finance Knowledge	2	8.805	20.163	.000*

***Significance at 5% level**

As seen from the table, the significance values are .000, .000, .000, .000 & .000 which is less than 5% for Savings and Investment, Stock Market, Inflation, Interest Rate and Personal Finance Knowledge. So Alternative Hypothesis is accepted.

Hence, Monthly Budget influences the Savings and Investment, Stock Market, Inflation, Interest Rate and Personal Finance Knowledge.

Hypothesis (H7:) Primary Sources of Income influences Savings and Investments, Stock Market, Inflation, Interest Rate and Personal Finance Knowledge.

Table 8: Primary Sources of Income – ANOVA

	Df	Mean Square	F	Sig.
Savings and Investments	3	3.943	13.178	.000*
Stock Market	3	3.545	4.367	.005*
Inflation	3	2.610	5.587	.001*
Interest Rate	3	1.740	2.499	.061*
Personal Finance Knowledge	3	2.261	4.574	.004*

***Significance at 5% level**

As seen from the table, the significance values are .000, .005, .001, .061 & .004 which is less than 5% for Savings and Investment, Stock Market, Inflation, Interest Rate and Personal Finance Knowledge. So Alternative Hypothesis is accepted.

Hence, Primary sources of Income influences the Savings and Investment, Stock Market, Inflation, Interest Rate and Personal Finance Knowledge.

Structural equation model Result

A construct level correlation analysis was used as a preliminary check for the five hypotheses. Visual PLS is used to calculate the construct scores. These scores are checked for significant correlation. The correlation scores are shown in table. It is seen that all the correlation are significant.

Table 9: Construct level Correlation Analysis

Hypothesis	Independent Variable	Dependent Variable	Correlation	Sig. (2 Tailed)
H8	Savings and Investment	Personal Finance Knowledge	0.586	0.000*
H9	Stock Market	Personal Finance Knowledge	0.553	0.000*
H10	Inflation	Personal Finance Knowledge	0.644	0.000*
H11	Interest Rate	Personal Finance Knowledge	0.683	0.000*

***Correlation is significant at 5 percent level**

Although the bivariate correlations are significant for most hypotheses when considered in pairs, it is still needed to check whether they are still significant when the constructs are put together in a structural model as a causal effect. A rigorous test of the significant of various proposed relations can be tested using the bootstrap function in Visual PLS.PLS path modeling is a non-parametric method, and as such it cannot be used for performing a t-test. But it is possible to use resampling methods (bootstrap and jack knife) to obtain the significance of the various paths in the model (Efron 1979; Efron and Gong 1983).

Bootstrap is more reliable in estimating the significance of paths. So this research has considered and it is used as bootstrap for the purpose of determining causal relations proposed in the model. In boot strap used in this research, random samples sized 200 (the respondent number) were taken. The results were examined for significance. At 5% level of significance the cut off t-statistics is 2. In general, it is assumed that if the t-statistics is more than 2, the path is significant.

H8: As the personal financial knowledge level increases, the savings and investments level also increases.

The relation was found to be significant (Beta=0.586, t=10.196 shown in table). The R.Sq value is also positive (0.343). This shows personal financial knowledge influence savings and investment up to 34% level. The t value shows the most efficient relationship between personal financial knowledge and savings and investments. Thus, this hypothesis was highly supported. The result confirms the theory that if respondents' personal financial knowledge level increases, it will increase their responsibility of savings and investment.

H9: As the personal financial knowledge level increases, the stock market knowledge level also increases.

The relation was found to be significant (Beta=0.208, t=2.951 shown in table). The R.Sq value is also positive (0.533). Personal financial knowledge and savings and Investment influences stock market up to 53% level. The result reveals that an increase in personal financial knowledge would lead an enhance in stock market. It also specifies that the respondents' high knowledge level was consciously increasing their stocks knowledge level. Thus, this hypothesis was supported.

H10: As the personal financial knowledge level increases, the forecasting future inflation level also increases.

The relation was found to be highly significant (Beta=0.376, t=4.613 shown in table). The R.Sq value is also positive (0.577). Personal financial knowledge and stock market influences up to 58% level. The result reveals that an increase in personal financial knowledge and stock market would show the way to predict future inflation. It also indicates that respondents' inflation forecasts might be improved, when their financial knowledge level increases. Thus, this hypothesis was supported.

H11: As the personal financial knowledge level increases, the understanding and implementing the interest rate also increases.

The relation was found to be significant (Beta=0.279, t=4.259 shown in table). The R.Sq value is also positive (0.577). Personal financial knowledge and inflation influences the interest rate up to 58% level. This means an increase in personal financial knowledge and inflation predicting knowledge would lead to employ the effect of interest rate. Thus, this hypothesis was supported.

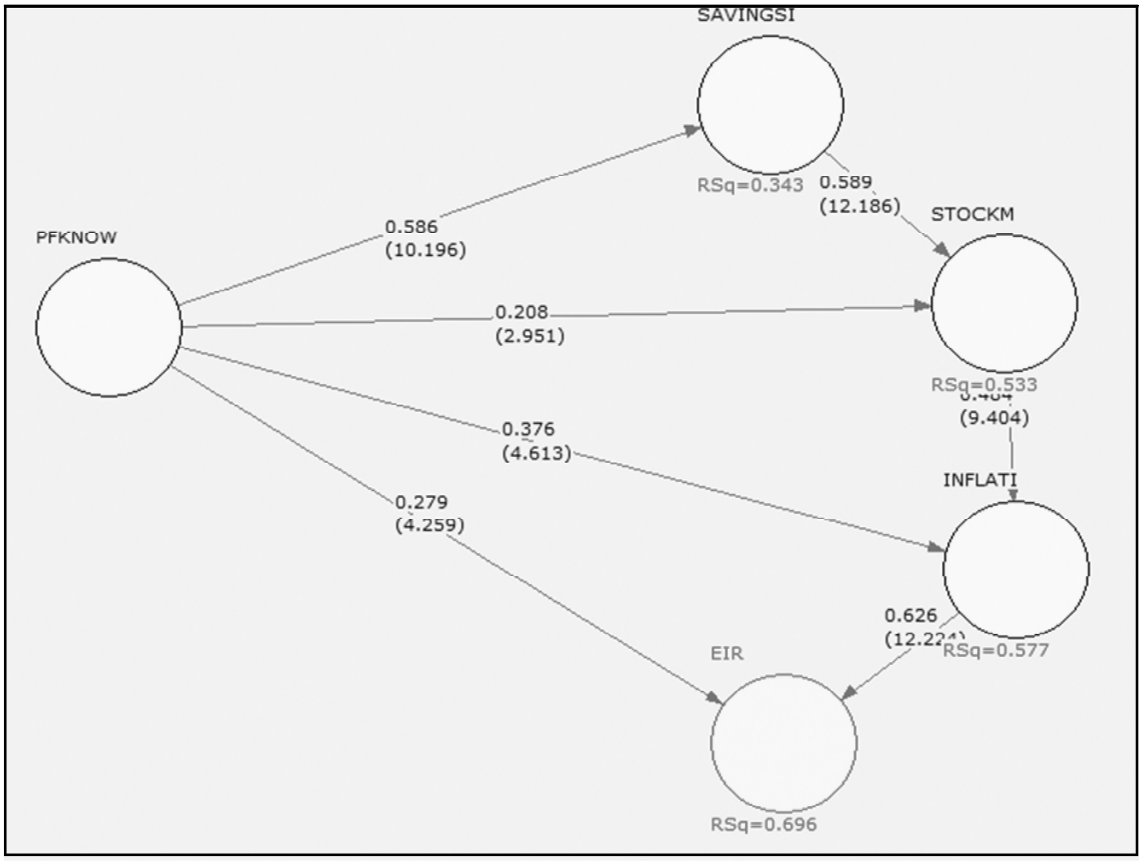

Figure 2 : Validation of Research Model

Terms Used in Model:

PFKNOW : Personal Financial Knowledge

SAVINGSI : Savings & Investments

STOCKM : Stock Market

INFLATI : Inflation

EIR : Effect of Interest Rate

Table 10: Bootstrap Summary

	Entire Sample estimate	Mean of Subsamples	Standard error	T-Statistic	R-Sq Value	Result
PFKNOW-> SAVINGSI	0.586	0.5956	0.0575	10.1963	0.343	Significant
PFKNOW->STOCKM	0.208	0.2176	0.0705	2.9511	0.343	Significant
PFKNOW->INFLATI	0.376	0.379	0.0815	4.6128	0.343	Significant
PFKNOW->EIR	0.279	0.2841	0.0655	4.2592	0.343	Significant
SAVINGSI->STOCKM	0.589	0.5819	0.0483	12.1864	0.533	Significant
STOCKM->INFLATI	0.484	0.4805	0.0515	9.4039	0.577	Significant
INFLATI->EIR	0.626	0.6238	0.0512	12.2241	0.696	Significant

Table 11: Composite Reliability and Cronbach Alpha

Construct	Composite Reliability	AVE	Cronbach Alpha
PFKNOW	0.778133	0.564482	0.77661
SAVINGSI	0.764645	0.537604	0.728453
STOCKM	0.875583	0.585114	0.824373
INFLATI	0.784897	0.529446	0.729151
EIR	0.843819	0.544196	0.744555

The reliability score of the each construct was more than 0.75 which represents excellent reliability. The validity of the construct was measured using Visual PLS. The each construct has an AVE value of more than 0.5 showing good convergent validity among the savings and investments, stock market, inflation, interest rate and personal finance knowledge.

Findings

- From the percentage analysis we see that more than half of the respondents are male, and from one way Anova, the result shows that the gender has no significant impact on Savings and Investment, Stock Market, Inflation, Interest Rate and Personal Finance Knowledge. From this we can say that both male and female respondents do not excel in financial knowledge and also the factors of the economic wealth.

- When it comes to the age of the respondents, people who fall in the age group of 31-35 have a greater affinity towards Savings and Investment, Inflation, Interest Rate and Personal Finance Knowledge but not outrival in stock market. This clearly shows that financial knowledge and the economic wealth is greater with younger people but lacking in stock market.

- The percentage analysis and one way Anova result shows that people who have knowledge in Savings and Investment, Stock Market, Inflation, Interest Rate and Personal Finance Knowledge are especially from private companies predominantly compared to business people and student.

- The mainstream of the respondents are undergraduate discipline. This clearly exhibits that respondent who have completed UG also has knowledge in factors of the economic wealth.

- Annual Income, Preparing Monthly Budget and Primary source of Income has the significant relationship in Savings and Investment, Stock Market, Inflation, Interest Rate and Personal Finance Knowledge. From one way Anova, we can see that, the values are less than 5% of the significant value and thus there rely a major relationship.

- Through the structural model, personal financial knowledge would lead an increase in responsibility of the savings and investment. Furthermore, the respondents' high knowledge level was consciously increasing their stocks knowledge level. In addition, analyzing the relationship between personal financial knowledge and inflation, it clearly shows that financial knowledge level helps to improvise the inflation forecast. The result confirms the hypothesis that if financial knowledge level increases, it would lead to employ the effect of interest rate. Moreover, the inter-relationship between Savings and Investment, Stock Market, Inflation and Interest Rate was also found. It shows the positive relationship. It indicates that all the economic factors are important financial role for young people.

Implications

- Young people have a good perspective on saving, but need help understanding in basics of the products and its use, the related concepts, proper budgeting, credit and retirement savings.

- It seems clear that there are likely to be important benefits of greater financial knowledge, including savvier saving and investment decisions, better debt management, employing interest rate, meeting inflation, more retirement planning, higher participation in the stock market, and greater wealth accumulation.

- Financial education programs include the importance of targeting specific groups, simplifying financial decision-making, and providing specific steps and guidance to the least financially knowledgeable.

- Taken together, our results suggest that improved economic education, including possibly the education provided by, can promote greater uniformity and accuracy in economic expectations.

Conclusion

- The objective of the present study was to investigate the personal finance knowledge of young people and its impact on economic health in India. The focus was based on the five important constructs namely, personal finance knowledge, savings and investment, stock market, inflation and effect of interest rate. The result of this study suggests several important conclusions.
- First, investment in financial knowledge appears to be a specific form of human capital. What is surprising is not that people lack financial knowledge, but rather how little people know about basic economic concepts. Financial illiteracy is not only widespread but is particularly severe in certain demographic groups. Personal Financial knowledge is clearly proven as an important component of economic health.
- Second, enhancing peoples' performance in an increasingly financially complex world might be to outsource the job, by relying on financial advice. Some have argued it is not feasible or even desirable to make everyone be a financial expert (Willis 2008, 2011). Of course, financial education programs do not turn ordinary consumers into experts, just as courses on literature do not make students into professional writers. Also, individuals must make many financial decisions not requiring professional advice, from opening checking accounts to paying credit cards. Yet some decisions, such as saving for retirement and making investment choices, do require rather sophisticated knowledge, so turning to advisors could be desirable in those cases.
- In a world of increased individual financial responsibility, where young ones are in charge of their financial well-being and where financial markets offer new and complex financial products, financial literacy is essential. Just as it has proven to be impossible to succeed in the modern world without the ability to read and write (literacy), so it will be impossible to succeed in the present-day financial system without knowing the abc's of economics and finance (financial literacy).
- Moreover, in the wake of the recent financial crisis, attention has been increasingly devoted to methods of protecting people from their own financial illiteracy and inability to make informed financial decisions.
- It is recommended to promote cooperation among educationalists and experts in the field in order to create personal finance educational materials and to integrate them in the official college standard. Similarly, Government should find ways to increase work experience of young people by offering internship or on-campus employment opportunities in personal finance.

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