

IMPACT OF FINANCIAL LITERACY ON SAVINGS BEHAVIOUR OF YOUNG ADULTS IN VIRUDHUNAGAR DISTRICT

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Abstract: The rapidly increasing awareness of the personal financial planning has drawn vast interests in financial services industry. People invest their assets and income efficiently so that their economic security is guaranteed, not only during their working life but also after their retirement. Most economists are with a belief that an increase in savings will raise the growth of economic performance and additionally strengthening the wealth of that particular country. In regard to savings behaviour, the necessity of savings amongst individuals varies from one another because of different mind-set, behaviour, knowledge, and social environment. Recently, a report stated that household debts in Virudhunagar district have gradually risen, as a result of that, total household savings remained insufficient and that they are extremely under prepared for retirement. What is more agonizing is that the young adults are said to be the main group caught into this financial complexity. This problem has raised alarm on the needs to educate the young adults the basic understanding of financial literacy in order to ensure adequacy of their future retirement income. The current study focuses on determining the impact of financial literacy on the savings behaviour among young adults in Virudhunagar district.

Key Words: Financial Literacy, Investment Decision, Financial Decision, Financial Planning, Savings Behaviour.

I. INTRODUCTION

Finance is the backbone of each and everyone whether individual, business or government. All individuals, business houses and government demand funds for operating their activities. According to The Australian Securities and Investments Commission (ASIC, 2003) and Noctor, Stoney, Stradling (1992), Financial literacy can be defined as the ability of an individual to generate informed judgments and to make effective decisions regarding the use and management of money. Financial literacy is defined as the possession of knowledge and understanding of financial matters and is primarily used in association with personal finance matters. Savings behaviour is the ability and practice of setting aside the excess of money or resources of profits or income one earns; being able to utilize resources wisely; becoming thrifty.