

CHAPTER V

CONCLUSION

From the research, it was found that the financial literacy had a direct impact on personal financial management in India. The demographic segment of individuals such as income and different regions of India were studied separately, as well as a whole. These two variables are very important for the study of financial literacy and personal financial management. Therefore they were studied separately and as a whole, as mentioned above because different individual behave differently and plan their financial future indifferent way.

1. Inter-Relationship between Financial Literacy, Personal Financial Management and its Impact.

The result was found that there exist good inter-relationship between financial literacy, personal financial management and its impact. The financial literacy had direct impact on personal financial management in India. This study indicated that higher the level of financial literacy better will be the personal financial planning and so forth, there would be better personal financial management. There was strong positive correlation between financial literacy and personal financial management. The study explored that those individuals who were financially literate had knowledge regarding investments, but were not able to implement their skills in practical life and did what was recommended investments by experts. The study also highlighted the importance of financial literacy as it helped an individual to spot the fraud and also helps in picking the right investment according to their preferences. It was found that financial literacy developed budgeting skills and improved the saving investment matrix of individuals.

The study also highlighted that personal financial management gave individual flexibility in decision making and also prepared them to bear the financial shocks. Personal financial management depends on aim of doing investments and may vary from debt extinguishment like some plan for a house, plan for a car, to retirement planning, tax planning, investment planning, real estate planning etc. The study also highlighted that personal financial management helped in planning for long and short term goals and also developed good investment habits among individuals. The study also found that impact of financial literacy on personal financial management was influenced by age and occupation also. The impact of financial literacy on personal financial management was positive as it improved financial stability of individuals.

Hence, it may be concluded that financial knowledge, attitude, behaviour, nature of employment, education, socio economic background, tax exposure, investment horizon, risk-return preference, safety and security are some major factors which affect inter-relationship among financial literacy, personal financial management and its impact.

2. Relationship between Dependent and Independent Variables.

The researcher found the **interdependence between some dependent variables and independent variables**, personal financial management was found to be dependent on financial literacy, income and regions of India. It is also revealed that financial literacy, income and regions of India were inter-related with each other with respect to personal financial management.

The researcher further found that there was some **independency between financial literacy, income and regions on India for determination of impact on personal financial management**. When the researcher compared these independent variables financial literacy, income and regions of India with personal financial management to found impact, it can be explained as:

Income

- Financial literacy
- Personal financial management
- Impact

Regions

- Financial literacy
- Personal financial management
- Impact

Income and Regions

- Financial literacy
- Personal financial management
- Impact

In other words, financial literacy increased with increasing income and was found to be highest in west as compared to east, north and south. The personal financial management does not varied in hierarchy of higher income and was found to be highest among higher income groups. Among regions the personal financial management of west was highest The impact score was reported high among high income groups which showed lowest impact and highest impact was on lower income group. Likewise, western people impact score was highest which depicted lowest impact, north and east regions shown similar results as compared to south which had highest impact. There was no interaction between income and region with respect to financial literacy and personal financial management but interaction was seen between income and region with respect to impact of financial literacy on personal financial management

Therefore, it can be concluded that interaction of income and region resulted in the above-mentioned situations.

3. The Validity of the Study

Efficient financial market is backbone of any economy and it is backed up by financial literacy and personal financial management. The success of financial market is dependent on how individuals use their financial literacy skills for efficient personal financial management. Personal financial management is formidable unnerving and ongoing function. It has gone trickier as there are ample of options available to an individual which lands penny pincher individuals in perplexed state. So if individual's financial literacy increases their management also becomes perfect and there is high degree of impact of financial literacy on personal financial management. If these two are perfectly managed then automatically impact would be high and economy will grow.

The present study found the current status of financial literacy and personal financial management of individuals in India. The study also recommended some suggestions to improve the impact of financial literacy on personal financial management among various individuals in India. If individuals increase their financial literacy then it will have great impact on their personal financial management techniques and they will have financially safe and secured future.

4. Conclusion in Relation to Research Objectives.

The study had following objectives.

1. To study the factors which affect personal financial management in India.
2. To study the impact of financial literacy on personal financial management on different income groups.
3. To study the impact of financial literacy on personal financial management in different regions of India.

4. To study the impact of financial literacy on personal financial management based on interactive effect of different regions of India and different income groups.

The major findings and conclusions was presented with respect to each objective separately.

a. The first objective was related to the study the factors which affect personal financial management in India.

There are plethoras of good investment avenues available in the market today, which can provide handsome returns, such as mutual funds, unit-linked insurance plans , stock market, commodity market, bullion market, real estate and various other avenues such as bank FD, PPF and small saving schemes etc., which provide moderate to handsome returns to the investors, but they are also backed up by many factors which are needed to kept in mind while planning for investments. Likewise while investing the money, the decision of investor is dependent upon various factors like risk, return, stability of returns and convenience, safety and trust etc. Investments are backed up by savings and saving is a long term commitment so they need to strategically planned. The plan of investments should be made able to adapt to the different life stages and so that one can have safe and secured financial future While making appropriate financial plans, risk appetite, future liquidity needs at all stages of life, understanding of the markets are important. It should also consider the current and future financial responsibilities, age, retirement age and so on. There is a need to ensure that the plan provides a proper mix of all investments, ultimately leading to an appropriate portfolio which has capacity to bear shocks and back up an individual to an extent.

In present study the factor analysis was performed on 40 questions relating to personal financial management. Before performing factor analysis the reliability of these fourty variables was checked with Cronbach alpha and it

was found to be .962. The Bartlett test of sphericity was also found to be significant. The measure of sampling adequacy was checked with KMO value which shows value of .900. These above things allowed researcher to perform factor analysis. With the help of factor analysis nine factors were extracted. The variance explained by these factors is 62.449%. These factors are market risk, safety and security, regular income, tax rebate, financial planning, loan facility, high liquidity, time horizon, and high return. By reviewing the screen plot it was analyzed that Eigen values were very close to each other and does not differentiate much. So for further analysis, the study was divided into three parts financial literacy, personal financial management and its impact.

b. The second objective relates to the impact of financial literacy on personal financial management on different income groups.

The study has considered three different categories of income groups, i.e. Lower Income Group (LIG), Middle Income Group (MIG) and Higher Income Group (HIG). Income group was found to be most important variable affecting financial literacy and personal financial management. The findings of the study imply that the financial literacy of HIG was highest among three income groups, though there was very little difference in level of financial literacy between MIG and HIG, but LIG financial literacy was low. In case of personal financial management all income groups behaved differently, the middle income group showed good personal financial management as compared to lower and higher income group. Overall it can be said that the impact of financial literacy on personal financial management among LIG, MIG and HIG was considered to be low. It was analyzed that impact score for HIG is highest and it seems to have lowest impact i.e. they have adequate level of financial literacy but they do not use their skills adequately in managing their investments and finances. It was seen that LIG impact was a bit higher than MIG. Overall LIG had the highest impact of financial literacy as they try to their

knowledge into practical lives as they value their more than any other group. .
Therefore, it can be concluded that income is a major determinant of impact of financial literacy on personal financial management in India.

c. The third objective relates to the impact of financial literacy on personal financial management in different regions of India.

Here in this study the whole India has been divided into four parts North, East, West and South. It was seen that individual from different regions of India had different level of financial literacy regarding various investment alternatives. Western region had high financial literacy as compared to north, east and south regions. North region and east regions showed almost same level of financial literacy. The financial literacy of south was lowest. The personal financial management of individuals of different regions was almost same. So the overall impact of financial literacy on personal financial management was low as all lie under low impact score. Among all regions financial literacy was high but their personal financial management skills are low and they are not able to manage their finances well. But if we compare all regions, then western region had highest impact score which indicates lowest impact so it can said that comparatively it had high financial literacy and low personal financial management score than north, east and south region. The impact score of southern regions was lowest which indicates highest impact. Thus, it can be said that awareness and preference i.e. financial literacy have impact on personal financial management India. **Therefore, it can be concluded that different regions of India is a major determinant of impact of financial literacy on personal financial management in India.**

d. The fourth objective relates to the impact of financial literacy on personal financial management based on interactive effect of different income groups and different regions of India.

From the study it can be concluded that the interactive effect of income and region in terms of financial literacy and personal financial management was not found to be significant. But the interactive effect of in terms of income and region in terms of impact of financial literacy on personal financial management in India was found to be significant. So overall it can be said that the impact score of Middle income groups of south region was lowest indicating high impact. The Middle income of east was also very similar to south region. But the Higher income group of west showed highest impact score indicting lowest impact.

There was strong positive association of financial literacy and personal financial management. Thus, if financial literacy increases than it can be said that individual's personal financial management will also increase.

5.The Uniqueness of the study

The concept of PFM gained importance recently. Prior to that various comparative studies has been done on various alternatives like mutual funds, insurance, stock market, gold and various investment schemes. Most of studies were conducted to check the preference level of investors while they channelize their savings into investments. But the concept of personal financial management was been ignored. Researches have been done international level to check the impact of financial literacy on their investment decisions or personal financial management but very few studies has been conducted in India on broad level. Various research Gaps were identified they are as follows:

- The previous studies which has been conducted were mainly focused on micro geographic level i.e. on specific regions or states or cities like Gujrat, Coimbatore, Surat, Delhi, Junagarh etc. No study has been done on India as a whole.
- The prior studies mainly studied the impact on salaried individuals or selected group managers, college students, college teachers, women,

retail investors etc. no study has been done on cumulative basis i.e. on business, salaried and self occupied professionals.

- Compiled and broad study covering all major investment alternatives is majorly done before 2007.
- Various studies have been done on financial literacy and personal financial management focusing on only on one single demographic factors into consideration and has not taken many of demographic variables into consideration in. Marital status and Region are variables which are still very much unexplored.
- No study have been done taking into account insurance, mutual funds, PPFs, savings accounts , housing loan, bank FD's, PO deposits, stock market investments, commodity market investments, car loan , bullion market and real estate market into consideration.
- Major studies focus on various investment alternatives available to an individual but does not takes into account overall financial planning including debt, planning for house, planning for car etc.
- There are various studies available on investment behavior but impact of financial literacy on personal financial management with demographic variables has not been done yet in India.

6. Inference of the study

As a final point, this study is an eye-opener for the reason that even if an individual had good personal financial management than financial literacy was one of the determinant factors which created this impact. Moreover, this study was unique as it brought out inter-relationship between income and different regions of India with respect to financial literacy, personal financial management and its impact. The majority of individuals have moderate to high financial literacy but were not using it properly for personal financial management. Consequently, this research is a beginning for the other studies in

the related fields that follow. It has also tried to contribute to both theory and welfare of individuals of economy.

7. Recommendations:

The present study included the income group and regions of India with financial literacy; personal financial management and impact of financial literacy on personal financial management in India. From the results of the study, the researcher arrived at the following recommendations on which individual needs to focus were: -

1. More emphasis should be given on financial education to increase financial literacy of lower and higher income groups especially as compared to higher income group. Low level of financial literacy leads to poor decision making.
2. Financial literacy should be increased so that investments do not turn out to fiasco, they should be planned properly by analyzing risk to yield good returns on them i.e. risk return relationship should be studied properly.
3. Strict guidelines should be made regarding investments and it should be mandatory to follow them which makes investors safe, secured and doesn't makes him feel cheated.
4. Institutions should hire professionals who can help individual's helps in yielding high return on investments.
5. Simplified and small duration practical linked financial courses should be organized to penetration of financial literacy in the country. This would make individual's more learned and self-dependent.
6. More schemes like Jandhanyojna, Pradhan Mantri Jeevan bimayojana, National Pension Scheme etc. should be launched by government which

increases awareness among individuals regarding importance of investments.

7. Savings and investment attitude should be build in individuals to promote development of the country. Importance of retirement plans, insurance, housing or debt extinguishment, tax planning should be induced.
8. Awareness regarding inflation factor and time value of money should be taken into consideration while planning for investments are backed by them.
9. As today investments are infused with technologies so proper training should be given regarding uses and application of them. Importance of cyber security should be diffused in them.

8. Areas for Further Research

From the present study, the researcher has proposed areas for further studies.

They are follows: -

1. This study was a unique one since it compared the financial literacy and personal financial management in India. This study covered major cities of India but still majority of population which belonged to rural area was ignored. Their financial literacy and personal financial skills development is very important Therefore, the researcher recommends the study of financial literacy and personal financial management with special reference to rural areas.
2. The population taken for the study was just two demographic segments of the individuals from India, whereas, there are some other segments like various age group, different education level, occupation, marital status, gender could be considered for further studies. This would help to increase

the population considered for the study. One can also do comparative study of rural and urban sectors on responses of individuals.

3. The recent study is based on impact of financial literacy on personal financial management but the study can be conducted on attitude of investors towards financial literacy and personal financial management.
4. In present study, the impact of financial literacy on personal financial management has been examined. The area of research can be a study of financial literacy on various personal financial management tools like mutual funds, stock market, insurance, real estate, bank deposits, post office savings, gold, commodity market etc.
5. A separate study can be done on various aspects like debt extinguishment, retirement planning, portfolio diversification, tax planning of investments in various fields.
6. As the title of the study is related to financial literacy and personal financial management of individuals, a study can be done on impact of financial literacy programs of government in improving personal financial management skills regarding investment plans on individuals.
7. The sample of the study was taken from major cities of whole India. But the individual study could be carried out covering all cities of specific individual states which will give state wise comparison would give idea of which state population needs more improvements.
8. The present study was done on individuals; another study can be done on from government point of view that how much their literacy programs are effective.
9. Another area of further research is the replication of this study in comparison with other countries. This will provide insights relative to the

level financial literacy and personal financial management behaviour of individuals round the world.

If appropriate authorities consider the above-mentioned recommendations, initiatives can be taken in these fields to make individuals life more satisfactory, secured and happy. Financial literacy level should be increased so that appropriate personal financial planning can be done by individuals for better decision making.

Further research if carried out in the suggested areas, will greatly contribute to the existing body of knowledge about the financial literacy, personal financial management and impact related issues in India.