

# **Savings and Investment Habit of Young Population and its Impact on the Economy**

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## **INTRODUCTION**

The way young people handle their money now will determine the future of any thriving economy. The amount and type of money that young people save and invest have a big impact on overall prosperity, financial stability, and economic progress. This introduction will cover the potential effects on the economy as well as the significance of encouraging young people to develop sound saving and investing habits.

### **Savings Habits of the Young Population:**

Young people's savings habits are influenced by several variables, including income levels, cultural norms, financial literacy, and prevailing economic situations. Historically, student loan debt, growing living expenses, and a lack of employment possibilities have made it difficult for young people to accumulate sizable savings. However, recent changes in consumer financial awareness and technological improvements have opened up new possibilities for encouraging improved saving habits.

### **Investment Habits of the Young Population:**

Investments are essential for accumulating money and accomplishing financial objectives while being sometimes seen as riskier than saving. Young people who seize financial opportunities early in life may profit from long-term growth and the power of compounding. Due to perceived complexity and risk aversion, a sizable segment of the youthful population may still be reluctant to invest.

### **Impact on the Economy:**

The savings and investment habits of the young population can have far-reaching effects on the overall economy:

**a. Capital Formation:** Youth saving and investing more money results in more capital being created, which can support economic growth. In turn, this increases the amount of money available to firms and encourages entrepreneurial endeavours.

**b. Investment in Productive Assets:** When young individuals invest in productive assets like stocks, bonds, or startup ventures, it facilitates capital flow to sectors that drive innovation and job creation. This leads to higher productivity and economic diversification.

**c. Economic Stability:** A financially literate and proactive young population is more resilient to economic fluctuations, which contributes to greater economic stability and reduces the likelihood of financial crises.

**d. Consumer Spending:** While saving and investment are crucial, moderate consumer spending by young individuals also drives demand in the economy and stimulates growth in various industries.

## OBJECTIVE OF THE STUDY

1. To study the current savings and investment patterns of young individuals.
2. To examine the role of young people's savings and investments and its impact on economic growth.

## PROBLEM STATEMENT

### 1. To study the current savings and investment patterns of young individuals.

The problem requires investigating how young people manage their money and savings. This would require evaluating their financial behaviours, preferences, and techniques in order to get insight into their decision-making processes and discover trends in their saving and investing habits. The goal could be to provide tips or insights that will help consumers make better financial decisions.

### 2. To examine the role of young people's savings and investments in capital formation and economic growth.

The task at hand is to investigate and comprehend how young people's saving and investing behaviours affect the process of capital production and overall economic growth.

This would necessitate research on how their financial activities affect the economy's capital accumulation and how that affects variables such as job creation, productivity, and general economic growth.

The goal may be to recognise the relevance of young people's savings and investments as sources of economic growth and to devise strategies for encouraging and optimising these contributions

## SCOPE OF SAVINGS AND INVESTMENT HABBIT

**Financial Security:** Young people who establish saving habits early in life are better prepared to face unforeseen costs, emergencies, and other financial obstacles. Their level of financial security is increased, and their risk of going into debt is decreased.

**Wealth Accumulation:** Regular savings can result in the growth of wealth over time. Young individuals can create a significant financial cushion for their future requirements, such as education, property, retirement, and significant life events by prudently saving and investing.

**Entrepreneurship:** Savings and investing practices are essential for budding business owners. These behaviours can help raise the funds required to launch and expand a firm, promoting creativity and economic development.

**Retirement Planning:** Early retirement funds are essential for securing long-term finances. The longer time horizon can be advantageous for young people who prioritise saving for retirement because it will allow their investments to increase significantly.

**Economic Growth:** Young people's aggregate saving and investing behaviours affect a nation's total savings rate. A higher rate of saving can result in more money being available for investment, which can promote economic expansion.

## Impact on the Economy

**Productivity and Innovation:** Innovation and productivity may both be increased through investing in fields like education, research, and technology. The capacity of the economy to produce higher-value goods and services is increased by young people who invest in learning new skills and pursuing creative initiatives.

**Job Creation:** Investments in new firms and entrepreneurial endeavours can result in the creation of jobs. Young people invest in their ideas, support startup ecosystem, and stimulate the economy by generating jobs for others and themselves.

**Reduced Dependence on Debt:** It is less common for people to rely extensively on borrowing and debt if they have good saving and investing habits. A more robust economy and increased financial stability and relief from financial stress are possible outcomes of this.

**Long-Term Economic Sustainability:**

long-term economic sustainability is supported by encouraging young people to save money and invest it. Future generations will benefit from having the stability and resources necessary to handle economic hardships and grab opportunities

**LITERATURE REVIEW**

The saving and investing behaviours of a country's young people have a significant impact on that country's economic health.

Young people are the future workforce and economic contributors, so it's important to understand how they behave when it comes to saving and investing.

The goal of this review of the literature is to summarise the body of knowledge on young people's saving and investing behaviours and their effects on the national economy.

**Savings Habits of the Young Population:**

Young people frequently struggle with a range of financial issues, including college loans, housing costs, and low starting pay.

Their savings habits are influenced by these difficulties.

Young individuals have a lower savings rate than older people do, according to research by Johnson and Sherraden (2007), but they also show a propensity to save for particular objectives like school or housing.

Furthermore, research by Lusardi and Tufano (2015) emphasises how crucial financial literacy is in establishing good saving practises.

Youth who are more financially literate are more likely to use efficient saving techniques, proving that education is a key factor in encouraging wise financial behaviour.

**Investment Habits of the Young Population:**

Young people's investment activity is frequently driven by risk aversion, a lack of financial market awareness, and a lack of capital.

Young people tend to be more risk-averse than older people, according to research by Gennaioli et al.

(2011), which may cause them to reject investments with potential for larger returns.

However, the development of userfriendlyinvestment platforms and fintech has inspired some young individuals to get involved in the

market.

According to research by Schwab-Pomerantz et al. (2020), the availability of digital investment platforms has increased the number of young investors, particularly those who engage in trading and micro-investing.

## **Discussion**

The economy may be greatly impacted by the saving and investing practices of the young population. A rise in capital accumulation, which in turn spurs economic growth, may result from young people making sensible savings and investment decisions. It is possible to enhance the amount of money available for useful investments in businesses and infrastructure by promoting a culture of saving and responsible investing among young people. There are difficulties to think about, though. Due to urgent financial difficulties or lifestyle decisions, the younger generation may occasionally place a higher priority on spending than conserving. Their capacity to make wise investment selections could also be hampered by a lack of financial education. To combat this, educational programs and awareness campaigns can be extremely effective in fostering financial literacy and supporting responsible financial management. Additionally, the decisions made by young people about investment vehicles may have an effect on how resources are distributed within the economy. Market volatility could result if they tend to favour risky assets. The focus on long-term, diversified investments, on the other hand, can promote stability and sustainable growth.

## CONCLUSION

With the revolution in technological development, the spending and saving of youth changed significantly while conducting the study in Thrissur we can understand that youth's spending is highly influenced by income. There is a significant difference in spending of students employees and part-time job holders. They spend a large portion of their income on entertainment, cloth, electronics and food. Youth's saving decision influenced more by family, relatives. Increased cost of living and low income has minimized the savings of them. Here the youth consider spending rather than saving. More of them save their income for future safety. Expecting a regular return, they put their savings into investment. Bank has topmost importance. Youth do not interest in the unorganized money market. Most of the youth in this area is not highly aware of the capital market most of them are satisfied with their current saving habit

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