Assessing the Impact of Financial Literacy on Investment Awareness: An Empirical Analysis of Retail Investors

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ABSTRACT

Financial Literacy is one of the most important factors in the determination of financial decisions. It is one of the most influential deciding factors which constitute good financial decision-making. This study focuses on the level of financial literacy and its impact on investment awareness among selected retail investors of Madhya Pradesh. The study is empirical in nature and is conducted on a sample size of 210 individuals residing in Madhya Pradesh state. Primary data has been collected through a structured questionnaire.

The study uses statistical tools such as descriptive analysis, correlation, chi-square test and multiple regression analysis to examine the relationship between financial literacy and investment awareness. The reliability of the constructs was tested using Cronbach's alpha, which showed satisfactory internal consistency for financial literacy (0.842) and investment awareness (0.795).

The findings reveal that majority of the individuals are not fully aware about financial literacy and some of its important components. They do not prefer moderate risk instruments because of lack of knowledge and face difficulty in taking proper investment decisions regarding certain financial products. The correlation analysis shows a moderate positive relationship between financial literacy and investment awareness ($r = 0.451$, $p < 0.01$). The regression analysis indicates that financial literacy, income and education have a significant positive impact on investment awareness, explaining 40.2% of the variation ($R^2 = 0.402$). Among all the variables, financial literacy has the highest impact on investment awareness.

The study further reveals that majority of the respondents prefer low-risk investment avenues such as Fixed Deposits and Post Office Investments. The study provides valuable insights regarding the basic state of awareness of individuals towards financial literacy and investment decisions. It can be useful for policymakers, financial institutions and corporate organizations in designing effective financial literacy programs and strategies to improve investment awareness among retail investors.

Keywords: Financial Literacy, Investment Awareness, Financial Decisions, Retail Investors, Investment Behaviour

INTRODUCTION

Financial Literacy is the ability to use money in an efficient manner. It is related with the skill and knowledge which is necessary to take effective financial decisions. Financial literacy makes a huge impact over the ability to invest money in various available financial avenues.

As far as financial literacy is concerned, **OECD (Organisation for Economic Cooperation and Development)** defines it as "a combination of knowledge, skill, awareness, attitude and behaviour which is necessary to make efficient financial decisions and ultimately achieve individual financial wellbeing".

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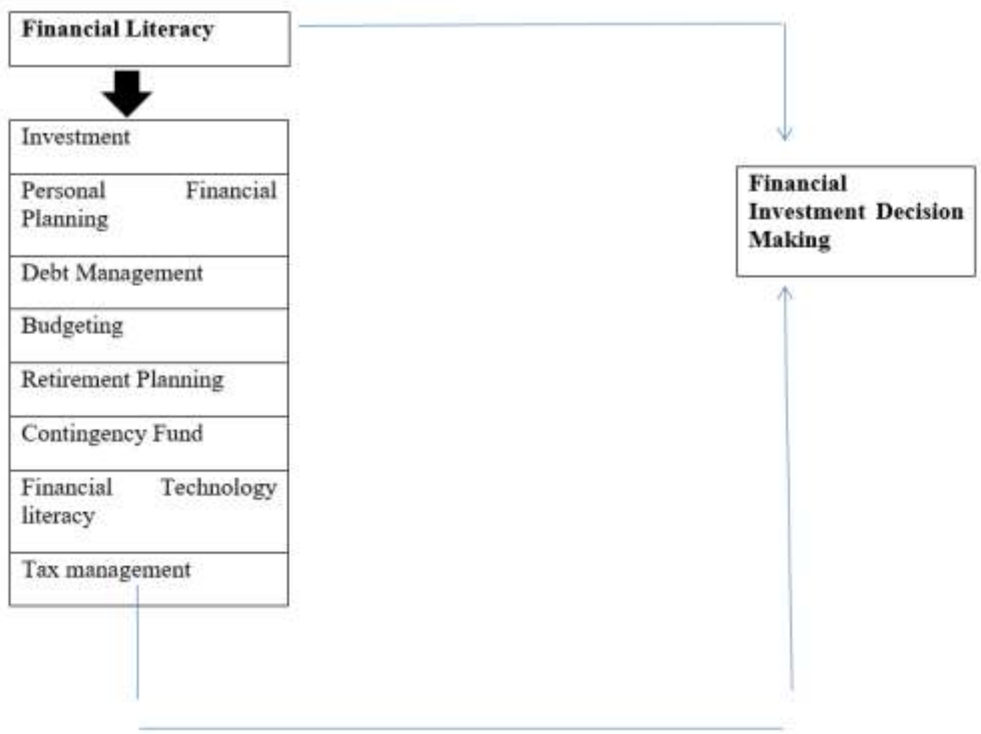
Huston (2010) states that the definition of financial literacy can be grouped into these categories like- ability to express financial concepts, knowledge of various financial concepts, managing personal finances, capability of making plans for financial needs for future effectively, ability of making various financial decisions effectively.

Lusardi (2008) states financial literacy as "the proper knowledge of basic financial concepts, like knowledge of compounding of interest, basic knowledge about risk diversification and the basic difference between real values and nominal values".

Financial Literacy is a pillar which makes a foundation of a good set of investments. It is now getting its importance in a speedy way. With the use of the financial literacy a person is able to take various financial decisions such as taking loans, spending money in various commodities, budgeting, personal financial planning etc. in a fruitful manner.

Financial literacy can also be understood with the help of behavioral finance approach which explains that individuals do not always take rational financial decisions due to lack of knowledge and psychological factors. Therefore, financial literacy helps in improving the decision-making ability of individuals.

Financial Literacy and Financial Investment Decisions



Source: Authors' Construct

The above framework shows that financial literacy consists of various components such as investment knowledge, budgeting, debt management and financial planning which together influence the investment awareness of individuals. Investment awareness is considered as an important outcome of financial literacy. Financial literacy and Financial investment are inter- related. Financial investment decisions are a part of financial decisions. Financial literacy is necessary to take effective investment decisions.

Components Of Financial Literacy

The following components of financial literacy-

1. Investment: Investment is an asset which is acquired to generate income or appreciation. It involves putting money into those assets which can produce income or appreciation.

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2. Personal Financial Planning: This is the process which is used to manage money and taking into consideration the savings and investment. It takes into considerations the short term goals as well as long term goals of an individual.
3. Debt management: This is very necessary to consider about the loans before taking any financial decision. Debt management involves tracking the loan, develop a proper repayment plan and implement it effectively. It is the planning of controlling debt in an efficient manner.
4. Budgeting: Budgeting is way to control money and priorities. It is a document which is used to organize the money effectively. It provides the tracking of what is earned and what is expended.
5. Retirement Planning: Retirement planning involves identifying the sources of income, checking on the expenses, investing and effectively managing the risks. This helps to prepare you for the upcoming life to fulfil the objectives and effectively manage the responsibilities.
6. Contingency Fund: A contingency fund helps an individual to meet the unexpected emergency financial requirement. It enables an individual to cop up with the situation in which a person has to meet money requirements. This fund should be creating in order to handle the uncertain situation.
7. Financial Technology Literacy: There are various financial services available in the market. To avail those services, nowadays, an individual must have the knowledge regarding the updated technology. Digital knowledge means the competence to assess how to have an access for digital products such as tablet, mobile, laptop, internet etc. When digital knowledge is combined with financial literacy it gives the product of Financial Technology literacy.
8. Tax management: It is very necessary to understand amount the tax management and how it influences an individual's net income is important for acquiring financial literacy. Each income sources is taxed in a different manner, such as salary, income from investment, rental income, income from capital gain, income from business, inheritance, and income from unexpected gain. A proper knowledge regarding tax management helps a person to boost the financial performance through efficient income management.

Factors Affecting Financial Literacy

There are various factors which affect the financial literacy. These factors are-

- Age- Age is a major factor which influences the financial literacy of men and women. People of younger age tend to focus more on spending while middle aged people have more inclination towards financial literacy.
- Marital Status- Most of the unmarried people have less responsibilities therefore they do not focus on financial literacy and financial planning. Married people have a tendency to make financial plans since they are comparatively more responsible.
- Family income and background- Low income people have more attention towards fulfilling the basic needs. They are financially incapable to do financial planning since the major part of the income is generally spent in fulfilling the daily needs. Middle and high income groups' people have relatively higher level of financial literacy.
- Level of Education- Education level also makes a huge impact of the level of financial literacy.
- Family Influence- This factor makes a high impact on the financial literacy. Relatives, friends and family members are the information sources through which an individual can get a lot of new information.
- Job Type- Job type also impacts the level of financial literacy.

Theoretical Base of the Study

Financial literacy is supported by behavioural finance which explains that financial decisions of individuals are influenced by their knowledge and behaviour. Individuals with low financial literacy tend to prefer safe investment options and avoid risky instruments.

The concept of financial capability also supports this study which states that individuals must have the ability to apply financial knowledge in real life situations. Thus, financial literacy and investment awareness are closely related.

REVIEW OF LITERATURE

Financial Literacy Level

Chettri and Mothey (2024) conducted a research study on financial literacy and its impact on financial well-being. Financial literacy facilitates the procedure of financial planning and inculcates understanding of various financial products which lead to the effective use of financial services like making investment in various financial products, savings for expenses of household, taking part in the stock market, budgeting, obtaining housing loan, obtaining insurance, managing real estate transactions, managing credit card, ensuring pension, tax planning and retirement safety etc. The results showed that five items load reliably in financial literacy construct. Moreover, behaviour towards investment was found to show the highest level of variance, after that, skills in dealing with financial matters, financial awareness, financial knowledge, knowledge towards Investment, behaviours in dealing with financial situations. The low level of financial literacy is a hindrance in the making Sikkim a digital financial literacy state. Various financial literacy programmes can make worthy influence to the households for taking good financial.

Swathi Nirula (2015) undertook aresearch to analyse the financial literacy level of investors of Delhi. The researcher explored the effect of various demographic factors on financial literacy and also to consider the difference in short, medium, and long-term investment preferences at different levels of financial literacy. The research found that the investors had medium level of knowledge and skills in financial literacy while different age groups observed differences in the level of financial literacy. It also showed that the investment decisions were strongly linked to the time period as preference of investors for the same level of financial literacy in different time periods was significant.

Dhan, Timilsena, Jagat & Sujana. (2024) conducted a study aimed to explore how financial behaviour, financial attitudes purpose towards investment, and knowledge about financial investment products affect financial literacy among women investors of Nepal. The study found positive correlations among financial attitudes, financial behaviours, investment purpose and knowledge about financial investment products as independent and financial literacy as dependent variable under the study. Additionally, the regression analysis showed that financial behaviour, financial attitude, investment purpose, and knowledge about financial investment products had a significant positive impact on financial literacy among Nepalese women investors.

Vikas et al. (2023). studied that financial literacy enables a person with acquaintance of financial terms and concepts besides imparting skills, talent and attitude to take various important financial decisions. The study aimed to assess financial literacy of Commissioned Officers of Indian Army. The study has found out that level of financial literacy of serving commissioned officers of Indian Army are high.

Agrawal (2012) attempted to analyse the level of financial literacy of three demographic groups- young working adults, retired adults and students in India. The study focuses attention to the facts disclosed in previous studies that the financial knowledge of Indians seems to be low by global standards. The employed and the retired adults scored high on behaviour related to the rest of the Majority of the employed and retired adults borrow less and depend on their savings.

Tan Hui Boon et.al (2011) analysed the financial literacy in Klang Valley, Malaysia by taking personal financial planning into consideration. Financial literate individuals who were involved in personal planning in order to keep themselves away from risk and make investments in the avenues that are safe or provide better results in the end.

The education level of the investors provides a safe platform for the proper financial planning. Pratap Singh et.al (2002) focused to interpret the distinction between male and female investors of Tamilnadu. It was concluded that the amount available for investment purposes among the sample group was from Rs. 20000 to Rs.100000 annually. The investors were more conscious of security. Diversification on the basis of security was of greatest importance among both genders.

Financial Literacy and Financial Decisions

Financial literacy and financial decisions are mutually interconnected. Financial literacy provides a basis for effective financial decision making. In the financial decision aspect, Panwar, Yashasvi, Mrs. & Telang, Vidya, Dr. (2024) conducted a study on the Impact of Financial Literacy on Financial Investment Decisions among women Economy. This study focused on the awareness of Financial Investments in Women. The purpose of this paper was to study the financial literacy in women about Financial Investment by using literature based analysis. The study revealed that majority of women do not usually choose equity as investment. Most of the women prefer investments which bear lesser risk such as Fixed Deposits, Post Office Investments and so on.

Almeida et at. (2024) aimed at understanding the financial literacy level in Portugal, identifying the determinants of financial literacy in the overall Portuguese population, taking examples of certain social and demographic factors such as age and gender. The study aimed to understand the level of adherence to financial literacy programs and initiatives, as well as the impact of variables of financial knowledge on the financial literacy of the Portuguese population. It was concluded that individuals of the age group of 26 to 35 had the best knowledge and this sample showed better knowledge of interest rates as compared to inflation and risk. The study found that there is a significant positive roles played by financial literacy and financial technology in the determination of one's financial decision making.

Chettri and Mothey (2024) conducted a research study on financial literacy and its impact on financial well-being. Financial literacy facilitates the procedure of financial planning and inculcates understanding of various financial products which lead to the effective use of financial services like making investment in various financial products, savings for expenses of household, taking part in the securities market, budgeting, obtaining housing loan, obtaining insurance, managing real estate transactions, managing credit card, ensuring pension, tax planning and retirement safety etc. The results showed that only 5 items load reliably in FL construct. Mainly, Investment behavior of the respondents showed high variance and it was followed by financial skills, financial awareness, financial and investment knowledge. Poor rational behavior in dealing with financial situations and Attitudes towards making of financial plans and low financial literacy is a major obstacle and problem in making Sikkim a high digital financial literacy state. For spreading regarding financial awareness among household, door-to door reach is necessary. Financial literacy campaigns can inculcate remarkable influence to the household for making a rational financial decision and adopting sustainable financial practices.

Nicky and Julieta. (2021) conducted a study aimed at analysing the reliability and validity of Filipino college students' financial literacy based on Questionnaire for Assessing Financial Literacy. Specifically, this research aimed to analyse the relationship between decision making of students, behaviour and attitude in the financial market. Results of the study revealed that financial literacy is relevant to help students in addressing various issues affecting their decision making, behaviour and attitude in the financial market.

Mwathi and Wangeci (2017) studied the significance of impact of financial literacy on personal financial decisions among Egerton University employees, comprising administrative staff, lower-level staff, middle-level staff, technical staff, and teaching staff, as well as management staff. In the study, the financial literacy components consisted of financial knowledge, skills and attitude. The study concluded that financial literacy has a significant impact on personal financial decisions.

Hrasha (2015) attempted to assess the financial literacy level of retail individual investors in the state of Gujarat, India and its effect on their investment decision. The research found that out of a total of 385 respondents, 39 % of the respondents are considered investors with a higher level of financial literacy and 61% of respondents are considered investors with a lower level of financial literacy. This study found that financial literacy makes a statistically significant effect on the investment decision making of retail investors.

Laily, N.(2014) investigated the determinants of accounting students' financial behaviour. 75 respondents were taken as samples. The study concluded that financial literacy has significant impact on financial behaviour but gender, age, academic ability and work experience have no significant impact on financial literacy. The research concluded that financial literacy is determinant of financial behaviour.

Lusardi, Mitchell, and Curto (2010) According to the study, the financial literacy has linked financial knowledge to various indicators of financial behaviour. For example, those individuals who are not much financially literate are less likely to make a planning for retirement.

(Lusardi and Mitchell 2007, 2008, 2009, 2011a, 2011c) concluded that individuals who are less financially literate are less likely to accumulate wealth (Stango and Zinman 2009; Van Rooij et al. 2012) and less likely to take part in the stock market (Van Rooij et al. 2011; Yoong 2011). Moreover, less financially literate people are more likely to pay high interest rates and fees on their debt, they have poor debt management skills.

Research Gap

From the above literature, it is observed that many studies have focused on financial literacy and its impact on financial decisions. However, limited studies have focused on the combined effect of financial literacy components on investment awareness of retail investors, especially in the context of Madhya Pradesh. Therefore, the present study attempts to fill this gap.

RESEARCH METHODOLOGY

An empirical research type has been chosen to conduct this kind of study to fulfil the research objectives. The primary data has been collected with the use of a questionnaire. Secondary data has been collected from various published sources, journals, websites and articles. 210 respondents were taken into consideration on the basis of a random sampling method. The study focuses on assessing the level of financial literacy among the respondents. The area of the study is Madhya Pradesh state.

The questionnaire consists of questions related to different components of financial literacy such as investment, personal financial planning, debt management, budgeting, retirement planning, contingency fund, financial technology literacy and tax management. For the purpose of analysis, a financial literacy score is calculated by combining the responses of these components. The responses are measured on a structured scale and combined to form a composite index of financial literacy.

Similarly, investment awareness score is calculated on the basis of awareness of respondents regarding different financial instruments such as savings account, fixed deposits, mutual funds, bonds, derivatives, insurance and post office schemes.

Descriptive analysis is used for analysing the demographic and behavioural responses of the respondents. Various tables and charts have been used to analyse the data effectively. The questionnaire consists of questions related to different components of financial literacy such as investment, personal financial planning, debt management, budgeting, retirement planning, contingency fund, financial technology literacy and tax management. Each item was measured using a five-point Likert scale ranging from Strongly Disagree to Strongly Agree. For analytical purposes, responses were coded and composite scores were developed to assess the level of financial literacy and investment awareness among respondents.

On the basis of cumulative scores, respondents were classified into low, moderate and high financial literacy categories. Descriptive statistical tools were used to analyse demographic and behavioural responses of the respondents. To examine the relationship between financial literacy and investment awareness, inferential statistical tools such as correlation analysis, chi-square test and regression analysis were applied.

In this study, financial literacy is considered as the primary independent variable, while investment awareness is considered as the dependent variable. Income and education were also considered as supporting variables to understand their influence on investment awareness.

Objectives Of the Study

- To assess financial literacy level among retail investors.
- To examine relationship between financial literacy and investment awareness of the individuals.

- To analyse the effect of demographic variables on investment awareness.
- To evaluate effect of financial literacy on investment awareness.

Reliability Analysis

The reliability of the constructs is tested using Cronbach's alpha method.

Construct	No. of Items	Cronbach's Alpha
Financial Literacy	8	0.842
Investment Awareness	6	0.795

The reliability of the constructs is tested using Cronbach's alpha. The value of Cronbach's alpha for financial literacy is 0.842 which indicates a high level of internal consistency among the items. The value of Cronbach's alpha for investment awareness is 0.795 which indicates an acceptable level of internal consistency. Therefore, both the constructs used in the study are reliable and suitable for further analysis.

Hypotheses

H0$_1$: There is no significant association between demographic variables and financial literacy.
H1$_1$: There is a significant association between demographic variables and financial literacy.

H0$_2$: There is no significant positive relationship between financial literacy and investment awareness.
H1$_2$: There is a significant positive relationship between financial literacy and investment awareness.

H0$_3$: Financial literacy, income and education do not significantly influence investment awareness.
H1$_3$: Financial literacy, income and education significantly influence investment awareness.

Data Analysis and Interpretation

Demographic Information of The Respondents:

Table 1

Variables	Particulars	No. of respondents	Percentage(%)
Gender	Male	120	57
	Female	90	43
	Total	210	100
Age	Below 25	68	32
	25-50	82	39
	50 and above	60	29
	Total	210	100
Educational Qualification	Under graduate	42	20
	Graduate	97	46
	Post graduate	60	29
	Professional	5	2
	Others	6	3
	Total	210	100
Marital Status	Unmarried	115	55
	Married	95	45
	Total	210	100
	Student	72	34
	Employee	79	38
	Professional	19	9
	Business	40	19

Occupation	Total	210	100
Annual Income	Less than Rs.250000	71	34
	Rs.250000 to Rs.500000	99	47
	More than Rs.500000	40	19
	Total	210	100

Source: Primary data

The sample consists of 210 respondents, out of which 120 are male respondents and 90 are female respondents. 55% of the respondents are married while 45% of the respondents are unmarried. The demographic details of the respondents are given in table 1-

Descriptive Analysis of Financial Literacy Components

Table 2 Responsibility of financial decisions

Yourself	28%
Your Spouse	15%
Parents	25%
You with your spouse	18%
You with your family member	15%

Out of total 210 respondents 28% takes financial decisions by themselves, 15% of the respondents leave it to their spouses, 25% of the respondents leave it to their parents, 18% of them takes the decisions with themselves and their spouses jointly and 15% of them takes the decisions with themselves and family member jointy.

Table 3 Responses of respondents towards debt management

Timely bill payment	Strongly disagree	Disagree	Agree	Strongly agree
Less than Rs.250000	0	18	38	12
	0%	25%	54%	17%
Rs.250000- Rs.500000	0	14	38	30
	0%	14%	38%	30%
More than Rs.500000	0	5	24	30
	0%	13%	60%	75%

The above table shows the findings that the out of 71 respondents having the income less than Rs. 250000; majority of them have been able to pay their debt on time while 25% of them were unable to do so. Out of 99 respondents falling under the income bracket of Rs. 250000 to 500000; says the same while 14% of them were not able to pay their debt on time. Out of 40 respondents of income bracket more than Rs. 500000, major portion of respondents pays their debts on time while 13% of them disagreed to this.

Table 4 Responses for maintaining monthly budget

Maintain of monthly budget	Strongly disagree	Disagree	Agree	Strongly agree
Less than Rs.250000	0	19	26	26
	0%	27%	37%	37%
Rs.250000- Rs.500000	0	24	42	33
	0%	24%	42%	33%
More than Rs.500000	0	19	11	10
	0%	48%	28%	25%

The table shows that most of the respondents agreed to the statement that they maintain a monthly budget to control the expenses and track the inflow and outflow of the money. 27% respondents of the category of less than Rs. 250000 disagreed the statement while majority of them maintains the budget. 24% of the respondents of Rs. 250000 to 500000 category did the same while majority of them maintains the monthly budget. In the category of more than Rs. 500000 48% disagreed by saying that they do not make monthly budget.

Table 5 Responses for contingency fund creation

Contingency fund	Strongly disagree	Disagree	Agree	Strongly agree
Less than Rs.250000	0	36	24	11
	0%	51%	34%	15%
Rs.250000- Rs.500000	0	32	26	41
	0%	32%	26%	41%
More than Rs.500000	0	6	18	16
	0%	15%	45%	40%

The table shows that in all the three categories, respondents create a contingency fund to meet unexpected expenses. Out of 71 respondents of the income group of less than Rs. 250000, 51% of the respondents disagreed to the statement that they do not create an emergency fund. It was a majority of them. Out of 99 respondents of group Rs. 250000 to Rs. 500000 32% disagreed the statement. Out of 40 respondents of income group More than Rs. 500000, 15% disagreed the statement.

Table 6 Responses for retirement planning

Retirement Planning	Strongly disagree	Disagree	Agree	Strongly agree
Less than Rs.250000	12	24	16	19
	17%	34%	23%	27%
Rs.250000- Rs.500000	3	31	33	32
	3%	31%	33%	32%
More than Rs.500000	0	9	15	16
	0%	23%	38%	40%

Retirement planning is the basis of maintaining of a sound financial plan. It provides the sense of security for the older age in future.

The table shows the data of all the three categories. Out of 71 respondents of the income group of less than Rs. 250000, 34% of the respondents disagreed to the statement that they do not focus on retirement planning.17% respondents of the same group strongly disagreed about the retirement planning.23% respondents of the same group agreed to the statement while 27% of them strongly agreed to the statement. Out of 99 respondents of group Rs. 250000 to Rs. 500000 31% disagreed the statement while 3% of them strongly disagreed that they are not in favour of retirement planning.33% of them agreed while 32% strongly agreed.

Out of 40 respondents of income group of more than Rs. 500000, 23% of the respondents disagreed to the statement. 38% of them selected the agreed option while 40% of the respondents strongly agreed to the option that they maintain a rational retirement plan.

Table 7 Responses for financial planning

Financial Planning	Strongly disagree	Disagree	Agree	Strongly agree
Less than Rs.250000	5	14	16	36
	7%	20%	23%	51%
Rs.250000- Rs.500000	3	21	6	69
	3%	21%	6%	70%
More than Rs.500000	0	10	10	20
	0%	25%	25%	50%

The table shows the data of all the three categories. Out of 71 respondents of the income group of less than Rs. 250000, 20% of the respondents disagreed to the statement that they do not create financial planning.7% respondents of the same group strongly disagreed about the financial planning.23% respondents of the same group agreed to the statement while 51% of them strongly agreed to the statement. Out of 99 respondents of group Rs. 250000 to Rs. 500000 21% disagreed the statement while 3% of them strongly disagreed that they are not in favour of financial planning.6% of them agreed while 70% strongly agreed. It was a majority of them.

Out of 40 respondents of income group More than Rs. 500000, 25% disagreed the statement.25% of them agreed while 50% that is majority of them strongly agreed that they maintain a financial planning.

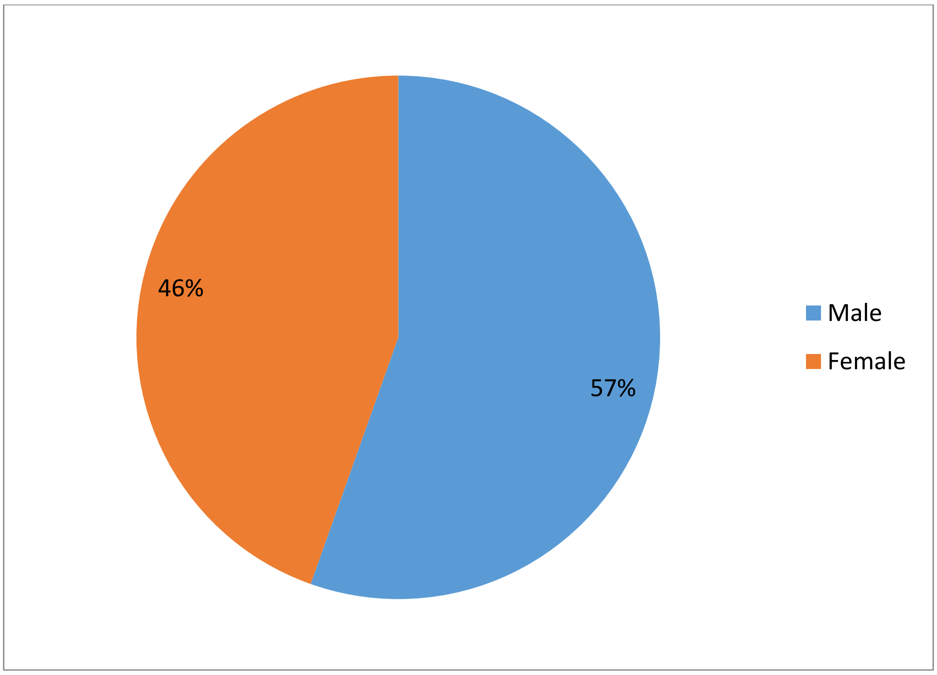
Table 8 Responses for usage of financial technology apps

Financial Technology Apps	Never	Sometimes	Mostly	Always
Less than Rs.250000	14	13	30	14
	20%	18%	42%	20%
Rs.250000- Rs.500000	11	25	51	12
	11%	25%	51%	12%
More than Rs.500000	11	7	19	3
	28%	18%	47%	7%

The table shows the data of all the three categories. Out of 71 respondents of the income group of less than Rs. 250000, 20% of the respondents never use any financial technology apps for any kind of payment services and banking services and investment services. 18% of them sometimes use the applications. 42% of them mostly use and 20% of them always prefer to use the applications. Out of 99 respondents of group Rs. 250000 to Rs. 500000, 11% never use, 25% sometimes use, 51% mostly use while 12% always use the applications. Majority of the respondents mostly prefer the apps.

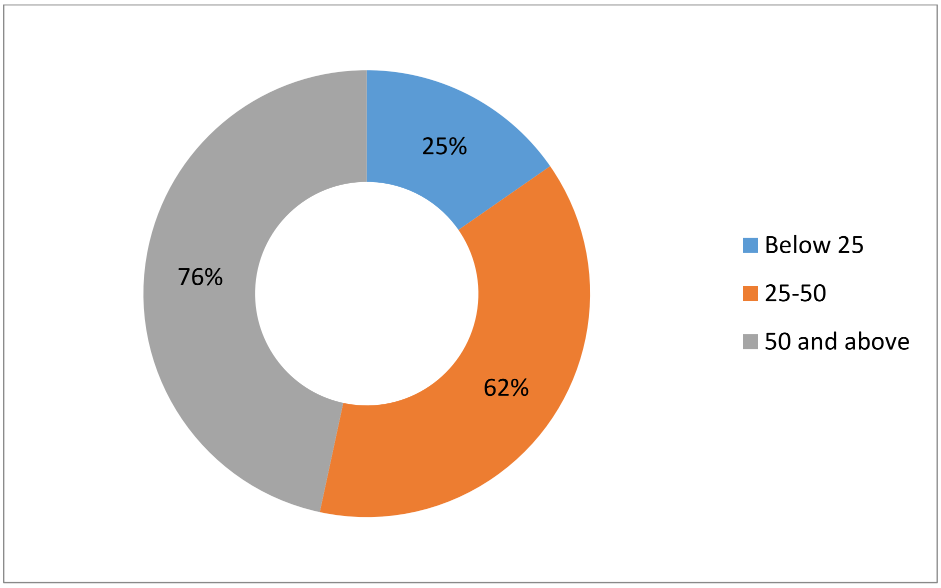
Out of 40 respondents of income group More than Rs. 500000,28% never use, 18% sometimes use, 47% of them mostly use while 7% of them always use the apps.

Chart 1: Gender vs. Percentage of respondents who make investment (except savings bank account)



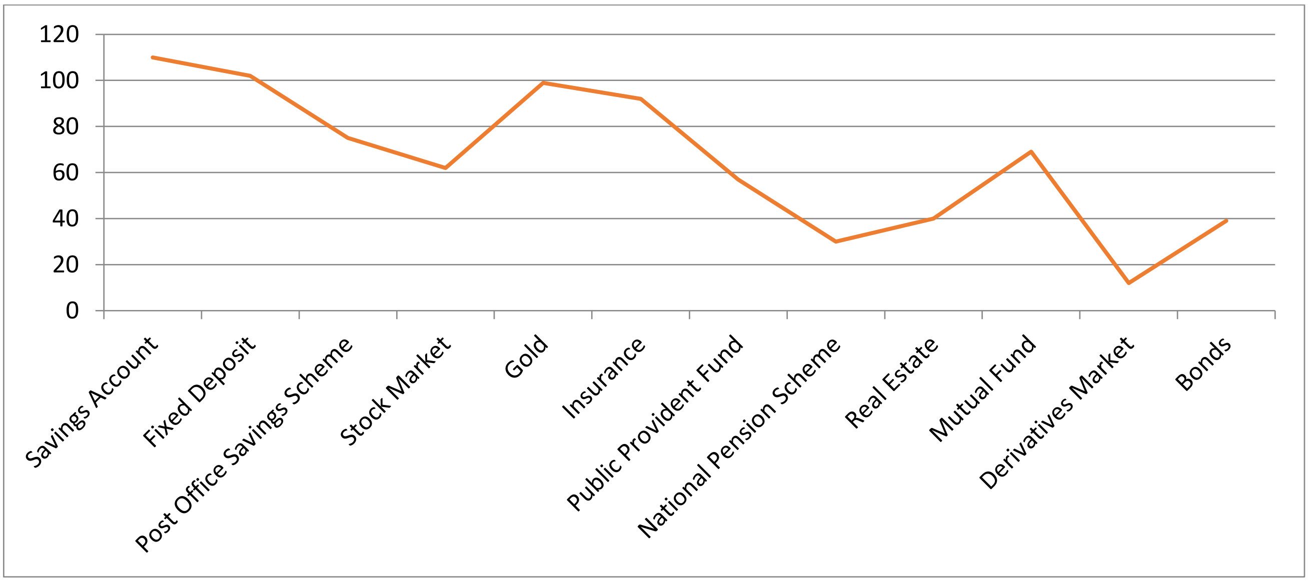
Out of the total 210 respondents, 120 are males and the rest 90 are females. Out of 120 males, 57 % i.e. 68 males invests in the various financial instruments. Out of 90 females, 46% i.e. 41 females normally invests.

Chart 2: Percentage of respondents investing (except savings account) with respect to their age



In the study, out of total 210 respondents 68 were from the age group of below 25, 82 respondents were from age group of 25 to 50 years and 60 respondents were from the age group of 50 and above. Out of 68, only 25 % of the respondents falling under the age group of below 25 invest that is minimum percentage in all of the categories. Out of 82, 62% of the respondents under the age group of 25 to 50 years invest and out of 60, 76% of the respondents falling under the category of above 50 years invest that is maximum percentage among all of the category.

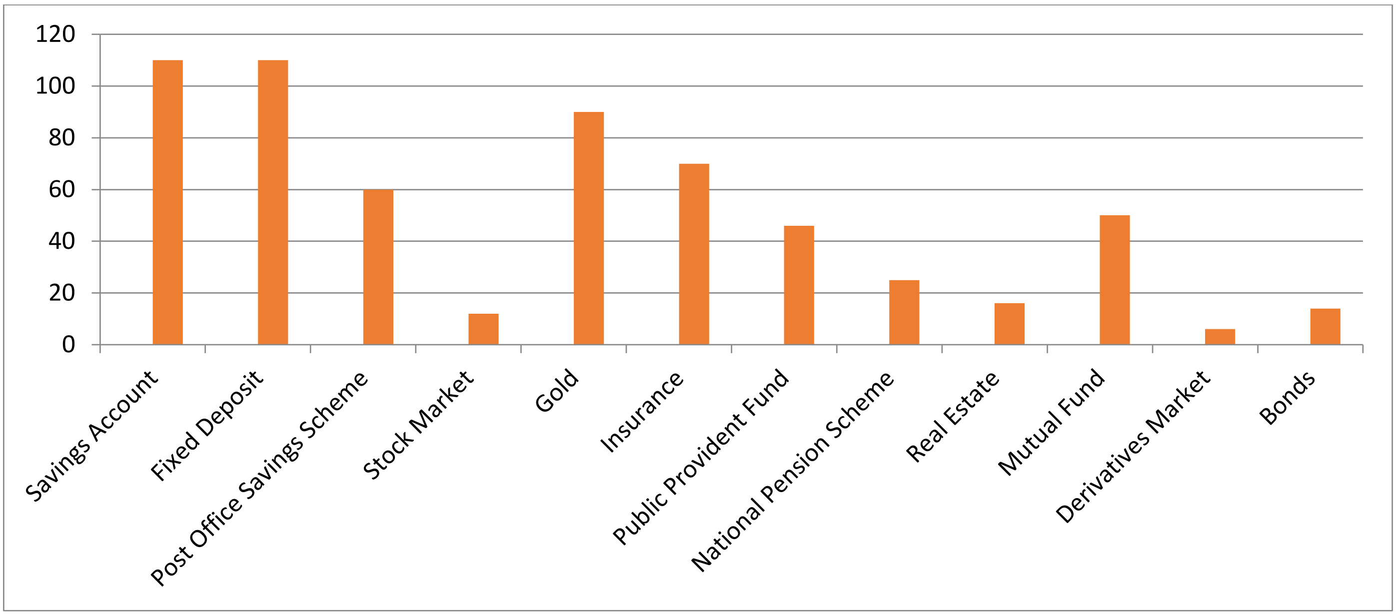
Chart 3: Awareness of respondents about financial investment instruments



Source: Primary Data

Data collected from the respondents on their awareness about financial investment instruments is represented with the help of line chart. The chart states that all the respondents are aware about savings bank account, majority of them aware about fixed deposit (92%) and gold (90%), insurance (83%), post office savings schemes (68%). 51% of the respondents are aware of PPF.62 % of the respondents are aware about mutual fund and the number of respondents who have knowledge about bonds (35%) and derivatives market (10%) is very low.This can be interpreted that respondents have awareness only on few instruments and have less awareness on all the instruments.

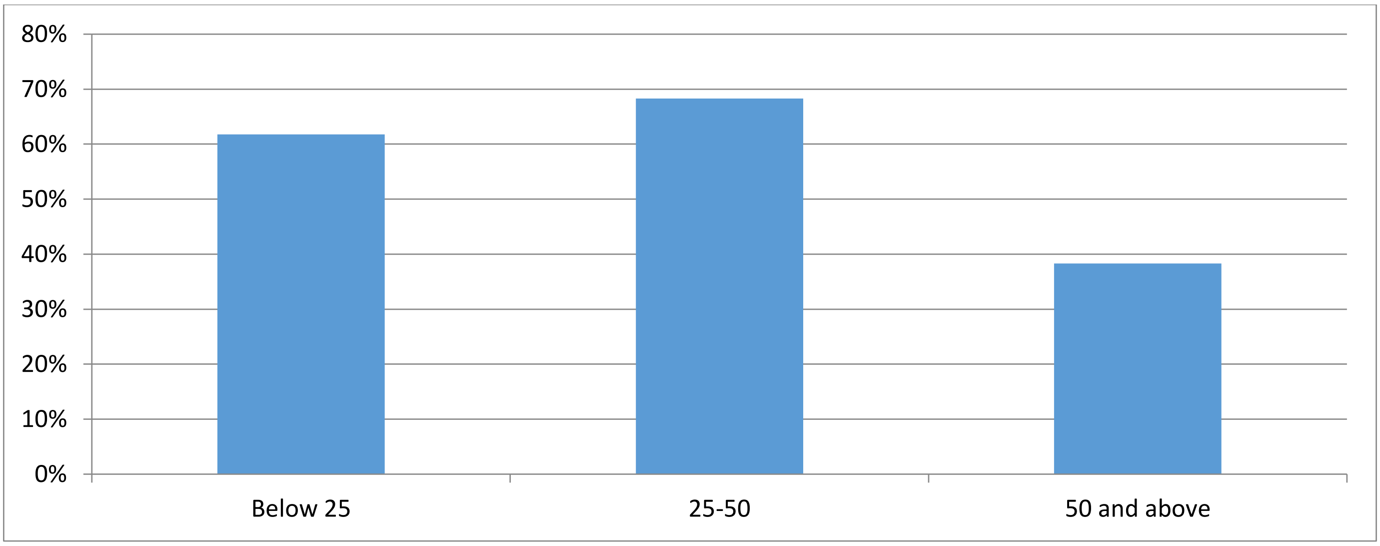
Chart 4: Chart On Preference of Respondents on Avenues



Source: Primary data

Out of the total respondents, all the respondents have a preference towards savings account and fixed deposit. 82 % of the respondents have a preference towards gold as a choice of investments. 64% of the respondents prefer 54% respondents prefer mutual fund, 42% prefer Public Provident Fund, 22 % prefer national pension scheme,14% prefer real estate, 13% prefer bonds and only 5% of the respondents prefer derivatives. This preference states that majority of the respondents prefer risk free and safe investments instruments. This can also be inferred that respondents do not have sufficient financial literacy regarding the different financial instruments, that why they prefer those instruments in which fewer complications are present and are prevalent from a longer period of time to majority of the individuals.

Chart 5: Percentage of respondents who feel United linked insurance plan (ULIP) is better than Term plan



Age

The chart shows out of total 68 respondents falling under the age group of below 25 years, 62% of the respondents consider ULIP better than Term plan. Out of total 82 respondents of age group 25 to 50 years, 68% respondents and out of total 60 respondents of age group of above 50 years, 38% respondents are of the same opinion. This proves that there is a lack of financial literacy among respondents in terms of insurance. They do not consider the benefits of not combining insurance with investment. This shows that people lack thorough knowledge regarding the same.

After analyzing the data through descriptive statistics, further analysis is carried out using inferential statistical techniques to examine the relationship between financial literacy and investment awareness.

Inferential Analysis

To strengthen the empirical findings of the study, inferential statistical tools were applied to examine the relationship between financial literacy and investment awareness.

$H0_1$: There is no significant association between demographic variables and financial literacy.

$H1_1$: There is a significant association between demographic variables and financial literacy.

Test Used: Chi-Square Test

Table 8: Cross Tabulation (Income vs Financial Literacy Level)

Income Level	**Low Literacy**	**Moderate Literacy**	**High Literacy**	**Total**
Less than 250000	30	25	16	71
250000–500000	20	45	34	99
More than 500000	5	18	17	40
Total	**55**	**88**	**67**	**210**

Table: Chi-Square Test

Test	Value	df	Sig.
Pearson Chi-Square	18.45	4	0.001

Interpretation

The chi-square analysis indicates that demographic variables, particularly income level, have a significant association with financial literacy. It was observed that respondents belonging to relatively higher income groups demonstrated better financial literacy as compared to respondents belonging to lower income groups. The results indicate that financial literacy varies across demographic categories, which supports the acceptance of the alternative hypothesis.

$H0_2$: Financial literacy is not positively related to investment awareness.

$H1_2$: Financial literacy is positively related to investment awareness.

Test Used: Correlation Analysis

Table 9: Correlation

Variables	Financial Literacy	Investment Awareness
Financial Literacy	1	0.451**
Investment Awareness	0.451**	1

(Significant at 1% level)

The correlation value (r = 0.451) shows a moderate positive relationship between financial literacy and investment awareness. This means that when financial literacy increases, investment awareness also increases. This indicates that as the level of financial literacy increases, awareness regarding different investment avenues also improves. Financially literate individuals are comparatively more aware of financial products and investment opportunities.

H0$_3$: Financial literacy, Income and Education have no significant impact on investment awareness.

H13: Financial literacy, Income and Education have a significant impact on investment awareness.

Test Used: Multiple Regression Analysis

Dependent Variable: Investment Awareness

Independent Variables: Financial Literacy, Income, Education

Table 10: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error
1	0.634	0.402	0.394	1.334

Table 11: ANOVA

Source	Sum of Squares	df	Mean Square	F	Significance
Regression	248.62	3	82.87	46.56	0.000
Residual	365.82	206	1.78		
Total	614.44	209			

Table 12: Coefficients

Variables	B	Std. Error	Beta	t-value	Significance
Constant	1.102	0.353	—	3.12	0.002
Financial Literacy	0.452	0.058	0.421	7.85	0.000
Income	0.214	0.060	0.196	3.54	0.001
Education	0.168	0.058	0.151	2.88	0.004

Interpretation

The multiple regression analysis shows that financial literacy, income and education have a significant positive impact on investment awareness.

The value of R square (0.402) indicates that 40.2% variation in investment awareness can be explained by these independent variables. The F value is significant ($p < 0.05$), which shows that the model is statistically significant.

Among all variables, financial literacy has the highest impact on investment awareness.

Decision on Hypothesis

- H01 rejected; H11 accepted
- H02 rejected; H12 accepted
- H03 rejected; H13 accepted

FINDINGS OF THE STUDY

The results of the study reflected that the overall financial literacy of the respondents is not up to the mark. There is an urgent need to improve the literacy level of the individuals.

46% of the women respondents normally do investment while 57% of the male respondents do investment. Women are not that much aware about investment. Investment literacy level of the respondents is low in terms of advanced financial products.

Only 5% of the respondents prefer derivatives, it means majority of the respondents do not have sufficient knowledge regarding this instrument. Individuals of young age do not have full awareness regarding investment benefits. Only 25% of the respondents of younger age make investment.

In spite of the introduction of various policies and campaigning individuals have yet to have knowledge regarding the importance of financial literacy. Debt management skills of individuals with income less than 250000 is also low, however individuals with income more than 500000 have good debt management knowledge.

The literacy level of the respondents is good in terms of knowledge regarding fixed deposits, gold, post office schemes and insurance but the level is very poor in terms of some other investment instruments such as NPS, derivatives, bonds real estate etc. The knowledge regarding mutual fund is low to moderate and for stock market, it is low. Respondents have least knowledge regarding derivatives.

Respondents do not have sufficient knowledge regarding disadvantages of mixing insurance with investment. Majority of the individuals consider ULIP better than term plan and get confused with their aims in this sector.

The inferential analysis of the study further strengthens the above findings. The results of correlation analysis show that there is a positive relationship between financial literacy and investment awareness, which indicates that individuals with higher financial literacy tend to have better awareness regarding financial instruments. The chi-square analysis indicates that there is a significant association between income level and financial literacy. This shows that individuals belonging to higher income groups have comparatively better financial literacy as compared to lower income groups. The results of multiple regression analysis show that financial literacy, income and education have a significant positive impact on investment awareness. Among all the variables, financial literacy has the highest impact, which indicates that it plays a major role in influencing investment awareness. The results also indicate that demographic factors such as income and education contribute towards improving the investment awareness of individuals. The overall findings of the study indicate that lack of financial literacy is one of the major reasons behind low investment awareness and preference towards safer investment options.

Practical Implications

The study is useful for policymakers to design financial literacy programs to improve awareness among individuals. Financial institutions can use the findings to develop strategies to promote investment in various financial instruments. The study is also useful for individuals to understand the importance of financial literacy in making investment decisions.

Limitations of the Study

The study is conducted for a limited time period. The time period is considered as less for this kind of impactful study. The questionnaire was filled by 210respondents, in this way the number of respondents can be increased to get another perspective in this research. The respondents were mainly belonged to one geographical area, hence respondents residing to other geographical areas can be included for further studies.

CONCLUSION

The financial literacy has become an inevitable part of modern life. For an individual, to lead a successful life, awareness of financial literacy is must. It enables an individuals to take day to day financial decisions effectively without any hassle. Financial literacy helps to grow the wealth. It is seen that individuals ignore the importance of financial literacy and make many mistakes in their financial decisions. Whether to beat inflation or to control the money flow, financial literacy has become a root for the effective life.

Lack of financial literacy can result into poor money management and financial planning, It also results in bad financial investment decisions. Individuals should have proper knowledge of all the financial instruments available for investment purpose. They should possess the requisite skill and knowledge to make investments in various instruments according to their income and capacity. Individuals should be aware to create a strong portfolio and invest accordingly. They should be aware that financial investment instruments are of both types risky and risk free and know the consequences of investing without proper knowledge.

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