

Financial Literacy Among The Different Economic Classes in India

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Abstract:

This paper aims to study the Financial Literacy among the different Economic Classes in Indian capital city of Delhi and how this impacts on investment decision making process of different age groups. Each individual's financial needs are differ from other, though they may live in the same geographical area. We have used survey method for collecting data and probability sampling technique has been adopted. The data collected has been processed and simplified in the form of tables, charts and graphs. The results reveal that investors are investing in order to ascertain the future needs and to earn high profits. Most of the investors do not invest in share market, out of those who invest in share market like to trade as investors rather than speculators or hedgers. Only a few investors know about online trading but they are well aware of bank deposits, insurance and real state. Investors are willing to take high risk if they get high returns. Many investors are not using the services of financial advisors yet because they don't know how to find out a trustworthy advisor. From the research it is observed that awareness is required about the new and existence products and services available in the market, so aggressive promotional activities have to be incorporated.

Keywords: Financial Literacy, Economic Classes, Risk and Return, Stock Markets, Investments

Introduction:

Every country's economy depends on investing, which is a component of savings. Money invests in a variety of opportunities that are available to the people, acting as the catalyst for the country's prosperity. The Indian financial market presents a variety of options for investors. Even while it is undeniably not the best or deepest market in the world, there are acceptable opportunities for the regular individual to invest his funds. Spending idle resources and getting a return on them are necessary for acquiring a given amount of money to achieve a particular life goal and set aside money for unforeseen circumstances. To cover the expense of inflation is one of the key reasons why one must invest intelligently. The rate at which the expense of living rises is known as inflation. Financial literacy is the knowledge of numerous financial concepts, such as managing personal finances, handling money, and

investing. Investing, insurance, real estate, paying for college, budgeting, retirement, and tax planning are just a few of the personal finance decisions that are covered in this topic, which focuses on how to handle personal finances effectively.

Financial literacy also includes being knowledgeable about key financial concepts and principles, like time value of money, debt management, financial planning, compound interest, and managing debt.

A person's financial wellbeing may suffer as a result of poor financial decisions made as a result of a lack of financial literacy. The Financial Literacy and Education Commission was subsequently established by the federal government to offer resources to those who want to learn more about financial literacy.

Learning how to make a budget, keep track of your spending, pay off debt, and prepare for retirement efficiently are the key components of gaining financial literacy. These actions may also involve receiving financial professional counselling. Understanding how money works, setting and accomplishing financial objectives, and dealing with both internal and external financial issues are all part of the topic's education.

The development of self-sufficiency through financial literacy enables people to achieve financial stability. People who are knowledgeable about the topic have should be able to respond to a number of inquiries regarding purchases, including if a product is necessary, whether it is affordable, and whether it is an asset or a liability. This area shows how a person's thoughts and behaviours around money are applied to his daily life. Financial decision-making is demonstrated by one's level of financial literacy. This ability can assist someone in creating a financial road map that shows what they earn, what they spend, and what they owe. All socioeconomic levels and ages are impacted by financial illiteracy. Many people who lack financial literacy wind up being victims of excessive interest rates, fraud, predatory lending, and subprime mortgages.

Review of Literature

SreePriya and Gurusamy (2009) made an effort to evaluate the saving and investing habits of the various classes of investors. To determine the mindset, factors affecting investors to save, and investor preferences for saving, a thorough analysis was conducted. With the help of this study, the issue that investors were having could be resolved and new issues might be avoided. Professors CA Yogesh P Patel and CS Charuly Patel (2003) conducted research on people's opinions on investing (private sector). The goal of this study is to examine and comprehend the differences in how individuals perceive various investment options, as well as the behavioural patterns of investors in the private sector. It also seeks to shed light on the variables

taken into account while making an acceptable investment. The study's findings indicate that most males choose to invest for larger returns at a higher risk, whilst women prefer to do so for the protection of their money. In an effort to comprehend the investing preferences of investors from the middle- and lower-income groups in society, Nanavati Nihar K.(2009) determined their investing psychology and pertinent preferences, 25 investors in Ahmadabad's suburbs participated in a market study.

According to a thorough examination of the survey, this group prefers investments that have a high rate of return and are safe, secure, and tax advantageous. The limitations of the study are also due to the skewed perception and wary respondents. N. Geetha and Dr. M. Ramesh (2016) used a survey method to investigate the investors' investment choices in Kurumbalur, Tamil Nadu. Following data analysis and interpretation, it has been determined that respondents from Kurumbalur have a medium degree of knowledge about different types of investments and are unaware of the stock market, equity markets, bonds, and debentures. According to research findings, investing in insurance, NSC, PPF, and bank deposits are more important for all age groups. A respondent's income is a significant aspect that influences their portfolio. They are aware of several investment options, such as insurance, PPF, bank deposits, little saves like post office savings, etc., but are not aware of this new service or the stock market. A study on mutual fund characteristics and investor behaviour was conducted by Nicolas P.B. Bollen in 2006. The findings show that there is substantial evidence that cash flows into socially conscious funds are more sensitive to lagged good returns than cash flows into conventional funds.

Mutual funds have become popular in recent years as a tool for good financial health. Mutual funds have enabled families profit from the success of Indian business in addition to contributing to the growth story. This essay examines market research on investor saving and investing habits as well as their preference for investing in mutual

funds. Namakkal Taluk (2008), India's Tamil Nadu Using the questionnaire method, V.R. Palanivelu and K.Chandrakumar (2012) conducted a study on investing choices among wages in the Namakkal district of Tamil Nadu using a sample of 100 investors. The findings reveal that 40% of respondents chose insurance, 24% of respondents' investment goals were safety, and 23% of respondents' investment goals were tax savings. 36 percent of investors make investments on a quarterly basis, while 24 percent make investments on a half-yearly basis. 100 people were surveyed, and 42 percent said they were saving for future needs, while 6 percent said they were saving for a house.

Objectives of the Study

1. To study the Financial Literacy among the different Economic Class investors towards different attributes such as risk-return matrix, liquidity, safety, etc. while investing their money.
2. To study the important issues and challenges faced by the investors during the time of investment in various investment options.
3. To study the Investment decision of different class of people, (in terms of age group, education, etc.)
4. To study the investor's preferences and perceptions regarding financial products available in the market and the impact of income level for investment decision making process.

Descriptive research:

Descriptive data and features about the population or phenomenon being examined are part of descriptive research, commonly referred to as statistical research. The who, what, where, when, and how questions are answered by descriptive research. The research cannot define what a casual scenario is, despite the

fact that the data description is truthful, exact, and methodical. In this descriptive research, a structured questionnaire was used to gather primary data from investors and non-investors, and the secondary data was collected from books, websites, Journals, Magazines etc.

Survey Method:

The survey method is a way of acquiring data that involves posing questions to persons who are deemed to be knowledgeable. It is formalised to create a list of questions. Typically, a transparent strategy is employed. Questions on the respondents' demographic interests and opinions are asked of them.

Sampling:

In order to conduct empirical field studies, it is necessary to gather information or data from the field directly related to the study units. Sample refers to a portion of the population. Sampling is the process of selecting a sample from a wider number of populations. The primary goal of sampling is to make inferences about the population. Sampling is a method that aids in understanding the characteristics of the population.

Sampling Procedure:

The sample respondents were chosen based on convenience sampling method in the study by picking up samples from different places and different economic classes of investors. The information received was collected through structured questionnaire framed using open ended and closed ended questionnaire.

Sample Unit: Both the investors/non-investors is the sampling unit for my study.

Sample Size: Due to time constraint the sample size was restricted to 100. Out of 100 samples 88 were taken for analysis purpose, because 12 did not fill

questionnaire fully hence left.

Results and Findings

- Due to lack of advice and risk the female and undergraduates are not investing while comparing with other category.
- Self-employed and professionals are investing more compared to business people
- The age group 20-30 and 31-40 is investing more compared to any other age groups.
- Majority of investors are investing in order to ascertain the future needs and to earn high profits. Most of the investors prefer young-unmarried stage to invest; according to them this is the best stage to start investment.
- Majority of investors prefer to invest regularly; it may be in banks, insurance or in equity market. Most of the investors do not invest in share market, out of those who invest in share market like to trade as investment rather than speculation or hedging.
- Majority of investors do not aware about online trading and do not know how to buy or sell shares online, only those investors know about online trading who trade in share market.
- Majority of investors think inflation is a significant risk associated with investment and they would like to go for long-term investment.
- Majority of investors aware about bank/ other deposits and insurance rather than equity market and mutual funds.
- Majority of investors are willing to take high risk-high return as most of the investors are young in age. Most of the investors are investing in real states and banks because the returns are guaranteed.
- Majority of investors approached share brokers for the better advice for their investment since brokers have practical exposure towards stock market.
- Majority of investors are availing the services of financial advisors because they don't have time to take decision; they need help with asset allocation. Those who are not availing the services said they need own control over their investment. Most of the investors would like to deal with Sharekhan & Kotak security due to the less brokerage charge. Most of the investors said they trade with IIFL because of the good investment tips provided by the broker of IIFL.
- Majority of investors have heard about IIFL Company, though they are not trading with the company yet. Through the networking of friends and relatives most of the investors are influenced to deal with IIFL, because of IIFL's post sale services.
- Majority of investors are satisfied with the IIFL's services.

Recommendations

- At the survey conducted upon 100 people, 88 are already investors in one or other way and the remaining 12 are not interested in it. So there is huge scope for the advisors to convert those 12 participants into investors through their convincing power and great communication skills.
- Out of the 88 investors only 38 investors are investing in share market and the remaining 50 investors are not investing in share market yet. So they should try to convince these 50 investors to invest in share market as IIFL is mostly known for equity service provider.
- Out of the 88 investors 68.2% are already using advice of financial advisors and the remaining

31.8% do not use. So there is a huge scope for the company to capture this untapped segment. The financial institutions have to provide the awareness programs for the public in order to know about the investment patterns. The financial service providers have to concentrate on the age group of 41-50 and above 51 years, because this people will get almost retired so that they can invest.

- In order to increase the awareness of investment options the company should not concentrate only on equity product but also company should concentrate on various investment avenues like mutual funds, fixed deposits, insurance, bonds etc.
- Investors of the high-income level do not know the benefits of the tax concession; hence the company has to give the awareness about the tax exemption level. The financial institutions have to give more offers and discounts like free De-mat account opening, less brokerage, less maintenance charges etc for the investors to invest in equity market and mutual funds.
- More awareness programs have to be conducted by Stock Brokering firms because most of the respondents unaware about products of equity, debentures, bonds, mutual funds in invest and how to invest in stock market.

Conclusion

It can be concluded that the modern investors are mature, highly knowledgeable and adequately groomed persons. In spite of the tremendous growth in the security market and good Initial Public Offerings in the market place, the investors prefer investments according to their age group, objectives, risk preferences, duration, etc. For e.g. Risk averse investors choose life insurance policies, fixed and bank deposits, post office deposits, Public provident funds and national savings certificates. Now a day's investors are not investing blindly, the majority of the investors are using some sources and reference group

for taking investment decisions. Though sometime they are in the trap of some kind of illusions such as less research and overconfidence, they consider multiple factors and get diversified information before deciding any kind of investment. The main purpose of this study was to find out whether the age group and investment decision making patterns are independent or dependent with each other and develop some important strategy to the investment managers to help them in designing their investment schemes by considering these views of investors. From the research it is observed that awareness is required about the new and existence products and services available in the market, so aggressive promotional activities have to be incorporated.

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