



IMPACT OF FINANCIAL LITERACY ON INVESTORS DECISION MAKING BEHAVIOUR

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ABSTRACT

Constantly changing economic conditions, especially financial markets, require investors to improve their financial knowledge. Making informed financial choices is part of financial literacy. This study investigates the factors influencing investment behavior and financial literacy. A three-part questionnaire was developed to collect data on the study variables. The first section examines demographic variables. The second part examines the financial habits of Tunisian families, and the third part focuses on financial literacy.

This study reached two conclusions. First, people with poor financial literacy are less likely to invest in the stock market. Second, financial literacy was found to be affected by age, education level and annual income. This study investigates how personality traits such as agreeableness, conscientiousness, and extraversion affect financial literacy in investment decisions. Financial education did not significantly influence investment decisions. However, openness to new experiences has a significantly positive impact on investment decisions, while financial literacy has a significantly negative impact. Financial institutions are encouraged to provide investment advisory services to potential investors using a client profile approach. Encouraging healthy financial behavior Financial habits formed during the critical transition to adulthood are maintained throughout life (Shim et al., 2010). According to Sotiropoulos (2013), bad financial decisions include spending more than you can afford or not saving enough for retirement (Lusadi, 1999). However, there is great variation and heterogeneity between individuals in the frequency, magnitude, and impact of poor financial decisions on anxiety (Strobeck et al., 2017). It has been proven that people's investment decisions are strongly influenced by their financial knowledge. Financial education is very beneficial for a country or a country in the current financial situation because the entire economic and social well-being of a country depends on the development of the country. It also helps individuals or groups of investors to make efficient decisions with low risk. Using survey results, this survey assesses the level of financial literacy of Larkana investors. The city's level of

financial literacy is low. The study also highlights the importance of demographic variables, including gender, age and psychological aspects. It is also important for investors to understand the amount of risk they are willing to take, as risk tolerance can vary.

KEYWORDS

Risk, investment decisions, India, financial literacy, decision making, investors' attitudes, and financial knowledge, financial literacy.

INTRODUCTION

Understanding financial principles to reduce risk and find better opportunities among options is called financial literacy. It enables people to manage their finances, build a comparable business portfolio and make smart investment decisions. Financial literacy is considered a more general term because rapid market changes can make investment decisions difficult. Investors without sufficient financial experience and awareness are forced to invest without paying attention to long-term risk and return strategies. This helps investors who don't have the resources, but still try to make the most of what they have... Nowadays, when choosing investments, you need to know not only the latest news, but also financial knowledge and financial knowledge. literacy. How it affects your financial goal choices. Financial education is recognized as essential for decision making. Although many studies have been conducted to investigate the influence of various factors on investment decisions, some studies and analyzes of these factors have deviated from traditional financial theory in favor of behavioral theory. The study of investor behavior influenced by psychology and its impact on markets is called behavioral finance (Sewell, 2010). Financial literacy is defined as "the knowledge and understanding of financial concepts and risks, and the skills, motivation, and confidence to apply that knowledge and understanding to make effective decisions and improve one's life in a variety of financial situations." "society". Financial well-being and the ability to participate in economic life" (Lusadi, 2019).

It sounds simple. Most people have very little financial knowledge. However, this situation is slowly but surely changing as more and more people realize the value of financial literacy. Investors now have easy access to financial assets such as mortgages, leases, credit cards and business loans. Managing resources to maximize profits is necessary for financial development (Lusardi & Mitchell, 2014). Incorrect financial information hinders the decision-making process and increases market uncertainty (Cox, Brounen, & Neuteboom, 2015). Effective management of financial resources is ensured by financial literacy. Previous research has shown that investors with less financial knowledge are more likely to make poor investment choices. Investors with limited financial knowledge tend to avoid stock markets and hold less diversified portfolios (Fedorova, Makarenko, & Dovzhenko, 2015). As financial products become more complex in a changing environment, investors need to keep up with the latest financial news (Garg & Singh, 2018).

As banks and banking systems proliferated across the country, the importance of financial literacy became apparent. As the financial inclusion movement grows and evolves, helping to include financially disadvantaged communities in many countries around the world, the role of financial literacy becomes more important as people become more aware and familiar with basic and advanced financial concepts. Encourage the world. world. Financial literacy is a set of skills and knowledge that enables investors to understand and know.

- Fundamental and financial principles that investors need to know and understand in order to make informed decisions.
- Financial instruments that affect an investor's financial situation.

A person's investment behavior generally reflects his ability to make correct choices when choosing a financial instrument or combination of financial instruments. Studies show that gender, age, religion, etc. However, investments always play an important role in a person's life. People behave differently and the same goes for how they invest their money. Different people have different reasons and desires for investing. Given the wide variety of financial products currently available in the Indian and global financial markets, people today have a wide range of investment options and investment amounts to choose from.

LITERATURE REVIEW

Financial education has made it easier for people to find the best financial information. (2010) Makarov and Shornik Knowledge of current statistics, financial market information and hedging strategies are advantages of financial literacy (Makarov and Shornik, 2010). Investors can get premium returns from stocks and shares with the help of financial knowledge. Advanced planning strategies and retirement income planning have favorable relationships with financial behavior (Iusardi, et al, 2007). Employee education and financial literacy researchers have noted that little research has been done on employee personal financial literacy and financial planning for retirement. Investments and estate planning also received poor reviews. On the other hand, employees are more aware of the benefits of the business. . This study focused primarily on how socioeconomic factors, along with demographic factors such as age, gender, and income, affect adolescents' level of financial literacy. It also examines whether there is any relationship between financial knowledge, financial behavior or financial institutions. The review (Mandell, 2009) raises serious questions about the long-term adequacy of funding secondary education in relation to skills courses. This study uses a design model based on student data from a school system to determine who did and did not take a personal finance management course. Respondents were asked for demographic information such as income, age, gender, education level, and job title. Research suggests that informed investors actively participate in the stock market. Kourtidis, Chatzoglou, and Sevic (2017) investigated whether investor personality influences market trading. The theory of planned action is used in research to explain why investors participate in the Indian stock market. Consumer financial education is expressed in the idea of planned action as part of a perceived constraint to action (Ajzen, 1991). The concept of planned behavior states that people's behavior depends on their behavioral goals. Internal and external influences affect behavioral intentions (Ajzen, 2002). Prospect theory, on the other hand, holds that people are generally risk averse and make choices that reflect this view of risk. Predictive theories focus on people's cognitive behavior and willingness to minimize risk to achieve specific goals and outcomes (Kahneman & Tversky, 1979). Understanding and knowing the language of finance is getting more attention in finance these days. Definitions vary by industry, individual experience, skill level and personal preference.

While some studies describe financial literacy as a comprehensive understanding of financial issues, others define it as a combination of factors, including financial literacy and competence (Yadav et al., 2020). Financial education has a significant impact on how investors think and make investment decisions. In a study by Ronaldo and Todesco (2012), researchers found no significant differences in investor attitudes based on gender. (man and woman). To increase the financial literacy of the future generation, positive financial education of Korean youth should be the focus. Population (Bhushan and Mercury, 2013). (Bhushan and Mercury, 2013). An individual's common sense and level of financial knowledge should be considered when making important investment decisions (Gale and Levine, 2011). The relationship between individual investment preferences and the behaviors that investors should consider when choosing between different investment options was investigated in a study of individual investors in India. Models of judgmental change leading to changes in perception, misinterpretation, and irrationality have also been used to explain behavioral biases. As a result, researchers have concluded that an investor's mindset is directly influenced by their level of financial literacy (Li, Wang, & Dong, 2016). According to (Ibrahim and Alkiadi), education can improve financial attitudes by reducing dependence on others. Financial attitudes and behaviors can affect a person's well-being. An investor's confidence in his analysis and predictions for making a final investment decision

is called investor attitude. This is an important factor that influences how decisions are made. Investor attitudes depend on financial objectives (Goldberg and Lewis, 1978). Therefore, this study examined the effect of personality traits as parameters in the relationship between financial literacy and investment decision. Anyone unfamiliar with how the financial markets work will still seek "advice" from experienced investors and continue to make financial decisions based on the opinions of others. Someone who is familiar with financial markets and basic stock market terminology such as stocks, preferred shares, etc. can make more informed decisions about where to invest their money and reap the benefits with relative safety. to someone else. People think they are better off financially than they really are. They think that knowing certain key phrases will help them make financial decisions, but in reality the opposite is true. In the next part of the study, the researchers tried to find out how individuals' attitudes and different decisions about whether to receive a salary or have extra money affect their financial situation. It takes everything from financial decisions to how much time people plan their finances. Therefore, financial literacy means understanding the basic concepts, rules, features and functions of financial services in order to understand financial basics and make wise financial decisions. Financial education is important in relation to the financial foundations of an economy.

PROBLEM STATEMENT

- How financial literacy effects the decision of investors behavior?
- Influence of demographics factors on financial literacy of participates.

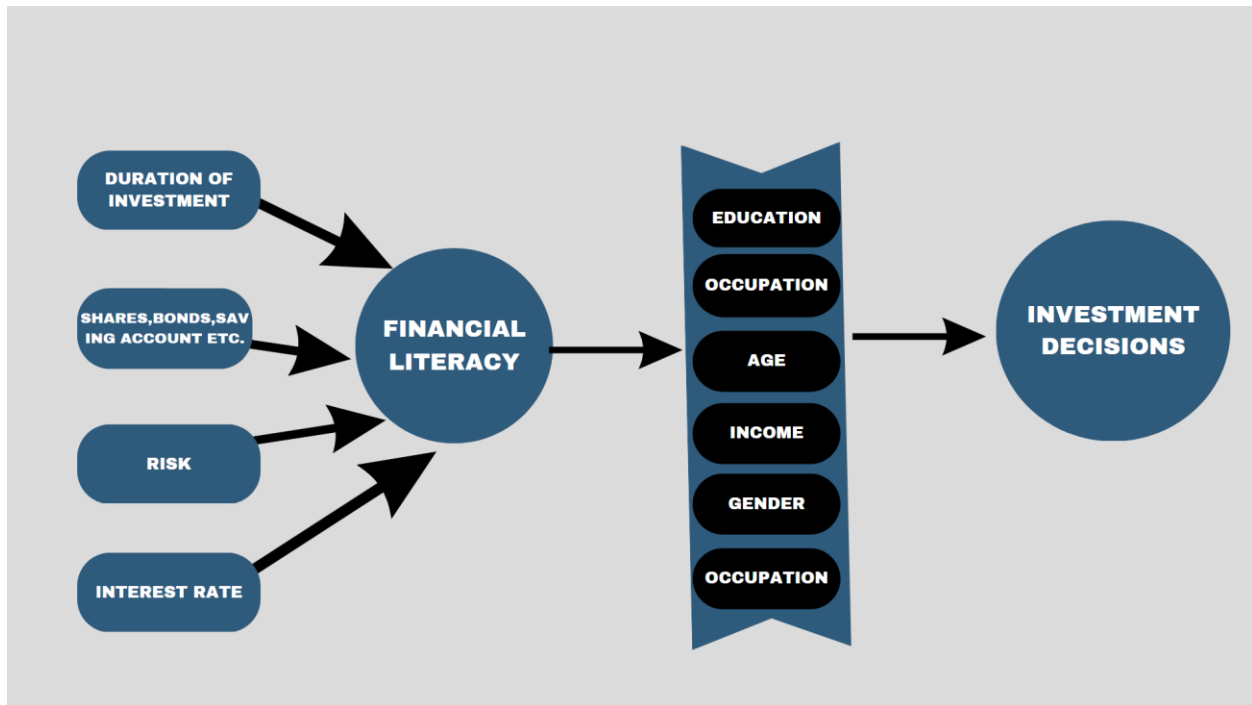
OBJECTIVES

- Learn more about the impact and connection between financial literacy and investment options.
- The financial literacy level of the investor
- The relationship between financial literacy and demographic profile.
- Learn basic financial knowledge and importance for investors.

RESEARCH METHODOLOGY

The nature of this study is descriptive. An online survey was used to obtain the data for this study. 103 respondents in all completed the survey. The data were statistically analyzed with SPSS software using Chi-square and regression analysis.

PROPOSED MODEL



DETERIMANTS OF INVESTMENT

Not all possible effects on investment decisions are permanent. Rather, it differs from person to person due to different characteristics (Hossain and Nasrin, 2012). The yield affects the decision-making behavior of investors (Tamola, 2013). Factors such as wealth, market knowledge and education that influence investment decisions due to demographic characteristics. The fact that people with high incomes invest more in business than people with low incomes has a significant impact on investment decisions.

DATA ANALYSIS AND INTREPRETATION

SPSS and Excel were used to analyses the research data. To show how participants' literacy levels are affected, we first looked at investor demographics. Chi-square analysis was used to determine the relationship between investor literacy and demographic characteristics. The 5% level was chosen as the significance level. Regression analysis was used to determine the effect of literacy on investment behavior. In order to determine how investors' decisions are impacted by literacy, regression analysis and ANOVA were conducted.

DEMOGRAPHAIC DETAILS OF RESPONDENTS

57% of respondents were men, and 43% of respondents were women. Participation among men is greater than among women. The respondents' ages vary from 20 to 24. Postgraduate degrees made up 44.4% of respondents' educational backgrounds, while graduation degrees made up 37.4%. The respondents' monthly incomes varied from below 250000 up to 50000.

BASIC FINANCIAL LITERACY OF INVESTORS

Questions centered on information, abilities, and financial and numeracy issues. Respondents were given 7 questions about fundamental financial literacy. The results of the respondents' literacy poll regarding the issues of fundamental financial literacy. In order to analyse the respondents' literacy levels, the respondents were sorted based on their responses, and ranks from high to low were given to each respondent. Table 2 reveals that when asked about bonds and risk analysis, respondents were incensed. Results from the respondents to queries about advanced financial literacy, respondents scored best on questions about fixed deposits (80.54%), followed by savings account (7.2%), shares (67.64%), and bonds (11%), none of securities 13.2% in terms of advanced financial literacy.

Relation Between demographic factors and Financial Literacy**AGE**

Ho, There is no association between age of investor and financial literacy

H1: There is association between age of investor and financial literacy

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	169.812 ^a	160	.283
Likelihood Ratio	113.131	160	.998
Linear-by-Linear Association	3.460	1	.063
N of Valid Cases	99		

a. 205 cells (100.0%) have expected count less than 5. The minimum expected count is .01.

The null hypothesis is rejected because the significance value is less than 0.05. There is a significant relation between age and financial literacy of respondents

GENDER

Ho: There is no association between gender of investor and financial literacy

H1: There is association between gender of investor and financial literacy The null hypothesis is rejected because the significance value is less than 0.05. There is a significant relation between age and financial literacy of respondents.

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	54.686 ^a	80	.986
Likelihood Ratio	47.153	80	.999
Linear-by-Linear Association	.033	1	.856
N of Valid Cases	99		

a. 123 cells (100.0%) have expected count less than 5. The minimum expected count is .01.

OCCUPATION

Ho; There is no association between occupation of investor financial literacy, but not between investor occupation and investor education. The significance value is less than 0.05, so the null hypothesis is denied. The respondents' employment and financial literacy are significantly related.

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	159.874 ^a	160	.488
Likelihood Ratio	94.858	160	1.000
Linear-by-Linear Association	.690	1	.406
N of Valid Cases	99		

a. 205 cells (100.0%) have expected count less than 5. The minimum expected count is .01.

INCOME

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	214.215 ^a	240	.883
Likelihood Ratio	126.699	240	1.000
Linear-by-Linear Association	.297	1	.586
N of Valid Cases	99		

a. 287 cells (100.0%) have expected count less than 5. The minimum expected count is .02.

Financial literacy's impact on investment choices

Financial knowledge has no bearing on an investor's choice of investments, according to hypothesis (Ho).

H1: Investors' business decisions are impacted by their financial literacy.

Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	2057.275 ^a	2120	.832
Likelihood Ratio	536.995	2120	1.000
Linear-by-Linear Association	6.744	1	.009
N of Valid Cases	99		

a. 2214 cells (100.0%) have expected count less than 5. The minimum expected count is .01.

REGRESSION

Descriptive Statistics

	Mean	Std. Deviation	N
AVIB	18.7393	4.44226	99
AVFL	16.6159	2.49740	99

Correlations

		AVIB	AVFL
Pearson Correlation	AVIB	1.000	-.262
	AVFL	-.262	1.000
Sig. (1-tailed)	AVIB	.	.004
	AVFL	.004	.
N	AVIB	99	99
	AVFL	99	99

From the table above, it is seen that significance value is less than 0.05. So null hypothesis is rejected and it is concluded that there is a significant impact of financial literacy on investment decision.

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	133.077	1	133.077	7.168	.009 ^b
	Residual	1800.819	97	18.565		
	Total	1933.896	98			

a. Dependent Variable: AVIB

b. Predictors: (Constant), AVFL

FINDINGS

The two levels of financial literacy (basic financial literacy and advanced financial literacy) are tested separately. Divide the number of investors from the Basic Financial Literacy and Advanced Financial Literacy categories into Advanced and Low Financial Literacy. Both the highest and lowest levels of financial literacy are at the basic level, or 42%. In Advanced Financial Literacy, 1147 is the lowest level of Financial Literacy, with 70% being the best.

IMPLICATIONS

First, consumers must be educated about the relationship to reduce transaction costs and enable investors to make smarter financial decisions. Decision Making, Financial Literacy and the Investor Mindset. Second, various regulatory authorities help investors avoid financial losses by providing them with adequate information and financial education. This study will help you determine which areas to focus on in order to provide you with appropriate methods and recommendations for improving your financial literacy. Ultimately, this research can help many educators better understand how people's opinions change based on their environment. This analysis will help you decide which areas to focus on for investor-focused education courses and programs and which demographics to target for financial education.

LIMITATIONS AND FUTURE SCOPE

- First, the exclusive focus of the research on Indians reduces the applicability of the research findings to other developing countries, although it can still be extended.
- Second, this study used only a few statements to rate investors on each of the three criteria.
- Finally, although this study focuses on a small number of factors, it overlooks some important aspects, such as investor behavior and portfolio impact, which could be the focus of future research.

CONCLUSION

Few investors are unfamiliar with the concept of financial literacy, and most investors know it at a basic and advanced level. Investors invest their savings in a variety of financing options. An investor's financial knowledge influences their investment decisions. Financial literacy is important when it comes to a country's financial system. As banks and banking systems proliferated across the country, the importance of financial literacy became apparent. As people become more educated and financial inclusion grows and spreads around the world, the role of financial investment has increased in different countries, including financially disadvantaged communities. Most investors have a basic or advanced level of financial literacy and only a few. As more people become educated and better understand primary and secondary financial concepts, the role of financial literacy becomes more permissive.

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APPENDIX

Questionnaire for survey

MASTER PROJECT

Impact of Financial Literacy on Investor Behavior

1.NAME

2. AGE

18-20

20-24

above 24

3. Gender

Female

Male

4. Educational background

primary education

higher secondary

graduation

post graduation

phd or other

5.Monthly income

below 25000

25001-50000

50001-75000

75001-100000

100001-150001

6. Occupation

Student

Service

Business

Other

Financial Literacy To identify financial knowledge which make them invest.

1. Stocks are normally riskier than bonds.

Agree

Strongly agree

Neutral

Disagree

Strongly disagree

2. If the interest rate falls, what should happen to bond prices?

Rise

Fall

None of above

3. Buying a company stock usually provides a safer return than a stock mutual fund.

Agree

Strongly agree

Neutral

Disagree



Strongly disagree

4. When an investor spreads his money among different assets, does the risk of losing money:
Increase
Decrease
None of above
Don't know
5. Normally, which asset displays the highest fluctuations over time?
Bond
Stock
Saving account
None of above
6. Buying a company stock usually provides a safer return than a stock mutual fund.
Agree
Strongly agree
Neutral
Disagree
Strongly disagree
7. If you buy a 10-year bond, it means you cannot sell it after 5 years without incurring a major penalty.
Agree
Strongly agree
Neutral
Disagree
Strongly disagree

INVESTMENT DECISION To identify investment decision of individual

1. Your investment has the ability to meet interest payments
Agree
Strongly agree
Neutral
Disagree
Strongly disagree
2. Your investment repays the principal at maturity
Agree
Strongly agree
Neutral
Disagree
Strongly disagree
3. Our investment has lower risk compared to market in general.

Agree
Strongly agree
Neutral
Disagree
Strongly disagree

4. your investment in stocks has demonstrated increased revenue growth in past 05 years.

- Agree
- Strongly agree
- Neutral
- Disagree
- Strongly disagree

5. Your investment reports better results than you expected.

- Agree
- Strongly agree
- Neutral
- Disagree
- Strongly disagree

6. Your investment proceeds will be used in way that benefits society.

- Agree
- Strongly agree
- Neutral
- Disagree
- Strongly disagree

7. your investment in stocks has demonstrated increased cashflow growth in past 05 years.

- Agree
- Strongly agree
- Neutral
- Disagree
- Strongly disagree

