A STUDY ON FINANCIAL LITERACY AND INVESTMENT BEHAVIOUR

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ABSTRACT

A study on Financial literacy and investment behaviour is been undertaken to analyze the Investment pattern and their financial literacy of the investors of a particular class group Namely the semi-literate workers in garment industry in Ramnagar district.

The study was undertaken with the intention of understanding the financial awareness as Well as the investment behaviour of this group –the topic of research is important as the Financial literacy need of the hour more so in such group because the professional and Educated group are considered to be active investors but semi literate industrial workers are moving away from traditional avenues of investment and participating into various Types of modern investment avenues.

The study seems to be unique one as it combines the practices which are considered to be Among educated elites and want to ascertain such behaviour among not so educated but Hardworking group.

The study as thrown mixed findings about the financial literacy and investment behaviour This gives ample information on how financial literacy can be expanded and the hard earned money of such vulnerable groups can be taped for achieving broader national Economic objectives

INTRODUCTION

A financial market is the vertebrae of an economic scheme. It helps the allotment of share capital crosswise in the productive sectors of the economy. This allocation of capital helps to keep up strong weather for savings and investment. The financial system has more dynamic than the real system as it has always reacted to the needs of the economy to help to complete its goals. In the present financial system, there are so many investment avenues to choose, today in financial market it has involved for anyone to decide about these avenues. Some of these investment avenues offer attractive returns but with high risks, some propose lower returns with very low risks. An overall analysis of these investment avenues with risk and return trade is present in this article. An investment is can describe as perfect investment, if it satisfies all the needs of all investors. Therefore, the starting point of searching of any perfect investment must look at through the investor needs. If all those needs are meets by the investment, then that investment termed the perfect investment. The most investors and advisors use a big deal of time thoughtful qualities of the thousands of investments offered in India.

Objective of the study:

1. To analyze the reasons for investment by investors.

2. To find out the impact of financial literacy on their investment behaviour of the employees.

3. To understand the investment pattern of the employees.

Research Design:

The study is adapted analytical and descriptive in nature. The data collected through questioner from 150 employees of industrial workers with regards to financial literacy and investment behaviour. The data collected using statistical tool of Chi-Square test. The variables which have significant association with financial literacy and their investment behaviour is discussed in detail and other variables are not disclosed.

1.1 Time period for investment and age

		Time period preferred for investment			Total
		short term	medium term	long term	
Age	Count Less than 25 years	7	17	0	24
	Expected Count	5.4	15.4	3.2	24.0
	Count 26 - 35 Years	9	31	8	48
	Expected Count	10.9	30.7	6.4	48.0
	Count 36 - 45 Years	7	22	7	36
	Expected Count	8.2	23.0	4.8	36.0
	Count 46- 55 Years	7	16	5	28
	Expected Count	6.3	17.9	3.7	28.0
	Count Above 55 Years	4	10	0	14
	Expected Count	3.2	9.0	1.9	14.0
Total	Count	34	96	20	150
	Expected Count	34.0	96.0	20.0	150.0

It is found from table 1.1 that the highest time period of investment made by respondents is 30.7% investing in medium term belonging to the group of 26-35 years and the least being in long term where the respondents belonging to the age group above 55 years invest in short term investments 4%, the others being investments made are 5% of long term investments are made by 46-55 years.

Hypothesis:

Null hypothesis (H_0):There is no significant relationship between age and time periodprefer to invest.

Alternative hypothesis (H 1) : There is significant relationship between age and timeperiod prefer to invest.

Person Chi-square Test

	Value	df	Asymp. Sig.(2- sided)
Pearson Chi Square -	11.394[a]	16	.785

 It is clear that there is significance between age and the time period prefer to invest, hence null hypothesis is rejected

1.2 investment goal and investment in gold

			Do you poses a complete knowledge on your investment made					Total
			Strongly disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	
Investing in gold is safe than any other investment avenues	Strongly disagree	Count	0	1	3	2	0	6
		Expected Count	.5	.5	1.8	2.0	1.2	6.0
	Disagree	Count	2	0	6	4	0	12
		Expected Count	1.0	1.0	3.6	4.0	2.4	12.0
	Neither agree nor disagree	Count	2	6	11	20	12	51
		Expected Count	4.4	4.1	15.3	17.0	10.2	51.0
	Agree	Count	0	0	2	12	5	19
		Expected Count	1.6	1.5	5.7	6.3	3.8	19.0
	Strongly agree	Count	9	5	23	12	13	62
		Expected Count	5.4	5.0	18.6	20.7	12.4	62.0
Total		Count	13	12	45	50	30	150
		Expected Count	13.0	12.0	45.0	50.0	30.0	150.0

It is found from table 1.2 that the percentage of strongly disagree that investing in gold is safe is 0 of goal accomplished by the investor and the percentage of strongly agree is 30% as investing in gold is safe and investing in gold is accomplished by the investors.

Null hypothesis (H_0):There is no significant relationship between investing in gold andthe goal accomplished by the investors from gold.

Alternative hypothesis (H) : There is significant relationship between investing ingold the goal accomplished by the investors from gold

Persons chi-square

	Value	df	Asymp.Sig (2 sided)
Pearson Chi-square	31.383[a]	16	.012

It is clear that there is significant relationship between investing in gold and the goal accomplished by the investors from gold, hence null hypothesis is rejected.

1.3 investment guidance and investment knowledge

			Do you poses a complete knowledge on your investment made					Total
			Strongly Disagree	Disagree	Neither Agree Nor Disagree	Agree	Strongly Agree	15
Would you like to change your investment plan if proper guidance given on it	Strongly disagree	Count	1	1	3	6	4	
		Expected Count	1.3	1.2	4.5	5.0	3.0	15.0
	Disagree	Count	12	11	42	44	24	133
		Expected Count	11.5	10.6	39.9	44.3	26.6	133.0
	Neither Agree Nor Disagree	Count	0	0	0	0	1	1
		Expected	.1	.1	.3	.3	.2	1.0
	Disagree	Count						
	Agree	Count	0	0	0	0	1	1
		Expected Count	.1	.1	.3	.3	.2	1.0
Total		Count	13	12	45	50	30	150
		Expected Count	13.0	12.0	45.0	50.0	30.0	150.0

From the above table 1.3 it is observed that the respondents change the investment plan if guidance given on the investments made and the respondents poses a complete knowledge and hence the highest percentage is 44% as agree and the least percentage being 1% of strongly disagree and disagree.

Null hypothesis (H₀): There is no significant relationship between investment guidanceand investment knowledge.

Alternative hypothesis (H 1): There is significant relationship between investmentguidance and investment knowledge

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Persons chi-square test

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	Value	df	Asymp. Sig.(2- sided)
Pearson Chi-Square	**31.383ᵃ**	**16**	**.012**

It is observed that there is significant relationship between investment guidance and knowledge and hence null hypothesis is rejected.

Findings and suggestions:

From the above analysis made it is found the time period for investment is based on the age as how much risk would the investors be able to take and wait for their returns and hence 30.7% of the investors invest in medium term who belongs to age group of 26-35 years, the reasons for investment is based on their returns what they earn out of their investments made there the investing in particular asset such as gold helps the investors to accomplish their investment goal, financial literacy of employees is analyzed by understanding their investment guidance and investment knowledge as 44% of the respondents states that there should be guidance s given by the organization to full fill the right investment strategy, the study is helped to find out that there is lack of knowledge about share certificates and the other kinds of investment and the investors only focus on traditional investments.

Suggestion:

As this study focused mainly on semi literate group of industrial workers it is very much advisable to various industries that there should be some guidance been given to the workers at organization based on their savings and investments, it is evident from the study that the workers do invest as per their knowledge and also contribute the country growth, if proper guidance been given the investment strategy may change.

Conclusion:

The study made on financial literacy and investment behaviour was to understand the various aspects of investment made by the investors and to understand the financial literacy of investments it is concluded that the investors do not have complete knowledge on investments and yet invest in traditional investments.

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