OPEN ACCESS

Volume: 11

Special Issue: 1

Month: March

Year: 2024

E-ISSN: 2581-9402

Received: 07.02.2024

Accepted: 11.03.2024

Published: 22.03.2024

Citation:
Sangeetha, S. "Financial Literacy Among the Different Economic Classes in India." *Shanlax International Journal of Management,* vol. 11, no. S1, 2024, pp. 58–62.

DOI:
https://doi.org/10.34293/management.v11iS1-Mar.8083

Financial Literacy Among the Different Economic Classes in India

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Abstract
This study attempts to investigate the degree of financial literacy among the various economic classes in India, and the ways in which this influences the way in which individuals of different ages make investment decisions. Even though they may reside in the same location, each person has different financial demands. The findings show that investors are making investments in order to predict their demands for the future and to make significant returns. The majority of investors do not participate in the stock market; those that do choose to trade as investors as opposed to hedgers or speculators. While most investors are well-versed in bank deposits, insurance, and real estate, very few are conversant with internet trading. If an investor can get a large return, they will accept a significant risk. Because they are unsure of how to choose a reliable adviser, many investors are still not taking use of financial advisor services. According to the research, strong promotional actions must be implemented in order to raise consumer awareness of the new and existing goods and services that are offered on the market.
Keywords: Stock Markets, Investments, Risk and Return, Economic Classes, and Financial Literacy

Introduction

Investments, a part of savings, are the foundation of any nation's economy. Capital is invested in diverse possibilities accessible to the populace, serving as a driving force behind the nation's economic growth. For investors, the Indian financial sector offers a wide range of choices. There are respectable prospects for the average person to invest his money, despite the fact that it is unquestionably not the greatest or deepest market in the world. To acquire a certain quantity of money to accomplish a certain life goal and lay away money for unforeseen occurrences, idle resources must be spent and returned on. One of the main reasons to make wise investments is to offset the cost of inflation.

Inflation is the pace at which living expenses increase. Understanding a wide range of financial concepts, including handling money, investing, and managing personal finances, is known as financial literacy. This topic, which focuses on how to manage personal money successfully, covers a wide range of personal finance considerations, including investing, insurance, real estate, paying for education, budgeting, retirement, and tax preparation. Understanding important financial ideas and concepts, such as compound interest, financial planning, time value of money, debt management, and debt management, is another aspect of financial literacy.

Poor financial decisions made due to a lack of financial literacy may have a negative impact on a person's financial wellness. The federal government then created the Financial Literacy and Education Commission to provide tools for anyone who wish to learn more about financial literacy. Gaining financial literacy mostly involves learning how to create a budget, monitor your spending, pay off debt, and effectively plan for retirement. These steps could also entail seeking expert financial counseling.

The teaching on this topic includes coping with both internal and external financial concerns, understanding how money works, and defining and achieving financial objectives.

People can attain financial stability by being financially literate and becoming self-sufficient. Answers to questions concerning purchases, such as whether a product is required, affordable, and an asset or liability, should be provided by those who are educated about the subject. This section demonstrates how a person's financial attitudes and actions translate into his day-to-day activities. One's degree of financial literacy demonstrates their ability to make financial decisions.

This skill may help someone make a road map of their finances that displays their income, expenses, and debts. The effects of financial illiteracy extend across all age groups and social strata. A large number of people who are not financially literate become victims of predatory lending, fraud, high interest rates, and subprime mortgages.

Review of Literature

- Financial literacy is increasingly important due to complex financial products, markets, and economic factors. With only 24% of Indians financially literate (compared to 52% in Europe), there's a need for improvement. This lack of knowledge leads to bad financial decisions that hurt the entire financial system. This study looks at what the Indian government (RBI, SEBI, IRDAI) is doing to improve financial literacy and suggests ways to strengthen these efforts for overall economic growth.
- Anshika et al. "Financial Literacy-A Present Day Need in India." The International Journal of Management, 3 (2017): 64-70.
- A study in Nigeria found financial literacy to be a major factor in using bank accounts, getting credit, and other financial services. Education, age, and gender also played a role. The study suggests financial education in schools and requiring banks to advise clients to improve financial inclusion for young people.
- R. Ramakrishnan et al. "Financial Literacy and Financial Inclusion." Zakariya Journal of Social Science (2023).
- A survey of 400 Indian college students found they have low financial literacy. Students lacked knowledge of basic concepts like interest and inflation. The study highlights the need for financial education to improve financial well-being among young adults.
- M. Dahiya et al. "The Financial Literacy of College Students: Evidence From India." ASR: Chiang Mai University Journal of Social Sciences and Humanities (2023).
- This study assessed financial literacy through a financial advisory program in India. Most participants answered basic financial knowledge questions correctly. However, financial literacy varied across different demographic groups. The study also looked at participants' investment habits and risk tolerance, finding connections between knowledge and financial behavior.
- Sumit Agarwal et al. "Financial Literacy and Financial Planning: Evidence from India." FinPlanRN: Financial Therapy (2010).
- This paper discusses the importance of financial literacy for individual and national well-being. It explores initiatives taken by the Indian government to improve financial literacy and

inclusion among its citizens. The sources used include research papers, news articles, and government documents.

- Hridhya pk et al. "An Insight to financial literacy in India –A review of literature." Journal of emerging technologies and innovative research (2020).

Objectives of the Research

- To research the significant problems and difficulties that investors encountered when making investments in different investment possibilities.
- To investigate the level of financial literacy among investors from various economic classes with regard to several features including safety, liquidity, and risk-return matrices while making financial decisions.
- Researching investor preferences and perceptions of financial goods on the market as well as how income level influences the process of choosing investment decisions.
- To research the investment choices made by various social classes, including those based on age, education level, etc.

Descriptive Research

Descriptive research, often known as statistical research, includes characteristics and descriptive data about the population or phenomena under study.

Descriptive research answers the questions of who, what, where, when, and how. The data description is accurate, precise, and through, however the research is unable to explain what a casual circumstance is. A structured questionnaire was utilized in this descriptive study to obtain primary data from investors and non-investors, while secondary data was gathered from publications such as books, websites, journals, and magazines.

Survey Method

The survey method is a data collection technique that entails asking people who are thought to be competent certain questions. Making a list of questions is formalized. Usually, a transparent approach is used. The respondents are questioned about their beliefs and demographic interests.

Sampling

Information or data from the field directly relevant to the research units must be gathered in order to undertake empirical field studies. A sample is a subset of the population. The process of choosing a sample from a larger range of populations is known as sampling. Drawing conclusions about the population is the main objective of sampling. One technique that helps in understanding the features of the population is sampling.

Sampling Procedure

The convenience sampling approach was used in the study to choose sample respondents by selecting participants from various locations and investor economic groups. A systematic questionnaire comprising both closed-ended and open-ended questions was used to gather the data.

Findings and Results

- When compared to other categories, females and undergraduates are not investing because of a lack of guidance and risk.
- Professionals and independent contractors are investing more than business owners.
- When compared to all other age groups, those in the 20–30 and 31–40 age groups invest more.

- The majority of investors make investments with the intention of making large gains and determining future requirements. The majority of investors believe that investing when they are young and single is the ideal time to begin.
- The majority of investors would rather make regular investments in equities, banks, or insurance. The majority of investors do not participate in the stock market; those who do tend to view trading as an investment as opposed to hedging or speculation.
- Only investors who trade on the share market are aware of online trading; the majority of investors are unaware of it and do not know how to purchase or sell shares online.
- The majority of investors choose to make long-term investments since they believe that inflation is a major risk involved with them.
- The majority of investors are more familiar with insurance and bank accounts than with mutual funds and the stock market.
- Given that the majority of investors are young, most are ready to take on considerable risk in exchange for large returns. Due to the assured returns, the majority of investors are placing their money in banks and real estate.
- Because share brokers have actual experience in the stock market, the majority of investors turn to them for better guidance.
- The majority of investors hire financial advisors because they lack the time to make decisions and want assistance with asset allocation. People who are not using the services claimed they must have control over their own money. The majority of investors choose to work with Sharekhan and Kotak securities since they have lower brokerage fees. The majority of investors stated that they trade with IIFL because of the helpful investing advice that the company's broker offers.
- Even if they do not currently trade with IIFL firm, the majority of investors are aware of the firm. Due to IIFL's post-sale services, the majority of investors are persuaded to interact with the company through the networking of friends and family. The majority of investors are happy with the services provided by the IIFL.

Recommendations

Target females and undergraduates with educational campaigns and investment products tailored to their risk tolerance and goals.

- Offer investment products and services specifically designed for self-employed and professionals.
- Focus marketing and outreach efforts on the 20-30 and 31-40 age groups.
- Develop investment products and services that cater to the long-term investment goals of the majority of investors.
- Provide educational resources and support to investors who are interested in learning more about online trading.
- Address the concerns of investors about inflation by offering investment products and services that help to hedge against inflation.
- Increase awareness of equity markets and mutual funds among investors.
- Offer a variety of investment options to cater to the different risk tolerances of investors.
- Partner with financial advisors to provide investment advice and guidance to clients.
- Consider offering lower brokerage charges to attract more clients.
- Provide excellent customer service and post-sale support to build trust and loyalty with clients.

The research findings suggest that there are several opportunities for IIFL to improve its marketing and outreach efforts, product offerings, and client services. By following the recommendations outlined above, IIFL can attract new clients, retain existing clients, and grow its business.

Conclusion

It may be said that contemporary investors are well-adjusted, sophisticated, and mature individuals. Despite the market's excellent initial public offerings and the security market's phenomenal development, investors still choose investments based on factors including age, objectives, preferred level of risk, length, etc. For instance, risk-averse investors like national savings certificates, post office deposits, fixed and bank deposits, public provident funds, and life insurance policies. These days, most investors use sources and reference groups to help them make judgments about their investments rather than making them on their own. Even if they occasionally fall victim to delusions like overconfidence and insufficient investigation, they weigh a variety of aspects and get a wide range of information before making any sort of investing decision. This study's primary goal was to determine whether age groups and investment decision-making patterns are independent of one another or dependent on one another. It also developed some key strategies to assist investment managers in creating investment plans that take these investors' opinions into account. According to the research, strong promotional actions must be implemented in order to raise consumer awareness of the new and existing goods and services that are offered on the market.

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