

Financial Literacy and Investment Decision Among Rural People

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Abstract

This research tries to identify the influence of financial literacy on investment decisions among rural residents in Shoranur. It examines the levels of awareness regarding basic financial products and assesses how financial knowledge affects investment decisions. The study identifies safety and liquidity as the primary factors guiding investment choices, with wealth creation being the main purpose. Findings reveal that generally high level of satisfaction with financial literacy, with no significant gender differences. The results offer valuable insights for policymakers and financial educators to enhance financial awareness and decision-making in rural areas.

Keywords: Financial literacy, Investment decisions, Rural population, Risk management

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I. INTRODUCTION

In the last couple of years, financial literacy has received special attention from researchers, institutions, and policymakers. The capability to manage personal finances has become increasingly important in today's world. People must plan for long-term investments for their retirement and children's education. They must also decide on short-term savings and borrowings for a valuation, education, emergency, a house, a car loan and other items. Additionally, they must manage their own medical and life insurance needs. Financial literacy is a basic concept in understanding money and its use in daily life. This includes the way income and expenditure are managed and the ability to use the common methods of exchanging and managing money (Shekar & Gowri 2015). Additionally, financial literacy encompasses an understanding of everyday situations that require comprehension of financial terminology and concepts, including key financial views central to investing and managing funds to increase wealth and security. (Karan & Sunil kumar 2018) Individuals also need to be aware that high-return investments are likely to involve high risk, the realization that market values can fall as well as rise, and the principle of variation. This need introduces a new complex set of skills in relation to products and how they work, the advantages and disadvantages. The other component of financial literacy is the skill to utilize knowledge and understanding to make beneficial financial decisions.

Financial literacy can help prepare consumers for tough financial times by promoting strategies that mitigate risk, such as accumulating savings, diversifying assets, and purchasing insurance. Financial literacy has typically related individuals' knowledge of economics and finance with their financial decisions related to savings, retirement planning, or portfolio choice. Financial literacy is defined as the understanding and knowledge of basic economics and financial concepts, as well as the ability to use that knowledge to manage financial resources. Therefore, in this study researchers attempt to examine that to what extent financial literacy influence on investment decisions of rural people.

II. Literature review

1. **Ritika Agarwal (2012)** conclude in her study the various factors which focus on influencing the investors to invest among the different savings scheme of the Post Offices. It explains that the educational qualifications and occupations of the investors have a significant impact on the savings pattern, as well as on choosing among the various investment schemes and services available with the Post Office.
2. **Bhushan & Medhury (2014)** financial literacy as the skills and competences to take sound financial decisions, to use and manage money. The financial literacy programmes are effective means so as to impact from financial education. As well as to increase the awareness about financial knowledge, financial behaviour and financial attitudes of people as the necessary dimensions of financial literacy.
3. **Lusardi & Michell** Financial literacy is defines as the ability to make understand the economic information to think on the various aspects related to personal finance like how much to accumulate for future

needs like education, meditation, child marriage thus about financial planning investment and retirement planning wealth accumulation and debt obligation.

4. **Sane (2014)** when the level of financial is low because of very restricted access to the financial education it does not allow to an individual properly perform his wealth, planning, resulting in serious consequences like social and economical ones.

5. **Lusardi (2014)** states that in order to measure the level of financial literacy the question should be easy to understand so that they can check the knowledge with regard to the basic fundamental question necessary for financial decision making. Secondly, the question should be related to day to day general financial decisions rather than specific one which one takes during his life tenure that us should be relevant to the context. Further the number of question should be short and designed in such a manner so as to facilitate the comparison of the level of financial knowledge among the various groups and individuals.

STATEMENT OF THE PROBLEM

Observe that investment is not a game; many people find it interesting to see the outcomes of their choices. Poor investment decisions are linked with low levels of financial literacy. Financial literacy has explored new dimensions to invest and manage finances effectively. It empowers to invest resources more efficiently. It helps investors to invest where risk is minimized and returns are high but there are successful investors who don't know anything about financial literacy and invest wisely. Therefore, to see the outcomes of financial literacy that it really affects on investment decisions a problem needs to be examined.

OBJECTIVES OF THE STUDY

- To study the financial literacy and investment decisions among rural people.
- To identify the awareness level about the basic financial products among rural people.

SCOPE OF THE STUDY

The research highlights the level of financial literacy and investment decisions among rural people. The sample collected for the study would be from Shoranur locality only. This study would be derived from primary data by giving questionnaires to public locality. The focus of the study was on understanding the preference of rural people with regard to investments avenues, their educational qualification and investment and financial literacy level.

III. METHODOLOGY

The study utilizes primary data collected from 100 respondents from Shoranur area using structured questionnaire. The study uses convenient sampling method .

IV. Results and Discussions

The primary data collected for this study consisted of 100 respondents, comprising 56 males and 44 females. The employment profile indicated that 48 respondents were private sector employees, 4 were public sector employees, 30 were self-employed, and 18 belonged to other categories of employment. Regarding investment sectors, 38 respondents invested in government sectors, 48 in private sectors, and 14 in foreign sectors. The investment periods were distributed as short-term (42 respondents), medium-term (38 respondents), and long-term (20 respondents).

Factors Influencing Investment Decisions

The analysis of factors considered critical in making investment decisions revealed the following rankings based on total scores:

FCATORS	TOTAL SCORE	RANK
Safety	450	I
Low risk	418	III
liquidity	432	II
Maturity period	379	IV

Safety was identified as the most important factor, receiving the highest total score of 450, followed by liquidity with 432 points, low risk with 418, and maturity period with 379 points. These results suggest that investors prioritize safety and liquidity when making investment choices, with maturity period being less influential

PURPOSE OF INVESTMENT

Factors	Total score	rank
Wealth creation	340	I
Tax savings	292	IV
Excess return	338	II
Future expenses	294	III

Wealth creation emerged as the foremost purpose for investment, followed closely by seeking excess returns. Future expenses and tax savings were less prioritized but still significant.

Satisfaction about financial literacy and investment decisions

Level of satisfaction	No. of respondents	Percentages
Highly satisfied	12	12
satisfied	62	62
Neutral	22	22
dissatisfied	2	2
Highly dissatisfied	2	2
Total	100	100

A majority of respondents expressed satisfaction with their financial literacy and investment decisions, indicating a generally positive perception

Testing of hypothesis

To examine whether satisfaction levels differ by gender, the following hypotheses were tested at a 5% significance level:

Null Hypothesis (H₀): There is no significant difference in satisfaction levels regarding financial literacy and investment decisions between males and females.

Alternative Hypothesis (H₁): There is a significant difference in satisfaction levels between males and females. The independent samples t-test yielded a *p-value of 0.681, which exceeds the significance threshold of 0.05. Therefore, we fail to reject the null hypothesis, indicating that there is no statistically significant difference in satisfaction levels between male and female investors.

V. Conclusion

The findings of this study highlight that safety is the most prioritized factor influencing investment decisions, underscoring the importance of security and liquidity for investors.

Wealth creation is the primary purpose motivating investments, with excess returns also being a significant consideration. The overall high satisfaction level suggests that respondents possess effective financial literacy, and the lack of gender-based differences indicates uniform perceptions among males and females regarding financial literacy and investment satisfaction.

These insights offer valuable implications for policymakers and financial educators.

Emphasizing safety and liquidity in investment advisories and promoting equitable financial literacy programs can enhance investor confidence and decision-making. Future research could explore additional demographic variables and behavioral factors that influence investment preferences and satisfaction.

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