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A Study on Financial Literacy Among the Young Investors

Mr. Fasi Ur Rehman[1], Mr. C. Sai Hemanth[2]

[1]Assistant Professor, J.B. Institute of Engineering and Technology, fasiurrehman7@gmail.com

[2]J.B. Institute of Engineering and Technology, India

ABSTRACT

An individual's economic security is greatly affected by their level of financial literacy, particularly when it comes to making sophisticated investment choices. In light of the critical need to provide this generation with the tools for sound financial management, this research seeks to assess the extent to which young investors are financially literate. Combining quantitative surveys with qualitative interviews, the study adopts a mixed-methods technique to acquire full data. We will survey a cross-section of young adults to gauge their familiarity with basic financial concepts, investing tactics, risk management, and goal-setting. The total degree of financial literacy among young investors will be quantified by analyzing quantitative data using statistical approaches. According to expectations, this survey will reveal which aspects of young investors' financial literacy need the most work. Improving financial literacy and enabling young investors to make educated and responsible financial choices would be the goal of the planned educational programs, legislative reforms, and targeted interventions. The overarching purpose of this study is to help educate the next generation so that they can understand and handle the complexities of the investing environment.

Introduction—

Buying something, lending money, or putting money in the bank with the hope of getting something back later is an example of investing. A wide variety of investment options exist, each with its own unique risk-reward profile. By mastering basic ideas and taking a fresh approach to alternative research, an investor may build a portfolio that maximizes returns and minimizes risk. The investment primarily aims to increase speed while lowering hazard. There is a wide variety of investment choices accessible, including savings accounts, money market funds, PFSs, FDs, life insurance policies, stock options, silver, real estate, government securities, new pension schemes, and mutual funds. Investment routes, investment choices, and investment plans all describe the many ways in which people might put their money to work.

There is a wide variety of investment alternatives and possibilities accessible to you, each with its own conditions and hazards. Some examples include real estate, debentures or shares, money market instruments, the stock market, life insurance, and derivatives. There are three categories of investors that exist prior to investing: passive, active, and pre-investors.

Meaning

The monetary system is very important to the financial operations of a rural economy. This middleman helps individuals who can save some money and those who are ready to put money into important resources. It organizes a country's security assets and makes sure they're distributed effectively. Most emerging nations' monetary systems are well-coordinated and include both official and informal monetary divisions. The combination of the two classes is sometimes called monetary dualism. The formal monetary sector is defined by the nearby presence of a planned, organized, and controlled framework that meets the financial demands of the trendy economic circles. In developing nations, there is a strong correlation between the monetary and social systems, which may explain why the casual budgetary sector came into being. Another factor is that some excluded populations are unable to access reserves due to monetary restrictions. Because it allows for the effective accumulation and distribution of funds, linking savers and speculators is an essential component of every financial system. A financial framework serves double duty: it aids in project funding selection and also motivates management to monitor the performance of their investments. As a means of corporate oversight and performance filtering, budgetary markets and foundations use the threat of takeovers to deter underperforming enterprises.

Monetary market assets

Assets with a high degree of volatility, such as protections, are exchanged on this market for very short time frames. The current primary members consist of financial institutions and banks. To fulfill their SLR and CRR obligations, the banks are now negotiating. A small number of non-banking fund organizations, opportunity financing trusts, shared assets, insurance agencies, and corporate houses are now fulfilling their responsibilities. The liquidity of this market supports the financial system. Indian central bank the Reserve Bank of India also utilizes this market to influence lending and the economy on a national and regional level. Funds with a shorter time horizon, often one year or less, may find currency market protections to be a suitable investment alternative. Documents such as investor acceptances, store and business paper endorsements, and similar instruments are shown at the currency display. International product and venture exchanges often use financiers' acknowledgments, which are large-category, debatable-term investments issued by commercial banks and thrift organizations in the form of certificates of deposit (CDs). Commercial paper nowadays refers to unbound promissory notes offered by both monetary and non-monetary partnerships.

Bonds issued by the government

Going to the financial market allows the government to sell treasury bills and other government assets, which may produce revenue. Treasury bills are issued when the government needs money for the short term, while bonds are issued when the commitment is needed for more than five years.

The longest term that Treasury notes, or T-bills, may be maturing is 364 days. Since their expected growth period is shorter than a year, they are categorized as currency promotion instruments. Treasury notes are available right now in three different advancements: multi-day, multi-day, and multi-day. In addition to lacking coupon protection, treasury notes do not pay a premium. An other scenario may be that they are acquired at a reduced price and then reimbursed at the value that was anticipated when they were being developed.

Certificates of investment

Banks, like any other kind of store, provide speculative certificates of deposit. The fact that store endorsements are tradable makes their transient status as cheap merchants irrelevant. If an investor has a store's support, they may sell it to another financial advisor. As both endorsement of stores and treasury charges are short-term, marketable bonds, financial professionals may compare them. This is due to the fact that iquidity loan costs on "sight" shops are often cheaper than on testament stores. Treasure bills are issued and authenticated by the government, monetary foundations, and banks; nevertheless, the government's involvement is more significant. In order to fund the verification of merchants, another bank, company, or monetary organization can step in. Store disclosures are evaluated by verified rating organizations like CARE, ICRA, CRISIL, and FITCH, who, upon request, considerably improve their tradability in the optional market.

Statement of the Problem

The significance of financial literacy has been highlighted more recently, especially for the younger generation, who must navigate a more complex financial environment. This being said, there is still a great deal we don't know about the financial literacy of young investors or what influences their financial decisions. Promoting financial stability and resilience among young investors is crucial for their long-term economic well-being and the general health of the financial system. Addressing these concerns is an absolute must. This research aims to address the current lack of information and provide practical suggestions on how to help young people become better investors by enhancing their financial literacy.

Objectives

1. To study the investing behavior of the young generation while investing.
2. To understand the importance of investment made by the young investor
3. To analyze the investor influencing factor while doing investment.
4. To create the awareness about the investment avenues available to the young investors.

Hypothesis

Hypothesis – 1

H0: There is no significance relationship between the gender and secure of Financial Decisions

H1: There is a significance relationship between the Gender and Secure of Financial Decisions

Hypothesis – II

H0: There is no significance relationship between the gender and knowledge about the Financial Planning

H1: There is a Significance relation between the gender and Knowledge about the Financial Planning

Research Methodology

Source of Data

Information is gathered from both primary and secondary sources. Gathering information from both primary and secondary sources.

Primary data: information gathered from first-hand accounts, such as surveys and observations. The main data is mostly collected via questionnaires. It is possible to design the questionnaire in accordance with certain research instruments.

Secondary data: information gathered from other sources, such as books, journals, websites, etc.

Approach to Research: An Exploratory Approach

Method of sampling: Convenience Sampling

Size of the population: Respondents of in and around of Hyderabad area.

Methods of sampling: Basic Random procedure.

Sample Size: 118 (out of 130).

Limitations of the Study

1. The time available is a major limitation to this endeavor.
2. Investors' preferences and spending patterns may be significantly impacted by market conditions.
3. Time limitations prevented this investigation from covering a large area with little data.
4. It is not possible to form conclusions based on the same result in another area using the primary data, since it is only accessible from one site.
5. The data analysis may not provide the correct answers for higher-ups to make decisions.

Review of Literature

A Study of Financial literacy amongst the Investors of Gurugram by Rekha Rani & Meenakshi (Dec 2019): Even though 17.5% of the world's population lives in India, an astounding 76% of adults there are financially uneducated. Expertise in financial commodities possessed by retail investors is crucial to economic growth in the long run. In order to determine how financially literate investors are, this study used data collected from retail investors. Gurugram, being a millennium city and a true reflection of India's diversity, was chosen to host the election. In order to achieve this objective, descriptive analysis has been used. By comparing their results on the advanced and basic financial literacy exams, we were able to get a sense of their degree of financial literacy. Present levels of knowledge are insufficient to satisfy economic demands, hence increasing financial literacy is obviously necessary, according to this study's results.

Financial Literacy and the need for financial education evidence and implications by Annamaria Lusardi (Jan 2019): A person's ability to make sound financial decisions is strongly correlated with their level of financial literacy. In order to be financially literate, one must have a solid understanding of basic financial concepts and hazards, as stated by the OECD. The other half is having the knowledge and skills to make sound financial choices in many contexts, which benefits individuals, communities, and the economy as a whole. As financial literacy includes both knowledge and behavior linked to money, this research will review studies on both.

In spite of mature financial markets and advanced economies, financial literacy remains low. Lusardi and Mitchell (2011): discovered that around a third of the global population has basic financial literacy. When looking at some demographic groups, the average masks a lack of knowledge about certain financial issues and obvious shortcomings. Evidence of poor self-esteem is also present, which impacts how individuals feel about and make decisions about money, particularly for women. I will discuss the ways in which financial literacy is measured, how it is distributed around the world, how these findings impact people's capacity to make prudent financial choices, and lastly, how we may improve this situation.

Financial Literacy among the youth by Dr. Shaili Gala, (July 2022): Financial literacy should be a universal goal. When someone become rich but aren't good with their money, it's called mismanagement of resources. From 34.6% in March 2012 to 30% in 2017 and 28% in 2021, the savings rate among Indians has declined over the last few years due to a number of causes. This study focuses on the degree of financial literacy among young people in MMRDA since they have a tendency to spend more and save less than older generations. A total of 205 participants from the Mumbai, Thane, and Navi Mumbai areas were surveyed using an online structured questionnaire in order to get data on financial literacy knowledge and misconceptions. Researchers found that young individuals lack practical skills, while having a lot of academic knowledge. Academics are pleading with governments and schools to do more to promote financial education and get kids to save money from a young age.

The roles of Financial literacy and overconfidence in investment decisions in Saudi Arabia by Abdullah Hamoud Ali Seraj, Elham Alzain, Ali Saleh Alshebami, (Sep 2022): Academics, policymakers, and others have recognized financial literacy's critical role in facilitating investment decisions, improving individual financial management, and advancing financial well-being. One moderating factor between financial literacy and investment decisions is overconfidence, which is the focus of this study. One hundred and eighty-five Saudi Arabians filled out a questionnaire that was used in a convenience sample method. To analyze the study data, researchers used PLS-SEM, which stands for partial least squares structural equation modeling. Financial literacy has a positive and large effect on investment decisions, according to the research. It was also shown that overconfidence helped with investment decisions and had a positive and statistically significant impact on financial literacy and investment choices.

Financial Literacy among the Young by Annamaria Lusardi, Olivia S, Mitchell, Vilsa Curto, (2010): We examined the proficiency of young people in managing their own finances using data collected in 1997 from the National Longitudinal Survey of Youth. There is a severe shortage of financial literacy among young people as less than a third of them have a basic grasp of inflation, risk diversification, and interest rates. Factors related to family wealth and demographics were strongly correlated with financial literacy. A 45 percentage point gap existed between the knowledge of risk diversification among low-income women whose parents did not have a high school education and that of college-educated men whose parents had retirement funds and equities.

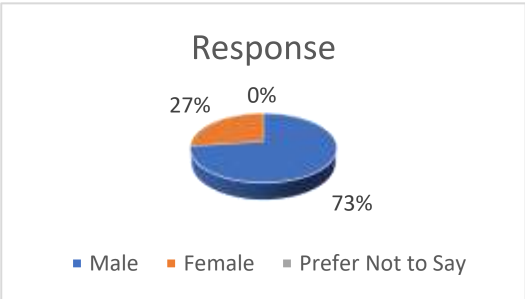
Financial Literacy among young Generation in bangalore – A Study by Syed bilal Irfan, Neha Banu, Mohammed Tazeer, (March 2023): A person who is financially literate has the understanding and competence to handle their own money wisely. Particularly for today's youth, financial literacy is crucial in our modern, fast-paced society. An increasingly essential demographic for India's economic development is the country's youthful population. The goal of this study is to find out how financially literate the youth of Bangalore are. The purpose of this research is to examine the ways in which young people in Bangalore understand basic financial concepts, create budgets, and decide which investments to make. Using survey data from 186 respondents throughout the city, this research investigates the attitudes and behaviours of Bangalore's young population towards financial literacy. Contributing factors to younger generations' financial literacy are also examined in the research, including socioeconomic level, family history, and financial education. The current level of financial literacy among the city's young in Bangalore will be better understood by the results of this survey. Policymakers, educators, and financial institutions in India might use the study's findings to inform the creation of youth-oriented financial education initiatives

Data Analysis

1. Gender

a. Male b. Female c. Prefer Not to say

Gender	Response	Percentage
Male	86	73
Female	32	27
Prefer Not to Say	0	0
Total	118	100



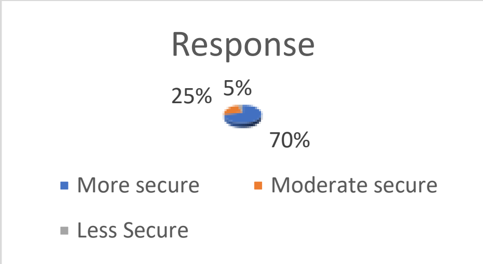
Interpretation

The above data represents that, 73 % of the respondents are male & 27% of the respondents are Female

2. How secure you are when making financial decisions

a. More Secure b.Moderate Secure c.Less Secure

Particulars	Response	Percentage
More Secure	83	70
Moderate Secure	29	25
Less Secure	6	5
Total	118	100



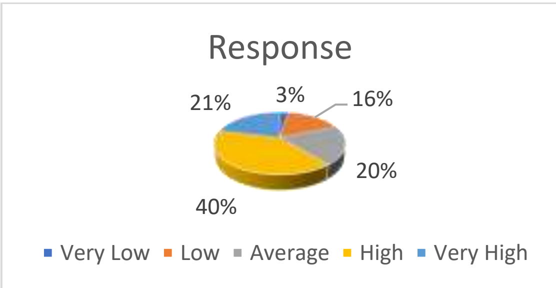
Interpretation

The above data represents that, 70% of the respondents are More Secure while investing in any security, 25% of the repsondents are Moderate Secure, 5% are Less Secure

3. How would you rate your knowledge about the Financial Planning?

a. Very Low b. Low c. Average d. High e. Very High

Particulars	**Response**	**Percentage**
Very Low	3	3
Low	19	16
Average	24	20
High	47	40
Very High	25	21
Total	118	100



Interpretation

The above data represents that, 3% of the respondents have Very Low knowledge, 16% of the respondents have Low knowledge, 20% of the respondents have Average knowledge, 40% of the respondents have High knowledge, 21% of the respondents have Very High knowledge about the financial planning.

Hypothesis – 1

H0: There is no significance relationship between the Gender and Secure of Financial Decisions

H1: There is a significance relationship between the Gender and Secure of Financial Decisions

Observed Values

Gender/ Particulars	**More Secure**	**Moderate Secure**	**Less Secure**	**Row Total**
Male	54	25	5	84
Female	29	4	1	34
Prefer not to Say	0	0	0	0
Column Total	83	29	6	118

Expected Values

Gender / Particulars	More Secure	Moderate Secure	Less Secure	Row Total	Chi - Square Test
Male	59	21	4	84	0.48
Female	24	8	2	34	0.16
Prefer not to Say	0	0	0	0	0.00
Column Total	83	29	6	118	0.64

Expected Values = $\frac{CTx\ RT}{GT}$

RT = Row Total

CT = Column Total

GT = Grand Total

Chi – Square Test = $\frac{\sum(O\ V - E\ V)^2}{E\ V}$

O V = Observed Values

E V = Expected Values

Chi Square test = 0.64

Interpretation

The above data represents that, calculated value shows the value of 0.64 which is greater than P-Value approach i.e., 0.05, so we accepts the Null Hypothesis (H0).

Hypothesis – II

H0: There is no significance relationship between the gender and knowledge about the Financial Planning

H1: There is a Significance relation between the gender and Knowledge about the Financial Planning

Observed Values

Gender / Particulars	Very Low	Low	Average	High	Very High	Row Total
Male	2	13	15	37	19	86
Female	1	6	9	10	6	32
Prefer not to Say	0	0	0	0	0	0
Column Total	3	19	24	47	25	118

Expected Values

Gender / Particulars	Very Low	Low	Avg	High	Very High	Row Total	Chi-Square Test
Male	2	14	17	34	18	86	0.95
Female	1	5	7	13	7	32	0.77
Prefer not to Say	0	0	0	0	0	0	0.00
Column Total	3	19	24	47	25	118	1.72

Expected Values = $\frac{CTx\ RT}{GT}$

RT = Row Total

CT = Column Total

GT = Grand Total

$$\text{Chi – Square Test} = \frac{\sum(O\,V - E\,V)^2}{E\,V}$$

O V = Observed Values

E V = Expected Values

Chi Square test = 1.72

Interpretation

The above data represents that, calculated value shows the value of 1.72 which is greater than P-Value approach i.e., 0.05, so we accepts the Null Hypothesis (H0).

Findings

- 10% of the responents age group is below 25, 50% of the age greup ilies in the age group of 26-35yrs, 27% of the respondents are in the age group of 36-45yrs, 8% of the respondents are in the age group of 46-55yrs, 5% of the respondents are in the age group of above 56yrs.
- 73 % of the respondents are Male & 27% of the respondents are Female
- 3% of the respondents educational qualification is SSC, 14% of the respondents educational Qualificataion is 10+2, 36% are Degree Holders, 47% are PG.
- 10% of the respondent are Students, 56% are Private Employees, 16% are Govt Employees, 18% are Businessman
- 12% of the respondents Income is Below 240000, 27% of the respondents Income is 240001-400000, 36% of the respondents income is 400001-560000, 20% of the respondents Income is 560001-720000, 4% of the respondents income is Above 720001
- 4% of the respondents have Very Low knowledge about the basic personal finance, 8% of the respondents have Low Knowledge. 15% of the respondents have Average knowledge, 53% of the respondents High knowledge, 20% of the respondents have Very High knowledge.
- 3% of the respondents learn basic information about the financial literacy from the Online Articles, 21% of the respondents know from Books, 39% of the respondetns know from Financial Websites / Apps, 7% of the respondents know from Financial Seminars or Workshops, 30% of the respondents know from the Friends / Family.
- 70% of the respondents are More Secure while investing in any security, 25% of the repsondents are Moderate Secure, 5% are Less Secure
- 62% of the respondents says Yes there was a training before investing in the securities. 38% of the respondents says No
- 32% of the respondents are planning to invest in Stocks, 13% are planning for Bonds, 35% are planning for Mutual Funds, 13% are planning for Real Estate, 7% are Planning for Cryptocurrency
- 33% of the respondent assess the risk factor for an Invesment by Historical Data, 26% of the respondents are from Delphi Method (Expert Opinion method), 14% of the respondents are from Personal Research, 27% are from Risk Tollerance Assessment Tools.
- 82% of the respondents have the financial goal while they invest in any security. 18% of the respondents doesn't have any financial goal while they invest in any security.
- 43% of the respondents make Self Decision for the financial investment, 19% of the repsondent take Consultation of Advisors, 32% of the repsondents take Friends /Family help while investing in financial investment, 5% of the repsondents will go for Online Forms Analysis for the investments
- 3% of the respondents review their portfolio daily, 23% of the respondents review their portfolio weekly, 29% of the respondents review their portfolio monthly, 36% of the respondents review the portfolio Quaterly, 9% of the respondents review their portfolio Half Yearly.
- 23% of the respondents given preferences to Returns on Investment, 19% of the respondents given preferences to Risk Level, 26% of the respondents have given to Liquidity, 15% to Diversification, 17% to the Company's Reputation
- 3% of the respondents have Very Low knowledge, 16% of the respondetns have Low knowledge, 20% of the respondents have Average knowledge, 40% of the respondents have High knowledge, 21% of the respondents have Very High knowledge about the financial planning.
- 65% of the respondetns say Yes, they have future planning for the financial investment, 35% of the respondents says No, they don't have any future planning for financial goals.
- Calculated value shows the value of 0.64 which is more than the 0.05, so we accept the Null Hypothesis (H0), There is no significance relationship between the Gender and Secure of Financial Decisions

- Calculated value shows the value of 1.72 which is greater than the 0.05, so we accept the Null Hypothesis (H0), There is no significance relationship between the Gender and Knowledge about the Financial Planning.

Suggestions

- It is crucial that young investors have access to accurate financial information so they can make wise investment decisions.
- Outline the steps for creating a budget, saving money, and setting financial goals. It is essential to maintain a savings cushion in case of unexpected expenses. Stocks, bonds, mutual funds, and real estate are just a few of the various investment options.
- Describe the risk-reward tradeoff and how diversity affects risk management. Talk to young people who are interested in investing about the risks and uncertainties of the market.
- Raising awareness of concepts like risk tolerance and the significance of individualized investing strategies is a good place to start.
- Let them know that you can help them set short-term and long-term financial goals.
- Discuss the importance of saving and investing on a regular basis and how it may help you achieve your goals.
- Equip them with the knowledge and abilities to identify promising investment opportunities and assess them.
- Outline the key financial indicators and metrics that investors and businesses use to evaluate their performance. Help the next generation save money, invest smartly, and track their progress toward financial goals by introducing them to apps and digital tools that can do just that.
- Discuss the pros and cons of various fintech solutions. Define environmental, social, and governance (ESG) criteria and discuss their connection to SRI. Encourage the next generation to check the ethics of the organizations they support before donating money.

Conclusion

Raising financially literate youths is critical for reasons beyond just ensuring their own financial stability; it sets the stage for a lifetime of wise financial decisions and material success. Young people may easily manage the intricate world of money with a solid understanding of personal finance, smart investment concepts, and ethical financial practices. By learning the ABCs of budgeting, saving, and goal-setting, we help youngsters get a head start in managing their own money. Making informed judgments regarding their wealth accumulation is possible when they have a firm grasp of the many investment opportunities available to them as well as the ideas of risk and return. Furthermore, children may use these financial tools to their benefit in the future if they are educated about the stock market, the reasons investments take time, and the concept of compound interest. If you push for them to begin saving for retirement at a young age, they will be prepared for their golden years. We enable young investors to effectively manage opportunities and challenges by emphasizing the importance of credit, ethical investing, and practical money management. The utilization of digital financial instruments emphasizes their competency in utilizing technology for financial planning and execution.

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