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A STUDY ON INFLUENCE OF FINANCIAL LITERACY ON INVESTMENT BEHAVIOUR PATTERN OF EMPLOYEES

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ABSTRACT :

This study focuses on how financial literacy affects the investment behaviour of employees. Having the information and abilities to properly manage finances, including investing, budgeting, and saving, is known as financial literacy. Given the abundance of financial products available today, it is critical that employees make informed investment choices. The purpose of this study is to determine whether employees who comprehend financial concepts are more likely to choose wisely when making investments. Employees were asked to complete a questionnaire about their financial literacy and investment strategies. According to the study, those who possess greater financial literacy are more self-assured and make investments in a range of products, including stocks, mutual funds, and insurance. According to the study, enhancing financial literacy can assist staff members in better money management and future financial security.

INTRODUCTION

Financial literacy is the ability to understand money matters, including saving, budgeting, investing, and planning for future needs. In today's world, where expenses are increasing and financial products are becoming more complex, it is important for employees in all fields to manage their money wisely. Having a stable income alone is not enough; knowing how to save and invest it properly is equally important. This study explores how financial literacy affects the investment behaviour of employees from different backgrounds.

A structured questionnaire was distributed to 35 employees with a range of ages, incomes, and work experience levels. The majority of respondents had a moderate understanding of financial concepts and were primarily between the ages of 25 and 35. Basic financial concepts like interest and inflation, knowledge of tax-saving strategies, and specifics regarding their investment preferences and objectives were all covered in the questions.

Based on the responses, it was evident that employees who knew more about finance felt more secure about their investment choices. They made investments in stocks, mutual funds, fixed deposits, insurance, and a variety of other options. According to the study, people who participated in financial awareness programs also made better investment decisions. These findings demonstrate how closely financial literacy and investing behaviour are related.

OBJECTIVES OF THE STUDY

1. To assess the level of financial literacy among employees:
2. To analyse the investment behaviour patterns of employees
3. To examine the relationship between financial literacy and investment decisions
4. To suggest ways to improve financial literacy for better investment planning

HYPOTHESIS OF THE STUDY

H1: A significant proportion of employees lack basic financial literacy skills.

H2: Employees' investment behaviour is influenced by factors such as age, income level, and risk tolerance.

H3: There is a positive correlation between financial literacy and informed investment decisions.

H4: Targeted financial education programs can significantly improve employees' financial literacy and investment decision-making skills.

RESEARCH METHODOLOGY

This study aims to investigate the relationship between employees' investment behaviour patterns and their level of financial literacy. Data was gathered using a structured questionnaire as part of a quantitative research approach in order to accomplish this. The questionnaire's multiple-choice and closed-ended questions were intended to elicit precise and unambiguous information from the respondents.

The survey was distributed to employees with varying ages, incomes, and work histories. Total of 35 answers were gathered. Although the sample size was small, it was adequate to spot trends and patterns. The participants' varied financial backgrounds and employment sectors gave the responses greater significance.

There were various sections on the questionnaire that addressed such as:

- How frequently they invest, which avenues they prefer (stocks, mutual funds, fixed deposits, etc.), and whether they review their investments on a regular basis.
- Basic demographic information, such as age, gender, income, and work experience.
- Knowledge of financial concepts, such as inflation, compounding, and tax-saving tools.
- Knowledge of their financial objectives and the factors influencing their investment choices.

Excel was used to enter the gathered data, and basic techniques were used for analysis. This made it easier to spot important trends, like the influence of financial literacy on investment decisions. It was noted, for instance, that respondents with strong financial literacy favoured a wider range of investments and routinely examined them.

All things considered, the methodology made it easier to examine the relationship between employees' investment behaviour and financial literacy.

DATA ANALYSIS AND INTERPRETATION

This section presents the analysis of the responses collected from 35 employees through a structured questionnaire. The aim was to study how financial literacy impacts their investment behaviour.

Demographic Profile of Respondents

- **Age distribution**

The majority of responders (43%) are in the 25–35 age range, suggesting that early to mid-career professionals are well represented. The remaining participants are dispersed among various age groups, offering a wide range of ages for analysis.

Age Group	Percentage of Respondents
18–24	15%
25–35	43%
36–45	20%
46–55	12%
56+	10%

- **Income Level**

A significant percentage of respondents make between ₹30,000 and ₹75,000 per month, indicating that members of the middle-income bracket are the majority.

Income Range (₹)	Percentage of Respondents
Below 30,000	20%
30,000 – 50,000	35%
50,001 – 75,000	25%
75,001 – 100,000	15%
Above 100,000	5%

Interpretation:

The respondents' concentration in the middle-income and 25–35 age range is noteworthy because people in this group are usually in the stage of life where investment choices and financial planning become more crucial. This phase frequently entails significant financial obligations like home ownership, family formation, or child education planning. Knowing how they invest and how financially literate they are can help determine how equipped they are to handle these obligations and safeguard their financial futures.

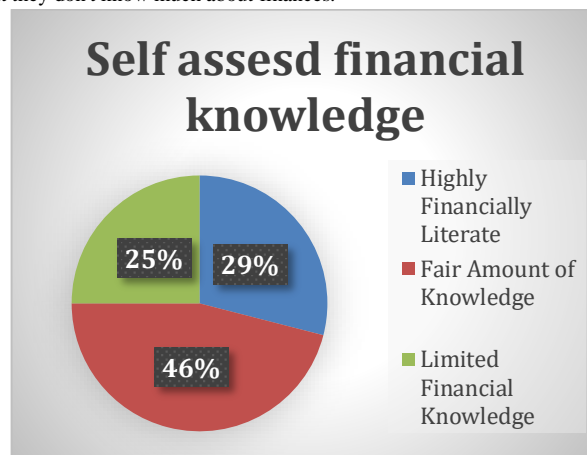
1. Financial Literacy Levels

- Self-Assessed Financial Knowledge:

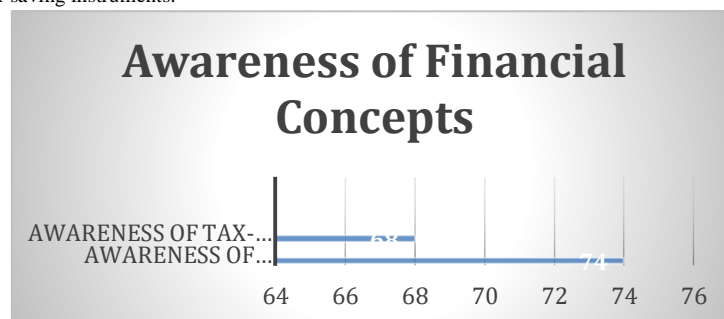
Roughly 46% of employees' say they know a fair amount about finance.

29% believe they are highly financially literate.

The remaining 25% admit they don't know much about finances.



- Awareness of Financial Concepts:
74% of respondents are familiar with the concept of compounding.
- 68% are aware of tax-saving instruments.



Interpretation:

In order to make wise investment decisions, a sizable portion of the workforce must comprehend basic financial concepts. Nonetheless, the fact that more than 25% of those surveyed are unfamiliar with these ideas suggests that financial education needs to be improved.

2. Investment Behaviour Patterns

- **Regularity of Investments:**
70% of employees *invest regularly*, while 30% do not engage in consistent investment activities



Interpretation:

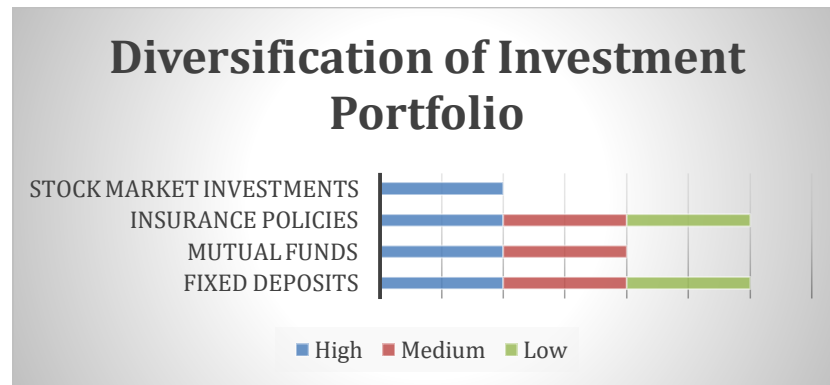
It is encouraging that a large portion of employees are regular investors, indicating that most of them understand the value of investing. Initiatives that highlight the benefits of consistent investing practices, however, might help the 30% of people who don't invest on a regular basis.

- **Preferred Investment Avenues:**
The most popular investment options among respondents include:
Fixed deposits, Mutual funds, Insurance policies, Stock market investments

Interpretation:

Mutual funds and fixed deposits are preferred, which suggests a propensity for safer investment options. A cautious approach to investing or a lack of faith in more intricate investment vehicles could be the cause of this.

- **Diversification of Investment Portfolio:**
Higher financial literacy among staff members is associated with a more varied investment portfolio that includes stocks and mutual funds. Because they are seen as safer, fixed deposits and insurance policies are typically preferred by those with less financial literacy.



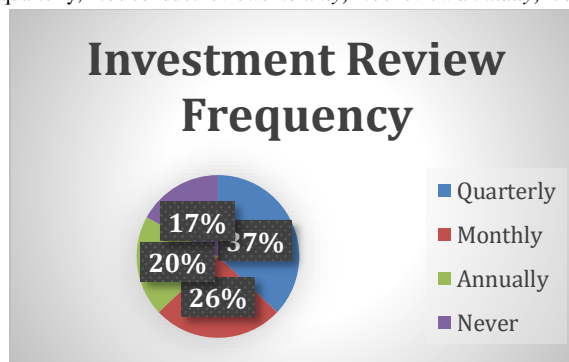
Interpretation:

Diversification of investments seems to be influenced by financial literacy. Diversification is beneficial for risk management and return optimization, as knowledgeable investors are aware.

3. Investment Review Frequency

- Frequency of Investment Review:**

37% review their investments quarterly, 26% conduct reviews *monthly*, 20% review *annually*, 17% *never* review their investments.



Interpretation:

Investments should be reviewed on a regular basis in order to adapt strategies to changes in the market. The fact that 17% of investors never review their investments points to a possible area where financial management could be encouraged to be more proactive.

- Influences on Investment Decisions:**

Decisions are influenced by personal financial knowledge, advice from well-wisher, financial advisors.

Interpretation:

Even though first-hand experience is important, depending too much on outside counsel indicates that not all staff members are completely comfortable with their investment choices. Increasing financial literacy may help people rely less on possibly unreliable advice.

4. Impact of Financial Literacy on Investment Confidence and Behaviour

- Confidence in Investment Decisions:**

Employees who are more financially literate are more likely to invest in a range of instruments and show more confidence when making investment decisions.

People who are less financially literate frequently feel insecure and favour conventional, low-risk investments.

Interpretation:

Employees with financial literacy are better equipped to investigate a variety of investment options and make well-informed decisions, which may result in increased returns.

- Participation in Financial Education Programs:**

Attending financial awareness programs improves investment habits and increases the likelihood that employees will diversify their portfolios.

Interpretation:

Investment behaviour is positively impacted by educational initiatives, highlighting the importance of workplace financial literacy initiatives.

FINDINGS

Financial Literacy Levels:

Although most people have a reasonable grasp of basic financial concepts, a sizeable portion (25%) still lack financial literacy, suggesting that targeted financial education initiatives could help.

With 46% evaluating their knowledge as moderate and 29% as high, a sizable percentage of employees showed moderate to high financial literacy. Approximately 68% of respondents knew about tax-saving tools, and 74% understood the idea of compounding.

Investment Participation and Preferences:

A preference for diversified investment portfolios and a stronger inclination for regular investing seem to be associated with higher financial literacy. Approximately 70% of employees' said they regularly participated in investment activities. Among the most popular investment options were stocks, mutual funds, insurance, and fixed deposits. Higher-literate employees tended to spread their investments across a variety of instruments, whereas less-literate employees favoured safer choices like insurance and fixed deposits.

Frequency of Investment Review:

Financial education may promote more proactive investment management since it is linked to increased financial literacy and regular portfolio monitoring and adjustment.

Higher financial literacy among employees was associated with more frequent portfolio reviews. It was less common for people with less financial literacy to periodically review and modify their investments.

Influences on Investment Decisions:

Employees with greater financial literacy are better equipped to make their own wise investment choices.

Higher financial literacy among employees meant that they were less reliant on outside counsel and more on their own expertise. Friends, relatives, or financial advisors' advice had a greater impact on those with less financial literacy.

SUGGESTIONS

Improving employees' financial literacy is essential for encouraging wise investment choices and general financial health. The following ideas and recommendations are put forth in light of the data supplied and the knowledge gained from numerous studies:

- Implement Comprehensive Financial Education Programs
- Make it easier for people to access financial experts
- Offer carefully chosen financial resources
- Recognize and Reward Financial Literacy Initiatives

CONCLUSION

"The Influence of Financial Literacy on Investment Behaviour Patterns of Employees" is a study that shows how important financial literacy is for employees' investment decisions and overall financial health. A big chunk of employees had moderate to high financial knowledge; 46% said they knew moderately and 29% said they knew a lot. In particular, 74% of those who answered knew what compounding was and 68% knew about tax-saving tools. This means that even though most people have a good understanding of basic money concepts, there is still a large group (25%) that doesn't know much about money. This shows that targeted financial education programs could help this group learn more.

Regarding participation in investments, roughly 70% of employees' said they regularly make investments. Stocks, mutual funds, insurance, and fixed deposits were among the most popular investment options. While employees with lower levels of financial literacy favoured safer options like insurance and fixed deposits, those with higher levels tended to diversify their investments across a range of instruments. This suggests that a stronger inclination for consistent investing and a preference for diversified investment portfolios are correlated with higher levels of financial literacy.

Additionally, the study discovered that employees with greater financial literacy were more likely to regularly review their investment portfolios. People who were less financially literate were less likely to periodically review and modify their investments. This implies that greater financial literacy is linked to consistent portfolio monitoring and adjustment, underscoring the significance of financial education in promoting proactive investment management. The study also found that employees who were more financially literate relied less on outside advice and more on their own knowledge. Advice from friends, family, or financial advisors, on the other hand, had a greater impact on people with lower financial literacy. This emphasizes how improved financial literacy empowers employees' to make their own, well-informed investment choices.

The study concludes that there is a direct correlation between employees' investment behaviour and their level of financial literacy. Regular portfolio reviews, increased financial independence, and more knowledgeable and diversified investment choices can all result from improving financial literacy. These findings highlight the necessity of focused financial education initiatives to enhance employees' capacity for making sound financial decisions and their general financial health.

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