

A Study of Financial Literacy and Its Reflection on Investment Decisions Among the Private Sector Employees with Special Reference to Latur City

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Introduction:

Financial literacy is the education and understanding of various financial areas including topics related to managing personal finance, money and investing. It refers to knowledge required for managing personal finance. It encompasses an understanding of how to use credit responsibly, manage money and savings, minimize financial risk and derive long-term benefits. Financial literacy is an integral part of the financial inclusion. It is also about changing the behavior in the financial pattern and activities of individuals. It is not just about imparting the financial knowledge and information. It is also about changing the behavior in the financial pattern and activities of individuals.

➤ Research Problem:

India is expecting to become superpower. We are the sixth largest economy in the world. We are having the youngest population in the world. This fact has another aspect too. It means the majority of our human resource will start earning and shape national economic development. The values inculcated in their mind will shape the future of our nation. A habit of perfect personal financial planning and productive investment will definitely show the sign of improvements. In short financially literate investor has a potential to do better financial planning.

The geographical location of Latur city is such that it is lacking water supply and other natural resources too. The city has traditional agriculture and industrial style of economy. It is famous for food grains and oil seeds. The city is facing regional imbalance in overall growth, but it could successfully emerge as upcoming education hub. Since Latur city

has some agriculture and industrial area the civilians are largely depend upon the agriculture sector as well as private sector employment. This research tried to study the degree of investment awareness in the private sector employees from Latur city to frame an overall aptitude regarding investment and attempt to focus on probable steps to be taken and cover for better investment culture.

➤ Objective of the Study:

1. To study the level of financial literacy among the private sector employees in Latur city
2. To understand the perception of the private sector employees in Latur city towards financial literacy and investment planning
3. To know about impact of income level, educational level and family background on financial literacy and investment planning
4. To study role of on financial planner and retirement advisor towards financial management

➤ Research Methodology:

This research has tried to collect most of the related information with tools like Primary and secondary collection of data. The primary data collection is made by personally visiting the private sector employees working in Latur city. Collection of secondary data is through published in newspapers, periodicals Journals and authentic websites etc.

➤ Scope of the study :

The Scope of the study is restricted to the Latur City only. In this study researcher has evaluated the financial literacy level among the civilians in Latur city and the impact of their financial literacy level on their personal financial management and investment habits. The findings of the study and conclusions are drawn on the basis of information collected by using

questionnaire and personal communication with 250 respondents.

Periodical Scope:

For this research study, the data has been collected from the past 10 years for the Secondary data, and 5 years for the primary data.

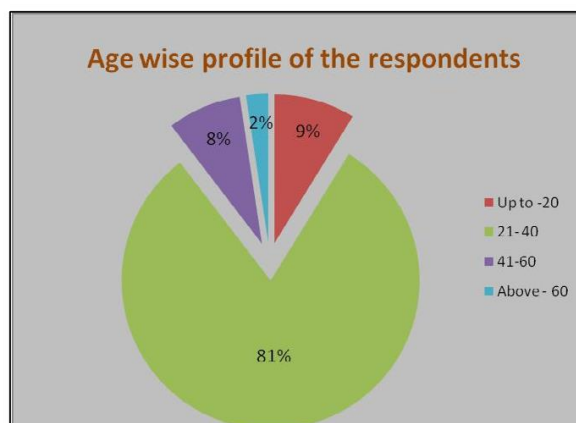
Geographical Scope:

The data for this research is collected from Latur city.

Operational Scope:

This study has taken into consideration savings and investment related habits of the respondents. Saving is done for meeting the short term goals. The money kept in saving account is very safe and the returns are very low but another dimension of saving money is that the saved money can be used whenever required. Investing means we are keeping our money aside for long – term goals. There is an always a risk for the growth

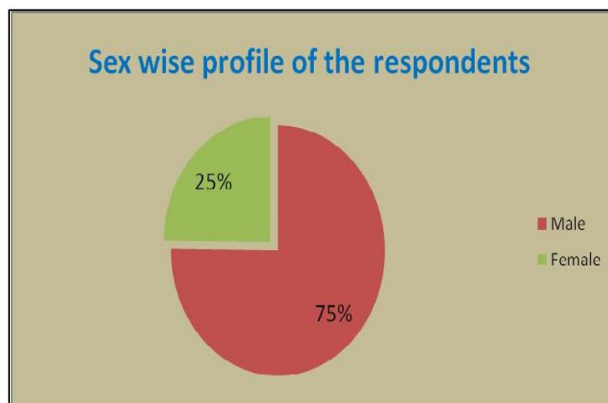
Sr. No.	Age	Number of Respondents	Percentage
1	Up to -20	22	9%
2	21- 40	202	81%
3	41-60	20	8%
4	Above - 60	6	2%
Total		250	100%



The age wise profile can be analyzed which is useful to study the saving and investment pattern of the respondents in relation with many responses. (9%) respondents are (up to 20 years),

Majority (81%) of the respondents (between 21-40 years), (8%) respondents are between (41-60 years) and (2%) respondents are (Above 60 Years)

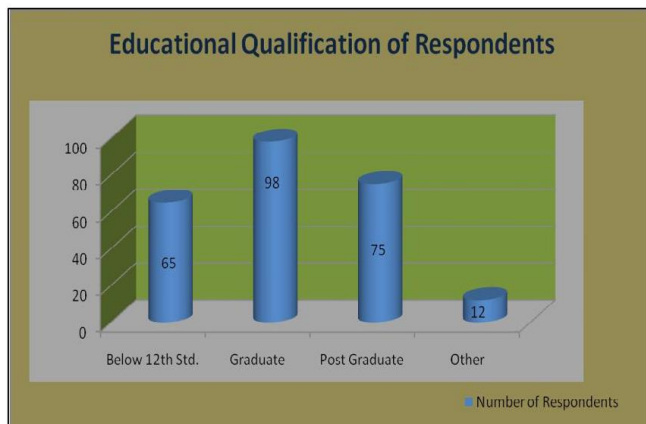
Sr. No.	Sex	Number of Respondents	Percentage
1	Male	188	75%
2	Female	62	25%
Total		250	100%



The male respondents are 188 out of 250 (75%) and Female respondents are 62 out of 250 (25%). It clearly shows that males are in dominating position in taking saving and investment decisions. The above chart

also represents the Indian scenario of the saving and investment decision pattern in general sense.

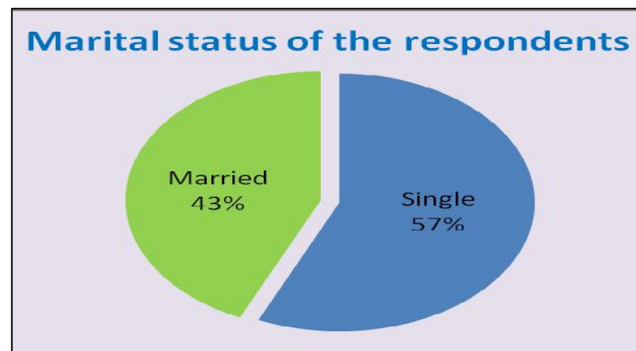
Sr. No.	Qualification	Number of Respondents	Percentage
1	Below 12th Std.	65	26%
2	Graduate	98	39%
3	Post Graduate	75	30%
4	Other	12	5%
Total		250	100%



We can say that out of 250 respondents 65 having qualification below 12th std., 98 respondents are graduate, 75 are post graduate and 12 respondents are having other type of qualification like diploma

courses and other professional courses etc. The researcher tried to analyse the responses on the basis of educational qualification. The researcher thinks that qualification affects the investment decision.

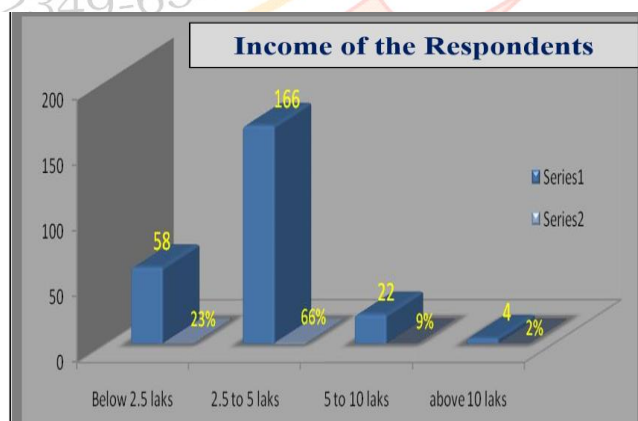
Sr. No.	Marital Status	Number of Respondents	Percentage
1	Single	142	57%
2	Married	108	43%
Total		250	100%



We can say that 43% of the respondents married and 57% of the respondents are single. The marriage is one of the important factor for the investment related

decisions because it increase the responsibility on individual and there is a much need of financial security for the individuals as well as his family.

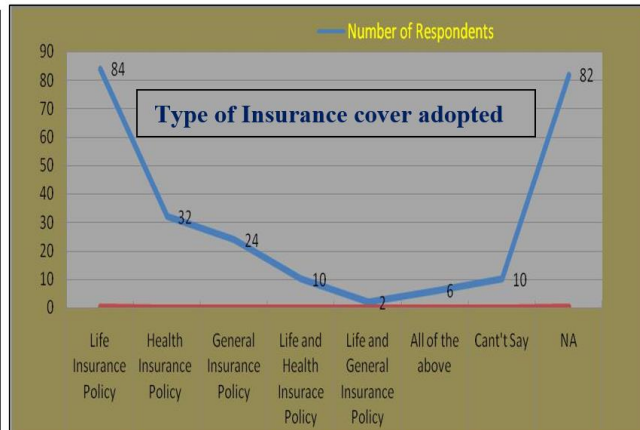
Sr. No.	Annual Income (In Rs.)	Number of Respondents	Percentage
1	Below 2.5 <u>laks</u>	58	23%
2	2.5 to 5 <u>laks</u>	166	66%
3	5 to 10 <u>laks</u>	22	9%
4	above 10 <u>laks</u>	4	2%
Total		250	100%



From the above table and graph we can say that 58 (23%) respondents are having income below 2.5 lakhs, 166 (66%) respondents are having income between 2.5 to 5 lakhs, 22 (9%) are earning between 5 to 10 lakhs and only 4 (2%) are earning more than

10 lakhs . The researcher studies various responses on the basis of their income level.

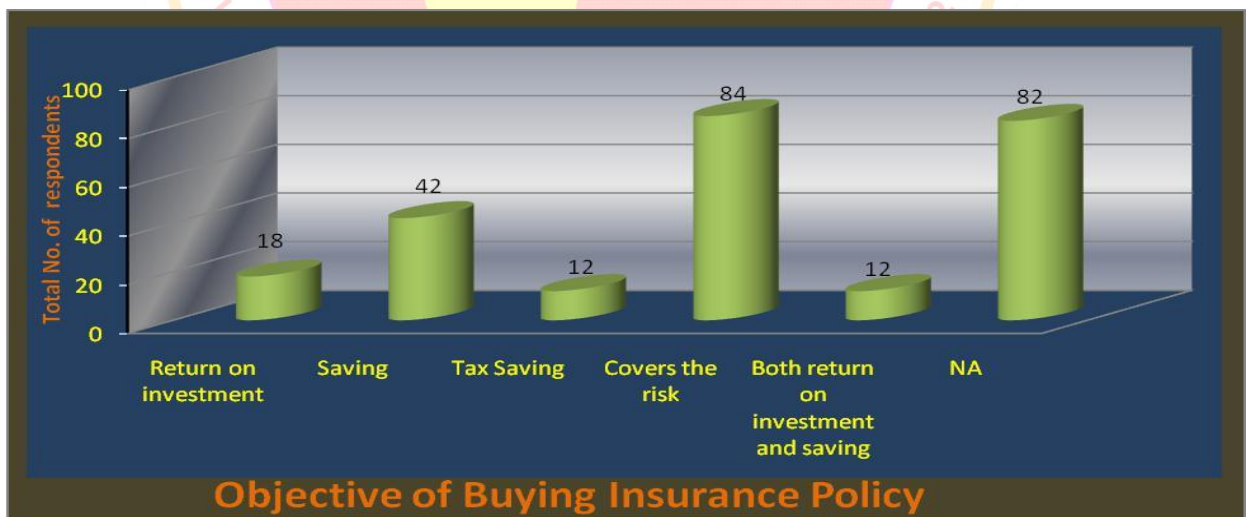
Sr. No.	Having insurance cover	Number of Respondents	Percentage
1	Yes	168	67%
2	No	82	33%
Total		250	100%



From above table this is clear that out of 250 respondents 168 (67%) are have the insurance cover and 82 (33%) are not having insurance cover.

The above graph shows that out of 250 respondents 84 (34%) are having the life insurance policies and 32 (13%) are having the health insurance policies, since majority of respondent are still single and young it may be the wrong decision. It clearly shows the financial illiteracy among them. The 24 (10%) respondents had taken general insurance policy, 10 (4%) are having both life and health insurance policies, 2 (1%) are having both life

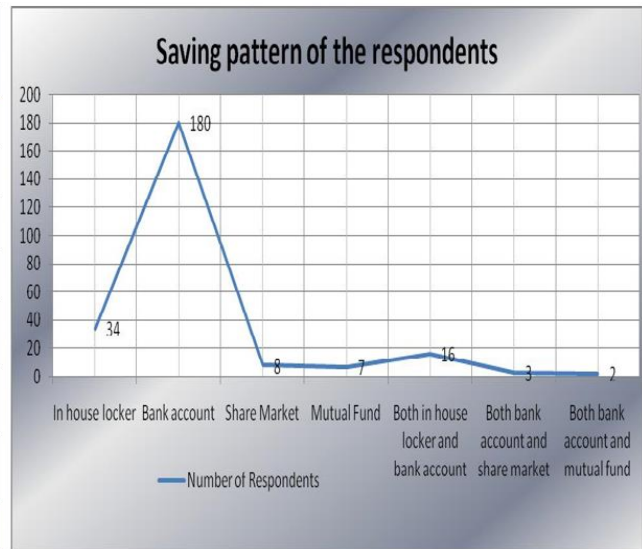
and general insurance policies and 6 (2%) are have taken all types of insurance cover it also shows the low level of financial awareness among the respondents. The 10 (4%) respondents don't know which type of insurance policies adopted by them it shows that they may be relied on the agents and investment advisors for taking this type of decision. 82(32%) respondents are not having the insurance policies which also state the negligence among the respondents towards covering the risk.



The above graph shows that 18 (7%) respondents taken insurance policy for investment purpose, 42 (17%) for saving purpose and 12 (5%) for the tax saving purpose. The insurance is not an investment and saving product.

So, from above it can be stated that these people need financial education. 12 (5%) respondents had adopted insurance policies for tax saving it may be possible in some of the insurance products, Majority i.e 84 (33%) of the respondents had taken insurance cover for covering the risk which shows good sign as they may be aware about the benefits of insurance cover. 82 (33%) respondents had not taken the insurance cover so this question is not applicable to them.

Sr. No.	Saving Methods adopted by the respondents	Number of Respondents	Percentage
1	In house locker	34	14%
2	Bank account	180	72%
3	Share Market	8	3%
4	Mutual Fund	7	3%
5	Both in house locker and bank account	16	6%
6	Both bank account and share market	3	1%
7	Both bank account and mutual fund	2	1%
Total		250	100%

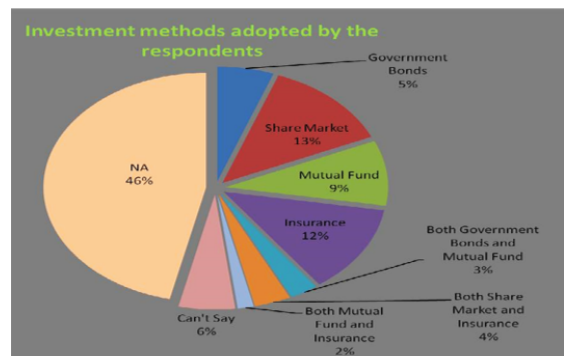


From above table and graph, it is clear that out of respondents 34 (14%) respondents saves their money in house locker, 180 (72%) keep their money in bank account which shows that these peoples are very clear about the saving pattern, because keeping the money in bank account will give some returns to the saves as compare to keep money in house locker. 16 (6%) respondents keep their money both in bank account and house locker which indicate that these are the smart savers of their money. 8 (3%), 7 (3%), 3 (1%) and 2 (1%) respondents invest their money in

share market, mutual funds, both in bank account and share market and both in bank account and mutual funds respectively.

This good indication but the question asked here about the saving method adopted by the respondents and keeping money in share market and mutual funds is not a saving tool it clearly shows that these people don't know the difference between saving and investment tool and this people need a financial education for better financial planning

Sr. No.	Investment methods adopted By the respondents	Number of Respondents	Percentage
1	Government Bonds	14	5%
2	Share Market	32	13%
3	Mutual Fund	23	9%
4	Insurance	31	12%
5	Both Government Bonds and Mutual Fund	7	3%
6	Both Share Market and Insurance	9	4%
7	Both Mutual Fund and Insurance	4	2%
8	Can't Say	14	6%
9	NA	116	46%
Total		250	100%



➤ **Conclusion of the study:**

The present research work is started keeping some objectives and assumptions in mind. These objectives and assumptions directed researcher to frame general conclusions after detail data analysis. There is need of financial education

among the people. Degree of investment awareness among the private sector employees is strategically important having long run impact on the economy. The oldest investment practices like investment in gold or real estate is still there in the minds of respondents. Modern investment options like shares and mutual funds are rarely

chosen by the respondents. Bank Fixed Deposit is still most preferred form of majority of the respondents and majority of the respondents feel that procedure for taking modern investment products is very complicated.

➤ **Suggestions and Recommendations of the study:**

1. Investment information must be provided in mother tongue and in simpler form in order to obtain desired result. Mere theoretical information can't prove beneficial. Realistic and practical illustration should be provided in an attractive manner to provide maximum financial awareness.
2. Along with theoretical knowledge, practical experience of subscribing various investment avenues should be provided to the peoples and advanced training of which should be provided to the employees.
3. Modern investment options should be explained with simple language with the help of posters, brochures on the occasion of annual assembly to spread the message among huge stakeholders.
4. Government can arrange practical investment training, possible smart investment techniques, do's and don'ts of investment along with the participation of teachers, resource persons and students with the help of curriculum in the education system.
5. Ability to judge suitability of investment option, evaluating the risk return proportion should be inculcated among young investors which constitute the objective of financial awareness.

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