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## *Interrelationship between Investment Behaviour and Financial Literacy: A study with specific reference to Married Women in Pollachi Taluk*

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**Abstract:** *Financial literacy is the combination of awareness, knowledge, skill, attitude and behaviour of an individual to make a sound financial decision. It is very difficult to understand the risk associated with the financial products and markets. In order to understand the risk and return of the financial products, minimum level of financial literacy is must. Those persons who are financially literate will choose the financial products by analysing the risk and return associated with that for making investment. Basically women are more conservative than men while investing and are risk avoiders. In this case, the present study aimed to analyse the relationship between investment behaviour and financial literacy of married women's. A sample of 172 married women's from Pollachi Taluk was selected for the study. Data was analysed using the statistical tools namely Simple percentage and Chi-square. The result of the study reveals that, most of them prefer traditional financial products and are risk avoiders. Only minimum numbers are risk seekers. And also there exist relationship between investment behaviour and financial literacy.*

**Keywords:** *Financial Literacy, Investment Behaviour, Married Women, Investment Avenues, Awareness, Preference.*

### I. INTRODUCTION

India has witnessed higher economic growth after opening up of the economy in the early 1990's. The economic growth has increased the income level of individuals. Today, a number of investment avenues in the form of various financial products are available to an individual. An individual, after doing a thorough market study and according to his needs and circumstances, has to decide which investment avenue has to be chosen. Individuals behave differently while investing, because investment behaviour of an individual depends upon how much risk an individual is willing to take and what are his expectations in terms of returns generated from the investments. (Puneet Bhushan and Yajulu Medury, 2013). Every individual want to invest money in order to get return and for productive use of money. (Parihar B.B.S. and K.K.Sharma, 2012). Now a days consumer are not just choosing between interest rates on two different bank loans or savings plans, but are rather being offered a variety of complex financial instruments for borrowing and saving, with a large range of options. The Organization for Economic Co-operation and Development (OECD) has defined financial literacy as "a combination of awareness, knowledge, skill, attitude and behaviour necessary to make sound financial decisions and ultimately achieve individual well being". Financial literacy helps individuals to improve their level of understanding of financial matters which enables them to process financial information and make informed decisions about personal finance. The importance of improving financial literacy has increased due to factors including the development of new financial products, the complexity of financial markets, and the changes in political, demographic, and economic factors. (Hussein. A. Hassan AL-Tamimi and AL Anood Bin Kalli, 2009).

Research has shown that levels of financial literacy worldwide are unacceptably low. Developing countries have much less financially literate population as compared to developed countries. People find it difficult to take decisions regarding personal

finance issues confidently and often make mistakes. In India also, the level of financial literacy is very low. The governments and various organizations such as Economic Co-operation and Development (OECD), the U.K. Department of International Development (DFID), and the World Bank are promoting financial literacy in developing countries by imparting financial education. Financial education empowers individuals to take their financial decisions in a better way. (Puneet Bhushan, 2013) For financial education to be effective, one must know the level of financial knowledge required for an investor and their attitude and behaviour. Financial education is increasingly important, and not just for investors. It is becoming essential for the average family trying to decide how to balance its budget, buy a home, fund the children's education and ensure an income when the people retire. Of course, people have always been responsible for managing their own finances on a day to day basis – spend on a holiday or save for new furniture; how much to put aside for a child's education or to set them up in life – but recent developments have made financial education and awareness increasingly important for financial well-being.

India has one of the highest savings rate in the world which shows that Indians are having a high propensity to save. But most of the savings made by Indian households is in the form of bank deposits, thus the allocation of savings is a great cause for concern. Reserve Bank of India's report reveals that only 1.3% of Indian households' savings was invested in equity, mutual funds and debentures. Indians by investing their money in low yielding instruments and traditional financial products are not able to take advantage of new age financial products which have the potential to generate higher returns. The main reason behind this is the low financial literacy (Bhushan and Medury, 2013). As life expectancy is increasing, the pension question is particularly important as individuals will be enjoying longer periods of retirement.

The Reserve Bank of India (RBI) has mandated that banks take the initiative to enhance financial inclusion and financial literacy in the country. A draft national strategy for financial education was prepared and released by RBI in July 2012. India ranks 11<sup>th</sup> in financial literacy of women among 14 Asia pacific countries. Various studies suggest that, on an average, women are less knowledgeable than men about money matters and investing. Women are more conservative while investing and are unwilling to take risk. Thus women should be offered such financial products which are best suited for them in terms of risk and return characteristics. For this the developers and marketers of these financial products should understand the gender differences in investment behaviour of individuals. (Puneet Bhushan and Yajulu Medury, 2013).

## II. REVIEW OF LITERATURE

Hussein. A. Hassan AL-Tamimi and AL Anood Bin Kalli's (2009) in their study found that, a significant difference in the level of financial literacy was found between the respondents according to their gender. Women are found to have lower level of financial literacy than men. Also, the result indicates that there is significant relationship between financial literacy and investment decisions. Geetha .N and M. Ramesh (2011) identified that, people were not aware about all the investment options available to them and they lack knowledge about securities. Income level of the individuals is an important factor which affects portfolio of the respondents. Aparna Samudra and M.A. Burghate (2012) studied the investment behaviour of households and found that, bank deposits remains most preferred instrument of investment followed by insurance.

Sood and Medury (2012) have studied the association between demographic variables and investment preference. Their study reveals that, males prefer mutual funds and life insurance product for making investment whereas females prefer recurring deposits and market investments. And the result of the study shows that, investment preferences are not affected by age, gender, income, marital status and employment status. Bashir et. al (2013) in their study suggests that, females are more risk averse than males whereas young and educated people are attracted more towards new risky investment opportunities and want to invest money in these instruments but they hesitate because of limited resources and lack of investment opportunities as well as absence of investment trends.

Puneet Bhushan (2014) reveals that, financial literacy level affects awareness regarding financial products. This clearly implies that, due to low level of financial literacy, individuals invest their money in traditional financial products and are not able to take advantage of new age financial products which can offer them higher returns.

### **III. STATEMENT OF THE PROBLEM**

Investors have various avenues of investment in which they can invest their money. There are lots of difficulties in taking an appropriate decision on how to go about in investing in the various financial assets available in the market. In order to enable the correct investment decision to be made, investors have to know the features and the key factors associated with different types of investment avenues open before them. At present, business related dailies, investment connected magazines, internet, advice of financial planners, opinion of share broker, recommendations of real estate agents, advertisement of jewellery mart are available to gather the require amount of information. Though a large number of sources of information are available to an investor (a) Do investors depend on any one source or what type of sources does an individual investor use to get the required information? At present, an investor has to take a decision in a challenging environment. Generally investors need the necessary knowledge, competence and experience to make the best use of the available information of insurance schemes, bank operations, post office schemes, mutual fund types, fundamentals of company matters, stock exchange dealings, gold rates and real estate updates. Against this backdrop it becomes imperative to know (b) whether the investors has financial literacy about different investment avenues?

### **IV. OBJECTIVES**

The study makes an attempt to seek solution to the questions raised. Accordingly, the objectives framed are

1. To study about investment behaviour of married women investors.
2. To measure the extent of level of financial literacy of married women.
3. To find out the association between components of investment behaviour and the level of financial literacy of married women.

### **V. SAMPLING**

Convenient Random Sampling was adopted to select the women investors. The area of the study has been confined to Pollachi taluk of Coimbatore District only. Of the total number of women investors in Pollachi taluk, 250 investors were selected at random. The data for the study have been collected through the structured questionnaire. 250 questionnaires were distributed among the women investor, the response rate was 73%. Out of the response received, 11 responses were found to be incomplete. The results of the study are based on the responses of the remaining 172 women investors.

### **VI. FRAME WORK OF ANALYSIS**

The data required for the study is primary in nature. The data collected have been analysed by using different statistical tools. The level of financial literacy has been measured by constructing an index called 'Financial Literacy Index'. Three point Likert scale has been adopted to measure the level of financial literacy. The financial literacy index has been ascertained by converting the score of each investor into percentage. The financial literacy index ranges between 31 to 82 and their overall average financial literacy index is 51.04. Null hypotheses have been framed and tested to ascertain the factors that are significantly associated with the level of financial literacy.

### **VII. SIGNIFICANCE OF THE STUDY**

The findings of the study will be immensely helpful to Insurance Authorities, Bank Officials, Post Office administrators, Mutual Fund operators, Stock Exchange dealers, Jewellery mart owners and Real Estate brokers to introduce new investment schemes as expected by women investors and to remove the wrong myth that prevails among the women segment. The

Regulatory bodies, investor's forum and social clubs may conduct financial literacy programme to give the real picture about the various investment avenues and to take necessary step to safeguard the interest of investors who would like to invest their hard earned money. Investors get enlightened about sources of investment information and the various precautions that the government has initiated.

### VIII. FINDINGS

i) **Socio, Economic and Occupational Profile** - Out of 172 women investors, 39.53% of them are in middle age group that ranges from 31 to 40 years and majority of 56.40% are from rural area. 41.86% of investors are highly educated with Post Graduate qualification. Majority of 56.40% investors belongs to salaried class. Of the total, 36.63% investors monthly income is below Rs.15,000 and the family income of 36.05% investors ranges between Rs.30,001 and Rs.45,000.

Table 1: Socio Economic and Occupational Profile

Factors	No. of Investors (N=172)	Factors	No. of Investors (N=172)
<b>Age</b> : Up to 30 31 – 40 41 and above	48(27.91) 68(39.53) 56(32.56)	<b>Area of Residence</b> Rural Urban	97(56.40) 75(43.60)
<b>Educational Qualification</b> Up to HSC UG PG Professional	35(20.35) 23(13.37) 72(41.86) 42(24.42)	<b>Monthly Income</b> Nil Below Rs.15,000 Rs.15,001 – Rs.30,000 Above Rs.30,001	24(13.95) 63(36.63) 46(26.75) 39(22.67)
<b>Occupation</b> Salaried Business Agriculture Professional Retired & House Wife	97(56.40) 13(07.56) 13(07.56) 17(09.88) 32(18.60)	<b>Family Income</b> Below Rs.30,000 Rs.30,001 – Rs.45,000 Rs.45,001 – Rs.60,000 Above Rs.60,000	33(19.19) 62(36.05) 41(23.83) 36(20.93)

ii) **Motives for Investment** - Every investor have various motives for making investment. Among total women investors, 82.56% investors have invested their savings for their children education. It is followed by the motives for pleasant retirement life, children marriage and health care of the family members.

iii) **Preferred Investment** - Preference of individuals on investment product differs from person to person. Among the total 172 women investors, majority of 91.86% investors prefer bank deposits for making their investment, followed by life insurance, gold or silver and least preferred investment avenues are equity shares and mutual funds.

iv) **Factors Considered for Investment** - There are various factors which influence the investors investment pattern. Of the seven factors considered for this study, the safety of the money is considered as the first and foremost factor by 98.84% investors. Next to this is the rate of return that an investment has to provide is considered by the investors. Least importance is provided to less procedure by the investors.

v) **Percentage of Investment** - Out of 172 women investors, majority of 52.91% investors invest 10 to 20 % of their income.

vi) **Expected Rate of Return** - Most of the investors expect 11 to 20% of return from their investment and only around 10% investors expect more than 30% return from their investment.

vii) **Extent of Risk Perception** - Majority of women investors are risk avoiders and only around four percent alone are risk seekers.

The selected socio, economic, information seeking and investment behaviour variables are compared with financial literacy to know about the association between them. The chi-square test has been applied to find out the association between the selected variables and the level of financial literacy.

Table 2: Attributes Associated with Financial Literacy

Attributes	$\chi^2$	Attributes	$\chi^2$
Age	1.779	Percentage of Investment	5.852
Educational Qualification	3.939	Expected Rate of Return	5.079
Occupation	6.382	Person who provides help during financial problems	9.676*
Monthly Income	1.932	Nature of fund used	9.610**
Family Income	4.735	Extent of Risk Perception	7.906***
Frequency of Professional Advice	22.126**	Extent of freedom	8.415***
<b>Usage of Media:</b>		<b>Motive of Investment:</b>	
<i>Regularity of Reading –</i>		Children Education	0.716
General newspaper	6.698*	Retirement Period	0.382
Investment related Newspaper	0.415	Children Marriage	1.249
<i>Regularity of Viewing –</i>		Health Care	5.108***
General programs	1.628	<b>Investment Avenues:</b>	
Business related programs	6.429*	Bank Deposits and Post Office savings	0.713
<b>Usage of Information Avenues:</b>		Life Insurance	0.436
<i>Regularity of Viewing –</i>		Equity Shares	2.916
Advertisement	10.559*	Chit Funds	2.152
Internet	9.533*	Gold and Silver	5.106***
<i>Regularity of Advice from –</i>		Mutual Funds	6.976*
Spouse	7.957*	Real Estate	9.211**
Relatives/Friends/Peer group	5.251		
Stock brokers and agents	9.662*		

\* Significant at five percent level

\*\* Significant at one percent level

\*\*\* Significant at ten percent level

The Table 2 shows the attributes which are associated with financial literacy. Totally thirty two variables have been tested in order to identify their association with the financial literacy. It is found that, only fifteen variables such as Reading General Newspaper, Viewing business related programs, Advertisement and Internet, Regularity of asking advice from Spouse and Stock brokers, Person who provides help during financial problems, Nature of funds used, Extent of Risk Perception, Extent of Freedom to take financial decisions, Motive of Investment for Health care, Prefer to Invest in Gold and Silver, Mutual Funds and Real Estates are significantly associated with financial literacy.

## IX. SUGGESTIONS

### To Government

1. Government may educate the women investors through self help group and through village Panchayat by conducting various special programs relating to financial products, its markets and the current scenario of economy, etc.
2. The Government should not only concentrate on promoting the number of Regulatory authorities but also they should shown importance in maintaining the functions of Regulatory Authorities in the real sprit.

### To SEBI, IRDA

1. They should organize awareness campaign and orientation programme for investor especially for women in their local language.
2. They should render all sorts of assistance to investor forum to extend their service to the women investors at a very frequent interval.
3. They may appoint some persons especially for educating the women about the financial inclusion which is essential for their life.

### To Investor Forum / Non-Government Organisation

1. Number of Investor forums must be formed and they must invite women investors to participate in that, so that they can get very good exposure about the financial aspects

2. They must take initiatives up on to start investor clubs in school and colleges to educate the student about investment and help them to save money.
3. NGO's should work as grievances cell, in order to help women investors to overcome their financial problems with suitable suggestions for their investment.

#### **To Women Investor**

1. Every woman must cultivate the habit of reading and watching of information's relating to Investment. Not only they should make an attempt to know the things in general but also they should try to understand pros and cons of each investment avenues in particular.
2. Should participate in investor forum activities which is functioning with an aim to enrich the level of knowledge on financial investment.
3. As women investors mostly prefer safety and traditional investment avenues for making investment must be bold enough to try various new and modern investment avenues and they must learn to face risk.
4. Every investor should develop the knowledge about various investment avenues, but they should equip themselves in lodging of complaints, as and when they come across a problem.

#### **X. CONCLUSION**

Of the various dimensions of behavioural finance, the present study has earnestly examined the financial literacy of women on financial products available to them. This study reveals that, young generation have high level of financial literacy than others. Financial education is increasingly important. It is becoming essential for the average family trying to decide how to balance its budget, funds for children's education, and funds for health care and ensure an income when they retire. Hence, every women investor must be aware on financial products and markets and they can do so by reading and watching various sources of information. As the Indian economy is having more population of young generation, the government must educate them and must help to bring their savings as investment in financial products; this will help the economy to grow larger and at a faster speed.

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