



TO STUDY THE ROLE OF FINANCIAL LITERACY IN INFLUENCING THE INVESTMENT DECISION OF WORKING PROFESSIONAL IN INDORE CITY

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Abstract : This study intends to investigate the relationship between working professionals income ,higher education toward financial management behavior, investment Decision , financial knowledge, financial literacy, and financial attitude.

chosen through the use of survey and questionnaire method . The findings indicate that financial literacy is influenced investment decision by income. Learning in higher education has no bearing on how people handle their finances. Financial management practices are unaffected by financial knowledge. effects of financial literacy on money management practices. The impact of financial attitude on financial management practices.

Key Words : Financial Literacy ,working profession,

Introduction: This study focused on the role of financial literacy in influencing the investment decision of working professional in Indore city These days, having an understanding of financial management is necessary as handling money is a reality that everyone must deal with. When implementing financial knowledge, it is crucial for someone to have effective financial investment decision .The most crucial lubricant for any nation's economic development is financial literacy. There is an urgent need for financial education, which is a two-way process that involves both teaching and learning. In a more dangerous.

The 2014 NISM Report on Financial Inclusion and Financial Literacy in India. Five Indian zones, including Union Territories, were included in the study. Three criteria, such as knowledge, behavior, and financial attitude, were utilized to determine the degree of household financial knowledge. The financial inclusion index is calculated using a variety of financial goods, such as banking products relating to savings, credit, insurance, capital markets, pensions, and commodities futures market products. The survey also noted that, in terms of

geographic mix and financial literacy, about 30% of households are from urban areas and 20% are from rural ones, but the results of financial inclusion showed that the majority of households with financial inclusion are from urban areas.

assess financial literacy by going over basic economic and financial concepts that are encountered in daily life, like basic interest rate and inflation calculations, risk diversification principles, the connection between bond prices and interest rates, and the decision-making.

The findings indicate that financial management behavior is influenced by income. Learning in higher education has no bearing on how people handle their finances. Financial management practices are unaffected by financial understanding. effects of financial literacy on money management practices. The impact of financial attitude on financial management practices. Behavior related to financial management is unaffected by locus of control.

One of the focal points for the country's economic development solution is the independence of the financial sector (Mukeri, 2010). Good money management practices are now crucial for raising people's standard of living. According to Kholilah and Iramani (2013), the practice of financial management is the capacity of people to do both short-term and long-term financial functions (planning, control, search, and storage). Understanding sound financial science and being able to use it in daily life are prerequisites for implementing the right financial management style. Financial knowledge is an understanding of finance that is then used in day-to-day living (knowledge and skill), according to Lusardi and Mitchell (2007). The significance of having financial knowledge into one of the endeavors to achieve the future well-being of life, which is achieved by acting in a manner consistent with the financial understanding. Hilgert et al. (2003) state that while financial knowledge is a component of the conceptual definition of financial literacy, the two concepts have somewhat distinct meanings but the same end aim.

While financial literacy refers to someone who already understands and is able to apply financial concepts, financial knowledge refers to someone who has a thorough understanding of finance.

circumstances in the financial markets. Prerequisite skills (primarily literacy and numeracy), understanding of how to obtain information and resources, self-assurance in one's abilities and knowledge, and a set of beliefs pertaining to individual financial responsibility are all need for this.

It is the process of taking the required actions to guarantee that a person is ready to handle unforeseen circumstances and is capable of achieving the financial objectives he has set out to accomplish (Shobha and Shalini, 2015).

The understanding of sound money management techniques is a component of financial literacy.

The study .One of the key components of any nation's economic development is its level of financial development. Because they participate in financial markets, investors—who are well-versed in the various

financial products and services—play a crucial role in accelerating boosting the development of finances. However, investors must have a thorough understanding of financial products in order to making financial decisions. The study of behavioral finance aims to explain how people spend and invest their money. Attitude, emotion, affection, and other traits inherent to social and intellectual beings who are capable of interacting with others through decision-making and action are all part of behavioral finance. A person with responsible behavioral finance prefers to use money more efficiently, which includes being frugal, creating a budget, exercising restraint when purchasing, and investing (Yunita, 2020).

The description of logical and well-managed decision-making patterns and behaviors in financial management is included in Financial Management Behavior. These include

Their desire and capacity for deliberate decision-making determine their behaviors (Wicaksono and Nuryana, 2020). According to the findings of this study, a person with strong financial management skills begins with financial literacy, self-control, and an intention or thought that drives the process of financial management planning.

Level of Financial Literacy

Concerns about financial preparedness are documented in recent studies demonstrating that both young and older adults lack the basic knowledge needed to make good financial choices. These concerns were heightened in a 2005 report by the Organization for Economic Co-operation and Development (OECD)

engage in the financial market and promote rapid financial development.

Theory of Behavioral Finance clarifies how an individual intentionally acts when

indicating that financial illiteracy is widespread across age groups and geographical areas.

Objective of the Study

- Finding proof that independent factors including income, college education, financial literacy, financial knowledge, financial attitude.
- Determine whether knowledge moderates the relationship between financial attitudes and financial management, as suggested by psychological research literature; and Evaluate factors associated with financial status satisfaction.

If instructors and professionals can comprehend how Factors Affecting Financial Management In keeping with earlier studies that have independently determined the direct impact of financial attitudes .Regardless of the income bracket they belong to, women play a significant role in economic development. In order to provide free financial education and counseling to both urban and rural people, the Reserve Bank of India started an effort in 2007 to build Financial Literacy and Credit Counseling Centers around the nation. Even if the government is taking steps to increase women's financial literacy, there is still a significant gap between women's financial literacy and decision-making skills. This essay is an effort to.

Overview

One of the key components of any nation's economic development is its level of financial development. The investors, who possess a thorough understanding of the many financial goods and services play a significant role in accelerating financial development. However, investors must have a thorough understanding of financial products in order to engage in the financial market and promote rapid financial development. Because an investor is unaware of the financial products and services that are on the market until they do. How does the market operate? What are the risks and returns associated with them? What are their responsibilities and rights? Legal procedures: what are they? They won't be able to invest in the appropriate financial goods and services or make wise decisions. To respond to all.

The understanding of sound money management techniques is a component of financial literacy. It covers every financial transaction a person makes, including earning, spending, borrowing, investing, and saving. It is the process of comprehending the monetary concerns and circumstances in the financial markets. Prerequisite skills (primarily literacy and numeracy), understanding of how to obtain information and resources, self-assurance in one's abilities and knowledge, and a set of beliefs pertaining to individual financial responsibility are all need for this.

It is the process of taking the required actions to guarantee that a person is ready to handle unforeseen circumstances and is capable of

achieving the financial objectives he has set out to accomplish (Shobha and Shalini, 2015).

The understanding of sound money management techniques is a component of financial literacy.

According to this study, each person's demographic characteristics correspond to characteristics that affect their decision to purchase banking services at the individual level (age, sex, training level, race, ethnicity, marital status, occupation, working level,

Level of Financial Literacy in India

The NCFE Financial Literacy and inclusion survey, 2019, puts the financial literacy levels for India at 27%. As opposed to this, financial literacy levels in Europe, US and Australia are in the region of 55% to 75%.

Financial Literacy and Behavior

Several studies showed that financial literacy is positively related to self-beneficial financial behavior. Hilgert,

Hogarth, and Beverly (2003) added financial behavior and financial literacy questions to the nationwide Survey of

Consumer Finances. They formed a Financial Practices Index based upon behavior in four variables: cash-flow

management, credit management, savings, and investment practices. Comparing the results of this index with scores on the financial literacy quiz, they found that those

who were more financially literate had higher Financial Practices Index scores, indicating that financial knowledge

is related to financial behavior.

In a study of Dutch adults, van Rooij, Lusardi, and Alessie (2007) found that those with low financial literacy are more likely than others to base their behavior on financial advice from friends and are less likely to invest in stocks. Mandell (2006) found that high school seniors with higher financial literacy scores were less likely than others to bounce a check and more likely to balance their checkbooks.

Financial Education and Behavior

While financial behavior seems to be positively affected by financial literacy, the effects of various forms of financial education on financial behavior are less certain. Research on the impact of retirement seminars has shown mixed results. Bayer, Bernheim, and Scholz (1996) found that employer retirement seminars increased the participation in and contributions to voluntary savings plans. Duflo and Saez (2003) reported that retirement seminars had a positive effect on participation in retirement plans, but the increase in contributions was negligible. Lusardi and Mitchell (2007) found retirement seminars had a positive wealth effect; however, this effect was found mainly for those with less wealth or education. Choi, Laibson, Madrian, and Metrick (2006) and Madrian and Shea (2001) found that participants in retirement seminars had much better intentions than follow through. Outside of retirement planning, Elliehausen, Lundquist, and Staten (2003) reported that credit counseling tended to improve both borrowing behavior and creditworthi-

ness. Hirad and Zorn (2001) found that pre-purchase counseling programs for potential home buyers decreased delinquency rates.

These concerns were heightened in a 2005 report by the Organization for Economic Cooperation and Development (OECD) indicating that financial illiteracy is widespread across age groups and geographical areas. Various surveys demonstrated that Americans lack the ability to make good financial choices (Chen & Volpe, 1998; Volpe, Chen, & Pavlicko, 1996; Volpe, Chen, & Liu, 2006). A Nellie May report (2005) indicated that 56% of undergraduate college students have four or more credit cards in their final year and that these students have an average balance of close to \$3,000. Only 21% of the undergraduates with credit cards pay their balances in full each month, and 11% paid less than the minimum amount. The average balance was over \$999 for 49% of the students while 7% had balances greater than \$7,000. Several researchers have reported that poor financial decisions hurt productivity in the workplace (Garman, Kim, Kratzner, & Brunson, 1999; Garman, Leech, & Grable, 1996; Joo & Grable, 2000; Kim, Bagwell, & Garman; Kim & Garman, 2004). Volpe, Chen, and Liu (2006) surveyed corporate benefit administrators who cited basic personal finance as an important area in which employee knowledge is deficient and recommended educational programs that focus on improving basic personal finance knowledge. Using the 2004 Health and Retirement Study (HRS) to test basic financial knowledge of adults over the age of 50, Lusardi

and Mitchell (2006) developed questions related to the understanding of interest compounding and the effects of inflation and risk diversification. They found widespread financial illiteracy that is particularly severe among the elderly, females, and those with limited education. The results with respect to the elderly were particularly surprising since most respondents over age 50 tend to have more experience with credit cards and bank accounts and have taken out at least one mortgage. Studies by the OECD (2005) and Lusardi and Mitchell (2007) reviewed international evidence on financial literacy and found that financial illiteracy is common in many developed countries such as Australia, Japan, and Korea, as well as developed countries in Europe. These findings are similar to those of Christelis, Jappelli, and Padula (2006) who found that most respondents in Europe score low on financial literacy scales.

Interstate variation of financial Literacy in India

State in India adult population are found financially literate ,the lowest proportion found is 5.70%(Puduchery)and the highest proportion is 5.70%(arunachal pradesh)

Chandigarh has the highest level of financial literacy with the 38 percent followed by delhi ,Dadra and Nagar Haveli with 32% and 31 percent .

State is no. 1 in literacy rate in India .

India's literacy rates vary significantly across states ,with Kerala leading at 96.2% the National

Statistical Office`s survey reveals urban areas show higher literacy rates than rural regions.Bihar report the lowest literacy at 61.8%

The Literacy Rate of Madhya Pradesh

Literacy rate in Madhya Pradesh has seen upward trends and is 69.32 percent as per latest population census .Of that ,male literacy stands at 78.73 percent while female literacy is at 59.24 percent .

Methodology

1.secondary sources of information. One hundred well-planned surveys using a Likert scale will be distributed to financially literate individuals in Indore city

2. in order to collect the necessary data, and tailored interviews .

3. Previous research papers, articles, financial reports, and other disseminated materials will be used to collect the supplementary data.

4.The information so gathered will be dissected by Pie and Bar Charts, Graphs and other conceivable measurable investigation utilizing Statistical.

Findings

A) Total 102 people given their responses through online questionnaire prepared in Google forms for the survey in Indore City. to ascertain the degree of financial literacy among Indore City's individual investors.

B) To investigate people's awareness of investments of the city of Indore.

C) To research how financial literacy affects people's investing habits.

D) To examine investment trends in order to make investment decisions.

E) The study is highly relevant for understanding financial awareness.

F) Also improve ,decision making process- provides a robust foundation for exploring financial knowledge.

Result

The questionnaire method used to retrieve data for this study yielded a questionnaires. Each respondent's attributes are described below according to their level of education, age, gender, status, and length of employment

To understand the relationship between **financial literacy**, **individual income**, and **financial knowledge** in Indore city, we can create a table that presents key variables. Each variable will represent different aspects that may affect financial literacy among individuals in the city.

Here's a table that summarizes these variables:

Variable	Description	Impact on Financial Literacy	Possible Data Points
Individual Income	The monthly or yearly income of an individual.	Higher income may lead to better access to financial education, resources, and opportunities.	Average household income in Indore (₹/month/year)
Financial Knowledge	The understanding of concepts like budgeting, saving, investing, insurance, etc.	Directly correlates with financial literacy. More knowledge equals higher literacy.	Surveys or tests measuring financial knowledge
Education Level	The highest level of formal education completed by an individual.	Higher education levels generally correlate with higher financial literacy.	% of population with high school, college, or higher education
Age Group	The age range of the individual.	Younger individuals may have less financial knowledge, while older individuals may have more practical experience.	Age categories: 18-25, 26-35, 36-50, 51+

Variable	Description	Impact on Financial Literacy	Possible Data Points
Employment Status	Whether an individual is employed, self-employed, or unemployed.	Employed individuals may have better financial literacy due to regular income and exposure to financial matters.	% employed, self-employed, and unemployed individuals in Indore
Access to Financial Services	The ease of access to banks, investment options, financial advisors, etc.	Easier access to financial services can lead to better financial literacy.	% of population with access to banks, ATMs, financial advisors
Financial Education Programs	Participation in formal or informal financial literacy programs (e.g., workshops, courses).	Individuals exposed to financial education programs are likely to have higher financial literacy.	Number of financial literacy workshops or courses conducted in Indore
Social Influence	Influence from family, friends, or peers regarding financial decisions.	Social networks can significantly affect financial behaviors and literacy.	% of people whose financial decisions are influenced by social circles

Example Data Interpretation:

Variable Average Data for Indore (Hypothetical)

Average Monthly Income	₹25,000 - ₹35,000
Financial Knowledge Score	60% (based on a survey scoring knowledge of key financial concepts)
Education Level	75% high school or higher education
Age Group	18-25 (30%), 26-35 (40%), 36-50 (20%), 51+ (10%)
Employment Status	80% employed, 10% self-employed, 10% unemployed
Access to Financial Services	85% of the population has access to a bank account or mobile banking
Financial Education Programs	10-15 financial literacy workshops per year
Social Influence	60% report that family or friends influence their financial decisions

This table helps in understanding how these variables may interact and influence the overall financial literacy in Indore city. The actual data could vary based on surveys or studies conducted in the city.

Critical Evaluation

Strengths:

This study raises financial awareness among individuals so they can make better financial decisions.

Weaknesses:

questionnaire as a tool for evaluating the investment and its performance. Given that the overview's primary goal is to allow each person to list their conclusions, regarding the investment opportunities. A closed finished .

Conclusions

Based on the aforementioned research and information translation, it is assumed that Indore residents are exceptionally well-informed about the investment opportunities available in the city.

but investors are also looking to place their money in mutual funds, insurance, and fixed or other term deposits at banks. According to the research, investors find that security is a crucial consideration when beginning a venture, making other options less important when they speculate. Implications.

According to the traditional money-related hypothesis, investors typically make logical decisions. Investors' decisions are typically contradictory, or in To put it another way, psychological tricks play a crucial part in influencing investors' decisions. Given that certain decisions are entirely impacted by an investor's inclination or expected activities, their inclination is often taken into consideration. Existing investors, financial institutions, market researchers, economic analysts, and new investors will all greatly benefit from the study's findings, which will help them better understand financial literacy and investment trends.

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