

A Study on Financial Literacy and Its Impact on Personal Investment Behavior in Amravati City

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Abstract

Financial literacy plays a crucial role in shaping individuals' financial decisions, particularly in the selection of suitable investment avenues. In an era marked by increasing financial complexity, individuals are exposed to a wide range of financial products such as bank deposits, insurance, mutual funds, shares, and pension schemes. The ability to understand these products and make informed choices depends largely on one's level of financial literacy. The present study aims to examine the level of financial literacy among individuals in Amravati City and to analyze its impact on their personal investment behaviour.

The study is based on primary data collected from 50 respondents through a structured questionnaire and supported by secondary sources such as journals, articles, and reports. The research adopts a descriptive research design and uses percentage analysis for data interpretation. The findings reveal that individuals with higher financial awareness tend to make more diversified and planned investment decisions, whereas individuals with lower literacy prefer traditional and low-risk investment options. The study concludes that financial literacy significantly influences personal investment behaviour and emphasizes the need for targeted financial education initiatives at the local level.

Keywords: Financial Literacy, Investment Behaviour, Personal Finance, Financial Awareness, Amravati City

1. Introduction

In the present economic environment, financial literacy has become an essential skill influencing individuals' financial stability, decision-making ability, and long-

term economic well-being. With the increasing complexity of financial systems and the availability of diverse financial products, individuals are required to make informed decisions regarding saving, investing, borrowing, and financial planning. Financial literacy involves understanding fundamental financial concepts such as interest rates, inflation, risk, return, budgeting, and investment planning. A lack of financial knowledge often leads to poor financial decisions, inadequate savings, limited investment diversification, and vulnerability to financial risks and fraud.

India's financial landscape has undergone significant transformation in recent years due to rapid digitalization, expansion of banking services, and the introduction of a wide range of investment instruments. Products such as mutual funds, systematic investment plans (SIPs), insurance policies, equity markets, and digital investment platforms are now easily accessible to individuals across different income groups. Government initiatives promoting financial inclusion and digital payments have further encouraged participation in formal financial systems. However, increased access to financial services does not necessarily ensure effective utilization. Without adequate financial literacy, individuals may struggle to evaluate financial options and make sound investment decisions.

Personal investment behaviour is one of the most important outcomes of financial literacy. Investment decisions determine how individuals allocate their savings among various financial instruments such as savings accounts, fixed deposits, mutual funds, systematic investment plans (SIPs), insurance policies, gold, and equity markets. Financially literate individuals are more likely to evaluate investment options based on risk, return, liquidity, and time horizon, whereas individuals with limited financial knowledge often prefer traditional and low-risk

instruments, sometimes missing opportunities for wealth creation. Investment behaviour is also influenced by psychological factors, social environment, income level, education, age, and occupation, all of which interact with financial knowledge in shaping financial decisions.

Personal investment behaviour reflects how individuals allocate their savings among various financial instruments based on their financial knowledge, risk tolerance, income, and future goals. Financially literate individuals are generally more confident in evaluating investment alternatives and diversifying their portfolios, whereas individuals with limited financial understanding often rely on traditional and low-risk investment avenues. Investment behaviour is also influenced by demographic factors such as age, education, occupation, and income level. Understanding how these factors interact with financial literacy is essential to assess the overall investment behaviour of individuals.

From a broader economic perspective, financial literacy contributes to financial security, economic stability, and sustainable development. Individuals who are financially aware are better equipped to manage emergencies, plan for retirement, and achieve long-term financial goals. Conversely, low levels of financial literacy can lead to financial stress, inadequate investment planning, and inefficient use of resources. Recognizing this, financial education has gained importance among policymakers, financial institutions, and educational bodies.

Despite increased awareness initiatives, studies indicate that financial literacy levels remain uneven, particularly in semi-urban and developing regions. Many individuals continue to depend on informal sources of advice or traditional investment methods due to limited exposure to formal financial education. This highlights the need for region-specific studies to examine financial literacy and its impact on personal investment behaviour.

Background of the Study

Amravati City, located in the Vidarbha region of Maharashtra, represents a diverse socio-economic environment consisting of students, salaried employees, businesspersons, homemakers, professionals, and retired individuals. The city has experienced gradual economic growth, improved access to banking facilities, and increasing exposure to digital financial services. Residents of Amravati are now presented with various investment opportunities through banks, post offices,

mutual fund distributors, insurance providers, and online platforms. The financial behaviour of individuals in Amravati City is influenced by multiple factors such as educational background, income level, occupation, age, family responsibilities, and cultural attitudes toward saving and investing. Traditionally, many individuals have preferred safe and familiar investment options such as savings accounts, fixed deposits, gold, and insurance policies. While these instruments offer security, they may not always provide adequate returns to meet long-term financial goals such as education, housing, and retirement. With the availability of modern investment options like mutual funds, SIPs, and equity markets, individuals now have opportunities to enhance their financial growth, provided they possess sufficient financial knowledge and confidence.

This study is conducted against this backdrop to examine the level of financial literacy among individuals in Amravati City and to analyze how it impacts their personal investment behaviour. By assessing awareness of financial concepts, budgeting practices, and knowledge of investment products, the study seeks to identify patterns and relationships between financial literacy and investment decisions. Understanding these relationships can help in designing targeted financial education programs, improving financial inclusion efforts, and encouraging responsible investment behaviour among different segments of the population.

The study also aims to contribute to academic research by providing empirical evidence on the relationship between financial literacy and investment behaviour at the city level. Such localized studies are essential because financial behaviour is often shaped by regional economic conditions, cultural factors, and access to financial services. The findings of this research can serve as a valuable reference for policymakers, educational institutions, and financial service providers in developing strategies to enhance financial awareness and promote informed investment practices in Amravati City and similar urban settings.

However, the level of understanding and utilization of these financial products varies significantly across different demographic groups. Traditionally, many individuals in Amravati City have preferred secure investment options such as savings accounts, fixed deposits, gold, and insurance policies. While these instruments provide safety, they may not always generate sufficient returns to meet long-term financial objectives. Modern investment avenues offer

opportunities for wealth creation, but their effective use depends on financial awareness and confidence.

Students and young professionals are increasingly exposed to financial information through digital media, while homemakers and retired individuals often play an important role in household financial decisions despite limited access to formal financial education. Businesspersons and salaried individuals face different financial challenges, making financial literacy relevant across all occupational categories. This study aims to examine the level of financial literacy among individuals in Amravati City and analyze its impact on their personal investment behaviour.

2. Review of Literature

Several studies have highlighted the importance of financial literacy in influencing individual financial behaviour. Lusardi and Mitchell (2014) emphasized that financial literacy significantly affects saving and investment decisions, particularly in terms of retirement planning and asset diversification. Their study revealed that individuals with higher financial knowledge are more likely to plan for the future and invest in growth-oriented financial instruments. Agarwal and Gupta (2020) examined financial literacy levels in urban India and found that education and income play a significant role in shaping financial awareness. The study observed that individuals with higher education levels were more confident in investing in mutual funds and equity markets, whereas individuals with limited financial knowledge preferred fixed deposits and savings accounts. RBI (2021), in its financial literacy initiatives report, stressed the need for structured financial education programs at the grassroots level. The report highlighted that inadequate financial knowledge often leads to underutilization of formal financial products and increases dependency on informal saving methods. A study by Bhushan and Medury (2018) concluded that financial literacy has a positive and significant impact on investment behaviour. Their findings showed that financially literate individuals are more likely to diversify their investments and manage risk effectively. These studies collectively support the premise that financial literacy is a key determinant of personal investment behaviour, reinforcing the relevance of the present research. More recent studies have also highlighted the role of financial literacy in improving individual confidence and decision-making ability in financial markets. Kumar and Singh (2019) studied the

relationship between financial literacy and investment behaviour and found that individuals with higher financial knowledge showed greater participation in formal investment avenues such as mutual funds and equity markets. The study highlighted that lack of financial awareness often leads individuals to rely heavily on traditional saving instruments, limiting wealth creation. This research further supports the view that financial literacy plays a crucial role in shaping informed and rational investment decisions. Sharma and Kaur (2021) examined the impact of financial awareness on personal investment planning and concluded that financially literate individuals tend to evaluate risk and return more carefully before making investment decisions. The study observed that awareness of financial products increases confidence and encourages diversification of investments, thereby improving overall financial stability. This finding reinforces the importance of financial literacy in promoting sound investment behaviour. According to OECD (2022), financially literate individuals demonstrate better budgeting practices, higher participation in formal investment avenues, and a greater ability to evaluate risk and return trade-offs. The report emphasized that financial education not only enhances knowledge but also positively influences attitudes and behaviours related to saving and investing. This global evidence further validates the argument that improving financial literacy can lead to more informed and responsible investment decisions, thereby supporting the focus and objectives of the present study conducted in Amravati City.

3. Problem Definition

In the present financial environment, individuals are surrounded by numerous financial products ranging from traditional saving accounts to complex investment instruments such as mutual funds, shares, and pension schemes. Despite the availability of these options, many individuals fail to make effective investment decisions due to limited financial knowledge and awareness.

In Amravati City, it has been observed that a significant portion of the population continues to rely on conventional saving methods and avoids market-linked investments. Factors such as lack of financial education, fear of risk, and insufficient understanding of financial products restrict individuals from achieving optimal financial growth.

Therefore, the research problem is defined as:

To study the level of financial literacy among individuals in Amravati City and its impact on their personal investment behaviour.

4. Objectives of the Study

1. To study the level of financial literacy among residents of Amravati City.
2. To examine the impact of financial literacy on personal investment decisions.
3. To identify the most preferred investment options among individuals in Amravati City.
4. To understand the relationship between demographic factors and financial literacy.
5. To suggest measures for improving financial literacy and investment awareness.

5. Research Methodology

The study adopts a descriptive research design to analyze the relationship between financial literacy and personal investment behaviour. Data for the study was collected from 50 respondents residing in Amravati City using a structured questionnaire. The respondents included students, salaried employees, businesspersons, homemakers, and retired individuals, ensuring diversity in demographic characteristics.

Primary data was collected through questionnaire responses, while secondary data was obtained from research papers, books, business articles, and reports published by RBI and other financial institutions. The collected data was classified, tabulated, and analyzed using the percentage method. This method was chosen for its simplicity and suitability for research.

To ensure the reliability and relevance of the study, due care was taken while designing the research framework and selecting appropriate methods of data collection and analysis. The questionnaire was structured in a simple and understandable manner so that respondents from different educational and occupational backgrounds could easily provide accurate responses. The questions were framed to capture not only the level of financial literacy but also its practical influence on personal investment behaviour. Ethical considerations were followed during data collection, and respondents were informed about the academic purpose of the study. The collected data was carefully screened to avoid inconsistencies and ensure completeness before analysis. Percentage analysis was adopted as it is a widely used and effective technique for summarizing

primary survey data and presenting clear interpretations. This methodological approach helped in drawing meaningful conclusions regarding the relationship between financial literacy and investment behaviour in Amravati City.

Hypothesis

Ho: There is no significant relationship between financial literacy and personal investment behaviour.

H₁: There is a significant relationship between financial literacy and personal investment behaviour.

6. Data Analysis and Interpretation

This chapter presents the analysis and interpretation of primary data collected through a structured questionnaire to examine the level of financial literacy and its impact on personal investment behaviour of individuals in Amravati City. The collected responses were classified, tabulated, and analysed using the percentage method, as it is simple, clear, and suitable for descriptive research. The findings derived from this analysis help in understanding respondent characteristics, their financial knowledge, and investment behaviour, thereby enabling testing of the stated hypothesis. The analysis also provides insights into patterns and trends in financial literacy and investment behaviour among different demographic groups. This enables a clearer understanding of how knowledge and awareness influence personal investment decisions in the city.

Table 1: Level of Financial Literacy among Respondents

Particulars	Excellent	Good	Average	Poor	Total
Number of Respondents	9	21	14	6	50
Percentage (%)	18%	42%	20%	12%	100%

Interpretation

The table indicates that the majority of respondents possess good to average financial literacy. A smaller proportion shows poor understanding of financial concepts. This suggests that most individuals have basic financial knowledge necessary for financial decision-making.

Table 2: Awareness of Financial Products and Budgeting Behaviour

Particulars	Always	Sometimes	Never	Total
Maintain Monthly Budget	23	17	10	50
Awareness of MF, SIP, PPF etc.	26	15	9	50
Percentage (%) (Average)	49%	32%	19%	100%

Interpretation

The table shows that nearly half of the respondents actively maintain budgets and are aware of financial products. However, a notable portion still demonstrates irregular financial planning. This reflects varying levels of financial discipline among respondents. It also indicates that while many individuals have a basic understanding of investment options, there is still significant scope for improving financial literacy and encouraging consistent budgeting habits.

Table 3: Financial Literacy and Investment Behaviour Relationship

Investment Behavior Indicators	Yes (%)	No (%)	Total (%)
Investment in Multiple Instrument	34	16	50
Compare Investment Options	36	14	50
Confidence in Investment	33	17	50

Interpretation

Most respondents diversify investments, compare alternatives, and feel confident while investing. These behaviours indicate the influence of financial awareness on investment decisions.

The analysis of primary data collected from 50 respondents clearly demonstrates a meaningful relationship between financial literacy and personal investment behaviour in Amravati City. The findings reveal that respondents with higher levels of financial

knowledge show greater awareness of investment products, maintain financial discipline through budgeting, and actively participate in diversified investment avenues such as mutual funds, insurance, and systematic investment plans. In contrast, respondents with limited financial literacy tend to rely on traditional and low-risk options like savings accounts and fixed deposits, indicating cautious investment behaviour.

Additionally, financially literate individuals were observed to be more confident in comparing investment alternatives, understanding risk-return trade-offs, and making long-term financial decisions. The preference for diversified portfolios and informed investment planning among financially aware respondents highlights the positive influence of financial literacy on investment choices. Therefore, the overall interpretation of the data confirms that financial literacy significantly impacts personal investment behaviour.

Hence, the null hypothesis (H_0) is rejected, and the alternative hypothesis (H_1), which states that there is a significant relationship between financial literacy and personal investment behaviour of individuals in Amravati City, is accepted.

7. Findings and Discussion

The study reveals several significant insights into the financial literacy levels and investment behaviour of residents in Amravati City. Individuals with a higher understanding of financial concepts, such as interest, inflation, and risk-return relationships, tend to engage in more structured investment practices. They diversify their portfolios, using instruments like mutual funds, SIPs, and fixed deposits, rather than relying solely on savings accounts. Students and younger professionals, while aware of digital investment platforms, often seek guidance from family or financial advisors before making investment decisions. Homemakers and retirees, on the other hand, demonstrate caution in investment selection, showing preference for low-risk and easily understandable products. The analysis also suggests that maintaining a monthly budget is a key factor influencing investment behaviour; individuals who consistently track income and expenses are more likely to allocate funds for systematic investments. Furthermore, financial literacy programs and workshops play a notable role in shaping informed investment choices. The study highlights the strong correlation between literacy and confidence in decision-making,

reinforcing the notion that awareness and education can significantly influence financial planning outcomes. Overall, these findings indicate that enhancing financial literacy could substantially improve investment behaviour across demographic segments.

8. Conclusion

The research concludes that financial literacy has a profound impact on personal investment behaviour in Amravati City. Respondents with greater financial knowledge exhibit better investment diversification, risk management, and budgeting practices. The study confirms that demographic factors, such as age, education, and occupation, influence both the level of financial literacy and the type of investments chosen. Additionally, online investment platforms have gained prominence among younger and digitally literate individuals, demonstrating the integration of technology in financial decision-making. By increasing awareness, promoting financial literacy programs, and providing guidance on financial products, individuals can be empowered to make more informed investment choices, leading to improved financial security and long-term wealth creation.

9. Suggestions and Recommendations

Based on the findings, several measures can be recommended to improve financial literacy and personal investment behaviour. Financial education should be incorporated into school and college curricula, with practical modules on budgeting, investment products, and risk management. Banks, financial institutions, and government bodies should organize workshops, webinars, and counseling sessions to enhance awareness among working professionals, homemakers, and retirees. Digital platforms can provide accessible learning tools, including investment simulators and interactive tutorials. It is also recommended that investment firms develop user-friendly interfaces and offer advisory support for new investors. Emphasizing diversification, long-term planning, and regular monitoring of investments will help individuals make informed financial decisions. Strengthening trust in financial products through transparency, secure transactions, and customer support is crucial. Additionally, collaboration between educational institutions and local financial institutions can play a crucial role in improving practical financial

awareness among citizens. Overall, a combined approach of education, technology, and advisory services can foster responsible investment behaviour and financial well-being in Amravati City.

10. Limitations of the Study

While the study provides valuable insights into financial literacy and investment behaviour, certain limitations exist. The research focuses solely on Amravati City, which may limit the generalizability of findings to other cities or regions with different socio-economic conditions. The sample size of 50 respondents, although diverse, may not fully represent the broader population. The study relies on self-reported data, which may be subject to biases such as social desirability or inaccurate recall. Seasonal and market fluctuations that could influence investment behaviour were not considered. Furthermore, the research does not differentiate between specific types of financial products in depth, such as mutual funds vs. SIPs or traditional vs. digital investments, which could exhibit varying adoption patterns. Despite these constraints, the study offers a strong foundation for understanding financial literacy's impact on investment behaviour and provides directions for further research and policy interventions. The results are based on respondents' answers, which may vary according to their personal understanding.

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