Financial Literacy Levels on Investment Avenues

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ABSTRACT

This study explores financial literacy levels of different investment avenues and the factors influencing their decisions in today's financial landscape. With a wide range of options—from traditional assets like equities, bonds, and government securities to modern instruments such as mutual funds and insurance—the research investigates how investors evaluate these choices. A mixed-methods approach, combining quantitative and qualitative techniques, was used, with participants categorized by age, gender, income, education, and investment experience. Findings indicate that demographic factors, financial knowledge, economic outlook, and social concerns significantly shape investment behavior, providing insights into the determinants of investor preferences

KEY WORDS: Investor Perception, Investment Avenue, Investment Preference, Investment Awareness.

INTRODUCTION

Financial literacy refers to the ability to understand financial concepts and application of financial skills to achieve life goals. Investment plays a vital role in the economic development of individuals as well as nations. Investors allocate their savings into various investment avenues with the objective of earning returns and achieving long-term financial security. However, investors differ in their preferences, expectations, and perceptions toward investment options. These differences arise due to variations in income levels, financial goals, risk tolerance, investment knowledge, and personal experiences.

Financial literacy levels helps to the investors in interpret, evaluate, and respond to different investment opportunities. It is influenced by several internal and external factors such as economic conditions, market trends, emotional behavior, and social influences. While some investors prioritize safety and stability, others are willing to accept higher risk for the possibility of higher returns.

There are various factors influencing investor perception such as risk tolerance, time horizon,
Emotional factors, market sentiment trends, social and cultural influences, information availability and accessibility, past experiences, trust and confidence

INVESTMENT AVENUES

STOCKS represent ownership in a company. Companies issue shares to raise capital, and investors earn returns through price appreciation and dividends. The value of stocks fluctuates based on company performance and market conditions.

MUTUAL FUNDS pools money from multiple investors and invests it in diversified securities such as stocks, bonds, or money market instruments. Mutual funds are managed by professional fund managers, and returns are distributed based on the Net Asset Value (NAV).

GOVERNMENT SECURITIES are debt instruments issued by the central or state governments to raise funds. These include treasury bills and long-term bonds. G-Secs are considered risk-free as they are backed by government assurance.

INSURANCE is a risk management tool that provides financial protection against unforeseen events. Policyholders pay premiums, and insurers compensate for losses as per policy terms.

BONDS are fixed-income instruments issued by governments, municipalities, or corporations. Investors lend money to issuers in exchange for regular interest payments and repayment of principal at maturity.

Below is a **one-page minimized version** of your **Review of Literature**, written in **clear academic language**, keeping only the **most important findings and conclusions**? This is ideal for **project submission, synopsis, or record work**.

REVIEW OF LITERATURE

Paudel, Thapa, and Kandel (2024) studied investor perceptions in Nepal, focusing on factors such as risk, return, safety, tax benefits, and liquidity. Using qualitative content analysis, the study found that earnings per share, dividend per share, and expected returns significantly influenced investment decisions.

Karthika, Kayalvizhi, and Prasanna (2023) examined investment attitudes in Perambalur District and found that most investors preferred low-risk investment options such as bank deposits, insurance, mutual funds, and gold. Safety and guaranteed returns were the primary factors influencing their choices, reflecting conservative investment behavior.

Rajakrishnan (2022) analyzed the difficulties faced by investors in selecting investment avenues in Chennai. The study revealed that a lack of awareness about modern financial instruments led investors to rely heavily on traditional options like gold, bank deposits, and insurance. Moderate-income investors showed a strong preference for secure investments with stable returns.

Shah and Jadav (2023) focused on farmers' investment behavior in India and observed that older and financially stable farmers preferred safe investment options such as bank deposits and postal savings. Limited financial literacy and risk aversion restricted their participation in advanced financial instruments like stocks and mutual funds.

Selvan and Ramraj (2022) explored investor perceptions in Tamil Nadu and found that high-income investors favored low-risk and liquid investments, while younger and educated investors were more inclined toward riskier avenues such as equities and mutual funds, influenced by media and market exposure.

RESEARCH GAP

Based on the review of literature, it is found that there have been many studies available on Financial Literacy. Majority of the studies have been conducted on Men and students. Many studies were outdated they have not focused on specific problems. In those studies researcher perceptions differed. Most of the studies have been carried out on financial literacy in international context while very few researches have been done in India. This study aims to fill the above gap.

OBJECTIVES OF STUDY

1. To access the financial literacy among the individuals towards investment avenues.
2. To identify the most preferred financial avenue for investments.
3. To identify the factors which influence the investors preference for investments.

RESEARCH METHODOLOGY

Sources of data: data collected from primary and secondary sources

No.of samples: 80

Sampling method: Stratified random sampling method

DATA INTERPRETATION AND ANALYSIS

1.   Gender

OPTIONS	RESPONSES	PERCENTAGE
Male	21	26.25%
Female	59	73.25%
Total	80	100%

2.Academic Qualification

OPTIONS	RESPONSES	PERCENTAGE
School (up to 12)	12	15%
Graduate	57	71.25%
Post Graduate	11	13.75%
Others	0	0%
Total	80	100%

3. Occupation

OPTIONS	RESPONSES	PERCENTAGE
Professional	2	2.5%
Business	2	2.5%
Student	58	72.5%
Salaried	15	18.75%
Housewife	3	3.75%
Total	80	100%

4. Annual family income in rupees

OPTIONS	RESPONSES	PERCENTAGE
Below 2 Lacs	30	37.5%
2-4 Lacs	21	26.25%
4-6 Lacs	14	17.5%
6-10 Lacs	12	15%
Above 10 Lacs	3	3.75%
Total	80	100%

5. Purpose behind investment

OPTIONS	RESPONSES	PERCENTAGE
For Retirement	10	12%
For Tax Savings	6	7.7%
For Asset purchase	96	11.1%
To meet contingencies	7	8.5%
For children education	12	15.4%
Growth & Income	36	45.3%
Total	80	100%

6. Period of investment

OPTIONS	RESPONSES	PERCENTAGE
Short term (less than 1 year)	20	25.27%
Medium term (1-5 years)	39	47.25%
Long term (above 5 years)	21	27.48%
Total	80	100%

7.Preferred investment avenue

OPTIONS	RESPONSES	PERCENTAGE
Bonds	3	3.75%
Mutual Funds	28	35%

Stocks	17	21.25%
Government Securities	17	21.25%
Insurance	15	18.75%
Total	80	100%

8. Do you invest in bonds?

OPTIONS	RESPONSES	PERCENTAGE
Yes	37	46.25%
No	43	53.75%
Total	80	100%

9. Factors considered while selecting bonds

OPTIONS	RESPONSES	PERCENTAGE
Safety	29	36%
Tax Benefits	10	13%
Liquidity	4	4%
Maturity	6	7%
All of the above	31	40%
Total	80	100%

10. Do you invest in Mutual Funds?

OPTIONS	RESPONSES	PERCENTAGE
Yes	41	51.25%
No	39	48.75%
Total	80	100%

11. Do you invest in Stock market?

OPTIONS	RESPONSES	PERCENTAGE
Yes	33	41.25%
No	47	58.75%
Total	80	100%

12. Reasons to invest in stock market

OPTIONS	RESPONSES	PERCENTAGE
Market Ability	18	22%
Regular Income	35	44%
Liquidity	2	2%
Maturity	6	8%
High rate of return	19	24%
Total	80	100%

13. Reasons to invest in stock market

OPTIONS	RESPONSES	PERCENTAGE
Market Ability	18	22%
Regular Income	35	44%
Liquidity	2	2%
Maturity	15	8%
High rate of return	20	24%
Total	80	100%

14. Factors influencing preference for Government Securities?

OPTIONS	RESPONSES	PERCENTAGE
Tax Benefits	17	18%
Safety	28	30%
Liquidity	7	8%
Maturity	7	8%
All of the above	21	36%
Total	80	100%

15. Do you prefer to invest in Insurance?

OPTIONS	RESPONSES	PERCENTAGE
Yes	56	70%
No	24	30%
Total	80	100%
OPTIONS	RESPONSES	*PERCENTAGE*
Future Expenses	23	26%
Tax Benefits	7	8%
Maturity	3	3%
Assured Returns	14	16%
All of the above	33	47%
Total	80	100%

FINDINGS

The findings from the research are as follows:

➤ Most of our respondents are of the age which is below 30 years and most of them are Graduates i.e., 70% of the respondents. This indicates that people below 30 years of age are interested in investing in various investment avenues.

➤ The Annual family income suggests that most of them have the annual income of below 2 lacs i.e., 37.5% and between 2-4 lacs i.e., 26.25%.

➤ From the primary data it is observed that more than half of the whole respondents i.e., 51.25% invest their money in different investment avenues.

➤ The purpose of them investing in investment avenues is very variant but most of them invest their money for Growth and income i.e., 45.3%.

➤ Most of our respondents i.e., 47.25% invest their money for a period of 1-5 years (Medium Term).

➤ The majority of our respondents i.e., 35% prefer to invest in Mutual Funds, which might be because of professional management or tax benefits.

➤ 21.25% prefer to invest in Stocks, because it provides regular income and high rate of return.

➤ 21.25% prefer to invest in Government Securities, because it provides safety, liquidity, maturity and tax benefits.

➤ Majority of our respondents i.e., 40% invest their money because of the factor 'safety' and 26.7% invest their money because of the factor 'high rate of return'. These two factors are very significant because the primary nature of any investor is to secure their money and derive high returns by investing them rather than keeping them idle.

Conclusion

The study examines investors' perceptions toward investment avenues in Hyderabad based on 80 respondents. Most investors are aware of and actively participate in investments, with preferences influenced by demographic factors. Mutual Funds, Stocks, and Government Securities are the most

preferred due to safety, tax benefits, and higher returns. Safety and high returns are the key factors influencing investment decisions.

SUGGESTIONS

➢ The financial institutions need to take more steps towards promoting their investment avenues such as advertising, education programs to make investors more aware about their investment avenues.

➢ Tax benefits or special concessions should be provided to the investors as it might lead them to invest more in investment avenues.

➢ Financial Institutions should develop more investment avenues according to the preferences of investor.

➢ Offer easily accessible customer support through multiple channels (phone, chat, email) to ensure that investors can get help whenever they need it.

➢ Financial institutions must guide investors on how to optimize their portfolios for tax benefits.

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