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IMPACT OF FINANCIAL LITERACY ON INVESTMENT DECISIONS IN KACHCHH REGION OF GUJARAT STATE - A REVIEW OF LITERATURE

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ABSTRACT

- Today in the competitive financial market, it is necessary that people should be financially literate. The economy of our country is facing one such problem that is financial literacy which is a major challenge faced by all the countries globally. Financial Literacy is the mix of one's knowledge, skill, ability and attitude towards financial matters. Therefore, the need for financial literacy has become inevitable.
- Research from around the world reports inadequate Financial Literacy which raises serious concerns about the ability of individuals to secure their financial well-being.
- Country like India which has young population, the government is in a position to increase the level of financial literacy through financial education programs and launching of new programs.
- Financial literacy goes beyond the provision of financial information and advice. It is the ability to know, monitor, and effectively use financial resources to enhance the well-being and economic security of an individual, his family, and his business.
- This present research work is carried on with the objective to study the financial literacy of individuals and its impact on investment decisions in Kachchh Region of Guajarat State.

KEYWORDS :

INTRODUCTION:

- Review of literature is considered as the base of research for any research work which a researcher carries with. Without it the research work will not be fruitful. Through it a research can identify the positives and negative aspects of previous researches and can remove the defects of previous studies in his research. Since there are many literature reviews published with the same topic. Here the researcher has selected few literature reviews for his study.

Review of Literature:

1. Martha Henn Mc Cormick (2009) in his paper, "**THE EFFECTIVENESS OF YOUTH FINANCIAL EDUCATION: A REVIEW OF THE LITERATURE**" reveals that children and youth are mostly affected by household finance. So, it becomes necessary that financial education should be provided to the children and youth. In order to solve the problem of financial illiteracy, financial education should be made compulsory. Therefore, a platform for implementing financial education, in school and college curriculum should be provided. The study should therefore be focused and directed for providing education to the school-age population for a lifetime of financial decision making and security where it is difficult to adjust in such a complicated marketplace.
2. Maarten van Rooij, Annamaria Lusardi and Rob Alessie (2011) in their working paper, **"FINANCIAL LITERACY, RETIREMENT PLANNING AND HOUSEHOLD WEALTH"** provide evidence of a strong positive association between financial literacy and net worth, even after controlling many determinants of wealth. Moreover, they discussed two channels through which financial literacy might facilitate wealth accumulation. First, financial knowledge increases the likelihood of investing in the stock market, allowing individuals to benefit from the equity premium. Second, financial literacy is positively related to retirement planning, and the development of a savings plan has been shown to boost wealth. Overall it was found that directly and indirectly financial literacy has a strong link to household wealth.
3. Dr. R Ramakrishnan (2011) in his paper, **"FINANCIAL LITERACY-THE DEMAND SIDE OF FINANCIAL INCLUSION"** say that financial literacy is considered an important determinant for promoting financial inclusion, financial development and financial stability. Lack of financial literacy may prove to be a barrier to those individuals who are not familiar or comfortable with financial products. Financial Inclusion do possess some dangers. This is evident from the recent experiences where poor people take loans but are not able to repay their debts and they often commit suicide. It becomes necessary that financial inclusion and financial literacy should work together; this will indeed help the poor instead of pushing them into more trouble. Thus, financial literacy can serve a better quality of life to the individuals for both developed and developing countries.
4. Annamaria Lusardi and Olivia S. Mitchell (2011) in their working paper, **"FINANCIAL LITERACY AND PLANNING: IMPLICATIONS FOR RETIREMENT WELLBEING"** says that as more number of individuals come near and cross over the retirement, it is necessary to ascertain whether they actually know how to plan for retirement and whether they seem able to execute these plans effectively. Conclusions drawn from the paper show that most of the people have never thought of how much to save for retirement and neither have they planned for it. It was found that most of the respondents did not like to talk to family/relatives or co-workers/friends, but are more likely to use formal means such as retirement calculators, retirement seminars, or financial experts. Further, it was also noticed that financial illiteracy is widespread among particular group of employees, and providing one-time education will not be sufficient enough to influence planning and saving decisions. On the other side, if the education programs are targeted specifically to particular subgroups it will be best suited for those individuals who have differences in their savings.
5. Suresh Chandra Bihari and Siddhartha Shukla (2012) in their paper, **"FINANCIAL LITERACY: MUTUAL FUNDS"** identifies that the mutual funds offer a safer, easier and more convenient style of investment but still the Indian investor doesn't like it at all. Lack of interest in mutual funds shows the sign of Financial Illiteracy of Mutual Funds among Indian Investors along with Low customer awareness levels. In developed financial markets, Mutual

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Funds have overtaken bank deposits and total assets of insurance funds.

Conclusions drawn from Demographic profile of the respondents found that Age and Qualification has a significant relationship with the Financial Literacy Level whereas Income doesn't have any significant relationship. Most of the people knew about ELSS. Fund of Funds, although a good investment option, was not known by many respondents. Many people know about Mutual Funds but mere acquaintance is not enough as many of them do not know the working of it.

6. Sobhesh Kumar Agarwalla, Samir Barua, Joshy Jacob and Jayanth R. Varma (2012) in their paper, **"A SURVEY OF FINANCIAL LITERACY AMONG STUDENTS, YOUNG EMPLOYEES AND THE RETIRED IN INDIA"** reported that according to global standards financial knowledge in India is very poor and low. This is because of the poor numeracy and the poor performance of the Indian Primary education system. Therefore, it becomes necessary for the government to improve financial literacy by taking certain policy measures along with regulatory framework which can improve the delivery of financial services and financial advice to serve more complex and challenging needs of the present generation.
7. Roger B. Butters, Carlos J. Asarta, and Shannon G. McCoy (2012), in their paper, **"FINANCIAL LITERACY AND GENDER IN U.S. HIGH SCHOOLS"** examined that there are several topics which require special emphasis at the high school level. It was noticed that many of the students know how to earn money, but they do not how to spend it or manage it. A gender gap favoring male in U.S. high school students was also identified where a greater percentage of male finance instructors effect female interest and confidence in personal finance. Social factors also play an important role in gender biasness.
8. Tysha Roz Llewellyn (2012) in her Honors Thesis on, **"FINANCIAL LITERACY OF COLLEGE STUDENTS AND THE NEED FOR COMPULSORY FINANCIAL EDUCATION"** A 49-question survey was administered to 51 participants in order to assess both the current financial literacy and the current decision-making capacity of undergraduate students. In addition, students were also assigned behavioral scores based on their financial habits, and the relationships between behavior, decision-making ability, and financial literacy were explored. It was found that due to lack of basic technical and emotional skills, and the conflicts of interest between financial service providers and their clients, and because of complex increase in financial system financial literacy cannot be widely spread. Financial education in schools will be useful in removing the problems and maintain the balance between consumers and professionals. Lastly, by involving federal, state, and private resources, it is possible to fix this gap in education and secure a more prosperous and well-informed future.
9. Dr. Taqadus Bashir and others (2013) in their paper, **"FINANCIAL LITERACY AND INFLUENCE OF PSYCHOSOCIAL FACTORS"** analyzed the relationship of psychosocial and demographic factors with financial literacy in context of Pakistan. They found that the respondents had better understanding about basic financial concepts but they had less knowledge about advanced financial concepts, so the education programmers must focus on advanced financial concepts. They concluded that the Individuals of Pakistan were financially illiterate as the people of Pakistan simply know how to deposit money but they are ignorant about the functions and existence of financial markets.
10. T. Ravikumar (2013) in his paper, **"PERCEPTIONS TOWARDS FINANCIAL LITERACY IN INDIA"** found that Differences in financial literacy perceptions of the respondents were on the basis of demographic, social and economic variables. Perceptions of the respondents on financial literacy increase when the gross annual incomes increase. It may be because, with the increase in income of the respondents there is considerable increase in savings and as a result, there is proportionate increase in financial literacy. Further, perceptions of the respondents on financial literacy decrease when the gross annual income is more than Rs 3,00,000. This may be because respondents are less concern about savings and investments and are more involved in changing their life styles.
11. Sobhesh Kumar Agarwalla, Samir K. Barua, Joshy Jacob, Jayanth R. Varma (2013) in their working paper, "**FINANCIAL LITERACY AMONG WORKING YOUNG IN URBAN INDIA**" found that the level of financial literacy among the working young in urban India is similar to the levels that prevail among similar groups in other countries. It was found that factors such as joint-family and consultative decision making process significantly influence financial literacy along with demographic factors such as gender, education and income. Further relationships between different dimensions of financial literacy were also investigated.
12. Carlo de Bassa Scheresberg (2013) in his Article, **"FINANCIAL LITERACY AND FINANCIAL BEHAVIOR AMONG YOUNG ADULTS: EVIDENCE AND IMPLICATIONS"** conducted his study in the United States for examining financial literacy and financial behavior of young adults by taking a sample of 4500 young adults bearing the age group of 25-34.

    It was found that financial literacy is especially low among certain demographic groups, such as women, minorities, and lower-income or less-educated people. It was found that most young adults lack basic financial knowledge. To measure financial literacy few questions on financial concepts were asked and it was found that 49% of young respondents with a college education and 60% of young respondents with postgraduate education could answer correctly. Analysis of the results show that respondents who display higher financial literacy do not prefer to use high-cost borrowing methods, and are more likely to plan for retirement or either set aside their savings for emergencies. In order to manage the debt properly and to minimize the cost effectively it is very necessary to promote financial literacy and financial education among the young which can save the young from the financial kick bags in times of emergencies resulting in an increase in their retirement security.
13. Sumit kumar & Dr. Md. Anees (2013) in their paper, "**FINANCIAL LITERACY & EDUCATION: PRESENT SCENARIO IN INDIA"** examined that the changing financial markets have created the opportunities for investors and corporate. Due to multiplicity of products in financial markets many people are not able to cope up with the features and services and therefore they lag behind in fulfilling their financial needs. Thus, economies around the world have measured financial literacy as a key pillar for the development of their financial system.

    Further it was suggested that financial literacy among the individuals can be enhanced through proper education and this can only be achieved if the proper relevant material on financial literacy be added in the education program of schools and colleges. Focusing on the young investors will certainly help in improving financial well being of the individuals in India.
14. Dr. Anjali Sane (2014) in her paper, "**FINANCIAL LITERACY: CHALLENGES FOR INDIAN ECONOMY"** shows that for sound financial system, financial literacy is the Ultimate Pillar. The issue of financial literacy and financial education has drawn the attention on various

groups such as Community Groups, Businesses, Government Agencies, Organizations, Non Government Organizations, Policy Makers and Regulatory Authorities and therefore financial literacy should be taken care as a Policy Perspective or Pragmatic Perspective. The efforts made by Regulatory Authorities, N.G.O.S and Community Groups should be structured in the direction to enable the individuals to develop the ability to make informed judgments, to be able to identify financial products and services that address their needs, to take effective decisions regarding the use and management of their money and to avoid to be a victim of bad selling.

15. Antonia Grohmann, Roy Kouwenberg and Lukas Menkhoff (2014) in their working paper, **"FINANCIAL LITERACY AND ITS CONSEQUENCES IN THE EMERGING MIDDLE CLASS"** conducted their study among the middle class people living in Bangkok, it was found that the individuals who possess higher financial literacy demands complicated products that are available in the financial markets and are more intend to use their credit cards. Analysis of the results showed that financial literacy among the middle class people provides a greater dividend which ultimately has contributed in the financial development of the economy as a potential driver of growth.
16. Annamaria Lusardi, Olivia S. Mitchell And Vilsa Curto (2014), in their paper, **"FINANCIAL LITERACY AND FINANCIAL SOPHISTICATION IN THE OLDER POPULATION"** examined Health and Retirement Study (HRS) by using special-purpose module and evaluated financial sophistication in the American population over the age of 50.

    It was found that older respondents do not possess financial knowledge. They are not able to grasp essential aspects of risk diversification, asset valuation, and portfolio choice and investment fees. On the other side, some subgroups of the population are significantly less knowledgeable about financial matters, and these include the least educated, women, those ages above 75, African–Americans, and Hispanics. It is evident that women when asked to frame certain questions on financial terms they become more sensitive. Therefore, the study becomes necessary on how financial sophistication questions are framed and how people develop a fuller understanding of retirement saving and investment. People should take on responsibility for their own retirement security; as such lack of knowledge may have serious and negative implications.
17. Anupama Sharma and Dr. Bhavesh Joshi (2015) in their paper, **"FINANCIAL LITERACY OF WOMEN AND ITS EFFECT ON THEIR INVESTMENT CHOICE DECISION"** found that financial confidence of women is based on the knowledge and education. Women who do not have financial knowledge are less inclined towards investment and therefore they need financial independence. The dependence of women on the families does not allow them to make their own individual decisions regarding Investment which hinders their empowerment. Financial independence makes them powerful and confident. Therefore policy makers should design and promote women oriented programs that enhance education and promote employment amongst women. Also investment schemes which are especially targeted to women and are beneficial for their future should be launched so that women are more inclined towards investment. Government should promote awareness programs that emphasize the significance of financial independence of women which may lead to the growth of the economy by understanding their own potential for investments.
18. Swati Narula (2015) in her paper, **"FINANCIAL LITERACY AND PERSONAL INVESTMENT DECISIONS OF RETAIL INVESTORS IN DELHI"** conducted a survey on 100 respondents and found that the overall financial literacy level of the respondents was medium. It was also found that there was no significant difference among the male and female in terms of measuring financial literacy, whereas there was significant difference seen among the different age-groups. Most of the investors with low financial literacy preferred property as the best means of investment and moderate investors were more inclined towards Saving Account while investors with high financial literacy level opted for shares and stocks. The study also revealed that the preference of investors with the same level of financial literacy for making investment decisions was different in different time period.
19. Dr. Garima Baluja (2016), in her paper, **"FINANCIAL LITERACY AMONG WOMEN IN INDIA: A REVIEW"** found that the need for individuals to plan and invest their finances tactfully aroused when new financial products entered in the market. Therefore financial planning has become essential for financial well being of an individual but the significance of financial literacy is still lagging behind, especially among women. It has been observed that women are not given equal powers to take financial decisions as compared to men, as many Indian women are facing cultural, financial, psychological and physical barriers that are creating hindrances in making them financially literate. Although government is trying to make initiatives to increase financial literacy, still there is a lot of gap in the financial literacy level of men and women. Financial literacy programs targeting to specific group of women should be introduced and new universities should be established to make the women more literate and more independent.
20. Pallavi Seth, G. N. Patel and K. K. Krishnan (2010) in their paper, **"FINANCIAL LITERACY AS A TOOL FOR FINANCIAL INCLUSION AND CLIENT PROTECTION"** indicated that the financial literacy of investors in Delhi and NCR was different for different financial instruments. It was found that financial literacy is affected by age, income and educational level of the individuals. High-income respondents had high financial literacy than lower income people. The study also revealed that people consider Life Insurance as the most effective financial instrument followed by Fixed Deposits in banks. It has also been found that most of the people relied on telecast in the T.V channels or advertisements put out in the newspapers and magazines to learn about financial products followed by "advice" from friends. But, while investing in share market, very few people relied on brokers.

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