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"THE INFLUENCE OF FINANCIAL LITERACY ON INVESTMENT BEHAVIOUR AMONG INDIVIDUAL INVESTORS"

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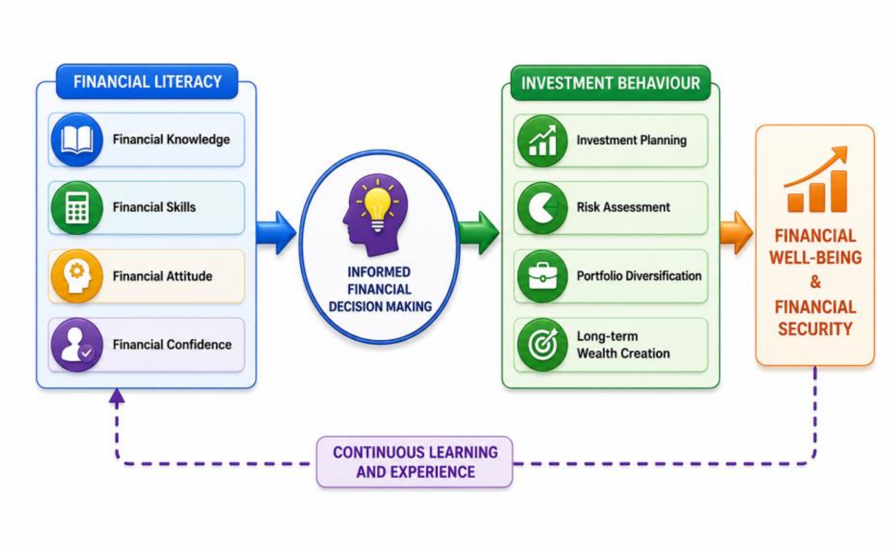
Abstract: It is imperative that consumers and investors enhance their financial literacy to keep pace with change. These days, saving, retirement planning, buying into a mutual fund, stocks, insurance and other investments are in the hands of the individual only. Lacking adequate and causing a loss of money the relationship and financial investment of individual investors. The study will cover the financial knowledge, budgeting skills, risk perception, financial plan and the investment decision. Statistical Analysis was performed in analysis of data. People with sound financial literacy and knowledge tend to have diversified investments or portfolios. Such individuals should also weigh the risks and rewards of their investment decisions. Finally, they should make long term financial decisions with a forward-thinking mindset. indicate that there is scope for substantial financial education which can positively impact in the country.

Keywords: Financial Literacy, Investment Behaviour, Individual Investors, Financial Planning, Risk Tolerance, Investment Decision, Financial Knowledge.

Introduction:

Finance knowledge is important for all in this world. People across the planet do different jobs to meet their day-to-day needs and save money. Consequently, the conclusions become essential for all to use their money wisely optimum gain saving options as people splurge because of weak money management.



A person's investment behaviour is regarded as the way a person invests his money in other investment options. The various behavioural finance theories are to evaluate different issues of psychology influencing investment decision making by the investors. Financially savvy investors tend to invest their money with a lot more thought and insight than those who are not. the more you know, the more you can effectively invest.

While financial products are accessible, investors in developing countries remain relatively uninformed about them. Some individuals invest simply because of a false sense of security through popularity. For instance, they hear from a friend or they see on their Facebook feed, a post from an influencer recommending a stock and they assume it is a good bet. Accidental practices can cause poor investment returns and financial messes. Due to enhance the government, educational, banking and regulatory bodies have launched programs.

Through this association, the carry out which positively develop approaches to making responsible investments and ensuring long-term financial stability.

Related Works:

The research conducted by Aren and Dinç Aydemir in 2015 reviewed several factors that influence investment decision of individual investor. Aside from financial competency, personal factor like risk taking, income, age, habit attitude and others may affect their investment decision. People have knowledge about financial investment and make right decision with the help of their financial knowledge. Investor who has little knowledge of financial terms are more confident and they make a decision while thinking about investment and they depend on their financial level to make a decision instead of feeling. Authorities make and regulate the law of the land.

Atkinson and Messy's investigation into money management skills. The study proposed financial knowledge measurement approach for developing country, financial attitude measurement approach for developed country and financial behaviour measurement approach for developing country. The outcome indicates prepare a household budget, to save at a certain time, to compare financial products before investing, and also know how to make a decision regarding finance. The writer points out the need for a financial literacy introduction to enable the people to turn financial literacy into financial capability and make it more financial inclusionary.

Barber and Odean (2001) examine how overconfidence and gender are reflected in investors' stock market behaviour. This is an important study because it reflects the extent to which these two variables influence an important economic and financial activity of people, namely, investment behaviour. The researchers discovered an observable class effect, particularly among males who trade more frequently than would be the case otherwise owing to their perceived ability to invest. Translating the original phrase: If you trade too often, your return may also suffer. This is the case if you buy and sell too much. And with it, the higher cost you are given in trade. According to the researchers, biased emotions and overconfidence can harm investment performance, leading them to the conclusion that financial education is essential for encouraging disciplined investment behavior. the authors of an article on many countries show. The difference may influence their investment, the writers mentioned that financial education that is focused on women may help increase their confidence.

According to Campbell (2006), financial involves a detailed reporting of the problems that an individual might face when it comes to saving, borrowing, taking up insurance or a financial investment. According to study, there is illogical behaviour behind the financial mistakes households make as financial markets have become more complex. Greater financial literacy will help an individual understand financial products so that they can diversify their investment and get lower risk. The effective design of the financial education was emphasized in the study for the development of financial management capacity of households. The researchers Hilgert, Hogarth and Beverly studied the relation between knowledge of finances and real behaviour of persons. think about the debt repayment process, and take the appropriate step with respect to an investment. strong financial knowledge is strongly associated with responsible long-term financial sustainability. According to

Hastings et al. (2013) review of a small set of studies related. They state that financial education program is useful in the context of saving pattern, borrowing pattern and investment pattern.

Financial Education alone will not be able to cure all the financial ailments. But at least it will not give the persons an alternative way to assess financial products for better financial decision making within their life time (Lusardi, 2008). According to Knoll and Houts (2012), a scale for a standardized financial knowledge has been developed for better. The proper measuring of financial knowledge can help understand behaviour. As per the study of Knoll & Houts (2012), financial knowledge scores are more likely to correlate with planning and choice of investment decision of the respondents. Lusardi and Mitchell (2007) have observed the following relation in the study. Financial Literacy Note.

Individuals equipped with financial insights begin in continue to save more financially throughout their lifespan. The authors conclude that sound financial education can play an important role in enabling individuals to better ensure through their investment decisions (Lusardi & Mitchell, 2007). Lusardi and Mitchell (2011), in their paper titled Financial have observed a global phenomenon of limited stock market knowledge.

Not knowing what inflation and interest rate means or how to diversify risk are some commonly seen reasons of lack of financial literacy. People's knowledge limitations largely limit their participation in financial markets. Lack of knowledge limits people's ability to participate effectively in the financial markets. The authors advocated for the integration of financial education into the national economic and educational policy. The absence of financial literacy education policy among government and financial institution indicates the most important individual determinant of financial outcome. Lieutenant of this is social indication. Students exhibiting financial literacy were regularly saving, were knowledgeable investors, diversified their portfolio and were better prepared for retirement, found the authors. The authors believed that financial literacy not only helps farmers to enhance their incomes but is also related to the economic development. OECD (2023) noted financial literacy issue has become ever more relevant in the digital financial world. The report suggested that increasing work and through public awareness campaign will help the government do better business.

The article highlighted the importance of empowering the consumers with adequate cope with the complexities of transborder financial transactions and take informed investment decisions in an evolving financial environment. As suggested by Remund (2010), the definition should be financial communication skills and applying financial concept effectively along with some definitions of financial literacy. The research demonstrated that it isn't sufficient to have knowledge at a conceptual level, people must also be able to use the financial knowledge on their wiry financial day to day and real-level investment decisions. As per SEBI (2023), investor education is essential for the healthy development. the financial citizens' financial products and promoting responsible investment, SEBI organises national awareness programmes, workshops, use of internet and learning platforms and educational campaign. However, these measures instil confidence in the investor and assist the stakeholders to make informed investment choices. Shim, Barber, Card, Xiao and Serido (2010) studied and analyzes the factor that affect behaviours of the financial youth. An individual develops financial skills through life experiences, counselling and in the family education.

To begin, the researchers reveal that individuals learning about finance in childhood, are more likely to arrange dependable savings. Moreover, they become better at investing themselves and more knowledgeable for investment and financial matters by adulthood. According to Thaler (1999), we often account for our money differently depending on where it comes from or how we obtained it. What else we can do with it? Often leads to impractical financial planning and lack of indexation with investments. The analysis shows how knowledge can go a long way in improving investment decisions. Venkataramani (2011) studied according to the results of the study, investor with high financial literacy was found to be more capable of evaluating investment opportunities, understanding the risk-return relationship, and selecting the appropriate investment products. The discussion brought by the author, based on this study's findings, led to some inferences about financial literacy and investor confidence. First, financial literacy enhances investor confidence. Second, financial literacy implies an element of effective wealth creation. Most of the existing studies found considerably influential financial.

Those who have high financial intelligence will be able in the long-run to make smart investment decisions, look after their investments, avoid taking risks and keep their finances stable. While there is a lot of research done globally, still a few empirical studies relating to the individual investor incorporating the different financial market environment of each country would surely add to the literature of financial literacy and its influence on investment behaviour in a dissimilar financial market environment.

Objectives of the Study:

- To assess the level of financial literacy among individual investors.
- To examine the influence of financial literacy on the investment behaviour of individual investors.
- To analyse the relationship between financial literacy and investment decision-making among individual investors.

Material and methods:

The present study is using Quantitative Design approach behaviour of individual investors. The researcher used method it is also used to analyse the target users for this information are individual investors who are actively working in the finance sector and putting more funds in bonds, fixed deposit, and so on. For this, Simple Random fix the number of respondents to 250, whereby each one of the investors had equal chance to participate in Present study. A structured questionnaire containing two sections was employed for the collection of primary data. The first portion records characteristic information including age, gender, and experience in investment. The second section included statements for investigating the financial literacy and investment behaviour from secondary sources such as that of RBI, SEBI, other good academic resources, OECD and many more.

The study used it measured the same. Investment Behavior was taken as the dependent variable; we use statistical techniques of variation. Includes percentage analysis, mean and standard deviation. Data the Cronbach alpha reliability test. The study variables relationship was examined using Pearson correlation was employed to assess how decisions regarding investments.

Analysis of the study:

Demographic Profile of Respondents (N = 250):

Demographic Variable	Category	Frequency	Percentage (%)
Gender	Male	145	58.0
	Female	105	42.0
Age	20–30 Years	70	28.0
	31–40 Years	90	36.0
	41–50 Years	55	22.0
	Above 50 Years	35	14.0
Education	Undergraduate	60	24.0
	Postgraduate	125	50.0

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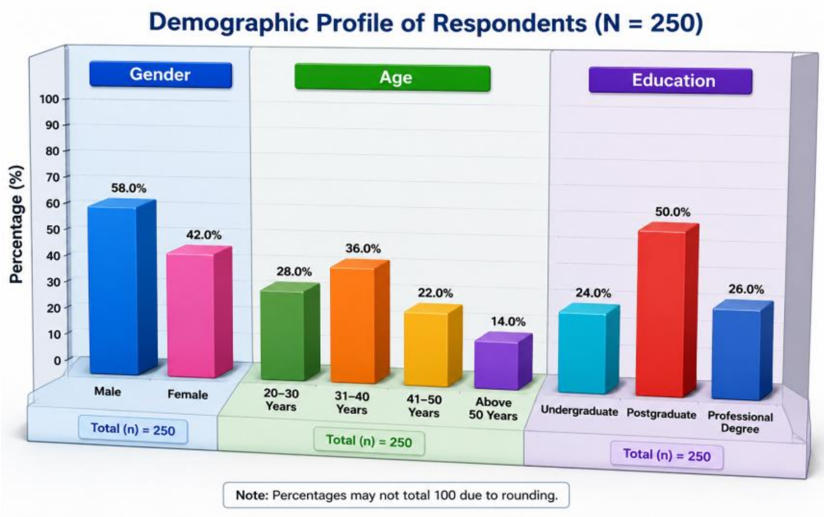
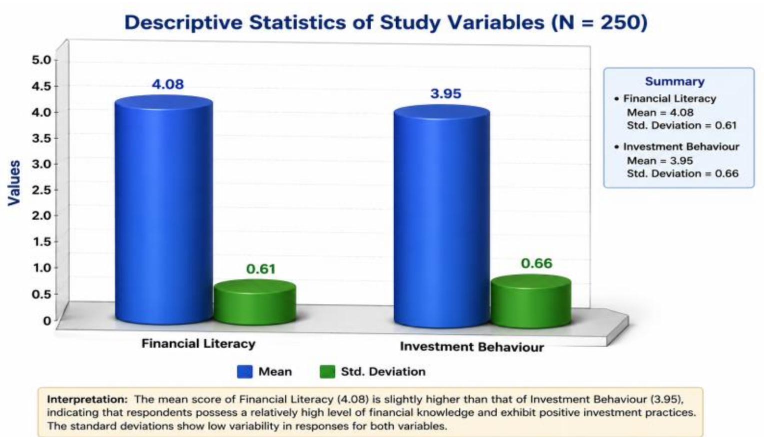
	Professional Degree	65	26.0



Interpretation:
The demographic survey revealed a male-to-female ratio of 58% to 42% respectively. Most indicating most of these respondents are economically active people. Most respondents (36%) were 31 – 40 years old. Fifty percent of the sample were Post graduates in the educational qualification area which suggested the sample is mainly high educated people who could appreciate the financial concept.

Descriptive Statistics:

Variable	N	Mean	Std. Deviation
Financial Literacy	250	4.08	0.61
Investment Behaviour	250	3.95	0.66

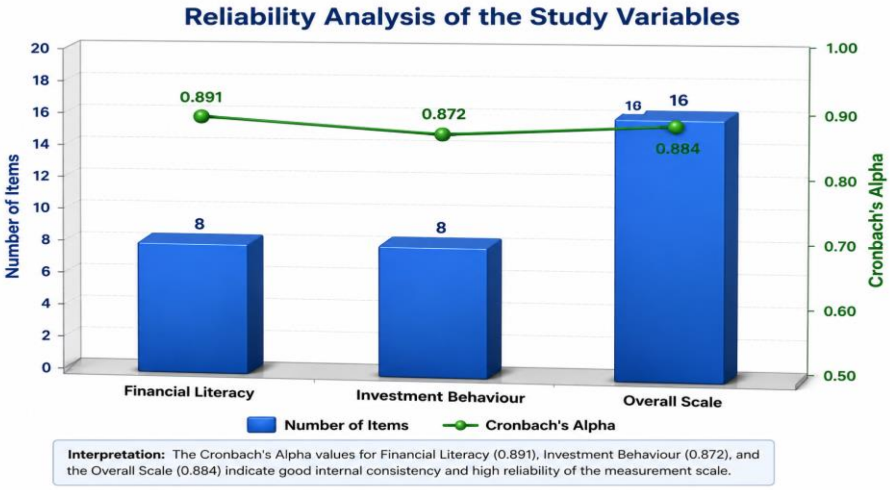


Interpretation:
The average score of Financial Literacy is 4.08 which indicates that the score obtained by respondents is rather high. In a similar manner, the average investment behavior score of 3.95 indicates that the majority of respondents exhibit positive investment behavior. The relative standard deviation is very small, indicating mostly consistent responses.

Reliability Analysis:

Variable	Number of Items	Cronbach's Alpha

Financial Literacy	8	0.891
Investment Behaviour	8	0.872
Overall Scale	16	0.884

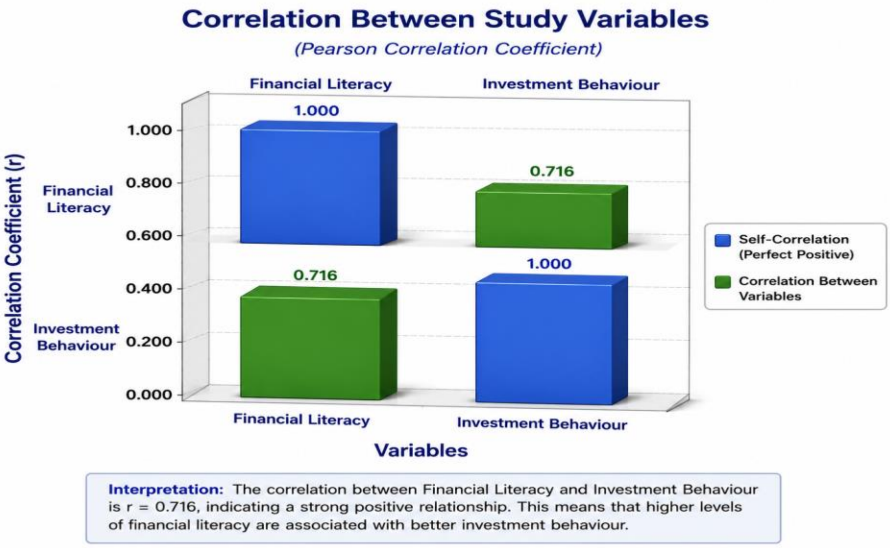


Interpretation:
The Cronbach's Alpha Score for all the questionnaires is now above 0.80; which indicates good internal consistency and reliability. Thus, the measurement tool may be further used for statistical analysis.

Pearson Correlation Analysis:

Variables	Financial Literacy	Investment Behaviour
Financial Literacy	1.000	0.716
Investment Behaviour	0.716	1.000

| Significance (2-tailed) | **0.000** |



Regression Analysis:

Model	R	R Square	Adjusted R Square	Std. Error

1	0.716	0.513	0.510	0.463

Interpretation:
R square value is 0.513 which means that the financial literacy explains the investment behaviour by 51.3%. The behaviour of individuals towards the investment is reflection of the essential financial literacy impact.

ANOVA:

Source	Sum of Squares	df	Mean Square	F	Sig.
Regression	54.317	1	54.317	253.84	0.000
Residual	52.987	248	0.214		
Total	107.304	249			

Interpretation:
Due to $F = 253.84$ and $p < 0.001$, the regression model is significant according to the ANOVA result. It explains that financial knowledge impacts on investment in various economies.

Regression Coefficients:

Variable	B	Std. Error	Beta	t-value	Sig.
Constant	1.142	0.215	—	5.31	0.000
Financial Literacy	0.688	0.043	0.716	15.93	0.000

Interpretation:
A positive value of B = 0.688 suggests that positive investment behaviour is positively related to increase in financial literacy. Statistical test positively affects the investment behaviours of Malay community in low- and middle-income area in Malaysia.

Hypothesis Testing:

Hypothesis	Result	p-value	Decision
H_0	r = 0.716	0.000	Rejected
H_1	r = 0.716	0.000	Accepted

Conclusion:
An individual investor's financial literacy greatly influences their investment behaviour, study has shown. The findings suggest that an individual with more financial education is more capable of assessing investment alternatives, understanding financial risk, diversifying his portfolio and also taking good financial decisions. In addition, the statistical analysis indicates that there exists investment behaviour that the investor is financially literate it possesses greater sensitiveness and seriousness in their investment. Educated investors will lead to successful financial management. The study indicates that being financially literate positively affects differ areas including planning, discipline risk management. Money-market education has acquired great significance in present-day scenario when the financial market is experiencing immense growth and development. Such education is essential for providing people with adequate knowledge make rational investment decisions and avoid.

The post Money-market Education Essay appeared first on Cool essay in Canada. Based on this research study, it is recommended that financial education programmes, investor awareness and awareness about digital learning on finance be strengthened.

Earlier studies focused on the influence of various factors on an individual investor's financial behaviour. Commonly analysed elements include but not limited to financial literacy, risk tolerance, demographic factors, behavioural biases and preference among others. The most recent factor assessed with regard to financial behaviour is income. the recent and often studied component of income, on each other and on the financial behaviour. This study was conducted specifically post COVID-19, due to the increase in monetary uncertainties. It aims to assess in the context of an epidemic.

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