



TITLE: Impact of Financial Literacy on individual investment decision: “A case study of J&K UT”

Mr. Harish Sambyal

Lecturer

Bhargava Degree College, Samba

Abstract: Financial literacy refers to the knowledge, skills, and ability of an individual to understand financial concepts and make informed decisions regarding personal finance. The impact of financial literacy on an individual's investment decision-making is significant, as it can help individuals make informed decisions and achieve their financial goals. Individuals who are financially literate are better equipped to understand the risks and potential returns of various investment options. They can also evaluate the suitability of different investment options based on their personal financial goals, risk tolerance, and time horizon. Financially literate individuals are more likely to diversify their investment portfolios and make informed decisions about asset allocation. In addition, financial literacy can help individuals avoid costly mistakes, such as investing in high-risk investments without fully understanding the potential downside. Financially literate individuals are more likely to avoid scams and fraudulent investments, which can result in significant financial losses. Overall, financial literacy is a crucial factor in an individual's investment decision-making process. It can help individuals make informed decisions, avoid costly mistakes, and achieve their financial goals. Therefore, it is essential for individuals to invest in their financial education and improve their financial literacy. In this proposal, researcher attempts to study the factors responsible for financial literacy on individual investment decision. The study is based on descriptive and exploratory style using primary data. The primary data is collected with the help of Google forum. Pie-chart presentation is used for the purpose for analyzing the data. The result of the survey shows that there exists a positive relationship on gender, qualification and occupation with respect to financial literacy to make efficient investment decision.

INTRODUCTION

Every investment needs two things: cash and KASH. The first cash refers to the money that we have and we want to either save or invest. The word KASH refers to the Knowledge, aptitude, skills and habits that an individual have to make investment with prior utilization of the financial literacy. The information and abilities essential to make wise financial decisions are referred to as financial literacy. It encompasses an understanding of financial concepts, such as budgeting, saving, investing, credit, and debt management, and the ability to apply this knowledge to real-world situations.

Having a good level of financial literacy is crucial for individuals to achieve their financial goals, make sound investment decisions, and avoid financial pitfalls. Unfortunately, studies show that financial illiteracy is a widespread problem globally, and many individuals lack even the basic financial knowledge required to manage their finances effectively.

Financial literacy is essential for individuals to make informed decisions regarding their investments. A lack of financial knowledge often leads to poor investment decisions, which can lead to financial losses. In Jammu and Kashmir (J&K), a significant number of individuals lack financial literacy, which can negatively impact their

investment decisions. Therefore, this study aims to investigate the impact of financial literacy on individual investment decisions in J&K.

STATEMENT OF THE PROBLEM:

The lack of financial literacy among individual investors in Jammu and Kashmir (J&K) can have a significant impact on their investment decisions and financial well-being. Many investors in J&K may lack the necessary knowledge and skills to effectively manage their finances, including understanding financial products and services, assessing risk, and making informed investment decisions. The problem is compounded by the fact that J&K is a region with a unique set of economic, social, and political challenges. The region has experienced decades of conflict, which has led to limited access to financial resources and services, as well as a lack of trust in financial institutions.

Without access to adequate financial education, individual investors in J&K may be more vulnerable to financial scams, high-risk investments, and other financial pitfalls. This can lead to a cycle of poverty and economic instability in the region. Therefore it becomes important to study the impact of financial literacy on individual investors in J&K and identify ways to improve financial education and access to financial resources in the region.

OBJECTIVES OF THE STUDY:

1. To evaluate the level of financial literacy among individuals in J&K.
2. To assess the investment decisions made by individuals in J&K.
3. To determine the relationship between financial literacy and investment decisions among individuals in J&K.
4. To suggest ways to improve financial literacy and investment decisions among individuals in J&K.

RESEARCH QUESTIONS:

1. What is the relationship between financial literacy and investment returns among individual investors in J&K?
2. What is the level of financial literacy among individual investors in J&K, and how does this impact their investment decisions?
3. To what extent does financial literacy affect the investment decisions of individual investors in J&K?
4. What are the main sources of financial information and education for individual investors in J&K, and how effective are these sources?
5. What are the common investment mistakes made by individual investors in J&K, and how do these relate to their level of financial literacy?

REVIEW OF LITERATURE:

Biswas and Gupta (2015) examined the status of financial literacy of people of selected districts of Bengal. The objective was to examine the financial knowledge of people of West Bengal and their ability in planning financial related activities. The researchers also tried to connect the financial literacy with the financial planning of people of the study area. The relationship of the demographic characteristics of the people was also tried out with the financial literacy level. The people were found with low level of financial literacy level and their ability in planning the financial issues were also quite poor. But, the level of literacy was found to be influenced by occupation and education of the people of West Bengal.

Choudhary and Kamboj (2017) conducted an empirical study on financial literacy of people of Haryana. When looked at the financial literacy of Haryana residents, the authors discovered that just one-third of the whole sample has a better level of financial literacy. A major chunk of individuals had basic financial knowledge and engage in

healthy financial behavior. But, fifty seven percentages of participants had a 27 negative financial viewpoint. This implies that policymakers should introduce efforts, since they may help to change the opinions of the respondents. The relatively significant number of persons who fall into the average financial literacy class is cause for worry.

Sarmad et al. (2018) found that financial literacy significantly impacted investment behavior among individual investors in J&K. The study showed that individuals with higher levels of financial literacy were more likely to make informed investment decisions, diversify their portfolios, and achieve higher returns on their investments.

Dar et al. (2019) examined the impact of financial literacy on the investment behavior of rural households in J&K. The study found that financial literacy had a positive impact on investment decision-making and was associated with increased use of formal financial services, such as bank accounts and insurance.

However, studies identified significant gaps in financial literacy among individual investors in J&K. Many investors in the region lacked basic knowledge about financial products and services, as well as the ability to assess risk and make informed investment decisions.

The lack of financial literacy among individual investors in J&K is compounded by a range of other factors, including limited access to financial resources and services, a lack of trust in financial institutions, and the unique economic, social, and political challenges faced by the region.

To address these challenges, several studies have highlighted the need for targeted financial education programs that are tailored to the unique context of J&K. These programs should aim to improve financial literacy, increase access to financial resources and services, and promote informed investment decision-making among individual investors in the region.

Overall, the literature suggests that financial literacy plays a crucial role in shaping the investment decisions of individual investors in J&K. Improving financial literacy through targeted education programs could help to address the challenges faced by investors in the region and promote economic stability and growth.

RESEARCH METHODOLOGY:

In this study, 2000 working individual from 20 districts of J&K UT to be randomly selected for the research purpose, comprising of 100 individual from each district. This study was based on descriptive and exploratory style using primary data. The data was collected by using questionnaire. A sample of 2000 individuals will be collected from different regions of J&K using a simple random sampling technique. The questionnaire will be used to collect quantitative data on financial literacy and investment decisions.

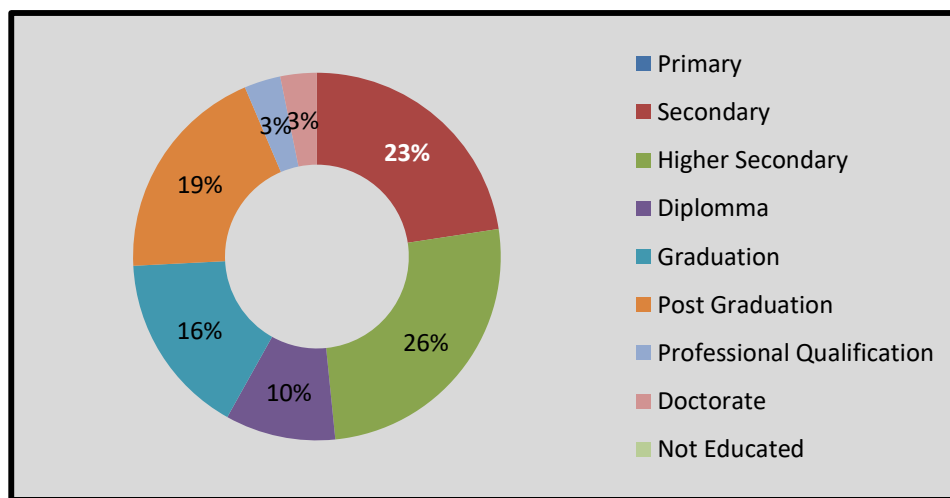
Measurement scale used in questionnaire

Constructs	Number of items
Basic details	07
Earning source, saving & investment	05
Compound interest and inflation	02
Risk/return relationship	05
Alternative choices	02

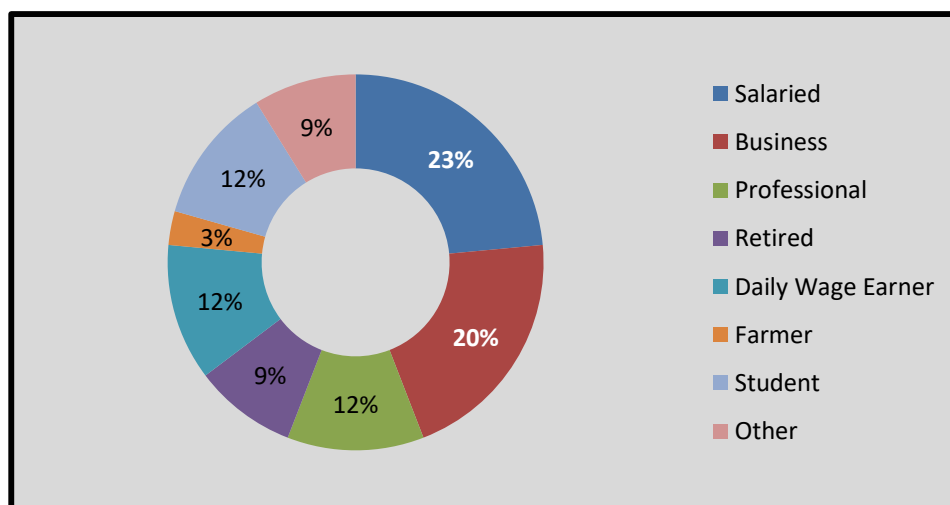
ANALYSIS OF DATA:

Various statistical tools and techniques are used for analysis and interpretation of Data and to validate and justify the results, various statistical tools tests like Chi-square, ANOVA and Percentage method are applied for this proposed research.

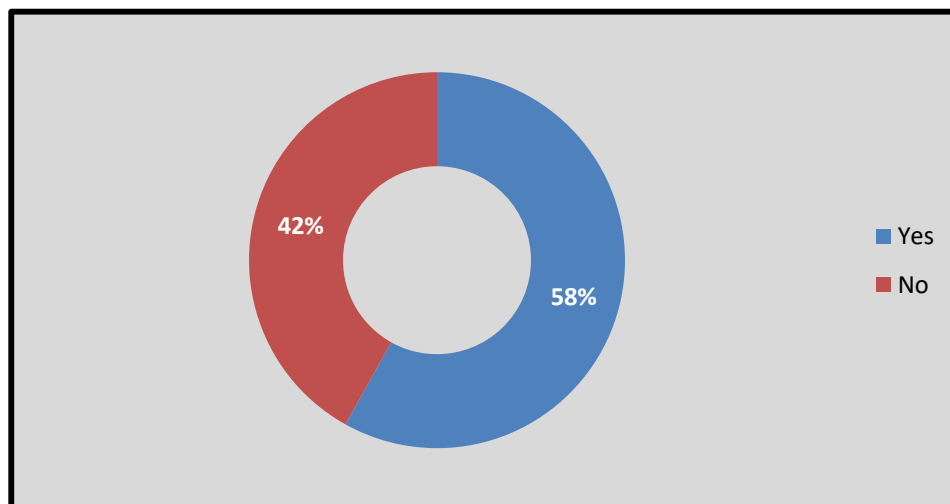
1. The highest educational qualification of the respondents:



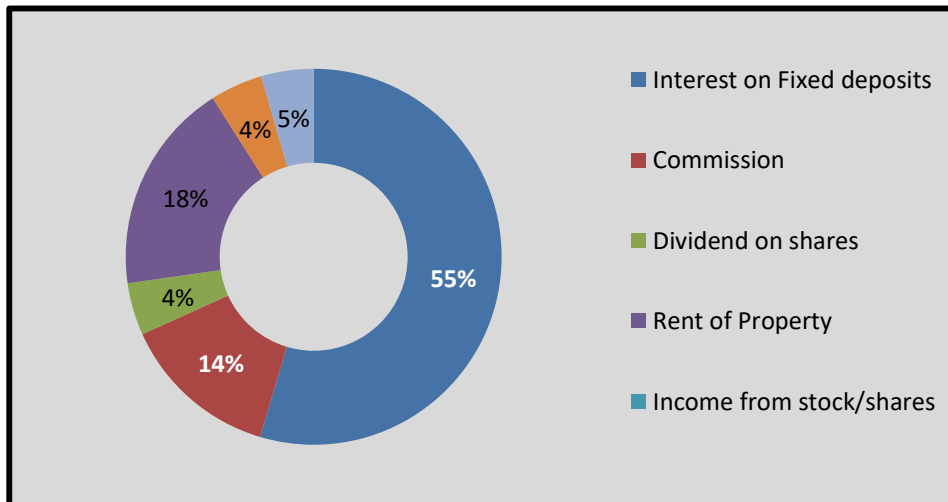
2. The nature of occupation they opt for:



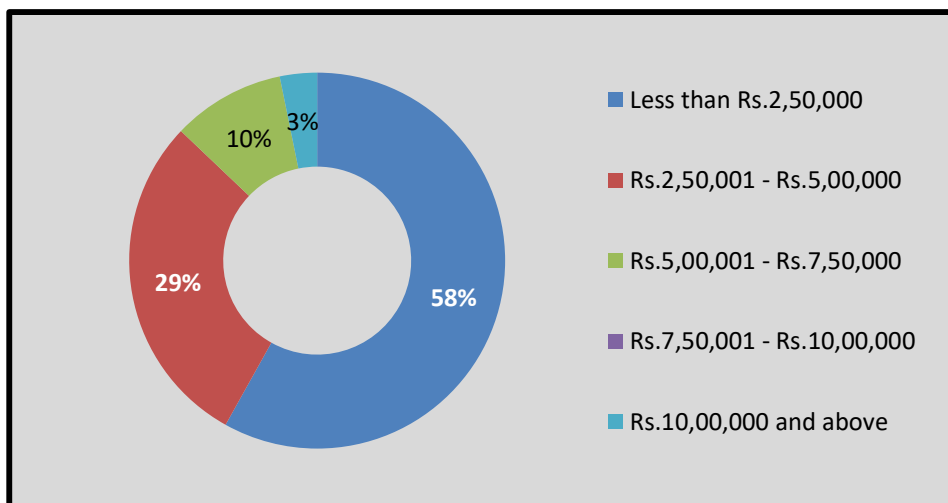
3. Do you have any additional income rather than regular earning?



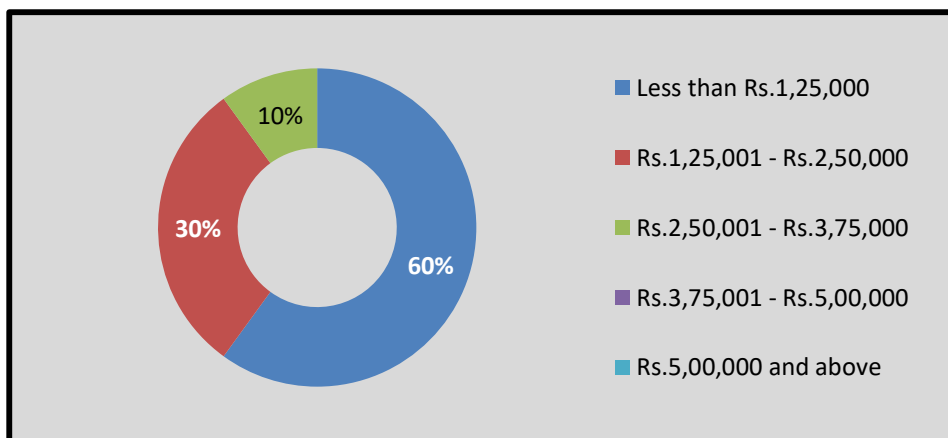
4. If yes, Please mention the source of earning:



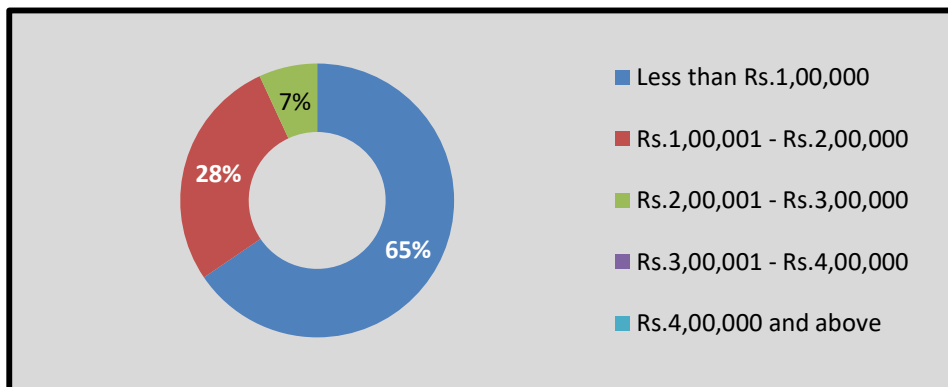
5. Your annual Income:



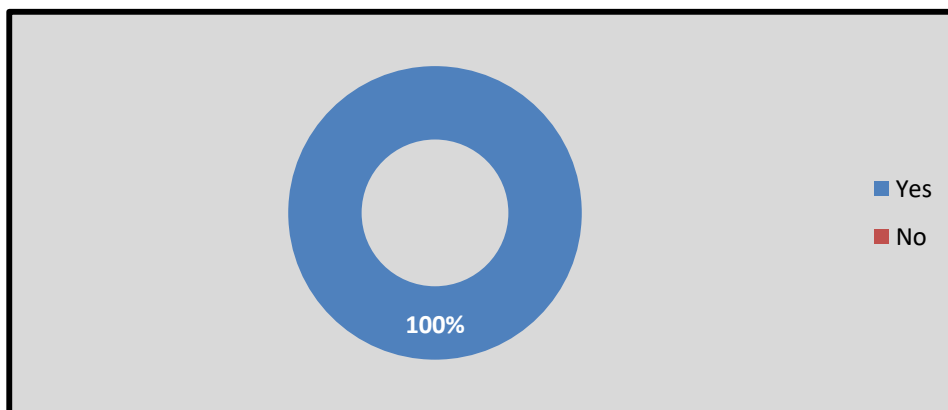
6. Your annual saving out of Income:



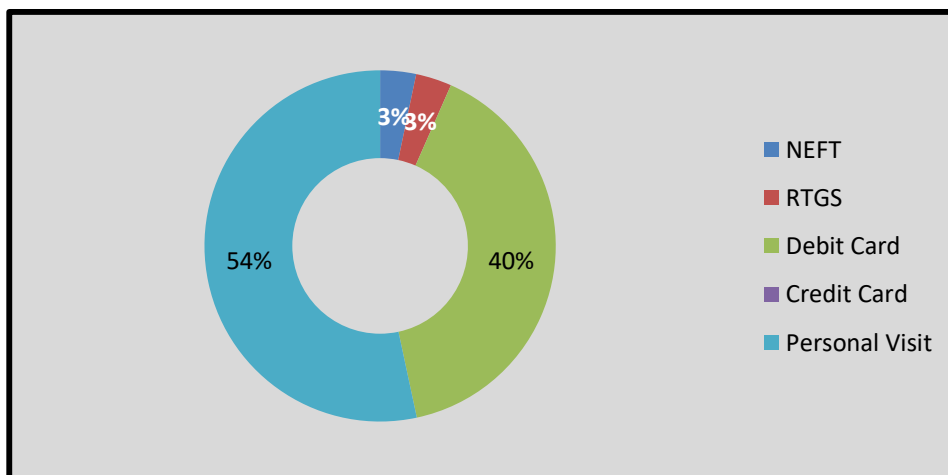
7. Your annual investment out of savings:



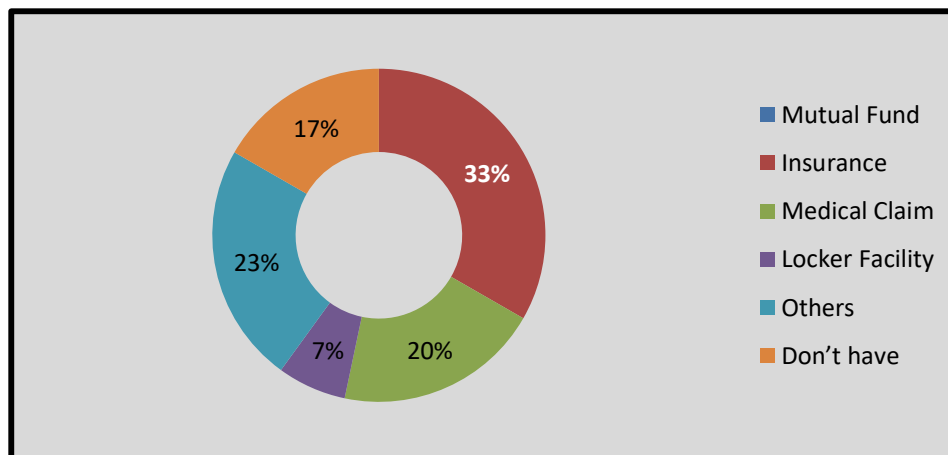
8. Do you have bank account?



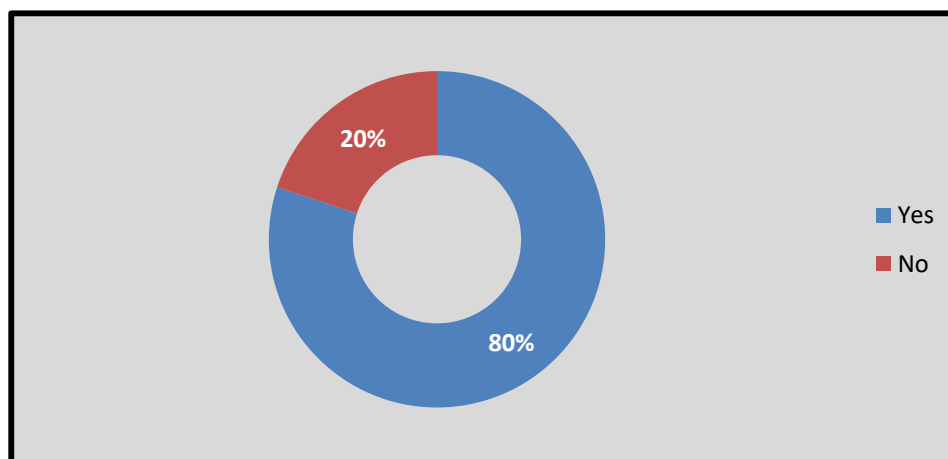
9. By which mode do you prefer to operate your bank account?



10. Do you take benefits of the other services provided by the banks?



11. Do you rely on bank as an investment banker?



EXPECTED OUTCOME:

- This study will provide insights into the impact of financial literacy on individual investment decisions in Jammu and Kashmir.
- The findings of the study will help policymakers and financial institutions to design effective financial literacy programs to improve the financial knowledge of individuals in J&K.
- The study will also help individuals to make informed investment decisions, which will ultimately contribute to the economic growth of the region.

IMPACT AND SIGNIFICANCE OF RESEARCH:

The research has been carried out with the purpose of measuring and analyzing the financial literacy of individual investor of J&K UT which ensure improved investment decision. The research can help to identify the level of financial literacy among individual investors and the factors that affect their investment decisions. By understanding these factors, financial institutions and policymakers can design effective financial education programs to improve financial literacy among individual investors, leading to better investment decisions.

- This research promotes financial inclusion by ensuring that individuals have the necessary knowledge to access and use financial services. Financially literate individuals are more likely to use banking services, make informed financial decisions, and save and invest their money for the future.
- Improved financial literacy can contribute to economic growth by increasing the pool of savings and investment capital available for businesses and entrepreneurs. Financially literate investors are also more likely to invest in the stock market, which can contribute to the growth of the economy.
- Financial literacy can help individuals to identify and avoid financial fraud and scams. By understanding the warning signs of fraudulent schemes, individuals can protect themselves and their assets from fraudulent activities.

CONCLUSION:

This research study showed that irrespective of financial literacy every individual make investment in their day to day life. If individuals in J&K are financially literate, they are more likely to make informed decisions about their investments, which can lead to better financial outcomes. Financial literacy can help individuals in J&K understand the risks and potential returns of various investment options, evaluate the suitability of different investment options based on their personal financial goals, risk tolerance, and time horizon. Financial literacy can also help individuals in J&K avoid costly mistakes, such as investing in high-risk investments without fully understanding the potential downside.

However, if individuals in J&K lack financial literacy, they may be more vulnerable to scams and fraudulent investments, which can result in significant financial losses. Consequently, it's critical that people in J&K make investments in their financial awareness and education. Therefore, the impact of financial literacy on individual investment decisions in J&K is likely to be positive. Financial literacy can help individuals make informed decisions, avoid costly mistakes, and achieve their financial goals. Therefore, it is important for individuals in J&K to invest in their financial education and improve their financial literacy.

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Questionnaire

https://docs.google.com/forms/d/e/1FAIpQLSdHs_r9xAu_WCd4etWetKefpjacwb9_GhhQcpkZhj9oJ5IrQA/viewform?vc=0&c=0&w=1&flr=0

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