

# A STUDY OF FINANCIAL LITERACY AMONGST THE INVESTORS OF GURUGRAM

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**ABSTRACT**

*The world's 17.5% population is in India out of which about 76% of its adult population does not understand even the basic financial literacy. Deep understanding of financial products in retail investors' is a must for sustainable economic growth. In this paper the financial literacy of the investors has been explored and the data is collected from the retail investors. Gurugram being the millennium city and true representative of diversity of India is chosen as the city to conduct the survey. To achieve the objective descriptive analysis has been used. The comparison between the advance and basic financial literacy has been done to know about extent to which they know about the financial concepts. This research reveals that the knowledge of financial instruments is still very low as per the requirement of the economy and there is a need to take some actions for the improving their literacy level.*

**Keywords:** Financial Literacy, Education, Investors, Financial Instruments

**CONCEPT DEVELOPMENT**

In the present scenario, there exist wide ranging varieties of financial products and services and thus it is more difficult to manage the money and more so for the individual investors. In the developing country like India, our most of the population come in the low income group and for them there are many options to choose for the investment of their money like they are able to open a bank account without minimum deposit. (Filipiak and Walle, 2015). So the individual investor needs to choose the right option for investment purpose. This is possible only when they have a good knowledge of financial products. Financial literacy has gained such importance due to the introduction of various new financial products like SGB (Sovereign Bond), changing financial markets & changes in political, demographic, economic and socio-culture factors. The initiatives taken by the developing country for financial literacy helps them to perform the first step for reducing the poverty. In our country where the largest part of the population is deprived of recognized financial system, the provision of financial literacy is much more important However India has the best proficient capital markets because of it expertise and its rules, law & system.

An advanced level of financial literacy of market participants plays a crucial role that helps financial market to attain its major objective of mobilization and apportioning the savings more efficiently and effectively. The understanding of the factor that is risk with regards to diversification, enhance the efficiency of financial intermediation, so it is necessary to make the participants, borrowers and investors financially literate. A level of financial literacy in a particular economy provides a good indicator of the country's economic progress and expansion. Thus it is an effort towards reducing poverty, enhancing the standard of living and increasing financial stability of an economy.

Gurugram, once known as a suburb of Delhi, is now the new Central Business District of the National Capital Region and often known as "Mini India" for its ethnicity and cultural mix. As per 2011 census, the city houses more than 8.75 lakh people on a land area of around 875 sq km, but there is also a high floating population in the city. With a good mix of both urban and rural population, working and non-working class, respectable gender divide and hub for both manufacturing and service sector it truly represents a clear picture of national mood and sentiment; Thus making it a perfect city for a study to analyze impacts of the study which has national importance and value. Gurugram with its unique representation of all aspects of a national population serve as an ideal city for a study and with a balanced sample size including all divides both in terms of gender and ethnicity as described above. Through this study an attempt has been made to throw light on all the aspects related to financial literacy through the lens of retail investors and potential reasons of a basic lacking of the same in investors'.

## LITERATURE REVIEW

Kumar and Aness (2013) identified the determinant of financial literacy and financial education which affect the financial decision of people and these are gender, age, education and income and geographical region & employment. It went ahead and suggested further on turning the focus on younger investors to ultimately improving the individual well-being. It should be started from the lower level. Trivedi (2014) observed that young urban population has good knowledge of financial products. However in rural areas this level of knowledge is low. The financial products that are available are not known by majority of population.

Shetty and Thomas (2014) found out that the financial knowledge of the students in Mumbai is not so good as compared to the global standards. Gupta and Kaur (2014) in their study related to Geographical area while they were focusing on financial literacy in district Kangra based entrepreneurs observed the level of attentiveness. The reason behind is due to inadequate numeracy skills

and can be assigned to the improper elementary and primary education system as documented in other studies. It was found that micro entrepreneurs possess low financial skill which is revealed by inadequate saving habits and poor cash management regarding different financial products or financial instrument. Gupta and Negi (2014) focused on determining the financial literacy level of people living in Shimla and recognized that financial knowledge of male regarding financial instrument is more than female because the power of decision making in the hands. Further Biswas and Gupta (2015) observed that the level of financial literacy of rural people is lower than that of urban people and this is one of the reasons for financial fraud that hit the state again and again. Amberkhane et.al (2015) examined the need for training in the area of financial instruments which will empower students in schools and colleges. It will furnish suitable inputs in attitude and behavioral of individuals with aspects in addition to financial knowledge. It helps the people especially younger ones to protect them from any financial fraud. Padmasri Deka (2015) "observed that our country where women represent 46% of the total population and majority of them have not grabbed the opportunities and rights because of their financial dependence on their family's head. Agarwal et.al. (2015) analyzed the investment decision of the teaching and non-teaching female staff in the education department of Jhansi District and the knowledge about the available investment avenue and determine the investment pattern. It was recognized that mostly women who are working are aware about the investment avenue but due to improper knowledge about the other avenues like shares, Mutual Funds and other investment alternatives, they cannot able to take investment decision in such kind of alternatives confidently.

Madhulata (2016) assessed in his study found that women have weaker and possess less basic knowledge regarding financial instruments in Sonapat rural areas. Arora also (2016) examined the knowledge of financial instrument in women working in Rajasthan. It is found that women from cities and towns has good knowledge of financial instrument as compared to rural origin women. The women have positive behavior about financial matters but poor financial knowledge and lack of awareness. If we considered the women of our country, one has to keep in mind the Baluja (2016) study. His study highlighted the road blocks faced by Indian women in their quest for financial literacy; notable among them without any particular merit are financial & psychological barriers, physical barriers and cultural barriers. But it also points further that things have changed overtime as women of India have realized the necessity of investments, savings and economic freedom and status attached with it. Goswami and Dhawan (2017) analyzed the level of financial

literacy among college students by evaluating the influence of various demographic factors. It was found that some demographic variables affect the financial literacy of students. Amutha (2017) evaluated the financial literacy of rural women in Virudhunagar district to ensure whether they access financial services. The knowledge of financial instruments is low in rural women because of that they did not access the financial services and prefer gold to invest their savings. Dube and Asthana (2017) “found that financial literacy level in Uttar Pradesh is 10% which is half of the literacy level of India and in comparisons with central zone states i.e. Madhya Pradesh, Chhattisgarh and Uttarakhand that have a financial literacy level of 14%, Uttar Pradesh also lag behind the zone level. In terms of financial attitude and financial behavior UP stood last out of all four states in central zone.”

Therefore about the financial literacy of India, Bhargava (2016) evaluated that level of financial literacy is low in India. So there is a need to spread financial education in both urban and rural areas with more concentration on rural sector due to poor education level and household income. Naidu (2017) identified the knowledge of financial instruments in India through literature based analysis. It was revealed that India people have less knowledge regarding financial instrument. So individuals are not able to put up right choice regarding financial instruments in decision making. So it is necessary to adopt new initiatives for improvement of financial literacy level.

### RESEARCH GAP

From some states previous study it has been examined less knowledge regarding financial instruments resulting in the low level of financial literacy across India. The efforts to increase the financial education are done by RBI, financial institution, government and regulators which will boost understanding in individuals about financial instruments. The past studies focused mainly on financial literacy of women, and of young generation but the main role in the financial market is all kind of investors; Therefore this study is focused on to assess the level of financial literacy among investor's demographics and also to gauge the awareness level of investors ranging from basic to advanced financial literacy regarding financial instruments.

### IMPORTANCE OF THE STUDY

For achieving the financial growth and success; the individual should learn the basic financial concepts and accordingly manage their personal finances efficiently hence it is required for the investors that they have a better financial literacy. Retail investors are drivers or engines of the retail financial market of any country and contribute in terms liquidity, stability and brings about positive sentiments in the market. A

relatively stable and growing investment drives the economy and country to its desired financial objectives. For the reasons stated above this study imposed focus on the literacy level of retail investors.

### OBJECTIVES FOR THE STUDY

The present study focus is to gauge the knowledge about financial instruments with regard to retail investors of Gurugram district (Haryana). For final fulfillment of the study following objectives are framed:-

- To explore the level of financial literacy among the retail investors.
- To compare the difference between basic and advance financial literacy level in retail investors of gurugram district (Haryana).

### RESEARCH METHODOLOGY

The foremost purpose of research methodology is to give work plan of study to the researcher. In the present study with keeping in mind the objectives and the available data the study is interested in exploration and description.

**Sample:** In the sampling unit retail investors are considered by using judgmental sampling and only contacted with them. The population is infinite but for the sake of research the sample size is taken 125. This size is indicative and represents the demography we intend to study. For study both primary and secondary data has been collected. The survey was organized with the help of questionnaire. For the collected data simple statistics like descriptive analysis with the help of frequency distribution, cross tabulation, compute mean etc. are used.

**Measure:** A questionnaire has been used as research instrument for the purpose of determining the financial literacy level of the respondents. It is divided in two parts; first for investors' demographics and second is related to financial literacy. Second part includes assessment of both basic and advanced financial literacy level of investors. Basic financial literacy includes the concept of saving accounts, life insurance, risk and return, inflation, stock market etc. whereas the advance financial literacy includes the concept of fixed deposits, PPF, equity shares, mutual funds and debentures. To calculate the financial literacy level one mark each was given for every correct answer and zero for incorrect answer.

**Statistical Tool:** For the collected data simple statistics like descriptive analysis with the help of frequency distribution, cross tabulation and mean rank are used.

**Respondent's Profile:** The majority of the respondents (58.4 percent) are dominated by age group of up to 30 years. 31.2 percent respondents fall under the age group between 31-45 years and rest 10.4 percent respondents belonging from the age

group of above 45 years. The male respondents are 64.8 percent and 35.2 percent are female respondents. With respect to annual income 32 percent respondents come under the income slab of Upto 3 lakh. The annual income between 3-5 lakh was earned by 32.8 percent respondents. The occupation is heavily dominated by employee (govt. /private) i.e. 69.6 percent. Respondents belonging to the category of professional are 16.8 percent and rest are businessmen (13.6 percent). The respondents (61.6 percent) have general qualification and 38.4 percent respondents have professional qualification. With regard to years of work experience, 49.6 percent respondents possess work experience of up to five year. According to number of years of investment experience it is constituted by 65.6 percent respondents who have been investing for up to 5 years, 17.6 percent respondents who have been investing for 6-10 years, while 16.8 percent respondents have been investing for more than 10 years. (Table 1)

**Table 1: Respondent’s Profile Sheet**

Characteristics	Frequency	Percent
<b>Age</b>		
below 30	73	58.4
30-45	39	31.2
above 45	13	10.4
<b>Gender</b>		
Male	81	64.8
Female	44	35.2
<b>Annual Income</b>		
up to 3 lakh	40	32
3-5 lakh	41	32.8
above 5 lakh	44	35.2
<b>Occupation</b>		
Employee	87	69.6
Professional	21	16.8
Businessmen	17	13.6
<b>Qualification</b>		
General	77	61.6
Professional	48	38.4
<b>Work experience</b>		
less than 5	62	49.6
5 to 10	44	35.2
10 &more	19	15.2
<b>Investment period</b>		
less than 5	82	65.6
5 to 10	22	17.6
more than 10	21	16.8

Source: Field Survey

**RESULTS AND DISCUSSION**

Level of financial literacy in a particular economy provides a good indicator of the country’s economic progress and expansion. Therefore financial literacy is an effort towards reducing poverty, alleviating the standard of living and increasing financial stability of an economy. Keeping this in mind the present study

examines the financial literacy level of Investors and also focused on awareness level of investors ranging from basic to advanced financial literacy regarding financial instruments.

To present transparency in the discussion, first of all financial literacy level has been calculated and after that the research paper focused on both level of financial literacy. It was measure by calculating respondent’s total score as the percentage of correct answer (Lyons, 2007), by attempting the total 20 questions. Out of these, 10 questions were related to basic financial literacy and 10 questions were associated with advance financial literacy. For structuring the analysis, the median is calculated through the correct answers related percentage of the respondent. The score of the respondents if equal to median or above the median then they are ruminant as respondents who have higher financial literacy level and if respondents score is less than the median then they are considered as respondent who have lower financial literacy level.

**Analysis of Financial Literacy Questions**

The central tendency values are calculated; which are shown in Table 2. The values are calculated with the help of the responses composed from every investor.

**Table 2: Overall Financial Literacy of Investors**

Central tendency	Value
Mean	74.2
Median	75.00
Std. deviation	17.4631
Minimum	15
Maximum	100

Table 2 outcome revealed that 74.2 percent questions are answered correctly on an average. The median score percentage is 75.00 which implies that the investors’ higher financial literacy has found who scores equal to or above median percentage (i.e. 75) whereas the investors with low value of median percentage (i.e. 75) are treated as respondents with less knowledge of financial instruments.

**Table 3: Analysis of Correct Response Score under Basic Financial Literacy**

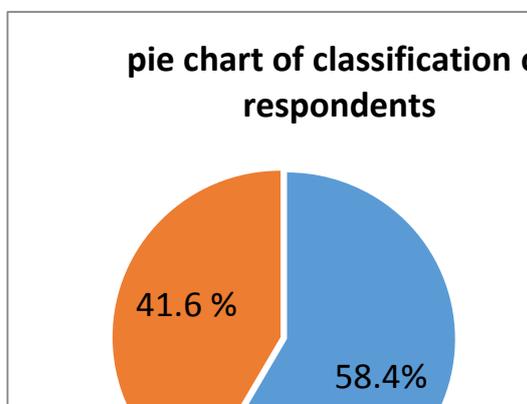
Rank	Q. No.	Question subject	Percentage of Correct Answer
10	1	Personal finance	52
1	2	Saving account	97.6
8	3	Life insurance	72.8
6	4	Diversification of money	79.2
4	5	Inflation	82.4
7	6	Risk	75.2
3	7	Price fluctuation	85.6
2	8	KYC	96.8
9	9	Regulatory body	67.2
5	10	Stock market	81.6

The respondents' overall performance towards basic level of financial literacy questions is given in the above Table 3. The whole data is separated in four columns. The main focus of this analysis is on investors' good knowledge regarding basic financial literacy. The base of the Rank was correct answer percentage of every question. The results revealed that the respondents score highest on saving account, KYC, inflation, stock market and price fluctuations which indicates the investors' good knowledge regarding basic financial instruments. However on the concept of life insurance, regulatory body and personal finance respondents score is very less which shows that number of investors are not fully aware about regulatory bodies and personal finance etc.

**Table 4 – Analysis of Correct Response Score under Advance Financial Literacy**

Rank	Q. No.	Question subject	Percentage
1	1	Fixed deposit	85.6
3	2	Public provident fund	70
2	3	Equity share	78.4
4	4	Mutual fund	60
5	5	Debentures	52.8

The respondents' overall performance towards ten advanced financial literacy questions is presented in Table 4. The whole data is separated in four columns. The above table results revealed that fixed deposit questions have highest score (85.6% of correct answers), followed by equity share (78.4% of correct answers), Provident fund (70.00% of correct answers), mutual fund (60.00% of correct answers), debentures (52.8% of correct answers). The respondents are less knowledge on the investment alternatives, i.e. debentures (52.8% of correct answers), mutual fund (60.00% correct answers), which is very far from median score. Hence it can be concluded that respondents are not very much aware about debentures and mutual funds.



**Figure 1: Pie Chart of Classification of Respondents**

Fig. 1 shows the classification of respondents on the basis of their financial literacy level. From above figure the results revealed that 58.4% respondents (n=73) score high which is more than the median

(75.00), and So it can be predicted that these investors have good knowledge of financial instruments as compared to others.

**Overall Financial Literacy with Retail Investor Demographics**

It can be depicted from Table 5 that out age group of below 30 years, 57.53% have high financial literacy and 42.47 percent respondents have low financial literacy. In the age group 31-45, percentage of higher financially literate was 64.10% and 35.90 % have low financial literacy. In the age group of above 45, higher financial literacy has been found in of 46.15 percent respondents and 53.85percent investors have low financial literacy. On the basis of age it can be predicted that middle level age group have better knowledge of financial instruments.

**Table 5: Overall Financial Literacy with Retail Investor Demographics**

Age of Respondents and Financial Literacy			
Age Group	Low	High	Total
Below 30	31 (42.47%)	42 (57.53%)	73
31-45	14 (35.90%)	25(64.10%)	39
Above 45	7(53.85%)	6(46.15%)	13
Gender of Respondents and Financial Literacy			
Gender	Low	High	Total
Male	31(38.27%)	50(61.73%)	81
Female	21(47.73%)	23(52.27%)	44
Income of Respondents and Financial Literacy			
Annual income	Low	High	Total
Up to 3 lakh	25(62.5%)	15(37.5%)	40
3-5 lakh	18(43.90%)	23(56.10%)	41
Above 5 lakh	9(20.45%)	35(79.55%)	44
Occupation of Respondents and Financial Literacy			
Occupation	Low	High	Total
Employee	40(45.98%)	47(54.02%)	87
Professional	4(19.05%)	17(80.95%)	21
Businessmen	8(47.06%)	9(52.94%)	17
Qualification of Respondents and Financial Literacy			
Qualification	Low	High	Total
General	38(49.35%)	39(50.65%)	77
Professional	14(29.17%)	34(70.83%)	48
Work Experience of Respondents and Financial Literacy			
Work experience	Low	High	Total
Less than 5	29(46.77%)	33(53.23%)	62
5 to 10	14(31.82%)	30(68.18%)	44
10 & more	9(47.36%)	10(52.63%)	19
Investment Period of Respondents and Financial Literacy			
Investment period	Low	High	Total
Less than 5	38(46.34%)	44(53.66%)	82
5 to 10	7(31.82%)	15(68.18%)	22
More than 10	7(33.33%)	14(66.67%)	21

Results revealed that male respondents were higher financially literate in comparison to the female investors. It may be because of the dependency of female upon male members i.e. earning members of the family. The retail investment decisions are

mostly taken by male members in the family. If we look upon the income variable, it is found highest in the investors who belongs to income of above 5 lakh which is followed by the income group of 3- 5 lakh. The low income group investors have low knowledge of financial instruments. This probably will be because of lesser amount of money to invest in the financial instruments. So in nut shell it can be said that financial literacy have positive impact on income. When income will increase the awareness will automatic increase. On the basis of occupation results declared that professionals have high knowledge of financial instruments as compare to government employee/private employees and businessmen which is directly related with their exposure about the financial instruments. Education results also revealed the same results. It is highlighted from results that the investors who are technically qualified are more aware about financial instrument as compare to general qualification investors; this could also be because of the reasons that they have access to financial instruments and their knowledge through electronic and digital media by being the more tech savvy then others .

It can be seen from the table 10 that respondents who have work experience of 5 to 10 years have high level of financial literacy followed by respondents under category of less than 5 year. This could be because more one works; more the person gets exposed to financial instruments through colleagues and other mediums. Results above shows that gradual learning through education, technical knowhow and exposure through work or colleagues result in higher financial literacy of the potential investors and thus one can summaries that financial literacy should be acquired/imparted to all potential investors.

### CONCLUSION

The retail investors play a crucial role for the economic growth of the country by investing their hard earned money in the financial instruments. Accordingly based on the data analysis and findings; it is calculated that the knowledge regarding financial instruments of respondent is still very low as per the requirement of the economy and there is a need to take some actions for the improving their literacy level. The knowledge and understanding of respondents related to the basic financial literacy is good to some extent except in some areas like the regulatory bodies in the financial market and the way to invest in different accounts. It is also concluded from the findings that the respondents have little knowledge with regards to debenture in advance financial literacy. The reason may be the minimum use of this investment instrument.

Results show that financial literacy can only be acquired over time with experience or through exposure so government should take initiatives to enhance the knowledge with the help of digital India

and other means at its disposal. More campaigns are required, financial education weeks are to be organized. Successful implementation of financial literacy programs is a must for a robust growth of retail investment through financial literacy campaigns among investors. This study is an eye opener for all of those who believe that they can invest with their instincts and succeed as compared to what this study reveals that financial literacy needs to be acquired over time with various means and there is no substitute for this even in an urban set up like Gurugram. Thus it becomes paramount to provide financial literacy to all investors taking a clue from results shown in this study based on Gurugram inventors.

### IMPLICATION OF THE STUDY

Focus of this study is on the investors because they play a crucial role in the capital market of the country. Study reveals that even investors did not have a good knowledge of the financial concepts. This cast a very serious and grin picture of the state of retail investors in the country. Even in an urban and cosmopolitan set up like Gurugram has shown that investors are low in financial literacy then it is obvious that other relatively backward areas will have a even more negative picture. This study is paramount for our policy makers and other leaders responsible for the financial health of the country as it help decide future course of actions and policies in this regard. With its unique demographic sampling we can chart the national financial literacy health and help policy makers in course correction wherever required. Further study can examine on the reasons behind the lack of knowledge of financial instruments.

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