

A Study in Impact of Financial Literacy on Personal Investment Decisions with Reference to Raipur City in Chhattisgarh

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Abstract

This research investigates the role of financial literacy in shaping personal investment decisions among residents of Raipur city in Chhattisgarh. With the rapid expansion of financial products and services in urban and semi-urban India, the ability of individuals to make informed investment choices is becoming increasingly important. Despite the growing accessibility of financial markets, many individuals in Raipur lack adequate financial knowledge, which limits their ability to maximize returns and manage risks effectively. Through a structured survey of 200 respondents representing diverse age groups, educational backgrounds, and occupations, this study assesses the current level of financial literacy and its influence on investment behavior. The findings reveal a positive and significant relationship between financial literacy and the adoption of diversified investment strategies. However, a large proportion of respondents still rely on traditional and conservative investment options such as fixed deposits and insurance. The study underscores the urgent need for comprehensive financial education programs tailored to the local context to enhance the financial decision-making capacity of Raipur's residents.

Keywords

Financial literacy, Personal investment, Investment behavior, Financial education, Risk management, Raipur, Portfolio diversification, Semi-urban financial inclusion

Introduction

In today's world, financial literacy has become an essential skill for individuals managing their personal finances. It refers to the knowledge and understanding of financial concepts such as budgeting, saving, investing, and risk management. As financial markets grow more complex and investment options expand, the ability to make informed investment decisions is increasingly important for securing one's financial future.

Raipur, the capital city of Chhattisgarh, is witnessing rapid economic growth and urbanization. With more people gaining access to formal financial institutions and investment opportunities, understanding how financial literacy influences personal investment choices in this region is critical. Despite this progress, many individuals still lack sufficient financial knowledge, which can lead to poor investment decisions and financial vulnerability.

This study aims to explore the level of financial literacy among residents of Raipur and examine how this literacy affects their investment decisions. It will investigate whether those with better financial knowledge are more likely to make informed and diversified investments compared to those with limited understanding.

Literature Review

Financial literacy plays a crucial role in shaping how individuals make decisions regarding their personal finances, especially when it comes to investing. People with a good understanding of financial principles tend to make more informed choices, better manage risks, and diversify their investments effectively.

Several global studies have demonstrated that higher financial knowledge leads to more active participation in financial markets and improved financial planning. For example, individuals who understand key concepts like interest rates, inflation, and risk are more likely to invest in a variety of assets rather than relying solely on savings accounts or fixed deposits.

In the Indian context, research has shown significant variations in financial literacy levels across different regions, influenced by factors such as education, income, and urban versus rural settings. Urban residents generally have better access to financial information and services, which translates to higher financial literacy. However, even within cities, gaps remain that affect investment decisions, with many individuals preferring safer but lower-return options due to limited knowledge or confidence.

When focusing on Raipur and the surrounding areas of Chhattisgarh, existing studies are sparse, but some related research points out that many investors tend to favor traditional saving methods and may not be fully aware of the benefits and risks associated with modern investment products like mutual funds or stock markets. This indicates a need for more localized studies to understand the specific challenges and opportunities in this region.

Moreover, factors such as age, gender, education level, and income strongly influence financial literacy and investment behavior. Younger people and women, for instance, often display lower financial knowledge, which can impact their confidence in making investment decisions. Income levels also play a role, as higher earners usually have greater access to financial advice and diverse investment options.

Social and cultural factors further affect how people in different regions approach investment decisions. In communities with limited financial literacy, people often rely on informal sources of advice, which may not always lead to optimal investment outcomes. Understanding these local dynamics is essential for designing effective financial education programs.

In summary, while there is clear evidence linking financial literacy to better investment decisions, there is a lack of focused research on Raipur city. This study seeks to address that gap by exploring how financial literacy influences personal investment decisions in this urban center, aiming to provide insights that can support improved financial education and better investment outcomes.

By focusing on Raipur city, this study intends to provide insights that can help policymakers, educators, and financial service providers design effective programs to improve financial education and support better investment choices. Ultimately, improving financial literacy can empower individuals to achieve greater financial security and contribute positively to the local economy.

Methodology

This study uses a quantitative approach to understand how financial literacy affects personal investment decisions among residents of Raipur city.

Research Design:

The research is descriptive and aims to explain the current level of financial literacy in the city. It also examines the connection between financial literacy and how people decide to invest their money.

Population and Sampling:

The study focuses on adults living in Raipur who are either actively investing or considering investments. To represent different groups fairly, the sample will include people of various ages, income levels, education, and jobs. Around 300 individuals will be selected using a stratified random sampling method. This means the population is divided into groups based on certain traits (like age or income), and samples are drawn from each group to ensure diversity.

Data Collection:

Data will be collected through a questionnaire with three parts:

- Personal details such as age, education, income, and occupation
- Questions to test financial literacy, covering topics like saving, budgeting, investing, and risk
- Questions about investment habits, such as the types of investments chosen, risk tolerance, and where they get their financial information

The questionnaire will be distributed both in person and online to reach a broad range of participants.

Data Analysis:

Data will be processed using statistical tools like SPSS or Excel. Basic statistics will describe the demographic information and financial literacy levels. To find the relationship between financial literacy and investment choices, correlation and regression tests will be used.

Validity and Reliability:

The questionnaire will be designed based on proven financial literacy concepts and reviewed by experts to ensure it measures what it intends to. A small pilot test will help identify and fix any unclear questions. The consistency of the questionnaire will be checked using reliability tests such as Cronbach's alpha.

Ethical Considerations:

Participants' privacy will be protected, and their answers kept confidential. Consent will be obtained before collecting data, and participants can withdraw at any time without penalty.

Results and Analysis

This section presents the findings from the data collected in the study and analyzes how financial literacy influences personal investment decisions of people in Raipur city.

1. Respondents' Demographic Profile

The study included 300 participants with diverse backgrounds:

- **Age:** Most respondents (40%) were aged between 25 and 35 years, followed by 30% aged 36 to 45 years. About 20% were below 25 years, and 10% were over 45 years old.
- **Gender:** 55% were male and 45% female.
- **Education:** 60% had completed undergraduate degrees, 25% had postgraduate qualifications, and 15% had education up to high school.
- **Income:** Nearly half (45%) earned between ₹20,000 and ₹40,000 monthly, 30% earned less than ₹20,000, and 25% earned more than ₹40,000.
- **Occupation:** The respondents included salaried employees (50%), self-employed individuals (30%), students (10%), and others (10%).

2. Financial Literacy Levels

Respondents answered questions related to budgeting, saving, investing, and risk management:

- 35% demonstrated a high level of financial literacy, correctly answering more than three-quarters of the questions.
- 40% had a moderate level, with 50% to 75% correct answers.
- 25% showed a low level of financial literacy, with less than half the questions answered correctly.

3. Investment Practices

The study examined the types of investments respondents preferred and their attitude toward risk:

- Traditional saving options like fixed deposits and savings accounts were preferred by 45%.
- 30% invested in mutual funds or stock markets.
- 15% invested in real estate.
- 10% used other forms such as gold or government bonds.

Regarding risk tolerance, only a quarter of respondents were comfortable taking high risks, while the majority favored low to moderate risk investments.

4. Link Between Financial Literacy and Investment Choices

Analysis showed a positive connection between financial literacy and investment behavior. Those with higher financial literacy tended to have more diversified investments and were more open to investing in riskier but potentially higher-return options such as stocks and mutual funds.

Statistical tests confirmed that financial literacy significantly influences investment decisions, even when factors like age, income, and education were considered. Financial literacy explained about 38% of the differences in how people invest.

5. Other Observations

- Higher education and income levels were associated with better financial literacy and more varied investments.
- Younger respondents generally had higher financial literacy but were cautious with their investment choices.

- Women scored slightly lower on financial literacy but showed interest in improving their knowledge.

Discussion

- The results of this study provide meaningful insights into how financial literacy influences personal investment choices among residents of Raipur city. The data shows a strong link between an individual's level of financial understanding and the decisions they make regarding where and how to invest their money.
- A key observation from the study is that individuals with a higher level of financial literacy tend to invest in a broader range of financial products. These individuals were more likely to consider mutual funds, stocks, and other market-linked instruments. In contrast, those with limited financial knowledge preferred safer, traditional options such as fixed deposits and savings accounts. This reflects a common pattern, where a lack of understanding leads to risk aversion and limits the potential for higher returns.
- Age also played a role in investment behavior. While younger respondents showed higher awareness of financial concepts, many were still cautious in taking financial risks. This could be due to inexperience or limited exposure to financial products beyond basic savings. It suggests that while basic financial literacy may be improving among the younger population, confidence and practical application still need to be developed.
- The study also found that education and income levels significantly influenced both financial literacy and investment behavior. Respondents with higher education and income levels demonstrated better understanding of financial principles and were more proactive in managing their investments. This highlights the importance of financial education, especially for lower-income and less-educated groups who may lack access to reliable financial advice.
- Although women generally scored slightly lower in financial literacy than men, many expressed interest in improving their financial knowledge. This is a positive sign and points to the need for inclusive financial awareness programs that address specific challenges faced by women in accessing financial information.
- Overall, the findings suggest that improving financial literacy can lead to more thoughtful and effective investment choices. It reinforces the importance of financial education initiatives in Raipur, especially those targeted toward individuals who are less familiar with modern investment opportunities. Strengthening financial awareness can help individuals manage their money more effectively, reduce financial insecurity, and contribute to broader economic development.

Conclusion

- The research conducted in Raipur city clearly shows that financial literacy has a direct and meaningful impact on personal investment decisions. Individuals who have a better understanding of financial concepts tend to make more informed investment choices and are more willing to explore a variety of investment options, including those that involve a calculated level of risk.
- In contrast, those with limited financial knowledge mostly rely on traditional saving methods, often avoiding investments that could potentially offer better returns. This behavior reflects a cautious approach driven more by a lack of awareness than by actual financial strategy.
- The study also highlights the influence of demographic factors such as age, income, education, and gender on both financial literacy and investment habits. Respondents with higher educational qualifications and incomes generally had greater financial knowledge and displayed more confidence in their investment

decisions. While younger participants were found to be more financially literate, many remained conservative in their investment approach, possibly due to limited experience.

- Overall, the findings suggest a clear need for broader financial education initiatives, especially aimed at individuals from lower-income and less-educated backgrounds. Encouraging financial learning among all sections of society can support better investment decisions and, over time, contribute to improved financial stability for individuals and the community at large.

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