INVESTORS' KNOWLEDGE AND AWARENESS OF FINANCIAL LITERACY

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Abstract

This study aims to assess the financial literacy of residents in South Chennai and examine how it relates to demographic factors such as age, gender, occupation, marital status, education, income, and family type. Primary data was collected using structured questionnaires, divided into two parts: demographics and financial literacy (basic and advanced). Data were analysed using cross-tabulation and percentage analysis. Results show that financial literacy levels are generally low among South Chennai residents. The study recommends that gov104-1134-113ernment bodies, banks, financial institutions, and regulatory authorities like SEBI focus on educating individuals at the micro level, both in urban and rural settings.

Introduction

The policies of Globalization, Privatization, and Liberalization have led to a surge in financial products tailored to varied investment preferences. Financial literacy is considered essential for poverty reduction and national development in countries like India. It enhances the quality of life by enabling informed financial decisions. Globally, initiatives such as the OECD's financial literacy program (2008) and the World Bank's Consumer Protection and Financial Literacy Initiative (2010) have focused on educating the public about financial tools. In India, major changes in the financial landscape, including the formation of SEBI and the introduction of online trading and Demat accounts, have further highlighted the need for financial awareness. The Reserve Bank of India has launched "Project Financial Literacy" to promote awareness using brochures, websites, presentations, and videos. A dedicated website, launched in

2007, serves diverse groups—youth, elderly, rural/urban poor, and women—offering educational resources in multiple languages. Banks have also been instructed to expand financial services in underserved areas. This study seeks to evaluate financial literacy levels among South Chennai residents.

Review of Literature

Several studies indicate a widespread lack of financial literacy across various demographics:

Lusardi et al. (2010) found low financial literacy among U.S. youth, closely tied to socio-demographic traits. **Lusardi (2008)** noted that financial illiteracy is prevalent in the U.S., especially among less educated individuals, minorities, and women. Many lacked understanding of retirement plans or Social Security. **Agarwalla et al. (2013)** highlighted the influence of demographic factors on the financial literacy of urban Indian youth. **Agarwalla et al. (2012)** observed that basic financial concepts like inflation, interest, and risk diversification are not well understood in India. However,

positive financial behaviors were linked to higher knowledge, particularly among men. **Fatoki and Oni** emphasized limited and inconsistent research on financial literacy in South Africa, calling for improved data collection. **Kummar and Annes (2013)** identified education, income, family size, and job type as key factors affecting financial literacy.

Objectives of the Study

1. To assess the financial literacy levels of residents in South Chennai.

2. To examine the relationship between financial literacy and demographic characteristics.

Research Design

This empirical study used both primary and secondary data. Primary data was collected via questionnaires using random sampling, targeting 100 individuals in South Chennai. The questionnaire covered demographic details and 52 financial literacy-related questions. Secondary data was gathered from books, journals, reports, newspapers, and websites.

5. Data Analysis and Interpretation

Table 1: Percentage distribution showing Demographical profile of respondents

Demographical profile	Categories	Frequency
Gender	Male	61
	Female	39
Age	Below 30 years	24
	31 years – 40 years	22
	41 years – 50 years	32
	51 years – 60 years	12
	Above 61 years	10
Education	SSLC	6
	HSC	14
	Diploma	12
	Under Graduate	7
	Post Graduate	56
	Doctorate	6
Occupation	Salaried	60
	Self employed/business	13
	Professional	13
	Retired	8
	Student	6
Married Status	Married	72
	Unmarried	28
Monthly Income	Upto Rs.10,000	4
	Rs.10,000 – Rs.20,000	2
	Rs.20,001 – Rs.30,000	7
	Rs.30,001 – Rs. 40,000	7
	Rs.40,001 – 50,000	11
	Above Rs. 50,001	69
Type of Family	Nuclear	30
	Joint	70

As shown in table 1, out of the total respondents, male are 61 and 39%are female . The majority of the respondents belong to the age group of 41 years to 50 years. Most of the respondents are post graduated(n= 56). 60 respondents (majority) are salaried. 72 respondents are married whereas 28 are unmarried. Most of the respondents (n=69) get salary of more than Rs.50,000. 70 individuals live in joint family whereas 30 individuals live in nuclear family.

Table 2 : Basic Financial Literacy level test of individuals

Basic Financial literacy questions	% of awareness among individual
Investment	58.26%
Inflation	68.22%
Compound interest	62.56%
Diversification of risk	81%
Stock market functioning	49.12%
Bank account types	71.23%
Know your customer	71.23%
Time value of Money	69.28%
Trade off between Risk-return	37.45%
Regulatory Body	62%

Analysis of financial literacy levels of the respondents, Out of the 20 questions, the questions are classified into two categories: Basic financial literacy level and Advanced Financial literacy level. The median percentage of correct answers of the sample respondents is considered to find out financial literacy level and to further segregate them into subgroups. The respondents having scores above median are considered as respondents with higher financial literacy and hence classified as respondents with high financial literacy and respondents with scores equal to or less than median are considered as with relatively low financial literacy and hence classified as lower financially literate respondents. The result indicates that on an average respondent answered 60 per cent of the questions correctly. The median percentage of correct responses is 60.00. As a whole, the

performance of the respondents towards 10 questions of basic financial literacy is shown in table 2. Percentage of the total respondents who answered each question correctly is shown in second column of the same table.

Table 3: Advanced Financial Literacy level test of individuals

Advanced Financial literacy questions	% of awareness among individual
Fixed Deposit	78.23%
National Saving Certificate	48.29%
Public Provident Fund	71.23%
Employee Provident Fund	40.12%
Equity shares	34.78%
Preference shares	23.12%
Mutual fund	59.12%
Debentures and Bonds	43
Post Office Monthly income scheme	45.23%
Insurance Policy	69.34%

Table 3 displays overall performance of the respondents towards advanced literacy 10 questions. With respect to advanced financial literacy, it can be seen from table 3 that respondents scores highest on the product i.e. "Fixed deposits (78.23 % of correct answer), public provident fund (PPF -71.23 % of correct answer), and Insurance policy (69.34% of correct answer)". The respondent s are less knowledgeable on the following investment alternatives, i.e. mutual funds (59.12 % of correct answer), National Saving Certificates (NSC 48.29 % of correct answers), Post

Office income Monthly Scheme (POIMS 45.23 % of correct answers), debentures and bonds (43% of correct answers) employee provident fund (EPF 40.12 % of correct answers) ,Equity Shares (34.78 % of correct answers) and Preference Shares (23.12% of correct answers).

The overall results show that out of 100 respondents 48 % respondents scored higher than median, which is 60.00 and hence these individuals are considered as with higher level of financial literacy. The remaining 52 % of respondents have scored equal and/or lower than median. These individuals are considered as respondents with relatively lower level of financial literacy and thus classified as lower financially literacy.

Table 4: Cross tabulation of Individuals' Gender and their Financial Literacy Level

Financial literacy level	Male	Female	Total
Low	31	21	52
Percentage	50.81%	53.84%	
High	30	18	48
Percentage	49.18%	46.15%	
Total	61	39	100

Cross tabulation to investigate association between financial literacy

levels and demographic and socioeconomic factors 1. Association between individual's Gender and their Financial literacy level The data of the individuals' gender and their financial literacy level is given in Table 4.Table shows that females have low level (53.84%) of financial literacy as compare to males (50.81%).

Association between gender and financial literacy

Table 5 : Cross tabulation of Individuals' Age and their Financial Literacy Level

Financial literacy level	Below 30	31-40	41-50	51-60	Above 60 years	Total
Low	16	8	11	9	8	52
Percentage	66.66%	36.36%	34.3%	75%	80%	52%
High	8	14	21	3	2	48
Percentage	33.33%	63.64%	65.62%	25%	20%	48%
Total	24	22	32	12	10	100

The Table 5 shows that out of the total respondents belonging to age group of 25-30 years, 16% are having low financial literacy rate and 8 % as high financial literacy level. In contrast to 31-35 years, 41-45 years46-50 years age groups where respondents are having high percentage of high level of financial literacy. The age group 31-35

years has highest financial literacy rate. The age group shows lowest of the financial literacy level.
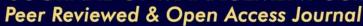
Table:6 Association between individual's Monthly Income and their financial literacy level

Financial Literacy Level	Up to Rs. 10,000	Rs.10,001-Rs.20,000	Rs.20,001-Rs.30,000	Rs.30,001-Rs.40,000	Rs.40,001-Rs.50,000	Above 50,000	Total
Low	4	1	3	4	5	35	52
Percentage	100%	50%	42.85%	57.14%	45.45%	50.72%	52%
High	0	1	4	3	6	34	48
Percentage	0%	50%	57.14%	42.85%	54.54%	49.27%	48%
Total	4	2	7	7	11	69	100

The Table 6 shows that out of the total respondents, people earning above 50,001 have high financial literacy (49.27%) as compare to the individuals in group of upto 10,000 income (0%) level. Also the respondents in the income group of 20,001-30,000 shows highest high level of financial literacy.

Table 7 : Cross tabulation of Individuals' Occupation and their Financial Literacy Level

Financial Literacy Level	Salaried	Self employed/ Business	Professional	Retired	Student	Total
Low	29	7	7	5	3	52
Percentage	48.33%	53.4%	53.84%	62.5%	50%	52%
High	31	6	6	3	3	48
Percentage	51.67%	46.15%	46.15%	37.5%	50%	48%
Total	60	13	13	8	6	100

Association between individual's Occupation and their Financial literacy level

Table 7 shows that retired (66.67%) individuals are showing low level of financial literacy as compare to full time salaried (47.06%) individuals. Full time salaried (52.94%) as per the data shows are more highly financial literate as compare to other groups. while in the group who are self employed or running a business the low and high financial literacy is equally distributed.

Table 8 : Cross tabulation of Individuals' Education and their Financial Literacy Level

Financial Literacy Level	SSLC	HSC	Diploma	Under Graduate	Post Graduate	Doctorate	Total
Low	5	8	8	3	28	0	52
Percentage	83.33%	57.14%	66.67%	42.85%	50.915	0%	
High	1	6	4	4	27	6	48
Percentage	16.67%	42.85%	33.33%	57.14%	49.09%	100%	
Total	6	14	12	7	55	6	100

Association between individuals' Educational Qualifications and their Financial literacy level

Table 8 shows that respondents with primary education (100%) are found to be having low level of financial literacy as compare to the doctorates. Under graduates (57.1%) finds to be having high level financial literacy as compare to the primary educated respondents

Table 9 : Cross tabulation of Individuals' Marital status and their Financial Literacy Level

Financial Literacy Level	Married	Unmarried	Total
Low	29	23	52
Percentage	40.28	82.14	52
High	43	05	48
Percentage	59.72	17.86	48
Total	72	28	100

Association between individuals' Marital Status and their financial literacy level

Table 9 shows that unmarried respondents (82.14%) are having low level of financial literacy. And married (59.72%) respondents are having high level of financial literacy.

Table 10. Cross tabulation of Individuals' Family type and\ their Financial Literacy Level

Financial Literacy Level	Joint family	Nuclear family	Total
Low	27	25	52
Percentage	37.5	89.28	52
High	45	3	48
Percentage	62.5	10.71	48
Total	72	28	100

Association between Individuals' Family type and their financial literacy level

The Table 10 shows that respondents living in nuclear family (89.28%) possess low level of financial literacy .And respondents

living in joint family (62.5%) possess high level of financial literacy.

Findings & Conclusion

The study concludes that financial literacy among South Chennai residents is generally low. Males, married individuals, those in joint families, and higher-income or more educated respondents demonstrated higher literacy. Age played a limited role, but education and income strongly influenced literacy levels. The study emphasizes the need for targeted financial literacy initiatives from the RBI and other financial institutions, especially for underrepresented or disadvantaged groups in both rural and urban areas.

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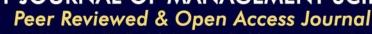
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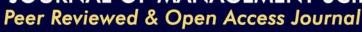
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