

A STUDY ON FINANCIAL LITERACY AND INVESTMENT BEHAVIOUR OF ASSISTANT PROFESSORS: WITH SPECIAL REFERENCE TO DEGREE COLLEGES IN CHAMARAJANAGAR TALUK

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ABSTRACT

Assistant professors are one of the most prominent people in society who will be role models for so many students in various aspects including financial literacy. On the other hand, most of the individuals in the society are financial illiterates. Therefore, the study has concentrated on analysing the awareness level of assistant professors about their financial literacy and attitude towards investment. The present study was conducted in Chamarajanagar taluk of Karnataka and found that there is a low level of knowledge about modern investment avenues and hybrid securities.

KEYWORDS: *Financial Literacy, Investment Behaviour, Assistant Professors, Investment Avenues.*

Introduction

In ancient, investment was limited to gold and other precious metals. As time passed, they started their investment on land. After the 18th century, investors are attracted to banks and life insurance policies for their investment purpose to secure against future uncertainties. Later, savings and investment took a new route after economic reforms in 1991 which allowed the private sector to enter the banking and insurance industry. The development of technology as well as new economic reforms resulted in the introduction of various innovative investment avenues in India. Since then, the Indian market has growing par with the Western economy resulted in the introduction of globally traded instruments. At present, Indian investor has a huge choice of investment avenues from basic securities to hybrid securities such as stock, debenture, mutual funds, index funds and derivatives, etc.

Financial literacy is the ability to effectively manage various financial tasks such as personal finance management, budgeting and investing. In other words, financial literacy is the process by which investors improve their understanding of the financial products, risks, and opportunities of investments and take other effective actions to improve their financial well-being (OECD). Thus, it is not only concerned with investing in stock markets but also about saving, budgeting, financial planning, basics of banking and most importantly being financially smart.

Investment is money that is involved in a return by taking a risk. The saving and investment patterns of the people vary from person to person. There are many motives for savings and investments such as capital appreciation, regular income, tax planning, health and education of family members, etc. Investment leads to wealth creation and generates an additional income for retirement.

In India, financial literacy has not become a priority like other developed Nations. According to a global survey about 76% of Indian adults do not understand basic financial concepts and unfortunately financially illiterate today. Thus, the Government of India and various regulatory bodies such as RBI, SEBI, IRDA and others are constantly working to spread awareness to increase financial literacy among the public.

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Review of Literature

Puneeth (2014): Conducted a study to analyse the investment and savings pattern and to find out the mode of investments of salaried individuals in various investments. The author found that financial literacy level affects the preference of investors towards financial products and also the author revealed that, due to the low level of financial literacy individuals have invested their money in traditional financial products and do not willing to invest in modern financial products which are comparatively riskier. Finally, the author suggests that the Government as well as policymakers should take necessary steps to improve the level of Financial Literacy among the population.

Purnima (2021): Conducted a study to analyse the pattern of investment and savings among salaried investors of the salaried respondents. The author found that investors are considering safety as well as good return on investment as the top priority before investment. Finally, the author concluded that their respondents are much more aware of different investment avenues.

Rashmi (2017): Conducted a study in Pune city to assess the financial literacy level among participants of the Bombay Stock Exchange and factors influencing on stock market. The author found that a lack of trading experience and a low level of financial literacy is negatively affecting stock market participation. Finally, the author concludes that participants are not aware of the basic economic concepts relating to inflation, interest rates, trading mechanism of stocks and bonds.

Akshay and Shwetha (2020): Conducted a study to identify the factors influencing investors in investment decisions and also focused on the pattern of saving and investment of salaried people. The authors found that respondents preferred to invest in mutual funds and bank deposits due to safety. Finally, the authors suggested that the government and financial institutions create awareness about other investment avenues among the population.

Concept of Financial Literacy

Financial literacy is the ability to manage one's money. The goal of financial literacy is to help in understand financial concepts that will help them to manage their money better. It is a life skill that one must grasp for good financial well-being. Financial literacy includes budgeting, investing, insurance, and loans and interest. Financial literacy will help individuals to make sound financial decisions. Moreover, it increases financial discipline and financial capability. This will lead to major lifestyle changes like saving and investing regularly, managing debts effectively and fulfilling life goals efficiently.

Concept of Savings

Saving is the portion of income not spent on current expenditures. In other words, it is the money set aside for future purposes. Saving money will help individuals to meet unexpected expenses, such as illness, replacing an appliance and also to meet future expenses such as education and marriage of children as well for old age security. In addition, savings can be invested which in turn it will earn a profit which adds money to the accounts of the individual.

Concept of Investment

Investment of hard-earned money is a crucial activity of every human being. Investment is the commitment of funds that have been saved from current consumption with the hope that some benefits will be received in the future. Thus, it is a reward for waiting for money. Savings of the people are invested in assets depending on their risk and return demands.

Investment Avenues

There are a large number of investment avenues for savers in India. Some of them are marketable and liquid, while others are non-marketable. Some of them are highly risky, while some others are almost riskless. The investor has to choose proper avenues from among them depending on his preferences, needs, and ability to assume the risk. The investment avenues can be broadly categorized under the following heads:

- Corporate securities
- Deposits in banks and non-banking companies
- UTI and other mutual fund schemes.
- Post office deposits and certificates.
- Life insurance policies.

- Derivatives.
- Money market instruments.
- Provident fund schemes.
- National saving certificate.
- Government and semi-government securities.
- National pension scheme.
- Exchange-traded fund.
- Real estate.
- Gold.

Statement of the Problem

It's widely agreed that consumers in the 21st century face a growing need for financial literacy for several reasons including the increasing complexity of existing financial products and the introduction of new products in the market. Hence, the ability and knowledge to manage one's personal finance has become increasingly important today. According to a global survey about 76% of Indian adults do not understand basic financial concepts and are unfortunately financially illiterate today. Thus, the Government of India and various regulatory bodies such as RBI, SEBI, IRDR, and PFRDA are constantly working to spread awareness and increase financial literacy among small businesses by implementing financial literacy courses, workshops and schemes. Even though, the agencies are taking initiatives to create awareness about financial literacy the success rate was very low. Therefore, there is a need to analyse the level of awareness of individuals especially Assistant Professors who are highly qualified individuals as well as salaried people about investment avenues.

Objective of the Study

- To know the concept of saving and investment and Financial Literacy
- To measure the level of financial literacy among the Assistant Professors.
- To analyse the level of awareness and perception towards various investment avenues

Scope of the Study

The study attempts to furnish the level of financial literacy among Assistant Professors working in Degree Colleges and analyses the level of awareness among Assistant Professors towards various investment avenues. Further, the study will be going to analyse the satisfaction level towards services provided by financial institutions.

Research Methodology

The project work has been carried out based on primary data and secondary data. An effort has been made to collect the actual data about Financial Literacy and Investment Behaviour among Assistant Professors using a convenient sampling technique by using well-structured questionnaires.

- **Sample Size:** For study, I have taken Chamarajanagar taluk as a study area where there are 6 Degree Colleges with 175 Assistant Professors. From that, I have taken sample size as 50% of the total target population
 $175 * 50/100 = 87.5$ or 88

I have issued 88 questionnaires but finally received only 82 filled questionnaires with complete information. Hence, the sample size for the study is 82.

The following table showing the distribution of sample size:

| Sl. No | Targeted Population | Issued Questionnaires | Received Questionnaires |
|--------------|---------------------|-----------------------|-------------------------|
| 1 | 30 | 15 | 14 |
| 2 | 53 | 26 | 25 |
| 3 | 60 | 30 | 28 |
| 4 | 07 | 04 | 03 |
| 5 | 14 | 07 | 07 |
| 6 | 11 | 06 | 05 |
| Total | 175 | 88 | 82 |

Results and Discussion**Table showing the demographic details of the respondents**

| Particular | | No of Respondents | Percentage |
|---------------------------------|---------------------------------------|-------------------|------------|
| Gender | Male | 47 | 57 |
| | Female | 35 | 43 |
| Age | Below 30 years | 25 | 30 |
| | 31-40 years | 32 | 39 |
| | 41-50 years | 21 | 26 |
| | Above 50 years | 4 | 5 |
| Marital Status | Married | 50 | 61 |
| | Unmarried | 32 | 39 |
| | Widow/ Widower | 0 | 0 |
| Education Qualification. | Post Graduation with KSET/NET | 54 | 66 |
| | Post Graduation with M.Phil. | 10 | 12 |
| | Post Graduation with KSET/NET/M. Phil | 10 | 12 |
| | Post Graduation with Ph. D | 8 | 10 |
| Field of Education | Commerce | 30 | 37 |
| | Science | 19 | 23 |
| | Arts | 33 | 40 |
| Nature of Employment. | Permanent | 28 | 34 |
| | Temporary | 54 | 66 |
| Monthly Salary | Below 50000 | 52 | 64 |
| | 50001-100000 | 18 | 22 |
| | Above 100000 | 12 | 14 |
| Job experience | 1-5 years | 27 | 32 |
| | 6-10 years | 16 | 20 |
| | 11-15 years | 21 | 26 |
| | More than 16 years | 18 | 22 |
| Percentage of Income They Saved | Below 10% | 16 | 20 |
| | 10-30% | 37 | 46 |
| | 31-50% | 12 | 15 |
| | Above 50% | 15 | 19 |

Table showing the classification the respondents based on level of awareness about various investment avenues:

(Completely Aware-CA, Aware- A, Not Aware- NA, Completely Not Aware- CAN)

| Sl. No | Particulars | | CA | A | NA | CNA | Total |
|--------|------------------------|-----------------------|----|----|----|-----|-------|
| 1 | Bank deposits | Number of respondents | 32 | 36 | 8 | 4 | 80 |
| | | Percentage | 40 | 45 | 10 | 5 | 100 |
| 2 | Post office savings | Number of respondents | 23 | 42 | 12 | 3 | 80 |
| | | Percentage | 29 | 52 | 15 | 4 | 100 |
| 3 | Life insurance schemes | Number of respondents | 22 | 38 | 14 | 6 | 80 |
| | | Percentage | 28 | 47 | 17 | 8 | 100 |
| 4 | Investment on gold | Number of respondents | 12 | 43 | 17 | 8 | 80 |
| | | Percentage | 15 | 54 | 21 | 10 | 100 |
| 5 | Agricultural land | Number of respondents | 9 | 27 | 33 | 11 | 80 |
| | | Percentage | 11 | 34 | 41 | 14 | 100 |
| 6 | Real estate | Number of respondents | 4 | 26 | 34 | 16 | 80 |
| | | Percentage | 5 | 32 | 43 | 20 | 100 |
| 7 | Chit fund | Number of respondents | 9 | 20 | 34 | 17 | 80 |
| | | Percentage | 11 | 25 | 43 | 21 | 100 |
| 8 | Pension fund | Number of respondents | 14 | 42 | 17 | 7 | 80 |
| | | Percentage | 18 | 53 | 21 | 8 | 100 |

| | | | | | | | |
|----|-----------------------|-----------------------|----|----|----|----|-----|
| 9 | Mutual fund | Number of respondents | 10 | 32 | 26 | 12 | 80 |
| | | Percentage | 13 | 40 | 32 | 15 | 100 |
| 10 | Shares | Number of respondents | 10 | 30 | 30 | 10 | 80 |
| | | Percentage | 13 | 37 | 37 | 13 | 100 |
| 11 | Debenture and bonds | Number of respondents | 2 | 23 | 39 | 16 | 80 |
| | | Percentage | 2 | 29 | 49 | 20 | 100 |
| 12 | Government securities | Number of respondents | 5 | 39 | 23 | 13 | 80 |
| | | Percentage | 6 | 49 | 29 | 16 | 100 |
| 13 | Foreign currency | Number of respondents | 2 | 14 | 38 | 26 | 80 |
| | | Percentage | 2 | 18 | 48 | 32 | 100 |

**Table showing the classification based on type of investment made.
(Multiple options)**

| Sl. No | Particulars | No of Responses | Percentage |
|--------------|------------------------|-----------------|------------|
| 1 | Bank deposit | 52 | 23 |
| 2 | Post office savings | 23 | 10 |
| 3 | Government securities | 27 | 12 |
| 4 | Mutual funds | 12 | 6 |
| 5 | Life insurance schemes | 46 | 21 |
| 6 | Real estate | 11 | 5 |
| 7 | Chit fund | 7 | 3 |
| 8 | Investment on gold | 8 | 4 |
| 9 | Pension fund | 8 | 4 |
| 10 | Debenture and bonds | 3 | 1 |
| 11 | Agricultural land | 11 | 5 |
| 12 | Foreign currency | 0 | 0 |
| 13 | Shares | 14 | 6 |
| Total | | 215 | 100 |

Table showing the respondents opinion towards various aspects of savings and investment

| Particulars | | No of Respondents | Percentage |
|---|---------------------------------|-------------------|------------|
| Percentage of Investment on their Savings | Less than 25% | 39 | 49 |
| | 25-50% | 20 | 25 |
| | 51-75% | 15 | 19 |
| | Above 75% | 6 | 7 |
| From whom they have taken advice. (Multiple option) | Investment adviser | 20 | 16.7 |
| | Financial consultant | 12 | 10 |
| | Insurance agents | 11 | 9.17 |
| | Tax consultant | 8 | 6.7 |
| | Friends and family members | 10 | 8.3 |
| | Colleagues | 20 | 16.7 |
| | Brokerage firms | 9 | 7.5 |
| | Banks | 20 | 16.7 |
| Not taken any advice | 10 | 8.3 | |
| Purpose of Investment. (Multiple options) | Children education and marriage | 20 | 16 |
| | Old age requirements | 13 | 10 |
| | Meeting future uncertainty | 33 | 27 |
| | Buying an asset | 18 | 15 |
| | Earn profit | 16 | 13 |
| Preference of Investment Pattern. | To save tax | 24 | 19 |
| | Low risk low return | 21 | 26 |
| | High risk high return | 15 | 19 |
| | Low risk high return | 44 | 55 |
| | High risk low return | 0 | 0 |

| | | | |
|---|--|----|----|
| Duration of Investment. | Long term | 45 | 57 |
| | Medium term | 32 | 40 |
| | Short term | 3 | 3 |
| Opinion Towards Level of Risk Involved in their Investment. | Very high | 11 | 14 |
| | High | 12 | 15 |
| | Average | 46 | 58 |
| | Low | 10 | 13 |
| | Very low | 0 | 0 |
| Factors Considered Before Investing. (Multiple Options) | Return | 48 | 26 |
| | Time horizon | 12 | 7 |
| | Risk | 20 | 11 |
| | Safety and security | 38 | 21 |
| | Interest rate | 18 | 10 |
| | Marketability of investment | 12 | 6 |
| | Tax benefits | 17 | 9 |
| | Liquidity | 20 | 10 |
| Type of Problem Faced at the Time of Investment. (Multiple Options) | Difficult procedures | 21 | 52 |
| | Lack of technical knowledge | 8 | 20 |
| | Communication problem | 4 | 10 |
| | Lack of knowledge about investment | 7 | 18 |
| Expected Rate of Return on Their Investment | 10-20% | 27 | 34 |
| | 21-30% | 21 | 26 |
| | 31-40 | 15 | 19 |
| | More than 40% | 17 | 21 |
| Rate of Return Received. | Less than 10% | 29 | 36 |
| | 10-20% | 28 | 35 |
| | 21-30% | 4 | 5 |
| | Above 30% | 19 | 24 |
| Expectations from Financial Institution (Multiple Options) | Has to provide information about new schemes offered in investment | 24 | 21 |
| | Has to simplify the procedures | 26 | 23 |
| | Has to conduct training programmes | 14 | 12 |
| | Has to provide high rate of return | 22 | 19 |
| | Has to build good communication | 13 | 11 |
| | Has to provide information about new schemes offered in investment | 24 | 21 |

The table showing the classification of respondents based on satisfaction.

(Highly Satisfied-HS, Satisfied-S, Neutral-N, Dissatisfied –D, Highly Dissatisfied –HD)

| Sl. No | Particulars | HS | S | N | D | HD | Total | |
|--------|--|-------------------|----|----|----|----|-------|-----|
| 1 | Return on investment | No of Respondents | 15 | 35 | 13 | 10 | 7 | 80 |
| | | Percentage | 19 | 44 | 16 | 13 | 8 | 100 |
| 2 | Service provided by financial institution towards investment | No of Respondents | 13 | 40 | 13 | 11 | 3 | 80 |
| | | Percentage | 16 | 50 | 16 | 14 | 4 | 100 |
| 3 | Rules and regulations of financial institution | No of Respondents | 8 | 33 | 23 | 10 | 6 | 80 |
| | | Percentage | 10 | 41 | 29 | 13 | 7 | 100 |
| 4 | Relationship with financial institution | No of Respondents | 10 | 35 | 21 | 10 | 4 | 80 |
| | | Percentage | 13 | 44 | 26 | 12 | 5 | 100 |
| 5 | Service provided by the financial adviser for tax planning | No of Respondents | 15 | 22 | 5 | 7 | 1 | 50 |
| | | Percentage | 30 | 44 | 10 | 14 | 2 | 100 |

| | | | | | | | | |
|---|--|-------------------|----|----|----|----|---|-----|
| 6 | Service provided by tax consultant for filling tax returns | No of Respondents | 11 | 26 | 5 | 7 | 1 | 50 |
| | | Percentage | 22 | 52 | 10 | 14 | 2 | 100 |
| 7 | Exemptions and deductions provided by the Government | No of Respondents | 10 | 22 | 8 | 10 | 0 | 50 |
| | | Percentage | 20 | 44 | 16 | 20 | 0 | 100 |

Findings

- Majority i.e. 57% of the respondents are male and 60% of the respondents are aged below 40 years.
- Majority i.e. 66% of the respondents are married and the majority of respondent's employment nature is temporary.
- Majority i.e. 66% of the respondents have completed their post-graduation course with KSET and NET and most of the respondents have completed their education in the field of Arts.
- Majority i.e. 64% of respondents earn below 50000 salary per month and 53% of the respondents have job experience of 1 to 10 years.
- Majority i.e. 98% of respondents are aware of various investment Avenues such as bank deposits, post office savings, life insurance schemes and investments in gold and they have low awareness about chit fund, foreign currency and real estate and the Majority i.e. 88% of respondents have taken advice from professionals before investing such as investment advisor, colleagues and banks.
- Majority i.e. 59% of respondents have invested to meet future uncertainty, to save Tax and earn profit and the majority of them prefer low-risk and high-return investment patterns.
- Majority of the respondents invested in banks, post offices, government securities, and Life insurance and only few respondents preferred debenture, bonds and chit funds.
- Majority i.e. 97% of the respondents have made long- and medium-term investments in average risk investment and 68% of the respondents considered factors such as return on investment, safety and security, risk and interest rate before investing.
- 60% of respondents expect 10 to 30% of return on their investment and they are satisfied with the return on investment and most of the respondents agreed with the opinion that the level of income directly influences their investment.
- Majority i.e. 76% of respondents expect that intuitions need to provide information about new schemes, simplify the procedures, and introduce new instruments with a high rate of return and low risk.
- Majority i.e. 66% of respondents satisfied with the return on investment and 66% of respondents were satisfied with the service provided by the financial institutions.
- Majority i.e. 57% of the respondents are satisfied with the relationship with financial institutions and most of the respondents are satisfied with the rules and regulations of financial institutions
- Most of the respondents are satisfied with the service provided by the financial advisor

Conclusion

Financial literacy is a combination of awareness, knowledge, skills, attitude and behavior which is necessary to make sound financial decisions and achieve the individual's financial well-being. Financial literacy enables individuals to make effective use of investment avenues and services by evaluating the risks and returns. The awareness of investment avenues among Assistant Professors is essential to manage their income more effectively. The present study found that Assistant professors are aware of the traditional investment avenues but less aware of modern investment avenues such as foreign currency, mutual funds, index funds, derivatives, equity-linked tax planning schemes and unit-linked investment plans. Assistant Professors in the study area invest their savings to meet future uncertainty, to save tax and earn profit with advice from friends and relatives; investment advisors, colleagues and also, they consider safety, security, return, and tax benefits on investment products while making investments. Finally, to conclude if the Government and Financial Institutions create awareness about modern investment avenues and introduce new schemes with low risk and high return and simplify the Procedures for investment it will result in an increase of savings and investment habits among the Assistant Professors.

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