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A STUDY OF FINANCIAL LITERACY AND ITS INFLUENCE ON PERSONAL INVESTMENT DECISIONS IN DELHI NCR

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ABSTRACT

This research explores the relationship between financial literacy and personal investment decisions among individuals in the Delhi NCR region. With increasing access to financial instruments and digital platforms, understanding how literacy influences investment behavior is critical. A sample of 109 respondents provided data through structured questionnaires. Findings reveal that financial literacy significantly correlates with disciplined investment behavior, choice of instruments, and risk-taking ability. Despite growing awareness, challenges such as low income, fear of loss, and insufficient knowledge persist. The study recommends comprehensive financial education, especially for underserved groups, to enhance financial inclusion and economic empowerment.

1. INTRODUCTION

Financial literacy—understanding budgeting, saving, credit, and investment—is increasingly essential in modern economies. While India has taken strides through initiatives like NSFE (2020–2025), awareness remains patchy, especially among youth and informal workers. In Delhi NCR, where financial products are widely accessible, the disparity in financial knowledge affects how individuals invest. This research examines the extent of that influence and proposes strategies to bridge the knowledge-behavior gap.

Objective of the Study

- Assess the current level of financial literacy across demographics.
- Identify primary sources of financial knowledge.
- Compare investment behaviors between financially literate and illiterate groups.
- Evaluate the impact of digital literacy on investment decisions.
- Recommend strategies to improve financial literacy and outcomes.

2. LITERATURE REVIEW

Theoretical and empirical literature reveals that financial literacy enhances wealth creation and risk management. Lusardi & Mitchell (2011) highlight its role in long-term planning.

Studies in India (e.g., Bhushan & Medury, 2014; Kaur & Vohra, 2016) confirm that higher financial literacy leads to diversified and informed investment behavior. Post-COVID trends show increased digital investment, but behavioral biases and misinformation still deter rational choices. Theoretical models such as the Theory of Planned Behavior and Life-Cycle Hypothesis support the conceptual foundation of this study.

3. RESEARCH METHODOLOGY

Design: Descriptive and analytical, using both qualitative and quantitative methods. Sample: 109 respondents from urban and semi-urban areas in Delhi NCR.

Data Collection: Structured Google Form with 20 questions. Tools: MS Excel, descriptive stats, and correlation analysis.

Variables:

- Independent: Age, gender, education, income, financial literacy level
- Dependent: Investment behavior, risk profile, financial goals

Ethical Considerations: Informed consent, anonymity, academic use only.

4. FINDINGS AND ANALYSIS

- 65% respondents aged 18–25; 68% male; 65% students.
- 65% familiar with financial terms; 65% learned from formal education.
- 100% currently invest; SIPs most popular (65.1%).
- 93% invest for wealth creation.
- 65% invest under ₹2,000/month; none over ₹10,000.

- 65% have low risk tolerance; none high.
- 92% prefer online apps.
- Challenges: 40% lack knowledge, 32% fear loss, 27% low income.

Correlation: Higher literacy linked with regular, diverse investing.

5. DISCUSSION

The study underscores a strong correlation between financial literacy and quality of investment decisions. Most investors exhibit conservative financial behavior, shaped by limited knowledge, risk aversion, and modest income levels. Digital platforms play a pivotal role, but their potential is constrained by varying levels of financial and digital literacy. Peer recommendations and formal education remain dominant learning sources, revealing a need to improve informal learning and advisory systems. Despite growing digital participation, psychological and structural barriers inhibit confident investing.

6. CHALLENGES AND ETHICAL CONSIDERATIONS

Challenges:

- Sample bias toward youth and students
- Low representation of high-income and high-risk investors
- Digital exclusion of non-tech-savvy individuals

Ethical Considerations:

- Participation was voluntary and anonymous
- No personal identifiers collected
- Clear explanation of research purpose
- Academic use only

7. CONCLUSION

Financial literacy significantly influences investment behavior, especially in an economically active region like Delhi NCR. Educated individuals show more discipline, review portfolios more regularly, and prefer SIPs for long-term gains. However, gaps in knowledge, low income, and fear continue to hinder optimal investment. Financial education, especially through digital and community-based methods, is essential to improve investment confidence and economic outcomes.

8. RECOMMENDATIONS

- Curriculum Integration: Teach financial concepts in schools/colleges.
- Digital Literacy Drives: Promote mobile-based financial education in regional languages.
- Customized Advisory Services: Tiered support based on literacy levels.
- Community Programs: RWAs and NGOs can run local workshops.
- Monitor Financial Influencers: Ensure accountability of online advice.
- Financial Incentives: Link certified education to tax or investment benefits.
- Simulated Tools: Offer mock investment platforms for practice.
- Workplace Awareness: Conduct sessions at offices.
- Target Marginalized Groups: Design inclusion programs for homemakers, gig workers, etc.
- Advisory Centers: Set up walk-in centers in banks/post offices.

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