

## AN ANALYSIS OF FINANCIAL LITERACY IN SHAPING INVESTMENT DECISIONS AMONG DIFFERENT AGE GROUPS

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### **Abstract**

Financial literacy, the understanding and ability required to take informed and efficient financial decisions, is a key factor in the definition of investment behaviors. financial Operations are become more challenges to manage over the time, the pressures to explain what leads people to make decisions are continuously strong. Investment decisions are often affected by perceived risk, expected return and financial goals each of which is deeply related to an individual's financial literacy.

The study examines the link between financial literacy and investment choices across different age groups in Bengaluru, a major metropolitan city in India. Based on this evolving financial environment and its growing role in the investment behavior among individuals of varying age, this present study aims to explore the impact of multiple levels of financial knowledge in individuals of different age groups. Drawing on existing literature and empirical data collected through a questionnaire-based study involving 100 people across various age segment.

**Keywords:** Investment behaviors, Financial literacy, perceived risk, metropolitan city.

### **1. INTRODUCTION**

The current financial landscape is changing quickly, necessitating more prudent investing choices. Numerous investing options can be employed to accomplish immediate goals or establish long-

term stability, which can have significant impact on good or bad effects on a person's financial health. Economic literacy has grown recently, and those who possess it are better equipped to handle risky behaviours and make wiser financial choices.

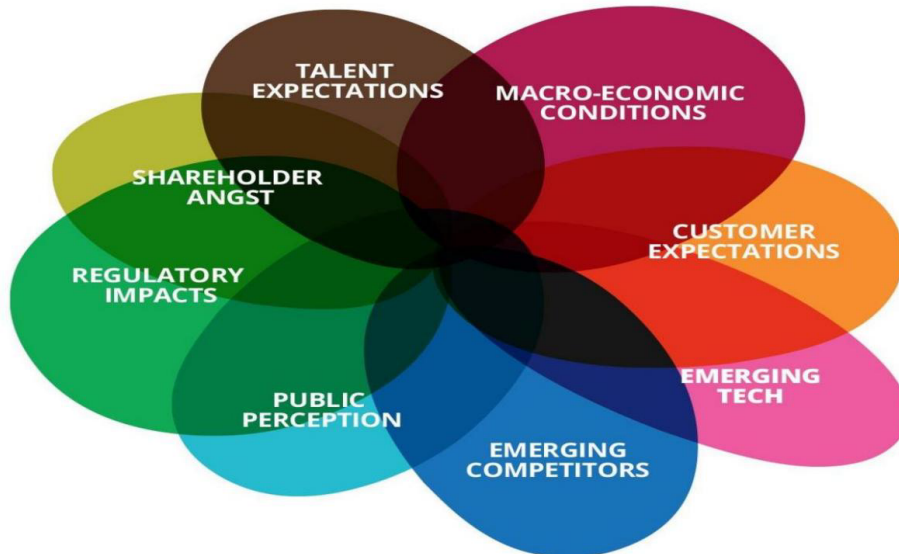
The main goal of this study is to look into how financial literacy affects the investment choices made by various age groups in Bengaluru, an Indian metropolis that is expanding quickly. As a technological, real estate and financial center, Bengaluru creates interesting chance to analyze the three together. In the study, the emphasis will be made on the dynamics of the change in financial literacy and investment preferences according to age, experience and maturity.

Bengaluru has generated positive interest in personal finance, but additional awareness does not necessarily understand the financial concept and ability to apply them effectively in their life, particularly among specific age groups. It is very important to understand the perception of the financial products amongst these groups in order to understand the effect on their investment decisions

The research is significant for financial educators and organizations, as it can reveal knowledge gaps and factors influencing investment decisions. By identifying these areas, the study can help develop Awareness programs focused at enhancing financial literacy, particularly for elder adults who find it difficult to manage new ways of investing Ultimately, the study aims to highlight differences in behaviours and preferences based on age, contributing to the overall understanding of financial concepts for better financial decision making.

**Growth and Trends in the Indian Investment Sector**

**THE FINANCIAL SERVICES INDUSTRY IS IN THE MIDDLE OF A PERFECT STORM.**



***Growing Participation in the Stock Market:*** Retail investors are growing over the time into India's stock market not only due to better information availability, but also through access offered by online trading platforms.

**Shift toward Mutual Funds:** Mutual fund has solidified as a very popular investment product in investment markets for individual investors, with schemes targeted at different risk propensity and investment objectives.

**Rise of SIPs (Systematic Investment Plans):** SIPs have been becoming increasingly popular with low entry barrier, simple investment, and long-term wealth-building prospects.

**Digital Transformation:** Investment is no longer confined to experienced adults as a result of digital platforms and mobile applications. Online platforms such as robo-advisers, online broking and e-wallets are among other platforms driving alteration in behavioral phenomena with respect to investment.

**Financial Inclusion:** The government's efforts, under PMJDY (Pradhan Mantri Jan Dhan Yojana) and monetization of cash, both aimed at achieving the "Digital India" agenda, have seemed to have produced an expansion of the reach of financial inclusion by bringing up a large population to the formal financial ecosystem.

### **Financial Literacy in India**

Although there has been an improvement, financial literacy in India remains a challenge. As per a survey of 2017 by S&P Global, Indian adults are representing only 27% financially literate, which is much lower than the developed world. The disparity is especially large within rural populations, older adults, and low socioeconomic groups. This perceived lack of financial competency commonly stems from poor investment decisions (e.g., low-yield traditional products, lack of understanding of new and complex investment vehicles, such as stock and mutual fund products).

### **Regulatory Environment**

The Indian financial services industry is regulated by a number of key bodies that are:

**Reserve Bank of India (RBI):** The RBI (Reserve Bank of India) ironically controls banks and the financial system, stabilization of cash and enhancement of the sectoral growth.

**SEBI:** Securities market is controlled by SEBI in a way that ensure transparency, integrity, investor welfare, and so on.

**IRDAI:** Insurance regulation and reforms in India are being implemented by the IRDAI.

**PFRA:** It is the manager of the life savings scheme (National Pension Scheme), (NPS), and different retirement disbursement schemes etc.

### **Investment Behaviour in Bengaluru**

Bengaluru (also called the "Silicon Valley of India" is a significant financial center, home to a significant concentration of tech-savvy professionals. City residents are better exposed to digital financial instruments and applications; as a result there is a higher uptake of contemporary investment instruments including mutual funds, equities, and insurance services. Bengaluru's dynamic start-up ecosystem has also educated its society around new financial instruments and schemes.

Residents of Bengaluru as compared to the rest of the country have a medium level of financial literacy. However, as reported by the current literature and industry reports, some of the age groups, i.e., senior citizens, continue to suffer from a lack of financial knowledge, as well as from

a lack of specific financial literacy related to complex investment products. It is pressing to improve investor choice for crossing the gap with specific financial literacy programs.

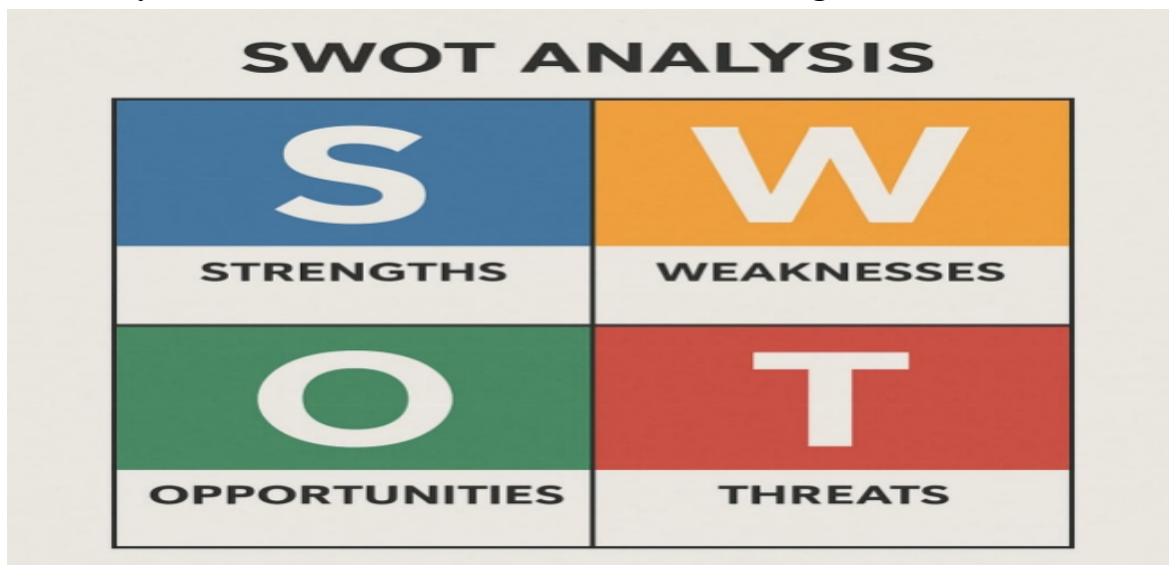
### Challenges in the Financial Sector

- ◆ **Lack of financial literacy:** Although the discussion about financial products has been growing, the knowledge about risk, asset allocation and wealth management strategies is still insufficient, especially in senior age range.
- ◆ **Complexity of Financial Products:** Because the complexity of financial products is increasing, various people have difficulty making investment choices to match their financial plans and risk profile.
- ◆ **Digital Divide:** Despite impressive digital penetration in, for example, the urban center of Bengaluru, a large fraction of the population in rural areas still does not have access to digital tools for investment.
- ◆ **Trust Issues:** There are segments of the population who have negative views of financial institutions and investment products as a result of past fraud, market swings, and falsehoods.

### Opportunities:

- **Expanding Financial Literacy Programs:** It is of great potential to improve financial literacy, especially for the elderly and in rural areas, via suitable educational programmes.
- **Fintech Growth:** As more Fintech based solutions gain acceptance, there is potential for Fintech-based solutions to further advance financial inclusion and literacy, especially for youth and the technologically-inclined population in Bengaluru.
- **Personalized Financial Advisory:** There is a possibility for financial institutions to provide more personalized and targeted advice to targeted age groups.
- **Collaborations between Industry and Government:** The Indian government presents an opportunity to collaborate between financial institutions and government agencies at the interface of financial literacy and product adoption

### SWOT Analysis for Financial Institutions and Services in Bengaluru:



**Strengths:**

- **Diverse Financial Offerings:** A wide array of financial products and services, ranging from banking and mutual funds to insurance and fintech solutions, addressing diverse customer requirements.
- **Customer-Centric Approach:** Emphasis on tailored services, professional guidance and the implementation of technology to improve customer experience.
- **Robust Technological Integration:** Improving service accessibility through the use of digital wallets, online investment platforms, mobile banking, and robo-advisors.
- **Comprehensive Financial Education:** Programs that encourage financial literacy through instructional materials, webinars, and workshops, empowering clients to make informed decisions.
- **Broad Reach and Inclusiveness:** Financial services that promote financial literacy and inclusion among diverse groups in Bengaluru by serving both urban and rural populations.

**Weaknesses:**

- **Service Complexity:** The extensive range of financial services may lead to confusion, particularly for customers who are unfamiliar with investing and/or financial planning.
- **Technology Dependence:** Those without access to, or who are not as skilled with, technological platforms may be excluded, if there is excessive reliance upon technology.
- **Regulatory Complexity:** The continually changing regulatory environment of the financial sector may make compliance difficult, and impact quality of services.
- **Market Fragmentation:** Due to increasing competition, the large number of active players (public, private, foreign banks, Fintech, etc.) may complicate positioning strategies and differentiation of brands.

**Opportunities:**

- ◆ **Increase Focus on Financial Literacy:** More attention to financial literacy could result in more outreach and literacy programs in underserved communities.
- ◆ **Increase Demand for Digital Financial Services:** The almost universal availability of digital and mobile financial services creates a unique opportunity to capture market share and lure new customers.
- ◆ **Increase in Retail Investments:** Bengaluru's current rise in retail investors creates an opportunity to develop new wealth management products and services, which may include more personalized wealth management and robo-advisory services.
- ◆ **Partnerships and Collaborations:** There are opportunities for partnerships with NGOs and government initiatives and the educational sector to expand literacy programs that promote and increase the number of financially literate citizens.
- ◆ **Unaffected Rural Markets:** Financial inclusion initiatives create opportunities for growth by targeting the underserved rural population, who still have lower awareness and access to financial products.

**Threats:**

- **Intense Competition:** The emergence of numerous financial institutions at both local and international levels results in intense competition, which may affect market share and profitability.
- **Cyber risks:** As an organization increasingly transitions to a digital-only service platform, concerns regarding fraud, data security, and cyber attacks may undermine customer trust.
- **Regulatory Environment:** Changes in government, financial or tax regulations can create uncertainty and risks to operations, especially foreign and private.
- **Digital Divide:** The trend toward technology-led financial services also creates a digital divide limiting access to some groups, particularly older populations or rural populations with restrained access to the internet.

## 2. REVIEW OF LITERATURE

Financial literacy remains a global concern, with widespread evidence pointing to insufficient levels of understanding in this area. In response, many countries have initiated efforts to improve financial education, although these initiatives differ in both scope and approach. Sound financial behavior, underpinned by financial literacy, enables individuals to make informed decisions that can enhance their financial stability.

**Agarwalla et al. (2012)**, in a study involving 3,000 Indian participants, found that financial literacy levels in India fall significantly below international benchmarks. Despite this, both working professionals and retirees demonstrated relatively positive financial behaviors and attitudes. Interestingly, women performed slightly better than men in financial knowledge assessments, and the growing accessibility of consumer credit has influenced the financial habits of younger populations.

**Sages and Grable et al. (2009)** noted that individuals with lower financial knowledge often also display reduced risk tolerance, possess limited perceived net worth, and express dissatisfaction with their financial management abilities. Financial behavior, they argue, is closely tied to one's comfort with financial risk.

**Ansong and Gyensare et al. (2012)** analyzed financial literacy among 250 undergraduate and postgraduate students in Cape Coast. They found positive correlations between financial literacy, age, and work experience. Furthermore, the educational background of mothers was also linked to higher financial literacy levels. However, factors such as the father's education, degree type, workplace, media access, and financial information sources showed minimal influence.

**Mandell et al. (2008)** found that on average, just over 61% of participants answered financial literacy questions correctly. Surprisingly, students from business and economics backgrounds scored lower than those in fields like engineering, science, and social sciences. Similarly, **Koshal et al. (2008)** concluded that academic performance did not significantly affect the financial literacy scores of Indian MBA students.

**In Kenya, Mwangi et al. (2012)** found that financial literacy remains low. Access to financial services was more strongly associated with demographic variables—like income, age, marital status, gender, household size, and education—than with actual financial knowledge. The study

highlighted the need for a structured financial education curriculum across different educational levels.

**Marzieh et al. (2013)** established a link between financial well-being and factors such as age and education, with men and married individuals displaying higher financial literacy. Enhanced literacy correlated with improved financial well-being and reduced anxiety about money. Similarly, Michael (2009) emphasized that limited financial knowledge could impede sound financial decision-making. In such cases, seeking professional financial advice could compensate for gaps in personal knowledge.

### **3. OBJECTIVES OF THE STUDY**

- To evaluate the extent of financial literacy among different age groups in Bengaluru.
- To Analyse the Impact of financial literacy on individuals' investment decisions across various age groups.
- To identify emerging trends and patterns in individuals' investment behavior associated with varying levels of financial literacy.

#### **Statement of the Problem**

This research will focus on addressing the age-specific financial knowledge and its influence on investing choices in Bengaluru are not well understood.

A different investment behavior associated with age that may emerge from differences in financial literacy.

The distance between financial literacy and prudent investing decision making particularly germane to younger vs. older individuals, who may have different challenges at each life stage to understanding financial concepts and managing investments.

#### **Need of the Study**

This study has been prompted by an increased emphasis on the importance of financial literacy and its relevance to making investment decisions that meaningfully affect individuals' financial security and long-term quality of life.

#### **Scope of Research**

The study was spurred by a greater focus on the importance of financial literacy and how it relates to making wise investment choices that have a significant impact on people's long term financial security.

### **4. RESEARCH METHODOLOGY**

The design for the research will be of descriptive nature and will determine how financial literacy and investment choices are related among varying ages in Bengaluru. This study will concentrate on gauging the degree to which investment decisions are influenced by financial literacy across different demographic segments.

#### **Data Collection Method**

Primary data was collected from the distributing of organized questionnaires to chosen respondents. The selected respondents were chosen on the basis of convenient random sampling. The survey will include closed ended questions and open ended questions to allow for quantitative and qualitative information to be collected regarding financial literacy and investment choices.

**Limitations**

- ◆ Research will take place in Bengaluru only, so the findings may not be ultimately generalizable to other areas or cities.
- ◆ Information reported by self may introduce some bias whereby respondents may inflate their financial knowledge.

**Expected Outcome**

This study will provide useful understandings relating to the connection between investment choices and financial literacy which will be useful to policymakers, financial industries, and educational stakeholders to better the design financial literacy programs informed by age.

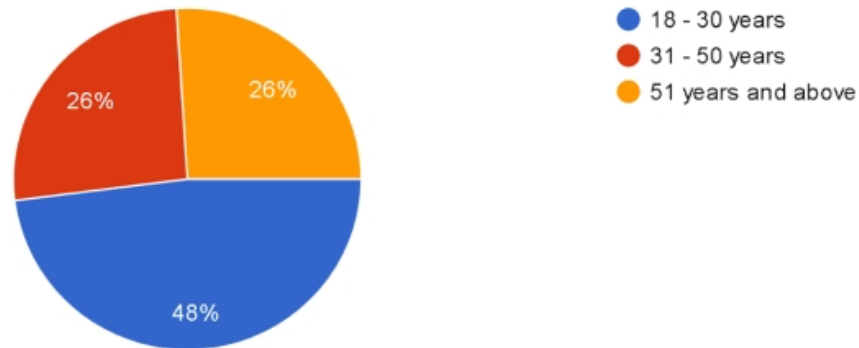
**Data Analysis & Interpretation**

**Table 1: The Age group you Belongs to**

Age group	No. of responses	% of responses
18 – 30	48	48
31 - 50	26	26
51 & above	26	26

The Age group you belong to?

100 responses

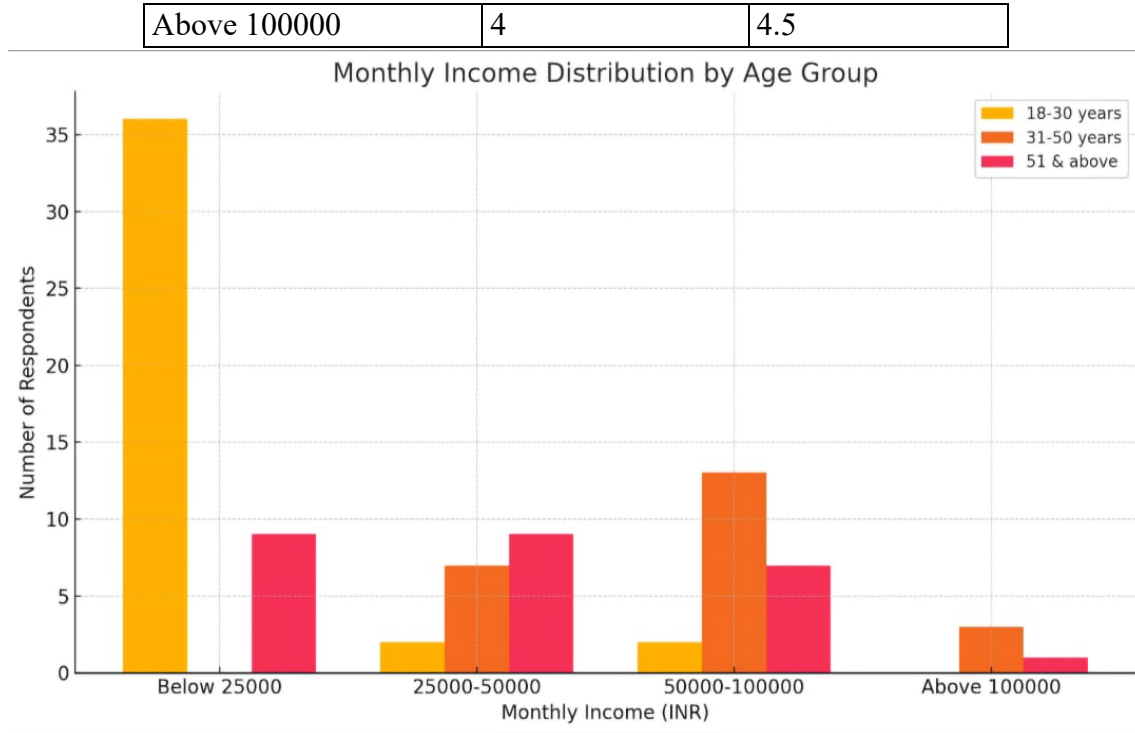


**Observation:** According to the chart above, 48% of respondents are between the ages of 18 and 30, 26% are between the ages of 31 and 50, and the remaining 26% are 51 years or older.

**Interpretation:** A substantial proportion of respondents (almost half) are young adults aged 18 to 30, implying that the survey was more appealing or accessible to a younger audience. The remaining responses are evenly split between middle-aged (31-50 years) and elderly persons (51+), indicating that both age groups also participated in fairly equal numbers.

**Table 2: Monthly Income Distribution by Age Group**

Income range (INR)	No. of responses	% of responses
Below 25000	45	50.6
25000-50000	18	20.2
50000-100000	22	24.7



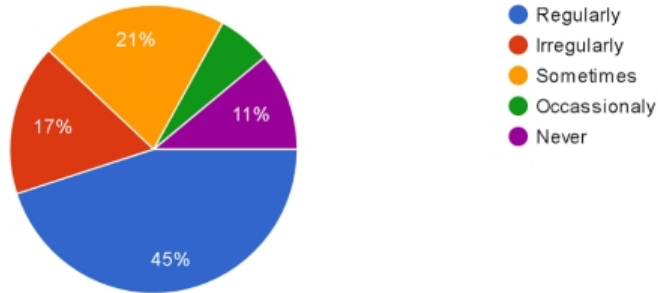
**Interpretation:** This data would suggest that younger respondents (18–30 years) typically earn income at the lower end of the scale due to being students, just beginning their careers or working full time. The middle-aged groups (31–50 years) tend to have higher income and likely have been working longer. The older group (51) shows an even/more moderate income level based on being retired or working part-time.

**Table 3: Do you keep Money aside for saving, Future purchases or emergencies**

Money kept aside	No. of responses	% of responses
Regularly	45	45
Irregularly	17	17
Sometimes	21	21
Occasionally	6	6
Never	11	11

Do you keep money aside for savings, future purchases or emergencies?

100 responses



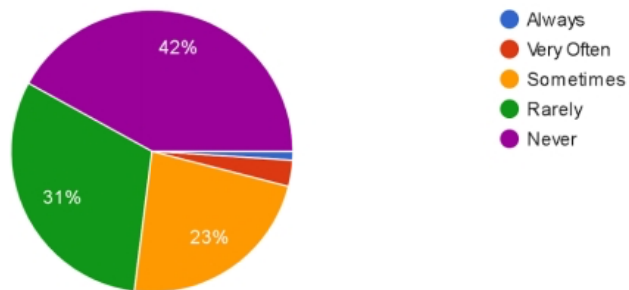
**Interpretation:** While nearly half (45%) of all participants report regular saving practices, age-specific patterns indicate that younger people (18-30) are less persistent savers, while being the most surveyed. This may suggest that there is either less income influence or greater financial instability that younger people experience when moving into early adulthood. literacy in saving behaviors, particularly among younger adults.

**Table 4: How Often do you have to borrow or pay back debts**

Frequency of borrowings	No. of responses	% of responses
Always	1	1
Very Often	3	3
Sometimes	23	23
Rarely	31	31
Never	42	42

How Often do you have to borrow or pay back debts?

100 responses

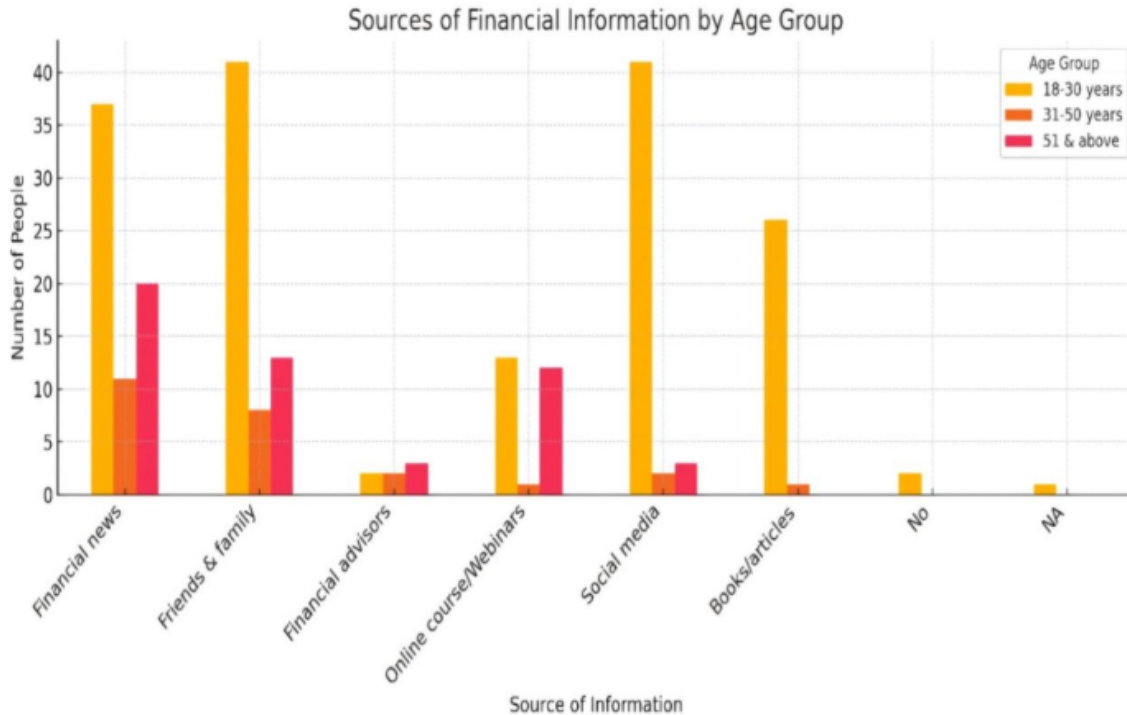


**Interpretation:** A large percentage (73%) said they have never borrowed or borrowed infrequently. This indicates sound finances or at least responsible money management. On the other hand, the smaller group who borrowed often or very often may be experiencing either poor

finances, or the ability to budget. Overall, the borrowing of very small amounts suggests a good outcome toward independence from finances or credit dependence.

**Table 5: Sources of Financial Information by Age Group**

Source of information	18-30 years	31-50 years	51 & above
Financial news	37	11	20
Friends & family	41	8	13
Financial advisors	2	2	3
Onlinecourse /Webinars	13	1	12
Social media	41	2	3
Books/articles	26	1	0
No	2	0	0
NA	1	0	0

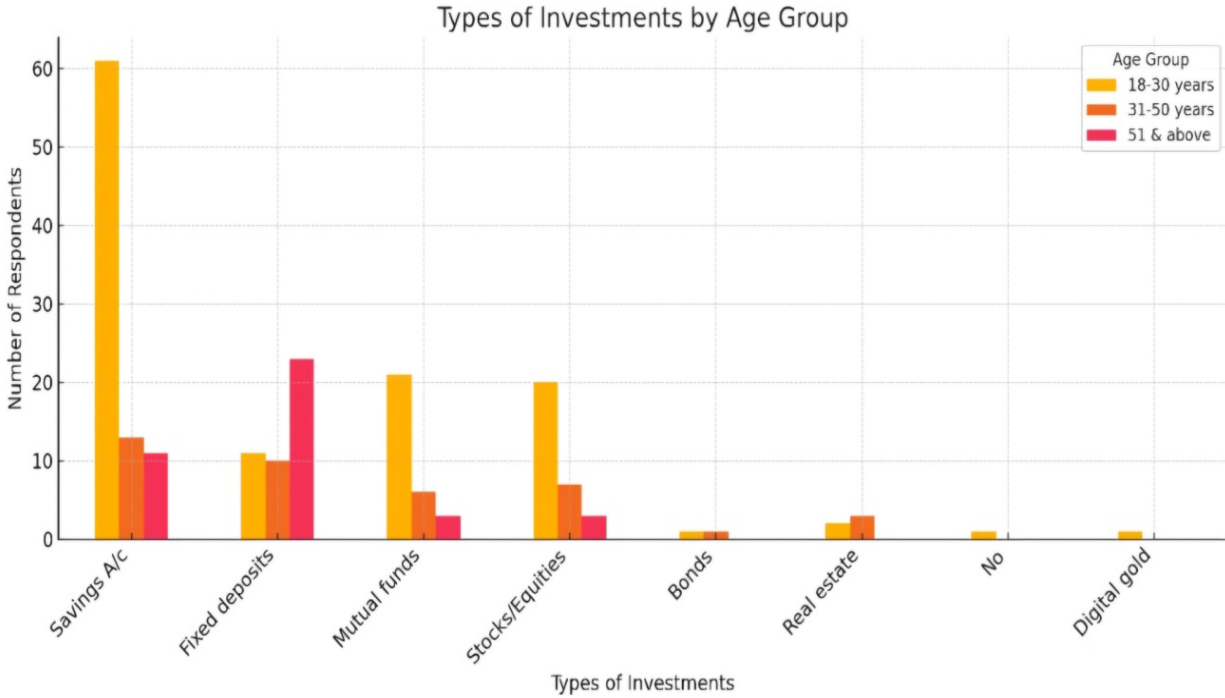


**Interpretation:** - Most people still look to traditional media and personal relationships when seeking out their financial advice, which shows how comfort and convenience can impact their decisions. The rising use of social media (41%) signals a shift toward digital platforms. But institutions of education and higher authority like financial planners and online courses are underutilized. This is likely due to affordability, accessibility, or they may not realize these methods exist.

**Table 6: Type of investment do you Currently have**

Types of investments	No. of responses	% of responses
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Savings A/c	85	85
Fixed deposits	44	44
Mutual funds	30	30
Stocks/Equities	30	30
Bonds	2	2
Real estate	5	5
No	1	1
Digital gold	1	1



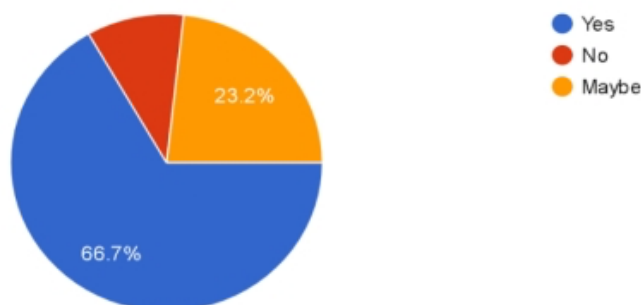
**Interpretation:** The data clearly shows a low-risk preference or easily accessed investments (especially savings accounts and fixed deposits) across all age groups. While the younger investors are starting to diversify into mutual funds and stock, those still choose low-risk investments. The people in the 31-50 age group have the most diversification cost because of their wealth of knowledge and resources. The other age groups align with safer traditional low-risk investments as they were mostly looking at stability for preparing for retirement. respondents have a mix of growth-related, family, and housing goals; while older respondents place more urgency on security and being prepared for retirement.

**Table 7: Do you Believe Good financial literacy Improves your Investment Decision Making**

Financial literacy improves investment	No. of responses	% of responses
Yes	66	66.7
No	10	10.1
Maybe	23	23.2

Do you believe that having good financial literacy improves your investment decision-making?

99 responses



Interpretation: - Overall, the survey responses suggest that participants who perceived themselves as having greater financial knowledge seemed to have more confidence in their investment decisions. This probably leads to better financial outcomes.

## 5. FINDINGS

- ◆ Most of our respondents track expenses regularly. They also identified their key financial goals and that they save for accumulating wealth, emergencies, and retirement. There are significant gaps on tracking expenses regularly and taking action to invest.
- ◆ The majority of respondents are disciplined enough to make their bill payments on time.
- ◆ The most common investment option chosen was savings accounts followed closely by more than half of respondents using mutual funds, shares, and term deposits.
- ◆ Respondents generally felt sufficiently and confident to confidently manage their financial life, budgeting and saving money. Confidence decreased with complexity in financial concepts associated with taxation and retirement planning.
- ◆ With some respondents being comfortable to take moderate to very high risks when investing and others being more exceptionally cautious.
- ◆ Financial news (whether television, newspapers or websites) and social media are the most widely used source of information for most respondents, with the help of courses and webinars providing the most knowledge and educational experience.
- ◆ There is an overwhelming opinion that they believe that financial literacy increases their understanding of risk and improves their financial situation.

## 6. CONCLUSION

Most of our respondents track their expenses and regularly pay their bills. Half of respondents have saved at least one preference or habit, but very few invest in the stock market or invest through mutual funds. Most personal savings habits depend on students' usage of a savings account, and less engagement with stocks or mutual funds. Many respondents hope to grow their wealth through savings, rather than stocks and mutual funds which is often the case but mostly all respondents prefer low-risk investments where only some respondents would take a moderate risk. Most of the respondents are aware of income tax sections: Section 80, which was mentioned as offering tax

exemptions, facilitates a particular level of financial literacy. Respondents identified multiple financial goals, including wealth building, emergency savings, retirement savings, and saving for future expenses. Conversely, those with lower incomes are more likely to report lower confidence in financial management.

### **Suggestions:**

- Many respondents are not confident in their financial management skills. Providing low-barrier, structured financial literacy programs (for budgeting, saving, credit management, investing, tax planning) can provide people with the tools needed to manage their finances.
- A large portion of respondents want low-risk investments (e.g., savings accounts, fixed deposits). Therefore, educating them through a structured program on safe but potentially higher-yielding investments (for example, government bonds, low-risk mutual funds) will be important.
- Many respondents did not understand tax-savings (i.e., Sections 80, 72, 16). By providing resources or workshops to educate individuals about tax-savings opportunities, they may be able to better plan for their financial future.
- Most respondents track their expenses, while a smaller percentage of respondents do not track expenses. Encouraging people to develop a habit of tracking their spending and developing financial goals may improve their overall financial condition. Education should focus on tracking expenses becoming a form of discipline, and how tools like apps can help with the process.
- Many respondents are interested in stocks or mutual funds but are apprehensive about investing. Customized advice and guidance can help new invest from understanding their options and choosing the right option based on their risk appetite and long-term goals.
- All respondents had long term goals like buying a house or saving for retirement. Financial literacy education should emphasize the importance of having a structure that helps individuals save money on a routine basis, make good investments, and have a plan to achieve their long-term financial goals.

Many people look to social media and online platforms for financial advice and education. We should utilize these platforms to help individuals by posting educational information, helpful tips, and insights from practitioners that may inform people and help them to make better financial decisions, especially younger audiences.

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