

Financial Literacy and its Impact on Investment Decisions-A study of Rural Areas of Himachal Pradesh

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Abstract: *The present study focuses on determining the impact of financial literacy on investment decision of people living in rural areas of Himachal Pradesh in Shimla district. The data from 500 respondents was collected and it found that the majority of the respondents are engaged in Agriculture/Horticulture and rest of the respondents have their own business followed by service class and other sources of income. The respondents were asked about different questions related to financial literacy like saving Bank Deposits, Post Office Saving Schemes, Mutual Funds, Life Insurance, Stock market etc. to determine the impact of financial literacy on investment decision of the respondents. The study also measured the relationship between financial literacy and demographic factors like gender, age, income, education and occupation of the respondents using chi-square test.*

Keywords: *Financial Literacy, Investment Decision, Demographic Factors*

I. INTRODUCTION

Finance is a wide term which includes two related activities. One of the activities is management of cash and the steps to be taken to acquire the required funds. All individuals, business houses and government require funds for operating their activities. The finance is backbone of everyone whether individual, business or government. In view of this it is divided into three sub-heads i.e. personal finance, corporate finance and public finance.

Financial Literacy

Literacy is traditionally known as the ability to read, write, and use arithmetic. In present days the meaning of literacy has been widened to include the ability to use language, numbers, images, computers, and other basic means to understand, communicate, gain useful knowledge and use the dominant symbol systems of a culture. The concept of literacy is expanding in OECD countries to include skills to access knowledge through technology and ability to assess complex contexts. United Nations Educational, Scientific and Cultural Organization (UNESCO 2004) defines literacy as the “ability to identify, understand, interpret, create, communicate and compute, using printed and written materials associated with varying contexts. Literacy involves a continuum of learning in enabling individuals to achieve their goals, to develop their knowledge and potential, and to participate fully in their community and wider society”. The Oxford English Dictionary (1952) defines literacy as the quality or state of being literate; knowledge of letters; condition in respect to education, ability to read and write.

Financial literacy means the possession of knowledge and understanding of financial matters and is mainly used in connection with personal finance matters. Financial literacy often entails the knowledge of properly making decisions pertaining to certain personal finance areas like real estate, insurance, investing, saving, tax planning and retirement. Financial literacy in rural areas is comparatively lower than urban and metropolitan areas. Financial information and financial knowledge is important for rural people because the minimum financial literacy is needed for effective financial decision making and money management.

Financial literacy is defined as the ‘ability of an individual to make informed judgments and to take effective decisions regarding the use and management of money ASIC (2003) and Noctor, Stoney and Stradling (1992). More inclusive definition was published in the Journal of Financial Service Professionals which indicated that personal financial literacy is the ability to read, analyse, manage and communicate about the personal material well being Anthes (2004). Many definitions have been in case of financial literacy a few important considerations have been made in the present study which includes individual level of financial literacy, various demographic, socio-economic and cultural factors which affects the financial literacy. Financial literacy has assumed greater importance in the recent years, as financial markets have become increasingly multifaceted and as there is information unevenness between markets and the common people because of which a person finds it very difficult to take good financial decisions. It is an important tool for promoting financial stability therefore developed and developing countries are focusing on programmes for financial literacy.

Investment Decision

Every individual has to make financial decisions in his life. Thus, the ability to manage personal finances has become increasingly important in today's world Chen & Volpe (1998) Personal financing planning is the process of planning one's spending, financing and investing so as to optimise one's financial situation and specifies one's financial aims and objectives.

The process of investment decision making is very critical and depends upon various factors which may vary from individual to individual. People use to behave differently while taking any type of decisions in their life. Some of them make decisions based on their personal judgment whereas others take into consideration various factors which influence them to act upon such appropriate decision. The process of decision making becomes easy for the investors when recognize all the confounding variables. These variables direct the investors to take right decisions to avoid the losses or to minimise losses in the future.

Decision making can be termed as the process of selecting a particular alternative from the number of alternatives available. Decision making is an activity which follows after proper evaluation of all the alternatives. Karlsson et.al. (2004) stated that individuals make decisions relating to their personal finances on day to day basis as these decisions are necessary for day-to-day survival yet it can be a daunting task. Various researchers have widely recognized the value associated with analysis of the consumer decision making process. Financial investment is a purchase of the financial security such as stock, bond or mortgage. The investment decision in case of an individual investor from any category like serviceman, business man, agriculturist, housewife etc. varies from person to person. The investment decisions of such individuals depend upon various factors and the type of investment they want to do. Investment decision denotes where the investor wants to invest whether in banks, property, share market, mutual funds, fixed deposits, gold, property etc.

II. REVIEW OF LITERATURE

The various researches have been carried out by both Indian and foreign researches to establish the research gap. In the present study the main focus is to study the impact of financial literacy on investment decision and to study the relationship between financial literacy and demographic factors. Therefore the following studies have been reviewed to carry out the present study.

Chen & Volpe (2002) in their study on "Financial literacy among college students" concluded that there are gender differences in personal financial literacy among college students and females were less financially literate than their male counterparts even after controlling other factors. However, they found that major field of study had a significant effect on financial literacy of both males and females. They opined that business majors were likely to know more about personal finance than non-business majors. They also found that males have placed themselves at higher rank regarding financial literate as compared to females, and more males ranking personal finance as an important subject than females. The study showed positive relationship between age and most of the behavioral indicators for age group between 25-34 years while no such association was found for the age group between 18-24 years. The household income also showed a relatively strong positive association with financial control such as having savings and investments. The education was also found crucial in choosing financial products and staying informed.

Lusardi and Mitchell (2006) in their research on "Relation between investment decision, savings and financial planning" revealed that basic economic concepts related to savings and investment decisions could be alien to many households in various nations including the United States, New Zealand, United Kingdom, Japan, Korea and German. This phenomenon poses serious implications for retirement planning, savings, loans, mortgages and other financial decisions. Moreover, the increased complexity of financial markets causes such decisions to become more difficult as a large number of financial products are available to people for taking decision.

Lusardi and Mitchell (2007) in their research paper on "Determining the important determinants of financial literacy" revealed that the determinants of financial literacy includes educational qualification, sex, race/ethnicity, marital status, age, number of children, retirement status, and household income.

Hussein A. Hassan Al-Tamimi and Al Anood BinKalli (2009) conducted a study on "Financial literacy and investment decisions of UAE investors" to examine the financial literacy of UAE individual investors and also to study the relationship between financial literacy and the influence of the factors that affect the investment decision of the investors. The study concluded that the financial literacy of the investors is far from the needed level and it is affected by income level, education level, and workplace activity. The study showed that there is a significant difference in the level of financial literacy between the respondents according to their gender. The women have a lower level of financial literacy than men. Financial literacy has a negative effect on the investment decision and has significantly affected the investment decision of the investors. It was also found that the major factors which influence the investment decisions of the investor were religious reasons, reputation of the firm, perceived ethics of the firm, and diversification purpose whereas the least factors influencing the investment decision of the investor were rumors, family member opinions, ease of obtaining borrowed funds and recommendations of the friends.

Natalie Gallery, Cameron Newton and Chrisann Palm (2011) in their study on “Financial literacy and superannuation investment choice decision” examined the factors affecting financial literacy and investment decisions of the respondents. They found that the demographic factors, socioeconomic factors, risk preferences, investment characteristics, and other contextual factors have a significant relationship with financial literacy and investment decisions. The demographic factors like age, gender and education have positive relationship with financial literacy and investment decisions of the respondents. Socio economic factors like type of employment and status, personal and household income, and other wealth factors also have a significant relationship with financial literacy and investment decisions of the investors. The study also concluded that investment characteristics like number of investment options, framing of investment options are also directly related with the financial literacy and investment decisions.

Gordon Clark, Huu Duong, Paul Gerrans, Paul Lajbcygier, Carly Moulang, Maria Strydom, John Vaz and Jayasinghe Wickramanayake (2013) conducted a survey and prepared a report on “Retirement savings and investment behaviours of Australian investors”. The report showed that knowledge of investors and their decisions regarding investment and savings can be improved at their retirement age and it appears that some key demographic factors like gender, age, balance, income are associated with behavior of the investor. The other factors such as financial literacy and internet access have also been found to explain investment activities. The study also revealed that majority of the investors do not make changes even over considerable period of time in their investment and saving pattern and which may be due to lack of knowledge about financial literacy.

Matewos Kebede, Navkihiran jit Dalhual Kaur and Jasmeendeep Kuar (2015) conducted a study to show “Financial literacy and management of personal finance”. The main aim was to study the financial literacy and its relationship between personal financial management and financial inclusion. The study revealed that the people in both developed and developing countries lack in basic financial knowledge, skills and attitude required in making personal financial decisions. It revealed that the financial literacy is correlated with socio demographic variables such as gender, age, education, income etc. It was concluded that the women, age, low educational level, low income level, unemployed, rural people, and people with less experience in developed financial market have low level of financial literacy.

Sekar. M and Gowri. M (2015) in their study on “Financial literacy and its determinants among employees in Coimbatore” revealed that the overall financial literacy level of 51 percent of the respondents among all the respondents is very less. This may be because the level of financial literacy varies significantly among respondents based on various demographic and socioeconomic factors. It was concluded that financial literacy level gets affected by gender, education, income, marital status and number of dependents whereas it does not get affected by age factor. It recommended that the necessary measures should be taken by government to increase the awareness about financial related matters among masses.

Ajay Singh & Rahul Sharma (2016) in their study on “Financial literacy & its impact on investment behaviour for effective financial planning” concluded that there exist a huge scope for imparting and carrying out the financial literacy for different sections of society to develop an insight for taking the effective investment decision by keeping in mind the various attributes that contributes toward the development of investment behaviour. It also shows that the financial literacy and awareness related to various financial instruments can help an investors to take a valid informed decision for securing the financial future of self and dependents. The level of knowledge, level of interest and level of commitment for financial planning process plays a very crucial role in life of every investor which even provide a huge scope on behalf of market regulators and also on behalf of companies to spread the financial literacy in a simplified manner so that it help an investor to plan for future in an everlasting manner. The demographic factors such as age, gender, education level, amount of investment, duration of investment also plays a very important role in preparing a road map for financial planning process.

Fachrudin K.R. and Fachrudin K.A. (2016) conducted a study on “The influence of education and experience toward investment decision with financial literacy” and concluded that education does not have a significant positive relationship with the investment decisions as educational factors do not affect the investment decisions of the investor directly. It showed that experience of the investors also does not have a positive and significant effect on investment decisions as the experience factor also does not affect investment decisions of the investors directly. It was concluded that financial literacy has a positive relationship with investment decisions of the investor because the investor who has high financial literacy level has a strong relationship with the investment decisions.

Hawati Janor, Rubayah Yakob, Noor Azuan Hashim, Zanariah and Che Aniza Che Wel (2016) in their study on “Financial literacy and investment decisions in Malaysia and United Kingdom: A comparative analysis” inferred that financial literacy level is low and necessary measures should be taken by the government to increase awareness about financial related matters. It is concluded that generally financial literacy relates to investment decisions and that some determinants which influence individual investors’ behavior are highly influential as compared to some other factors .These factors can be grouped into demographic, economic, social, and psychological in nature. The study also gave the guidelines for policy makers, administrators and educators in instilling suitable components of financial literacy in their training endeavors.

Kavita Chavali and M. PrasannaMohanraj (2016) in their study on “Impact of demographic variables and risk tolerance on investment decisions” revealed that gender is the only demographic variable which has an impact on investment patterns. Chi-square test was applied to prove that age and occupation of the respondent has an impact on the risk tolerance and respondents perception of risk. In this study factor Analysis was also used and the analysis reveals that the investor invests mostly for his security followed by risk coverage and future planning.

Marwan Mohamed Abdeldayem (2016) in his research paper on “Relationship between financial literacy and investment decisions in the Kingdom of Bahrain” concluded that the overall level of financial literacy of investors in the Kingdom of Bahrain is low. In addition, he also analyzed the level of financial literacy based on the demographic variables. He found important heterogeneity in financial knowledge across demographic groups like, the pattern of responses across gender. It shows that women are generally less financially literate than men. The study concluded that participants in high financial literacy group have higher awareness level for all financial products except for certificate of deposit and post office savings.

Mading Garang (2016) conducted a study on “The effect of financial literacy on investment decisions” and concluded that financial literacy has a positive and significant effect on investment decisions among the employees at the financial institutions in South Sudan Juba. The study revealed that 39 percent of the employees out of total sample respondents of study have financial education and 38 percent of respondents have finance or accounting qualification. This shows that they are financially literate since financial education and finance qualification forms a part of financial literacy. It was concluded that retirement and savings literacy have weak positive effect on personal wealth. Further the researcher investigated the effect of tax returns literacy on personal wealth and found that tax returns literacy has a weak positive correlation with personal wealth.

T. V. Raman and Kanan Budhiraja (2017) in their research on “Importance of financial education in financial literacy and investment decisions” concluded that financial education is becoming important day by day for the investors of the country and internet, financial planners and peer investors have great impact on the investors before they make any investment decision. The investors still prefer to invest in savings accounts, government securities, fixed deposits and precious metals. The study concluded that the investors are beginning to explore new investment avenues and are willing to take risk by investing in new instruments like stocks, shares, mutual funds etc.

Objectives

The following objectives are framed for the fulfilment of the study:

1. To study the impact of financial literacy on investment decision of rural people in Himachal Pradesh.
2. To study the relationship between financial literacy and demographic factors like gender, age, income, education and occupation.

Research Design

Research design is mainly an arrangement of data collection and analysis of data in a manner that aims to combine relevance to the research purpose. It is a blue print for the collection, measurement and analysis of data. For the present study exploratory and descriptive research design methods have been used, where in researcher has explored the financial literacy level of investors and then described effect of financial literacy level on the investment preference towards financial products. To accomplish the above stated objectives of the present study both primary and secondary data has been collected through books, journals, websites etc and pre-tested questionnaire.

Sampling

There are two methods to carry out the research. One of these two is census method and the other is sampling method. The census method is used to collect the information regarding population but generally sampling method is used to select the respondents for carrying out research. In the present study sampling method is used to determine the size of sample for collection of data and to make analysis to draw inferences. Sampling plan means a method which is decided before the survey is undertaken for selecting the objects out of the universe. It refers to the technique or the procedure a researcher adopts in selecting a sample and the sample size.

In order to fulfil the objectives of the present study the non-probability convenience sampling technique has been used. In convenience sampling technique, the researcher chooses the sampling units as per his/her convenience. A sample of 500 individuals from rural areas of Shimla district in Himachal Pradesh has been selected using convenience sampling technique. These 500 respondents belong to service class, small businessmen's, agriculturalist, housewives etc. The income of these respondents also varies.

Data Collection

There are two sources of data which are used i.e. primary and secondary sources. To get insight into the research area and to develop the theoretical framework and hypotheses the data was collected through secondary sources. A questionnaire was designed which has been used for the purpose of data collection for the present study.

III. RESEARCH METHODOLOGY

Research methodology is a way to systematically solve research problem Kothari (1999). A system of models, procedures and techniques used to find the result of a research problem is known as Research Methodology Panneerselvam (2010). The demographic profile of the respondents has been presented in analysis and interpretation section. In order to achieve the objectives of the present study chi-square test has been used.

IV. DATA ANALYSIS AND INTERPRETATION

The primary data collected through structured questionnaire from a sample of 500 respondents from rural people of Shimla district of Himachal Pradesh has been arranged under different tables based on demographic profile, the impact of financial literacy on investment decision and the relationship between financial literacy and demographic factors like gender, age, income, education and occupation.

Demographic Profile of Respondents

Gender of Respondents

The general profile of the respondents with regards to their gender is presented in Table 5.1. It is evident from the table that equal number of respondents i.e. 50 percent each of the total respondents is male and female respectively.

Table5.1: Classification on the basis of Gender of Respondents

Gender	N	Percentage
Male	250	50.00
Female	250	50.00
Total	500	100

Source: Based on primary data collected through questionnaire

Age of Respondents

Table 5.2 shows the age group of respondents. It is evident from the table that in terms of age majority of respondents, i.e. 34 percent of the total 500 respondents are in the age group of 26 – 40 years and which are followed by 30 percent respondents who belong to the age group of less than 25 years. 20 percent of the total respondents, i.e. 100 are from the age group of 41 to 60 years and remaining 16 percent respondents are in the age group of above 60 years.

Table 5.2: Classification on the basis of Age of Respondents

Age	N	Percentage
Less than 25 Years	150	30.00
26 to 40 Years	170	34.00
41 to 60 Years	100	20.00
Above 60 Years	80	16.00
Total	500	100

Source: Based on primary data collected through questionnaire

Annual Income of Respondents

The classification of respondents on the basis of annual income and the results are presented in Table 5.3. It can be observed from the table that majority of respondents i.e.230(46 percent) out of the total 500 respondents have their annual income up to Rs. 1 lakh followed by 38 percent respondents whose annual income is between Rs. 1 to 3 lakh. Only16 percent of the respondents are having their annual income in the bracket of Rs. 3 lakh and above.

Table5.3: Classification on the basis of Annual Income of Respondents

Annual Income	N	Percentage
Up to Rs. 1 Lakh	230	46.00
1 Lakh to 3 Lakh	190	38.00
3 Lakh & above	80	16.00
Total	500	100

Source: Based on the primary data collected through questionnaire

Marital Status of Respondents

The marital status of the sample respondents has been shown in Table 5.4. It is evident from the table that 300 respondents i.e. 60 percent out of the total 500 respondents, are married and only 48 percent, i.e. 200 respondents, are having unmarried status.

Table5.4: Classification on the basis of Marital Status of Respondents

Marital Status	N	Percentage
Married	300	60.00
Unmarried	200	40.00
Total	500	100

Source: Based on data collected through questionnaire

Qualification of Respondents

The classification of respondents on the basis of their educational qualification is presented in Table 5.5. It shows that the majority of respondents i.e. 210 (42 percent) out of total 500 respondents are graduate which are followed by undergraduate i.e.26 percent and postgraduate i.e.18 percent of the total respondents. The remaining 14 percent of the respondents are in other category which includes illiterate, 10 pass, plus 2 pass or having some professional qualification.

Table5.5: Classification on the basis of Qualification of Respondents

Education	N	Percentage
Undergraduate	130	26.00
Graduate	210	42.00
Post Graduate	90	18.00
Others	70	14.00
Total	500	100

Source: Based on primary data collected through questionnaire

Occupation of Respondents

Table 5.6 shows the classification of the respondents on the basis of their occupations. It is evident from the table that majority of the respondents i.e. 260, (52 percent) out of the total 500 respondents are engaged in Agriculture/Horticulture. 18 percent of the total respondents are having their own business while 14 percent of the total respondents are employees in government/ semi government / private sector. The remaining 16 percent of the total respondents are having some other sources of income like labour work, NREGA employment etc.

Table5.6: Classification on the basis of Occupation of Respondents

Occupation	N	Percentage
Employee (Govt./Semi Govt./Private)	70	14.00
Business	90	18.00
Agriculture/Horticulture	260	52.00
Others	80	16.00
Total	500	100

Source: Based on primary data collected through questionnaire

Type of Family of Respondents

There are two types of families i.e. nuclear and joint. The classification of respondents according to the type of their family has been presented in Table 5.7. It is clear from the table that majority of respondent's i.e.70 percent of the total respondents are living in joint families and only 30 are having nuclear families.

Table5.7: Classification on the basis of Type of Family of Respondents

Type of Family	N	Percentage
Nuclear	150	30.00
Joint	350	70.00
Total	500	100

Source: Based on primary data collected through questionnaire

Impact of Financial Literacy on Investment Decision

Impact of financial literacy of respondents on the investment in saving account of post office

The chi-square test has been used to check the impact of financial literacy of respondents on the investment in saving account of post office and the following hypothesis has been formulated:

H₀: There is no significant impact of financial literacy of respondents on investment in saving account of post office.

H_A: There is significant impact of financial literacy of respondents on investment in saving account of post office.

The results of chi-square test are shown in Table 5.8. It is evident from the results that there is a significant difference in the investment in post office with respect to financial literacy of respondents as the p-

value is less than the level of significance, i.e. 0.05. So it can be concluded that respondents' financial literacy has significant impact on their intention to invest in post office saving account.

Table5.8: Chi-square result to measure impact of Financial Literacy on Investment in Post Office Account

Saving A/C in Post Office	Financial Literacy		Total	Chi-square Value	p-Value	Result
	Yes	No				
Yes	154	196	350	45.801	0.00	Significant
No	40	110	150			
Total	194	306	500			

Source: Based on Table 4.26, Level of Significance = 5%

Impact of financial literacy of respondents on the investment in bank account

The impact of financial literacy of respondents on the investment in bank has also been analysed with the help of chi-square test and the following hypothesis has been tested:

H₀: There is no significant impact of financial literacy of respondents on investment in bank account.

H_A: There is significant impact of financial literacy of respondents on investment in bank account.

The results are presented in Table 5.9. It can be observed from the results that there is no significant difference in the investment in bank with respect to financial literacy of respondents as the p- value is greater than the level of significance, i.e. 0.05. So it can be concluded that respondents' financial literacy does not have significant impact on their investment in saving bank account.

Table5.9: Chi-square result to measure impact of Financial Literacy on Investment in Bank Account

Saving A/C in Bank	Financial Literacy		Total	Chi-square Value	p-Value	Result
	Yes	No				
Yes	169	261	430	0.326	0.56	Not Significant
No	25	45	70			
Total	194	306	500			

Source: Based on Table 4.29, Level of Significance = 5%

Impact of financial literacy of respondents on investment in insurance

In order to check the impact of financial literacy of respondents on their investment in insurance, chi-square test is applied and the following hypothesis has been formulated:

H₀: There is no significant impact of financial literacy of respondents on investment in insurance.

H_A: There is significant impact of financial literacy of respondents on investment in insurance.

The results are presented in Table 5.10. It is evident from the results that the p-value is less than the level of significance, i.e. 0.05 hence, there is a significant difference in the investment in insurance with respect to financial literacy of respondents. So it can be concluded that respondents' financial literacy has significant impact on their intention to invest in insurance policy.

Table5.10: Chi-square result to measure impact of Financial Literacy on Investment in Insurance

Insurance Policy	Financial Literacy		Total	Chi-square Value	p-Value	Result
	Yes	No				
Yes	162	218	380	9.78	0.001	Significant
No	32	88	120			
Total	194	306	500			

Source: Based on Table 4.32, Level of Significance = 5%

Impact of financial literacy of respondents on investment in mutual funds

The impact of financial literacy of respondents on the investment in mutual funds has been tested through chi-square test and the following hypothesis has been tested:

H₀: There is no significant impact of financial literacy of respondents on investment in mutual funds.

H_A: There is significant impact of financial literacy of respondents on investment in mutual funds.

The results are presented in Table 5.11. It can be observed from the results that there is a significant difference in the investment in mutual funds with respect to financial literacy of respondents as the p-value is less than the level of significance, i.e. 0.05. Hence it can be concluded that respondents' financial literacy has significant impact on their intention to invest in mutual funds.

Table5.11: Chi-square result to measure impact of Financial Literacy on Investment in Mutual Fund

Invested in Mutual Fund	Financial Literacy		Total	Chi-square Value	p-Value	Result
	Yes	No				
Yes	42	8	50	47.79	0.00	Significant

No	152	298	450			
Total	194	306	500			

Source: Based on Table 4.36, Level of Significance = 5%

Impact of financial literacy of respondents on investment in shares

Chi-square test has been used to measure the impact of financial literacy of respondents on their investment in shares and the following hypothesis has been formulated:

H₀: There is no significant impact of financial literacy of respondents on investment in shares.

H_A: There is significant impact of financial literacy of respondents on investment in shares.

The results are presented in Table 5.12. It is evident from the results that there is a significant difference in the investment in shares with respect to financial literacy of respondents as the p-value is less than the level of significance, i.e. 0.05. So it can be concluded that respondents' financial literacy has significant impact on their intention to invest in shares.

Table 5.12: Chi-square result to measure impact of Financial Literacy on Investment in Shares

Invested in Shares	Financial Literacy		Total	Chi-square Value	p-Value	Result
	Yes	No				
Yes	49	6	55	65.82	0.00	Significant
No	145	300	445			
Total	194	306	500			

Source: Based on Table 4.40, Level of Significance = 5%

Relationship between Financial Literacy and Demographic Factors

Relationship between Financial Literacy and Gender of the respondents

In order to check the impact of gender on the financial literacy of respondents, the following hypothesis has been formulated:

H₀: There is no significant relationship between financial literacy and gender of the respondents.

H_A: There is significant relationship between financial literacy and gender of the respondents.

The chi-square test has been applied to test the hypothesis and results are presented in Table 5.13. It can be observed from the table that the p-value is less than the level of significance i.e. 0.05 which shows that there is a significant difference in the financial literacy of respondents with respect to their gender. So it can be concluded that the gender respondents have significant impact on their financial literacy.

Table 5.13: Chi-square result to measure impact of Gender of the Respondents on their Financial Literacy

Gender	Financial Literacy		Total	Chi-square Value	p-Value	Result
	Yes	No				
Male	169	81	250	174.65	0.00	Significant
Female	25	225	250			
Total	194	306	500			

Source: Based on Table 4.15, level of significance 5%

Relationship between Financial Literacy and Age of the respondents

In order to check the impact of age on the financial literacy of respondents, the following hypothesis has been formulated:

H₀: There is no significant relationship between financial literacy and age of the respondents.

H_A: There is significant relationship between financial literacy and age of the respondents.

The chi-square test is used and results are presented in Table 5.14. It is evident from the results that there is a significant difference in the financial literacy of respondents with respect to their age as the p-value is less than the level of significance i.e. 0.05. So it can be concluded that the age respondents of have significant impact on their financial literacy.

Table 5.14: Chi-square result to measure impact of Age of the Respondents on their Financial Literacy

Age	Financial Literacy		Total	Chi-square Value	p-Value	Result
	Yes	No				
Less than 25 Years	25	125	150	89.73	0.00	Significant
26 to 40 Years	65	105	170			
41 to 60 Years	76	24	100			
Above 60 Years	28	52	80			
Total	194	306	500			

Source: Based on Table 4.17, Level of Significance = 5%

Relationship between Financial Literacy and Annual Income of the respondents

The impact of annual income on the financial literacy of respondents has been tested with the application of chi-square test and the following hypothesis has been formulated:

H₀: There is no significant relationship between financial literacy and income of the respondents.

H_A: There is significant relationship between financial literacy and income of the respondents.

The results are presented in Table 5.15. It can be observed from the results that there is a significant difference in the financial literacy of respondents with respect to their annual income as the p-value is less than the level of significance, i.e. 0.05. So it can be concluded that respondents' annual income have significant impact on their financial literacy.

Table5.15: Chi-square result to measure impact of Income of the Respondents on their Financial Literacy

Income	Financial Literacy		Total	Chi-square Value	p-Value	Result
	Yes	No				
Upto Rs. 1 Lakh	50	180	230	130.41	0.00	Significant
1 Lakh to 3 Lakh	69	121	190			
3 Lakh & above	75	5	80			
Total	194	306	500			

Source: Based on Table 4.19, Level of Significance = 5%

Relationship between Financial Literacy and Educational Qualification of the respondents

Chi-square test has been used to test the impact of educational qualification on the financial literacy of respondents and the following hypothesis has been tested:

H₀: There is no significant relationship between financial literacy and educational qualification of the respondents.

H_A: There is significant relationship between financial literacy and educational qualification of the respondents.

The results are presented in Table 5.16. It is evident from the table that there is a significant difference in the financial literacy of respondents with respect to their education as the p-value is less than the level of significance, i.e. 0.05. So it can be concluded that respondents' education have significant impact on their financial literacy.

Table5.16: Chi-square result to measure impact of Education of the Respondents on their Financial Literacy

Education	Financial Literacy		Total	Chi-square Value	p-Value	Result
	Yes	No				
Undergraduate	6	124	130	197.91	0.00	Significant
Graduate	101	109	210			
Post Graduate	81	9	90			
Others	6	64	70			
Total	194	306	500			

Source: Based on Table 4.21, Level of Significance = 5%

Relationship between Financial Literacy and Occupation of the respondents

Table 5.17 shows the result of Chi-square test which is used to measure the impact of occupation on the financial literacy of respondents and the following hypothesis has been tested:

H₀: There is no significant relationship between financial literacy and occupation of the respondents.

H_A: There is significant relationship between financial literacy and occupation of the respondents.

It is evident from the table that p-value is less than the level of significance i.e. 0.05 which indicates that there is significant difference between financial literacy of respondents with respect to their occupation. So it can be concluded that respondents' occupation have significant impact on their financial literacy.

Table5.17: Chi-square result to measure impact of Occupation of the Respondents on their Financial Literacy

Occupation	Financial Literacy		Total	Chi-square Value	p-Value	Result
	Yes	No				
Employee	61	9	70	252.506	0.00	Significant
Business	76	14	90			
Agriculture	21	239	260			
Others	36	44	80			

Total	194	306	500			
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Source: Based on Table 4.23, Level of Significance = 5%

V. FINDINGS AND CONCLUSION

The analysis with respect to investment in the financial products and the financial literacy has also been made with the application of chi-square test. The p-value is 0.00 which is less than the level of significance, i.e. 0.05 between financial literacy and investment in saving account in post office, mutual funds and shares hence the null hypothesis is rejected. In case of investment in insurance policy the p-value is 0.001 which is also less than the level of significance, i.e. 0.05, hence the null hypothesis is rejected. It is concluded that there is significant impact of financial literacy on investment decision about financial products namely, saving account in post office, insurance policy, mutual funds and shares of rural people in Himachal Pradesh. In case of saving account in bank, the null hypothesis is accepted at 5 percent level of significance as the p-value i.e. 0.56 is greater than the level of significance, i.e. 0.05 hence, it is not-significant.

In order to analyse the relationship between financial literacy and demographic profile factors such as gender, age, income, education and occupation, the chi-square test has been applied. The results of the chi-square test between financial literacy and different demographic factors, i.e. gender, age, income, education and occupation have been presented data analysis and interpretation section. The results shows that the p-value for all the demographic factors is 0.00 which is less than the level of significance, i.e. 0.05 hence, the null hypothesis is rejected. It is concluded that there is significant impact of demographic factors on financial literacy of respondents.

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