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A STUDY ON THE IMPACT OF FINANCIAL LITERACY ON INVESTMENT DECISIONS OF FINANCIALLY INCLUDED HOUSEHOLDS WITH SPECIAL TO TUMAKURU DISTRICT, KARNATAKA

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Abstract
Access to finance at a reasonable cost is treated as financial inclusion at a primary level. Access, availability, and usage of financial instruments can penetrate financial inclusion. After Jan Dhan Yojana, access to bank accounts increased. Indian could able achieve 100% financial inclusion in terms ownership of bank accounts. After a tremendous success of financial inclusion, stakeholders are focusing on effective financial inclusion. Financial literacy can be used a lethal weapon in achieving effective financial inclusion in India. Financial literacy can be assessed with the help of financial knowledge, attitude, and behavior. The current study discusses about the concept of financial inclusion, literacy, and relationship of financial inclusion nd financial literacy, level of financial literacy and financial inclusion and the impact of financial literacy on investment decisions of financially included population. The study is empirical in nature and 100 samples are collected from Tumakuru Districts of Karnataka. Random sampling adopted to collect samples and structured schedules used to collect data from target households. The study find that the level of financial literacy in Tumakuru is more than national average, there is a strong relationship between financial literacy and financial inclusion and there is a substantial impact of financial literacy on investment on financially included population.

Keywords: *Financial Inclusion, Financial Literacy, Investment Decisions, Households, Risk, and Return, Investment Objectives*

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INTRODUCTION

Financial inclusion has been a aim of various stakeholders in India including the Central bank and Central Government. The efforts to include vulnerable groups were started in 1969 after nationalization of banks in India. Rigorous efforts of stakeholders could able to achieve 53% financial inclusion until 2014. Jan-Dhan Account scheme brought as a game changer in the field of financial inclusion. Financial inclusion aims to provide effective financial services at reasonable cost. Even after achieving substantial growth in financial inclusion, effectiveness of financial inclusion has been a concern. During this crunch time, financial literacy works as a tool to attain comprehensive financial inclusion. It is envisaged that a higher number of people will feel more inclined to invest and put money in banks, which can support more equitable income distribution and general economic growth (Mosley & Hulme, 1998) When handling financial items, a person with low financial literacy is more prone to make mistakes. In order to make more informed financial decisions, it is crucial for people to become more financially literate (Lusardi & Mitchell, 2014). Financial literacy has become prerequisite of financial inclusion. Even there is a need to assess the level of financial inclusion and literacy empirically and requires to gauge the relationship between financial inclusion and literacy. Finally, the study attempts to evaluate the impact of financial literacy on investment decisions of financially included households.

REVIEW OF LITERATURE

Financial inclusion challenges can be resolved by financial literacy (Hasan et al., 2021). Financial literacy can be a useful tool in addressing the challenges of financial inclusion. The study indicates that having knowledge about financial products has a significant impact on financial access, and that financial literacy can be used to improve human capital. Financial literacy tools, such as financial education programs, can help individuals make better financial decisions by providing them with the necessary knowledge and skills. (Huston, 2010). Financial inclusion has been playing a key role in financial inclusion via financial training (Bire et al., 2019). To achieve financial inclusion, financial literacy is considered as the fourth pillar. This implies that the success of financial inclusion is largely dependent on the level of financial literacy among individuals. (Gupta & Seth, 2021). (Batsaikhan & Demertzis, 2018). Opinion is that financial literacy encompasses fundamental knowledge in economics, statistics, and numeracy, along with the ability to apply this knowledge to make informed financial decisions. The argument is that individuals who possess greater financial literacy tend to make better choices when it comes to saving, borrowing, and retirement planning, and have a more varied and balanced financial portfolio.

OBJECTIVES OF THE STUDY

- To understand the concept of financial inclusion and financial literacy
- To assess the level of financial inclusion and financial literacy
- To study the relationship between financial inclusion and financial literacy
- To evaluate the impact of financial literacy on investment of financially included households

RESEARCH METHODOLOGY

This study examines the idea and different levels of financial literacy and inclusion. The study discusses how financial literacy affects the investment choices of financially included households in the Tumakuru District of Karnataka. The research employs both original and existing data sources. Primary data were gathered using a structured interview schedule, employing a random sampling technique. A group of 100 households was selected from five different areas within Tumakuru, with 10 households chosen from each area. The sample frame, supplied by the Food and Civil Supply Department of the Karnataka Government, played a crucial role in identifying and reaching the target respondents. To guarantee the dependability of the research tool, Cronbach's alpha was utilized. Different statistical techniques, such as averages, percentiles, and ANOVA, were employed to analyse the levels of financial literacy and inclusion and to determine their influence on the investment choices made by financially included households.

DATA COLLECTION

The data for this study was obtained from both primary and secondary sources. The main data collection method consisted of a pre-designed interview schedule that was given to randomly chosen households. 100 samples were collected, with an equal number of 20 samples from each of the five sub-districts in Tumakuru. The sampling frame, obtained from the records of the Food and Civil Supply Department of the Karnataka Government, played a crucial role in successfully reaching the intended population.

DATA ANALYSIS

To assess the dependability of the research tool, Cronbach's alpha was computed. Furthermore, statistical measures like averages, percentiles, and ANOVA were utilized to assess the levels of financial literacy and inclusion and to analyse their impact on the investment choices made by financially included households. By employing a comprehensive methodology, this study aims to thoroughly examine the connection between financial literacy, financial inclusion, and investment choices made by households in Tumakuru District, offering policymakers and stakeholders in the financial sector valuable insights for informed decision-making.

HYPOTHESIS

- *H1: There is no significant relationship between financial inclusion and financial literacy.*
- *H2: There is no significance impact of financial literacy on investment decisions of financially included households*

Reliability Statistics:
To check the reliability of survey instrument, Cronbach's alpha is used. The alpha value is 0.841 is stable and valid at 95% Confidence level & 5% Significance level. The following table shows the reliability statistics of various constructs of research instruments.

Table 01: Cronbach's Value of Constructs

S.No	Constructs	Cronbach's Alpha	Final No. of Items
1	Financial Knowledge	.878	13
2	Financial Behavior	.853	12
3	Financial Attitude	.842	14
4	Investment Decision	.825	18

Source: Primary Data

Understanding the Concept of Financial Inclusion and Financial Literacy

Financial Inclusion:
The term "financial inclusion" encompasses the idea of ensuring that everyone has equal access to financial services and products (Agustia & Anridho, 2020). The objective of financial inclusion is to ensure that everyone, including individuals and businesses, has access to affordable financial services. The objective of financial inclusion is to recognize and address the obstacles that hinder individuals from participating in the financial sector (Gupta, A, 2018). Every individual in a society should have equal access to and the ability to utilize secure, affordable, pertinent, and convenient financial products and services to accomplish their objectives. This is referred to as financial inclusion, which is the objective of providing financial access. Having access to a variety of financial products and services is crucial for financial inclusion, which promotes the overall financial health of households and society (Birkenmaier, et al., 2019). Financial inclusion refers to the act of offering impoverished and marginalized individuals access to affordable financial services, including basic savings accounts, credit options, payment methods, insurance coverage, and more (Kumar, T. R, 2017).

Financial Literacy:
To understand the importance of financial education and the reasons behind diverse financial outcomes, financial literacy, also referred to as financial knowledge, is often considered a crucial factor. To fully grasp the impact of education and the challenges in making sound financial choices, it is essential to establish and quantify financial literacy (Huston, S. J, 2009). To address financial problems and make informed choices, individuals need to have a blend of financial knowledge, attitudes, and behaviours referred to as financial literacy (Nicolini, 2019). Having a solid grasp of basic economic and financial concepts and being able to apply them effectively, along with other financial skills, is what financial literacy entails (Deepak et al., 2015).

Measuring Financial Inclusion and Financial Literacy:
There is a strong connect between ownership of bank accounts and level of financial inclusion (Gupta, & Sharma, 2021). The level of financial inclusion is influenced by three key factors: usage, constraints, and access to financial services (Camara & Tuesta, 2014).
It is necessary to estimate financial literacy across all age groups and in all three aspects, financial knowledge, attitude and behaviour (Kim, & Sungsook, 2014). A composite metric that takes into account knowledge, attitudes, behavior, and practical understanding can be used to assess financial literacy (Rieger, 2020).

Status of Financial Inclusion in India:

There have been major improvements in India's financial inclusion status recently, with a move toward a more all-encompassing approach to financial services (Barua et al., 2016). Despite efforts to promote financial inclusion, there are still significant disparities in access to financial services, and these disparities are influenced by factors such as gender, caste, and income. It is clear that additional efforts are required to enhance financial inclusion among Indian households, despite some progress that has been made (Sharma et al., 2022). The current research considers bank account ownership factor to measure the financial literacy.

Status of Financial Literacy in India:

The overall financial literacy in India is assessed by Reserve Bank of India (RBI). The report says, overall score of financial literacy in India is 11.9 out of 21 and financial knowledge 32%, financial attitude 28%, and financial behaviour 56% (RBI, 2020). Even the current study shows at least one member in a household having bank account.

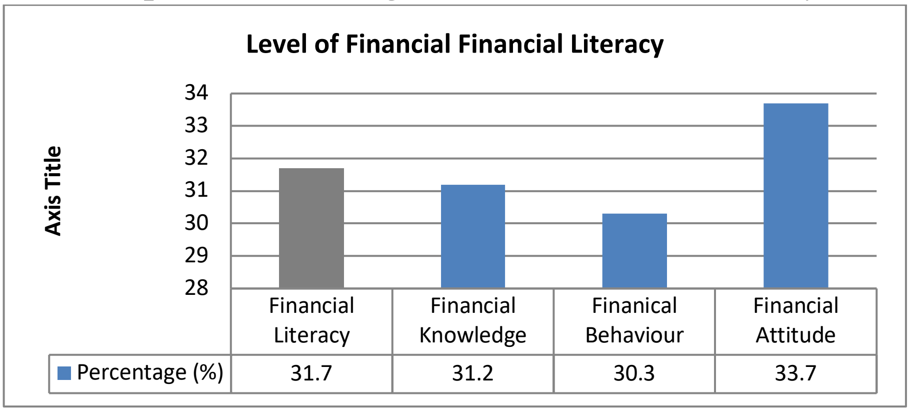
Status of Financial Inclusion in Tumakuru:

Tumakuru District household financial inclusion is 100% (Rakesh Nadig, 2022). In terms of access to banking services, households of Tumakuru covered under the fold of financial inclusion.

Status of Financial Literacy in Tumakuru:

There are no studies conducted to study the level of financial literacy in Tumakuru district. The attempt has been made to study the level of financial included households. The following graph shows the level of financial literacy in Tumakuru district.

Graph No 01: Showing the Level of Financial Literacy



Source: Primary Data

The **Graph 01** shows the level of financial literacy in Tumakuru District. Financial literacy level is 31.7% as compared to national average of 27%. Financial knowledge (31.2%), Financial behaviour (30.3%) and Financial attitude (33.7%) levels are more than or equal to national average.

H1: There is no significance relationship between financial inclusion and financial literacy.

Table 02: Correlations

		Financial Inclusion	Financial Literacy
Financial Inclusion	Pearson Correlation	1	.796**
	Sig. (2-tailed)		.000
	N	100	100
Financial Literacy	Pearson Correlation	.796**	1
	Sig. (2-tailed)	.000	
	N	100	100

**. Correlation is significant at the 0.01 level (2-tailed).

The correlation coefficient of 0.796 suggests a strong positive relationship between the two variables. It is highly statistically significant that this association has a P-value of less than 0.00001. We have a high level of confidence that the observed correlation is not due to randomness because the finding is statistically significant at the $p < 0.01$ level. The two factors being studied show a strong and statistically significant positive relationship with each other. This suggests that there is a strong connection between alterations in one variable and alterations in the other. We are highly confident in our conclusion that this association is not due to chance, given the extremely low probability of obtaining such results by chance ($p < 0.01$). Hence, reject null hypothesis is rejected and there is a strong positive correlation between financial literacy and financial inclusion.

H2: There is no significance impact of financial literacy on investment decisions of financially included households

Table 03: ANOVA

Impact of Financial Literacy on Investment Decisions of financially included Households		**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
Time Horizon of Investment	Between Groups	45.462	3	15.154	162.04	0
	Within Groups	8.978	96	0.094		
	Total	54.44	99			
Investment Strategy (Risk & Return)	Between Groups	57.5	3	19.167	340.58	0
	Within Groups	5.403	96	0.056		
	Total	62.903	99			
Investment Objectives	Between Groups	186.69	3	62.23	219.08	0
	Within Groups	27.27	96	0.284		
	Total	213.96	99			

The Time Horizon of Investment, Investment Strategy (Risk & Return), and Investment Objectives variables appear to differ significantly between the groups, according to the ANOVA results. The group means are statistically substantially different, as indicated by the remarkably low P-value (0.000), which rules out random chance as the cause of the observed mean differences. This shows that the investment variable, investment strategy (risk & return), and time horizon are all significantly impacted by the factors that separate the groups. Hence, null hypothesis is rejected and there is an impact of financial literacy on investment decisions of financially included households.

FINDINGS OF THE STUDY

- The study revealed that there is a positive correlation between financial inclusion and financial literacy.
- The level of financial literacy is 31.7%, which is above national average.
- It is found that there is an impact of financial literacy on investment decisions of financially included households.

LIMITATIONS

- The study is limited to geographical area of Tumakuru District
- The results of the study relies on the opinions and perceptions of the respondents
- The study is confined only to financially included population.

SCOPE FOR FURTHER RESEARCH

The study was conducted in a specific geographical area of Tumakuru, Karnataka, and it had a limited sample size of only 50 respondents. It was also conducted over a short period. To gather more results that are comprehensive a similar study could be conducted with a larger sample size and a broader geographical area. This would provide more accurate and reliable data, which could be used to make more informed decisions about financial literacy initiatives.

CONCLUSION

The present study focused on assessing the level of financial inclusion and the relationship between financial inclusion and financial literacy. The study is attempts to evaluate the impact of financial literacy on investment decisions of financially included households. The study revealed that, the level of financial literacy in Tumakuru District is slightly above national average. However, if we consider the level of financial inclusion, extent of financial inclusion is below average. There are academic reports and review of literature suggests that there is a strong relationship between financial inclusion and literacy. The current study empirically tests the relationship between financial inclusion and literacy. The study found that, there is a strong positive correlation between financial inclusion and literacy. The study revealed that, there is a considerable impact of financial literacy on investment decisions of financially included households. There are empirical evidence to prove that, financial literacy is a key factor can influence the investment decisions of households. Even after realizing the importance of financial literacy, the efforts of Central Government and other stakeholders are minimal. There is need to rigorous implementation of financial literacy programs, which can empower the vulnerable groups to make sound financial decisions.

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