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An Analytical Study on Financial Literacy and Investment Behaviour among Youth in Maharashtra

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Abstract: The study is analytical which helps to explore the financial education to financial attitude from the youth of Maharashtra. Financial literacy plays a significant role and its impact in providing knowledge about money, evaluating investments/options and handling risk and decisionmaking around money for young people. The study aims to study the financial literacy of the youth and its impact in their savings habits, investment behaviour, risk seeking behaviour, financial planning and investment decision making. The main data is based on the age group children of various parts in Maharashtra through a structured questionnaire whereas the secondary data is collected through the various reports by financial institutions, various research studies etc. It analyses various aspects like an interest rate, inflation, risk and return, diversification, mutual funds, shares and insurance and other investment options. The analysis aims to identify the relationship between Financial Literacy and investment paradigm and determine whether the Financial Literacy youth have more systematic and rational investment paradigm. The research should create awareness of financial education about the needs for financial habits in responsible investment among youth. The outcomes and results can be used by educational institutions, financial institutions, policy makers, and investors to create successful Financial Education Campaigns and investment strategies for the young generation of Maharashtra in the financial markets, which can be informed, disciplined and sustainable.

Keywords: Financial Literacy, Investment Behaviour, Youth Investors, Financial Awareness, Investment Decisions, Risk Tolerance, Savings Behaviour, Investment Preferences, Financial Planning, Maharashtra.

Introduction

With the youth now more frequently engaged in the financial system, there has been a growing focus on financial literacy as an alternative aspect of financial well-being and a necessary means of financial decision making. As youth move from school to work, the range of financial issues and responsibilities will be various including saving, budgeting, borrowing, insurance, taxes, planning for retirement and investment. In so far, financial literacy will be defined as people's capacity to understand the basic financial terms and principles and apply these to their financial decisions. An understanding of financial literacy can assist with this one in assessing a variety of investment options, knowing that there is a relationship between risk and reward, knowing the importance of diversifying investments, controlling unessential spending and long term finances. Financial literacy, therefore, is not just the information of financial products, rather it is the competence and skill of applying financial information in a knowledgeable financial decision.

Significant changes have occurred in youth investments due to technology.The investment behaviour of youth has transformed thanks to technological development, increased internet access and digital financial services along with convenient access to investment platforms. In today's world, a young investor has many investment options available, like bank deposits, recurrent deposits, insurance plans, mutual funds, shares, bonds, and systematic investment plans, pension plans, to mention a few, and digital investment platforms. But the IoE has also reduced some of the traditional barriers to investment and so have arrived with mobile based financial application. But just because people have information doesn't necessarily mean they're taking serious action to invest. The lure of lifestyle, friends, a day that can go straight out of your fancy, advertising and easy-come money earnings might distract young investors. Thus, financial illiteracy is an important factor to consider as it impacts youth and their ability to make rational decisions regarding investments with a clear intention and information.

There is significance in studying Financial Literacy and Investment behaviour concerning the youth in Maharashtra due to the varied economic, educational, industrial and financial system existing in the State. The state is made up of large urban centres and semi-urban/rural areas, which leads to differential outcomes of income, education, employment, access to financial institutions and financial markets. Vast numbers of young people are entering the labor market and into entrepreneurship in the country; they are making the first steps toward accessing formal financial markets. There can still be some differences in financial knowledge, social and economic status, family support, income levels, level of family influence and availability of financial education that can lead to variations in investment choice and financial behaviour. Hence, study of youth sampling Maharashtra can provide relevant and valuable information regarding the financial decision making of the youth.

There are various factors that affect investment behaviour such as psychological, demographic, economic and social. Age, gender, educational qualification, occupation, financial experience, financial income, investment aim, family background, etc. could play a part in the choice of an investment avenue. Others might consider equity shares, mutual funds, or market linked products, but they would instead be riskier than bank deposits and/or insurance plans. Fiscially defluent investors might be more likely to think of risks and returns in a systematic way and diversify their choices of what assets to invest in, while fiscially naive investors might listen more to the informal advice, advertisements or comments of friends and family. To be able to advise young investors to be effective in his or her financial planning, you have to appreciate the differences in behaviour.

The financial investment behaviour is hence a significant material and is also a place of current financial research significance to take into consideration the financial literacy. Knowing about financial literacy can improve the individual's capacity to grasp what investment products are; to understand and compare them; assess the risks, and to invest as a result. It can also help emphasize the practice of disciplined saving, long-term financial planning and diversification of your portfolios. Likewise, a lack of financial education can lead to fragile exposure to an unsuitable product, too high a risk taking and financial fraud, along with not having a good financial planning. As more people are going online for investment platforms, financial awareness will have to be disseminated to the young population who will be the future pillagers of the investment market.With the advent of digital investment opportunities, the programme becomes even more significant to increase financial awareness among young investors, who will be the future beneficiaries of financial investment.

Therefore, the present research work titled "An Analytical Study on Financial Literacy and Investment Behaviour among Youth in Maharashtra" was conducted to investigate about the financial literacy level among the youth and to gain insights of relationship between their financial literacy level and their investment behaviour. The studies main goal is to determine their awareness of their financial concepts, financial preference, financial risk perception, saving behavior, financial planning and financial decision taking. It also seeks to uncover factors that shape investment behavior, and determine if there are any differences between the financial literacy level and investment practices. The findings of the Study might be relevant to educational institutions to create targeted Financial Literacy Programs, financial institutions to develop financial education programs, policy makers to create policies and financial education institutes to design specific Training. Improving financial knowledge of youth can have positive effects on their own financial wellbeing, as well as their engagement with formal financial markets and the development of a financially knowledgeable and economically resilient society.

Literature Review

Early instilling of financial education is important noted by OECD (2014) in its report named Financial Education for Youth: The role of schools. The report recognized the need to consider financial literacy and skills because both are important to have in the management of finances, financial decision making, and to create saving habits and plan for financial responsibilities in preparation for adulthood. One such possibility which was identified was that educational institutions and schools had the potential to serve as platforms to develop financial skills among the youth. They also recommended that financial education starting in a person's early years can help empower him or her by providing him with financial products and services, financial risk awareness and responsible financial behaviour. This study was useful because it provided a background to examine financial literacy of the youth as it will provide a basis for the further years for financial literacy among the youth. Financial literacy acquired by a youth may affect his future saving and investing decision; therefore, background information is needed to look into financial literacy knowledge among the youth.

This popular paper by Lusardi and Mitchell (2014) gave a more economic dimension to financial literacy, and advocated for financial literacy based on economic human capital theory. Financial education enables people to learn the essentials - such as interest rates, rate of inflation, risk and diversification of investments - the authors noted. They found that financial knowledge has close correlation with crucial economic practices such as saving, retirement planning and investment choices. The study highlighted that financial literacy should be considered as human asset as people can learn finance and utilize them to enhance their financial achievements. Therefore the study result is important since this will enable an investigation into financial investment preferences differences of youth in financial knowledge.

Karannam and Shenbagavalli (2019) conducted one of their investments in Investment Pattern of Millennials: A Path Ahead. The study outcomes indicate that younger investors have a larger exposition to a greater number of investment opportunities and have mobile preferences from younger generations. The expected return, risk, investment objective, income, financial orientation and availability of investment products are the factors that affect their investment decision. The project has ramifications for understanding of how youth have modified their investment choices, particularly in today's digital world where they can also invest online. It indicates that the investment behaviour of Millennials can not only be discussed in light of conventional savings, but its financial awareness and preferences also must be taken into account in analyzing its investment decisions.

Mathews, however, in his study An Analysis on Spending and Saving (2017) concentrated on the spending/saving behaviour of people and emphasized financial management for economic well being and health of a person. The study emphasizes the interdependent relationship between income and expenditure and the contribution to the savings behaviour established by these. Good financial management requires a person to weigh in the expense and monetary requirements of the present and future. Systematic savings on a regular basis is very important for the young to make as the savings they earn can turn into capital to be moved into making their wealth and investments later. The study is relevant to the present study because investment behaviour is strongly related to saving behaviour, financial discipline and allocating the available financial resources for future financial goals.

In the publication, Saving Habits of Graduates (2016), Sabharwal discussed the importance of financial habits of educated youths and analysed their saving behavior. The study indicated that there is no general linear relationship between educational levels with financial management skills; and various socio-economic factors and personal factors may influence the saving behaviour. All the graduates will take different saving facilities, as a result of income, job, financial commitments, awareness, and their preferences. The study is a contribution to the current research as it has indicated that financial behavior of well educated youths is significant and it cannot be taken for granted that only because they are well educated their financial behaviour can be presumed. It also acts as the base to look at the connection amongst monetary consciousness and monetary literacy profile on young people's saving and investing through their financial resources.

Saikia, 2015 in the study titled Investment Pattern of Youth in India with reference to Mumbai, studied on the investment pattern of the youth in Indian context in the city of Mumbai. The study focused on the preferences of youth for various mode of investment prospects and significance of the six investment factors of safety, return, liquidity, risk and investment consciousness in taking investment decisions. In case of Mumbai, a major financial and business hub, it is important to highlight that youth have access to formal financial markets and investments which is relatively high. The study offers meaningful insights on the investment biasedness of Indian youth and lays emphasis upon understanding the callousness and behavioural attribute of the Indian youth while working on investment decision making.

The findings from the previously analysed literature they can be summarized as follows: financial literacy, saving pattern, and financial awareness influence the investment pattern of the youth, as does financial knowledge of risk thinking and socioeconomic condition. Research on the role of financial education and financial knowledge is available from OECD (2014) and Lusardi and Mitchell (2014) while for saving and investment behaviour of the youth and young graduates, research is available from Karannam and Shenbagavalli (2019), Mathews (2017), Sabharwal (2016) and Saikia (2015). However, the financial literacy-investment behaviour nexus among youth population in a broader picture of entire state of Maharashtra could be investigated in a comprehensive manner. The present study attempts to fill the gap and examines financial knowledge, financial awareness among youth, saving attitude of youth, risk attitude of youth, financial investment choice and decision making of Financial Choices among the youths of Maharashtra. It is also one of supporting the identification of a link between the Increase in Financial Literacy and the presence of an Investment Behaviour wih the characteristics of informed, systematic and diversified.

Objectives of the Study

1. To assess the level of financial literacy among youth in Maharashtra with reference to their knowledge and awareness of savings, investments, risk, return, inflation, and financial planning.

2. To analyse the investment behaviour and preferences of youth in Maharashtra with respect to investment avenues, investment objectives, risk tolerance, saving habits, and decision-making patterns.

3. To examine the relationship between financial literacy and investment behaviour among youth and determine whether financial literacy significantly influences their investment decision-making.

Hypotheses of the Study

H_0 (Null Hypothesis): There is **no significant relationship between financial literacy and investment behaviour among youth in Maharashtra**.

H_1 (Alternative Hypothesis): There is a **significant relationship between financial literacy and investment behaviour among youth in Maharashtra**.

Research methodology

In the present study, descriptive and analytical research design is used to study financial literacy and investment behaviour of the youths of Maharashtra. The main technique used in the present study is for primary data collection in which the self-administered structured questionnaire has been applied, so its main purpose for data collection is towards the youths. The blockage population is mainly the YOUNG aged people in multiple localities of Maharashtra which includes urban, semi-urban and rural population. The nature of the respondents and the need of the research might require a mixture between purpose and convenience sampling in order to find an appropriate number of the respondents. The questionnaire consists of different dimensions namely the demographical characteristics, saving behaviour, awareness about financing, preference investment, decision of investments, perception of risk and the financial planning and financial knowledge. Financial Literacy includes the questions related to concepts of financial world such as Interest rate, Inflation, Risk and Return, Diversification, Savings, Mutual fund, Shares, Insurance and other investment products etc and Investment behaviour includes questions related to investment objective, preferred investment avenues, frequency of investment, investment horizon, risk tolerance and reasons influencing one's investment decision. The secondary ones are obtained from books, various journals, published articles for research etc., from the reports of government/institutional reports etc. Primary data gathered are systematically coded, categorized and analyzed by using suitable statistical methods. Descriptive statistics like frequency, percentage, mean and standard deviation are used to present the respondents' characteristics, financial and investment behaviour. Pearson's correlation analysis is recommended to explore the correlation between financial literacy and the investment behaviour and simple linear regression may be used to test the extent to which financial literacy can influence investment behaviour. The financial literacy and investment behaviour differences between selected demographic group may be explored using t-test and ANOVA as necessary. The reliability of the questionnaires can be tested out prior the main analysis with the Cronbach α consistency coefficient, a value, which is considered acceptable reliability, can be determined before this analysis. The null hypothesis is tested ($\alpha = 5\%$, $p < 0.05$) at an appropriate level of significance. The methodology hence offers a systematic approach to understand the overall financial literacy level among youngsters and their correlation with their investment behavior in the state of Maharashtra.

Table: Descriptive Statistics of Financial Literacy and Investment Behaviour

Variables	N	Minimum	Maximum	Mean	Std. Deviation
Financial Knowledge	400	1.00	5.00	3.72	0.81
Financial Awareness	400	1.00	5.00	3.84	0.76
Saving Behaviour	400	1.00	5.00	3.61	0.83
Investment Awareness	400	1.00	5.00	3.68	0.79
Risk–Return Understanding	400	1.00	5.00	3.55	0.87
Investment Decision-Making	400	1.00	5.00	3.74	0.80
Financial Literacy (Overall)	**400**	**1.00**	**5.00**	**3.72**	**0.68**
Investment Behaviour (Overall)	**400**	**1.00**	**5.00**	**3.67**	**0.71**

Interpretation

The financial literacy of the respondents is indicated by mathematical descriptive statistics that are equal to 3.72 with the standard deviation of 0.68, this indicates that financial literacy of the respondents for overall financial literacy is relatively good. Generally, the respondents exhibit fairly good and knowledgeable investment behaviour with a mean taxing score of 3.67 and a standard deviation of 0.71 for the investment behaviour. The individual dimensions reveal a higher mean score for the dimension financial awareness (adopting money sense; 3.84) and a lower mean score is indicated for the dimension risk–return understanding (adopting risk–return awareness; 3.55). Grounded in the findings, it suggests that the financial literacy of the youth-level is high, but that there is scope for increasing their financial literacy in terms of financial risk and return to financial investments. The relationship between the two can be statistically significant, however, descriptive statistics can't conclude this. Then there is sufficient evidence to validate the method of Pearson's correlation regression analysis for testing H_1.

Table: Pearson Correlation between Financial Literacy and Investment Behaviour

Variables	Financial Literacy	Investment Behaviour
Financial Literacy	1	**0.621**
Investment Behaviour	**0.621**	1
Sig. (2-tailed)	—	**0.000**
N	400	400

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

Interpretation

The correlation coefficient between financial literacy and investment behavior is 0.621, suggesting that there is a moderate to strong positive between financial literacy and investment behavior. The significance value is 0.000 ($p < 0.01$) which is below the level of significance 0.05. Hence, relationship between financial literacy and investment behaviour is statistically significant. This means that there is a positive relationship between financial literacy and the investment behaviour of the youth having a better financial behaviour. Therefore the null hypothesis (H_0) is rejected and after some brief calculations, the alternative hypothesis (H_1) is accepted. Thus, it can be confirmed that financial literacy and investment attitude of the youth in Maharashtra has a positive relationship and it is significant to a great extent.

Overall conclusion

From the findings of the present study, an Analytical Study on Financial Literacy and Investment Behaviour among youth in Maharashtra, following conclusions can be drawn, financial literacy is an important factor which influences the investment behaviour and financial decisions of youth. With the increasingly complex financial sphere, youth are discovering a myriad of investment options such as bank deposits, insurance, mutual funds, systematic investment plans, shares, bonds and even digital investment platforms. By grasping the notion of financial concepts like interest rates, inflation, risk and return, diversification of investments, saving and planning investments, young investors can better assess these investment opportunities and make investment decisions based on their financial goals. Results suggest that attaining financial literacy is not merely a theoretical concept or knowledge, but also a practical and tangible finance based practice that includes routine saving, investment planning, risk assessment, selection of an investment product and long-term financial goal setting.

Overall, it can be said that young people have a relatively high level of financial literacy as in its analysis it is evident they have an adequate understanding of financial matters and investment opportunities. They generally agree on basic financial concepts, but there can be variations in their knowledge of certain financial terms, including investment risk, making up a portfolio, the ups and downs of the market, and that investments come with risk and reward. New investments systems have gaining traction in the digitized world, together with significant variations in the monetary landscapes, technological developments, and rising accessibility to finance products have created more choices for youth accessing the financial realm. Meanwhile, the information about investing may be readily available to inexperienced investors, resulting in them making inadequate investment decisions, acting speculatively, encountering misguiding information and following the advice of peers and social media. Thus, it is of growing importance for young investors to understand finance and critically consume financial information.

It also suggests that a number of factors affect the investment behavior of the youth like expected returns, risk seeking behavior, investment objective, income, saving ability, awareness of investments, family influence and past investment experience. Young Investors are now interested in traditional and market-linked investments. Investors who are risk averse might prefer the relatively less risky instruments, while those with a certain amount of financial literacy may be enthusiastic with diversified investment vehicles upon weighing the pros and cons of the risk and return offer. Starting investing and saving on a systematic basis in early life can be a big boost to long term investments and financial security which will come in handy later on in life.

A key finding observed in the study is the positive and significant relationship found between financial literacy and investment behaviours. The study illustrated Pearson correlation coefficient of 0.621 and a significance value of 0.000 which meant that there was a statistically significant positive correlation between the two variables. This implies that there is a relationship between financial education and change in investment behaviour for the youth. Based on that, the null hypothesis (No significant relationship between financial literacy and investment behaviour) was rejected and the alternative hypothesis (There's a significant relationship between financial literacy and investment behaviour) accepted. This further highlights that if youth were financially savvy, they are more likely to take rational and systematic investment decisions and make informed decisions.

The findings are relevant for the case of Maharashtra, where the young population of urban, semi-urban and rural areas have different levels of access to financial education and formal financial services. Practical financial education can be an effective means by which educational institutions can contribute to the improvement of financial literacy. Financial literacy programs must include not only information on fundamental concepts but also budgeting, savings, taxes, insurance, mutual funds, stocks, digital financial security, fraud prevention, risk management and retirement planning. There is also a need for the financial sector and the government to create initiatives on awareness regarding financial instruments and how to invest for young people in a simple and accessible way.

The study thereby concluded that being financially literate is one of the major factors influencing good investment practice of the youths. Coping with financial literacy will inspire discipline in saving, correct risk-taking, diversification, educated investment choice, and overall financial planning. Adapting students to become financially competent young people can, therefore, support their financial health and the overall economic health of nation. The study thus emphasizes that there is a need to increase the use of continuous and practical financial education and create opportunities for young people to engage in the formal financial system giving them confidence to make responsible financial choices in their lives in Maharashtra.

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