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COMPARATIVE STUDY OF FINANCIAL LITERACY TOWARDS INVESTMENT AMONG SALARIED AND NON-SALARIED PEOPLE

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Abstract

In the globalized and competitive scenario of the world, the concept of financial inclusion and financial literacy is emerging as a new paradigm of growth, as it plays a major role in poverty alleviation and economic growth through providing equal opportunities of access to the formal financial system to each individual. It also leads to developing a sense of understanding related to various aspects of financial decision-making amongst people. This study explores the differences in financial literacy and investment behaviour between salaried and non-salaried individuals. Financial literacy is increasingly recognized as a crucial factor in making informed financial decisions, particularly in the realm of investment. Understanding the level of financial literacy, its determinants, and its impact on economic growth is crucial for policymakers and stakeholders. Through surveys, interviews, and data analysis, this study aims to uncover the relationship between financial literacy of salaried people & non salaried people. The findings will guide the design of targeted financial education programs, contributing to India's economic advancement. However, little research has focused on how employment status influences financial literacy and subsequent investment choices.

Keywords: *Financial literacy, Investments, Poverty alleviation, Economic growth*

INTRODUCTION

In today's complex and dynamic economic environment, understanding financial concepts and strategies is crucial for both salaried and non-salaried individuals. Financial literacy is a fundamental skill that empowers individuals to make informed and effective decisions regarding their finances, including investments. Financial literacy encompasses the knowledge and skills necessary to manage one's finances prudently, including budgeting, saving, investing, and planning for the future. It equips individuals with the tools to navigate financial markets, assess investment opportunities, and mitigate risks effectively. Moreover, financial literacy empowers individuals to set realistic financial goals and take proactive steps towards achieving them.Investing is a key component of financial planning, enabling individuals to grow their wealth and achieve long-term financial security. However, without adequate financial literacy, many individuals may shy away from investing or make uninformed decisions that jeopardize their financial well-being.While both salaried and non-salaried individuals share the goal of securing their financial future, their approaches to investment may differ significantly. Salaried individuals typically receive a steady income stream, allowing for regular contributions to investment accounts such as retirement plans or mutual funds. On the other hand, non-salaried individuals, such as freelancers or entrepreneurs, may experience fluctuating income levels, making it challenging to commit to consistent investment contributions.

OBJECTIVES

1. To Evaluate the Relationship Between Financial Literacy and Investment Behaviour of Salaried and Non-salaried people.
2. To Identify Factors Influencing Financial Literacy and Investment.
3. To Explore Differences Between Salaried and Non-Salaried people.

REVIEW OF LITERATURE

(Bhushan): This paper aims to explore the correlation between the financial literacy of salaried individuals and their understanding of financial products, as well as the link between financial literacy and investment behavior among this group. The findings indicate that the level of financial literacy among individuals significantly

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influences their awareness and preferences regarding financial products, impacting how they choose to invest their money.

(Kaur): The given paper the author has contributed to the field by helping to understand the details in relation to female's financial literacy and its implication for investment decision making. This study examines the impact of financial literacy on the investment decision considerations, where the Independent variable is taken as financial literacy levels and the dependent variables have been taken as investment decision. Whereas One-way ANOVA has been employed to analyse various socio-economic demographics with the financial literacy levels

(Klein): The results revealed that individuals who participated in the course showed no significant improvement in financial literacy compared to those who did not partake. Additionally, participants did not perceive themselves as more inclined towards saving, nor did they exhibit better financial behaviors than their non-participant counterparts. These findings cast doubt on the enduring impact of high school financial literacy courses, prompting considerations about their effectiveness over the long term.

(Sabri) : The study's results indicate that financially literate millennials who understand the distinction between stocks and mutual funds demonstrate a propensity to take risks in their investment choices, whereas those who possess financial literacy regarding mutual funds specifically are more risk-averse. Furthermore, the study recommends that educational institutions enhance their teaching and learning methodologies by incorporating additional investment platforms or formats, such as simulations and games. This adaptation aims to facilitate and guide millennials in acquiring improved investment experiences.

RESEARCH METHODOLOGY

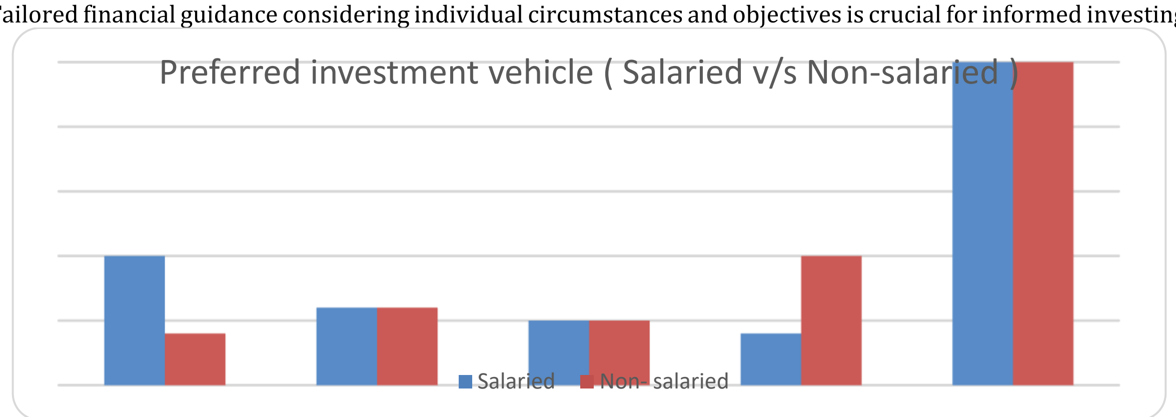
The research will use both surveys and interviews to compare how well people understand money and investing, focusing on those with jobs and those without. We'll ask different people questions to learn about their money knowledge and what they do with their money. We'll look at things like age, income, education, and job type to make sure we include a mix of different people. Then, we'll analyze the answers to see if there are any patterns or differences between the groups. We'll make sure to follow ethical rules to protect the people in the study. The goal is to find out how knowing about money affects the choices people make with their money, and use that information to help others learn more about managing money wisely.

DATA ANALYSIS & INTERPRETATION

The given data is based on 50 salaried people & 50 non salaried people.

Investments	Salaried	Non- salaried
Equity Shares	20 (40%)	08 (16%)
Mutual funds	12 (24%)	12 (24%)
Bonds	10 (20%)	10 (20%)
Fixed deposits	08 (16%)	20 (40%)
Total	50 (100%)	50 (100%)

The data from 50 salaried and 50 non-salaried individuals reveals distinct investment preferences. Salaried participants show a penchant for riskier options, with 20 (40%) opting for equity shares and 24% for mutual funds, likely influenced by their stable income streams. Non-salaried individuals, facing greater income variability, lean towards safer choices, with 20% selecting bonds and 40% favoring fixed deposits. While both groups allocate similar percentages to mutual funds, salaried individuals exhibit a higher preference for equity shares. These findings highlight the influence of income stability and risk tolerance on investment decisions. Tailored financial guidance considering individual circumstances and objectives is crucial for informed investing.



A bar chart depicting the investment preferences of 50 salaried and 50 non-salaried individuals offers a visual interpretation of the data. The chart illustrates that among salaried participants, equity shares are the most favoured investment vehicle, followed by mutual funds, bonds, and fixed deposits, in descending order of

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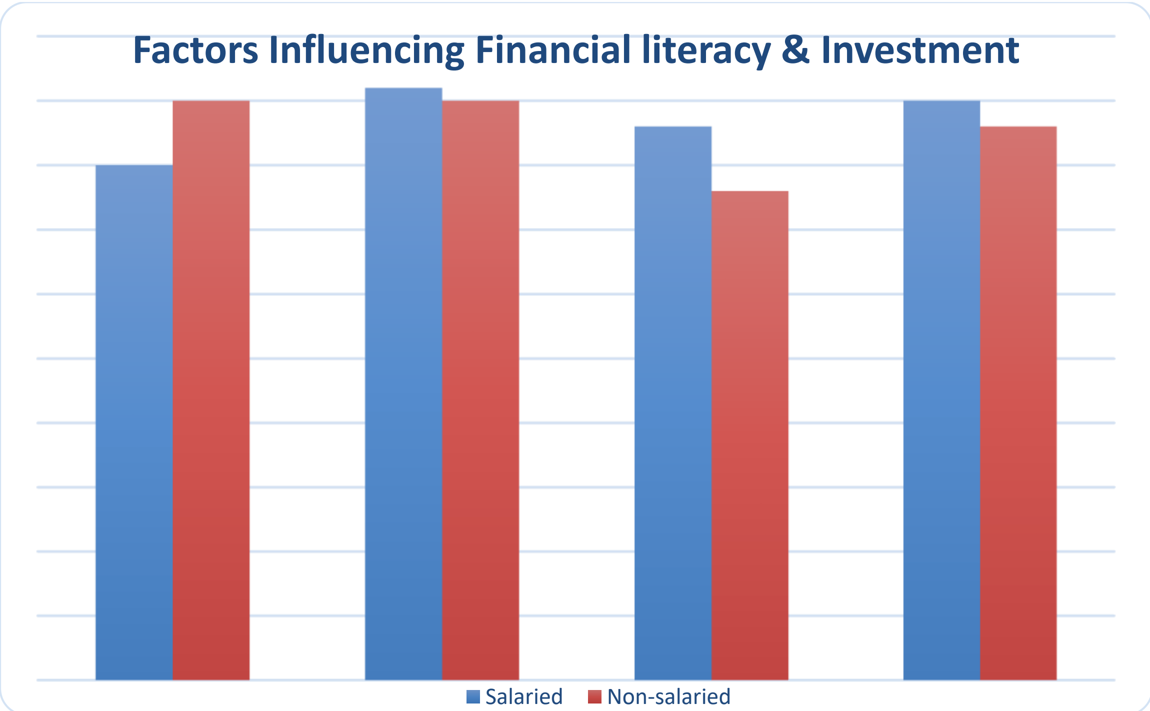
preference. Conversely, non-salaried individuals exhibit a different pattern, with fixed deposits being the most preferred option, followed by mutual funds, bonds, and equity shares. This visual representation highlights the divergence in investment choices between the two groups, with salaried individuals showing a greater inclination towards riskier assets compared to their non-salaried counterparts, who lean towards safer, more conservative options. The bar chart underscores the importance of considering individual financial circumstances and risk preferences when making investment decisions, emphasizing the need for tailored financial advice and education to guide investors towards choices aligned with their goals and risk tolerance.

Factors Influencing Financial Literacy and Investment

Factors	Salaried		Non-salaried	
	count	%	count	%
Age	40	80	45	90
Income level	46	92	45	90
Education level	43	86	38	76
Employment level	45	90	43	86

The data provided highlights several key factors influencing financial literacy and investment behaviour among both salaried and non-salaried individuals. Across age groups, income levels, education attainment, and employment status, notable patterns emerge. Older individuals are predominant in both groups, suggesting potential correlations between age and financial literacy. Higher income and education levels appear prevalent, indicating their potential impact on financial literacy. Salaried individuals, benefiting from stable employment, may exhibit greater confidence in long-term investments, while non-salaried individuals, facing income variability, may approach investments with caution. Understanding these factors underscores the importance of tailored financial education initiatives to address diverse needs and promote informed investment decisions among both groups.



The bar graph illustrates the influence of various factors on financial literacy and investment among salaried and non-salaried individuals. Age distribution shows a higher percentage of older individuals in both groups, suggesting potential correlations between age and financial literacy. Income levels demonstrate a majority falling within certain brackets, indicating income's significance in shaping investment behaviour. Education levels reveal a considerable portion with higher education, implying its impact on financial knowledge. Employment status depicts a higher proportion of salaried individuals, highlighting the potential influence of stable income on investment decisions. Overall, these factors intersect to shape financial literacy and investment behaviour, underlining the importance of tailored financial education initiatives for diverse demographic groups.

Explore Differences Between Salaried and Non-Salaried people.

Exploring differences between salaried and non-salaried individuals involves examining various aspects of their financial behavior, preferences, and circumstances. Salaried individuals typically have a stable income stream, benefits such as retirement plans, and may prioritize long-term financial goals. In contrast, non-salaried individuals, such as freelancers or entrepreneurs, often experience income variability and may prioritize short-term financial needs. Differences may also exist in risk tolerance, with salaried individuals potentially more willing to invest in higher-risk assets due to their stable income, while non-salaried individuals may prioritize capital preservation. Additionally, access to financial services and resources may vary between the two groups, influencing their investment opportunities and strategies. Exploring these differences can provide valuable insights for designing tailored financial education programs and investment solutions to meet the diverse needs of both salaried and non-salaried individuals.

FINDINGS

- Salaried individuals generally have a higher level of financial literacy towards investments compared to non-salaried individuals.
- This is often because salaried workers receive financial education through their jobs and have access to resources like retirement plans.
- Salaried individuals tend to understand different investment options better and are more likely to plan for the long-term, such as retirement.
- Non-salaried individuals may be more willing to take risks with their money due to the uncertainty of their income sources.
- Both groups can benefit from learning more about finances, but it's important to tailor education to their specific needs and situations.

LIMITATIONS

The study's limitations stem from its narrow focus on the Mumbai region, potentially limiting the applicability of findings. Additionally, sampling bias arises from the use of random convenience sampling, affecting the representativeness of the participant pool. Time constraints restrict the study to a single snapshot, possibly overlooking changes in financial literacy over time. Moreover, disparities in access to resources such as financial education programs may influence participants' abilities and investment decisions, but these variations may not be adequately addressed. Addressing these limitations is vital for ensuring the study's findings accurately reflect financial literacy and investment behaviours in Mumbai and beyond.

CONCLUSION

In conclusion, financial literacy plays a pivotal role in promoting investment awareness and empowering individuals to make sound financial decisions. Whether salaried or non-salaried, cultivating a strong foundation in financial literacy equips individuals with the knowledge and confidence to navigate the complexities of the financial landscape and build a secure financial future. By fostering a culture of financial education and awareness, we can empower individuals from all walks of life to harness the power of investing and achieve their long-term financial goals. By fostering a culture of financial education and awareness, we pave the path towards economic empowerment for individuals across various socio-economic backgrounds. Through available educational initiatives and innovative approaches such as interactive simulations and games, we can democratize financial literacy and empower individuals to attach the potential of investing as a vehicle towards achieving financial stability and prosperity.

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