

## **Financial Literacy and its Influence on Investment Decisions Among Millennials in India: A Qualitative Perspective**

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### **Abstract**

Making critical financial decisions like saving, investing, or borrowing requires financial literacy. The financial market offers a variety of items in today's globalised world, and moreover, these products are becoming more readily available. Every person has to have a basic grasp of finance in order to comprehend every part of financial goods or financial instruments in this realm of finance and prevent any misunderstandings or misconceptions. Additionally, since there are many prospects for financial growth in this cutthroat world, financial literacy is crucial while making investment decisions. Investments have been a crucial and advantageous part of everyone's financial development, so it's crucial for everyone, regardless of income level, to understand the basics of financial products and improve their financial literacy to succeed in the areas of saving and investing. One of the biggest generations, millennials exhibit a variety of traits connected to financial literacy. They have a significant financial influence on any economy because of their knowledge, skills, attitudes, and behaviours. Any nation's largest generation must exhibit solid financial management habits and attitudes in order to raise its GDP. Millennials have a wealth of choices to invest and save, so it's crucial that they consider their best options in order to boost their chances of success and lower their risks when making investments. Financial literacy is crucial since it affects a person's return, risk, and decision-making processes.

**Keywords:** Financial Literacy, Investment Decision, Millennial, Financial Development, Financial Knowledge

### **Introduction**

Every person should have some level of financial literacy or awareness because it broadens his or her understanding of both fundamental and complex financial concepts. When someone uses their financial knowledge in real life, it helps them make wise and successful decisions regarding their own finances. A well-informed investment choice decreases risk, guarantees future success, and aids in financial development. A person who has poor financial literacy may have trouble arranging his or her finances for himself and their family. It is crucial for a person to be knowledgeable about money matters such as saving, borrowing, landing inflation, time interest rates, etc. since inflation is rising at an unprecedented rate. When a person has sufficient financial knowledge, he or she may choose financial goods that are appropriate for them and, as a result, grow financially. The financial system of the country is becoming more ordered and complicated as it undergoes constant transformation. A person may effectively mark the complicated phrases and lessen the difficulties associated with the most recent financial products if they have a solid understanding of finances or terminology related to them. Financial decision-making behaviour is significantly influenced by financial literacy, and this in turn affects long-term wellbeing. A person who has a solid understanding of financial and economic trends is likely to save more, invest for their retirement, and end up collecting more money than someone who is not exposed to this information. Every person should have a solid understanding of finance in order to build wealth and reduce risk associated with it (Mehra, Indapurkar 2020 and Choudhary, & Kamboj, 2017).

Financial literacy is mostly utilised in relation to personal money issues and refers to the presence of knowledge and awareness of financial topics. Understanding how to make decisions correctly in relation to certain aspects of personal money is a key component of financial literacy. Financial literacy means the capacity of a person to make wise decisions about the use and management of money. The capacity to read, understand, manage, and communicate about one's own material well-being is known as personal

financial literacy. A person finds it more challenging to make wise financial judgements as financial markets have grown more complex and there is knowledge inequality between markets and the general public. Every person needs to make financial decisions at some point in their lives. As a result, managing personal money has become more and more crucial in today's society. Personal financial planning is the act of organising one's finances, including goals and spending habits, in order to maximise one's financial condition. Making an investment decision is a highly important procedure that depends on a number of variables that might change from person to person. People used to act differently while making any kind of life decisions. While some of them rely only on their own judgement when making judgements, others weigh a variety of criteria before acting on an acceptable choice. Investors may make decisions more easily when they are aware of all the confusing aspects. These factors lead investors to make wise choices in order to prevent losses or reduce losses in the future (Gupta, Gupta, 2018 and Laxmi, Maheshwary, 2018).

### **Literature Review**

In a study it was observed that the capacity to analyse economic data and make wise decisions concerning financial planning, asset growth, debt reduction, and pensions is referred to as financial literacy. Low levels of financial literacy are associated with high levels of personal and household debt, as well as low productivity and health. Hans have a higher likelihood of making poor financial decisions and have limited ability to make educated decisions due to their low degree of financial awareness. Financial ignorance results in excessive mortality and bankruptcy rather than a shortage of money. The inability to comprehend fundamental financial concepts and poor judgement in financial decisions, such as borrowing choices and retirement planning, were the results of low financial literacy. On the other side, a high degree of financial literacy improves the likelihood that an individual would save and invest, breaking the cycle of living within their means and adhering to a budget. A significant predictor of the demand for savings loans and insurance services is financial literacy. Financial literacy allows a person to analyse economic data, make wise short- or long-term financial decisions concerning debt and financing, and reduces the likelihood of bankruptcy and need government assistance. To grow wealth and reduce financial risk, it is crucial that people have better levels of knowledge or financial literacy. Financial literacy is the fundamental understanding or knowledge of the fundamental financial principles of saving, borrowing, investing, and insurance along with financial institutions like banks or others. It denotes the fundamental understanding of the time value of money and the wrist and return of financial goods. Financial literacy is essential for good budgeting and income distribution in order to increase wealth, especially for millennial (Widyastuti, Komara, & Layyinaturobanayah, 2020).

According to studies, people may be categorized by their age into three groups: those who are young and beginning their careers, those who are middle-aged and starting families, and those who are retired and independent. People in middle age contemplate investments in these areas. When it comes to investing, it was found that millennials ask the proper questions. Because information is readily available like never before, it was also seen that most millennial study investments beforehand. The younger generation is more open-minded and has access to more readily available sources of information. They invest in stocks and mutual funds despite being prohibited from doing so for this reason. Millennial and older generations are at odds because they are required to invest more in deposits than in stocks and mutual funds. Additionally, it discovered that those with greater levels of financial literacy have more sophisticated investing habits. The modification of wealth is directly impacted by literacy levels. People with strong financial literacy invest in the stock market and place more emphasis on saving, which helps them plan their retirement in a better way. Poor financial literacy can have negative effects on an individual's conduct while making investments. People with low levels of financial literacy are more likely to have trouble repaying debt, are less likely to participate in formal financial institutions like the stock market, are less likely to plan for retirement, and are less skilled at managing and gathering wealth. They have less diverse portfolios and are more prone to borrow money at high interest rates. (Deshpande, Shivdas, Malusare, 2021 and Gangwar, & Singh, 2018).

In a research it was estimated that financial literacy affects a person's ability to manage their finances, cope with financial problems, and make personal financial decisions such as investments, financial risk tolerance, saving, borrowing, and lifestyle selections. Financial organisations, including banks and non-bank financial institutions, operate their businesses and choose the products they offer to investors and depositors based in large part on their level of financial literacy. The aforementioned factors all have an impact on both economic growth and stability. The younger generation has a more difficult selection of financial goods and services than did the older age. Because of this, millennials need to understand financial literacy. The need of financial literacy grows as financial markets become more intricate and interconnected and as the global economy becomes more unstable, particularly in terms of making wise investment decisions. In this age of the millennial generation, prudent financial management practises are required. Activities that a person engages in that show both positive and bad behaviour are a reflection of their financial behaviour. Positive financial behaviour includes handling cash flow, setting aside money for emergencies, managing credit, and preparing long-term objectives like retirement plans. It also includes controlling risks by getting insurance and creating estate plans. Spending excessively, depending on employment pension plans, and avoiding financial conversation are examples of bad financial behaviour. Financial behaviour is a person's approach to managing their finances. The millennial generation displayed improved financial behaviour while making decisions by having a positive financial mindset (Dewi, Febrian, Effendi, & Anwar, 2020).

bad health, bad health decisions, high levels of personal and household debt, and inadequate retirement planning have all been linked to low financial literacy, according to a study. Furthermore, it has been found that people who have lower levels of financial literacy are more prone to anticipate inflation with greater fervor, which exacerbates the negative social and economic implications of having low levels of financial literacy and leads to worsening overall life outcomes. Young people's heightened receptivity to lifestyle ideals in media and advertising will probably lead to an increase in their dependence on debt. The majority of Indian investors have higher education backgrounds and are aware of the risk and return trade-off, a crucial aspect of financial literacy for investors, yet their investment portfolios are still inadequately diversified. Young individuals who lack financial literacy frequently have a negative view of money and behave financially irresponsibly. Millennials' lack of financial knowledge restricts their ability to make sensible decisions. (Das, 2016 and Yadav, Rana, Gupta, 2021).

A study found that people have always wanted to amass money. Due to the wealth gap and constant conversations about equality, people look for ways to manage their money as efficiently as possible. The growing cost of living and desire for an affluent lifestyle make it more crucial than ever to make smarter financial decisions. According to the present generation, money should be made and spent at the same pace. It has become relatively simple to buy expensive items thanks to the growth of the financial markets and the availability of payment plans, but this also raises the challenge of paying EMI payments on time without defaulting. When income and spending increase at the same rate, saving becomes challenging. Only when income leads to savings do investments come into play. Since savings don't take inflation into account, they can't by themselves produce wealth. There is a need of investment plan that may help to pay off all the related fees in order to accumulate money. By placing money into chances that will increase it, investments are created; as a result, prudent investments result in the creation of wealth. Indian investors frequently see all investing possibilities on the capital market as risky. Younger investors are, nonetheless, willing to invest in securities on the capital markets. They regularly attempt to invest in this market and seek assistance from friends or brokers when making decisions (Doyana, Rodrigues, 2021 and Saurabh, & Nandan, 2019).

### **Objective**

- To ascertain financial literacy and its influence on investment decisions among millennial in India

### **Methodology**

This study is descriptive in nature in which data is obtained from 175 respondents who are born between 1980-2000. The study covers only those people who have good financial knowledge. A checklist question was used to analyze and interpret the data. In a checklist question respondents choose “Yes” or “No” for all the questions.

**Table 1 Financial Literacy and Its Influence on Investment Decisions Among Millennial in India**

Sl. No.	Financial Literacy and Its Influence on Investment Decisions Among Millennial in India	Yes	%Yes	No	%No	Total
1	Financial literacy helps millennial lower the risk of investment	149	85.14	26	14.86	175
2	Financial literacy increases the return on investment	152	86.86	23	13.14	175
3	Financial literacy helps in better portfolio diversification	161	92.00	14	8.00	175
4	Financial literacy helps in better retirement plant	148	84.57	27	15.43	175
5	Financial literacy developed habit of investing and saving	139	79.43	36	20.57	175
6	Financial literacy helps in creation of wealth	145	82.86	30	17.14	175
7	Financial literacy helps in fighting inflation	155	88.57	20	11.43	175
8	Financial literacy influences decision making regarding investment	160	91.43	15	8.57	175

Table 1 show that 92.00% respondents agree that financial literacy helps in better portfolio diversification while 91.43% respondents agree that financial literacy influences decision making regarding investment. 88.57% respondents agree that financial literacy helps in fighting inflation while 86.86% respondents agree that financial literacy increases the return on investment. 85.14% respondents agree that financial literacy helps millennial lower the risk of investment, while 84.57% respondents agree that financial literacy helps in better retirement plant. 82.86% respondents agree that financial literacy helps in creation of wealth while 79.43% respondents agree that financial literacy developed habit of investing and saving.

### Conclusion

The study mentioned above draws conclusions on how investors react towards various investment possibilities, how they save, and the factors that influence their investing decisions. To be able to save more money for the future, the Millennial generation must be encouraged to invest. The majority of investors are not completely aware of the several investment avenues, including stocks, mutual funds, etc. When financial products are established, investment avenues can take into consideration investors' expectations and preferences for primary safety, diversification, low risk, high steady returns, maturity duration, or any other attribute in their preferred investment avenues. In terms of socioeconomic considerations, age, income, and gender have minimal impact on the investor's choice of investment. Investors should develop the habit of investing in order to decrease the impact of the economy on them. Financial literacy is the knowledge and understanding of financial issues, and it is most frequently employed in the context of individual financial challenges. Understanding how to make sound decisions about certain elements of personal money is a crucial component of financial literacy. A person is said to have financial literacy if they can handle and manage money sensibly. It is crucial for a person to be knowledgeable about financial issues like saving, borrowing, landing inflation, time interest rates, etc. because inflation is rising at an unprecedented rate. When someone has enough financial information, they may choose financial goods that are right for them and, as a result, prosper financially. The financial system of the country is continually developing and changing, becoming more organised and complex. If a person is proficient in the language of finance or a similar field, they may more effectively mark

difficult terminology and lessen the difficulties associated with the most recent financial goods. Financial decision-making is greatly influenced by financial literacy, and this in turn affects long-term welfare.

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