CHAPTER II
REVIEW OF LITERATURE

Review of literature provides a framework of theoretical advancements that had been made in the research on financial literacy and personal financial management. Research on financial literacy and financial planning has gained importance in recent years so to create a linkage between both of them and thus various reviews were collected regarding same. Review of literature suggested that the understanding of the relationship between financial literacy and personal financial management among individuals is a problematic issue. A study of various literatures related to financial literacy, personal financial management and its impact was done and brief details about them are as follows:

Tamilkodi (1983) had stated that small savings schemes provided an opportunity for ordinary men, women, and even children to park their savings with psychological appeal. This study reached a large number of people and covered wide range of areas. The study suggested that efforts should be taken to suit the needs of illiterate and socially downtrodden people by simplifying the procedure of small savings schemes. Further, the study suggested an increase in the rate of interest of small savings schemes to congregate the challenges of commercial banks. There are various investment avenues for personal financial management; Mukhi (1989) revealed that National Savings Certificate (NSC) i.e. personal financial management tool had been one of the most popular tax savings instruments in this country. The study had stated that contractor and others who had to provide security while bidding for contracts found it extremely convenient to buy NSC and pledge these to the appropriate authorities while earning 8 per cent per annum on the pledged securities. The study also stated that the major attraction of NSC is its simplicity. Even the average investor does not have to scratch his head to understand the scheme. Thus, individual opts this as an investment option in their personal financial
management. Verma (1994) revealed that the stock market conditions and prices of stock indicators were indicated to the investors, brokers and portfolio. Extensive The study revealed that the investors had keen observation of BSE(Bombay Stock Exchange) and SENSEX (Sensitive Index) for managing their financial portfolio. Capon et al. (1996) investigated the manner in which consumers made investment decision for mutual funds and found that various non-performances related variables which were considered by consumers. The study divided people on the basis of similarity of decision making process and revealed that only a small group of people were found to have thorough knowledge about investments in Mutual Funds and rest of the population appeared to had little knowledge. Indian population was found lacking in proper knowledge of investment strategies or financial detail of their investments.

Haiyang (1998) conducted a study to analyse financial literacy and its impact on college students. The study suggested that college students need to improve their knowledge of personal finance. The study also found out that those participants with less knowledge makes incorrect decisions about savings, borrowings and investments. Where there was much difference in case of knowledge regarding insurance. The predictive ability of personal financial knowledge makes it important in improving college student’s knowledge. This study warned that there is lack of systematic personal financial education in education system and when these individuals cannot manage their finances, it becomes problem for society. Somasundaram (1998) conducted study and aimed to analyse the savings and investment pattern of salaried class in Coimbatore district. The study found that bank deposits and chit funds were the best known modes of savings among investors and the least known modes were Unit Trust of India (UTI) schemes and plantation schemes. Attitudes of investors were highly positive and showed their intention to save for better future. Nearly two-thirds of the investors were satisfied with their savings. Both income and expenses of a family influenced the level of satisfaction over savings. A large proportion of investors were concerned about their children's
well-being. Among the dissatisfied investors, majority were of the opinion that cost of living was too high. The most common mode of investment was bank deposits. However, a shift was noticed from bank deposits to other forms of investment. Almost all the investors had invested in gold and silver. Among several parameters in investing, safety of money was considered to be the most important element. Next, the investors expected regular return from their investments.

**Garman (1999)** found out that financial education improved financial literacy of the families as they tend to have financially secured future. Increased financial literacy equipped them to solve their problems with better decision making. **Gavini and Athma (1999)** found that social considerations, tax benefits, and provision for old age were the reasons cited for saving in urban areas, whereas provision for old age was the main reason in rural areas. Among the post office schemes, Indira Vikas Patra (IVP), KVP and Post Office Recurring Deposit Account (PORD) were the most popular, in both urban and rural areas.

**Ellis et al. (2000)** said that the health care system and its financing in India suffered from few limitations. The major limitation was that health care expenses were very high and over three fourths of these expenses were private and out-of-pocket. Large numbers of people suffered either from poor health care delivery system or from heavy out-of-pocket expenses or both. It was also seen that people covered by health plans were also suffering due to low quality services and inefficient system. Thus, bringing certain changes have been recommended such as amendment in mediclaim policies, changes in exclusion clause, efficient functioning of the ESIS (Employee State Insurance Scheme) and the CGHS(Central government Health Scheme) so as to have improved overall health care delivery system. **Karthikeyan (2001)** had conducted a study on small segment of investors’ perception towards Post Office Saving Schemes and found that there was a significant difference among the age groups, in the level of awareness for KisanVikas Patra (KVP), National
Savings Schemes (NSS), and Deposit Schemes and the overall score confirmed that the level of awareness among investors in the old age group was higher than in those of the young age group. No difference was observed between male and female investors in terms of Deposit schemes except for the NSS and KVP. Necessities of life and tax benefits were the two major ones from out of the factors analyzed that influenced the investor both in semi-urban and urban areas. Majority of investors of both semi-urban and urban areas were very much willing to invest in small savings schemes in future provided they had more for savings.

Braunstein and Welch (2002) revealed that that the financial literacy had attracted attention of community interest groups, banking systems, government policy makers and individuals. The interested groups were concerned about the individuals which can be benefited through the financial literacy and maintain their economic protection through well planned and managed financial tools. The study revealed that most individuals are not able to use basic tools of finance as they suffer from various deficiencies and they needed to be taken care off. Financial literacy would act as savior and help them to come out of this financial crisis. Increased financial literacy would help them to fulfill their financial goals like buying new house, seeking higher education and financial retirement etc. The study suggested that, to increase financial literacy various financial literacy and training programs should be organised which offered information on savings, credit, and similar topics. Even specific groups wise programs with specific goals like home ownership savings etc. would also create good impact in increasing financial literacy. Ranjith (2002) in his study stated that with the growing maturity and increased age, investors tend to invest more and but wanted to invest more in riskless securities rather than risky securities. Education Qualification played a vital role in investor’s decision making like investors with graduation degree actively involved themselves in investment activities. A company’s financial performance also attracted investors by creating awareness about investment decisions. Thus, education level ahs direct linkage with investment decision making.
Singh (2002) stated that individuals consider post office schemes were generally like the bank deposits schemes. Individuals had saving account, recurring deposits account, time deposits account which were recurring in nature. As saving account functions in the same way as commercial banks through cheques and there was no restriction on withdrawals so individuals gives equal preference. Hence, the respondents were satisfied with the above mentioned schemes as risk was undertaken and they were considered safe option for investment. Singh et al. (2002) aimed to explore the behaviour of individual investors of Tamilnadu. The study concluded that the income levels and the amount available for investment with individuals was important factor which affects investment. The private finance companies and new emerging investment agencies offered higher returns for investment but Tamilnadu investors were more conscious of security factor. Security wise diversifications were predominant among both genders. The second most important factor was periodicity of income received from the investment was monthly and quarterly which attracted them.

Qamar (2003) study attempted to examine the investment preferences of households who had good savings and also identified the factors influencing saving behaviour and investment preferences of investors in India. The results of the study showed that there was a high propensity to save in individuals of moderate to high proportion of the income. The level of literacy, educational achievement, occupational distribution and income profile of the respondents largely determined the saving and investment pattern. The relationship between choice of investment like bank deposits, insurance policies, gold and stock market instruments were based on educational level, occupation and income profile of the respondents. Rajarajan (2003) in the study titled investors demographics and risk bearing capacity established co relation between demographic variables and the risk bearing capacity of Indian investors. The study quoted the strong relationship between age, income and the risk bearing capacity of the investors among all categories stated which included salaried investors and they constituted the largest part of all risk categories.
Varma (2003) stated that, the status of financial literacy in India was not satisfactory, especially in the rural areas. These rural areas of India has been affected with malnutrition, unemployment, poor education and poverty. People were unaware of financial services offered to them such as banking services which helps them in saving their valuable assets and providing them return on their savings such as security. The individuals of rural areas followed the trend of borrowing money from the lenders at high interest rates. The governments and employers helped in managing investments but this role has also had shrunk significantly in the recent past years. Individual’s had responsibility to manage their own finances and have financially secured future. These changes were result of social support structures across the world. There exist wide range of financial products in this world of finance which created understanding difficulties among individuals to decide what would match their financial needs and goals. The level of financial literacy among the working young in urban India was similar to the levels that prevail among comparable groups in other countries.

Cohen and Dehejia (2004) studied and found that automobile insurance had moral hazard costs, leading to an increase in traffic fatalities. The behaviour of drivers, like that of economic agents in other contexts, was affected by financial incentives. Those drivers who chose to remain uninsured drive more carefully than the ones, who became insured, and therefore, increased incidences of insurance produced an increase in fatalities. Thus, in a case compulsory insurance rules were delivered, then the number of uninsured drivers would definitely decrease, but the traffic fatalities would increase for sure intended to the careless behaviour of drivers. Jayachandran (2004) admitted that during the course of his Ph.D. study, there was moderate level of savings among the households of India. The major determinants of savings were personal income, family size, family income and life cycle of the household. The most popular investment on physical assets was consumer durables and financial assets like bank deposits. The study revealed that, there was relative poor level of awareness among the rural people about various
financial assets. Large portions of the investors do not understand the basic fundamentals of the investments. Many investors invested in safer financial assets like bank deposits and only few investors preferred the investment on public issue but they were not aware about the market value of their holdings.

Ahuja (2005) reported that micro insurance dealt with insurance for poor people in India which was emerging at a fast pace due to policy intervention and development of micro finance activity in the country. The nodal agencies had played a crucial role in extending the approach of insurance services to poor rural people but it was found that the health insurance for poor is quite different from the general health insurance. It was also reported by Ahuja (2005) that micro insurance were of three distinct types; intermediate, manager and provider types and each were having its own benefits and weaknesses. For a large country like India having diverse population, each type served an essential role and all these must be understood deeply to remove weaknesses in their designs. He also reported that policy induced and institutional innovations were acting as promoters of insurance among poor people in India who were not covered by any social security. At present, micro insurance had not reached large number of needy population but both public and private companies would insure significant percentage of the poor in coming time. For this, it is also essential that flexibility in premium collection would be required as poor people had irregular and uncertain income stream and another requirement was encouragement of micro insurance among micro finance institutions.

Kirshnudu and Reddy (2005) analysed the fact that an investors investment decision making is highly influenced by family members. A major contribution in field of investment research is led by, The Indian Household Investors Survey, (2004) which stated the fact, that Indian economy is in great need of increased household savings. Thus, family history is direct factor which affect decision making. Gnanadesigan et al. (2006) analysed the investment patterns of women investors and the risk associated therewith. The study also revealed the problems faced by women investors in small town were lengthy
documentation, formalities and commission. The study instigated the fact that, most women’s preferred to invest in gold or bank deposits as a safe mode of investment and got influenced by factors like safety and liquidity.

**Lusardi and Mitchell (2006)** portrayed the causes and consequences of financial illiteracy to understand the concept of poor retirement planning among the most of the households. Even the basic financial literacy regarding investments and savings were not found to be satisfactory among the large population in youths and adults of United States. It was found that financial computations, basic economic concepts and investment decisions were absent in the society. The study revealed that these deficiencies were more concentrated among particular population subgroups like those with low income and low education, minorities, and women. These particular groups suffered more hardships during their retirement. It was evaluated that even in developed countries, there was low financial information among individuals and they were also not found to be familiar with financial products available in the market. **Shobhana and Jayalakshmi (2006)** conducted study on awareness of investor towards investment options and risks. The findings of the study stated that the educated professionals in working environment were more aware about investment options and the risk associated with them. Most of the investors preferred to invest in real estate at priority and the next most preferred option is investing in bank deposits. An investors awareness varied more with regards to occupation but less with age as a criteria. **Singh (2006)** in his study entitled "Investment Pattern of People" had been undertaken with the objective, to analyze the investment pattern of people in Bangalore city and Bhubaneswar. The analysis of the study was undertaken with the help of survey. After analysis and interpretation of data it was concluded that in Bangalore investors were more aware about various investment avenues and the risk associated with that. All the age groups gave more important to invest in equity and except people those who are above 50 give important to insurance, fixed deposits and tax saving benefits. Generally those investors who invested in equity personally followed the stock market frequently i.e. on
daily basis. But those who invested in mutual funds are watch stock market weekly or fortnightly. In Bangalore, investors were more aware about various investment avenues and the risk associated with that. But in Bhubaneswar, investors were more conservative in nature and they prefer to invest in those avenues where risk is less like bank deposits, small savings, post office savings etc.

**Moorthy (2007)** studied the investment pattern and awareness of the salaries class investors in Nilgiris. The study measured the level of awareness of salaried class investor was measured through the construction of awareness scale which was classified into low, medium and high. The study analysed the profile of the salaried class investor and their awareness level toward the nature of investment and found majority of the investor preferred bank deposit followed by insurance products. The study concluded that level of awareness strongly depend on the level of investment of respondents. Naga and Sridhar (2007) commented in his study that despite of their expanding reach, banks still need to tap a larger share of household savings in India and compete with lucrative investment options such as real estate in the process. According to the study, household savings, as a share of Gross National Savings in India, were highest in the world at 69 per cent as against 55 and 44 per cent in France and China, respectively. Only 47 per cent of these savings are accessed by the financial services sector and this matter is concern for all banks. The lion’s share of investments was being made in the booming real estate sector and also in gold jewellery, says the study. The reason for banks inability to attract domestic savings was in the high geographical fragmentation of banking operations with limited presence in rural areas. Thus, banks should give importance in rural area for more penetration. Sachithanantham et al. (2007) identified relationship between capital market reforms and total money invested by a prospective investor. The study led to understanding the behaviour and perception of investors can be positive or negative depending upon different capital market reforms. Capital market reforms also influenced an investor negatively or positively while making investment decision. It was
inferred from the study that there existed a negative interrelation between educative and attractive reforms and amount of investment in capital market.

Ahluwalia (2008) in the study analysed Indians are wise savers but poor investors and found the effect of demographic and personality type on investment choice. The study revealed that most of Indians saved in liquid asset like post office and cash at home and also saved money for emergency purpose only. Indian habit of savings were good but the way of saving were not good enough as only a meager part of total saving came under the government account that not enough to conduct various plans properly. Chandra (2008), through the study on decision making in the stock market referred to the investor’s buying behaviour of any equity for investment in portfolio. The study portrayed the attitude and decision making behaviour of the investor towards risk taking ability and its psychological impacts. Investment advisors and finance professionals must incorporate behavioral issues as risk factors in order to formulate effective investment strategies for individual investors. The study showed that there is interrelationships between investor’s perception of risk, behavioral factors, and decision-making in the Indian context.

Guiso and Jappelli (2008) stated that financial literacy affected from lowest to highest levels in our life such as from households’ behaviour to education of children. The study considered financial literacy is an understanding of the most basic economic concepts needed to make saving, borrowing and investment decisions and the perception that ordinary investors had regarding market rules, financial products, financial organizations and regulations. Financial illiteracy or low level of financial literacy leads to lack of healthy financial ways of decision making, lack of necessary financial knowledge and in turn poor financial performance. Financial knowledge is termed key point of judgment of financial literacy. It measured knowledge of financial products, how to access them, difference in variants offered, interest calculations, understanding about risk and return, time value of money, portfolio investment etc. Krishnamoorthy (2008) in the study has analyzed the awareness of
salaried class investors and their attitude and satisfaction towards investment. The study has concluded that all salaried people were aware of bank deposits, PF schemes, insurance schemes, post office savings schemes, gold and however only few were aware of Unit Trust of India (UTI) investments. So, they prefer to invest their money in secure hands like bank deposits, PF (Provident Fund) and insurance. Sen (2008) studied concluded that demographic variables like life expectancy, young and old dependency ratio, adult literacy rate and rate of urbanization were significant determinants of demand of life insurance. However, the results were not same for Indian economy. For India, only urbanization was found to be related to demand of insurance products and services. The network of friends and family of Indian population provided them alternative arrangement while managing life related risky situations. Therefore, it was required to spread proper information to current generation to avoid the misconception of older low income population about insurance as unnecessary expense. Steps were taken to clear their confusion regarding life insurance as a superior luxury product and focus was given on informing them economic benefits of the policies and services.

Gupta (2008) conducted a study to understand the investment pattern among different groups. People were not much aware about the investment avenues. The study stated that more investors here does not prefer to take big risk for investment deposits and prefer to put their surplus in banks, post offices, fixed deposits, saving accounts, different UTI schemes, etc. The attitude of the investors towards investments was weak and also, there was lack of awareness found in the investors. As far as the investments were concerned, people prefer post offices and other government agencies. People here had limited earnings to save and invest so they preferred safe and secure mode of investments.

Colesampson and Zia (2009) studied that the demand of formal financial services is low in emerging markets. There is urgent requirement of cognitive ability and financial literacy among the lower economies. The study also suggested that expensive financial services carry low value to the poor. The study had utilized surveys from India and Indonesia to understand the
procurement of financial literacy in low emerging economies. The survey reported that the financial literacy is an important part of the household financial behaviour and household well-being. Government of both the economies should providing subsidies and also various cost-effective measures for their large population to increase financial literacy.

Kalavathi (2009) analysed saving and investment behaviour of salaried persons with in Coimbatore city. The study examined income, consumption, expenditure of salaried individual and their amount of saving and investment and level of awareness of investors. The study found that respondents had great awareness about bank saving, investment, share, debenture and bonds. Financial literacy was found very high in this survey. Lusardi, Mitchell and Curto (2009) stated in their study that financial literacy among the young showed poor financial literacy among the youths. About the two-third of the population were unaware of risk assessment, inflation and interest rates. According to the study financial literacy is associated with the family financial sophistications and socio demographic characteristics. The study denoted that a college going male who have family financial history in stock market and retirement saving plans possessed more knowledge of financial literacy as compared to a high school educated female with no family history of investments.

Nagpal and Bodla (2009) examined the impact of investor life style on individuals from urban areas of Haryana, Chandigarh and Delhi and their investment pattern. The Investors were classified into three categories, aggressive, moderate and conservative on the basis of their lifestyle. The study found that individual investor prefer investment with low risk such as insurance policies, fixed deposit with bank and post office, public provident fund and NSC. There were few occasions of blind investment as majority of investor referred some source and reference groups for taking decisions. Investors collected information through journals, magazine and television advertisement. The study revealed that mental shortcut played important role in effective
decision making without formal analysis. Reddy (2009) studied the investment behaviour of rural investor. The study aimed to investigate the socio-economic profile of investor and to assess their impact on the investment habit of the people. The study analysed the awareness, preference and experiences of small and household investor in respect of various investment avenues. The study observed that majority of the respondents were male and they were highly aware of traditional investment avenue like real-estate, bullion, bank deposit, life insurance schemes and small saving schemes. They were unaware of corporate investment avenues like preference shares, mutual funds, corporate debt securities and deposits. Vijayalakshmi and Jayasathya (2009) studied about that factors that influenced investors for selection of Mutual Fund Company. They reported that there were various factors that play essential role in making decision regarding investment but the most important one that were considered before selection of Mutual Fund Company was the past performance of the other schemes. There were other factors like the services provided by the company, performance of the mutual fund company, the dynamism of the fund manager, objective of the scheme, total corpus of scheme, reputation of the company, transparency of investment, number of schemes available, redemption period and foreign collaboration at times as well. It was also suggested that if the growth of mutual fund industry is effectively controlled, better economic growth may be achieved.

Ganapathi (2010) studied that various small saving schemes were mainly meant to help the small investors and also those who were in high tax brackets. The study concluded that proper advertisements must be made for post office savings schemes, so that even a layman could know about these schemes and deposits can be increased. They stated that investing their amount in post office deposits provides safety and security for the amount invested. Kabra et al. (2010) reported that every individual has his own financial planning needs and was affected by various factors in making investment option. Different ages groups and of different sexes have different perception as well as risk taking capacity and therefore had high impact over individuals investment decision.
Risk averse people choose life insurance policies, fixed deposits in banks and post offices, public provident fund (PPF), National saving Certificates (NSC). Individuals did not involve themselves in blind investments instead went for some kind of guidance for taking decisions. Pandian and Benjamin (2010) conducted a study in order to understand the knowledge of investors in stock market and was identified by the study that awareness plays important role in making investment decisions. Stock market investments are directly influenced by knowledge about market among investors.

Parashar (2010) revealed that investment choice depends upon the investors demographic variables like gender, age income, education, occupation as well as their personality types like conservative, medium conservative, moderate, medium aggressive and aggressive. It was reported that female are less risk averse and thus they preferred safer investment options like bank fixed deposits while males were found to be more interested in real estate. Young people of less than 25 years were reported to be more risk takers and invest money in equity shares whereas older people of more than 60 years tend to had FDs. Adventurous people and risk takers tend to invest in equity and real estate while less risk averse people opted for bonds and mutual funds. As the current economic situation was that the stock markets kept on crashing and housing prices were failing so people preferred to move towards PPF, bonds, MFs and insurance. Athma and Suchitra (2011) stated that gold had been considered to be a symbol of power and wealth from a long time in human history. In the modern world too, investors across the globe buy gold for a safe and secure investment purposes. The main reason of gold being the favorable investment option is that it is considered to be an effective hedge against inflation changes in the society. According to the study, Gold helped in surpassing the economic uncertainty and became a good and an effective portfolio diversifier. Gold is a liquid assets and one of the most common metal used for storing value which can be easily used for inter-generational wealth transfer option too. Investors invest in various different gold schemes such as in both physical as well as demat form. Demat form consist of E-gold, which was the latest entrant in the
field of demat form of gold investment options. **Bedi and Singh (2011)** carried out a study to analyse the overall performance of Life Insurance Industry in India between pre and post economic era. They reported that LPG (Liberalization, Privatization and Globalization) policy gave great opportunity to Life Insurance industry of India and LIC (Life Insurance corporation) to grow. Even emergence of private sector and opening up for foreign players had brought improvement in the industry and changed the investment pattern of LIC. Moreover, the study suggested that the effective regulation system of SEBI and increased transparency of stock market had allowed an increment in stock market investment by LIC from 60% in 1980 to 93% in 2009.

**Bhimarao (2011)** studied that for the economy of many countries and reported that life insurance was regarded as the mainstay. The industry gave an opportunity to individuals to collect large amount of money for longer periods of time and therefore, it offered multiple benefits to the companies as well as the economy. Moreover, the opening of insurance sector for private companies has expanded the horizon and has brought dynamic changes in the market. Now it contain large numbers of insurers; both life and non-life insurers. It was essential that the industry should keep on offering customized products and keep their individuals satisfied so that the companies, economy as well as customers progress regularly. **Geetha and Ramesh (2011)** revealed the fact that investors were not totally aware of investment options available to them and lacks awareness and knowledge about stock market, equity and debentures. The detailed analysis of investors preference, investment behaviour and respondents attitude for different investment alternatives was considered and led to conclusion that investors portfolio was affected by annual income earned.

**Goel (2011)** explained in the study that financial literacy acted as guide to customers through complex maze of financial products and services. It helped customers to take their financial decisions more confidently. It developed knowledge skill and confidence. Financial literacy reduced burden of regulators
and can also be imparted through workshops and programs. It helped to change mind-set of families. According to study women should be given more importance as she empowers the future. Financial literacy is dynamic concept and possess many challenges but recent developments in infrastructure and technology will help them to pave its way. Imam (2011) examined the potential and actual role played by government in India in pension fund management and found that they play a major role in investment performance especially in case of risks and returns. Pension fund reportedly hold lower proportions equity on their portfolios that had negative effects over its growth but also helps in enhancing its safety level. The study suggested that the pension fund investment in the country was very much biased in favour of Government securities and may be either due to imposed investment restrictions or by strict prudential norms concerning the safety over returns. The situation had faced slight improvement with the implementation of the New Pension System and has also increased the private participation in pension scheme offers.

Keswani (2011) stated in her research that past return on an investment never guarantees similar returns on the investment in future. There are different objectives which are in the mind set of investor while making an investment and that was the reason why different types of returns are expected. In case of large funds the fund managers had the benefit and flexibility of having liquidity which can be diverted into different funds easily and extracted rapidly. The study identified and used four parameters of performance (Return, Risk, Return/Risk, Sharpe Ratio) and they were computed to assess the degree of relationship between fund size and performance of select Balanced funds. Raghavan and Ahmed (2011) stated that gold had been used for generation in Indian history because of its beauty, scarcity, malleability and resistance towards rust and corrosion. It was considered to be a status symbol and used for wearing at several occasions in India. The ancient Indian financial literacy teaches people a strong desire to save, thus gold was the favorable option for investment. The value of gold was transcended all national, political and
cultural borders. The Indian government had taken an initiative to encourage gems and jewellery industry of the country.

*Saini et al. (2011)* reported that various investment options were available to the investors in financial markets such as debentures, corporate bonds, fixed deposits, post office schemes, etc, but people opted for choosing portfolio managers for investing money on their behalf who were experts of stock market operations and they ensure minimum returns to the investors. But these services were found to be very costly and but people also needed to be made aware that they may earn better from investments in mutual funds. The study found that MF companies need to work in such a way that huge potential customer base of India may be converted to reality customers. For this, companies need to ensure that the positive attitude of people towards mutual funds is maintained by providing them with timely information and launching new and innovative schemes from time to time. *Shanmugasundaram and Balakrishnan (2011)* found out that the prime objective of each investor is wealth maximisation. This study revealed that each investor is rational and fully aware of all the facets of market before making investment in stock market. The investor’s reaction changed with rise and fall of market, as sometimes it is marked with excitement and at times with covert reaction. The research also emphasized on the fact that investor investigated the capital market thoroughly before making an investment decision.

*2011 Suryanvanshi (2011)* conducted a study on appraisal of investment avenues - an empirical study of selected investors in Kolhapur city. It was found that professionals and salaried individuals had uniform range of saving while others had low saving because of pattern of working, selection of investment avenues were mostly dependent upon behaviour pattern and psychological attitude of the respondents. The study further revealed that majority of respondents preferred return, safety, liquidity, tax benefit and maturity at the time of investing. The respondents preferred investment in bank, real estate, gold, insurance, mutual fund, shares, postal saving schemes
and other beneficial instruments. **Thakur (2011)** studied the life insurance sector in India and the flagging issues related to competition in this sector. The study revealed that LIC is a dominant player of insurance market and accounts for nearly 70% of total market. Although dominance was not wrong but abusing the dominance power is unethical. There was lack of level playing field in the Indian Insurance market and thus competitors of LIC were suffering. Exclusive distribution network and large number of agents were working wonders for LIC but acted as a disadvantage for other market players. Thus, other players must look into the situation and should directly compete among themselves in the market.

**Abdulla (2012)** revealed in the study that investors were encouraged to invest in gold bullion coins because its price depends on the international gold price and not very subjected to inflation. With investing in gold bullion, investors may reduce the risk of losing their cash such as in the case of a sudden slide in the stock market or increased inflation rate. **Awan and Arshad (2012)** studied the factors that were valued by investors while making investment decisions regarding mutual funds and the behaviour exhibited by them. It was reported that mutual funds were considered a risky investment option and thus, investors consider multiple factors before investing in one. The age and cities were found to exert major impact over their decision while their income, education level or occupation was not found to be related. Company’s reputation, past performance, withdrawal facility and its services too helped the investors in making decisions. The report also suggested that image conscious investors were more inclined towards sponsor related services than professional investors. **Brahmabhatt et al. (2012)**, studied the investors of Mumbai and revealed that the awareness of investment knowledge and investment opportunities was very high in Mumbai. The people were guided by financial portals, news channels, news papers, expert talks, TV shows, magazines etc and took good investment decisions. Despite of their good knowledge about financial market and economic conditions, they lack the edge above the others since the field is very unpredictable and vast, thus, they prefer to be backed by
a financial planner. It helped individuals in avoiding great mess or huge losses caused by lack of information. The study also found that people like to invest more in stock market as compared to other investments. The percentages of income they make as investment depend on their annual income.

*Chaturvedi and Khare (2012)* conducted a study on different areas which affected investment patterns of individual household like social factors, economic factors, education background, saving structure, market awareness and preference towards investment. They inferred that the degree of investor’s awareness varied with the level of income and a majority of investors only had awareness about bank deposit as investment opportunity. The study established direct relation between annual income and amount of investment. *Chavare (2012)* reported that insurance markets did pretty well and it still had great potential to grow. The study found that in India, people were very much loyal towards brand LIC and the company had monopoly in the market. Investors in India do not know much about other foreign insurance companies and trust LIC. Thus, LIC was doing great business but still needs to bring some changes to further grow in the market. The company took more advantage of their loyal customers and also concentrated on rural people and enhanced their bonus rates in comparison to competitors to maintain trust, improve communication with investors. *Financial literacy and education commission (2012)* stated that there was urgent need for improvement of financial literacy in the country. The products which were available were not known to majority of population especially in rural areas. The situation could be improved by banks / Government by opening more of Kisaan club like offices, where office staff should be there to explain rural people about different financial products and their benefits. Financial products / services should be highlighted in television channels, radio program. Efforts should be made to make individuals confident in connecting to bank branches. Even the staff of rural branches should be properly trained to smoothly deal with rural people. This will encourage them to be financially included. Various IT tools should be used for providing financial services at their door but knowledge has to be given to rural mass first to build their confidence.
Overall, the level of financial literacy among the working young in urban India is similar to the levels that prevail among comparable groups in other countries. The inferences reached by the study on the influence of several socio-demographic variables in the Indian context also confirm inferences reached by studies elsewhere.

Goel et al. (2012) assessed the performance and characteristics mutual funds. A relation between performance parameters and the mutual funds of Indian origin was established which depicted that there was persistent performance seen in the India mutual funds. The considerable future performance can be predicted on the basis of recorded historical performances of mutual funds. The study gives the investors a confirmation of basing their investment decisions through analysis of historical performances. As conventionally investors analysed mutual funds on the basis of the returns. Jain and Kothari (2012) in their study revealed that Department of Posts (DoP) had grown to become one of the best avenues to channel investment from even the wealthy investor and use them fruitfully in nation buildings activities. There had been introduction of several types of deposit schemes that cater to the differing needs of different classes of individuals. This is attracted option as it gives person an option to invest even a minimal amount of Rs. 500 per month. Investment in Post Office Savings account for a maximum investment of Rs. 110,000, per financial year and is also totally exempt from tax under section 80 C of the Income Tax Act, 1961. The interest income is also exempted from tax under section 10 of Income Tax Act, 1961 in some cases. This enabled individual to compete post office savings successfully with the other avenues of investment available to investor like commercial and co-operative bank, non-banking financial institutions, public sector companies, etc.

Kanti Das (2012) concluded in the study that the bank deposits remain the most popular instrument of investment followed by insurance and small saving scheme to get benefit of safety and security of their life and investment. The study found that middle class family needed a strong support and background
of information for investment in avenues. **Mehta and Shah (2012)** concluded that mutual funds were seen as preferred instrument of investment for the small Indian investor. The study tried to decipher the investor behaviour in deciding where to invest and evaluates the performance of those preferences. It revealed that consumer behaviour patterns were complex and vary tremendously based on consumer demography and risk taking capacity. The merging of the two has resulted in the emergence of the mutual funds as the preferred choice of investment.

**Moorthy et al. (2012)** did a study on retirement planning behaviors of working individuals in Malaysia depicted that the retirement planning behaviour depended upon the age, income and education level, person’s attitudes towards retirement, potential conflict in retirement as well as the clarity of retirement goals. The report suggested that young people of 26 to 35 years had better perception and thus, people must do early planning at the stage they were most relaxed. This would allow them to have strong financial planning and their life after retirement would be secured in a better way. **Patil (2012)** reported that LIC (Life Insurance corporation of India) is the India’s largest Life Insurance Company and has acquired monopoly power in the solicitation and sale of policies in the country. 95% of the customers have been reported satisfied with the policies and services of LIC and was found to be inspired by the trust on the company. The study found that middle aged people were found to be very much aware and 80% males aged between 36 to 45 years are interested in buying life insurance policies from LIC. Therefore, company needs to design and launch products such that they get attracted to young aged people of 25 to 35 years and income group 10,000 to 25,000 INR as well. Moreover, facilities like online premium payment must be provided to attract more customers and promotion of Whole life plan, and also pension plan etc must also be promoted. **Radhika and Srinivasan (2012)** studied the investment patterns in mutual fund and preference of retail investors in India and found that small investors prefer buying mutual funds because of various reasons based upon the risk return trade off. Since other investment schemes do not seem that fruitful for
instance, bank interest rates had reduced, Indian stock market had become extremely volatile, people had started looking for an alternative that may provide them with higher returns and keep their investments safe as well.

**Samudra and Burghate (2012)** did a study to examine the investment behaviour of the middle income class households in Nagpur, their objectives behind the investment was to find out whether their savings were increasing or not. The findings suggested that the saving habits of middle class families were good but they were not interested in doing investments of long term. Their objective for doing investment was also found to be high returns and low risk investment and tax advantage occupies a last place in the minds of the investors. Thus it was recommended to have tax benefits on pensions and long term savings so that people may be encouraged to invest for long term. Moreover, financial literacy of the middle class people also should be increased.

**Srivastava et al. (2012)** revealed that in a country’s economy, Insurance industry made great contribution and assisted in providing social security to the developing nations. India had seen a phenomenal growth of insurance sector in last few years that may be attributed to major changes made in the industry. The entry of private companies broke the monopoly of LIC, brought tough competition in the market that eventually led to innovative products, price, distribution channels and marketing. Still the sector had great potential to grow in India as 50% of insurable population had not been insured yet. Thus, the researchers concluded that through adoption of appropriate strategy and Government support, India would rise up to new insurance giant in coming years. **Xu and Zia (2012)** stated that the financial literacy was a crucial ingredient in the financial literacy programs and government policies around the world. The study concluded that synthesis of policy advice and practical suggestions were important in this fast growing area of research. In order to improve the financial education the study suggested to leverage social networks and peer effects, identify and target vulnerable populations, solicit specific
topics of interest, creative financial education programs, complementary interventions to achieve objectives, consider supply-side failures, identify the specific gaps in business knowledge, pay attention to the curriculum, keep in mind that female entrepreneurs have often failed to benefit from existing interventions and also took into account other sources of heterogeneity and also suggested that complementary interventions may be needed.

**Agarwalla et al. (2013)** stated that the financial literacy of the country was influenced by the various factors such as education, income, gender, caste etc. The study explained that the orientation factors such as joint family focused over consultative decision making among the family by the higher authorities. The study also reported poor financial literacy due to lack of decision making powers and portfolio diversification. In this study the main focus was laid on lack of financial literacy which was considered potentially important factor.

**Annapoorna and Gupta (2013)**, reported that the mutual funds industry underwent a tremendous change in the last two decades. This was a result of the rapid increase in the number of schemes, the investor base and the confidence of the investors in the mutual fund. Individuals had considered it as safest investment instrument. The study compared performance of high rated mutual funds with the domestic term deposit investment option of SBI. The comparison outlined the pros and cons of investing in the mutual fund investment instruments based on contrasting the rates of return yielded in both the instruments. The comparison surprisingly showed that mutual funds in most of the cases have failed to compete with the rate of return of term deposits. Thus, investors consider these comparisons for decision making. **Bashir et al. (2013)** analysed the relationship of demographic variables with the investment preferences of salaried individuals of finance teachers and bankers in an Indian state and concluded that females were more risk averse than males and thus look for safer investment options. It was also revealed that young and educated people are attracted more towards risky investment opportunities and are willing to invest the money but they are found to be reluctant due to limited resources, good investment opportunities and absence of investment trends.
Moreover, emergence of religious issues, non-conducive economic culture and environment were found to be the main factors having negative relationship with gambling while making investment decisions. In Gujarat state, people were found to be unaware from stock investments and the state lack brokerage houses or good advisors who may assist salaried people towards good investment options as per their risk tolerance.

Batra (2013) analysed the investment options available for people to effectively plan their retirement. The study revealed that Indian economy and system were changing and therefore, people had wide choices available for them. They were offered better options over their own asset accumulation and drawdown processes. Several websites and self-directed pension plans greatly assist them by giving investment advice but at times these advices was biased and misleading. Lack of knowledge, movement of employees from public to private sector for jobs, longer life expectancy and less reliability on family had greatly changed the retirement planning. The study found that it has become even more challenging for companies to frame risk reward trade-offs and cast financial decision making in a way that was easy for common people to understand and implement. Benamar (2013) said that the regulators of the market were keen to know the financial information which needs to be provided to the investors. For improving the financial literacy, the financial information shared with the investors was found to be responsible for the movement of market. The trading performances of the investors were highly affected by the information available to them regarding the financial data of the market. The study depicted that there were strong response from the investors when they were provided adequate market data and financial information.

Gabhane and Kishor (2013) studied the preferences and analysed the significance of demographic factors that influenced the investor’s decision towards making investments. The study revealed that both male and female investors have high preference towards bank fixed deposits and life insurance followed by gold, real estate, mutual funds, etc. the level of awareness was
found to vary with the education attainment level of investors. It was revealed that people have lack of knowledge regarding investment avenues especially in company debentures, company FD and fixed income bonds. Safety was found to be the major concern of investors while making final decisions on investment. Younger investors were found to invest in avenues having low liquidity for longer period while older ones prefer to invest in options giving high liquidity for shorter periods. Ghatage and Jadhav (2013) studied the investment pattern as per life cycle stages of individual investors and suggested that all the life cycle stages have different investment preferences, since as an investor moves up to next life cycle stage, investor responsibilities increases and the risk taking capacity decreases. Thus, in initial stages of life, investors were found to follow aggressive investment strategies and they preferred investing in Shares, mutual funds and ULIP insurance plans and with advancing age, their choice of investment changes to debentures, bank fixed deposits, bonds, post office schemes and NSC.

Joshi (2013) stated that the financial illiteracy can be defined as the inability to take decisions and judgments for the management of money and wealth, which affects the family and society of the country. A country must play a responsible role in preaching out financial literacy to its citizen. Financial literacy can be considered as the set of valuable information which help individuals to manage their task and also helped to make effective financial decisions. The study explained that in a country like India where a massive part of population lie below poverty line had an alarming demand of financial literacy to solve the economic problems of the country. The Indian government has initiated steps in the direction of improving financial literacy among its population. The steps included shock evaluations, supporting financial literacy schemes and programs, developing consumer protection framework for the investors, monitoring progress, endorsing information between private and public institutes and finally applied the socio-economic marketing to obtain information of the citizens for improving their financial behaviour. Kishore and Prabhavati (2013) stated the opinion that mutual funds were considered
the latest tool which changed the way funds are invested in modern world. The study observed that with innovation of mutual funds it was observed that even small investors were able to make an investment in those commodities, areas and sectors which were earlier considered as only big ticket investor’s foray. Mutual funds were considered as one of the most revolutionary way of making investment in modern economy where risk was shared and funds were mobilized. The study also identified that most of the respondents preferred systematic investment plans and got their source of information primarily from banks and financial advisors.

Kumar (2013) depicted that financial literacy has attracted much importance in the recent years in the developed as well as the underdeveloped economies. As complexities in the financial market have increased so common people are concerned with the information lop-sidedness for making well-versed choices in the various investment schemes. Financial education is related to personal financial management to enable individuals to take effective actions to improve overall wellbeing and avoid distress in financial matters. The study suggested that the financial literacy among the Indian population is affected by basic demographic, social and economic factors. The result stated that an Indian youth under 18 year age belonging to general category with decent education background with 3 to 5 family deponents and possess annual gross income of below Rs 20,000 had poor financial literacy perception. But an adult of more than 60 years age belonging to schedule tribe or minority with 2 or less deponents in the family and having annual gross income of over 1,00,000 to 3,00,000 had relatively higher financial literacy perception. Both the statements were irrespective of sex of the person in the population. Kumar (2013) had analyzed in his study and identified that an investor preferred a particular investment option over other. The study found out that out of various options available to invest their money, investors preferred real state and gold because they considered it is the most secured and had minimal risk. People also preferred to invest towards post office schemes like NSC, KVP. Some investment options had lock in periods that acts as the major negative point.
since the investors were not allowed to make a premature withdrawal and thus, could not received money in any case of emergency. The study also revealed that investors also look for liquidity and good returns, and therefore, large numbers of people had started to considered investment in mutual funds and equity. Murthy and Mohamed (2013) reported that day by day competition was getting fierce in insurance Industry and customers had multiple options to choose from now. Due to technological advancements and right to information Act, large number of people were getting aware and becoming comfortable with insurance policies. It was found that Service Quality provided by LIC is delighted within the customers and the company is still holding the market. Even the ethical value of LIC was very high in comparison to Private companies due to the caring attitude of the company. Thus, it was reported that Private Insurance Companies would have to fight hard for capturing Indian Market and proved that they were equal to LIC by giving better services and caring nature.

Murty and Sashtry (2013) investigated the investment perception of small investors and found that people are choosing stock market instruments or securities as the best choice to make investments with the aim of return optimization. It was revealed that shares, debentures, mutual funds, NSC, PF, fixed deposits, insurance policies, real state, gold or silver are perceived as to generate greater relative return than relative risk by all classes of investors. Out of all these avenues, real estate was the most preferred one followed by gold/silver and insurance policies. It was also found that investment in equities is comparatively very low than investment in other avenues. Thus, it was recommended to bring government or regulatory bodies like SEBI lot of awareness and encourage in retail investors in equity. Narayanasamy and Rathnamani (2013) propounded that out of the multiple investment options for investors in the capital markets, the safest (minimum risk) and best (maximum return) investment instrument remains the mutual funds. The mutual funds had shown tremendous growth potential and had been the rage of millions of small retail investors. The study suggested methodologies to identify the profitable
mutual funds through analysis of risk returns associated with selected large cap equity mutual funds. The analysis of the equity mutual funds was done based on statistical parameters like measures of alpha, beta, standard deviation, Sharpe ration etc. These evaluation measured provided an empirical view of the mutual funds for enhancing the intellect of the investor for making informed choices of investment in the available mutual fund offerings. **Nayak (2013)** studied the investment choice of individual investors in Valsad district of Gujarat state and found that majority of investors prefer low risk investments over higher risks ones. It was suggested that the reason behind the attitude may be the lack of awareness among Indian investors regarding investment avenues and investment climate. The study also suggested that the relationship between demographic factors like age, gender, religion, qualification, income and profession with the risk taken while making investments was not much significant. However, the study revealed that women had opted for medium and high risk investments compared to men and qualification wise, more number of professional graduates opt for high risk investments as compared to others. **Nena (2013)** reported that due to privatization of insurance sector and introduction of IRDA in India, insurance industries have taken giant shape. LIC has always remained as the dominant player in the sector and its monopoly was broken by entrance of new private companies. The study revealed that the growth and performance of LIC following the privatization and liberalization and found that LIC was managing its product well and followed good marketing strategies. But the company needs to focus on controlling its operating income so as to maintain its current leading position in market by generating revenue. **Padmaja (2013)** reported that the investors’ awareness towards mutual funds, their perceptions, preferences and extent of satisfaction towards mutual funds and found that although mutual funds are very good source of returns for most of the households and elderly people, but still in India people are restricted to conventional options like FD, gold, etc. The major reason was founded by the study was the lack of knowledge, understanding and awareness of mutual
funds. People were unaware about the way mutual funds work and function. Even the one who invested also had very less knowledge about them. Thus, steps should be taken to create general awareness regarding them and encourage people to invest in mutual funds. **Panda and Panda (2013)** compared the relevance of demographic factors in investment decisions of the employees of education sector such as age, gender, education, occupation, income, savings and family size over several elements of investment decision like priorities based on characteristics of investments, period of investment, reach of information source, frequency of investment and analytical abilities. The study revealed that both male and female investors prefer long term investments over short terms. Moreover, graduate and post graduate people, investors under the age 45 years, having less than four family members, working in private sectors and investors having annual income of less than Rs. 2 lakhs per annum preferred investments for a long term. The study also revealed that in terms of annual savings, investors having less than 10% or 15% preferred long term investments while people having more than 20% preferred short term investments. Thus, gender, education, age and occupation were not found related to period of investments.

**Pandian and Thangadurai (2013)** studied the investors’ preference towards various investments avenues in Dehradun district of India. It was found that there are various investment avenues that are available for investors like shares, gold, bank schemes, post office schemes, real estate, companies, life insurance, etc. and on the basis of different risk taking attitude of investors, they chose and invest their money in these schemes. It was revealed that most of the investors in India prefer bank deposits as the top most investment option followed by investing in gold. People are scared of taking higher risk and must be made understand that more risk leads to more profit. Thus, individuals must invest their money in various forms of investment to minimize the risk and gain a moderate profit. **Prakash (2013)** reported that insurance companies in India faced certain challenges in effectively promoting their insurance plans. Although the companies was trying hard to bring innovative changes in their
traditional plans but the challenges existing in various fields were preventing them and creating hinderance in the process. There were legal challenges, challenges in financial market, technology, customer expectation, demographic challenges and many more that do not allow the development of untapped market of insurance companies. The study also reported that due to profit making principle of insurance companies and their high operating costs, the services were not accessible to all especially rural areas of India. Challenges like dynamic customer needs, family culture and pricing existed for the companies to be in accessibility to all. Shah and Bhola (2013) studied the impact of demographics on a person’s choice of selecting insurance as investment and found that in India, although 78% people were aware about insurance, only 24% own a life insurance policy. Demographic factors like age, sex, marital status, income, occupation, etc had an impact over the choice of insurance as an investment. Moreover, certain behavioural and psychographic factor was also found to influence the choice of people. It was revealed that investment options like PF and insurance are obligatory in nature, and thus, investment in other avenues is chosen by investor to satisfy obligations. Safety, return, convenience, trustworthiness were some important criterion considered by investors.

Sharma and Vasakarla (2013) found out the linkage between gender difference and behavioral finance biases. Investors genders, risk aversion and over confidence were reported to be the major factors that have impact over their decision of selecting investment avenue. Females were found to be more conservative than their male counterparts in terms of risk aversion while for the overconfidence, the researcher got a mixed results and thus, could not come to a conclusion. Females were found to make less frequent investments than males. This study and the findings were supported by many other research studies done in this field.Sivarethinamohan and Aranganathan (2013), studied the investors’ preference in Indian commodities market and suggested that there are various areas of investments available for them like equity market, derivatives, bonds, debentures, commodity market, etc. as per different
perception and attitude, people choose avenues for investing their capital. A significant association was found to exist between the investor’s age, profession, awareness, knowledge level, tax exemptions, affordable brokerages, terms, conditions and benefits of schemes, ease of transaction etc. and the final decision making process of investors. Since the commodities market is considered to be full of returns and risks, thus it compelled different investors who analysed these two factors into detail before investing in the market. People need to be made aware about the benefits of the long term investment and thus, companies must make efforts to attract their customers through effective services. **Upadhyay (2013)** stated that insurance markets in developed nations were on verge of saturation and therefore many international private insurance companies were attracted towards Indian Insurance market that seems to carry great potential to grow. Since the competition was increasing day by day, the companies came with new innovative products, market schemes and attractive price offers providing an overall benefit to Indian economy. It was also suggested that investing in insurance was an effective means since it gave tax benefits, diversification, capital growth and safe future to the traditional high interest savings account. Thus, the companies must adopt strategies to insure maximum number of insurable population of India and help the Indian economy to grow as well.

**Virani (2013)** examined in her study that in spite of low income the teachers they had positive saving attitude for future needs. The major impact on savings is related with the level of income of the school teachers. The research revealed that majority of the respondents was saving money as bank deposits for the safety of an unpredictable future. The main preferred avenues for investment were bank deposits and the main purpose of investment was for children education, marriage, and security after retirement. **Agrawal (2014)** studied the preference of investors to invest in mutual funds against stock market. It was stated that although mutual funds are group of stocks but they differ inertly from stocks. The investor should have thorough and deep knowledge about mutual funds and stock market and then only one can make choice between
both the options. Investors chose mutual funds over shares due to their affordability, flexibility, high return potential, more transparency and better liquidity. The study revealed that investors aged 18 to 35, annual income above 500,000 INR and post graduate qualified were found to have more positive attitude towards mutual funds than stock market.

Amarjeet (2014) found out that the better investment product between mutual funds and fixed deposits. The study found that in past two decades mutual fund industry had experienced drastic growth in India by offering multiple new schemes to people leading to enhanced mobilization of funds. The study concluded finally that both mutual funds and fixed deposits both were good way of investing money and it’s a person’s own decision to select between the both. However, it was revealed that for a young, average earning individual who is in a position to afford taking a risk must invest in mutual funds while elderly people with low income must chose much safer options like bank fixed deposits over mutual funds. Bansal (2014) analysed the perception of investors regarding the mutual fund industry in India and other investment tools. He found that there were various other investment tools available in market and was giving tough competition to mutual funds. Analysis of mutual funds and other tools like PPF, FD, life insurance etc was done and the behavior of investors was studied towards these schemes. It was found that most of the investors are not aware about all the investment options available and mostly consider the transparency in investment tools while investing in particular tools. Investors were not interested in gathering information regarding investment tools considering it a waste of time and invest for saving tax, or for returns or liquidity.

Bhushan (2014) suggested that people preferred to invest in traditional financial products since they had sufficient knowledge about these products and considered them a safer option over others. They were unaware about the various new financial products available in market and were even scared of getting cheated and losing capital. Thus, the study reemphasized that people
need to be made aware about these new investment opportunities and must be properly informed so that they may earn higher returns. They should enrich themselves which would make them able to compare and weigh the risk return characteristics of these products themselves and make an effective final decision. Chaudhury and Pattnaik (2014) reported the financial behaviour of mutual fund investors in relation with preferences of brand, products and channels. It was found that people were not aware completely about mutual funds and were scared of investing in them. They consider it as an unsafe option to invest their money thus; they need to be properly informed about various terms of mutual funds. People were ready to invest only with well-known and reputed branded without considering good schemes offered by others. Another major factor was distribution channels. Financial advisors were considered as the most preferred channel for the investment in mutual fund by people in India and advisors may easily change investor’s mind from one choice to another. So, the study found that in order to expand investor base, domestic mutual fund companies must understand the value drivers and attract retail investors to buy mutual funds.

Goyal and Sharma (2014) stated that due to the rapid growth of Indian economy, the annual income of the country’s middle class had also grown up to rupees 10 lacs per annum NCAER(National Council for Applied Economics and Research). Indian economic diversity consisted of a large number of middle class and lower class families. The lower and middle class income group contained more than 50 per cent of the Indian economic group. The saving and investment pattern of these middle and lower class group was affected the economy of the country. As the demand and supply affected majorly over their investment and saving pattern, these families which came under an annual barrier of rupees 2 lakhs to 5 lakhs also tend to save and invest after their major expenses. But it was seen that after the huge expenses, only a small amount was left for investments with these families but it was considered that they tend to save for tomorrow so that expenses of tomorrow can be met easily. These small investments reflected the risk bearing capacity of the Indian
financial groups. Gupta and Gupta (2014) studied the general factors considered by investors during their investment decision. The study revealed that large numbers of people were selecting stock markets as an option for investing their capital. It was found that people were able to seek proper advice before investing in shares and thus, at times suffer huge losses. Thus, to minimize the high risk carried by stock markets, people must seek advice from experts and must make final decisions under their guidance. It was also found that family trend is something that is found related to investments in equity. The study also found that the selection of broking firm that is chosen on the basis of good customer service provision and low broking charges. Large number of people are moved towards online methods of broking, since it was time saving as well as more secure.

Gupta et al. (2014) concluded that the public provident fund (PPF) is long-term savings instrument established by the central government offers tax concessions on savings as well as withdrawal after the lock-in period. It is backed by the government with the objective of providing old-age income security to the self-employed and those working in the unorganized sector. Though the scheme was voluntary, the assured return and tax deduction on savings has fuelled its popularity. The primary objective of saving of individuals in the PPF account was to avail tax deduction on deposits, guaranteed returns on investment and tax free withdrawal on maturity. Kumar and Goel (2014) reported that small investors had mutual funds on their top most priority for investing as it gave an opportunity to invest in a diversified, professionally managed portfolio at a low cost. Mutual funds offered multiple advantages to the investors like growth as the most important one along with regular income, liquidity, return, diversification and safety. Past performance of mutual funds greatly helped investors in making decision in addition to newsletters, brokers and sub brokers’ assistance. The study also revealed that private sector mutual funds have brighter future than the public sector one as majority of investors prefer and are satisfied with the performance of private mutual funds.
Lanjewar (2014) explored the preference of investors towards corporate bonds than equity shares and also studied the role of internal and external variables that influence their investments. It was revealed that people having their own ventures or businessmen prefer corporate bonds since a higher interest rate is offered as compared to fixed deposits, postal savings, etc. and if in any case the bond is listed, it can be easily sold in secondary market before its maturity. It was suggested that currently India needs stable, long term foreign direct investment while the lighter regulations on corporate bonds are attracting short term investments by people. It is required that India liberalizes its bond markets that would result in better pricing for credit and a better positive environment for foreign investors as well. Madhavi (2014) reported that insurance sector in India may be considered as one of the fastest growing sectors of the economy. Various factors had played major role in bringing major changes in the industry like continuously growing consumer class in India, increasing insurance awareness, increasing domestic savings and investments, etc. These factors greatly aided in driving the insurance products among the consumers. Maheshwari and Kumar (2014) reported that for salaried middle class families of India, investment was basically a commitment to secure the consumption of all regular financial inflow for deriving future income in the form of interest, dividend, rent, premium, pension benefits or appreciation of the value of their principle capital. It was found that most of the salaried investors of Coimbatore city know to make good investment decisions and only about one third of them lack proper knowledge about investments. Thus, if an extensive analysis of the behavioral patterns of the investors was done and it greatly assisted the government to design and launch various schemes like tax saving schemes or retirement benefit schemes to mobilize finance from salaried class investors.

Patil and Nandawar (2014) studied that the preferred investment avenue among salaried people and found that different people have different objectives of investing money such as profit, security, appreciation, income stability etc and were impacted by various factors to decide the avenue for investing
money. Mostly the concerns of salaried people was found to be safety and good returns on regular basis and were found to prefer bank deposits over other investment options. It was also that found in the study that sex is related with awareness and knowledge of the investment and males were found to be very well aware and the education qualification of people were not found to be related to the awareness. Purohit (2014) reported that the level of health inequality in India was very high. The system was such that it considered factors which affect rich urban population while treated the poor very badly.

Thus, in order to improve the situation and provide proper access of health care facilities to rural, low income and people of unorganized sector, the use of Community Based Health Insurance (CBHI) has been focused. It has been suggested that CBHI schemes would greatly assist in decreasing the catastrophic health experience of people in India and therefore, they must be designed, managed, offer packages and give economic and non-economic benefits to the enrolled individuals. Moreover, support from Government, NGO’s and donor agencies must be taken to extend the coverage and reach maximum number of needy people.

Singh (2014) stated that in a developing country, the economic security of a person should be monitored effectively through the financial literacy. The financial stability of an economy is based over the financial literacy and monitoring of financial resources, in both developing as well as developed country. In the country like India which owns second largest population in the world and literacy rate is also low than the expected, it had become nightmare to develop and persuade over financial literacy. But the financial literacy is need of the hour and on high demand in the country. Financial system of the country should be made stable by implementing various developmental strategies by RBI (Reserve Bank of India). It was also said that financial stability can only be achieved through effective financial literacy. Srivastava (2014) emphasized that investors preferred to invest their money in that investment avenue which provided them an opportunity to avail some tax exemption apart from other objectives of investment like better return, safety
on their investment, liquidity etc. There were various avenues available in the financial market such as Fixed Deposit, Public Provident Fund (PPF), National Savings Certificate (NSC), Insurance, tax saving mutual funds etc which provided tax rebate. These tax saving mutual funds known as Equity linked saving schemes (ELSS) provided tax exemption of the income invested in them u/s 80(c) of Income Tax Act 1961 other than the attractive benefits of mutual fund investment higher returns at low risk, safety, minimum investment, professional management and Transparency etc.

Trivedi and Trivedi (2014) stated that the financial system of the country acts as sole backbone of its economy. But it was found that the financial systems was helpful only when the working of it was understood properly by distributed total population of the country. For the country like India which has large number of illiteracy among the population, desired to improve the financial literacy among the uneducated people for any kind of financial product to become successful. It depicted that financial literacy should be measured with the level of financial knowledge, financial behaviour and financial attitude of the overall population in accordance with OECD (Organisation for Economic Cooperation and Development). The Aegon Retirement Readiness Survey (2014), informed that the retirement planning in India was strong but changes was made to improve it further. Indian people mostly associated retirement with positive terms and were quite confident that they would spend their retired life with pleasure, freedom and comfort. The major finding of the survey suggested that India was moderately ready for retirement and scores 7 out of 10 in the ARRI (Aegon Retirement Readiness Index) while ranks first in their global ranking. Thus, workers must be automatically enrolled into workplace pension arrangements that would greatly help in achieving private pension coverage. Moreover, simple savings and investments must be developed for aiding people in managing long term finances and also, national financial education program are needed to be organized for people to understand financial planning needs. Chitra and Jayashree (2015) explained that the major part of Indian economy is based on the commodity exchange. The study
explained that two-third of the Indian population out of 1.2 billion was directly dependent over the agricultural commodities. The commodity market offered a great potential for an investment opportunity. It consisted of base metals, crude, precious metals, energy and soft commodity such as palm oil, coffee, tea, coriander etc. Commodities were easy to understand as far as fundamentals of demand and supply were concerned. Thus, retail investors should understand the risks and advantages of trading in commodities futures before taking a leap.

Jatana and Barodawala (2015) revealed that in financial markets, expectations of investors had a major role to play. The study had impact over the price of securities, the traded volume, and helped in determination of many things in actual practice. It was studied and revealed that there were various factors that affected the choice of investors in retain to Mutual Funds investment in India. The most important one was found to be monetary returns followed by regulation attributes, customer support, promotional measures and market risk. These findings and recognition of the factors would greatly assist the mutual fund companies to understand the expectations of investors and design and launch products accordingly. Mathumitha (2015) stated in her study investors attitude towards post office savings schemes that investment culture referred to the attitudes, perceptions, and willingness of individuals, and institutions in placing their savings in various financial assets, more popularly known as investments or postal Savings. According to the study, postal savings systems provided depositors a safe and convenient method to save money and promoted saving among the small investors. A study on investors attitude towards post office savings schemes thus assumed a greater significance in the formulation of policies for the development and regulation of savings in general and protection and promotion of small and household investors in particular. It was extremely important for the policy makers and regulatory authorities to understand the investors’ perceptions and their preferences. Mitchell and Lusardi (2015) conducted a study on economic importance of financial literacy and also identified the gaps so that financial literacy can be increased. According to study, many people are financially literate round the
world and these individuals should consider financial knowledge as human capital as it had positive impact on savings and is related with sound decision making. Teaching training programs should be properly planned and individuals should be made aware regarding interest and loans as there is strong linkage between financial literacy and economic well-being.

Sharma and Agrawal (2015) suggested that mutual funds had emerged as an important segment of financial market and gained value to the investors. They studied the perception of investors on mutual funds and found that it was based upon demographic profile, investor’s age, marital status and his occupation as well. The study revealed that females and higher income group people had not been fully tapped by Mutual Fund companies and thus steps need to be taken to attract their investment in the industries too. It was also found that factors like liquidity, flexibility, transparency, service quality etc had impact over investor’s perception on public private MFs. Thus, fund managers were needed to focus on these features to attract and retain customers. Sharma and Prasad (2015) did a study to understand the investor’s behaviour regarding to their financial awareness and financial threat preferences. Regarding financial awareness, it was found that there had not been any significant relationship between their financial awareness and investment behaviour. Instead, the more the investors were found to be aware, the more they preferred to invest in only a specific category mainly including fixed deposits, gold and real estate. It was also found that there is no significant relation between investor’s behaviour and their threat preferences i.e. averse, moderate and aggressive investors do not differ as far as their investment behaviour is concerned. The study also found that there had been a strong relationship between financial awareness and financial threat preferences. More aware people tend to invest more in risky avenues and less in less risky avenues. Thulasipriya (2015) studied the investment preference of government employees on various investment avenues. It was found that salaried group irrespective of their age, annual income, occupation and marital status preferred the investment option that would provide the long term benefit and highly secured and profitable avenues.
The results of the study suggested that government employees of age above 50 years, female employees, unmarried people, employees having 3 to 4 family members, having monthly income up to Rs. 25,000, having expenses of more than 15,000 per month or employed in government hospitals was found to have high level of preference for making investments.

**Ferederic (2016)** stated that investment was the employment of funds with aim of achieving additional income of growth in value. The essential quality of investment was that it involves “waiting” for a reward. There were number of investment possibilities that prospective investors can think of. The study stated that different types of small saving included the national saving certificate, the post office saving bank deposits and the post office cash certificate. Individuals saving in the form of post office saving bank deposits was treated on a par with other bank deposits since they are a liquid as other deposits. **Jayapriya and Chandni (2016)** conducted a study on the awareness, preference and satisfaction of policy holders towards lic with special reference to Malappuram district revealed that at that time number of customers investing in LIC was increased rapidly due to various reasons. Some of them invested to get tax advantage, while some others did it for children education, children marriage, pension for future etc. The number of Life Insurance Corporation agents was also increased during that time and provided adequate services to their customers. This study found out the awareness level and satisfaction of customers towards various schemes of LIC was high.

**Stopler and Walter (2016)** conducted a study to measure financial literacy and also found out various determinants of financial literacy. This study did analysis on the basis of Mitchell 2008 big three questions in Germany. It was found that financial literacy round the world is low as compared to Germany as it topped in financial literacy round the world. Financial literacy varied from individual to individual on the basis of economies and demographic details. Financial literacy was low in transition economies than in industrial economies. The study also discovered that young and lowest income individuals usually
possessed low financial literacy. The study also revealed that advices related to financial literacy cannot substitute financial literacy but it can just act as support. Advisor advisee relationship was affected by conflicts which affected decision making in long term. Gentile et al. (2017) conducted a study to check perceived familiarity and past experience of financial products with financial literacy. The study used behavioral attitudes and personal traits for analysis. The study revealed that financial advices share positive relationship with financial literacy. Moreover, other determinants like overconfidence, education, monthly income, risk perceived had negative relationship with financial literacy and gender, age, asset ownership, and trust in institution had positive relationship with financial literacy.

Overall 126 studies were reviewed based on financial literacy and personal financial management and it was found that there is dire need of improvements in financial literacy in the country which can be done by imparting better financial education, workshops, financial literacy programs etc. The state of personal financial management is very critical in India. Individuals are doing investments and are trying to connect to formal sector too but still lack of awareness and planning was observed during the study. It was analyzed that individuals lacks financial planning and follow their family advices instead their financial literacy skills. Many studies has been done on saving and investment behaviour but concept of personal financial management was ignored. Personal financial management was swayed by various demographic factors like age, income, gender, marital status, educational qualification etc. Various studies has been done on Gujarat, Udaipur, Coimbatore, Delhi, Surat etc i.e. taking various states and cities into consideration. But regions of India as a whole was unexplored factor till now. Also, very few studies has been done taking monthly income into consideration. Hence, present research is an effort to fill some the gaps.
Rationale

The review of related literature revealed that financial literacy plays vital role as it forms important part of financial planning. Most of researchers focused on financial education and application of that in practical life. It is observed that personal financial management has recently gained attention in India as awareness needs to be created in individuals for financial planning as is required to achieve financial goals in life and have secured future. In India large number studies has been done financial literacy, mutual funds, insurance, real estate, stock market, commodity market but no significant researches were reported on impact of financial literacy on personal financial management and concept of financial planning was ignored taking all investment options into consideration and matching them with various life goals like retirement planning, planning for house debt extinguishment etc. This is a general perception that in India that financial literacy was found to be low so it did not guarantee adequate management of finances. The impact of financial literacy on personal financial management can either positive or negative. The review of related literature suggested that there was a very obvious need to investigate the impact of financial literacy on personal financial management and take up this study to fill the existing gap in the body of knowledge and to bring out important insights for practitioners.