



INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

A Study On Role Of Financial Literacy In Investment Decision And Retirement Preparedness

JAYASHREE S

PANIMALAR ENGINEERING COLLEGE

(AN AUTONOMOUS INSTITUTIONS)

JAISAKTHI EDUCATIONAL TRUST

BANGALORE TRUNK ROAD, VARADHARAJAPURAM, POONAMALLE, CHENNAI

ABSTRACT

The study examines the role of financial literacy in influencing investment decisions and retirement preparedness. A descriptive research design was used to understand the financial behaviours and awareness levels of individuals. The sample size for this study is 210. Primary data was collected through a structured questionnaire, and secondary data was gathered from journals and articles. Statistical tools used for data analysis like Mann-Whitney U test, Kruskal-Wallis H test, correlation analysis. The study aims to highlight the importance of financial knowledge in enabling individuals to make informed decisions regarding investments and prepare for a financially secure retirement.

Kyewords: Financial Knowledge, Retirement Preparedness, Investment Decision.

INTRODUCTION

In today's fast-evolving financial world, individuals are expected to make informed decisions about money throughout their lives. Two of the most important areas requiring careful planning are investments and retirement. Financial literacy—the ability to understand, manage, and apply financial information—is a key factor influencing these decisions. With numerous investment choices and increasing life expectancy, being financially knowledgeable is essential for long-term stability. Without proper understanding, individuals risk making poor financial choices, saving insufficiently, and facing uncertainty in their retirement years.

NEED OF THE STUDY

- To make informed financial decisions, individuals need the right knowledge due to the wide range of financial products and investment options available today.
- To ensure financial security in retirement, people must engage in proper financial planning as life expectancy increases.
- To avoid poor investment choices, excessive debt, and financial instability, financial literacy is essential.
- To prevent financial struggles in later years, individuals should start saving early and accurately estimate their retirement expenses.
- To safeguard their savings from inflation, people must have the necessary knowledge to account for its long-term effects.

OBJECTIVES OF THE STUDY

PRIMARY OBJECTIVE

A Study on Role of Financial Literacy in Investment Decision and Retirement Preparedness.

SECONDARY OBJECTIVE

- To analyze the current level of financial understanding among individuals.
- To investigate how financial knowledge affects investment choices.
- To study the role of financial awareness in preparing for retirement.
- To explore the link between financial literacy and personal saving and investment habits.
- To examine how factors like age, education, and income influence financial decision-making and retirement readiness.

SCOPE OF THE STUDY

This study focuses on understanding how financial literacy influences individuals' investment decisions and their level of preparedness for retirement. It covers the assessment of financial knowledge, awareness of

investment options, and the planning behavior related to retirement among the selected population. The research is limited to a specific geographic area or demographic group, such as working professionals, university students, or middle-income earners, depending on the study setting. It considers factors such as age, income, education, and occupation that may affect financial behavior. The scope includes evaluating how well individuals understand basic financial concepts like budgeting, saving, investment risk, and retirement planning tools. It also explores the challenges people face in managing their finances and planning for the future.

LIMITATIONS OF THE STUDY

- The study shows people's financial knowledge and behavior at just one point in time, but investment and retirement planning take place over many years.
- Using Google Forms or surveys might not give deep reasons behind why people make certain financial choices.
- Changes in the economy, government rules, or new financial tools can affect how people invest or plan for retirement in the future.
- The answers are from normal individuals, not financial experts, so some information may not be technically accurate.

REVIEW OF LITERATURE

Dr. Mukesh Kumar Mishra (2025) This paper qualitatively analyzes the retirement planning patterns and financial literacy in the district of Saharsa in Bihar. The primary objective of this research is to examine the linkage between retirement savings accounts and retirement planning in the context of retirement planning and financial literacy model processes. It was found that there are investing decisions which are greatly impacted by self-experiential socioeconomic and financial literacy and risks as well. In the literacy part of the India's financial development in the 21s century, especially in rural areas, the objective was to directly increase investment and savings through a well-structured and funded program. In emerging economies,

financial literacy is defined as the ability to manage money. With respect to development economics, it improves the quality of public policies and their efficient allocation. This research looks into the economic phenomena from the viewpoint of welfare economics. A few people are not aware of the general range of attitudes and behaviors in financial literacy and inclusion, who can do with little excess of leisure activities in Saharsa, Bihar. Findings from the survey show that survey respondents were concerned that they do not balance their financial resources optimally.

Serhiichuk S, Grebeniuk N, Nazarenko T, Parshakov V, Chasnikova O (2025) On the welfare of people around this globe, this study reveals how financial literacy holds in such importance. A person's capacity to manage income and expenses, invest in stocks or other potentially hazardous digital assets, and start saving for retirement is already greatly impacted by their financial knowledge and abilities. A country's health, as indicated by its per capita income at buying power equality, reveals some good relationship with financial literacy. The welfare condition of a given nation is also charged with creating more of its population's financial literacy. The high degree of awareness regarding economic issues such as inflation, purchasing power, and interest rates helps citizens plan savings, avoid indebtedness, and sustain an acceptable level of economic health. Some other influences act on financial literacy in the preparation for extrinsic economic variables such as reduction in income due to inflationary pressures and long recessions.

RESEARCH METHODOLOGY

Research methodology is a way of explaining how a researcher intends to carry out their research. It is a logical, systematic plan to resolve a research problem. A methodology details a researcher's approach to the research to ensure reliable, valid results that address their aims and objectives. It encompasses what data they are going to collect and where from, as well as how it is being collected and analysed.

RESEARCH DESIGN

Research design is the framework of research methods and techniques chosen by a researcher to conduct a study. The design allows researchers to sharpen the research methods suitable for the subject matter and set up their studies for success.

DESCRIPTIVE RESEARCH DESIGN

Descriptive research is adopted in this study. Descriptive research is a research method describing the characteristics of the population or phenomenon studied. This descriptive methodology focuses more on the "what" of the research subject than the "why" of the research subject. The method primarily focuses on describing the nature of a demographic segment without focusing on "why" a particular phenomenon occurs. This type of research provides a detailed and accurate picture of the characteristics and behaviors of a particular population or subject. By observing and collecting data on a given topic, descriptive research helps researchers gain a deeper understanding of a specific issue and provides valuable insights that can inform future studies.

DATA COLLECTION

Data collection is the process of collecting and analyzing information on relevant variables in a predetermined, methodical way so that one can respond to specific research questions, test hypotheses, and assess results. In this study, the data are collected through two different sources. They are:

- ❖ Primary Data
- ❖ Secondary Data

SAMPLING METHOD

Convenient sampling is a non-probability sampling method in which participants are chosen based on how easily accessible they are. Although it is quick and simple, biases can cause it to inaccurately represent the population.

SAMPLE SIZE: 210

STATISTICAL TOOLS

Research tools can be defined as the instrument in the hands of researchers what they indent

to in their study.

The collected data has been analysed by the following statistical tool.

- ❖ U Test
- ❖ H Test
- ❖ Correlation

MANN-WHITNEY U TEST

The Mann-Whitney U test, also known as the Wilcoxon rank-sum test, is a nonparametric statistical test used to determine whether there is a significant difference between two independent groups when the data is not normally distributed or when the assumptions of parametric tests are not met. It's often used when you have two groups and you want to compare their distributions or central tendencies.

The formula for calculating the Mann-Whitney U test statistic is:

$$U = \min(U1, U2)$$

Where,

U1 is the sum of ranks for one of the groups.

U2 is the sum of ranks for the other group.

KRUSKAL WALLIS H TEST

The Kruskal-Wallis H test, also known simply as the Kruskal-Wallis test, is a nonparametric statistical test used to determine whether there

are statistically significant differences among the medians of three or more independent groups. It is used when the assumptions of normality and homogeneity of variances, which are required for parametric tests like ANOVA, are not met.

The formula for calculating the Kruskal-Wallis H statistic:

$$H = \left[\frac{12}{N(N+1)} \sum [R_i^2/n_i] - 3(N+1) \right]$$

Where:

H is the Kruskal-Wallis H statistic

N is the total number of observations across all groups

$\sum$ denotes the sum over all groups

R_i is the sum of the ranks for group i

n_i is the number of observations in group i

CORRELATION

Correlation is a statistical concept that describes the relationship between two variables. When two variables are Correlated, it means that there is some degree of dependence or association between them. It indicates both the strength

and direction of the relationship between them.

$$r = \frac{\sum[(x_i - \bar{x})(y_i - \bar{y})]}{\sqrt{[\sum(x_i - \bar{x})^2 * \sum(y_i - \bar{y})^2]}}$$

Where,

- X_i and Y_i are the individual data points of variable X and Y

- $\bar{x}$ and $\bar{y}$ are the means (0028averages) of variables X and Y, respective

MANN-WHITNEY U TEST

Hypothesis:

H0: There is no significant difference between the mean rank of male & female with respect to Financial knowledge, Retirement Preparedness, Investment Decision and Risk and Return.

H1: There is a significant difference between the mean rank of male & female with respect to Financial knowledge, Retirement Preparedness, Investment Decision and Risk and Return.

Test Statistics^a

	Financial Knowledge	Retirement Preparedness	Investment Decision	Risk and Return
Mann-Whitney U	5.024E3	5.188E3	5.010E3	5.232E3
Wilcoxon W	9.974E3	1.014E4	9.960E3	1.145E4
Z	-1.085	-.711	-1.115	-.610
Asymp. Sig. (2-tailed)	.278	.477	.265	.542

a. Grouping Variable: Gender

INFERENCE

The p value (0.278) > 0.05, hence the null hypothesis is accepted. There is no significant difference between the mean rank of male and female with respect to financial knowledge.

The p value (0.477) > 0.05, hence the null hypothesis is accepted. There is no significant difference between the mean rank of male and female with respect to retirement preparedness.

The p value (0.265) > 0.05, hence the null hypothesis is accepted. There is no significant difference between the mean rank of male and female with respect to investment decision.

The p value (0.542) > 0.05, hence the null hypothesis is accepted. There is no significant difference between the mean rank of male and female with respect to risk and return.

SUGGESTIONS

- ❖ Integrate basic concepts of budgeting, saving, investing, and retirement planning into the academic curriculum.
- ❖ Organize sessions led by experts to educate people on managing finances, choosing investments, and planning for retirement.

- ❖ Encourage the use of mobile apps and online calculators that help track expenses, savings, and retirement goals.
- ❖ Share brochures, videos, or articles in local languages to explain financial concepts and investment options.

CONCLUSION

This study highlights the vital role financial literacy plays in shaping sound investment decisions and ensuring effective retirement preparedness. Individuals who possess a clear understanding of financial concepts are more likely to make informed choices regarding savings, risk management, and long-term financial goals. As the financial landscape becomes increasingly complex, the need for financial education becomes more pressing, especially among young adults and working professionals. Enhancing financial literacy can empower individuals to take control of their financial futures, reduce dependence during retirement, and contribute to overall economic stability. Therefore, integrating financial education into academic curricula, workplace programs, and community initiatives is essential. By fostering a financially aware population, we pave the way for smarter investment behavior and more secure retirement outcomes.

BIBLIOGRAPHY

Books Referred

- Research Methodology: Methods and Techniques by C.R. Kothari; New Age International Pvt. Ltd Publishers.
- Statistics for management: Fourth Edition by K. Subramani, A. Santha; Scitech publications (India) Pvt .Ltd. Publishers.

Journals Referred

1.Glenda M Senaya. (2025). Mitigating financial risks for entrepreneurs in emerging markets through financial literacy. *World*

Journal of Advanced Research and Reviews, 25(1), 602–620.

2.Hilyatin, D. L., Cipta Raharja, M., Azah, I. N., Nurhalimah, S., Fatimah, S. N., Febriaeni, R. L., & Riadi, R. S. (n.d.). *ABCD Approach In Financial Literacy Assistance of Sunyalangu Village Communities, Banyumas*.

3.Kumar Mishra, M. (n.d.). *Mishra, Mukesh Kumar Financial Literacy and Retirement Planning Trends: An Empirical investigation of Financial Planning in Saharsa District in Bihar Suggested Citation: Mishra, Mukesh Kumar (2025): Financial Literacy and Retirement Planning Trends: An Empirical investigation of Financial Planning in Saharsa District in Standard-Nutzungsbedingungen: Financial Literacy and Retirement Planning Trends: An Empirical investigation of Financial Planning in Saharsa District in Bihar*.

4.Milad Fathi Choubbeh Student, S., Barari Nokashti Assistant Professor, S., & Zolfaghari Assistant Professor, M. (2025). Prioritization of factors affecting behavior and financial literacy based on non-linear Bayesian approaches. In *International Journal of Finance and Managerial Accounting* (Vol. 10, Issue 39).

5.Serhiichuk, S., Grebeniuk, N., Nazarenko, T., Parshakov, V., & Chasnikova, O. (2025). The role of financial literacy in economic development. *Salud, Ciencia y Tecnologia - Serie de Conferencias*, 4.

6.Sharma, T., & Pokharel, A. (n.d.). *Financial Literacy and Investment Decisions: A Study of Salaried Individuals in Kathmandu*.