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**THE IMPACT OF FINANCIAL LITERACY ON FINANCIAL WELLBEING IN MUTUAL FUND INVESTMENT**

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Peer Review Information	Abstract
<p><i>Submission: 21 May 2025</i>  <i>Revision: 20 July 2025</i>  <i>Acceptance: 15 August 2025</i></p> <p><b>Keywords</b>  <i>Financial Literacy,</i>  <i>Financial Wellbeing,</i>  <i>Investment, Mutual Fund</i></p>	<p>The concept of financial literacy refers to the ability to comprehend and navigate the functional benefits of money. Strong financial literacy enhances an individual's drives, approaches and perception of different savings schemes, choices, opportunities, avenues, competencies, and investment preferences. Investment is functionalized with the objective of enriching return outcomes, whether in the limited period or the extended period. This research seeks to examine the financial literacy of mutual fund investors and the influence of financial literacy on their financial well-being in relation to mutual fund investments. A total of 136 respondents who invested in mutual funds in Chennai were selected for this study. The convenience sampling technique, which is a non-probability sampling method, was utilised to select the samples. The questionnaire serves as a tool for the study. The statistical tools employed to achieve the objectives include descriptive statistics and multiple regression analysis. Cronbach's alpha serves as a metric for assessing reliability and it is found as 83.7%. The data has been analysed using SPSS v25. The results show that mutual fund investors have a satisfactory level of financial literacy. It can be concluded that investors consistently prioritise the security of their capital when engaging in mutual fund investments. However, the investors acknowledged that they typically do not analyze and evaluate the tendencies of all financial products before investing in mutual funds, and they do not redeem their capital gain and component once they achieve their financial goals. The findings indicate that financial knowledge, behavior, and attitude positively influence the financial well-being of mutual fund investors. It is observed that the financial attitude, along with financial knowledge regarding mutual fund investments, has a greater predictive value for financial well-being.</p>

**INTRODUCTION**

Being acquaintance knowledge of financial literacy is essential about grasping how money functions. It hails a need to explore the channels in which individuals generate revenue, allocate their resources, oversee their financial patterns, and engage in savings/investing activities. Understanding the concept of finance and money is crucial, as achieving targeted objective

realization hinges on making informed financial choices. Financial literacy encompasses various activities designed to improve investors' knowledge, risk propensity return assurance, and calibers, enabling them to administrate their finances more efficiently and effectively. According to a global survey, India comprises nearly 20% of the world's population, yet 76% of its adult population lacks knowledge and basic knowledge fundamental financial concepts. Awareness and perception of finances is crucial for steering clear of monetary issues. An individual makes an investment now with the aim of reaping greater rewards in the near future.

There are numerous options available for investment, including stock market-direct equity, equity mutual funds, debt mutual funds, the National Pension Scheme, public provident funds, provident funds, bank fixed deposits, life insurance, real estate, company deposits, chit funds, post office schemes, bonds, gold, precious stones, and similar alternatives. Prior to making investments, individuals study the interconnection between risk and return associated with various options. The behavioural factors dominate a strategic role in structuring investment selections.

In gender particular, women are slowly at the same time strongly chimed in investment arena. Harriet Beecher Stowe expressed that women are the true builders of society. In today's world, women demonstrate a drive for work that is on par with men. They engage in their jobs, generate income, make investments, and provide for their family. Women typically prioritize saving for safety and security, as well as addressing financial emergencies. Consistent planned allocation of savings and investment will profoundly impact how an individual experiences life down the road. The role of women is also crucial to the comprehensive growth of the family, which encompasses financial advancement.

Investment involves parking funds with the intention of gaining some growth in the near future. Achieving long-term financial goal is nearby exploring various investment opportunities. It offers a variety of options within both financial and physical assets. Engaging in investment involves inherent risks; typically, stronger risks are associated with the potential for enriched returns. In essence, investing involves engaging in activities that carry significant risk in exchange for the potential of high returns. The level of achievement motivation and exuberance they provide influences our choices. Investing in different opportunities can lead to financial growth, whether in the short term or over a longer period. However, it's important to acknowledge the potential risk of losing money as well. Currency's effectiveness and heightened contentment provide fundamental support when making investment choices. Among the various investment options, a mutual fund stands out as a preferred choice because of its portfolio investment approach. While every investment carries its own risks, long-term investment offers the advantage of generating income at a compound rate.

Individuals who find themselves perplexed about their lucrative investments, particularly in mutual funds, are often the most comfortable with their choices. The mutual fund will make the investment directly on behalf of the investors. Although mutual funds began in 1980, the market remains relatively tiny considering the time that has mounted. In Bangladesh, mutual funds are facing challenges due to insufficient knowledge among small investors, despite being a reliable true choice for achieving sound return management.

Experts in the field are predicting that the entire market could grow to be ten times larger than the existing portfolio of 15,000 crores. Mutual funds in Bangladesh present a fresh opportunity for investment, drawing increasing interest from investors as this sector gains popularity in recent times. The success of an investment relies heavily on the optimistic mindset of investors and the steady, risk-adjusted performance delivered by skilled fund managers. The performance of funds, coupled with the oversight of regulatory bodies, is sure to catalyse significant growth in the mutual fund sector of Bangladesh. In this domain, a proficient portfolio manager manages investments in stocks, bonds, or the capital market, ensuring individual investors are well-informed, particularly considering the insights gained from previous market catastrophes. Establishing a reliable connection with retail investors is crucial for mutual fund authorities, as individuals are seeking secure investment options in banks, but the return rates are not keeping pace with inflation. It's the perfect moment to elevate and welcome them in.

### **Review of literature**

According to Swapna (2018), a mutual fund serves as an investment vehicle that aggregates funds from numerous investors to invest in various securities, including stocks, bonds, money market instruments, and other assets. Professional money managers run mutual funds, strategically

allocating investments to generate capital gains and/or income for the fund's investors. The importance of financial literacy has grown significantly in recent decades. A growing belief suggests that individuals must become more self-sufficient in today's world. Women in the 21st century seem to be highly capable and steadfast, refusing to settle for less when it comes to their own well-being and the security of their families. Sivaramakrishnan and Srivastava (2019) seek to explore the reason of risk avoidance and financial well-being impact the intention to park the funds in equity products. Risk avoidance, as a reflective construct, was assessed through a seven-item scale, while financial well-being, another reflective construct, was evaluated using a recognized eight-item scale.

Data from a survey targeting urban, retail, middle-class investors was gathered from four cities in India. The analysis proved that financial well-being and risk avoidance negatively impact the intention to invest in equity products. The findings concerning risk avoidance and investment propensity supports previous research. An unexpected discovery was that a sense of financial well-being or security does not encourage an investor to engage in the stock markets; instead, it appears to act as a barrier to participation in the market.

This indicates that financial institutions might need to emphasize the shortcomings of household financial security or employ alternative communication strategies to boost participation in the stock market. William et al. (2021) suggest that the sentiment of investors is usually represented by overall metrics. Nonetheless, it consists of identifiable components, such as fleeting feelings and personal evaluations of happiness. Our findings indicate that a period of fleeting happiness correlates with increased investments in mutual funds in the subsequent month. When evaluating the investment approach of funds, diverse effects come into play. Joy and a sense of well-being align with investments in growth funds rather than value funds. In the end, general indicators of sentiment might hide the subtleties of investor actions, which could influence asset prices based on different investment style inclinations. Prasad (2021), this study involved the analysis of a sample of 600 respondents, aiming to develop a model that connects retail investor behavior with investment decisions.

This study brought together three key dimensions—behavioral factors, socioeconomic factors, and financial literacy—to explore their influence on investment decisions. This research demonstrated that behavioral and socio-economic factors significantly influence investment decisions, both directly and indirectly, through the mediation of financial literacy. The understanding of finances and the assessment of risk contribute positively to making informed investment choices. VidhiSavaliya (2023), the role of financial services is vital in promoting economic growth, as they offer individuals and businesses essential access to capital, risk management solutions, and a variety of financial products. In this context, grasping the necessity and fostering awareness regarding financial literacy is crucial for the advancement of the financial sector. This article presents a research study that delves into the intricacies of financial literacy and its impact on investors' investment decisions.

This research aims to investigate the relationship between investors' financial knowledge and its impact on their investment behaviours, as well as the satisfaction they derive from their investment decisions. The study employs a convenience sampling approach to collect primary data from 100 respondents through a structured questionnaire. The findings from this research offer significant insights for financial institutions, financial planners, and investment advisors, aiming to improve public awareness and promote financial literacy. Ultimately, this can lead to better financial decision-making by individuals and corporations, highlighting the growth of the economy's backbone. Subhra Sengupta et al. (2023) explore the various factors that affect investment decisions made by postgraduate management students.

This examination delves into the relationship between financial knowledge and investment actions, emphasizing that those with greater financial understanding are likely to make more educated investment decisions. The research highlights several prevalent factors that deter individuals from investing, including the fear of loss, insufficient funds, and a lack of knowledge. The research indicated that stocks and mutual funds emerged as the preferred investment choices among the students who participated in the survey.

The main source of investment data has become online research, with financial advisors and family/friends following closely behind. Young adults need financial literacy education to make informed investment choices. ManshiDhiran et al. (2024), in the current fast-paced financial environment, marked by a plethora of complex products and detailed market dynamics, the

importance of financial literacy has reached unprecedented levels. This holds especially for university students, who are on the brink of joining the workforce and taking on increased responsibility for their financial health. This study explores the important connection between financial literacy and the investment habits of university students, seeking to illuminate how financial knowledge and comprehension impact their investment choices. The study looks at how these two ideas interact with each other in a complex way. The goal is to improve the creation of effective methods that help people understand money, find out how knowledge, attitudes, and skills related to money affect investment choices, and find out what factors lead to smart and responsible investment choices. This will empower students to make well-informed investment decisions, thereby paving the way for a more secure financial future.

### Objectives

Based on the above literature, it is pertinent to draw the major objectives to delineate the research to reach out broad solution

- To assess the impact and stratum of investor's financial literacy towards mutual funds.
- To identify the ramification and repercussion of financial literacy towards Mutual funds investment on financial wellbeing

### Hypothesis of the study

**H0:** There is no significant effect of financial literacy towards Mutual funds investment on financial wellbeing

### Methodology

This research focuses on examining the financial literacy of mutual fund investors and the influence of financial literacy on their financial well-being in relation to mutual fund investments. The study selected a total of 136 participants who invested in mutual funds in Chennai. The convenience sampling technique, which is a non-probability sampling method, was utilized to select the samples. A questionnaire serves as a tool for research purposes. The questionnaire is divided into three sections: the first section gathers personal information from the respondents, the second section includes scales that assess financial literacy, and the third section features scales related to financial wellbeing. The analysis focuses on examining the financial literacy levels among mutual fund investors through descriptive statistics. Multiple regression analysis examines how financial literacy influences financial well-being. Cronbach's alpha serves as a metric for assessing reliability. The data has been analysed using SPSS v25.

### Results and Discussion

The analysis shows a reliability of 83.7%, indicated by a Cronbach's alpha of 0.837. The analysis reveals that 61.2% of investors are men. Among them, 39.4% belong to the age group of 31-40 years. Additionally, 29.6% hold a graduate degree, while 59.7% are married. Moreover, 33.7% work in the private sector, and 33.2% earn between Rs.50,000 and Rs.1 lakh per month. This section explores a degree of understanding regarding financial concepts, behaviors, and attitudes related to investing in mutual funds. Descriptive statistics determine the level of financial literacy, and Tables I, II and III display the findings.

Table -I Perception on Financial knowledge

Statement	Mean	SD
Awareness about the Asset Management companies offering Mutual funds	3.96	1.176
Knowledge about all the services offered by Mutual funds	3.53	1.018
Sound selection of the right mutual fund to fulfill the investor's long term goal	3.99	0.809
Impact of the taxation aspects in mutual fund investment	3.49	1.049
Functional knowledge on methodology of SIP Application	3.78	1.216

Source: Primary data

Table- I illustrate how mutual fund investors perceive their financial knowledge. The mean values suggest that these investors possess a solid understanding of how to choose the appropriate mutual fund to achieve their long-term goals, which is a crucial element of their financial acumen. Furthermore, the investors acknowledged their understanding of asset management firms, the services provided by mutual funds, the tax implications of mutual fund investments, and the operation of systematic investment plans. The financial knowledge among mutual fund investors is commendable.

Table -II

Perception on Financial behaviour

<b>Statement</b>	<b>Mean</b>	<b>SD</b>
Return & Safety are the fundamental objectives of major investment	4.05	1.045
Diversified Equity Funds are preferred for savings in Equity Funds	3.36	1.292
Mutual fund achieves more beneficial returns than other opportunities	3.66	1.429
Mutual funds treated as the best avenue to park/allocate massive funds than other schemes	3.69	0.994
Expectation of good returns for the investment	3.18	0.978
Family distress and renouncement of spending due to mutual fund investment	2.9	1.032

Source: Primary data

Table-II indicates how mutual fund investors perceive their financial behavior, with the mean values suggesting that these investors exhibit commendable financial practices. Investors unanimously acknowledged that the primary objectives of their investments revolve around savings and safety, underscoring their importance in financial behavior. Furthermore, the investors expressed that they focus on a variety of equity funds, consistently seeking the most favourable options to invest their savings and anticipating strong returns on their investments. However, some investors thought the investment could tire them.

Table -III

Perception on Financial Attitude

<b>Statement</b>	<b>Mean</b>	<b>SD</b>
Evaluative aspect of all financial products before investing in Mutual funds	2.83	1.571
Preferential look for safety of capital investment in mutual fund investment	4.25	0.991
Pretense time to decide mutual fund investment	3.44	0.804
Preference of multiple funds to diversify portfolio allocation	4.14	1.003
Assessment of the fund's past performance before investment	3.91	0.971
Redemption of Investment when the financial goal is achieved/realized	2.83	1.169



Choice of Investment in mutual fund depends on cash adequacy and surplus after spending	3.59	1.539
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Source: Primary data

Table -III presents the views of mutual fund investors regarding their financial attitude, with the mean values suggesting that these investors maintain a positive financial outlook. Investors consistently prioritize the security of their invested capital when it comes to their mutual funds' investments. The investors indicated that they allocate their resources across various funds, carefully consider their mutual fund choices, evaluate the historical performance of the funds prior to making investments, and typically invest when they have excess capital available. However, the investors agreed that they frequently fail to assess the features of all financial products before investing in mutual funds, and they do not withdraw their investments once they achieve their financial goals.

This section explores how financial literacy encompassing knowledge, behavior, and attitude affects the financial well-being of mutual fund investors. We conducted a multiple regression analysis to examine the influence of financial literacy on financial well-being in relation to mutual fund investments, and Table IV presents the findings.

Null hypothesis H0: There is no significant effect of financial literacy towards Mutual funds investment on financial wellbeing

Table -IV

Effect of Financial literacy on Financial wellbeing

Financial literacy	R <sup>2</sup>	Beta	F-statistics	t- value
(Constant)	<b>0.569</b>	0.238	<b>33.214**</b> <b>(p=.000)</b>	3.394**
Financial knowledge	<b>Adjusted R<sup>2</sup></b>	0.236		6.351**
Financial behaviour		0.189		4.073**
Financial attitude	<b>0.561</b>	0.331		9.236**

\*\* Significant at 1% level

Table-IV reveals an F-value of 33.214, indicating the significance of the regression model and the rejection of the null hypothesis H0. The coefficient of determination of 0.589 indicates that the financial literacy variables account for 56.9% of the variability in relation to financial wellbeing. The findings show that financial knowledge, behavior, and attitudes positively influence financial well-being. An increase of one unit in financial knowledge, financial behavior, and financial attitude has resulted in improvements in financial well-being by 0.236, 0.189, and 0.331 units, respectively. We conclude that financial knowledge, behaviour, and attitude have a positive impact on the financial well-being of mutual fund investors. It is observed that the approach towards finances, combined with knowledge about them, plays a significant role in determining financial well-being in the context of mutual fund investments.

## Conclusion

This study explored the financial literacy levels among mutual fund investors. We have also investigated the impact of financial literacy on the financial well-being of mutual fund investors. The findings indicated that the financial literacy level among mutual fund investors is considered strong. The understanding of investors has validated that their ability to choose the appropriate mutual fund to achieve their long-term objectives is a crucial element of their financial literacy. Investors unanimously acknowledged the centrality of savings and safety as the fundamental goals of their investments, underscoring their crucial role in financial behaviour. Nonetheless, some investors believed that at times, the investment could become a burden for them. We can conclude that investors consistently prioritize the security of their invested capital when it comes to their mutual fund investments. However, the investors agreed that they frequently fail to assess the features of all financial products before investing in mutual funds, and they do not withdraw their investments once they achieve their financial goals. Research indicates that understanding finance, behavior toward money, and overall attitude significantly contribute to the financial well-

being of mutual fund investors. It is observed that the approach to finances, along with understanding financial concepts in mutual fund investments, has a greater impact on overall financial well-being. It is concluded that strong financial literacy contributes to the financial well-being of investors in mutual funds.

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