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Financial Literacy and Investment Preference of Rural People in Himachal Pradesh

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Abstract

The present study focuses on determining the financial knowledge (literacy) of people living in rural areas of Himachal Pradesh in Shimla district.The data from 500 respondents was collected and it found that the majority of the respondents are engaged in Agriculture/Horticulture and rest of the respondents have their own business followed by service class and other sources of income. The respondents were asked about different questions related to financial literacy like saving Bank Deposits, Post Office Saving Schemes, Mutual Funds, Life Insurance, Stock market etc. to determine the financial knowledge (literacy) of the respondents. The study also measured the effect of financial literacy of the respondents on their investment preference using t-test and the impact of qualification of the respondents on the investment preference using ANOVA.

Keywords: Financial Knowledge, Investment preference

1.Introduction

1.1 Introduction to finance

Finance is a wide term which includes two related activities. One of the activities is management of cash and the steps to be taken to acquire the required funds. All individuals, business houses and government require funds for operating their activities. The finance is backbone of everyone whether individual, business or government. In view of this it is divided into three sub-heads i.e. personal finance, corporate finance and public finance.

1.2 Objectives of finance

Funds are mainly obtained for investment in the business. These funds must be duly protected and conserved. The maximum use of these funds is to be made. The main objectives of finance are as follow:

1. Procurement of money needed by business;
2. Keeping and increasing the invested money through sound financial policies and programme;
3. Generating income or profit for the business;
4. Financial planning, forecasting of cash receipts and disbursements cash flow statement;
5. Raising of funds, either equity capital or fixed interest capital which includes both preference share capital and loan capital (securing of funds);
6. Use and allocation of funds (administration of funds); and
7. Financial controls (budgets and other controls).

1.3 Indian Financial System

A financial system is a system which allows exchange of funds between lenders, investors and borrowers. These systems operate at national, global, and firm-specific levels. These include complex, closely related services, markets, and institutions intended to provide an efficient and regular linkage between investors and depositors. Money, credit and finance are used as medium of exchange in the financial systems. These serve as a medium of known value for which goods and services can be exchanged in place of barter. A modern financial system includes banks, financial markets, financial instruments, and financial services. Financial systems allow allocation of funds, investment or involvement between economic sectors.

1.4 Financial Literacy

Literacy is traditionally known as the ability to read, write, and use arithmetic. In present days the meaning of literacy has been widened to include the ability to use language, numbers, images, computers, and other basic means to understand, communicate, gain useful knowledge and use the dominant symbol systems of a culture. The concept of literacy is expanding in OECD countries to include skills to access knowledge through technology and ability to assess complex contexts. United Nations Educational, Scientific and Cultural

Organization (UNESCO 2004)defines literacy as the “ability to identify, understand, interpret, create, communicate and compute, using printed and written materials associated with varying contexts. Literacy involves a continuum of learning in enabling individuals to achieve their goals, to develop their knowledge and potential, and to participate fully in their community and wider society”.

The Oxford English Dictionary (1952) defines literacy as the quality or state of being literate; knowledge of letters; condition in respect to education, ability to read and write.

Financial literacy means the possession of knowledge and understanding of financial matters and is mainly used in connection with personal finance matters. Financial literacy often entails the knowledge of properly making decisions pertaining to certain personal finance areas like real estate, insurance, investing, saving, tax planning and retirement. Financial literacy in rural areas is comparatively lower than urban and metropolitan areas. Financial information and financial knowledge is important for rural people because the minimum financial literacy is needed for effective financial decision making and money management.

Financial literacy is defined as the ‘ability of an individual to make informed judgments and to take effective decisions regarding the use and management of money ASIC (2003)and Noctor, Stoney and Stradling (1992). More inclusive definition was published in the Journal of Financial Service Professionals which indicated that personal financial literacy is the ability to read, analyse, manage and communicate about the personal material well beingAnthes (2004). Many definitions have been in case of financial literacy a few important considerations have been made in the present study which includes individual level of financial literacy, various demographic, socio-economic and cultural factors which affects the financial literacy. Financial literacy has assumed greater importance in the recent years, as financial markets have become increasingly multifaceted and as there is information unevenness between markets and the common people because of which a person finds it very difficult to take good financial decisions. It is an important tool for promoting financial stability therefore developed and developing countries are focusing on programmes for financial literacy.

1.5 Importance of financial Literacy

Financial literacy is very important in the present days. The importance of financial literacy is highlighted due to the awareness regarding the level of financial literacy and investment decisions of the investors. Financial literacy is important for budgeting, dependency on parents, economic benefits and social responsibility, be wary of choices and retirement planning.

2. Review of Literature

The various studies have been reviewed carried out by the both India and foreign researchers during the previous year in order to find out the research gap. Financial literacy is yet to receive enough attention among people especially in rural areas of Himachal Pradesh but there has been growing attention in the recent past. Financial literacy has been studied in different countries from different aspects i.e. from basic, intermediary level and advanced level.The various studies have shown that financial literacy does not mean that a person would be able to make the right financial decision, as that person may not be familiar with the financial awareness of the financial construct or particular instrument Marriott and Mellett (1996).

Chen & Volpe (1998) in their study examined the "Financial literacy among women" and found that although women learn personal finance from their parents, yet women are less knowledgeable than man. They claimed that average women know less about personal finance as compared to men. The women score lower than men in 22 out of 36 questions and earn a higher score in only 1 question. They concluded that women score lower because they either do not know the basic fact, terminology, or concept or personal finance or they do not perform well in mathematics related questions.

Vitt et al., (2000) in his study on "Meaning of financial literacy and its application in finance" defined financial literacy as the ability to read, interpret and analyze, manage the money, communicate about the personal financial condition that affect material well-being, compute, develop independent judgments, and take actions resulting from those processes in order to thrive in our complex financial world. It includes the ability to discern financial choices, discuss money and financial issues without discomfort, plan for the future, and respond competently to life events that affect everyday financial decisions including events in the general economy.

Chen &Volpe (2002) in their study on “Financial literacy among college students” concluded that there are gender differences in personal financial literacy among college students and females were less financially literate than their male counterparts even after controlling other factors. However, they found that major field of study had a significant effect on financial literacy of both males and females. They opined that business majors were likely to know more about personal finance than non-business majors. They also found that males have placed themselves at higher rank regarding financial literate as compared to females, and more males ranking personal finance as an important subject than females. The study showed positive relationship between age and most of the behavioral indicators for age group between 25-34 years while no such association was found for the age group between 18-24 years. The household income also showed a relatively strong positive association with financial control such as having savings and investments. The education was also found crucial in choosing financial products and staying informed.

Bernheim and Garrett (2003) in their study on “Importance of financial education in schools or in workplace in financial literacy” showed that those individuals who are exposed to financial education in high school or in the workplace save more than those individuals who are not exposed to such education at this level.

Lusardi (2004) in his research paper on “Impact of financial education programmes on financial literacy” concluded that financial education programmes for older people have positive impact on their wealth after retirement. The study also showed that retirement seminars and programmes can increase the level of their savings and assets majorly for those who are less educated and whose savings are on lower side.

Lusardi and Mitchell (2007) conducted a study on “Impact of financial literacy on retirement planning”. The study indicated that those who display low financial literacy are less likely to plan for retirement and as a result accumulate much less wealth.

Suman Chakraborty and Sabat Kumar Digal (2011) conducted a study on “Saving and investment behaviour of individual households” to identify the objectives of saving among individual investors and to find out the most preferred investment avenue of retail investors. They found that majority of the individual investors has an objective of saving and investment for the purchase of an assets whereas salaried and self-employed individuals save more for their post retirement life. It was concluded that the most preferred investment avenue for male respondents is fixed deposit in banks and investment in real estate whereas female respondents prefer to invest in bullions and real estate as well. The small saving schemes like national saving certificates (NSC), public provident fund (PPF), Indian post office saving schemes, etc., are also being preferred as investment instrument by both male and female respondents.

N. Geetha and M. Ramesh (2011) conducted a study on “People’s preferences in investment behaviour”. The study has been undertaken to analyse the investment choice of people in Kurumbalur. It revealed that the respondents are aware of about various investment choices like fixed deposits, post office savings, life insurance policies and public provident fund but they are not aware of about stock market, equity, bond and debentures. It was concluded that the perception of respondents is varied due to diversity in social life, living pattern, income level etc. as the respondents of all age groups give more importance to invest in Insurance, NSC, PPF and bank deposits. The study also found that income level of the respondents is an important factor which affects the portfolio of the respondents.

Brahmabhatt, P.S Raghu Kumari and ShamiraMalekar (2012) conducted a study on “Investor behavior on investment avenues” in Mumbai to determine the investment behavior of investors and investment preferences of the investors. The study revealed that majority of the investors like to invest in stock markets as compared to any other market, even if they are incurring losses. The investors also give preference to savings and safety of their money but they also want higher interest at low risk in short span. It was concluded that majority of the investors possess higher education like graduation and above, they also opt for two or more sources of information while making investment decisions and the investors also discuss with their family and friend before making an investment decisions.

MeenakshiChaturvedi and ShrutiKhare (2012) conducted a study on “Study of Saving Pattern and Investment Preferences of Individual Household” to determine the investment pattern and awareness of Investors about different investment instruments like bank deposits, savings, life insurance mutual funds, shares etc. The results of the study showed that 50 percent of the respondents have given preference to bank deposits as the most preferred investment product, 36 percent of the respondents have chosen small saving scheme, 34 percent respondents preferred life insurance policies followed by company deposits by 24.5

percent respondents, mutual fund by 23 percent respondents, bullion with 19 percent respondents and real estate with 25 percent respondents. The study also analysed the investment objective of the investors and found that majority of the respondents have chosen safety of their investment as their first investment objective followed by income earned on their investments. The researchers also analysed the saving pattern of the respondents and found that majority of the respondents were able to save from their annual income and is in position to make investment in different avenues which are available for them.

Carlo de BassaScheresberg (2013) in his research paper on “Financial literacy and financial behavior among young adults in United States” showed that only 34 percent of the respondents were able to answer the literacy questions correctly and this shows that the level of financial literacy is low especially among women and people from minorities. The study also revealed that the level of financial literacy is very low even among respondents with high level of schooling. It analyzed how financial literacy relates to financial behavior of the respondents and found three important variables, i.e. use of high cost borrowing methods, having a stock of precautionary savings and planning for retirement which affect the financial behavior of the respondents.

DeerajenRamasawmy, SavilaThapermall, S. AnoopDowlut and Mootooganagen Ramen (2013) conducted a study on “Level of awareness of financial literacy” to find out the level of awareness of financial literacy among management students at university of Mauritius. It was revealed from the study that the overall level of financial literacy in terms of knowledge and skill is satisfactory but it is more among males as compared to female management students. The study measured the relationship between age, gender and programme of study with financial literacy level using Chi-square test and found that at 5 percent level of significance only age and financial literacy have a significant relationship whereas gender and programme of the study do not have any significant relationship with financial literacy.

PuneetBushan (2013) in his research on “Relationship between financial literacy and investment behavior of salaried individuals” determined the awareness level and investment behavior of salaried individuals of Himachal Pradesh towards financial products. It was observed that only 24.6 percent of the total respondents had invested in pension funds, 77.7 percent people had invested in life insurance and 39.1 percent respondents invest in public provident fund. The researcher concluded that respondents were quite aware about the traditional and safe financial products whereas awareness level of new age financial products among the population was low.

MeghaGoyal and Anukrati Sharma (2014) in their research paper on "Investment behavior of middle income group towards different kinds of investment avenues" examined the most preferred investment instruments among the respondents of the study. They found that bank deposits, post office deposits, public provident fund and life insurance policies are the most preferred investment instruments among the respondents due to less risk and satisfactory return whereas the share market is the least preferable investment instrument of the respondents. This may be because of less knowledge and misconception regarding share market. The study also examined the factors which influence the investment decision of the investors and found that risk bearing capacity, relatives, friends and family members are the major factors which influence the investment decisions of the investors to a great extent.

M. Sethupathi and S. Banumathi (2017) in their study on "Rural investors awareness and financial inclusion status in India" concluded that the awareness of rural household investors is limited to the traditional saving and investment avenues like bank saving, holding insurance policy, investment in equities, gold or in land/building. These investors do not have much knowledge about modern investment avenues and this may be due to lack of financial knowledge about various financial products. The results of the study also show that safety of money is the primary factor that has influenced the rural investors to save, followed by children's education and construction of houses. The researchers have suggested that along with financial inclusion; proper measures should be undertaken by the banks to increase the level of financial literacy among rural investors and for this purpose the banks should focus on communication and technology empower people in the area of financial literacy.

3. Objectives

The following objectives are framed for the fulfilment of the study:

1. To determine the level of financial knowledge of rural people in Himachal Pradesh.
2. To study the effect of financial literacy level on the investment preference towards financial products in Himachal Pradesh.

4. Research Design

Research design is mainly an arrangement of data collection and analysis of data in a manner that aims to combine relevance to the research purpose. It is a blue print for the collection, measurement and analysis of data. For the present study exploratory and descriptive research design methods have been used, where in researcher has explored the financial literacy level of investors and then described effect of financial literacy level on the investment preference towards financial products. To accomplish the above stated objectives of the present study both primary and secondary data has been be collected through books, journals, websites etc and pre-tested questionnaire.

4.1 Sampling

There are two methods to carry out the research. One of these two is census method and the other is sampling method. The census method is used to collect the information regarding population but generally sampling method is used to select the respondents for carrying out research. In the present study sampling method is used to determine the size of sample for collection of data and to make analysis to draw inferences. Sampling plan means a method which is decided before the survey is undertaken for selecting the objects out of the universe. It refers to the technique or the procedure a researcher adopts in selecting a sample and the sample size.

In order to fulfil the objectives of the present study the non-probability convenience sampling technique has been used. In convenience sampling technique, the researcher chooses the sampling units as per his/her convenience. A sample of 500 individuals from rural areas of Shimla district in Himachal Pradesh has been selected using convenience sampling technique. These 500 respondents belong to service class, small businessmen's, agriculturalist, housewives etc. The income of these respondents also varies.

4.2 Data Collection

There are two sources of data which are used i.e. primary and secondary sources. To get insight into the research area and to develop the theoretical framework and hypotheses the data was collected through secondary sources. A questionnaire was designed which has been used for the purpose of data collection for the present study.

4.3 Research Methodology

Research methodology is a way to systematically solve research problem Kothari (1999). A system of models, procedures and techniques used to find the result of a research problem is known as Research Methodology Panneerselvam (2010). To fulfil the first objectives of the study simple percentage method has been used where only those respondents were considered financially literate who had given at least 60 % of the answers correctlyPallavi Seth et.al.(2010). To achieve the second objective of the study ANOVA (F-test) and t-test has been used.

5. Data Analysis and Interpretation

The primary data collected through structured questionnaire from a sample of 500 respondents of Shimla district of Himachal Pradesh has been arranged under different tables based on demographic profile, financial knowledge (literacy) and effect of financial literacy level on the investment preference towards financial products.

5.1 Demographic Profile of Respondents

5.1.1 Gender of Respondents

The general profile of the respondents with regards to their gender is presented in Table 5.1. It is evident from the table that equal number of respondents i.e. 50 percent each of the total respondents is male and female respectively.

Table 5.1
Classification on the basis of Gender of Respondents

Gender	N	Percentage
Male	250	50.00
Female	250	50.00
Total	**500**	**100**

Source: Based on primary data collected through questionnaire

5.1.2 Age of Respondents

Table 5.2 shows the age group of respondents. It is evident from the table that in terms of age majority of respondents, i.e. 34 percent of the total 500 respondents are in the age group of 26 – 40 years and which are followed by 30 percent respondents who belong to the age group of less than 25 years. 20 percent of the total respondents, i.e. 100 are from the age group of 41 to 60 years and remaining 16 percent respondents are in the age group of above 60 years.

Table 5.2

Classification on the basis of Age of Respondents

Age	N	Percentage
Less than 25 Years	150	30.00
26 to 40 Years	170	34.00
41 to 60 Years	100	20.00
Above 60 Years	80	16.00
Total	**500**	**100**

Source: Based on primary data collected through questionnaire

5.1.3Annual Income of Respondents

The classification of respondents on the basis of annual income and the results are presented in Table 5.3. It can be observed from the table that majority of respondents i.e.230(46 percent) out of the total 500 respondents have their annual income up to Rs. 1 lakh followed by 38 percent respondents whose annual income is between Rs. 1 to 3 lakh. Only16 percent of the respondents are having their annual income in the bracket of Rs. 3 lakh and above.

Table 5.3
Classification on the basis of Annual Income of Respondents

Annual Income	N	Percentage
Up to Rs. 1 Lakh	230	46.00
1 Lakh to 3 Lakh	190	38.00
3 Lakh & above	80	16.00
Total	**500**	**100**

Source: Based on the primary data collected through questionnaire

5.1.4 Marital Status of Respondents

The marital status of the sample respondents has been shown in Table 5.4. It is evident from the table that 300 respondents i.e. 60 percent out of the total 500 respondents, are married and only 48 percent, i.e. 200 respondents, are having unmarried status.

Table 5.4
Classification on the basis of Marital Status of Respondents

Marital Status	N	Percentage
Married	300	60.00
Unmarried	200	40.00
Total	**500**	**100**

Source: Based on data collected through questionnaire

5.1.5 Qualification of Respondents

The classification of respondents on the basis of their educational qualification is presented in Table 5.5. It shows that the majority of respondents i.e. 210 (42 percent) out of total 500 respondents are graduate which are followed by undergraduate i.e.26 percent and postgraduate i.e.18 percent of the total respondents. The remaining 14 percent of the respondents are in other category which includes illiterate, 10 pass, plus 2 pass or having some professional qualification.

Table 5.5
Classification on the basis of Qualification of Respondents

Education	N	Percentage
Undergraduate	130	26.00
Graduate	210	42.00
Post Graduate	90	18.00
Others	70	14.00
Total	**500**	**100**

Source: Based on primary data collected through questionnaire

5.1.6 Occupation of Respondents

Table 5.6 shows the classification of the respondents on the basis of their occupations. It is evident from the table that majority of the respondents i.e. 260, (52 percent) out of the total 500 respondents are engaged in Agriculture/Horticulture. 18 percent of the total respondents are having their own business while 14 percent of the total respondents are employees in government/ semi government / private sector. The remaining 16 percent of the total respondents are having some other sources of income like labour work, NREGA employment etc.

Table 5.6
Classification on the basis of Occupation of Respondents

Occupation	N	Percentage
Employee (Govt./Semi Govt./Private)	70	14.00
Business	90	18.00
Agriculture/Horticulture	260	52.00
Others	80	16.00
Total	**500**	**100**

Source: Based on primary data collected through questionnaire

5.1.7 Type of Family of Respondents

There are two types of families i.e. nuclear and joint. The classification of respondents according to the type of their family has been presented in Table 5.7. It is clear from the table that majority of respondent's i.e.70 percent of the total respondents are living in joint families and only 30 are having nuclear families.

Table 5.7

Classification on the basis of Type of Family of Respondents

Type of Family	N	Percentage
Nuclear	150	30.00
Joint	350	70.00
Total	**500**	**100**

Source: Based on primary data collected through questionnaire

5.2 Financial Knowledge (Literacy) of Respondents

One of the major objectives of the research was to access the financial literacy of the respondents. In order to access the financial literacy respondents were asked to answer some multiple choice questions related to the financial products.

The respondents were asked 12 questions in all and the list of questions along with the correct & incorrect answers is presented in Table 5.8. To access the financial literacy among the respondents, the correct answers given by each respondent were counted and it was inferred that the respondent is financially literate in case he has scored more than 60 percent i.e. more than 7 correct answers.

Table 5.8

List of Questions Asked to Measure Financial Knowledge (Literacy) of Respondents

S. No.	Questions for Financial Literacy	Correct Answer	Incorrect Answers
1	Savings Account is opened in	Post office & Banks	Only Post office, Only Bank, LIC, No idea
2	Interest rates on Saving Account	4% p.a	3% p.a, 5% p.a, 6%, Can’t say
3	Life Insurance is for	All	Only Saving, Only Investment, Only Risk Cover, No Idea
4	Nominations is valid in case of	All	Only Saving account, Only PPF, Only life insurance, No idea
5	Income Tax Benefit in Fixed Deposit	Are Applicable	Are not Applicable, No Idea
6	Minimum Periods for Investing in Fixed Deposit	15 days	1 year, 5 years, 7 days, Can’t say
7	Nomination in Savings Account & Bank Fixed Deposit	Are done	Not Done
8	Use of Post Office for Savings	All	Can be opened with small amount, Risk Free, Easy withdrawal, Don’t know
9	Minimum Amount to be deposited in PPF in a year is	500	200, 1500, 1000, Can’t say
10	Tax Benefit in NSC	Are Applicable	Are not Applicable, Can't Say
11	Nominations in NSC can be	Done	Not Done, Can't say
12	Maturity period of NSC	5 Years	8 Years, 15 Years, 12 Years, Can't Say

The data related to the correct number of answers given by the respondents is shown in Table 5.9. It can be seen from the table that only 7.80 percent of the total respondents have given all the correct answers and 31 percent respondents have given correct answers between 7 to 11. It is evident from the analysis that 38.80 percent of the sample respondents are financial literate whereas majority of the respondents, i.e. 61.20 percent of the sample respondents are financial illiterate as they have given less than 60 percent correct answers.

Table 5.9
Classification on the basis of Financial Knowledge (Literacy) of Respondents

Number of Questions	N	Percentage
All 12	39	7.80
7 to 11	155	31.00
Less than 7	306	61.20
Total	**500**	**100**

Source: Based on primary data collected through questionnaire

5.3 Impact of Financial Literacy on the Investment Preference towards Financial Products

5.3.1 Impact of Financial literacy on the Investment Preference towards Financial Products using t-test

The impact of financial literacy on the investment preference towards different financial products, such as post office saving account, National Saving Certificate (NSC) and other saving certificates scheme, bank deposits, insurance, mutual funds and Public Provident Fund (PPF) account has been measured with the help of t-test and the testing was made at 5 percent level of significance. The following hypothesis has been formulated for this purpose

H_0: There is no significant impact of financial literacy level on the investment preference towards financial products in Himachal Pradesh

H_A: There is significant impact of financial literacy level on the investment preference towards financial products in Himachal Pradesh

To measure the Impact of Financial Literacy on the Investment Preference towards Financial Products, t-test is applied on the data collected through questionnaire and the results are presented in Table 5.10.

Table 5.10
t-test results to measure the Impact of Financial Literacy on the Investment Preference towards Financial Products

Investment Preference	Financial Literacy	Mean	S.D.	t-values	P-value	Result
Post Office Saving Account	Yes	2.94	0.35	2.2105	0.0275	**Significant**
	No	2.86	0.42			
NSC and Other Saving Certificates Scheme	Yes	2.85	0.92	2.9597	0.0032	**Significant**
	No	2.59	0.98			
Bank Deposits	Yes	2.81	1.09	1.9803	0.0482	**Significant**
	No	2.73	1.01			
Insurance	Yes	2.41	1.18	2.4978	0.0128	**Significant**
	No	2.16	1.03			
Mutual Funds	Yes	1.58	0.85	2.3715	0.0181	**Significant**
	No	1.38	0.96			
PPF Account	Yes	2.12	1.06	7.8479	0.0001	**Significant**
	No	2.01	0.99			

Source: Based on primary data collected through questionnaire, Level of Significance = 5%

It is evident from the table that the p-value is less than the level of significance, i.e. 0.05 which shows significant results. In case of post office saving account the p-value is 0.0275 which is less than the level of significance, i.e. 0.05. Similarly the p-value for National Saving Certificates (NSC) is 0.0032 which is also less than 0.05 and so on for other preferences towards financial products. In view of this the null hypothesis, i.e. there is no impact of financial literacy level on the investment preference towards financial products in Himachal Pradesh is rejected in all cases. Hence, it can be concluded that financial literacy level affect the investment preference towards financial products.

5.3.2 Impact of qualification of respondents on their investment preference

The impact of qualification of respondents on their investment preference, i.e. post office saving accounts, National Saving Certificates (NSC) and other saving certificates scheme, bank deposits, insurance, mutual funds and Public Provident Fund (PPF) account has been tested with the help of ANOVA. In order to measure the impact of qualification of respondents on their investment preference, the following hypothesis has been framed:

H_{01}: There is no significant impact of qualification on investment preference of rural people in Himachal Pradesh

H_{11}: There is significant impact of qualification on investment preference of rural people in Himachal Pradesh

The results after application of the test are presented in Table 5.11.

Table 5.11
ANOVA test result to measure the impact of qualification of respondents on their investment preference

Investment Preference		Qualification				F-Value	p-Value	Result
		Undergraduate	Graduate	Post Graduate	Others			
Post Office Saving Account	Highly Preferred	122	208	58	61	0.245	0.862	Not Significant
	Moderately Preferred	8	2	32	7			
	Not at all Preferred	0	0	0	2			
Total		130	210	90	70			
NSC and Other Saving Certificates Scheme	Highly Preferred	101	157	64	66	0.485	0.701	Not Significant
	Moderately Preferred	24	31	15	1			
	Not at all Preferred	5	22	11	3			
Total		130	210	90	70			
Bank Deposits	Highly Preferred	101	189	66	52	0.344	0.794	Not Significant
	Moderately Preferred	14	17	19	15			
	Not at all Preferred	15	4	5	3			
Total		130	210	90	70			
Insurance	Highly Preferred	21	145	61	8	0.885	0.488	Not Significant
	Moderately Preferred	61	40	21	43			
	Not at all Preferred	48	25	8	19			
Total		130	210	90	70			
Mutual Funds	Highly Preferred	5	16	35	6	0.479	0.705	Not Significant
	Moderately Preferred	19	25	31	26			
	Not at all Preferred	106	169	24	38			
Total		130	210	90	70			
PPF Account	Highly Preferred	14	85	76	16	1.52	0.281	Not Significant
	Moderately Preferred	31	58	11	15			
	Not at all Preferred	85	67	3	39			
Total		130	210	90	70			

Source: Based on primary data collected through questionnaire, Level of Significance = 5%

It can be observed from the table that no significant difference exists in the investment preference of respondents with respect to their qualification as the p-value is greater than the level of significance, i.e.0.05. Hence, it is concluded that the null hypothesis is accepted which means that the respondents' investment preference does not differ according to their qualification.

6. Findings and Conclusions

On the basis of the data collected and analysed the following results have been found and concluded:

The demographic profile of the respondents includes gender, age, annual income, marital status, qualifications, occupation and type of family of the respondents. The simple percentage method has been used for the analysis of demographic profile. The analysis of gender of respondents is equal in number i.e. 50 percent male and 50 percent female. Majority of the respondents i.e. 34 percent are in the age group of 26-40 years and only 16 percent are in the age group of above 60 years. Majority of the respondents i.e. 46 percent of total respondents have annual income up to Rs 1 lakh whereas only 16 percent respondents have income of Rs 3 lakh and above. 60 percent of the respondents are married whereas 40 percent are unmarried. 42 percent of the respondents are graduates followed by 26 percent and 18 percent under graduate and post graduate respectively. The main occupation of 52 percent of the total respondents is agriculture/horticulture and only 14 percent respondents are employees in the government/ semi-government/ private sector. 70 percent of the respondents are still leaving in a joint family and only 30 percent have a nuclear family.

In order to analyse the financial knowledge (Literacy) of respondents a list of questions has been used and the simple percentage has been used. The respondents were asked 12 questions as has been given in Table 5.8. It is evident from the analysis that 61.20 percent have given correct answers foe less than 7 questions which is less than 60 percent of the total questions. Only 7.80 percent of the respondents have given all the correct answers and 31 percent of the respondents have given correct answers between 7 to 11. It shows that only 38.80 percent of the respondents are financial literate.

In order to measure the impact of financial literacy on the investment preference towards the financial products has been measured with the application of t-test. The results shows that the p-value between financial literacy and investment preference towards different financial products, i.e. post office saving account, National Saving Certificates (NSC) and other saving certificates schemes, bank deposits, insurance, mutual funds and Public Provident Fund (PPF) is less as compared to the level of significance, i.e. 0.05, hence the null hypothesis is rejected. So it is concluded that there is significant impact of financial literacy on investment preference towards available financial products in Himachal Pradesh.

The impact of qualification of the respondents and their investment preference towards financial products is also measured with the help of ANOVA (F-test). The p-value between qualification of respondents and different investment preference, i.e. post office saving account, National Saving Certificates (NSC) and other saving certificates scheme, bank deposits, insurance, mutual funds and Public Provident Fund (PPF) are greater than the level of significance, i.e. 0.05, hence the null hypothesis is accepted. It shows that there is no significant impact of qualification on the investment preference of respondents.

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