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# Role of Financial Literacy in Influencing Perceptions and Behaviors of Urban and Rural Investors in Tamil Nadu

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**Abstract:** The Role of Financial Literacy in Influencing Perceptions and Behaviors of Urban and Rural Investors Financial literacy significantly affects how choices are made and contributes to economic stability in both metropolitan and countryside regions. This research examines the impact of financial awareness on perception, decision-making, and risk-taking behaviors of investors from various socio-economic backgrounds.

The study emphasizes that urban investors, with increased access to financial education and resources, often embrace varied and riskier include stocks, mutual funds, and digital assets. Conversely, rural investors, frequently limited by restricted access to financial literacy and official banking services, tend to favor safer alternatives like fixed deposits, gold, and real estate.

Moreover, the research highlights obstacles like misinformation, distrust in financial organizations, and socio-cultural factors that affect financial literacy patterns. By encouraging financial education via specialized programs and digital literacy efforts, both rural and urban investors can improve their financial choices and aid in economic development.

The results highlight the necessity for customized financial education initiatives to close the knowledge gap and promote informed financial literacy choices among various demographic groups

**Keywords**: financial literacy, Urban Investors, Rural Investors, Investment Behavior, Risk Perception, Socio-economic Factors, Financial Education, Economic Development, Digital Financial Inclusion, Behavioral Finance

#### I. INTRODUCTION

Financial literacy is a crucial factor in making wise choices and fostering economic development. It involves a person's capacity to grasp financial ideas, handle personal finances, and make well-informed financial literacy decisions. In both countryside and city settings, financial awareness greatly affects behavior, influencing how individuals view risks and opportunities in the financial market. Urban investors generally enjoy better access to financial education, banking resources, allowing them to pursue riskier portfolios including stocks, mutual funds, and digital assets. Conversely, rural investors, frequently constrained by insufficient financial knowledge and limited access to formal banking, typically depend on conventional options like fixed deposits, gold, and real estate. Socio-cultural influences, confidence in financial entities, and availability of financial data further distinguish the financial literacy habits of these groups.

This research seeks to examine the impact of financial literacy on the views and choices of investors in both rural and urban areas. It also emphasizes the difficulties encountered because of financial illiteracy and recommends steps to close the knowledge gap. Improving financial literacy via specific initiatives can enable people to make knowledgeable financial literacy choices, thereby aiding in the growth of the national economy

#### **OBJECTIVES OF THE STUDY**

1. To assess the impact of financial literacy awareness programs on improving risk management among both groups.

2. To suggest strategies for enhancing financial literacy and promoting informed choices for sustainable economic growth.

3. To examine the degree of financial literacy in rural and urban investors and its impact on their choices.



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#### NEED OF THE STUDY

Purpose of the Research: Influence of Financial Literacy on the Views and Practices of Rural and Urban Investors Financial literacy significantly influences people's choices, financial stability, and general economic development. Comprehending how financial literacy affects the views and of both rural and urban investors is crucial for the following reasons:

1. Bridging the Knowledge Gap – Many investors, especially in rural areas, lack awareness of financial instruments, leading to conservative or uninformed financial literacy choices. Studying financial literacy helps in identifying ways to bridge this gap.

2. Enhancing Economic Development – When individuals make better decisions, capital allocation improves, leading to economic stability and growth at both individual and national levels.

3. Understanding Socio-Economic Differences – Rural and urban investors have different perceptions due to varying access to financial resources, cultural influences, and economic conditions. Studying these factors can help design targeted financial awareness programs.

#### SCOPE OF THE STUDY

The purpose of this study is to investigate how financial literacy influences both urban and rural investors' perceptions and actions regarding financial literacy. The study's scope comprises:

1. Geographic Coverage: The study examines the disparities in financial literacy and financial service accessibility between rural and urban areas.

2. Analysis of Financial Behavior: This study looks at how financial literacy affects the selection of financial assets, including stocks, mutual funds, fixed deposits, gold, real estate, and digital assets.

3. Socio-Economic Factors: The study takes into account important elements that influence financial behavior, including exposure to financial education, income levels, cultural influences, and trust in financial institutions.

4. Importance of Digital Financial Literacy – As the use of digital financial services increases, this study examines how knowledge of online banking, digital wallets, and stock trading applications influences financial decisions in rural and urban settings.

#### II. REVIEW OF LITERATURE

Review of Literature: Impact of Financial Literacy on the Perception and Investment Behavior of Rural and Urban Investors

A review of existing literature provides insights into how financial literacy influences investment perception and decision-making among rural and urban populations. Various studies have explored the relationship between financial knowledge, investment behavior, and economic well- being.

1. Financial Literacy and Investment Decision-Making

Several researchers have highlighted that financial literacy significantly impacts individuals' ability to make informed investment decisions. According to Lusardi and Mitchell (2016), financially literate individuals are more likely to invest in stocks, mutual funds, and retirement plans rather than rely on traditional savings methods. This suggests that higher financial literacy leads to better investment diversification and risk management.

2. Differences in Investment Behavior Between Rural and Urban Investors

A study by Agarwal et al. (2020) found that urban investors are more inclined towards high-risk, high-return investments such as equities and mutual funds, whereas rural investors prefer low-risk assets like fixed deposits, gold, and real estate. The study attributes this to differences in financial awareness, access to banking services, and exposure to financial markets.

3. Socio-Economic and Cultural Influences on Investment Perception

Chattopadhyay and Dasgupta (2021) emphasized that investment decisions are influenced by socio-economic factors such as income level, education, cultural beliefs, and trust in financial institutions. Rural investors often exhibit risk-averse behavior due to limited financial knowledge and fear of losses, while urban investors tend to have a higher risk appetite.



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#### 4. Role of Digital Financial Literacy in Investment Decisions

With the rise of digital financial services, studies such as that by Sharma and Gupta (2022) have examined the impact of digital financial literacy on investment choices. The research suggests that access to online trading platforms, mobile banking, and financial education through digital means has improved investment participation, particularly in urban areas. However, rural populations still face challenges due to lack of internet access and digital literacy.

#### 5. Impact of Financial Awareness Programs

Government and private initiatives promoting financial literacy have played a crucial role in improving investment behavior. A study by Roy and Sinha (2024) analyzed financial literacy programs in India and found that targeted training programs have helped increase investment participation among both rural and urban investors. However, rural areas still require greater outreach and accessibility to financial education resources.

Financial Knowledge and Investment Choices Numerous researchers have emphasized that financial literacy greatly affects people's capacity to make knowledgeable investment choices. As per Lusardi and Mitchell (2016), individuals with financial literacy are more inclined to put their money into stocks, mutual funds, and retirement accounts instead of depending on conventional savings approaches. This indicates that improved financial literacy results in enhanced investment diversification and risk management. It seems that you didn't provide any text to paraphrase. Could you please share the text you'd like me to work on? Variations in Investment Habits Between Rural and Urban Investors Research by Agarwal et al. (2020) indicated that urban investors tend to favor high-risk, high-return investments such as stocks and mutual funds, while rural investors lean towards safer assets like fixed deposits, gold, and real estate. The research credits this to variations in financial literacy, availability of banking services, and engagement with financial markets.

It seems like there's no text provided for paraphrasing. Could you please share the text you would like me to paraphrase? Social, Economic, and Cultural Factors Affecting Investment Views

Chattopadhyay and Dasgupta (2021) highlighted that investment choices are affected by socio- economic elements like income, education, cultural values, and confidence in financial entities. Investors in rural areas frequently show a tendency to avoid risk due to their restricted financial understanding and anxiety about losses, whereas urban investors generally possess a greater willingness to take risks.

As digital financial services have gained popularity, research like that conducted by Sharma and Gupta (2022) has explored how digital financial literacy influences investment decisions. The study indicates that the availability of online trading platforms, mobile banking, and financial education via digital channels has enhanced investment involvement, especially in urban regions. Nonetheless, rural communities continue to encounter difficulties because of insufficient internet connectivity and low levels of digital literacy

#### Research methodology Secondary data

Literature from research papers, journals, reports from government agencies related to financial literacy and financial trends. Statistical data from sources like National Sample Survey Office (NSSO) and World Bank Financial Literacy Reports to support findings.

#### III. DATA ANALYSIS TECHNIQUES

Descriptive Statistics: Mean, percentage analysis, and frequency distribution will be used to assess financial literacy levels and investment preferences.



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#### **T-Test**

#### 1) One-Sample Statistics

	Ν	Mean	Std. Deviation	Std. Error Mean
General Male Literacy	33	86.3518	4.26789	.74294
General Female Literacy	33	72.4009	7.10445	1.23673
General Literacy	33	79.3603	5.59991	.97482

#### **One-Sample Test**

		Test Value $= 0$						
	Т	df	Sig. (2- tailed)	Mean Difference	95% Confidence Interval of the	Difference		
					Lower	Upper		
General Male Literacy	116.229	32	.000	86.35182	84.8385	87.8651		
General Female Literacy	58.542	32	.000	72.40091	69.8818	74.9200		
General Literacy	81.410	32	.000	79.36030	77.3747	81.3459		

The average literacy rate across the 33 districts is 79.36%, slightly below the state average of 80.09%. Male literacy (Mean = 86.35%) is significantly higher than female literacy (Mean = 72.40%), showing a gender gap of approximately 14%. The highest literacy was observed in Kanyakumari (91.75%), while Dharmapuri had the lowest (68.54%).

ANOVA								
		Sum of Squares	df	Mean Square				
	Between Groups	582.877	32	18.215				
General Male Literacy	Within Groups	.000	0					
	Total	582.877	32					
General Female Literacy	Between Groups	1615.141	32	50.473				
	Within Groups	.000	0					
	Total	1615.141	32					

#### ANOVA Analysis:

ANOVA for General Male and Female Literacy shows notable variation between districts.

The Sum of Squares is high, showing that literacy rates vary significantly across the districts, but no within-group variance suggests the analysis was done across unique district values. The variability in literacy rates across districts is evident from the high sum of squares, especially for female literacy. The ANOVA reinforces that districts differ significantly in literacy rates, especially in female literacy, with a broader spread (std dev: 7.1) compared to male literacy (std dev: 4.2).

#### General Overview:

Total districts analyzed: 32, Average number of literates: 1,619,922, Average literacy rate across districts: 79.34%, Overall Tamil Nadu literacy rate (as per the data): 80.09%



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**T-Test** 

2) One-Sample Statistics

	Ν	Mean	Std. Deviation	Std. Error Mean
Literates	32	1619922.09	809080.747	143026.621
Literacy	32	79.3375%	5.68796%	1.00550%

#### **One-Sample Test**

	Test Value = 0							
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Ir Difference	nterval of the		
					Lower	Upper		
Literates	11.326	31	.000	1619922.094	1328217.38	1911626.81		
Literacy	78.904	31	.000	79.33750%	77.2868%	81.3882%		

T-Test Interpretation (All Districts)a) Literates Count t = 11.326, p-value = .000Since the p- value < 0.05, the result is statistically significant. This confirms that the mean number of literates (1.6 million) across districts is significantly different from zero (or any assumed low benchmark), meaning the districts have a statistically substantial literacy base. b) Literacy Rate t= 78.904, p-value = .000Again, highly significant, meaning the average literacy rate of 79.34% is statistically meaningful.

#### ANOVA

		Sum of Squares	df	Mean Square	F	Sig.
	Between Groups	2029296131724 8.710	31	654611655395. 120		
Literates	Within Groups	.000	0			
	Total	2029296131724 8.710	31			
Literacy	Between Groups	1002.940	31	32.353		
Within Gr	oups	.000	0			
Total		1002.940	31			

ANOVA Interpretation

a) Literates All variance is Between Groups, with no Within Group variance (possibly due to data structure being grouped by district only). This shows significant variation in the number of literates across districts, but actual F-value and p-values are missing or not computable due to missing Within Group variance. b) Literacy Rate Similar to above: only Between Groups variance is reported. This suggests there is notable variation in literacy rate across districts.



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#### 3) Highest Literate Districts

District	Percentage
Kanyakumari	91.75%
Chennai	90.18%
Thoothukudi	86.16%
The Nilgiris	85.20%

#### Lowest Literacy Districts

District	Percentage
Dharmapuri	68.54%
Ariyalur	71.34%
Krishnagiri	71.46%
Viluppuram	71.88%

#### **T-Test**

**One-Sample Statistics** 

	N	Mean	Std. Deviation	Std. Error Mean
PERCENTAGE	8	79.5638%	9.63884%	3.40785%

#### **One-Sample Test**

	Test Value = 0						
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference		
					Lower	Upper	
PERCENTAGE	23.347	7	.000	79.56375%	71.5055%	87.6220%	

#### **Highest Literacy Districts:**

Kanyakumari (91.75%), Chennai (90.18%), Thoothukudi (86.16%), and Nilgiris (85.20%), these districts can be considered model regions for educational policies and practices.

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#### Lowest Literacy Districts:

Dharmapuri (68.54%), Ariyalur (71.34%), Krishnagiri (71.46%), Viluppuram (71.88%), These districts require targeted intervention, especially in female education.

#### FINDINGS

1. The average literacy rate across the 33 districts is 79.36%, slightly below the state average of 80.09%. Male literacy (Mean = 86.35%) is significantly higher than female literacy (Mean = 72.40%), showing a gender gap of approximately 14%. The highest literacy was observed in Kanyakumari (91.75%), while Dharmapuri had the lowest (68.54%).

2. ANOVA for General Male and Female Literacy shows notable variation between districts. The Sum of Squares is high, showing that literacy rates vary significantly across the districts, but no within-group variance suggests the analysis was done across unique district values. The variability in literacy rates across districts is evident from the high sum of squares, especially for female literacy. The ANOVA reinforces that districts differ significantly in literacy rates, especially in female literacy, with a broader spread (std dev: 7.1) compared to male literacy (std dev: 4.2).

3. T-Test Interpretation (All Districts)a) Literates Count t = 11.326, p-value = .000Since the p-value < 0.05, the result is statistically significant. This confirms that the mean number of literates (1.6 million) across districts is significantly different from zero (or any assumed low benchmark), meaning the districts have a statistically substantial literacy base. b) Literacy Rate t = 78.904, p-value = .000 Again, highly significant, meaning the average literacy rate of 79.34% is statistically meaningful.

4. ANOVA Interpretation a) Literates All variance is Between Groups, with no Within Group variance (possibly due to data structure being grouped by district only). This shows significant variation in the number of literates across districts, but actual F-value and p- values are missing or not computable due to missing Within Group variance. b) Literacy Rate Similar to above: only Between Groups variance is reported. This suggests there is notable variation in literacy rate across districts.

5. Highest Literacy Districts: Kanyakumari (91.75%), Chennai (90.18%), Thoothukudi (86.16%), and Nilgiris (85.20%), These districts can be considered model regions for educational policies and practices. Lowest Literacy Districts: Dharmapuri (68.54%), Ariyalur (71.34%), Krishnagiri (71.46%), Viluppuram (71.88%), These districts require targeted intervention, especially in female education.

#### SUGGESTION

Some of district have low literacy in Dharmapuri, Ariyalur, they have to improve financial literacy by conducting educational programs And financial literacy awareness .mainly in Dharmapuri, Ariyalur and Krishnagiri district have lowest literacy on general disparity in literacy especially low performing district to emphasize the need for target program for female education.

#### IV. CONCLUSION

The above study conclude that financial literacy of men were higher than women, it is gender gap, its has higher financial literacy on the base of Tamil nadu, they have high number pf literacy across districts, indicating strong education work, when comparing tamilnadu has an average in literacy average percent, it has both best and worst performing on districts. the variability in literacy rates across districts is evident from the high sum of squares, especially for female literacy in kanyakumari, Chennai,thoothukudi.nilgiris these districts have more educate literacy both male and female comparing to other district, like dharmapuri,ariyalur,krishnagiri, viluppuram, these district has lowest literacy for female, it has female literacy lags by 14% on average compare to male literacy, indicating socio-cultural or economic barrier affecting women's education.

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