Evaluating the Effect of Financial Knowledge on Investment Decisions of Investors from Gandhinagar District

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ABSTRACT

In recent time, people don't have enough money to invest because of high maintenance life style, still few people try to balance their life by investing their hard earned money. But while taking decision on investment, Investors consider different resources and information, mean while they forget to check their own knowledge on financial terms and wisdom on how to invest and where to invest. It is important to know the effect of financial knowledge on the choice of investment avenues in order to study the reliability of their investment decisions. The problem is to check whether the investment decisions are based upon simple investment tips and opinions of other investors or a rational analysis of risk and return associated with the various investment avenues. In this paper an attempt has been made to evaluate the effect of Financial Knowledge on investment decisions of 200 Investors from Gandhinagar District. The study is based upon primary data collected through a structured questionnaire administered to 100 rural and 100 urban investors, drawn through quota sampling according to their various occupation categories. It is hypothesized that investors take rational decisions based upon their financial knowledge.

Keywords-- Financial Knowledge, Investors Categories, Investment Avenues, Investors Preference

I. INTRODUCTION

The developing countries like India face the enormous task of finding sufficient capital in their development efforts. Most of these countries find it difficult to get out of the vicious circle of poverty of low income, low saving, low investment, low employment etc. With high capital output ratio, India needs very high rates of investments to make leap forward in her efforts of attaining high levels of growth. Since the beginning of planning, the emphasis was on investment as the primary instruments of economic growth and increase in national income. In order to have production as per target, investment was considered the crucial determinant and capital formation had to be supported by appropriate volume of saving.

In India financial products for the investors on varying needs and risk appetite are issued. In the past, traditional financial products were offered by the banks, the Insurance companies, and the Postal Department. However, in recent years, with the advent of LPG of financial services, the industry has offered diverse financial products. Investment behavior of the individual is influenced by his/her own environment like financial knowledge and demographic profile of investor. Today, a number of investment avenues are available to individuals but an individual, can make effective use of these financial products and services by evaluating associated risks and returns and finally choosing those products which are best suited to them according to his needs and circumstances, other than just focusing on random tips and opinions of other investors. Financial literacy aids in improving the quality of financial services and contribute to economic growth and development of a country.

As per OECD definition financial literacy will include financial knowledge, financial behaviors and financial attitude. The study examines the level of financial knowledge of investors from Gandhinagar district measured using different questions to capture their basic numeracy and understanding of risk, return, inflation, interest, capitalization, dividend, Nifty, Sensex, Bull, Bear and other financial terms and its effect on financial decisions.

II.   OBJECTIVES OF THE STUDY

The main objectives of the study are:
- To study demographic details of investors.
- To compare financial knowledge score of rural and urban investors.
- To evaluate perception towards risk associated with different investment avenues respect to rural and urban investors.
- To evaluate perception towards return associated with different investment avenues respect to rural and urban investors.
- To study perception of rural and urban investors towards investment decisions.
- To study effect of financial knowledge score, risk and return on financial decisions by rural and urban investors.

III.   RESESARCH METHODOLOGY

3.1 Sampling and Research Tools

The study is based upon primary data collected through a structured questionnaire administered to 100 rural and 100 urban investors from Gandhinagar district through Quota sampling method. Evaluation is based on effect of financial knowledge on the basis of knowledge of different financial terms, risk and return associated in different investment options available to their actual decision on investment is measured by using Weighted mean score, correlation, Z test and multiple regression model.

3.2 Hypothesis Framing

It can be theoretically expected that urban investors may be superior to the rural investors in terms of their financial Knowledge. Here, Hypothesis is framed for testing the significance of the difference between the Average Financial Knowledge score of rural and urban investors. by indicating μ_1 for rural and μ_2 for urban investors.

H0= No significant difference between average financial knowledge score of rural and urban investors.

H1= Urban Investor have higher significant average financial knowledge score than rural investors. That is, $H_0 : \mu_1 = \mu_2$ Vs. $H_1 : \mu_1 < \mu_2$

IV.   LITERATURE REVIEW

Lusardi et al. (2010) investigated financial literacy among the young in the US using data collected through the National Longitudinal Survey of Youth in 2007-08 and found that the level of financial literacy among the young is low and it is significantly influenced by socio-demographic attributes and the family financial situation and sophistication where there was significant difference between women and men, with women showing lower level of financial literacy.

Puneet Bhushan, Yajulu Medury (2013) determined financial literacy level of salaried individuals based on various demographic and socio-economic factors. A total of 516 respondents were asked in order to measure respondent's knowledge in the areas of financial numeracy, savings and investments, borrowings, insurance, risk and return. Total score for each respondent was calculated by giving one mark for each correct answer and for incorrect answer no negative marking was done. After analyzing the data by using ANOVA test findings of the study suggested that overall financial literacy level of respondents is not very high. Financial literacy level gets affected by gender, education, income, nature of employment and place of work whereas it does not get affected by age and geographic region.

N.S. Mahdzan, S.Taibani (2013) examined the influence of financial literacy on individual saving in the context of an emerging market, Malaysia. A survey was conducted on approximately 200 individuals in klang valley, Malaysia to study the relationship under investigation. Other determinants of individual saving were also examined like saving regularity, risk taking behavior and socio- demographic characteristics and resulted in significant positive impact on individual saving. In addition, saving regularity, gender, income and educational level influenced the probability of saving positively.

Puneet Bhushan (2014) attempted to examine the relationship between financial literacy of salaried individuals and their awareness regarding financial products 516 respondents and analyzed by using t test and chi square test which resulted in high financial literacy group have higher awareness level for all financial products except for post office savings and concluded that financial literacy level affects awareness regarding financial products as well as investment preferences towards financial products which clearly implies that due to low level of financial literacy, individuals invest their money in traditional financial products and are not able to take advantage of new age financial products which can offer them higher returns.

K. Parimalakanthi and Dr. M. Ashok Kumar (2015) aimed to find the behavior of individual investors of Coimbatore city by getting answers from 107 customers through questionnaire and data were analyzed by using frequency, F test, factor analysis and Garrett ranking which resulted that the major factors behind an investment were the safety of principal amount, liquidity, income stability, and appreciation. Education of investors is immensely important for the present day investors in Coimbatore. Investors, before making investments, need to collect investment related information from the internet and consult with friends, peers and investment experts before making investments. The

majority of the investors prefer to invest in savings account followed by Gold and Silver, Fixed deposit account and the like. The outcome of the research shows that most of the investors prefer bank deposits followed by investment in Gold & Silver investment in the study area.

Mr. C. Sathiyamoorthy, Dr. K. Krishnamurthy (2015) highlighted that certain factors like education level, age of investors, number of family members etc. make significant impact while deciding on the avenues for investment. The data had been analyzed using chi-square test and concluded that majority of the respondents were saving money as Bank deposits for the safety of an unpredictable future & highlighted investment pattern and awareness of salaried class investors in Tiruvannamalai district of Tamilnadu.

V.   DATA ANALYSIS

5.1 Demographic Analysis
Out of 200 investors, 147 are male and 53 are female, out of them 65.5% investors are from 18-30 & 41-50 age group. It is found that 71% investors are married from 200 investors. More than 50% investors have more than 4

persons in their house but out of them only 2.5% have all 4 persons working. 40.5% investors said that they are the only bread earner in their house. As far as education level is conserned,34.5% investors are graduate which is highest followed by masters, higher secondary , primary , diploma holders and 13.5% being lowest with combined investors from professionals, doctorates and other degree holders. It is found that investors are working in different areas where majority of them are from government sector with 32% investors followed by agriculture area, business, private sector, professionals, others (animal catering, seasonal business) and semi-government sector. Annual income family of 54% investors are from 1 lakh -5 lakh , only 6% investors have more than 15 lakh salary.

Majority of the of rural investors belong to 18-30 and 41-50 years age groups while in case of urban investors, maximum investors belong to 18-40 years age group. Education level is more in case of urban investors. Professionals and doctorate degree holders are very less among rural investors. High income holder investors are found among urban investors.

5.2 Analysis of Financial Knowledge of Investors

Table : 1FINANCIAL KNOWLEDGE MEAN SCORE OF RURAL AND URBAN INVESTORS		
RESPONDENTS	RURAL	URBAN
1	45.71	24.90
2	37.14	30.20
3	37.14	33.06
4	17.14	106.53
5	34.29	99.59
6	31.43	71.84
7	28.57	115.10
8	37.14	107.76
9	42.86	74.69
10	57.14	25.31
11	25.71	108.98
12	28.57	45.31
13	28.57	43.67
14	80.00	87.76
15	54.29	33.88
16	80.00	76.33
17	34.29	66.53
18	65.71	112.24
19	65.71	66.94
20	45.71	19.59

21	31.43	100.82
22	25.71	75.10
23	25.71	63.27
24	57.14	82.45
25	31.43	120.82
26	34.29	132.24
27	68.57	91.43
28	22.86	52.65
29	34.29	60.41
30	40.00	82.45
31	60.00	145.31
32	31.43	100.00
33	42.86	126.12
34	62.86	143.27
35	40.00	126.94
36	25.71	88.57
37	65.71	60.82
38	48.57	120.41
39	45.71	135.10
40	40.00	107.76
41	54.29	140.00
42	62.86	56.33
43	31.43	38.37
44	68.57	133.88
45	40.00	157.14
46	65.71	72.65
47	22.86	52.24
48	48.57	30.61
49	40.00	30.20
50	11.43	73.88
51	54.29	112.65
52	22.86	121.22
53	57.14	55.92
54	37.14	73.88
55	88.57	96.33
56	57.14	99.18
57	68.57	123.67
58	68.57	124.08
59	62.86	80.41
60	42.86	74.29
61	31.43	109.80

62	45.71	64.08
63	62.86	93.06
64	65.71	77.55
65	14.29	41.63
66	40.00	122.86
67	34.29	154.29
68	22.86	97.14
69	34.29	44.49
70	20.00	41.22
71	14.29	60.41
72	77.14	57.96
73	22.86	79.59
74	25.71	55.51
75	25.71	68.57
76	22.86	85.31
77	31.43	31.02
78	34.29	51.84
79	28.57	115.10
80	51.43	99.59
81	48.57	104.49
82	45.71	110.20
83	48.57	85.71
84	48.57	68.98
85	74.29	98.78
86	45.71	53.06
87	51.43	65.71
88	40.00	101.63
89	51.43	53.06
90	31.43	82.04
91	54.29	115.51
92	17.14	145.71
93	37.14	146.12
94	8.57	102.45
95	60.00	104.49
96	68.57	61.22
97	25.71	84.90
98	17.14	131.84
99	17.14	102.45
100	28.57	22.86
AVERAGE	42.43	85.05
S.D	17.72	34.43

By calculating mean score of financial knowledge for rural and urban investors, it is found that 100 rural investors have mean score of 42.43% whereas urban investors have 85.05% mean score. which shows high financial knowledge score of urban investors compare to rural investors.

Calculated absolute Z value between financial knowledge score of rural and urban investor shows -10.99 value which is greater than table value of Z at 5% significance level so Null Hypothesis is rejected. Thus, there is a significant difference between the financial knowledge mean score of rural and urban investors and rural investors have lower score than urban investors..

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10.99>1.645

In case rural investors, top 5 knowledge bearing financial terms are interest, insurance, simple interest, FD and post office savings where in case of urban investors, top 5 knowledge bearing financial terms are interest, simple interest, FD, return and insurance.

Minimum knowledge is found in case of preference shares, Bull, Bear, Annuity and Chit Funds in rural and urban investors both. Still urban investors showed more knowledge compared to rural investors in all 35 the financial terms. In both the investors' Interest

carries maximum awareness level and Chit Funds carries minimum awareness level.

From the questions asked to investors about knowledge of investment options available, it is found that fixed deposits and insurance are the options which are well known by more than 80% of investors whereas options like post office savings, Mutual Funds and Gold, metal & other precious stones are known by 50% to 80% of investors. Majority of options are not known by investors which are Equity shares, preference shares, debentures, Bond, PPF, Kisan Vikaspatra, Indira Gandhi saving scheme, senior citizen scheme and Chit funds. Only 7% people know about chit funds and in case of insurance 87% investors have knowledge of it.

On the basis of knowledge of different financial terms available in the market, analysis shows result that more than 80% investors have knowledge about terms like return, interest and simple interest. Inflation, risk, compound interest, Sensex, holding period and dividend are the terms which show awareness level of 50% to 80%. Majority terms like nifty, market capitalization, Bull, Bear, DMAT, KYC, BSE, NSE, Annuity, IRR and NPV have less than 50% awareness level among investors. Knowledge level is high in case of interest with 92% and it is less in case of Bear with 14% awareness level.

5.3 Perception of Investors towards Risk

Table 2 : Weighted Mean Score of Perception of Rural Investors towards Risk

Perception Towards Risk									
Investment Options	**0**	**1**	**2**	**3**	**4**	**5**	**Fi**	**Σ Fi Xi**	**Weighted Mean**
Post office	14	63	6	5	2	10	100	148	1.48
Equity Shares	41	5	3	16	10	25	100	224	2.24
Preference shares	51	6	5	16	9	13	100	165	1.65
Debentures	55	6	12	12	4	11	100	137	1.37
IPOs	59	13	11	8	2	7	100	102	1.02
Insurance policy	19	35	21	11	5	9	100	175	1.75
Mutual funds	37	16	14	16	5	12	100	172	1.72
Saving account	18	57	5	4	4	12	100	155	1.55
Fixed deposit	25	49	7	9	2	8	100	138	1.38
PPF	46	32	10	9	2	1	100	92	0.92
Bond	55	13	3	16	6	7	100	126	1.26
Gold, Silver, Diamond	24	29	10	15	7	15	100	197	1.97
Real Estate	23	33	9	14	13	8	100	185	1.85
Kisan Vikas Patra	38	33	9	8	5	7	100	130	1.3
National Saving Certificate	49	27	10	7	3	4	100	100	1
Commodity market	54	6	10	11	3	16	100	151	1.51
Forex Market	58	9	4	5	7	17	100	145	1.45

Table 3: Weighted Mean Score of Perception of Urban Investors towards Risk

Perception Towards Risk									
Investment Options	**0**	**1**	**2**	**3**	**4**	**5**	**Fi**	**Σ Fi Xi**	**Weighted Mean**
Post office	6	60	13	11	4	6	100	165	1.65
Equity Shares	18	3	3	28	18	30	100	315	3.15
Preference shares	27	9	7	26	17	14	100	239	2.39
Debentures	28	9	16	21	19	7	100	215	2.15
IPOs	19	5	12	27	15	22	100	280	2.8
Insurance policy	5	31	27	21	10	6	100	218	2.18
Mutual funds	10	18	13	27	16	16	100	269	2.69
Saving account	5	64	9	7	5	10	100	173	1.73
Fixed deposit	5	58	11	12	7	7	100	179	1.79
PPF	18	47	13	7	6	9	100	163	1.63
Bond	17	20	20	21	13	9	100	220	2.2
Gold, Silver, Diamond	7	17	14	29	14	19	100	283	2.83
Real Estate	5	28	14	21	17	15	100	262	2.62
Kisan Vikas Patra	13	47	15	14	8	3	100	166	1.66
National Saving Certificate	18	41	15	14	5	7	100	168	1.68
Commodity market	22	8	7	22	15	26	100	278	2.78
Forex Market	27	5	4	13	21	30	100	286	2.86

By calculating weighted average mean score of perception of rural investors towards risk, analysis shows Equity Shares and Gold, Silver Diamond are high risk bearing investment options with 2.24 and 1.97 weighted mean score of 100 rural investors whereas for 100 urban investors it is high in case of Equity Shares and Forex Market with 3.15 and 2.86 weighted average mean score.

Rural investors' perception of risk towards national saving certificate and PPF is lowest with mean score of 1 and 0.92 respectively whereas urban investors' perception of risk is low in case of Post office and PPF with 1.65 & 1.63 mean score.

5.4 Perception of Investors towards Return

Table 4 :Weighted Mean Score of Perception of Rural Investors towards Return

Perception Towards Return									
Investment Options	**0**	**1**	**2**	**3**	**4**	**5**	**Fi**	**Σ Fi Xi**	**Weighted Mean**
Post office	18	25	9	18	6	24	100	241	2.41
Equity Shares	52	9	5	10	9	15	100	160	1.6
Preference shares	60	7	5	14	5	9	100	124	1.24
Debentures	60	7	11	12	5	5	100	110	1.1
IPOs	60	12	5	14	1	8	100	108	1.08
Insurance policy	23	11	7	24	12	23	100	260	2.6
Mutual funds	45	9	10	13	12	11	100	171	1.71
Saving account	20	23	8	16	8	25	100	244	2.44
Fixed deposit	26	12	10	9	17	26	100	257	2.57
PPF	50	8	3	13	7	19	100	176	1.76
Bond	63	8	7	6	6	10	100	114	1.14
Gold, Silver, Diamond	26	11	9	18	17	19	100	246	2.46

Real Estate	22	6	8	12	13	39	100	305	3.05
Kisan Vikas Patra	38	11	15	14	11	11	100	182	1.82
National Saving Certificate	46	16	12	13	5	8	100	139	1.39
Commodity market	60	15	10	10	1	4	100	89	0.89
Forex Market	68	11	7	6	6	2	100	77	0.77

Table 5: Weighted Mean Score of Perception of Urban Investors towards Return

Perception Towards Return									
Investment Options	**0**	**1**	**2**	**3**	**4**	**5**	**Fi**	**Σ Fi Xi**	**Weighted Mean**
Post office	6	22	13	27	10	22	100	279	2.79
Equity Shares	27	4	7	31	13	18	100	253	2.53
Preference shares	32	5	11	33	14	5	100	207	2.07
Debentures	31	4	8	42	12	3	100	209	2.09
IPOs	26	8	16	28	14	8	100	220	2.2
Insurance policy	9	8	12	34	17	20	100	302	3.02
Mutual funds	11	3	9	25	26	26	100	330	3.3
Saving account	6	20	12	23	15	24	100	293	2.93
Fixed deposit	10	6	14	20	22	28	100	322	3.22
PPF	25	5	14	17	19	20	100	260	2.6
Bond	31	7	9	29	16	8	100	216	2.16
Gold, Silver, Diamond	11	7	9	27	21	25	100	315	3.15
Real Estate	11	5	4	24	21	35	100	344	3.44
Kisan Vikas Patra	20	10	12	30	16	12	100	248	2.48
National Saving Certificate	25	10	15	25	16	9	100	224	2.24
Commodity market	31	5	9	25	20	10	100	228	2.28
Forex Market	34	7	7	21	24	7	100	215	2.15

All 200 investor from rural and urban have same voice considering Land, Building and Construction as highest return giving options with weighted average mean score 3.05 & 3.44 respectively .Insurance and Mutual funds are at second position for rural and urban investors. In case of lower return giving option, perception of rural and urban investors are totally different. Commodity Market and Forex Market are lower return giving avenues for rural investors with only 0.89 and 0.77 weighted average mean score. As per the perception of urban investors, Debentures and Preference Shares are low return giving avenues with 2.09 and 2.07 weighted average mean score.

5.5 Perception of investors towards Investment

Table 6: Weighted Mean Score of Investment Options of Rural Investors

Percentage of Income							
	0-25	**25-50**	**50-75**	**75 <**			
Options/Mean	**12.5**	**37.5**	**62.5**	**87.5**	**Fi**	**Σ Fi Xi**	**Weighted Mean**
Post office	25	9	10	20	64	3025	47.27
Equity Shares	52	7	2	3	64	1300	20.31
Preference shares	54	6	1	3	64	1225	19.14
Debentures	55	4	1	4	64	1250	19.53

IPOs	53	3	5	3	64	1350	21.09
Insurance policy	21	9	15	19	64	3200	50.00
Mutual funds	42	8	10	4	64	1800	28.13
Saving account	21	10	14	19	64	3175	49.61
Fixed deposit	18	12	13	21	64	3325	51.95
PPF	38	7	10	9	64	2150	33.59
Bond	51	5	4	4	64	1425	22.27
Gold, Silver, Diamond	28	10	14	12	64	2650	41.41
Real Estate	28	8	7	21	64	2925	45.70
Kisan Vikas Patra	40	8	7	9	64	2025	31.64
National Saving Certificate	48	8	3	5	64	1525	23.83
Commodity market	58	4	1	1	64	1025	16.02
Forex Market	61	1	2	0	64	925	14.45

Table 7: Weighted Mean Score of Investment Options of Urban Investors

Percentage of Income							
	0-25	25-50	50-75	75 <			
Options/Mean	12.5	37.5	62.5	87.5	Fi	Σ Fi Xi	Weighted Mean
Post office	34	12	13	18	77	3262.5	42.37
Equity Shares	53	14	8	2	77	1862.5	24.19
Preference shares	60	12	5	0	77	1512.5	19.64
Debentures	56	13	8	0	77	1687.5	21.92
IPOs	50	15	8	4	77	2037.5	26.46
Insurance policy	31	16	19	11	77	3137.5	40.75
Mutual funds	39	16	10	12	77	2762.5	35.88
Saving account	25	9	21	22	77	3887.5	50.49
Fixed deposit	23	13	19	22	77	3887.5	50.49
PPF	34	12	14	17	77	3237.5	42.05
Bond	49	13	13	2	77	2087.5	27.11
Gold, Silver, Diamond	24	16	19	18	77	3662.5	47.56
Real Estate	19	13	19	26	77	4187.5	54.38
Kisan Vikas Patra	39	14	16	8	77	2712.5	35.23
National Saving Certificate	46	12	12	7	77	2387.5	31.01
Commodity market	54	16	5	2	77	1762.5	22.89
Forex Market	57	15	5	0	77	1587.5	20.62

By Rural investors' major investment found in FD, Insurance and saving account with 51.96%, 50% and 49.61% and lowest investment in Preference shares, Commodity Market and Forex Market with 19.14%, 16.02% and 14.45%.

Urban investors are investing their income in Land, Building and construction, Saving account, FD,

Gold, Silver and Diamond with 54.38%, 50.49%,50.49% and 47.56 respectively and lowest in case of Debentures, Forex Market and Debentures with 21.92%, 20.62% and 19.64% respectively.

It is derived that rural investors are investing in secure and moderate return avenues other than investing

high risk and high return giving avenues just like urban investors.

5.6 Effect of Financial Literacy Score, Perception towards Risk and Perception towards Return on Investment Decisions

Table-8:Descriptive Statistics (Rural)

	Mean	Std. Deviation	N	C.V.
INVESTMENT	20.18	19.27	100	0.95
FKS	42.43	17.72	100	0.42
RISK	1.50	0.90	100	0.61
RETURN	1.77	1.15	100	0.65

Responses of rural investors more consistent in case of financial knowledge mean score with 0.42 covariance which is relatively low compared to other

variables investment decisions, perception towards risk and perception towards return. Thus reliability of financial knowledge score is high in case of rural investors.

Table-9:Descriptive Statistics (Urban)

	Mean	Std. Deviation	N	C.V.
INVESTMENT	26.86	19.63	100	0.73
FKS	85.05	34.43	100	0.40
RISK	2.28	0.90	100	0.40
RETURN	2.63	0.95	100	0.36

Urban investors' responses are more consistent in case of perception towards return with 0.36 covariance. In

both the investors, investment decisions are highly inconsistent.

Table-10: Correlation Matrix of Rural Investors				
	FKS	**RISK**	**RETURN**	**INVESTMENT**
FKS	1.00	0.31	0.33	0.23
Sign	.	(0.00)	(0.00)	(0.01)
RISK	0.31	1.00	0.74	0.27
Sign	(0.00)	.	(0.00)	(0.00)
RETURN	0.33	0.74	1.00	0.32
Sign	(0.00)	(0.00)	.	(0.00)
INVESTMENT	0.23	0.27	0.32	1.00
Sign	(0.01)	(0.00)	(0.00)	.

Table- 11:Correlation Matrix of Rural Investors				
	FKS	**RISK**	**RETURN**	**INVESTMENT**
FKS	1.00	0.06	0.10	0.16
Sign	.	(0.27)	(0.17)	(0.06)
RISK	0.06	1.00	0.54	-0.05

Sign	(0.27)	.	(0.00)	(0.30)
RETURN	0.10	0.54	1.00	0.28
Sign	(0.17)	(0.00)	.	(0.00)
INVESTMENT	0.16	-0.05	0.28	1.00
Sign	0.06	0.30	0.00	.

In case of correlation between Financial Literacy Score and Perception towards Risk of rural and urban investors, it shows high correlation between them in case of rural investors which is $0.314 > 0.061$. In case of Financial Literacy Score and perception towards Return also, high correlation is found in case of rural investors with 0.333 for rural investors and 0.098 for urban investors. Whereas picture is clear in case of Correlation between Financial literacy and Investment Decisions by indicating high correlation in case of rural investors too with 0.225 for rural investors and 0.161 for urban investors. Correlation between Perception towards risk and Perception towards return is very high in case of rural investors compared to urban investors with 0.744 in case of rural investors and 0.541 in case of urban investors. Other correlation between investment decisions and perception towards risk & investment decisions and perception towards return also shows the same result which is in favor of rural investors with high correlation value. At 5% significance level Decisions of rural investors show significant difference among all variables so Null Hypothesis is rejected in case of rural investors. So it can be said that rural investors' decisions are more depended on their financial knowledge score. Significance level between perception towards risk and perception towards return is lower than 0.05 which is 0 and 0.003 in case of perception towards return and investment decisions. Thus Null hypothesis is rejected in both the cases for urban investors. For urban investors, significance level is higher than 0.05 in majority of cases where significance value is 0.272 in case of Financial Knowledge scores and perception towards risk, 0.165 in case of Financial Knowledge scores and perception towards return,0.055 in case of Financial Knowledge scores and investment decisions and 0.295 in case of perception towards risk and investment decisions.

Table-12: Model Summary

Variables	RURAL β	URBAN β
investment	5.55	11.79
FKS	0.14	0.08
RISK	0.80	-6.30
RETURN	4.23	8.68
R SQUARE	0.12	0.15
sign R2	0.01	0.00

From the above table Model for rural and urban investors is as follows,
Rural Investors,
$Y=5.55+ 0.141(X1)+ 0.797(X2)+ 4.229(X3)$
Urban Investors,
$Y= 11.79+0.078(X1)-6.299(X2)+8.68(X3)$
Where,

        X1= Financial Knowledge Score
        X2= Perception towards Risk
        X3= Perception towards Return

Beta coefficient of Financial Knowledge Score and Perception towards Return has positive impact on investment decisions for the rural and urban investors. While in case of beta coefficient of Perception towards Risk has negative impact on investment decision for urban investors and positive in case of rural investors. R square in case of rural investors is 0.12 and 0.15 in case of urban investors which is very less. Model doesn't show acceptable level.

VI.   FINDINGS

Out of 200 investors, only 70.5% of them are investing in any financial options available in the market.36% rural investors and 23% urban investors are not investing from their income. Financial Knowledge score of rural investors is high than urban investors. Urban respondents are more aware about new financial options available in the market than rural respondents still investment is more in convention investment avenues. It shows that financial knowledge score don't carry such a

huge difference on investment in investors On the basis of perception towards risk, rural and urban investors have somewhat same voice but there is considerable difference in perception towards return by rural and urban investors and it is reflected in their investment decision. Financial Knowledge score is the most consistent variable in rural investors and Perception towards return in case of urban investors. Null hypothesis is rejected here because higher significance difference is case of urban investors is found than rural investors. Financial Knowledge is least concern matter for urban investors while taking investment decision though education level is high among urban investors. Rural investors have high financial knowledge score but they are not relaying on them and opting for safe investment avenue.

VII. CONCLUSION

Analysis shows that result is more focused on young and middle age group investors with graduation level education and working in government sector having income from 1 lakhs -5 lakhs. Decisions of rural investors are more inclined towards less risky and moderate return avenues like Insurance, FD and saving account. Investors from urban area are more interested towards high risky and high return giving avenues like land, building and Gold, Silver, diamonds .It can be identified that rural and urban investors have difference of opinion for insurance. By increase in level of education they are more inclined to go for less risky to moderate risk bearing avenues which can gives high return compare to any other options available. Equity shares, Preference shares, debentures, Mutual Funds, Bond and real estate options are more preferred by investors from master level, professional and doctorate level education holders. Though knowledge level about financial terms is considered as very less because majority of investors are having graduate level degree but still they don't have good knowledge about financial terms. With increase in level of education, they are investing more in new options available in market rather than just following traditional options of investment. Result of financial knowledge score is high in case of rural investors but still it doesn't indicate any impact on their financial decisions where as in case of urban investors, financial knowledge score is less but it has considerable impact on their investment decisions. It is derived from the analysis that without good financial knowledge urban investors are investing on the basis of simple tips and opinion of experts, relatives or friends with more diverse portfolio.

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