



## **IMPACT OF FINANCIAL LITERACY ON INVESTMENT DECISION OF MUTUAL FUNDS INVESTORS OF RURAL INDIA: A CASE OF MAYURBHANJ DISTRICT**

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### **ABSTRACT**

In recent times, mutual funds investment plays a significant role in economic growth. The rise in the mutual fund prices uplifts the economy. Similarly, financial literacy also plays a crucial role in the economic growth of the country. Moreover, financial literacy is essential for making an effective ID. Financial literacy has been identified as an important tool for enhancing the financial inclusion and security of an individual. Financial literacy enhances the awareness level of an individual regarding financial activities and schemes to enhance the economic status. Hence, the study examines the financial literacy of mutual funds investors and its effect on making an effective ID. The study also evaluated the factors determining the ID of mutual fund investors in Mayurbhanj. The study collected data 294 mutual funds investors in Mayurbhanj. Later, the collected data was evaluated using chi-square and frequency analysis. The outcome of the current study proves that the financial literacy level of the mutual funds investors impacts the ID of investors. The outcome of the frequency analysis illustrates the FL level of mutual funds investors and also factors which determines the ID of investors in Mayurbhanj. As per outcome, the factor such past performance of securities, market awareness and company's stability determines the ID of mutual funds investors. Hence, the current study suggests that mutual funds investors especially in Mayurbhanj district of Mayurbhanj, have to attain significant knowledge regarding mutual funds before making investment decision.

**Keywords:** Financial Literacy (FL), mutual funds Investors, Investment Decision (ID)

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**DOI:** 10.53555/ecb/2022.11.7.110

## **1. Introduction:**

### **1.1 Background of the study:**

Financial literacy (FL) has been shown to be an important tool for financial inclusion and financial security of individual. In order to improve an individual's economic status, FL raises their awareness of financial activities and schemes (Saleem, S. 2021). FL is important for making good financial decisions that improve an individual's financial securities. FL assumes an imperative part in lessening the destitution level and upgrading the financial development of an association as well as individual (Abadi, H.E.M. 2021). The mindfulness about monetary plans and strategies impacts the effective money management and savings (Mutamimah (2021). FL is viewed as a limit of an individual or an association for settling on compelling monetary choice and ventures (Dundure, E. 2021). The mindfulness on monetary incorporation upgrades people's capacity to deal with the monetary gamble and furthermore ability to settle on an average monetary choice. The performance of one's portfolio is improved by FL of investors (Sumiati, A. 2021).

Awareness of financial concepts and difficulties, as well as the capacity to put that awareness into practice in order to make wise financial decisions that have an effect on a person's socioeconomic status, are referred to as FL. To put it more succinctly, FL is a knowledge which is necessary for making sound financial decisions. According to Kaur, S.J. (2021), financial knowledge is only useful when it is reflected in an individual's financial behavior. The various family- and society-wide economic crises are the result of financial illiteracy. During the pandemic flare-up, monetary ignorance is additionally one of the explanations for the worldwide financial emergency (Jiang, J. 2020). FL is also important for buying and holding trading strategies and for investors to use to justify their investment decisions (Mahdzan, N.S. 2020). Safety, capital growth, return, risk, tax advantages, and liquidity are the factors that influence mutual fund investors' investment decisions. The mutual fund investor can create a portfolio with the highest return and lowest risk by being aware of the aforementioned factors (Aggarwal, M. 2019).

Throughout the LPG, the concept of financial instruments played a major role. At the beginning of the 2000s, it began to gain prominence. Among developing nations, the common goal of several central banks is financial inclusion due to the rapid evolution of skills and financial markets as a result of modern technology and complex financial products. Globally, an average of one-

third of the population is familiar with the fundamental ideas behind financial products. The majority of the evidence indicates that women who lack confidence become financially dependent on others. Poor financial product knowledge, which leads to poor investment and financial decisions, personal goals, and economic strength will not contribute to the country's development (Lavin, J.F. 2019), for the ongoing growth of the financial sector and economic situation. It is vital to realize that individuals are exceptional on pursuing the better monetary choice. To go with the monetary choices, it isn't just what individuals are familiar the monetary items yet additionally what they need to be aware and assess the hole between those things. In a large portion of the creating economies, orientation fairness and monetary consideration are the major significant points (Koti, K. 2019).

Financial literacy improves a person's understanding of money management and enables them to actually make use of financial services and products by evaluating revenues and risks associated with those services and products, then choosing those that are a good match for them. They are able to make well-informed decisions and practice economic statistics thanks to their financial literacy. Economic literacy contributes to an understanding of the significance of economic resources and subsidies to a nation's financial development and growth.

IDs and financial literacy refer to a person's capacity to comprehend how money management is done. For instance, how to use, manage, and invest the individual's capital. (Sanjay, A. 2019). A depositor's understanding of the business would increase with their level of financial literacy as they learn more about the threats they will face in the future and improve their fund management skills. Their ability to predict the likely chance of increasing the share makes those prospects possible. Or disaster will be imminent, in the event that an individual has a denied capacity in financial proficiency, they would be more careful in building a venture decision (Khan, M.T.I. 2019).

Since investing is an important part of life, everyone should be familiar with financial plans (Newall, P. 2019). FL is necessary for mutual fund investors to improve their financial behavior. The way of behaving of the securities exchange financial intermediary effects the ID and portfolio determination. According to Fatihudin, D. (2018), one of the most important factors in determining an investor's ID toward the mutual fund is their behavior.

### 1.2 Problem identification:

Monetary ignorance has turned into a main issue in the emerging nations. The absence of FL has affected the monetary exercises, arranging and execution with respect to monetary necessities. As a result, FL aids in financial activity decision-making (Fairfax, L.M. 2018). Investors' financial ignorance results in incorrect identification, which causes a significant financial crisis. Investors need to be able to create effective ID in order to deal with the financial crisis. Investors in the mutual fund make ID decisions based on risk tolerance, market conditions, and the rate of return. Regardless, a portion of the securities exchange financial intermediary makes one-sided ID because of absence of monetary proficiency (Goeij, P. de 2018).

FL supports making reasonable and powerful ID with accessible financial assets. As mutual funds provide better return, it has been a common avenue of investing. On the other hand, financial illiteracy leads to excessive risk taking and debt without understanding the terms and conditions. The base information on mutual funds brings about making improper estimation on expected risk and return. However, persons with good money management capacity intend to sell mutual fund immediately after short term price appreciation, which could lead to frequent trading turnover.

### 1.3 Importance of the Study:

Several studies examined the role that FL, women's attitudes, and behaviors play in meeting one's financial needs (Chu, Z. 2017). Also, a number of studies looked at how important it is to empower rural women to improve their socioeconomic status and get rid of gender inequality (Adhikary, A. 2015). The financial literacy of mutual fund investors has only been the subject of a small number of studies. Since mutual funds have already become a new common saving avenue, it is necessary to access if they are fulfilling their needs by investing into mutual funds. Consequently, the ongoing review analyzes the FL level of mutual fund investors of Mayurbhanj. Additionally, the review assesses the job of FL in the ID making of mutual fund investors.

### 1.4 Objective of the study

The goal of the current study is given as follows:

- To validate the determinants of financial literacy of mutual funds investors
- To determine and assess mutual funds investors' financial literacy.
- To analyze the connection between FL and ID.

### 1.5 Organization of the Paper

The following describes the current study's conceptual framework: The first section provides an overview of the study's background, problem identification, and significance. Section 2 examines the existing research on mutual fund investors' financial literacy. The data collection process and the research design are briefly discussed in Section 3. Segment 4 gives table and graphical portrayal of information investigation. Segment 5 talks about the result of the study with existing investigations. The current investigation is brought to a close with a recommendation for the future in section 6.

### Review of Literature:

#### 2.1 Measuring Financial Literacy Among Different People:

FL contributes significantly to the economic expansion and alleviation of poverty. According to Dey, D.K. (2015), empowered women participate in decision-making and contribute to the improvement of one's household's socioeconomic status, self-confidence, and demographics. The current study looked at rural women's financial engagement as well as their FL level. In a similar vein, the most recent study (Adhikary, A. 2014) looked at how the FL affected women's access to finance. Using a structured questionnaire, the data were collected from 950 small- and medium-sized business owners. The accumulated data were analyzed using the SEM method in the current study. The result of the common review showed that there is a critical relationship between ladies strengthening and business venture manageability of ladies. The outcomes additionally featured that funding decision; monetary proficiency and maintainability are the huge component for financial strengthening.

The current study (Fisch, J.E. 2014) examined the effects of firm risk management strategies and financial literacy on SMEs' productivity. The current review consolidated organized survey for amassing information from CFOs in Sri Lankan SMEs. The current study's findings demonstrated that SMEs' productivity and ERM practices are largely determined by their level of financial literacy. The findings also demonstrated that ERM practices may have an effect on SMEs' productivity, while ERM practices serve as a meditative component in the relationship between SME performance and financial literacy. As a result, it concludes that SMEs' performance is affected by financial literacy.

#### 2.2 Factors That Affect the ID Investors:

IDs vary depending on their risk tolerance and financial objectives. The predominant review (Anita, Tampubolon, and Rachman, 2021) analyzed the effect of FL on the ID having and furthermore effect of chance resistance on the ID. The data were gathered and evaluated in the current study using a cross-sectional and quantitative approach. The current study used a sample size of 100 mutual fund investors. The result of the current study describes that the monetary gamble resistance altogether affects the ID. In the meantime, FL had no significant effect on the ID.

Additionally, the overarching study (Anita et al., 2021) looked at how the COVID-19 pandemic affected investors' identification and behavioral biases on the stock exchange. The data of 401 mutual fund investors have been looked at in the selected study. Using a questionnaire, the data were gathered together. SEM strategy has been used for dissecting the aggregated information. According to the findings of the current study, the pandemic had an effect not only on mutual fund investors' decision but also on their behavioral biases and heuristics.

The current study (Aigbovo & Ilaboya, 2019) looked at how individual investor ID was affected by behavioral biases. The data were gathered and analyzed using the survey research method in the chosen study. Individual financial intermediaries in Nigeria have been viewed as the example respondents for the current review. The information has been gathered from 70 members in Nigeria. The organized survey has been utilized to collect the data. The result of the overall review describes that conduct predispositions assume an essential part in the ID of the person. The selected study also suggested that investors need to know how to get around problems caused by behavioral biases, which could affect the ID, and that investors should have this knowledge.

### 2.3 Relationship between FL and ID

The current study (Arora, S. 2013) evaluated the effect between FL level and financial strengthening of women investors. The current study looked at rural women's ability to make decisions, their financial health, and their monthly income. In addition, the current study looked at how rural women's financial awareness, knowledge, skills, and actions were viewed. According to the current study, women's decision-making has a significant impact on rural poor women's economic empowerment, and women's empowerment is the path to sustainable development and economic growth in any nation. As a result, the current study came to the

conclusion that FL is a significant factor in determining the economic situation of rural women.

According to the current study (Lee, T. 2011), FL is the knowledge, attitude, skill, and behavior needed to make a good financial decision. The overarching study presumes that FL supports pursuing the powerful choice which upgrades the expectation for everyday comforts of an individual particularly country ladies.

The current study (Kumari, 2020) looked at how FL affected ID among undergraduates, particularly in Sri Lanka. They chose concentrates on consolidated different determinant factors which influences the ID of students. The most recent study gathered information from 200 undergraduates from four public universities. The current study's findings demonstrated that undergraduates' ID is influenced by their financial literacy. As a result, the current study suggests that financial institutions must provide significant financial scheme knowledge.

## 3 Research Methodologies:

### 3.1 Research Plan

The flow concentrates on embraced quantitative examination strategy for assessing collected information. The quantitative methodology exhibits the happenings through amassing mathematical unchangeable information that have been evaluated with help of numerical procedures. Statistics related to the questions of how, where, when, how much, what, and how many are provided by this method. The quantitative methodology incorporates unbiased, number position and rationale. The quantitative approach is a novel method for examining specific research goals, gathering quantifiable data from defendants, and evaluating that numerical data using statistics (Mohajan, 2020). Surveys and questionnaires are used to collect data from selected respondents in the quantitative method (Sürücü & MASLAKI, 2020). As a result, a structured questionnaire and a quantitative research approach are used in this study to collect data. The structured questionnaire is used to gather information about mutual funds investors' financial literacy in Mayurbhanj.

### 3.2 The Study Hypothesis

- **H<sub>11</sub>**: The level of financial literacy is significant for mutual fund investors
- **H<sub>01</sub>**: The level of financial literacy is not significant for mutual fund investors.
- **H<sub>12</sub>**: There is a significant association between the financial literacy and ID making of mutual fund investors.

- **H<sub>02</sub>:** There is no significant association between the financial literacy and ID making of mutual fund investors.

### 3.3 Data Collection:

The current study uses primary data assortment technique to collect data from the respondents. Because the data are gathered directly from the selected respondents, primary data are regarded as significant optimal data. This data collection process integrates organized survey, review and surveys and so on (Mazhar, Anjum, Anwar, and Khan 2021). As a result, the current study uses a primary data collection approach to obtain first-hand information from Mayurbhanj's mutual fund investors.

### 3.4 Data Examining and Size

An examining method is vital for stack up the information from specific people as opposed to zeroing in on whole people (Stratton, 2021). As a result, selecting the appropriate sample size for the statistical study is crucial. The number of study units and participants required to complete the research's structured questionnaire are referred to as the sample size. The review needs to pick fitting number of test for the review since enormous number of tests would misuse of cost, time and asset. Nevertheless, a small sample size is insufficient to support the research hypothesis (Fowler & Lapp, 2019). As a result, it is important to determine the right sample size so that a statistical procedure can produce significant results (Adhikari, 2021). Consequently, the ongoing review embraces purposive inspecting strategy to accumulate information from 294 mutual fund investors of Mayurbhanj.

### 3.5 Research Tools:

The structured questionnaires used in this study were used to collect data from Mayurbhanj's mutual fund investors. The organized survey has been circulated through GoogleForms through mail and some banks. There are 21 variables which are included in the study and those have been divided into four broad categories i.e., Demographic variables, Variables to access the FL level, Factors determining investment decisions into mutual funds, and the Relationship between FL and ID. The variables are as follows:

#### Demographic Variables:

1. Age
2. Gender
3. Marital status
4. Monthly income
5. Educational Qualification
6. Investing Experience
7. Occupation
8. Monthly income

#### Measuring FL Level

1. Compound Interest
2. Inflation
3. Risk diversification

#### Variables determining ID

1. Past performance
2. Stability
3. Expected return
4. Market Awareness

#### Relationship between FL and ID

1. Knowledge of mutual funds
2. Source of information
3. Intermediary suggestion
4. Affected by other investors decision
5. Following profitable scheme

*Table 1: Description of items of FL of mutual fund investors*

Dimension	Item description
Compound Interest (CI)	I can calculate of interest when deposited for 5 years at 2% interest per year.
	15-year mortgage requires higher monthly payments that 20 years mortgage.
Inflation (INF)	I get more return when interest is 1% and inflation is 2%
	I receive 8% interest when inflation is 6% then effective interest is 6%.
Risk Diversification (RD)	Single company share is safer than mutual funds
	I prefer to invest entire savings into 1 mutual fund scheme
Past Performance (PP)	I prefer scheme which has good return records in the past
	Financial intermediary background is more important than past records
	I rarely do impulse investment into mutual funds
Stability (ST)	When the return is consistent with less fluctuation is always better
	Investors are ready to invest for longer period
	Investors prefer stable scheme than instable high growth schemes
Expected return (ER)	Investors view low interest rate for steady great profit
	Last 10 years records of a single company are enough to estimate profit
	Expected return affects investment decision



Market Awareness (MA)	Investors are keeping close watch on their financial affairs
	Individual market awareness determines investment decisions
	The market always behaves in an expected way.
Knowledge of mutual funds (KM)	The knowledge of mutual funds can help investors to outperform the return
	I invest when my friend tells me to invest
	Mutual funds are safer than savings account of any bank
	Mutual fund is subjected to market risks
Source of information (SOI)	I invest through phone
	I know the details of the scheme directly by visiting the company's office.
	I prefer my current bank to get the scheme from
Intermediary suggestion (IS)	The investment decision is by agent's suggestions
	My invest is purely based on suggestion and not on my own analysis
	I don't check the scheme in details if it is profitable
Affected by other investors decision (AOI)	When market crashes, I follow nearby expert blindly
	Other investors buying or selling mutual funds affect my investment decision
	At the time of loss, I prefer to sale off
Following profitable scheme (FPS)	The investment decision is affected by other investors scheme selection
	Following successful investors scheme gives better investment opportunity
	I don't track the return of my mutual fund's investment
	I prefer to invest my emergency funding into much more profitable scheme.

Table 1 shows the component details along with the statements used to collect data. There are 35 statements for twelve components altogether.

### 3.6 Data Analysis:

Quantitative information examination is meant as a deliberate peculiarity for social occasion information as well as achieving numerical, computational methods as well as measurable (Jung, 2019). The quantitative methodology congregated information from forthcoming as well as regular respondents with the help of inspecting devices and giving internet-based reviews and surveys and so on. The quantitative approach produces a numerical result. The numerical values

are interpreted and used to make adjustments and predictions for the subsequent research.

The structured questionnaire used to collect data from sample respondents is used in the quantitative data analysis process. The information is recorded using Spread sheet for uncovering and concentrating on factors. The product instrument known as SPSS is used to break down the study variable in the Succeed sheet. ANOVA, reliability, correlation, factor analysis, coefficient, and frequency are the six methods used for the study.

## 4. Results

**Table 2: Reliability statistics for measurement of variables (excluding demographic variables)**

Particulars	$\alpha$ score
1. Compound Interest	0.812
2. Inflation	0.715
3. Risk diversification	0.720
4. Affordability	0.690
5. Past performance	0.791
6. Stability	0.721
7. Expected return	0.836
8. Market Awareness	0.742
9. Knowledge of mutual funds	0.761
10. Source of information	0.789
11. Intermediary suggestion	0.765
12. Affected by other investor's decision	0.764
FL of mutual fund investors (Overall)	0.921

Alpha scores are satisfactory when it is more than 0.700 and in this current study all the variables except affordability are satisfactory. As the overall

alpha score for the scale is 0.921, the main study was conducted to measure the FL scale quantitatively.

#### 4.1 Demographic

The total number of 294 respondents of Mayurbhanj's mutual fund investors is regarded as

participants of the present study. The demographic details of the participants are given in table 2.

**Table 3 Demographic statistics**

Demographic Profile	Factor	Participants	%
Age	Below 30	162	55%
	31-40	102	35%
	41-50	24	8.1%
	Above 50	6	1.9%
	<b>Total</b>	<b>294</b>	<b>100</b>
Gender	Male	215	73%
	Female	79	27%
	<b>Total</b>	<b>294</b>	<b>100</b>
Marital status	Married	185	63%
	Unmarried	109	37%
	<b>Total</b>	<b>294</b>	<b>100</b>
Monthly Income	60,000 – 1 Lakh Rupees	176	60%
	1 Lakh – 2 Lakh Rupees	38	13%
	More than 2 Lakh Rupees	80	21%
	<b>Total</b>	<b>294</b>	<b>100</b>
Education Qualification	Undergraduate	141	48%
	Postgraduate	153	52%
	<b>Total</b>	<b>294</b>	<b>100</b>

Table 2 represents the demographic details of the mutual fund investors of Mayurbhanj who have participated in the survey. As per the table, 55% of respondents are below 30 years whereas 35%, 8.1%, and 1.9% are 31-40 years, 41-50 years, and above 50 years respectively. There are more male mutual fund investors than females as 73% of mutual fund investors are male. The monthly income of mutual fund investors in Mayurbhanj is between Rs. 60,000-1 Lakh. 56% of mutual fund

investors earn Rs—60,000-1Lakh per month. Meanwhile, 18% and 20% of mutual fund investors especially in Mayurbhanj earn about 1 Lakh-2 Lakh and more than 2 Lakh per month correspondingly. Most of the mutual fund investors have completed post-graduation. As per the data, 49% of investors are post-graduate whereas 45% of investors are under-graduate.

#### 4.2 Reliability test

**Table 4 KMO and Bartlett's test**

<b>Kaiser-Meyer-Olkin measure of sampling adequacy</b>		<b>0.831</b>
<b>Bartlett's Test of Sphericity</b>	Approximate X <sup>2</sup>	5501.623
	Significance	0.000

Table 3 shows the results of KMO and Bartlett's test for data suitability and the score is 0.831. The value over 0.5 threshold and significance level below 0.05 suggest sampling adequacy for each variable in the model. In the above test p-value indicates rejection of presence of identical matrix.

So, the variables in the study are related and suitable for factor analysis.

In this study, 35 statements of twelve variables are loaded in the factor analysis. The correlation technique has been used to understand interrelationship among the variables and then to find common factors in this study.

**Table 5: Total variance explained by selected factors**

Component	Eigenvalues	Proportion of variance	Cumulative Proportion of variance
1	13.110	0.2961	0.2961
2	4.086	0.0907	0.3868
3	2.321	0.0515	0.4383
4	2.115	0.0480	0.4863
5	1.755	0.0365	0.5228
6	1.678	0.0311	0.5539
7	1.567	0.0305	0.5844

8	1.532	0.0292	0.6136
9	1.452	0.0255	0.6391
10	1.460	0.0241	0.6632
11	1.402	0.0211	0.6843
12	1.344	0.0222	0.7065

These twelve factors extracted constitute for 70.65% of the variance in the scale and all other factors are insignificant. Factor one accounts for 29.61% variance in the scale, the second factor explains 9.07% variance in the scale.

According to Hayton et al., 2004, Kaiser greater than 1 (K1) criteria and Scree test are used to

decide the number of factors to be included in factor analysis. As K1 criteria sometimes overestimates the number of factors and scree test suffers ambiguities (Hayton et al., 2004). So, Parallel analysis is used to overcome the limitations of K1 and Scree Test.

**Table 6 : Parallel Analysis**

Component	Unadjusted Data Eigen	Average Random Eigen	95 percentile Of Random Eigen
1	13.328	2.0185	2.1368
2	4.090	1.9058	1.9822
3	2.325	1.81051	1.8865
4	2.155	1.7485	1.8095
5	1.755	1.6812	1.5820
6	1.687	1.6230	1.2472
7	1.591	1.5650	1.2388
8	1.520	1.5128	1.1410
9	1.5101	1.4645	1.0462
10	1.460	1.4175	0.9820
11	1.405	1.3710	0.9180
12	1.350	1.3255	0.9050

Table 5 shows the result of parallel analysis. 12 Components are to be included in the study as real eigenvalue (Unadjusted) are more than average random eigen value and 95 percentiles of random eigen value. Items loading have been presented in

table 7. Items are entered under the specific component where they have highest loadings and these items are represented by their respective codes as per table 1.

**Table 7: Rotated component loading**

C1	C2	C3	C4	C5	C6
ST1	INF1	KM4	RD2	SOI2	FPS1
ST2	AOI3	PP1	PP3	SOI3	RD1
MA1		IS2	ER1		
PP2			IS3		
			AOI1		
C7	C8	C9	C10	C11	C12
MA2	ER1	ER2	CI1	KM2	FPS2
MA3	ST3	IS1	CI2	SOI1	FPS3
	KM1	INF2	FPS4		
	KM3		AOI2		

Twelve components are extracted and are named on items loading in that particular component. Component 1 termed as “Financial market stability” because it’s the combination of stability, past performance and market awareness. Component 2 is termed as “Inflation” because it has the statements of inflation and other investors investment decision. Component 3 “Investment into Mutual funds” because it contains the

statements of knowledge of mutual funds, past performance and intermediary suggestions. Component 4 is termed as “Investment portfolio” as it contains the statements of risk diversification, expected returns and past performance. Component 5 is termed as “Information source” as it is filled with source of information statements. Component 6 is termed as “Risk Diversification” as it has the statements of risk diversification and



following profitable scheme. Component 7 is termed as “Market awareness” as it is filled with market awareness statements. Component 8 is termed as “Knowledge on Mutual fund”, Component 9 is termed as “Affordability” because it contains the statements of expected returns,

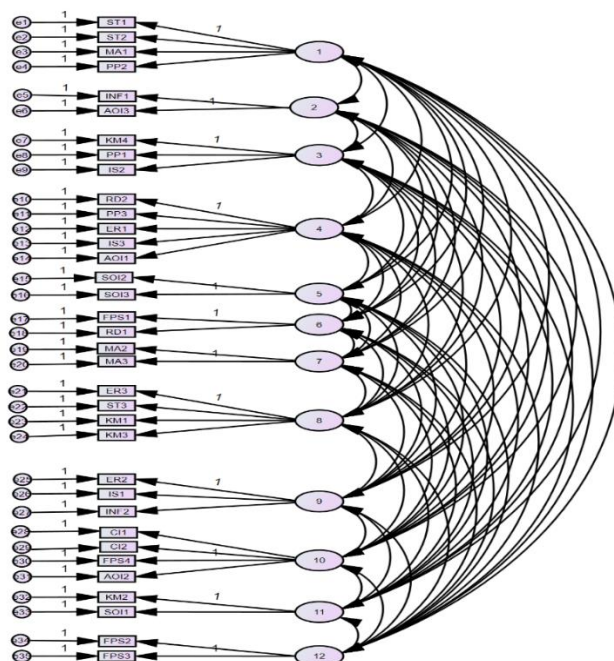
inflation and intermediary suggestion. Component 10 is termed as “Compound interest”, Component 11 is termed as “Investing decision” as it has the statements of knowledge of market and source of information and Compound 12 is termed as “Following Profitable Schemes”.

**Table 8: Reliability of rotated components**

Component	Variance	Proportion of variance	Reliability	Factor determining index
1	2.876	0.065	0.920	0.955
2	1.950	0.043	0.856	0.923
3	4.750	0.105	0.944	0.971
4	1.331	0.025	0.805	0.876
5	1.150	0.024	0.770	0.831
6	2.140	0.045	0.850	0.920
7	1.564	0.037	0.822	0.901
8	4.211	0.091	0.894	0.945
9	4.111	0.090	0.919	0.955
10	2.786	0.061	0.887	0.944
11	2.784	0.065	0.895	0.956
12	1.540	0.033	0.855	0.920

Table 8 represents reliability value and factor determining index. The values are appropriate and fit. So, the extracted components are reliable and are statistically strong. New components are identified on basis of EFA loadings and the final model is constructed for the measurement of financial literacy of mutual fund investors. The

final model is tested for goodness of fit. CFA (Confirmatory Factor Analysis) is applied to find the goodness of fit model. Table 9 represents overall acceptable fit of the model and figure 1 provides a pictorial representation of latent and their observed value.



**Figure 1: Confirmatory Factor Analysis- Financial literacy of mutual funds investors**

**Table 9 Goodness of fit**

	X <sup>2</sup>	GFI	RMSEA	AGFI	NFI	CFI	IFI	RFI	PCFI	PNFI
Accepted value	< 5	> 0.90	< 0.10	> 0.80	> 0.90				> 0.50	
Model Value	3.49	0.912	0.093	0.917	0.92	0.914	0.933	0.942	0.569	0.591

Thus, Financial market stability, inflation, Investment into Mutual funds, investment portfolio, information source, risk diversification, market awareness, knowledge on mutual funds, affordability, compound interest, investing decisions and following profitable schemes are the measures and determinants of financial literacy of mutual funds investors in rural India.

**4.3 Hypothesis testing**

**H<sub>1</sub>: The level of financial literacy is significant for mutual fund investors**

**H<sub>0</sub>: The level of financial literacy is not significant for mutual fund investors**

**Table 2 Frequency**

	F	%	V%	C%	
Valid	SA	40	42.55	42.55	42.55
	A	40	42.55	42.55	85.1
	N	7	7.45	7.45	92.55
	DA	6	6.4	6.4	98.9
	SDA	1	1.1	1.1	100.0
	Total	294	100.0	100.0	

**Interpretation**

The above-given table illustrates the outcome of the frequency analysis for identifying the FL of investors. The outcome of the frequency analysis illustrates that most of the mutual fund investors of Mayurbhanj have significant awareness of the mutual fund. Mutual fund investors of Mayurbhanj have strongly agreed that they get daily updates regarding mutual funds which helps them in making appropriate ID. 42.55% of investors strongly agreed to get proper mutual fund updates from the sources whereas 1.1% of respondents strongly disagreed regarding daily

updates from the sources. Meanwhile, 42.55%, 7.45%, and 6.4% of respondents selected agreed, neutral and disagree respectively. Hence, the outcome of the study rejects the null hypothesis.

**4.4 Chi-Square Test**

**H<sub>2</sub>: There is a significant association between the financial literacy and ID making of mutual fund investors.**

**H<sub>0</sub>: There is no significant association between the financial literacy and ID making of mutual fund investors.**

**Table 3 Correlations**

		Practices through investing in terms of free paper token avoids financial loss when real money is invested	Individual market awareness determines the ID among the investors
Practices through investing in terms of free paper token avoids financial loss when real money is invested	PC	1	.028
	S (2-tailed)		.003
	N	294	294
Individual market awareness determines the ID among the mutual fund investors	PC	.028	1
	S (2-tailed)	.003	
	N	294	294

**Interpretation**

The above given demonstrates the outcome of the chi-square test. The chi-square test has been employed to illustrate the association between the financial literacy and ID of mutual fund investors

in Mayurbhanj. The p-value of the chi-square test is .003 which is less than threshold value .005. Hence, the outcome of the analysis illustrates that there is a significant association between FL and ID making of the mutual fund investor in

Mayurbhanj. Moreover, the outcome of the study rejects null hypothesis.

The results of the SPSS evaluation of the collected data from respondents have been used to draw conclusions about the study. The current study's findings demonstrate that Mayurbhanj investors' IDs are influenced by their level of financial literacy. The frequency analysis's findings demonstrate the FL level of mutual fund investors as well as the factors that determine the ID. According to the result, the element such past execution of corporate protections, individual market mindfulness and company's strength decides the ID of securities exchange financial intermediaries of Mayurbhanj.

The overall investigation of Kadoya et.al (Kadoya and Khan, 2020) showed the FL level, attitude and investment behavior towards the finances are related with monetary issues. The result of the overall review represents that FL is fundamental for consolidating a few financial plans. Also, the result expresses that FL is critical for making compelling ID. Similarly, the current study's findings demonstrate that FL is necessary for mutual fund investment decision.

In a similar vein, the prior research conducted by RK Raut (Raut, 2020) demonstrated the FL and previous investment behavior in ID. The current study's findings demonstrated that an investor's previous actions do not influence the investment decision process. Also, FL essentially affects the ID making of an individual. In the meantime, the findings of this study show that individual market awareness, company stability, and past performance all have a significant impact on the ID of mutual fund investors. In a similar vein, the findings of the current study demonstrated that individual market awareness, the stability of the company, and past performance have a significant impact on the ID of mutual fund investors.

## 5 Limitations

Each study has its own limitations that prevent it from producing accurate results. In a similar vein, the current study is constrained in some ways, making it impossible to accurately achieve the research objective. The current study only looked at the IDs of Mayurbhanj mutual fund investors. Only Mayurbhanj's mutual fund investors' financial literacy was the subject of the study.

## 6. Conclusion

There is a need for FL in rural areas like Mayurbhanj district of Odisha due to a lack of awareness and understanding of financial services. Banking regulators need to take more proactive steps to promote financial education in order to

increase the level of financial planning, financial attitude, and financial behavior in these areas and guarantee that everyone has access to sound financial practices. The monetary proficiency of financial exchange financial intermediaries is huge for pursuing viable choice with respect to the interest in the securities exchange. The monetary proficiency helps with figuring out the ongoing financial exchange circumstance and furthermore helps making proper ID. As a result, effective ID requires substantial FL from mutual fund investors otherwise it will result bad decision and unnecessary interest burden on loan due to insufficient liquidity.

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