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A Study on Financial Literacy and Its Impact on Savings and Investment Among the People of Mirza, Assam

Md. Faruk Ahmed

Assistant Professor, Girijananda Chowdhury University, Azara Hatkhowapara, Guwahati, Assam, PIN – 781017, farukahmed385@gmail.com

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ABSTRACT

Financial literacy is an essential component of personal financial management, enabling individuals to make informed decisions regarding budgeting, saving, investing and financial planning. In developing economies like India, inadequate financial knowledge often leads to poor financial decisions, low savings and limited participation in the formal financial system. The present study, "A Study on Financial Literacy and Its Impact on Savings and Investment Among the People of Mirza, Assam," examines the level of financial literacy among the residents of Mirza and analyses its influence on their saving and investment behaviour. The study also identifies the major barriers to financial education and financial inclusion. The research adopts a descriptive and analytical research design using both quantitative and qualitative approaches. A stratified random sampling technique was employed to select 100 respondents from different socio-economic backgrounds. Primary data were collected through a structured questionnaire, while secondary data were obtained from RBI and SEBI reports, government publications, books, journals and other reliable sources. The collected data were analysed using percentage analysis and the Weighted Average Mean (WAM) technique. The findings indicate that respondents possess a satisfactory level of financial literacy, particularly in areas such as budgeting, financial planning, savings and understanding investment risk and return. They also demonstrate positive saving behaviour and a preference for relatively safe investment options. However, the study reveals limited awareness of interest rates, government-sponsored financial schemes, emergency fund management, regular long-term investing and periodic review of investment portfolios. The study concludes that enhancing financial literacy through awareness programmes and financial education initiatives can significantly improve saving habits, investment decisions and financial inclusion. The findings provide valuable insights for policymakers, financial institutions, educators and development agencies to formulate strategies for promoting financial well-being and sustainable economic development in semi-urban communities.

Introduction

With the world's economy becoming increasingly sophisticated and interconnected, financial literacy has become a bedrock of individual economic health and long-term financial stability. Referring to one's ability to know and efficiently apply a range of financial capabilities—personal financial management, budgeting, saving, investing, managing credit, insurance planning and preparing for retirement financial literacy gives one the power to make smart choices about money. As financial markets become increasingly complex and consumers are exposed to an expanding universe of financial services and products, the importance of good financial education becomes more critical than ever.

The importance of financial literacy is particularly acute in emerging countries such as India. Though India has taken significant strides to increase financial services in the form of technology advancement, regulatory policies and government programs, much of its population is still financially illiterate or under-informed. Millions of Indians are still not part of the formal finance system and use informal means of savings and borrowing, like keeping money in homes, investing in gold or borrowing from unregulated moneylenders. These behaviours tend to provide low or even negative returns and may subject individuals and households to high financial risks when economic times are uncertain or in times of crisis. Low levels of financial literacy account for a variety of problems, such as insufficient savings, indebtedness, insufficient insurance coverage, bad investment choices and insufficient provision for future financial expenses such as education, health care, or retirement. The implications of these fiscal mistakes are not only at the household level but extend to the overall economy as well, with underinvestment and wastage of capital slowing down economic development as well as financial inclusion. Therefore, ensuring financial literacy is not only an individual issue but also a matter of developmental priority for policymakers, financial institutions and educators.

While urban centres have enjoyed the benefits of online banking portals, financial education campaigns and enhanced access to a variety of investment products, the progress has been uneven within the country. Semi-urban and rural areas continue to be plagued by significant challenges such as low exposure to financial products, dearth of institutional infrastructure, low digital literacy levels and resistance to formal banking culture. In such situations, the financial literacy deficit becomes ever more acute, disabling individuals from saving effectively, making prudent investments and securing their future.

Mirza is a semi-urban town within the Kamrup district of Assam, which can be considered a case in point under these circumstances. Situated along National Highway 17 and in the vicinity of Guwahati, Mirza has seen limited infrastructural growth and increased economic activity over recent years. Though it has growth potential and proximity to surrounding urban areas, the town still exhibits a lot of the rural patterns of financial behaviour. Most people in Mirza, particularly from low-income groups and marginalized groups, still rely on informal saving instruments and show little familiarity with contemporary financial instruments such as mutual funds, insurance contracts, electronic payment systems and retirement schemes. This research aims to examine the financial literacy level of the people residing in Mirza and to study how this literacy affects their saving and investment behaviour. It is crucial to understand the financial conduct of individuals in semi-urban areas such as Mirza in order to attain inclusive economic growth. It can bridge the gap between financial awareness and financial inclusion by determining the impediments that hinder individuals from availing themselves of the formal financial system.

By measuring the level of financial knowledge and its real-world implications within the context of everyday financial decision-making, this research aims to draw out insights useful for informing local policy-making, town-level financial education initiatives and the construction of affordable financial products suited to the reality of semi-urban dwellers. In the end, enhancing financial literacy in towns such as Mirza is not merely a requisite for personal financial empowerment but also for reinforcing the wider financial system in India's North-Eastern region.

Literature Review

Kaur and Vohra (2012) analysed investment behaviour among retail investors in India and observed that financial literacy significantly improves awareness of investment alternatives. The study reported that investors possessing greater financial knowledge showed higher confidence in selecting investment products and managing financial risks.

Sahi (2012) analysed the investment behaviour of individual investors and concluded that financial knowledge and awareness influence investment decisions, risk perception and portfolio diversification. The study highlighted the importance of investor education for improving long-term wealth creation.

Agarwalla et al. (2013) conducted a study on financial literacy among working young adults in India. The researchers found that the level of financial literacy among Indian youth was relatively low despite increasing educational attainment. They observed that respondents with better financial knowledge were more likely to save regularly, invest in financial instruments and plan for future financial goals. The study emphasized the need for financial education programmes to improve investment behaviour and financial well-being.

Bhushan and Medury (2013) examined the financial literacy level of salaried individuals in India and found that financial literacy significantly influenced investment decisions. Their findings revealed that individuals possessing higher financial knowledge preferred diversified investment options and demonstrated better financial planning than those with limited financial awareness. The study recommended enhancing financial education through educational institutions and financial institutions.

Gupta and Kaur (2014) studied financial literacy among Indian households and found that financial knowledge directly affects savings habits and investment choices. The researchers highlighted that financially aware individuals maintain better budgeting practices and are more inclined to invest in long-term financial products than financially illiterate individuals.

Sharma and Bhabra (2017) studied financial literacy among rural investors in India and observed that lack of awareness regarding banking and investment products restricted financial inclusion. The researchers recommended conducting financial awareness programmes in rural areas to improve saving and investment practices.

Garg and Singh (2018) investigated financial literacy among university students in India. The study found that students with better financial knowledge displayed more responsible saving habits and greater willingness to invest. The authors stressed integrating financial education into academic curricula.

Mishra and Mishra (2018) investigated financial awareness among Indian households and concluded that higher financial literacy increases confidence in selecting investment instruments while reducing dependence on informal financial advice.

Rai (2019) examined the relationship between financial literacy and investment behaviour among Indian investors. The findings indicated that financial literacy positively affects investment planning, financial confidence and wealth accumulation. The study suggested expanding financial education initiatives in both rural and urban areas.

Bapat (2020) examined financial literacy among Indian households and found that individuals with higher financial literacy demonstrated better budgeting, emergency savings and investment planning. The study concluded that financial knowledge plays a crucial role in improving household financial security.

Sharma and Kumar (2021) studied the impact of financial literacy on household savings behaviour and found that financially literate individuals maintain regular savings, prepare emergency funds and make better investment decisions. The study emphasized financial education as an important tool for improving household financial stability.

Rani and Siwach (2023) reviewed financial literacy research conducted in India and concluded that financial literacy levels remain low across different demographic groups, including women, students, employees and rural households. The authors emphasized that improving financial literacy would encourage better savings behaviour, informed investment decisions and overall financial well-being.

Maurya et al. (2023) conducted a systematic review on financial literacy and investment behaviour. The review revealed that financial literacy enhances investors' ability to evaluate financial products, reduces investment errors and encourages disciplined savings. The authors suggested that policymakers should strengthen financial education initiatives to improve financial inclusion and investment participation.

Chaturvedi et al. (2024) investigated the impact of financial literacy on the investment behaviour of young investors in India. The study concluded that financial literacy positively influences financial knowledge, investment confidence and decision-making. The researchers observed that financially literate individuals were more likely to participate in financial markets and choose appropriate investment avenues according to their risk tolerance.

Hemalatha and Rajani (2024) examined financial literacy among women entrepreneurs in India and found that financially knowledgeable women made better financial decisions, managed savings efficiently and showed greater participation in investment activities. The study highlighted the importance of targeted financial literacy programmes for women entrepreneurs.

Gap Analysis:

A review of the existing literature indicates that most studies have established a positive relationship between financial literacy and savings and investment behaviour among different population groups in India, including youth, salaried employees, households, students, rural investors and women entrepreneurs. However, these studies primarily focus on broad national or state-level contexts, with limited attention to specific semi-rural regions such as Mirza, Assam. Moreover, while previous research highlights the importance of financial knowledge in influencing investment decisions and savings habits, it provides little insight into the socio-economic and cultural factors affecting financial behaviour in the North-Eastern region. There is also limited evidence on the financial literacy levels of the general population in Mirza and how these influence their choice of savings and investment avenues. Therefore, this study seeks to bridge this gap by examining the level of financial literacy and its impact on the savings and investment behaviour of people in Mirza, Assam, thereby contributing region-specific evidence to the existing literature.

Objectives of the Study

The primary objective of this study is to assess the financial literacy level among the residents of Mirza and to examine how it influences their saving and investment decisions. They are -

- To evaluate the awareness and understanding of basic financial concepts among different demographic groups.
- To analyse the saving patterns and investment preferences of the residents of Mirza.
- To determine the key obstacles preventing financial education and inclusion in Mirza.

Research Methodology:

The present study adopts a descriptive and analytical research design to examine the level of financial literacy and its impact on the saving and investment behaviour of people residing in Mirza, Kamrup District, Assam. It combines quantitative and qualitative approaches to provide a comprehensive understanding of financial literacy, saving habits, investment preferences and financial decision-making. A stratified random sampling technique is employed to ensure representation of respondents from different socio-economic backgrounds, age groups, educational levels, occupations and income groups. A sample of approximately 100 respondents is selected to obtain reliable and meaningful data. Primary data are collected through a structured questionnaire, supported by personal interviews and focus group discussions wherever required. Secondary data are gathered from reliable sources such as publications and reports of the Reserve Bank of India (RBI), the Securities and Exchange Board of India (SEBI), government publications, Census reports, academic journals, books and other credible online sources. The collected data are analysed using percentage analysis and the Weighted Average Mean (WAM) technique, with findings presented through tables, bar diagrams, pie charts and other graphical tools for clear interpretation and comparison.

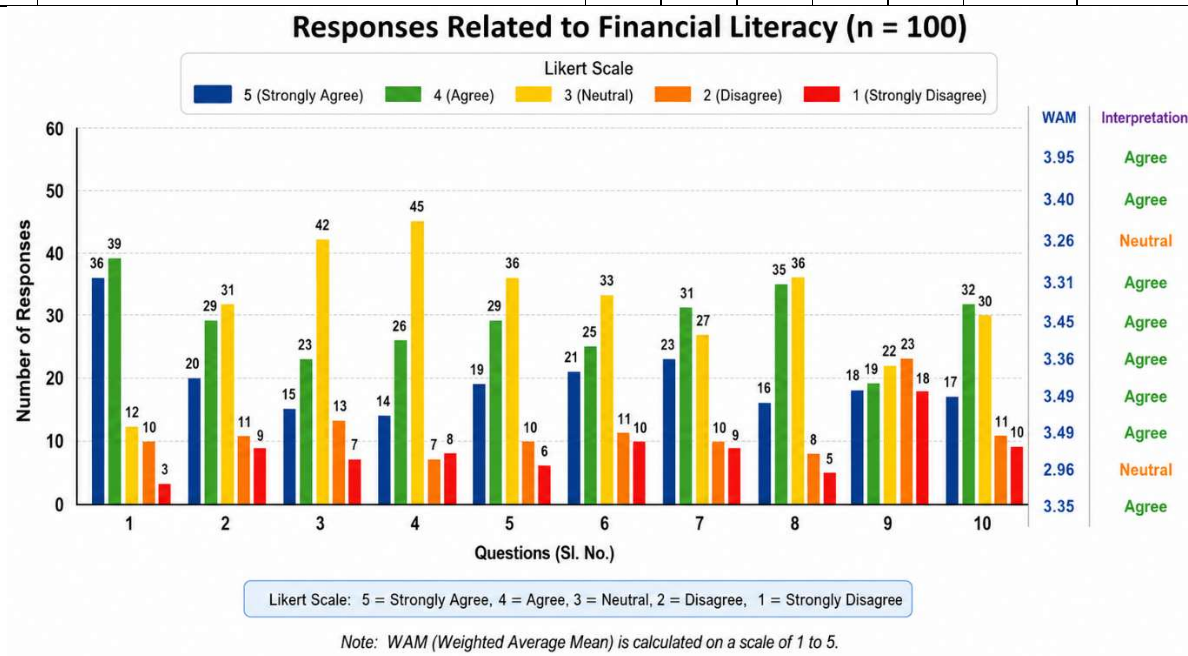
Analysis and discussion:

Scale: ***Strongly Disgree - 1, Disagree - 2, Neutral - 3, Agree - 4, Strongly Agree – 5***

Table 1.1: Responses related to Financial Literacy

Sl. No	Questions	5	4	3	2	1	WAM	Interpretation
1	I understand the importance of preparing a personal or family budget.	36	39	12	10	3	3.95	Agree
2	I am aware of the benefits of regular savings.	20	29	31	11	9	3.40	Agree
3	I understand the concept of interest rates on savings and loans.	15	23	42	13	7	3.26	Neutral
4	I understand the relationship between risk and return in investments.	14	26	45	7	8	3.31	Agree
5	I am aware of the effects of inflation on purchasing power and savings.	19	29	36	10	6	3.45	Agree
6	I can differentiate between various financial products such as savings account, fixed deposits, mutual funds, insurance and shares.	21	25	33	11	10	3.36	Agree
7	I understand the importance of financial planning for future goals.	23	31	27	10	9	3.49	Agree

8	I compare financial products before making financial decisions.	16	35	36	8	5	3.49	Agree
9	I am aware of government financial schemes available for savings and investment.	18	19	22	23	18	2.96	Neutral
10	I feel confident while making financial decisions independently.	17	32	30	11	10	3.35	Agree



Interpretation

Table 1.1 presents the respondents' perceptions regarding various aspects of financial literacy based on the Weighted Average Mean (WAM) values. The results indicate that the majority of the statements received an "Agree" interpretation, suggesting that the respondents possess a satisfactory level of financial literacy. The highest WAM of 3.95 was recorded for the statement *"I understand the importance of preparing a personal or family budget,"* indicating that most respondents recognize the significance of budgeting in managing personal finances. Similarly, respondents agreed that they were aware of the benefits of regular savings (WAM = 3.40), understood the relationship between risk and return in investments (WAM = 3.31), were aware of the effects of inflation on purchasing power and savings (WAM = 3.45), could differentiate between various financial products (WAM = 3.36), understood the importance of financial planning for future goals (WAM = 3.49), compared financial products before making financial decisions (WAM = 3.49) and felt confident while making financial decisions independently (WAM = 3.35).

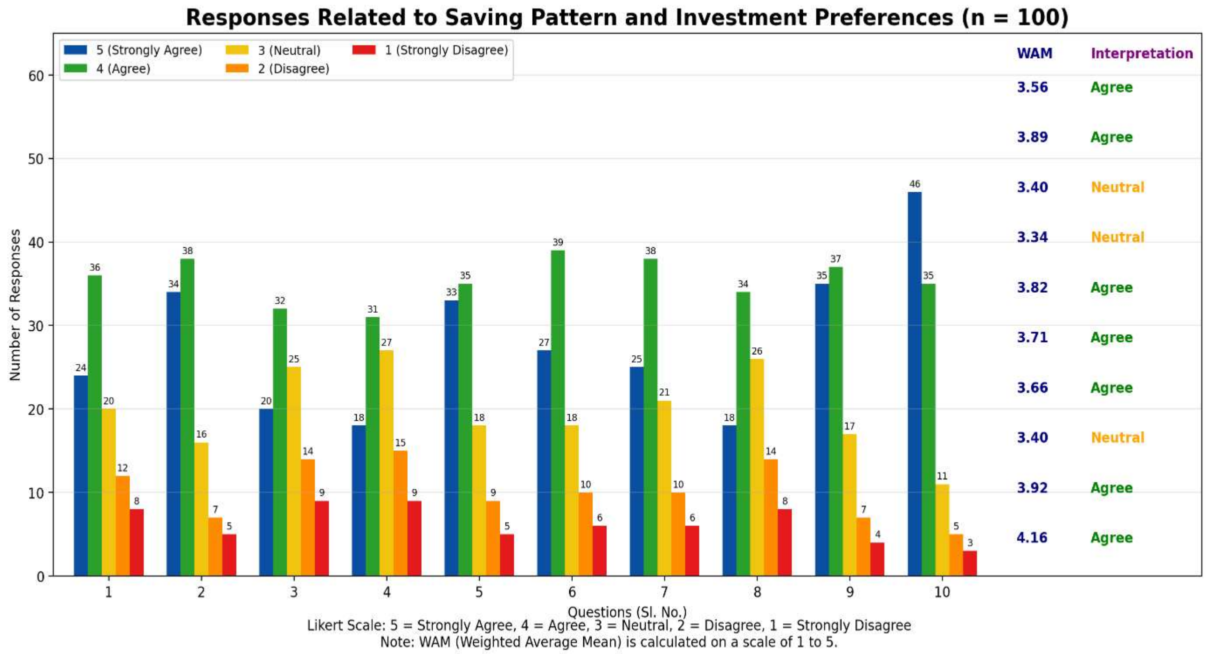
However, two statements received a "Neutral" interpretation. The statement *"I understand the concept of interest rates on savings and loans"* recorded a WAM of 3.26, indicating that respondents had only a moderate understanding of this important financial concept. Likewise, awareness of government financial schemes available for savings and investment recorded the lowest WAM of 2.96, suggesting that respondents were relatively less informed about such schemes. Overall, the findings indicate that while respondents demonstrate a generally positive level of financial literacy, there remains a need to enhance awareness of specific financial concepts, particularly interest rates and government-sponsored financial schemes, through targeted financial education and awareness programmes.

Scale: ***Strongly Disgree - 1, Disagree - 2, Neutral - 3, Agree - 4, Strongly Agree – 5***

Table 1.2: Responses related to Saving Pattern and Investment Preferences

Sl No.	Statement	5	4	3	2	1	WAM	Interpretation
1	I save a fixed portion of my monthly Income regularly.	24	36	20	12	8	3.56	Agree
2	Saving money is one of my financial priorities.	34	38	16	7	5	3.89	Agree
3	I maintain an emergency fund to meet unexpected expenses.	20	32	25	14	9	3.40	Neutral
4	I invest regularly to achieve long-term financial goals.	18	31	27	15	9	3.34	Neutral
5	I prefer safe investment options rather than high-risk investments.	33	35	18	9	5	3.82	Agree
6	I consider returns before selecting an investment option.	27	39	18	10	6	3.71	Agree
7	I consider the level of risk before making an investment.	25	38	21	10	6	3.66	Agree
8	I regularly review and monitor my savings and investments.	18	34	26	14	8	3.40	Neutral
9	Financial knowledge influences my saving and investment decisions.	35	37	17	7	4	3.92	Ageee

10	I believe that improving financial literacy can help people make better saving and investment decisions.	46	35	11	5	3	4.16	A



Interpretation

The findings indicate that respondents generally exhibit positive saving and investment behaviour, with most statements receiving a Weighted Average Mean (WAM) above 3.50, reflecting overall agreement. The highest mean score was recorded for the statement, *"I believe that improving financial literacy can help people make better saving and investment decisions"* (WAM = 4.16), indicating a strong consensus regarding the importance of financial literacy in enhancing financial decision-making. Similarly, respondents agreed that financial knowledge influences their saving and investment decisions (WAM = 3.92) and that saving money is one of their financial priorities (WAM = 3.89), suggesting a favourable attitude toward financial planning and wealth creation.

Respondents also agreed that they prefer safer investment options over high-risk investments (WAM = 3.82), consider returns before selecting investment options (WAM = 3.71), assess the level of risk before investing (WAM = 3.66) and save a fixed portion of their monthly income regularly (WAM = 3.56). These results indicate prudent financial behaviour and a preference for informed and relatively secure investment decisions.

However, three statements received neutral responses. Respondents were neutral regarding maintaining an emergency fund (WAM = 3.40), investing regularly for long-term financial goals (WAM = 3.34) and regularly reviewing and monitoring their savings and investments (WAM = 3.40). These findings suggest that while respondents recognize the importance of saving and investing, consistent financial practices such as emergency preparedness, systematic investing and periodic monitoring are not yet widely adopted.

Overall, the results demonstrate that respondents possess a positive attitude toward saving and investment, supported by their awareness of the importance of financial literacy. Nevertheless, there is scope for improving practical financial management habits, particularly in the areas of emergency fund creation, regular investment and continuous monitoring of savings and investment portfolios.

Suggestions:

Based on the findings of the study, several suggestions can be made to improve the financial literacy, saving habits and investment behaviour of the people of Mirza, Assam. Although the respondents demonstrated a satisfactory level of financial literacy, certain gaps were identified, particularly regarding the understanding of interest rates and awareness of government-sponsored financial schemes. Therefore, regular financial literacy programmes should be organized by banks, educational institutions, government agencies and financial service providers to educate people on basic financial concepts, available investment avenues and the benefits of government savings schemes.

Awareness campaigns should specifically focus on explaining the impact of interest rates on savings, loans and investments, enabling individuals to make informed financial decisions. Financial institutions should also actively promote government-backed schemes such as Public Provident Fund (PPF), National Pension System (NPS), Sukanya Samriddhi Yojana and other savings and insurance programmes through workshops, community outreach and digital platforms.

The findings further indicate that while respondents value saving and investment, many do not maintain emergency funds, invest regularly for long-term goals, or periodically review their financial portfolios. Hence, financial education programmes should emphasize the importance of building emergency savings, adopt systematic investment plans and regularly monitor financial performance. Individuals should be encouraged to prepare personal budgets and allocate a fixed proportion of their monthly income towards savings and investments.

Educational institutions can play a significant role by incorporating financial literacy into their curriculum and conducting practical workshops on budgeting, investment planning and personal financial management.

Banks and financial advisors should also provide simplified financial counselling services to help individuals understand various investment options according to their financial goals and risk tolerance.

Finally, digital financial education through mobile applications, social media campaigns and online learning platforms should be promoted to reach a wider audience, especially younger individuals. Continuous financial education, combined with practical guidance, can strengthen financial capability and promote long-term financial well-being among the people of Mirza.

Conclusion:

The study concludes that the respondents possess a reasonably satisfactory level of financial literacy and demonstrate a positive attitude towards saving and investment. Most respondents understand the importance of budgeting, financial planning, regular savings and evaluating investment risk and returns before making financial decisions. They also strongly believe that financial literacy contributes significantly to better saving and investment decisions. However, the study reveals deficiencies in respondents' understanding of interest rates and awareness of government financial schemes. In addition, practical financial behaviours such as maintaining emergency funds, investing regularly for long-term goals and periodically reviewing investments require further improvement. These findings indicate that while financial awareness is generally encouraging, greater emphasis should be placed on translating financial knowledge into consistent financial practices. Strengthening financial education initiatives, increasing awareness of government schemes and promoting disciplined saving and investment habits will help improve financial well-being and encourage sustainable financial decision-making among the people of Mirza, Assam.

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