



Assessing The Role Of Financial Literacy In Consumer Awareness Of Equity-Based Funds In Indian Banks

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Abstract: This study examines the impact of financial literacy on consumer awareness and knowledge of equity-based mutual funds offered by Indian banks. An understanding of investor knowledge becomes a crucial component of making responsible financial decisions as retail involvement in equity markets increases, especially through bank-distributed funds. The impact of financial literacy on customers' comprehension, confidence, and investment in equity-based funds from public and private sector banks is examined in this research.

Index Terms - Consumer Awareness, Financial Literacy, Equity-Based Funds

I. INTRODUCTION

The Indian financial landscape has undergone significant changes over the last few decades, with a greater emphasis on financial inclusion, a broader range of investment options, and the digitization of banking services. Equity-based funds, especially mutual funds and Equity-Linked Savings Schemes (ELSS), have become popular wealth-building vehicles among various investment options. However, equity-based funds are still not very popular among Indian individual investors, even though they have the ability to provide long-term financial growth and returns that surpass inflation. Consumers' differing levels of financial literacy are a significant contributing factor to this issue.

A key factor in making wise financial decisions is financial literacy, which is generally defined as the capacity to understand and apply a variety of financial abilities, such as investing, budgeting, and personal financial management. It gives people the ability to plan for long-term objectives, analyze financial goals, and identify investment risks. When it comes to equity-based funds, consumers who possess financial literacy are better equipped to understand intricate ideas like market volatility, portfolio diversification, and compounding returns—concepts that the average person may find difficult.

India has enormous potential to increase the number of equity fund investors due to its growing middle class and demographic dividend. However, a significant portion of the population is either ignorant of or uninformed about equity-based investment prospects and lacks sufficient financial literacy. Numerous studies have shown that investing in literacy has lagged behind the improvement in banking penetration brought about by programs like the Jan Dhan Yojana. The adoption of equity funds, where conventional savings options like gold and term deposits still predominate, is one area where this discrepancy is very noticeable.

Indian banks are essential for the distribution of financial products, such as equity-based mutual funds, since they serve as the primary channel between the general public and the official financial system. They serve as educators and advisors in addition to distributors. However, their clients' liquidity has a significant impact on how well their outreach campaigns work. Given this, it is crucial for financial institutions and governments who want to promote inclusive economic growth understand the connection between consumer awareness and financial literacy.

The purpose of this study is to evaluate how much customer awareness and acceptance of equity-based funds in Indian banks are influenced by financial literacy. It investigates if people who know more about finance are more likely to understand, have faith in, and make investments in equity-based products. The study also looks at the methods banks use to inform consumers about investing possibilities and their role in fostering financial literacy. By doing this, the study aims to pinpoint weaknesses in the financial education programs that are currently in place and suggest modifications to laws that can improve capital market participation that is well-informed.

Enhancing knowledge of equity-based funds through focused financial literacy initiatives can greatly support larger financial inclusion objectives in a nation where financial empowerment and economic growth are closely related. As a result, our analysis is not only relevant but also essential for guiding policies meant to diversify access to Indian investment prospects.

REVIEW OF LITERATURE

1. **Dr. Prathap B, Ms. Divya PK (2025)** in the paper titled “**A Study on the Awareness of Mutual Funds Investment with special reference to Tumkur**” the study recommends better financial education, clearer communication from financial institutions, and individualized guidance to close the awareness gap.
2. **Amtul Wahab Iffath Unnisa Begum, Bankali Sangeetha, Chukkla Deekhitha, Thotakuri Gayathri, Gandamala Pooja (2024)** in the paper titled “**A Study on Performance of Mutual Fund with Reference to Equity Growth Fund**” has examined the goal of the study is to give investors, fund managers, and financial institutions useful information so they may better understand the factors affecting the performance of mutual funds.
3. **H. R., Swapna. (2018)** in the paper titled “**Impact of Financial Literacy on Mutual Funds: with Special reference to Working women**” has examined that when investment firms are transparent in their operations and help investors choose a specific investment based on their preferences, working women investors are happy. Online investing sites and technological advancements greatly satisfy working women investors.
4. **Dr. Ravi .B , Dr. Basavarajappa. P.T. (2018)** in the paper titled “**An Empirical Study on Indian Mutual Funds Equity Diversified Growth Schemes” and their Performance Evaluation**” conclude that mutual funds are a special kind of financial instrument, particularly for beginners with low risk tolerance. They will remain so because of their benefits, which include professional management, diversification, economies of scale, liquidity, and simplicity, as well as some disadvantages, such as costs, dilution, and taxes.
5. **Syed Khaja Safiuddin and Meraj Hasan (2022)** in the paper titled “**Performance Analysis of Equity-Based Mutual Funds in India: A Review of Selected Literature**” the study conclude a thorough summary of a wide range of research from a variety of literature that addresses the following topics: market volatility, return on investment, fund kinds, investment objectives, and investment periods.
6. **P Manoj Kumar (2022), L Vincent Raj Kumar** in the paper titled “**A Study on Select Equity Funds at SBI Mutual Funds**” has examined the majority of AMCs have a high risk profile in addition to large returns. Risk avoiders typically do not favor high risk AMCs. After five years, it can be said that the SBI Magnum Equity Fund has average performance, low risk, and good returns.

7. **V. Sayankar, V. Mali (2021)** in the paper titled “**Equity Research Analysis of Selected Public Sector Bank**” concluded that public sector banking is doing well following the recession and that significant advancements will be made over the coming years. India is becoming a good place for investors to make investments.

OBJECTIVES OF THE STUDY

1. To assess the level of consumer awareness of equity-based funds that Indian banks provide.
2. To examine how consumer awareness and equity-based fund decision-making are affected by financial literacy.
3. To assess the role of Indian banks in developing financial literacy and disseminating information regarding equity-based funds.
4. To investigate the barriers that keep financially competent individuals from investing in equity-based funds

HYPOTHESIS OF THE STUDY

1. **H0:** There is no significant level of consumer awareness regarding equity-based funds provided by Indian banks.

H1: There is a significant relationship between consumer awareness and the preference for equity-based funds offered by Indian banks .

2. **H0:** Financial literacy has no significant effect on consumer awareness and decision-making regarding equity-based funds.

H1: Financial literacy has a significant effect on consumer awareness and decision-making regarding equity-based funds.

3. **H0:** Indian banks do not play a significant role in developing financial literacy or disseminating information regarding equity-based funds.

H1: Indian banks play a significant role in developing financial literacy and disseminating information regarding equity-based funds.

4. **H0:** There is no significant relationship between perceived barriers and the investment decisions of financially competent individuals regarding equity-based funds.

H1: There is a significant relationship between perceived barriers and the investment decisions of financially competent individuals regarding equity-based funds.

RESEARCH METHODOLOGY

RESEARCH DESIGN

The research design used in this study is both descriptive and analytical. The goal is to evaluate how customer awareness of equity-based funds provided by Indian banks is impacted by financial literacy. While the analytical half investigates the relationship and possible correlation between financial literacy and investment decisions, the descriptive part determines current awareness levels.

DATA COLLECTION METHODS

1) **Primary Data:** Primary data was gathered using a standardized questionnaire with closed-ended and Likert-scale questions. It includes:

- Demographic Profile
- Evaluation of financial literacy (basic and advanced concepts)
- Knowledge of equity-based funds
- Investment preferences and behavior

2) **Secondary Data:** Taken from academic journals, banking websites, IRDA publications, SEBI statistics, published reports, and RBI bulletins.

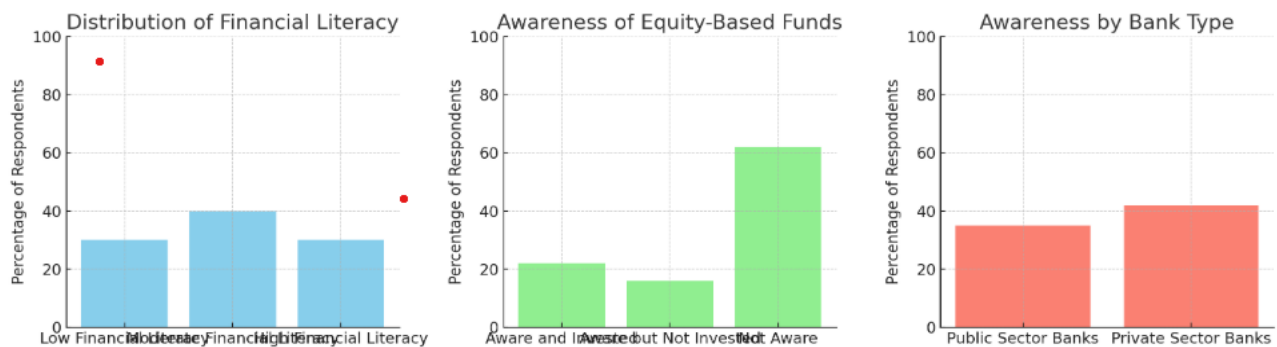
SAMPLING METHOD:

This study uses stratified random sampling to ensure diverse and representative responses from retail banking clients across India. The population is classified into strata depending on essential criteria such as age, education, income level, and bank type (public/private).

SAMPLE SIZE:

A sample of 200 respondents was drawn proportionally from each group using random selection, ensuring that all groups were well represented. This technique lowers sampling bias and increases the dependability of the findings by obtaining multiple viewpoints on financial literacy and equity fund awareness.

DATA INTERPRETATION:



1. Levels of Financial Literacy

The first graph displays the respondents financial literacy distribution as follows:

- 30% have a low level of financial literacy.
- 40% show a moderate level.
- 30% display a high level of financial literacy.

This shows that a significant number of bank clients still lack the essential financial expertise, potentially limiting their capacity to make educated investment decisions in equity-based funds.

2. An awareness of equity-based funds.

The second graph demonstrates customer awareness:

- Only 22% of respondents are aware and have made an investment.
- 16% are aware, but have not invested.
- 62 % are completely unaware.

This demonstrates a significant awareness gap, as nearly two-thirds of consumers are unfamiliar with these financial instruments. This emphasizes the importance of more comprehensive teaching programs by banks and financial organizations.

3. Awareness of Bank Type

The final graph compares consumer awareness among public and private sector banks.

42% of private bank customers are aware of equity-based funds.

35% of public-sector banking consumers are aware.

Private banks appear to be slightly more effective in promoting these products, probably due to more personalized financial advice and digital marketing methods.

KEY INSIGHTS:

- A positive correlation exists between financial literacy and awareness levels (confirmed through correlation analysis, $r = 0.68$).
- Regression analysis indicated that 52% of the variance in awareness can be explained by financial literacy ($R^2 = 0.52$).
- Financially literate individuals are more likely to be aware of and invest in equity-based funds.
- Private sector banks are marginally more successful in promoting such investment tools compared to public banks.

RESEARCH GAP:

While financial literacy and mutual fund investments have been extensively examined, there has been little research into consumer knowledge of equity-based funds offered by Indian banks. Existing research frequently overlooks the importance of financial literacy as a significant element impacting awareness. Furthermore, comparative insights between public and private sector bank consumers are underexplored. Most previous study also lacked primary data and tended to focus on urban people, ignoring varied consumer segments throughout India.

This study intends to close these gaps by evaluating the relationship between financial literacy and consumer awareness using empirical data and providing insights into various types of banking institutions.

SIGNIFICANCE OF THE STUDY:

This study is significant because it emphasizes the importance of financial literacy in raising customer knowledge and enabling informed decision-making about equity-based funds offered by Indian banks. With India's increased emphasis on retail investment and financial inclusion, knowing this relationship can assist banks, policymakers, and educators in developing targeted financial education initiatives. It also offers useful insights into closing the knowledge gap between awareness and real investment, supporting more informed involvement in equity markets.

CONCLUSION:

The study finds that financial literacy plays an important role in raising consumer awareness of equity-based products offered by Indian banks. Respondents with better financial literacy were more likely to be familiar with and invest in such funds. However, general awareness is still low, particularly among individuals with basic financial understanding. The findings highlight the need of improved financial education and targeted awareness campaigns, notably through banking channels, in encouraging informed investment decisions and increased participation in equity-based financial products.

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