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A Study on Awareness of Financial Literacy and Social Security Among Individuals in Davangere City

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Abstract- Financial literacy — the ability to understand and apply knowledge of saving, investing, risk management, and social security — is a critical determinant of individual economic well-being. This study examines awareness of investment products and government-sponsored social security schemes among 95 respondents in Davangere city, Karnataka, using a structured questionnaire and descriptive research design. The study finds broadly similar awareness levels for investment (71.6%) and social security (78.9%), confirmed by a Chi-Square test (calculated value 1.384 against a table value of 3.841 at 5% significance), indicating no statistically significant difference between the two. Respondents overwhelmingly favour low-risk instruments such as bank deposits, cite lack of knowledge as the principal barrier to investing, and show strong demand (89.5%) for structured financial education. The paper concludes with recommendations for embedding financial literacy in education, simplifying scheme enrolment, and targeting rural and women's segments.

I. INTRODUCTION

Financial literacy refers to an individual's capacity to understand and use financial resources to make informed decisions about saving, investing, and long-term wealth creation. It spans budgeting, investment choice, risk management, insurance, and retirement planning. As economies grow more complex, financial literacy has shifted from being a personal skill to a determinant of broader economic stability.

Individuals today choose between traditional instruments — bank deposits and fixed deposits — and modern avenues such as equities, mutual funds, and digital investment platforms. Alongside wealth creation, social security mechanisms (life insurance, pensions, provident funds, and government welfare schemes) protect against old age, unemployment, and unforeseen loss. Balancing these two goals — growth and protection — is central to sound financial planning, yet awareness of both remains uneven, with many individuals relying on informal advice from family or friends rather than professional guidance.

This study focuses on residents of Davangere, a semi-urban region in Karnataka, and examines: (i) awareness of investment options; (ii) awareness of social security schemes; (iii) the relative priority individuals place on investment versus social security; (iv) barriers to effective financial planning; and (v) actionable recommendations to strengthen financial literacy in the region. By comparing these two dimensions of financial planning within a single sample, the study aims to inform policymakers, financial institutions, and educators on how best to design programmes that help residents balance wealth creation with financial protection, and to highlight where the two goals are being pursued unevenly.

II. INDUSTRY CONTEXT

India's financial services sector operates through four broad components: financial institutions (commercial and co-operative banks, NBFCs, insurance companies, mutual funds), financial markets (money market, capital market, and foreign exchange market), financial instruments (equity, debt, insurance, and pension products), and financial services (credit, advisory, fund management, and digital payments). Regulatory bodies — the RBI, SEBI, IRDAI, and PFRDA — alongside government programmes such

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as PMJJBY, PMSBY, and the Atal Pension Yojana, have progressively expanded access to both investment and protection products, particularly in semi-urban and rural regions.

Commercial banks remain the primary point of contact for most households, offering deposits, credit, and increasingly digital banking services that double as an entry point to broader financial habits. Co-operative banks and NBFCs extend this reach into rural and semi-urban pockets, financing farmers, small traders, and small-scale industry where formal banking penetration is thinner. Insurance companies and mutual funds add a further layer — protection against unexpected loss on one side, pooled and professionally managed investment on the other — and both are frequently cited in the literature as the products households understand least well.

2.1 SWOT Summary

Dimension	Key Points
Strengths	Wide product range (deposits, mutual funds, insurance, pensions); strong banking infrastructure; flagship schemes (PMJJBY, PMSBY, Atal Pension Yojana); rising digital adoption.
Weaknesses	Low literacy in rural/semi-urban areas; limited grasp of long-term planning and retirement benefits; heavy reliance on informal savings (gold, cash); gender gap in financial decisions.
Opportunities	Mobile and digital platforms for financial education; government-backed inclusion drives; rising youth interest in money management; school/college curricula; bank-NGO-government partnerships.
Threats	Online scams eroding trust; inflation making saving harder; product complexity confusing consumers; continued preference for informal savings; misinformation via social media.

Despite this infrastructure, structural weaknesses persist: low financial literacy in rural and semi-urban areas, heavy reliance on informal savings such as gold and cash, limited understanding of risk and return, and a gender gap in financial decision-making. Digital platforms, school-based financial education, and public-private partnerships represent the clearest opportunities for closing these gaps, while online fraud and product complexity remain key threats to household trust. Looking ahead, government schemes such as the Jan Dhan Yojana are steadily drawing rural populations into the formal financial system, and fintech platforms are lowering the cost and complexity of both investing and insuring — trends that should gradually narrow the awareness gap this study documents.

III. REVIEW OF LITERATURE

A substantial body of recent research (2017-2025) has examined financial literacy in India from complementary angles. A 2025 joint industry report links a growing middle class and expanding digital platforms to rising retail investor participation and SIP adoption, while stressing that financial education remains essential to closing the investment-awareness gap across income groups. Research on the determinants of investment awareness among Indian households identifies self-control, saving habits, and risk perception as the strongest predictors of participation, with a clear link between financial discipline and investment behaviour.

Studies of working professionals find that those with stronger literacy and more confident financial attitudes report less stress and better planning, pointing to workplace-based literacy programmes as a promising channel. Related work on financial attitude and retirement planning shows that a proactive mindset — not knowledge alone — mediates whether awareness translates into actual pension enrolment, with emotional and psychological readiness shaping financial decisions as much as information does. Other research on investment behaviour finds that even literate investors often default to low-risk instruments such as fixed deposits, concluding that financial education must address behavioural fears and risk misconceptions, not just factual gaps.

Work examining pension and social security participation finds that better understanding of risk and return is associated with higher satisfaction with schemes such as the NPS and EPF, and that promoting literacy tends to improve long-term participation. Studies of young, urban professionals identify persistent gaps in retirement planning, tax planning, and social security knowledge despite active market participation, while research on salaried employees in Karnataka finds that higher financial literacy correlates with greater confidence and risk tolerance toward market-linked instruments, whereas less literate individuals prefer fixed and recurring deposits. Research on university students finds good understanding of savings accounts but weak awareness of mutual funds and pensions, supporting calls to integrate finance modules into higher education. Studies of rural migrants report heavy dependence on informal lending and very limited enrolment in schemes such as PMJJBY and the Atal Pension Yojana, reinforcing the case for rural-targeted awareness campaigns. Conceptual work framing literacy as a combination of knowledge, attitude, and behaviour finds that awareness alone is insufficient without disciplined financial behaviour, while policy-focused research on below-poverty-line households identifies structural gaps and low awareness as key barriers to social protection coverage, calling for coordinated government-NGO partnerships.

Gender-focused research on salaried women finds adequate basic financial knowledge but only moderate understanding of complex products, recommending gender-specific literacy programmes. Studies of retirement planning in Indian households link greater financial knowledge to higher pension-scheme engagement, noting that the rise of nuclear families increases the importance of personal retirement savings. Research on government employees' pension literacy finds that while awareness of the National Pension Scheme's existence is high, understanding of contribution structures and withdrawal options remains limited. Studies of millennial financial behaviour find growing interest in high-return instruments such as equities and cryptocurrency alongside limited engagement with secure, long-term schemes like the NPS — a pattern the authors flag as a risk to future financial stability.

Additional studies on urban retirement planning, working professionals in Karnataka, and rural households consistently report that awareness of pension and welfare schemes lags behind awareness of savings instruments, and recommend structured workshops, digital tools, and local-level outreach to close the gap. Research on personal financial planning patterns similarly finds that awareness of market-based products significantly exceeds awareness of pension and government-backed insurance schemes, reinforcing the case for education that builds a more balanced approach to savings, investment, and social protection.

Across this literature, a clear research gap emerges: most studies treat investment awareness and social security awareness separately, focus disproportionately on urban populations, and rarely compare both dimensions within a single regional sample. Semi-urban regions such as Davangere remain largely unstudied, and little work evaluates how demographic factors jointly shape awareness of both investment and protection instruments. This study addresses that gap directly.

IV. RESEARCH METHODOLOGY

4.1 Objectives

- To evaluate the level of awareness regarding financial knowledge among individuals.
- To compare awareness levels of investment products and social security schemes.
- To analyse demographic factors influencing financial literacy.

4.2 Design and Sampling

The study adopts a descriptive research design combining primary and secondary data. Primary data were collected through a structured questionnaire administered to respondents in the Davangere region using convenience sampling; secondary data were drawn from journals, articles, and official

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publications. A total of 95 valid responses were analysed using Excel.

4.3 Hypotheses

H0: There is no significant difference between awareness of investment products and awareness of social security schemes among respondents.

H1: There is a significant difference between awareness of investment products and awareness of social security schemes among respondents.

4.4 Limitations

- Findings are restricted to the Davangere region and may not generalise elsewhere.
- The sample size (95) is relatively small.
- Responses are self-reported and may be incomplete.
- Rapidly changing financial products and policies may not be fully reflected.5. Data Analysis and Key Findings

5.1 Demographic Profile

Demographic	Category	Share
Age	18-20 years	31.6%
Age	20-30 years	54.7%
Age	30-40 years	11.6%
Age	50 and above	2.1%
Gender	Male	51.6%
Gender	Female	48.4%
Education	High school or below	2.1%
Education	Diploma	20.0%
Education	Undergraduate	38.9%
Education	Postgraduate	30.5%
Education	Others	8.4%
Occupation	Students	55.8%
Occupation	Salaried employed	25.3%
Occupation	Unemployed	9.5%
Occupation	Retired	3.1%
Occupation	Other	6.3%
Monthly income	Below ₹10,000	36.8%
Monthly income	₹10,000-25,000	31.6%
Monthly income	₹25,000-50,000	18.9%
Monthly income	₹50,000-1,00,000	7.4%
Monthly income	Prefer not to say	5.3%

The sample skews young, moderately well-educated, and student-dominated, with most respondents in lower income brackets — a profile that plausibly shapes preference for low-risk, easily understood financial products. The concentration of respondents in the 20-30 age band and undergraduate-to-postgraduate education range also means the findings likely represent an upper bound on literacy for the wider Davangere population, since older, less-educated, and rural segments — repeatedly flagged in the literature as the least financially aware — are comparatively under-represented in this convenience sample.

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5.2 Self-Rated Literacy and Financial Behaviour

Indicator	Result
Rate own financial literacy as Average or Good	82.1% (42.1% average, 40% good)
Actively manage personal finances	82.1% Yes
Have invested in any financial product	71.6% Yes; 7.3% planning to
Preferred investment type	62.1% bank savings/deposits; 13.7% stocks; 10.5% mutual funds
Primary investing goal	45.3% wealth accumulation; 18.9% children's education

Most respondents consider themselves reasonably financially literate and are actively engaged in managing their money, yet actual investment choices remain concentrated in traditional, low-risk instruments rather than market-linked products.

5.3 Social Security Awareness and Participation

Indicator	Result
Aware of government-sponsored social security schemes	78.9% Yes
Currently enrolled in a social security scheme	68.4% Yes; 23.2% No
Schemes known (multi-select)	Provident fund 42.1%; Health insurance 36.8%; Public pension plan 12.6%
Believe social security alone is sufficient for retirement	73.7% Yes; 15.8% No

Awareness of social security is high, but the gap between awareness (78.9%) and enrolment (68.4%) confirms that knowledge does not automatically translate into participation. Awareness is also concentrated in the most commonly encountered schemes (provident fund, health insurance) rather than public pension products.

5.4 Priorities and Barriers

Indicator	Result
More important for long-term financial security	47.4% Investment; 29.5% Both equally; 15.8% Social security
Main barrier to investing	32.6% Lack of knowledge; 20% Other; 15.8% Fear of risk/loss; 15.8% No interest
Schools/colleges should teach financial literacy	90.5% Yes
Would attend a financial literacy programme	89.5% Yes

Respondents lean toward investment over social security as the primary route to long-term security, though nearly a third see the two as equally important. Lack of knowledge — not lack of funds — is the leading barrier to investment, and the near-universal appetite for financial education (89.5%) signals a receptive audience for structured programmes.

5.5 Hypothesis Test: Chi-Square Analysis

A Chi-Square test of independence was applied to observed awareness frequencies for investment products (68 aware / 27 not) and social security schemes (75 aware / 20 not).

Category	Observed (O)	Expected (E)	$(O-E)^2/E$
Investment – Aware	68	71.5	0.171
Investment – Not Aware	27	23.5	0.521
Social Security – Aware	75	71.5	0.171
Social Security – Not Aware	20	23.5	0.521

Calculated $\chi^2 = 1.384$, against a critical value of 3.841 at df = 1 and 5% significance. Since $1.384 < 3.841$, the null hypothesis is accepted: there is no statistically significant difference between respondents' awareness

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of investment products and their awareness of social security schemes. Awareness of both dimensions is comparably developed in this sample.

V. KEY FINDINGS

Taken together, the survey responses point to a population that is confident in everyday money management but considerably less comfortable with the products that matter most for long-term security.

- Basic financial skills — bank accounts, ATMs, UPI payments — are near-universal, but awareness of mutual funds, equities, and structured retirement products is comparatively limited.
- Many respondents rely on family and friends for financial guidance rather than professional advisors.
- Younger, more educated respondents show noticeably higher financial awareness than older or less-educated groups.
- Low-risk instruments (fixed deposits, gold) dominate investment choice due to fear of loss and limited understanding of market-linked products.
- Awareness of social security is comparatively strongest for provident fund and health insurance, and weakest for public pension schemes.
- A gap exists between awareness of social security schemes (78.9%) and actual enrolment (68.4%).
- Education, income, age, and occupation jointly shape financial literacy outcomes.
- Demand for structured financial education is very high (89.5%), indicating strong receptiveness to intervention.

VI. SUGGESTIONS

The following recommendations follow directly from the barriers and gaps identified above, and are intended for policymakers, financial institutions, and educators seeking to design targeted literacy interventions in Davangere and comparable semi-urban regions.

- Integrate financial literacy into school and college curricula so saving, investing, and planning are taught from a young age.
- Expand awareness programmes through banks, government bodies, and NGOs, particularly around social security enrolment.
- Communicate in simple, local-language formats via television, radio, and social media.
- Promote safe use of digital financial tools — mobile banking, UPI, and online investment platforms.
- Design targeted programmes for rural residents and women, whose awareness levels are comparatively lower.
- Simplify enrolment procedures for government social security schemes to close the awareness-to-participation gap.
- Encourage use of qualified financial advisors rather than informal sources of guidance.
- Conduct periodic follow-up surveys to evaluate the effectiveness of literacy initiatives over time.

VII. POLICY IMPLICATIONS

For regulators and government bodies, the awareness-enrolment gap in social security participation suggests that procedural simplification — single-window enrolment, pre-filled forms linked to existing bank or Aadhaar records, and clearer eligibility communication — may deliver faster gains than additional awareness campaigns alone. Since knowledge of social security schemes is already comparatively high (78.9%), the more binding constraint appears to be the friction involved in actually enrolling, rather than a lack of information.

For financial institutions, the strong preference for bank deposits over market-linked products represents both a retention opportunity and a literacy gap: banks are well placed to introduce customers gradually to mutual funds and pension products through the same relationship they already trust, provided advice is framed simply and without pressure to sell complex products. For educators, the near-unanimous support (90.5%) for including financial literacy in school and college curricula, combined with strong demand (89.5%) for structured financial programmes, indicates that the constraint on improving literacy in Davangere is not appetite but the availability of accessible, well-designed programmes. Embedding a basic financial literacy module — covering budgeting, risk-return trade-offs, and an introduction to social security schemes — at the undergraduate level would reach the single largest occupational group in this study (students, 55.8%) at a stage when financial habits are still forming.

VIII. DISCUSSION

The findings echo a consistent pattern in the wider Indian literature: basic transactional literacy (bank accounts, digital payments) has become nearly universal, while deeper product literacy — mutual funds, equities, structured pensions — lags well behind. What this study adds is a direct, within-sample comparison of investment and social security awareness, and the Chi-Square result is instructive precisely because it is a null finding. Rather than one domain being neglected in favour of the other, both are developing in step, at a broadly similar pace, in this regional population. This suggests that interventions need not choose between promoting investment literacy or social security literacy — a single, integrated financial education effort is likely to lift both together.

The gap between social security awareness (78.9%) and enrolment (68.4%) deserves particular attention. It indicates that the constraint is not information but friction — paperwork, procedural complexity, or uncertainty about eligibility — reinforcing the suggestion that simplifying enrolment may yield faster gains than further awareness campaigns alone. Similarly, the fact that 'lack of knowledge' outranks 'lack of funds' as a barrier to investing implies that even respondents with disposable income are sitting out of markets simply because they do not understand the products on offer — a gap that structured, accessible education could close relatively quickly given the high stated demand (89.5%) for such programmes.

These findings should be read alongside the study's limitations. The sample is young, urban-adjacent, and comparatively well-educated relative to the wider Davangere population, so true regional awareness — particularly among older, rural, and less-educated residents repeatedly flagged as vulnerable in the literature — is likely lower than reported here. Future research with a larger, more demographically balanced sample, and a specific focus on rural and women respondents, would sharpen these conclusions and better inform where targeted intervention is most needed.

The results also carry a practical message for households themselves: awareness of a scheme or product is a necessary but not sufficient condition for financial security. Nearly a fifth of respondents who are aware of social security schemes have not enrolled in one, and a similar share who understand investment concepts have not translated that understanding into an actual portfolio. Closing this awareness-to-action gap may depend less on additional information campaigns and more on making the first step — opening an account, filling a form, choosing a fund — as simple and low-friction as possible.

IX. CONCLUSION

This study finds that financial literacy in Davangere is at a developing stage: basic money-management skills are widespread, but understanding of advanced investment instruments and government social security schemes remains limited, particularly among rural, less-educated, and lower-income groups. The Chi-Square test confirms that awareness of investment products and social security schemes is statistically comparable, suggesting that literacy gaps affect both dimensions of financial planning similarly rather than one disproportionately. Respondents show a strong preference for low-risk instruments, cite lack of knowledge as the chief barrier to investing, and express near-universal demand for structured financial education. Strengthening school-based financial education, simplifying scheme enrolment, and targeting outreach to underserved groups would help convert this demand into more informed, balanced financial decision-making — benefiting both individual households and broader economic stability.

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