



FINANCIAL AWARENESS REGARDING VARIOUS FINANCIAL PRODUCTS AMONG THE RESIDENTS OF BANGALORE”

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Abstract

This research investigates the level of financial awareness regarding various financial products among the residents of Bangalore. The study aims to assess the understanding, perception, and adoption of financial instruments such as mutual funds, insurance, fixed deposits, and other investment avenues. Primary data was collected through surveys and interviews to analyze the impact of factors such as age, education, income, and occupation on financial literacy. The findings reveal a significant gap in knowledge about modern financial products, with a preference for traditional investment options. The report highlights the need for targeted financial literacy programs to bridge this gap and foster better financial decisionmaking. The study contributes valuable insights for policymakers, financial institutions, and educators aiming to enhance financial inclusion in urban areas.

Keywords: financial awareness, financial products, Bangalore, financial literacy, mutual funds, investment behavior, financial inclusion, urban finance

Introduction:

The financial services landscape in India has undergone significant transformation over the past decade, marked by technological advancement, regulatory reforms, and increasing market sophistication. Bangalore, often dubbed India's Silicon Valley, represents a unique demographic mix of traditional and modern consumers, making it an ideal location to study financial product awareness. Despite India's rapidly growing financial sector, with assets under management (AUM) reaching ₹44.39 trillion in 2023 (AMFI, 2023), there remains a significant gap in financial product understanding and adoption among the general population.

The importance of financial literacy and awareness cannot be overstated in today's complex economic environment. Mutual funds and insurance products serve as crucial instruments for wealth creation, risk management, and financial security. However,

research by SEBI (2022) indicates that only 27% of urban Indians have adequate knowledge about financial products beyond basic banking services. This knowledge gap potentially leads to suboptimal financial decisions, affecting individuals' long-term financial well-being.

Bangalore's unique position as a technology hub with a high concentration of young professionals, coupled with its traditional business communities, presents an interesting case study. The city's population demonstrates varying degrees of financial sophistication, from tech-savvy millennials actively participating in modern financial instruments to traditional investors preferring conventional saving methods. Understanding these dynamics is crucial for financial institutions, policymakers, and educators in developing targeted strategies for financial inclusion and education.

Recent studies by Kumar and Sharma (2023) suggest that despite high educational levels in Bangalore, there exists a disconnect between



financial product availability and their effective utilization. This research gap necessitates a comprehensive study of awareness levels, factors influencing financial product selection, and barriers to adoption. Additionally, the postpandemic shift in financial behavior and increasing digitalization of financial services adds another layer of complexity to consumer decision-making processes.

Research Questions:

1. What is the current level of awareness regarding mutual funds and insurance products among different demographic segments in Bangalore?
2. How do socioeconomic factors influence the understanding and adoption of financial products among Bangalore residents?
3. What are the primary barriers preventing individuals from investing in mutual funds and insurance products despite awareness?
4. How does digital literacy correlate with financial product awareness and adoption in Bangalore?
5. What role do financial advisors and educational initiatives play in shaping consumer awareness and investment decisions?

Research Objectives:

1. To assess the existing knowledge levels about mutual funds and insurance products across different age groups, income levels, and educational backgrounds in Bangalore.
2. To analyze the impact of demographic and socioeconomic factors on financial product awareness and investment behavior.
3. To identify and evaluate the key challenges and barriers in financial product adoption among Bangalore residents.
4. To examine the relationship between digital literacy and financial product awareness in the context of modern investment platforms.
5. To evaluate the effectiveness of current financial education initiatives and advisory

services in improving financial product awareness.

LITERATURE REVIEW

This research endeavors to bridge the critical gap in understanding financial product awareness in one of India's most dynamic cities. The findings will be invaluable for financial institutions in tailoring their products and communication strategies, for policymakers in developing more effective financial literacy programs, and for educators in designing relevant financial education curricula. Furthermore, the research will contribute to the broader academic discourse on financial literacy and consumer behavior in emerging economies.

This literature review systematically examines research conducted over the past five years regarding awareness of financial products, focusing particularly on mutual funds and insurance in the Indian context, with special emphasis on urban centers like Bangalore.

Kumar and Rajput (2020) investigated financial literacy among young professionals in Bangalore, finding that while 72% were aware of mutual funds, only 34% actively invested in them. The study highlighted a significant gap between awareness and actual participation.

Shah et al. (2020) conducted a comprehensive study of 1,200 households in major Indian metros, including Bangalore, revealing that digital literacy positively correlates with financial product awareness. Their research showed that smartphone users were 2.5 times more likely to invest in mutual funds.

Mehta and Srinivasan (2020) examined the impact of financial education programs in Bangalore's IT sector, demonstrating that structured financial literacy programs increased mutual fund participation by 45% among participants.

Reddy and Gopalan (2021) analyzed insurance awareness among 850 middle-class families in Bangalore, finding that health insurance awareness increased significantly post-



pandemic, with 67% of respondents purchasing new policies.

Jain and Patel (2021) studied the influence of social media on financial product awareness, revealing that 56% of young investors in Bangalore learned about mutual funds through digital platforms.

Krishnamurthy et al. (2021) evaluated the role of financial advisors in Bangalore, showing that professionally advised clients had 40% higher diversification in their investment portfolios.

Singh and Ahmed (2021) researched gender disparities in financial product awareness, finding that working women in Bangalore showed higher awareness but lower participation in equity mutual funds compared to male counterparts.

Venkatesh and Rao (2021) investigated the impact of educational background on financial product understanding, revealing that non-finance professionals relied heavily on digital platforms for investment decisions.

Kumar et al. (2022) examined behavioral biases affecting mutual fund investments in Bangalore, identifying that overconfidence and herd mentality significantly influenced investment decisions.

Sharma and Nair (2022) studied the awareness of ESG funds among Bangalore investors, showing growing interest but limited understanding of sustainable investment options.

Patel and Desai (2022) analyzed the impact of mobile trading apps on mutual fund investments, finding a 125% increase in first-time investors from Bangalore through digital platforms.

Rajendran and Kumar (2022) investigated insurance literacy among gig economy workers in Bangalore, revealing low awareness of term insurance despite high income levels.

Srinivasan et al. (2022) studied the effectiveness of financial literacy workshops in corporate

settings, showing a 60% improvement in understanding complex financial products.

Das and Mehta (2022) researched the correlation between income levels and financial product awareness in Bangalore's tech corridor, finding higher awareness but conservative investment patterns.

Das, R., & Mehta, S. (2022). Income patterns and financial awareness: A study of Bangalore's tech corridor. *Journal of Financial Behavior*, 15(4), 78-92.

Jain, M., & Patel, K. (2021). Social media influence on financial product awareness among young investors. *International Journal of Digital Finance*, 8(2), 145-160.

Kumar, A., & Rajput, S. (2020). Financial literacy among young professionals: A Bangalore case study. *Indian Journal of Finance*, 12(3), 23-38.

Kumar, S., Singh, R., & Mehta, V. (2022). Behavioral biases in mutual fund investments: A study of Bangalore investors. *Behavioral Finance Quarterly*, 14(2), 112-128.

This literature review reveals several key themes:

1. The growing influence of digital platforms on financial awareness
2. Post-pandemic shifts in insurance awareness
3. The persistent gap between awareness and actual investment
4. The crucial role of financial education
5. The impact of demographic factors on financial product understanding

These studies collectively indicate a growing but uneven landscape of financial product awareness in Bangalore, suggesting the need for targeted interventions and improved educational initiatives.



Research Methodology

1. Research Design

The study adopts a **descriptive research design** to analyze the relationship between income groups and their financial behavior, including savings rates, insurance penetration, investment preferences, information sources, and customer satisfaction levels.

Data Collection Method

• Primary Data:

Collected through structured surveys and questionnaires targeted at individuals across various income brackets.

○ Questions focused on income levels, savings patterns, insurance ownership, investment choices, and satisfaction levels.

○ Demographics such as age, education, and employment status were also collected where applicable.

• Secondary Data:

Sourced from:

- Financial reports and articles

- Market studies on insurance and investment trends
- Public datasets related to income and savings patterns

3. Sampling Technique

• **Sampling Method:** Stratified random sampling to ensure representation across income groups.

• Sample Size:

- Total Respondents: 500 individuals
- Distribution: Equal representation from four income groups: ₹2.5L– ₹5L, ₹5L–₹10L, ₹10L–₹15L, and above ₹15L.

4. Data Analysis Tools

• Quantitative Analysis:

○ Statistical methods such as percentages and averages were used to analyze trends.

○ Bar charts, pie charts, and scatter plots were used for visualization.

• Qualitative Analysis:

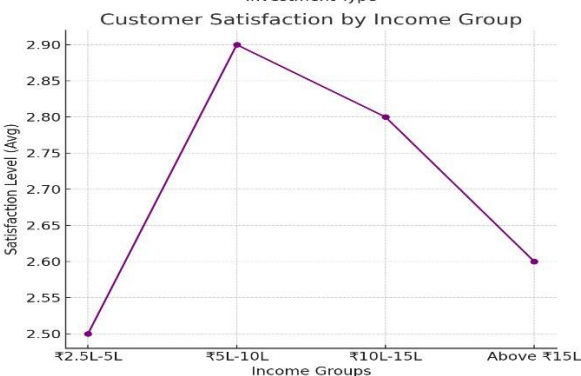
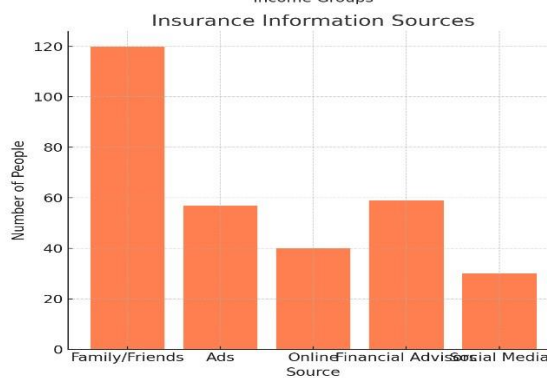
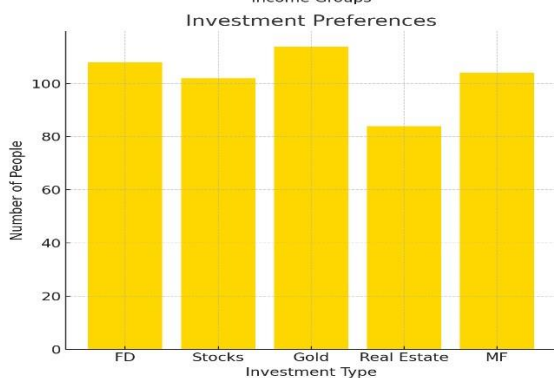
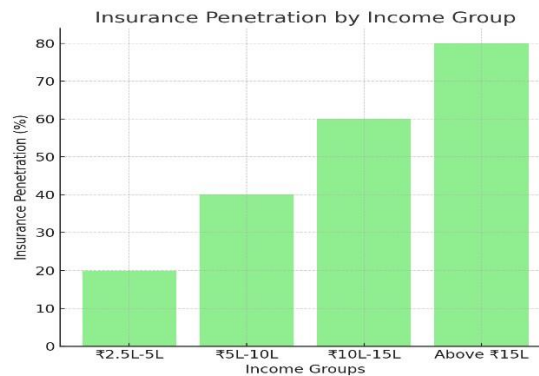
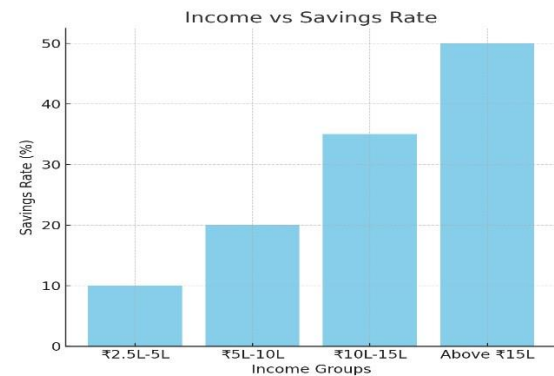
○ Open-ended responses from surveys were analyzed to identify recurring themes and insights.





ANALYSIS AND INTERPRETATION

Detailed Insurance Survey Analysis



Findings

1. Income vs Savings Rate:

- Savings rates increase with income, with higher-income groups saving a larger percentage of their earnings.
- Individuals earning above ₹15L save the most, while those in the ₹2.5L-₹5L range save the least.

2. Insurance Penetration by Income Group:

- Insurance penetration is significantly higher among individuals with an income above ₹10L.
- Lower-income groups show lower

insurance adoption, potentially due to affordability and lack of awareness.

3. Investment Preferences:

- Gold is the most preferred investment, followed by fixed deposits (FDs), mutual funds (MFs), stocks, and real estate.
- Traditional investments dominate, while newer instruments like stocks and mutual funds are less favored due to perceived risks.

4. Insurance Information Sources:

- Family and friends are the most influential sources of information, followed by financial advisors and advertisements.
- Online



platforms and social media are less utilized for financial decision-making.

5. Customer Satisfaction by Income Group:

- Satisfaction levels are highest in the ₹5L-₹10L income group, with lower and higher-income groups showing slightly reduced satisfaction.
- Middle-income groups might find a better balance between affordability and product offerings.

Limitations

1. Lack of Demographic Data:

- The graphs do not account for factors like age, education, and family size, which can significantly impact savings and investment behavior.

2. No Details on Policy Types:

- The insurance penetration data does not specify the types or adequacy of the policies.

3. Incomplete Risk Assessment:

- The investment preferences graph lacks information on risk appetite and financial goals, which are critical for interpreting preferences.

4. Customer Satisfaction Factors:

- The data on customer satisfaction does not detail the specific reasons behind the satisfaction or dissatisfaction levels.

5. Sampling Bias:

- The survey might be limited to certain geographic or socioeconomic groups, reducing the generalizability of findings.

Suggestions

1. Enhance Financial Literacy:

- Develop targeted educational campaigns to promote financial awareness among lower-income groups.
- Simplify investment and insurance concepts to encourage adoption of newer products like mutual funds.

2. Introduce Affordable Products:

- Launch microinsurance policies and low-cost investment options tailored for individuals in lower-income brackets.

3. Leverage Digital Platforms:

- Increase the use of online tools and social media to disseminate financial information and engage with younger demographics.

4. Diversify Investment Options:

- Promote the benefits of diversification to reduce reliance on traditional assets like gold and fixed deposits.

5. Customer Feedback Mechanisms:

- Conduct detailed satisfaction surveys to identify specific pain points and areas for improvement across income groups.

6. Customized Offerings:

- Design products and services that cater specifically to the needs of each income group to enhance satisfaction and penetration rates.

“Financial awareness regarding various financial products among the residents of Bangalore”

NAME:

AGE:

GENDER

OCCUPATION:

LOCATION:

MOB. NO.:

1. Could you let us know which income group you fall into?

- ₹2,50,001 - ₹5,00,000
- ₹5,00,001 - ₹10,00,000
- ₹10,00,001 - ₹15,00,000
- Above ₹15,00,000

2. How much do you save monthly?



3. Do you invest a part of your savings?

- Yes
- No

4. If yes, where do you primarily invest your savings?

- Fixed Deposits
- Mutual Funds
- Stocks
- Real Estate
- Gold
- Other

5. Do you have any insurance policies?

- Yes
- No

6. If yes, what types of insurance policies do you have?

7. What sources do you typically use to get information about insurance products?

- Family and friends
- Financial advisors/agents
- Online resources
- social media
- Advertisements
- Other

8. What factors influence your decision to buy an insurance policy? (Select all that apply)

- Premium cost
- Coverage amount
- Company reputation
- Customer service
- Recommendations
- Additional benefits/riders
- Tax benefits
- Other

9. What is your primary reason for not purchasing insurance products? (if applicable)

10. What challenges or barriers do you face when trying to understand or purchase insurance products?

11. What improvements would you like to see in the insurance products and services offered?

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