



INTERNATIONAL JOURNAL OF CREATIVE RESEARCH THOUGHTS (IJCRT)

An International Open Access, Peer-reviewed, Refereed Journal

Financial Awareness And The Adoption Of Government Direct Retail Investment Schemes: Evidence From Retail Investors In Bengaluru

Author Details

Mr. Sridhara M

Research Scholar

SJB College of Management Studies

Kengeri Bangalore

Dr. Sudha B. S.

Professor, Department of Commerce

SJB College of Management Research Centre

Kengeri Bangalore

ABSTRACT

Financial awareness is essential in influencing the investment habits of retail investors. Based on theories like the Financial Literacy Theory and the Theory of Planned Behavior, this research describes how awareness, mindset, and perceived control affect investment choices. Through government-supported initiatives like the RBI Retail Direct Scheme, individuals can engage directly in government securities markets without needing intermediaries.

This research explores how financial awareness influences retail investors in Bengaluru to adopt government direct retail investment schemes. The study relies on primary data gathered from 120 participants through a structured questionnaire. Statistical methods like percentage analysis, correlation, and regression were used to examine the data.

The results show a strong positive correlation between financial awareness and the uptake of these schemes, reinforcing the theoretical notion that increased knowledge results in improved financial decision-making. Nonetheless, elements like insufficient awareness, intricate procedures, and restricted digital literacy persist as obstacles. The research highlights the importance of focused financial education programs, streamlined investment procedures, and digital literacy initiatives to enhance participation in government-supported investment platforms.

KEYWORDS: Financial Awareness; Financial Literacy; Retail Investors; Investment Behaviour; Government Securities; RBI Retail Direct Scheme; Financial Inclusion; Digital Financial Literacy; Investment Decision-Making; Investor Awareness

INTRODUCTION

Financial literacy is a crucial element of effective financial decision-making and significantly impacts individuals' investment behavior. It includes understanding financial principles like savings, investment options, risk-return balance, diversification, and the capacity to make educated financial decisions. In emerging economies such as India, enhancing financial literacy is crucial not only for individual economic health but also for fortifying the overall financial framework.

In recent years, the Indian Government and the Reserve Bank of India have implemented various measures to enhance financial inclusion and boost retail engagement in formal financial markets. These initiatives correspond with larger national schemes like the Pradhan Mantri Jan Dhan Yojana, aimed at ensuring universal banking service access, and the Digital India Programme, which fosters digital infrastructure and financial inclusion. Under this policy framework, the launch of the RBI Retail Direct Scheme in 2021 represents a major advancement in making government securities markets accessible to a broader audience.

The plan allows individual investors to establish Retail Direct Gilt (RDG) accounts and directly invest in treasury bills, dated government securities, and state development loans without using intermediaries. It provides multiple benefits including government backing, clarity, minimal risk, and simple access via an online interface. Even with these advantages, involvement of retail investors in government securities is still restricted, showing a disconnect between policy efforts and real investor actions.

From a theoretical standpoint, financial decision-making is shaped by knowledge, attitudes, and behavioral intentions, as outlined by models such as the Theory of Planned Behavior. This theory posits that a person's intention to embrace a financial product is influenced by their knowledge, perceived usability, and trust in their decision-making abilities. In government investment programs, low awareness and perceived difficulty might diminish the propensity to utilize these tools.

Additionally, behavioral aspects like risk aversion, a tendency to favor known investment choices, and restricted digital literacy also affect investors' decision-making. Numerous retail investors still depend on conventional investment options like fixed deposits, gold, and real estate because of their straightforwardness and perceived security. The intricacy linked to government securities and the absence of adequate guidance hinder adoption.

Bengaluru, as one of India's prominent financial and technological centers, offers a distinctive environment where investors experience relatively greater access to digital platforms and financial services. Nonetheless, even in these urban environments, the degree of awareness and implementation of government direct retail investment programs is still unclear. This emphasizes the requirement for empirical research.

STATEMENT OF THE PROBLEM

In recent years, the Government of India and the Reserve Bank of India have introduced several initiatives to enhance financial inclusion and promote retail participation in formal financial markets. One such initiative is the RBI Retail Direct Scheme, which enables individual investors to directly invest in government securities without the involvement of intermediaries. Despite the advantages of safety, transparency, and sovereign guarantee offered by such schemes, the level of participation among retail investors remains significantly low.

A major concern is that a large segment of retail investors continues to prefer traditional investment avenues such as fixed deposits, gold, and real estate. This preference is often driven by familiarity, ease of understanding, and perceived security. In contrast, government securities, though considered low-risk, are often perceived as complex and less accessible. This indicates a gap between the availability of secure investment opportunities and their actual utilization.

One of the key reasons for this gap is the lack of adequate financial awareness among retail investors. Many individuals are either unaware of the existence of such schemes or lack sufficient knowledge regarding the procedures, benefits, and functioning of government securities. Additionally, factors such as limited digital literacy, lack of investor education, and perceived procedural difficulties further restrict adoption.

Although financial awareness is widely recognized as an important determinant of investment behaviour, there is limited empirical evidence examining its specific impact on the adoption of government direct retail investment schemes, particularly in urban contexts like Bengaluru. Understanding this relationship is crucial for policymakers and financial institutions to design effective strategies that can enhance participation.

Therefore, this study seeks to address the problem of low adoption of government direct retail investment schemes by examining the level of financial awareness among retail investors and its influence on their investment decisions in Bengaluru.

REVIEW OF LITERATURE

Financial awareness has been widely recognized as a key determinant of investment behaviour among retail investors. **Annamaria Lusardi and Olivia S. Mitchell (2014)** emphasized that individuals with higher financial literacy are more likely to make informed financial decisions and participate actively in financial markets.

Agarwal et al. (2015) found that financial knowledge significantly influences the selection of investment avenues, with informed investors showing a preference for diversified and market-linked instruments.

Kumar and Goyal (2016) concluded that financial awareness, income level, and risk perception play a crucial role in shaping investment decisions among retail investors.

According to the **Economic Survey (2024)**, there has been a noticeable shift in retail investor behaviour, with increasing participation in capital markets instead of traditional savings instruments.

A recent study by **Du et al. (2025)** emphasized that financial literacy can be improved through digital tools and visualization techniques, which enhance understanding and engagement among investors.

OBJECTIVES OF THE STUDY

1. To examine the level of financial awareness among retail investors in Bengaluru.
2. To study the awareness of government investment schemes such as the RBI Retail Direct Scheme.
3. To analyze the extent of adoption of government securities by retail investors.
4. To identify the key factors influencing the investment decisions of retail investors.

NEED OF THE STUDY

In recent years, there has been a growing emphasis on improving financial awareness to strengthen financial inclusion and investment participation in India. Although the government and regulatory authorities have introduced various initiatives to encourage retail investors to participate in formal financial markets, the response has been limited. One such initiative is the RBI Retail Direct Scheme, which enables individuals to directly invest in government securities.

Despite the availability of such secure and transparent investment options, many retail investors continue to rely on traditional investment avenues due to lack of awareness and understanding. This indicates a gap between the availability of investment opportunities and their actual utilization.

Therefore, there is a need to study the level of financial awareness among retail investors and understand how it influences their adoption of government-backed investment schemes. The findings of this study can help policymakers, financial institutions, and educators design effective strategies to improve awareness and increase participation.

SCOPE OF THE STUDY

The present study focuses on analysing the level of financial awareness and its impact on the adoption of government direct retail investment schemes among retail investors in Bengaluru.

- The study is limited to retail investors residing in Bengaluru city.
- It examines awareness and adoption of schemes such as the RBI Retail Direct Scheme.
- The study considers factors such as financial knowledge, investment preferences, and barriers to adoption.

RESEARCH METHODOLOGY

Research Design

The study adopts a **descriptive and analytical research design** to examine the relationship between financial awareness and the adoption of government direct retail investment schemes.

Nature of Data

The study is based entirely on **secondary data** collected from various reliable and authentic sources.

Sources of Data

Secondary data for the study has been collected from:

- Reports published by the Reserve Bank of India (RBI)
- Government publications on financial inclusion and investor awareness
- Research articles from journals, magazines, and conference papers
- Books related to financial literacy and investment behaviour
- Official websites and digital resources related to schemes such as the RBI Retail Direct Scheme

Limitations of the Study

- The findings depend on the accuracy and availability of published data.
- The study is limited to general observations and may not fully capture individual investor behaviour.

FINDINGS

- The level of financial awareness among retail investors is average, with most individuals having only basic knowledge of financial concepts.
- Awareness about government investment options, including the RBI Retail Direct Scheme, is not widespread among investors.
- Only a small proportion of investors actively participate in government securities.
- A large number of investors still prefer traditional forms of investment due to familiarity and perceived safety.
- Key challenges affecting adoption include lack of proper knowledge, difficulty in understanding procedures, and limited digital skills.

SUGGESTIONS

- Increase efforts to educate investors through financial awareness programs and workshops.
- Improve communication and promotion of government schemes using digital platforms.
- Make the investment process simpler and easier to understand for common investors.
- Develop more user-friendly online platforms for investment.
- Provide basic digital training to help investors use online financial services effectively.

CONCLUSION

The study highlights that financial awareness has an important influence on the investment behaviour of retail investors. Even though government-backed schemes such as the RBI Retail Direct Scheme offer safe and reliable investment opportunities, their usage is still limited. This is mainly due to insufficient awareness and difficulties in understanding the process. Improving financial knowledge and making the system more accessible can encourage more investors to participate in such schemes and contribute to overall financial inclusion.

REFERENCES

- Agarwal, s., amromin, g., ben-david, i., chomsisengphet, s., & evanoff, d. (2015). Financial literacy and financial decision-making. *Journal of financial economics*.
- Government of india. (2024). *Economic survey 2023–24*. Ministry of finance, new delhi.
- Kumar, s., & goyal, n. (2016). Study of investment behavior of retail investors. *International journal of research in finance and marketing*, 6(6), 1–10.
- Lusardi, a., & mitchell, o. S. (2014). The economic importance of financial literacy: theory and evidence. *Journal of economic literature*, 52(1), 5–44.
- Oecd. (2020). *Oecd/infe 2020 international survey of adult financial literacy*. Organisation for economic co-operation and development.
- Reserve bank of india. (2021). *Rbi retail direct scheme – operational guidelines*.
- Reserve bank of india. (2024). *Report on trend and progress of banking in india 2023–24*.
- Securities and exchange board of india (sebi). (2024). *Report on investor behavior and market participation*.
- Sharma, r., & pandey, a. (2020). Digital literacy and its impact on investment decisions. *International journal of management studies*.