



# A Study on Financial Literacy and Its Impact on Investment Decisions of Individual Investors

Arju Anilkumar Chaudhari, Prof. Neelam Patil

Master of Business Administration

Zeal Institute of Management & Computer Application (Zimca),

Pune

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**Abstract** – Financial literacy has emerged as a critical factor influencing the financial well-being and investment behavior of individuals in today's complex financial environment. This study examines the level of financial literacy among individual investors and analyzes its impact on their investment decisions. The research explores how knowledge of financial concepts such as savings, budgeting, risk management, diversification, and investment instruments affects investors' ability to make informed financial choices. Data are collected from individual investors through a structured questionnaire and analyzed using appropriate statistical techniques. The findings indicate that financially literate investors are more likely to evaluate risks effectively, diversify their portfolios, and select investment options that align with their financial goals. In contrast, individuals with lower financial literacy tend to rely on informal sources of information and are more susceptible to poor investment decisions. The study highlights the importance of financial education in enhancing investment awareness and promoting sound financial decision-making. The results provide valuable insights for policymakers, financial institutions, and educators in developing programs aimed at improving financial literacy and fostering greater participation in financial markets.

**Keywords:** Financial Literacy, Investment Decisions, Individual Investors, Financial Knowledge, Risk Management, Investment Behavior, Financial Education, Portfolio Diversification..

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## I. INTRODUCTION

### Concept and meaning of financial Literacy

Financial literacy can be understood as the ability of an individual to effectively deal with money how it is earned, managed, invested, and utilized. This knowledge plays a crucial role in everyday decision-making, especially in situations involving spending, saving, or even charitable contributions. A strong foundation in financial principles enables individuals to make smarter and more responsible financial choices.

Research in this area shows that a large portion of people still struggle to understand important financial concepts, such as compound interest. Moreover, many individuals do not actively seek or evaluate financial information before making decisions. In practice, people often focus more on basic concerns like selecting and managing credit cards rather than developing deeper financial understanding. Although education systems have improved over time, financial awareness does not always increase at the same pace. This indicates that higher academic education does not necessarily ensure better financial knowledge. Instead, a person's financial awareness is often reflected in their actual financial behaviour and the decisions they make regarding investments.

Scholars have defined financial literacy in various ways, but most definitions highlight it as the ability to understand financial concepts and apply them to make informed and effective decisions about money. In a wider sense, financial education includes understanding how financial situations influence both individual and household decisions. A narrower view of financial education focuses on essential money management skills such as budgeting, saving, investing, and insurance planning. These basic financial

practices are important because they directly affect an individual's financial stability and long-term well-being.

### Financial Attitude

Financial attitude refers to an individual's beliefs, mindset, values, and preferences towards money management, saving, spending, investing, borrowing, and risk-taking. It represents the psychological and emotional approach a person has toward financial matters and greatly influences financial decision-making and overall financial well-being. A person's financial attitude develops through personal experiences, family background, education, social environment, and exposure to financial situations.

A positive financial attitude encourages disciplined saving habits, long-term investment planning, prudent risk management, and responsible financial decision-making. Individuals with a favorable financial attitude are generally more future-oriented and financially responsible. They tend to set financial goals, prioritize needs over wants, avoid unnecessary debt, and maintain consistency in financial planning even during uncertain economic conditions or market fluctuations.

Financial attitude also influences an individual's willingness to take calculated risks, invest for future returns, and maintain patience during periods of market volatility. Investors with a sound financial attitude are more likely to remain committed to their investment strategies rather than making impulsive decisions based on fear or short-term market movements. Such individuals often display confidence in financial planning, maintain emergency funds, and understand the importance of retirement planning and wealth creation.

On the other hand, a negative financial attitude may lead to poor financial habits such as excessive spending, lack of



savings, avoidance of financial planning, dependence on credit, and emotional decision-making. Therefore, cultivating a healthy financial attitude is essential for achieving financial security, stability, and long-term prosperity.

### **Financial Behavior**

Financial behavior reflects the actual financial actions and practices undertaken by individuals in their day-to-day financial lives. It refers to how people manage their money through activities such as budgeting, regular saving, timely payment of bills and loans, investing systematically, managing debt, maintaining insurance coverage, and diversifying investment portfolios. Financial behaviour demonstrates the practical application of financial knowledge and financial attitude in real-life situations. Sound financial behaviour indicates that individuals are capable of managing their income and expenses efficiently while making informed financial choices. Positive financial behaviours include preparing monthly budgets, tracking expenses, maintaining emergency savings, investing regularly through systematic investment plans, paying credit card dues on time, avoiding unnecessary borrowing, and planning for long-term financial goals such as education, home ownership, or retirement. Good financial behaviour contributes significantly to financial stability and wealth creation over time. Individuals who practice disciplined financial behaviour are more likely to accumulate savings, build assets, reduce financial stress, and achieve greater financial independence. They are also better prepared to face unexpected financial emergencies, economic downturns, or changes in personal income.

In the context of investment decisions, positive financial behaviour helps investors remain consistent in their investment plans, diversify their investments to reduce risk, and avoid speculative or emotionally driven decisions. Therefore, improving financial behaviour is considered an important step toward enhancing overall financial well-being and achieving long-term financial success.

### **Financial Knowledge**

Financial knowledge is one of the three major components of financial literacy and forms the foundation for effective financial decision-making. Financial knowledge can be considered as the understanding of basic financial concepts, principles, products, and services, along with the ability to apply numeracy and analytical skills in financial contexts. It enables individuals to understand financial matters, compare financial products and services, evaluate risks and returns, and make informed and appropriate financial decisions. Financial knowledge includes awareness and understanding of concepts such as budgeting, saving, interest rates, inflation, loans, insurance, taxation, investment options, risk diversification, credit management, retirement planning, and financial markets. Individuals with adequate financial knowledge are better equipped to manage their personal finances efficiently and to respond appropriately to financial events that may affect their financial well-being. Financial knowledge allows

people to assess different financial alternatives and choose suitable financial products according to their needs and goals. For example, financially knowledgeable individuals can compare banking services, investment opportunities, insurance policies, and borrowing options before making decisions. They are also more capable of identifying fraudulent schemes, understanding financial risks, and avoiding poor financial choices.

Therefore, enhancing financial knowledge through financial education and awareness programs is essential for improving financial literacy, promoting sound financial behaviour, and achieving long-term financial well-being and economic stability.

### **Investment Behaviour-**

Investment refers to the process of allocating financial resources into various assets with the expectation of earning returns over a period of time. In simple terms, it means putting money into opportunities that can generate income or increase in value in the future. These investments may involve different levels of risk, ranging from safe options to more uncertain ones, depending on the nature of the asset.

According to F. Amling, investment can be described as the purchase of financial or real assets by individuals or institutions with the aim of earning returns that are appropriate to the level of risk involved over a specific time period. Similarly, D. E. Fisher and R. J. Jordan define investment as a commitment of funds made with the expectation of generating profit in the future. In general, a good investment should provide returns that justify the risk taken by the investor. From the investor's point of view, investing means supplying capital with the aim of earning income in different forms such as interest, dividends, rent, or capital appreciation.

For example, investing in stocks like shares of Reliance Industries or Tata Consultancy Services can generate returns through price appreciation and dividends. Similarly, investing in mutual funds allows individuals to pool their money and invest in a diversified portfolio managed by professionals. Another common example is investing in gold, which is considered a relatively safe option and is often used as a hedge against inflation. From an economic perspective, investment has a broader meaning. Economists define it as the addition to the economy's capital stock, which includes assets used in the production of goods and services. This may involve the development of infrastructure, purchase of machinery, or investment in human skills and knowledge. Such investments contribute to overall economic growth and productivity.

Investment behaviour varies among individuals due to differences in financial goals and risk preferences. Some investors focus on safety and stability, while others aim for higher returns and are willing to take greater risks. As a result, the choice of investment options differs from person to person. For instance, mutual funds are often preferred by investors who seek a balanced approach between risk and



return, while stocks attract those looking for higher growth, and gold is preferred by those who prioritize security.

### Definitions of financial literacy

In simple terms, financial literacy means having the ability to handle money wisely. It includes understanding basic financial concepts and using that knowledge with confidence to make responsible decisions. Financial literacy is not only about knowing how money works, but also about applying that knowledge in daily life to ensure long-term financial well-being.

### General Definition

Financial literacy refers to the ability of individuals to understand financial concepts and use that knowledge to make effective decisions about managing money.

### JumpStart Coalition (1997)

Financial literacy is the combination of knowledge and skills required to manage personal finances efficiently and achieve long-term financial security.

### Noctor, Stoney, and Stradling (1992)

Financial literacy is the capacity to make informed judgments and take appropriate decisions regarding the use and management of money.

### D.Roy Morgan Research (1993)

Financial literacy involves having knowledge and confidence in handling financial matters such as saving, spending, and budgeting.

### Schagen and Lines (1996)

Financial literacy is the ability to make well-informed decisions about financial resources and manage them effectively.

### Manon (2000)

Financial literacy is an individual's ability to access, understand, and evaluate financial information in order to make decisions while being aware of their outcomes.

### G. Hogarth (2002)

Financial literacy refers to how individuals manage their money, including saving, investing, and budgeting practices.

### H. ASIC (2003)

Financial literacy is an essential life skill that enables individuals to make informed financial decisions in an increasingly complex financial environment.

## 2. Significance of the study

This study is important as it helps in understanding the level of financial literacy among individuals. It highlights how well people are aware of basic financial concepts and how this awareness influences their financial decisions.

The study also provides insights into the investment behaviour of investors and examines how financial

knowledge affects their choices. By identifying gaps in awareness, it becomes easier to understand the challenges faced by investors while selecting financial products.

Furthermore, the findings of this study can be useful for policymakers, educational institutions, and financial organizations in designing effective programs to improve financial literacy. It can also help in promoting better financial planning and responsible investment practices among individuals.

Overall, this study contributes to improving financial awareness, encouraging informed decision-making, and enhancing the financial well-being of individuals in the region.

## 3. Scope of the study

- The present study focuses on analysing the level of financial literacy and its impact on the investment behaviour of individuals. It aims to understand how well people are aware of basic financial concepts and how this awareness influences their investment decisions.
- The study is limited to individual investors and examines their knowledge, attitudes, and preferences regarding different investment options. It includes commonly used financial instruments such as bank deposits, shares, mutual funds, and gold.
- In addition, the study considers both national and international developments in the field of financial literacy to provide a broader perspective. It also attempts to identify the relationship between financial knowledge and investment decision-making.
- However, the scope of the study is restricted to the selected sample, and therefore, the findings may not be universally applicable to all populations.

## Objectives

- To evaluate the level of financial literacy among individuals.
- To assess the awareness of investors regarding different financial products.
- To study the national and international developments in the field of financial literacy.
- To analyse the impact of financial literacy on the investment behaviour of investors.
- To suggest suitable measures for improving financial literacy and enhancing the investment behavior of investors.

## II: REVIEW OF LITERATURE

### 1. Foundational Studies: Defining Financial Literacy (1990s – Early 2000s)

Chen & Volpe (1998) were among the first to empirically measure financial literacy among college students. They found low literacy levels overall, with significant gaps based on gender, major, and work experience. Males scored 12% higher than females. This study established demographics as key determinants.



Bernheim & Garrett (2003) linked workplace financial education to higher saving rates and 401(k) participation in the US. It was one of the first studies to show that literacy interventions directly influence investment behavior, not just knowledge.

Hilgert, Hogarth & Beverly (2003) used US Survey of Consumer Finances data and found that households with higher financial knowledge were more likely to pay bills on time, budget, save, and diversify investments. They introduced the idea that literacy affects financial practices, not just product choice.

## 2. Establishing the Literacy–Investment Link (2005 – 2015)

Lusardi & Mitchell (2007, 2011, 2014) developed the “Big Three” questions on compound interest, inflation, and risk diversification. Their global studies showed only ~33% of adults are financially literate. Key finding: literacy strongly predicts retirement planning and stock market participation across 15+ countries.

Van Rooij, Lusardi & Alessie (2011) used Dutch DNB Household Survey data. Results: Individuals with high financial literacy were 17% more likely to invest in stocks. Literacy reduces information costs and increases trust in markets. This became the most cited evidence of the literacy-participation link.

Klapper, Lusardi & Panos (2013) studied Russia during the 2008 crisis. Financially literate individuals were less likely to report negative income shocks and more likely to have unspent income. Literacy reduced behavioral biases like overconfidence and improved diversification.

### In Indian Context:

Bhushan & Medury (2013) surveyed 516 salaried individuals. High literacy group preferred equity/mutual funds; low literacy group preferred FDs, PPF, insurance. Education and income were strongest predictors of literacy.

Jariwala (2015) studied Gujarat retail investors. Low financial literacy scores correlated with herding, disposition effect, and excessive trading. Illiterate investors earned 3-4% lower annual returns due to poor timing and high costs.

## 3. Behavioral and Psychological Dimensions (2015 – 2018)

Potrich, Vieira & Kirch (2015) expanded literacy to 3 dimensions: knowledge, behavior, attitude. Using structural equation modeling, they showed all 3 jointly predict financial well-being. Attitude mattered most for investment decisions.

Agarwal et al. (2015) used S&P FinLit Survey data for India. Only 24% of Indians were financially literate. Lowest among women, youth 18-25, and rural populations. This group avoided formal investments and relied on informal sources.

Bhabha et al. (2014) in Pakistan found financial literacy positively relates to risky asset investment, but risk tolerance mediates the relationship. Knowledge alone isn't enough — willingness to take risk matters.

## 4. Digital Shift and Recent Developments (2019 – 2024)

Kaiser & Menkhoff (2020) meta-analyzed 76 studies. Financial education improves knowledge by 0.20 SD and behavior by 0.09 SD. Effects are strongest for low-income groups and “just-in-time” delivery.

Cole, Sampson & Zia (2011) ran RCTs in India/Indonesia. 2-hour financial education improved budgeting but didn't increase bank account opening unless combined with easy product access. Highlighted the knowledge-action gap.

### Post-COVID Studies:

Kumar & Goyal (2022) found a 1-unit increase in literacy score raised equity investment probability by 23% among Indian retail investors. Digital platforms amplified the effect — literate investors better evaluated online info.

Gupta & Madan (2022) coined “digital financial literacy.” Investors who understood both finance and apps made fewer impulsive trades on Zerodha/Groww. Low digital literacy meant 2.5x higher risk of falling for social media tips.

Baluja (2023) on Indian Gen Z: 68% couldn't calculate compound interest, yet 52% traded crypto/F&O. Shows “confidence-knowledge gap” — social media raises awareness but not literacy, leading to high-risk behavior.

Chu et al. (2023) proved financial education reduces ambiguity aversion. Literate households shifted from cash to mutual funds/REITs, improving long-term wealth.

Mudzingiri, Mwamba & Keyser (2024) established “fintech literacy” as separate from traditional literacy. Knowledge of UPI, e-KYC, fraud prevention predicted SIP/mutual fund adoption in India and South Africa.

### Gender and Demographic Insights Across Time

Lusardi, Mitchell & Curto (2010) showed the gender gap in literacy persists globally. Women score lower and are less confident even with equal knowledge.

Ansari, Pande & Singh (2023) surveyed 600 Indian women. Literacy increased mutual fund adoption, but financial self-efficacy — belief in one's ability — was a stronger mediator. Confidence-building programs worked better than pure knowledge training.

NCFE (2020) India survey: Literacy lowest in 18-29 age group and rural areas. This group prefers gold/real estate and is most vulnerable to Ponzi schemes.

## Summary of Key Relationships Established

Period Key Finding



- 1998-2003 - Financial literacy is measurable; demographics matter; education improves behavior
- 2005-2015 - Literacy increases stock market participation, retirement planning, diversification; reduces biases
- 2015-2018 - Attitude and behavior are as important as knowledge; risk tolerance mediates the effect
- 2019-2024 - Digital/fintech literacy now critical; Gen Z has confidence-knowledge gap; robo-advisors help but literacy still gives edge

#### Research Gaps Identified Across Literature

- Geographic: Most early work is US/Europe. Indian studies pre-2015 focus on metros; tier-2/tier-3/rural data still limited.
- Causality: Many studies show correlation. Few RCTs in India prove literacy causes better investment outcomes.
- Digital era: Pre-2020 studies don't capture fintech, crypto, or social media influence. Post-2020 work emerging but limited.
- Mediators: Role of self-efficacy, risk tolerance, and overconfidence in literacy → investment link needs India-specific models.

### III. PROBLEM STATEMENT & RESEARCH HYPOTHESIS

#### Problem Statement

In today's rapidly changing financial environment, individuals are exposed to a wide variety of investment opportunities such as mutual funds, insurance plans, bank deposits, gold, real estate, and government-backed investment schemes. Although these investment avenues are easily accessible, a large section of investors still lacks adequate financial literacy and awareness regarding investment planning, risk-return analysis, tax-saving instruments, and long-term wealth creation. Due to insufficient financial knowledge, many individuals make investment decisions based on emotions, incomplete information, social influence, or traditional saving habits rather than proper financial analysis. Financial literacy plays a vital role in improving investment behaviour and helping individuals make informed and rational financial decisions. Investors with proper financial knowledge are generally more capable of understanding market risks, comparing investment alternatives, diversifying portfolios, and selecting suitable investment options according to their income, objectives, and risk tolerance. On the other hand, lack of financial awareness may lead to poor investment choices, financial insecurity, low savings, and limited participation in formal financial markets. The study focuses on understanding the relationship between financial literacy and investment behaviour among investors. It aims to analyse the awareness level of respondents regarding different financial products and examine how demographic factors such as age, education, occupation, and income influence their investment preferences and financial decision-making. The research also investigates the major

sources through which investors gain financial knowledge, such as media, family, friends, and financial advisors.

Furthermore, the study seeks to identify whether financially literate individuals are more likely to invest in diversified and growth-oriented financial instruments compared to individuals with lower financial awareness. The research is important because it helps in understanding the need for financial education and awareness programs that can improve investment decision-making and promote financial stability among investors

#### Hypothesis Proposed: HYPOTHESIS-I

- H<sub>0</sub>: Age has no significant impact on investment decisions.
- H<sub>1</sub>: Age significantly impacts investment decisions.

#### HYPOTHESIS-II

- H<sub>02</sub>: Educational qualification does not influence the level of financial awareness.
- H<sub>2</sub>: Educational qualification significantly influences the level of financial awareness.

#### HYPOTHESIS-III

- H<sub>03</sub>: Income level has no significant effect on investment preference.
- H<sub>3</sub>: Income level significantly affects investment preference.

#### HYPOTHESIS-IV

- H<sub>04</sub>: Sources of financial information do not affect investment behaviour.
- H<sub>4</sub>: Sources of financial information significantly affect investment behaviour.

### IV. RESEARCH METHODOLOGY

#### 1. Study Duration

The study was conducted over a specific period to ensure proper collection and analysis of data. The duration of the study was sufficient to gather relevant information, understand the behaviour of respondents, and complete the research systematically.

#### 2. Subject Selection

The subject of the study, "A Study on Financial Literacy and Its Impact on Investment Decisions of Individual Investors," was selected due to its growing importance in today's financial environment. With increasing financial products and services, it is essential to understand how individuals make financial decisions and how financial knowledge influences their investment behaviour.

#### 3. Instrumentation

For the purpose of this study, primary data was collected using a structured questionnaire. The questionnaire included both closed-ended and multiple-choice questions to gather accurate and relevant information from respondents. The questions were designed to assess the



level of financial literacy and understand the investment preferences of individuals.

**4. Procedures**

The research followed a systematic process, starting from defining the objectives to collecting and analysing data. Data was collected directly from respondents through surveys. After collecting the data, it was organized, classified, and analysed to draw meaningful conclusions.

**Research Design**

The research design used in this study is descriptive in nature. It focuses on describing the current level of financial literacy and examining its impact on investment behaviour. This design helps in understanding patterns, opinions, and relationships among variables.

**Sampling Method**

The study used a convenience sampling method, where respondents were selected based on their availability and willingness to participate. This method is simple and suitable for collecting data within a limited time.

**Sample Size**

The sample size of the study consists of 100 respondents. The sample includes individuals from different backgrounds to get a better understanding of financial literacy and investment behaviour.

**5. Data Analysis Tools and Techniques**

The collected data was analysed using simple statistical tools such as percentage analysis, pie chart. These tools helped in presenting the data in an easy-to-understand format and in drawing meaningful conclusions from the study.

**6. Study Limitations Related to Internal Validity**

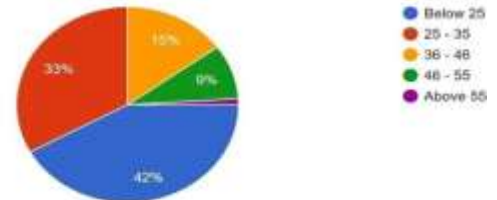
- The study was conducted with a small sample size of only 100 respondents, which may not fully represent all investors.
- Convenience sampling was used, so the responses may contain selection bias and may not reflect the views of the entire investor population.
- The research focused on a limited geographic area, which restricts the applicability of the findings to other regions.
- The study relied on self-reported responses collected through questionnaires, which may include personal bias or inaccurate information from respondents.
- The study mainly used percentage analysis and did not apply advanced statistical tools, which may limit deeper interpretation of relationships between variables.

**V. DATA ANALYSIS AND INTERPRETATION**

Age Group	Percentage %	No. of Respondents (Approx.)
Below 25	42	42

25 – 35	33	33
36 – 46	15	15
46 – 55	9	9
Above 55	1	1
<b>Total</b>	<b>100</b>	<b>100</b>

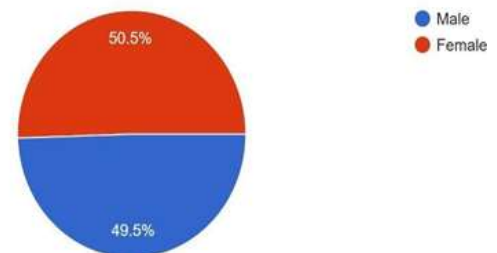
Section A : Demographic Profile 1. Age Group  
100 responses



**Interpretation:**

The chart shows that the majority of respondents (42%) are below 25 years of age, followed by 33% in the 25–35 age group. This indicates that young individuals form a large part of the study. Only a small percentage belongs to higher age groups, with 15% in 36–46 and 9% in 46–55. Very few respondents (1%) are above 55 years. Overall, the data reflects higher participation from the younger population.

2. Gender  
99 responses



Gender	No. of Respondents	Percentage %
Male	49	49.50
Female	50	50.50
<b>Total</b>	<b>99</b>	<b>100</b>

**Interpretation:**

The chart shows that the distribution of respondents is almost equal between males and females. Female respondents slightly dominate with 50.5%, while males account for 49.5%. This indicates a balanced representation of both genders in the study. Hence, the analysis reflects the views of both male and female participants equally.

Education Qualification No. of Respondents  
3. Education Qualification  
100 responses



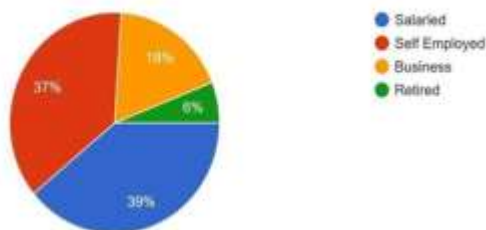


Education Qualification	No. of Respondents	Percentage %
Up to Higher Secondary	24	24
Graduate	35	35
Post Graduate	30	30
Professional Degree	11	11
<b>Total</b>	<b>100</b>	<b>100</b>

**Interpretation:**

The chart shows that the majority of respondents are graduates (35%), followed by postgraduates (30%). Around 24% have education up to higher secondary, while 11% hold professional degrees. This indicates that most respondents are well-educated. Hence, the data collected is likely to reflect informed opinions regarding financial literacy and investment behaviour.

4. Occupation  
100 responses

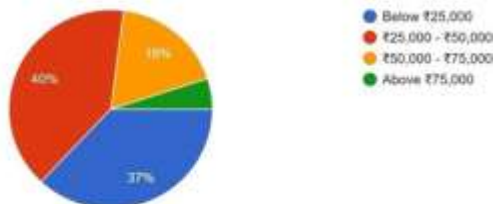


Occupation	No. of Respondents	Percentage %
Salaried	39	39
Self-Employed	37	37
Business	18	18
Retired	6	6
<b>Total</b>	<b>100</b>	<b>100</b>

**Interpretation:**

The chart shows that the majority of respondents are salaried individuals (39%), closely followed by self-employed individuals (37%). A smaller portion is engaged in business activities (18%), while only 6% are retired. This indicates that most respondents are actively earning individuals. Hence, their responses are likely to reflect practical financial and investment behaviour.

5. Monthly Income  
100 responses

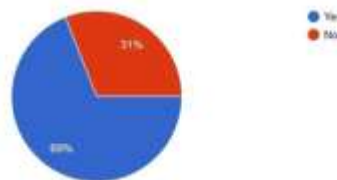


Monthly Income	No. of Respondents	Percentage %
Below ₹25,000	37	37
₹25,000 – ₹50,000	40	40
₹50,000 – ₹75,000	18	18
Above ₹75,000	5	5
<b>Total</b>	<b>100</b>	<b>100</b>

**Interpretation:**

The chart shows that the majority of respondents (40%) fall in the ₹25,000–₹50,000 income group, followed by 37% earning below ₹25,000. A smaller portion earns between ₹50,000–₹75,000 (18%), while only 5% earn above ₹75,000. This indicates that most respondents belong to the low to middle-income group. Hence, their investment decisions may be more focused on safety and affordability.

Section B: Financial Knowledge & Awareness 6. Are you aware of basic financial concepts like inflation, interest rate, and risk?  
100 responses

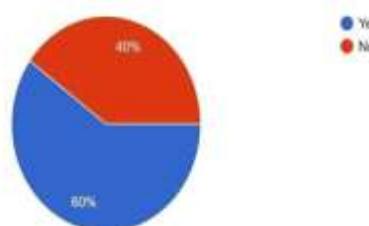


Response	Number of Respondents	Percentage %
Yes	69	69
No	31	31
<b>Total</b>	<b>100</b>	<b>100</b>

**Interpretation:**

The above table shows that a majority of respondents (69%) are aware of basic financial concepts such as inflation, interest rates, and risk. This indicates a relatively good level of financial awareness among the sample population. However, 31% of respondents reported that they are not aware of these fundamental concepts, which highlights a significant gap in financial literacy. This lack of awareness may affect their ability to make informed investment decisions. Overall, while the awareness level is satisfactory, there is still a need for financial education initiatives. Improving financial literacy can help individuals better understand and manage their investments.

7. Are you aware of different investment options (shares, mutual funds, bonds, etc.)?  
100 responses





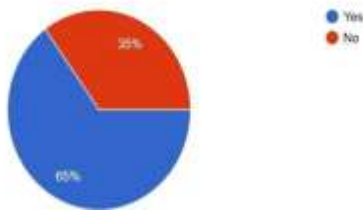
Response	Number of Respondents	Percentage %
Yes	60	60
No	40	40
<b>Total</b>	<b>100</b>	<b>100</b>

**Interpretation:**

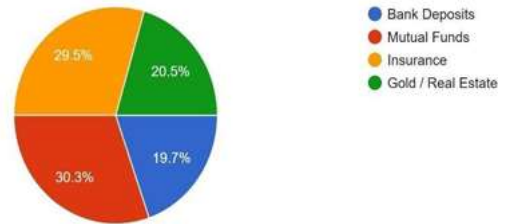
The above table shows that 44% of respondents sometimes compare financial products before making investment decisions, which is the largest group. About 32% of respondents always compare different financial options, indicating a good level of careful decision-making among a portion of investors. However, 18% rarely compare products and 6% never do so, which may lead to suboptimal investment choices. This suggests that while many individuals consider comparison important, it is not a consistent practice for all. The findings highlight the need to encourage more thorough evaluation of financial products before investing.

Promoting informed comparison can lead to better financial outcomes and reduced investment risks.

SECTION C: Financial Behaviour & Investment Practices 11. Do you invest your savings?  
100 responses



12. Preferred investment avenue  
100 responses



Investment Option	Percentage %	Respondents (Approx.)
Mutual Funds	30.30	30
Insurance	29.50	30
Gold / Real Estate	20.50	21
Bank Deposits	19.70	20
<b>Total</b>	<b>100</b>	<b>100</b>

**Interpretation:**

The above table shows the preferred investment avenues of respondents. It is observed that the majority of respondents (30.3%) prefer mutual funds, followed closely by 29.5% who prefer insurance. This indicates that individuals are increasingly choosing investment options that provide both returns and financial security.

A smaller proportion of respondents (20.5%) prefer gold and real estate, showing that traditional investment options still remain relevant. However, only 19.7% of respondents prefer bank deposits, which may be due to lower returns compared to other investment avenues.

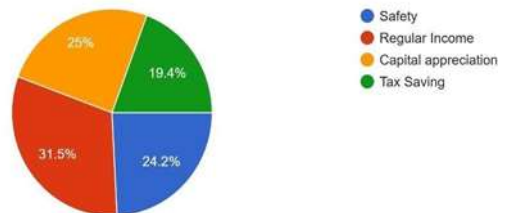
This suggests that while modern investment options are gaining popularity, individuals still maintain a balanced approach by considering both safety and returns in their investment decisions.

Response	Number of Respondents	Percentage (%)
Yes	65	65
No	35	35
<b>Total</b>	<b>100</b>	<b>100</b>

**Interpretation:**

The above table shows that a majority of respondents (65%) invest their savings, indicating a positive inclination towards investment among individuals. This suggests that a significant portion of the population is aware of the importance of growing their money through investments. However, 35% of respondents do not invest their savings, which may be due to lack of financial knowledge, risk aversion, or limited income. This highlights a gap between awareness and actual investment behavior. The findings suggest that more efforts are needed to encourage individuals to invest their savings. Promoting financial literacy and confidence can help increase participation in investment activities.

13. Primary investment objective  
100 responses



Investment Objective	Percentage %	No. of Respondents (Approx.)
Safety	24.20	24
Regular Income	31.50	32
Capital Appreciation	25	25
Tax Saving	19.40	19
<b>Total</b>	<b>100</b>	<b>100</b>



**Interpretation:**

The above table shows the primary investment objectives of respondents. It is observed that the majority of respondents (31.5%) invest with the objective of earning regular income, indicating a preference for stable and consistent returns.

A significant proportion of respondents (25%) aim for capital appreciation, which shows their interest in growing their wealth over time. Additionally, 24.2% of respondents prioritize safety, reflecting a cautious approach towards investment.

14. Investment time horizon  
100 responses



Investment Time Horizon	Percentage %	Respondents (Approx.)
Short Term (Below 1 Year)	38	38
Medium term (1-5 Years)	38	38
Long term (Above 5 Years)	24	24
<b>Total</b>	<b>100</b>	<b>100</b>

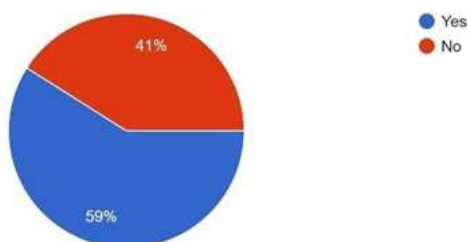
**Interpretation:**

The above table shows the investment time horizon of respondents. It is observed that an equal proportion of respondents (38%) prefer short-term and medium-term investments, indicating a balanced preference for both quick returns and moderately long investment periods.

A smaller proportion of respondents (24%) prefer long-term investments, which suggests that fewer individuals are willing to lock their funds for an extended period.

This indicates that most investors prefer flexibility and liquidity in their investments, while a comparatively smaller group focuses on long-term wealth creation.

15. Do you diversify your investments across different assets?  
100 responses



Response	Percentage %	No. of Respondents (Approx.)
Yes	59	59
No	41	41
<b>Total</b>	<b>100</b>	<b>100</b>

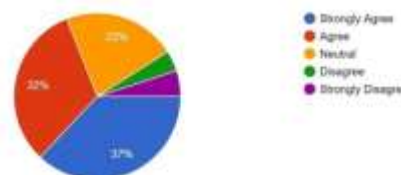
**Interpretation:**

The above table shows whether respondents diversify their investments across different assets. It is observed that a majority of respondents (59%) diversify their investments, indicating that they are aware of the importance of spreading risk across different investment options.

However, 41% of respondents do not diversify their investments, which may be due to lack of financial knowledge, limited investment options, or preference for a single asset class.

This suggests that while a significant number of individuals understand the benefits of diversification, there is still a considerable portion that needs more awareness regarding risk management and effective investment strategies.

SECTION D: Impact of Financial Literacy on Investment Decisions 16. Financial literacy helps me make better investment decisions.  
100 responses



Response	Percentage %	No. of Respondents (Approx.)
Strongly Agree	37	37
Agree	32	32
Neutral	22	22
Disagree	5	5
Strongly Disagree	4	4
<b>Total</b>	<b>100</b>	<b>100</b>

**Interpretation:**

The above table shows the opinion of respondents on whether financial literacy helps them make better investment decisions. It is observed that a majority of respondents (37%) strongly agree and 32% agree with the statement, indicating that most individuals believe financial literacy plays an important role in improving investment decisions.

A moderate proportion of respondents (22%) remain neutral, which may suggest uncertainty or lack of sufficient knowledge about the impact of financial literacy.

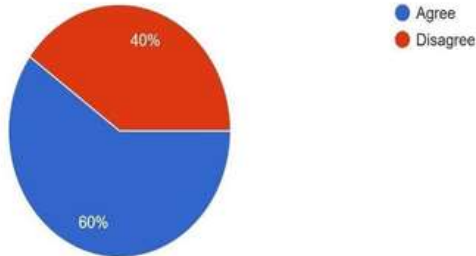
Only a small percentage of respondents (5%) disagree and 4% strongly disagree, indicating that very few individuals do not see a connection between financial literacy and investment decisions.



This suggests that financial literacy has a significant positive impact on investment behaviour, as most respondents acknowledge its importance in making informed and effective investment decisions.

17. I feel confident while investing due to my financial knowledge.

100 responses



Response	Percentage %	No. of Respondents (Approx.)
Agree	60	60
Disagree	40	40
<b>Total</b>	<b>100</b>	<b>100</b>

**Interpretation:**

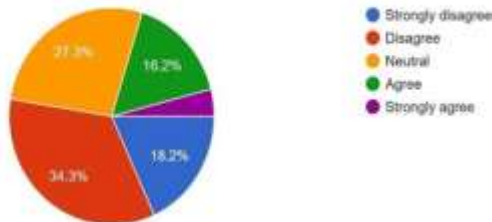
The above table shows whether respondents feel confident while investing due to their financial knowledge. It is observed that a majority of respondents (60%) agree that financial knowledge increases their confidence in making investment decisions.

However, 40% of respondents disagree, indicating that a significant proportion of individuals still lack confidence while investing, possibly due to insufficient financial knowledge or fear of risk.

This suggests that while financial literacy enhances confidence among many individuals, there is still a need to improve awareness and understanding to help more people feel secure in their investment decisions.

18. Lack of financial knowledge leads to poor investment decisions.

99 responses



Response	Percentage %	No. of Respondents (Approx.)
Strongly Disagree	18.20	18
Disagree	34.30	34
Neutral	27.30	28
Agree	16.20	16
Strongly Agree	4	4
<b>Total</b>	<b>100</b>	<b>100</b>

**Interpretation:**

The above table shows the opinion of respondents on whether lack of financial knowledge leads to poor investment decisions. It is observed that a majority of respondents (34.3%) disagree with the statement, followed by 18.2% who strongly disagree, indicating that many individuals do not believe that lack of financial knowledge necessarily results in poor investment decisions.

However, 16.2% of respondents agree and 4% strongly agree, suggesting that some individuals recognize the negative impact of insufficient financial knowledge. A significant portion (27.3%) remains neutral, which may indicate uncertainty or lack of awareness about the relationship.

This suggests that while a section of respondents acknowledges the importance of financial knowledge, many individuals may underestimate its role in influencing investment decisions, highlighting the need for greater financial awareness and education.

**Hypothesis Testing**

• **Hypothesis**

**Null Hypothesis (Ho)**

There is no significant relationship between financial literacy and investment behaviour of investors.

**Alternative Hypothesis (H1)**

There is a significant relationship between financial literacy and investment behaviour of investors.

**Formula:**

$$\chi^2 = \sum \frac{(O_i - E_i)^2}{E_i}$$

$\chi^2$  = chi squared  
 $O_i$  = observed value  
 $E_i$  = expected value

Knowledge level	Observed	Expected	O-E	(O-E)2	(O-E)/E
Very Low	30	20	10	100	5.00
Low	20	20	0	0	0
Moderate	39	20	19	361	18.5
High	7	20	-13	169	8.45
Very High	4	20	-16	256	12.80

- Calculate:  $\chi^2 = 5+0+18.05+8.45+12.80$   $\chi^2 = 44.30$   
 Calculated Chi-Square Value = 44.30
- Degree of Freedom:  $df = n-1$ , Where:  $n$  = Number of Categories  $df = 5 - 1 = 4$   
 So, Degree of Freedom Is 4.
- Critical Value:  
 At: Significance Level = 5% (0.05) Degree of Freedom = 4  
 Then, Critical Chi-Square Value Is = 9.488.
- Decision Rule:  
 - If Calculated Value > Critical Value → Reject  $H_0$   
 - If Calculated Value < Critical Value → Accept  $H_0$

Here,



44.30 > 9.488

Therefore, the Null Hypothesis is rejected.

Since the calculated Chi-Square value (44.30) is greater than the table value (9.488), the null hypothesis is rejected and the alternative hypothesis is accepted.

### Findings

**Financial Literacy Positively Influences Investment Decisions:** The study found that a majority of respondents believe financial knowledge helps in making better investment decisions. Around 65% respondents agreed that financial literacy improves financial security and investment planning. This shows a strong relationship between financial awareness and investment behaviour.

**Young Individuals Show Higher Interest in Financial Planning:** The largest group of respondents belongs to the age category below 25 years (42%), followed by the 25–35 age group (33%). This indicates that younger generations are becoming more interested in savings, investments, and financial management at an early stage of life.

**Mutual Funds and Insurance are the Most Preferred Investments:** The study reveals that respondents prefer modern investment avenues like mutual funds and insurance over traditional options. Mutual funds accounted for approximately 30.3% preference, while insurance accounted for 29.5%, showing increasing trust in organized financial products.

**Most Respondents Have Only Moderate Financial Knowledge:** Although awareness about investments is increasing, only a small percentage of respondents possess high financial knowledge. Around 39% respondents rated their financial knowledge as moderate, while 30% considered it very low. This finding indicates the need for stronger financial education and awareness programs.

**Media is the Major Source of Financial Awareness:** About 42% respondents stated that they gain financial knowledge through media sources such as television, newspapers, and the internet. This finding highlights the growing role of digital platforms and media in spreading financial education and investment awareness.

## VI. DISCUSSION

### 1. Conclusion

The study highlights the importance of financial literacy in influencing the investment behaviour of individuals. It is observed that individuals with better financial knowledge are more confident in making investment decisions and tend to choose diversified investment options such as stocks and mutual funds. On the other hand, individuals with limited financial literacy prefer safer options like bank deposits and gold.

The findings also show that factors such as age, education, income, and occupation play a significant role in determining the level of financial literacy. Younger and educated individuals are more aware of financial concepts and are more willing to explore different investment avenues.

Overall, the study concludes that financial literacy has a direct and positive impact on investment behaviour. Improving financial knowledge can lead to better financial decisions, increased participation in financial markets, and improved financial well-being of individuals.

### 2. Suggestions

- Financial education programs should be introduced at school and college levels to build basic financial knowledge.
- Awareness campaigns should be conducted to educate people about various investment options.
- Individuals should be encouraged to seek professional financial advice before making major investment decisions.
- Government and financial institutions should promote simple and easy-to-understand financial products.
- Digital platforms can be used to spread financial awareness among a larger population.

### 3. Recommendations for further research

- Financial education programs should be introduced at school and college levels to build basic financial knowledge.
- Awareness campaigns should be conducted to educate people about various investment options.
- Individuals should be encouraged to seek professional financial advice before making major investment decisions.
- Government and financial institutions should promote simple and easy-to-understand financial products.
- Digital platforms can be used to spread financial awareness among a larger population.

### 4. Implications of the study for Industrial practice

The findings of this study are useful for financial institutions, banks, and investment companies. Understanding the level of financial literacy helps them design better financial products and services according to customer needs.

Companies can also develop targeted marketing strategies to educate customers about investment options. Financial advisors can use these insights to guide clients more effectively. Overall, improving financial literacy can lead to better customer satisfaction and increased participation in financial markets.

### 5. Limitations of the study

- The study is based on a limited sample size, which may not represent the entire population.
- The data collected is based on respondents' opinions, which may be biased or subjective.



- The study focuses only on selected variables and does not cover all possible factors affecting financial literacy.
- Time constraints limited the depth of the research.
- The results may not be applicable to all regions or populations.

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