

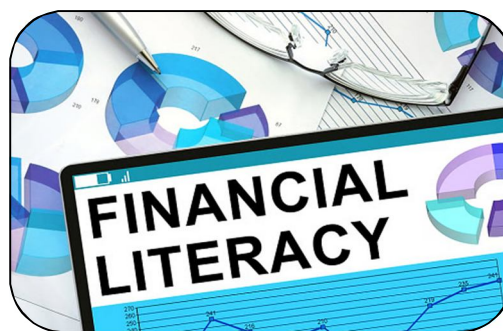


FINANCIAL LITERACY AND INVESTMENT BEHAVIOUR AMONG YOUNG ADULTS

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ABSTRACT

Financial literacy plays an important role in shaping the financial decisions and investment behaviour of young adults. As young people increasingly gain access to savings accounts, digital payment platforms, mutual funds, stocks, insurance, and other financial products, their ability to understand financial concepts has become essential for making informed investment decisions. The present study examines the relationship between financial literacy and investment behaviour among young adults, with particular focus on their financial knowledge, saving habits, risk preferences, investment choices, and long-term financial planning.



The study explores how knowledge of concepts such as interest rates, inflation, risk and return, diversification, compounding, and investment planning influences the financial decisions of young investors. It also considers factors such as income, education, employment status, financial awareness, access to digital financial information, and investment experience. The study is primarily based on secondary data collected from academic studies, financial institutions, government reports, research publications, and other reliable sources.

The findings suggest that higher levels of financial literacy can contribute to more informed and disciplined investment behaviour. Financially aware young adults are generally better positioned to evaluate investment risks, compare financial products, diversify investments, and make decisions based on long-term financial goals. However, limited financial knowledge, preference for short-term returns, lack of investment experience, peer influence, and exposure to misleading financial information can affect investment decisions. The study concludes that strengthening financial literacy among young adults is essential for encouraging responsible investment behaviour and improving long-term financial well-being. Financial education through educational institutions, financial institutions, digital platforms, and awareness programmes can help young adults develop sound investment habits and make informed financial decisions.

KEYWORDS: *Financial Literacy, Investment Behaviour, Young Adults, Financial Knowledge, Investment Decisions, Savings, Risk Tolerance, Financial Planning, Investment Awareness.*

INTRODUCTION

Financial literacy has become an increasingly important aspect of individual financial well-being in a rapidly changing economic and financial environment. It refers to the knowledge, skills, attitudes, and understanding required to make informed decisions regarding money, savings, borrowing, investment, and financial planning. For young adults, developing financial literacy at an early stage can influence their

ability to manage income, control expenses, build savings, and make appropriate investment decisions. Young adults are increasingly exposed to a wide range of financial products and investment opportunities. Traditional investment options such as bank deposits, fixed deposits, insurance, and gold are now complemented by mutual funds, shares, exchange-traded funds, digital investment platforms, and other market-linked products. The expansion of digital financial services has made investment more accessible, but it has also increased the need for adequate financial knowledge. Investment behaviour refers to the way individuals make decisions regarding the selection, timing, amount, and duration of their investments. It is influenced by several factors, including financial knowledge, income, risk tolerance, investment objectives, financial experience, family background, social influence, and access to financial information. Young adults may have different investment preferences depending on their financial circumstances and level of awareness.

Financial literacy can help young investors understand fundamental concepts such as risk and return, inflation, compounding, diversification, liquidity, and investment horizons. A financially literate individual is more likely to compare financial products, evaluate risks, understand investment costs, and make decisions based on personal financial goals rather than relying solely on short-term market trends or external influence. Despite increased access to financial information, many young adults may have limited practical knowledge about investment products. Lack of experience, uncertainty about financial markets, fear of losses, preference for quick returns, peer influence, and dependence on social media or informal advice can affect investment decisions. In some cases, inadequate financial knowledge may result in excessive risk-taking or an excessive preference for low-risk investments without considering inflation and long-term financial objectives. The development of digital investment platforms has significantly changed the investment environment. Mobile applications and online platforms allow young adults to access financial markets with relatively low barriers. While this development has increased participation, it also creates challenges related to impulsive investing, speculative behaviour, misinformation, cybersecurity, and inadequate understanding of investment risks.

AIMS AND OBJECTIVES

Aim

The main aim of this study is to examine the relationship between financial literacy and investment behaviour among young adults and to understand how financial knowledge influences their savings, investment decisions, risk preferences, and financial planning.

Objectives

The objectives of the study are to examine the level of financial literacy among young adults. The study aims to assess the understanding of young adults regarding basic financial concepts such as interest rates, inflation, risk and return, compounding, diversification, and investment planning. The study seeks to identify the investment preferences of young adults and examine their choice of different investment instruments such as bank deposits, mutual funds, shares, insurance, gold, and other financial products.

The study aims to analyse the relationship between financial literacy and investment decision-making among young adults. The study seeks to examine the factors influencing the investment behaviour of young adults, including income, education, employment, financial experience, risk tolerance, family background, and social influence. The study aims to assess the risk-taking behaviour and investment preferences of young adults and understand their attitude towards high-risk and low-risk investment products. The study seeks to examine the role of digital financial platforms and online sources of information in influencing the investment decisions of young adults.

REVIEW OF LITERATURE

Financial literacy and investment behaviour have received considerable attention in academic research because financial knowledge can influence how individuals manage income, savings, investments, and financial risks. Existing literature generally suggests that individuals with higher levels of financial literacy are more capable of understanding financial products and making informed financial decisions. Lusardi and Mitchell have extensively examined the relationship between financial literacy and financial decision-making. Their research indicates that financial knowledge is associated with improved financial planning, saving behaviour, and participation in investment activities. The literature emphasizes the importance of understanding basic concepts such as interest rates, inflation, risk, and diversification for making effective financial decisions. Studies on young adults indicate that financial knowledge developed during early adulthood can influence financial behaviour over the long term. Young people who understand budgeting, saving, borrowing, and investment principles may be more likely to develop disciplined financial habits. However, limited financial experience and inadequate exposure to financial education can make young adults vulnerable to poor financial decisions.

Research has identified education as an important factor influencing financial literacy. Individuals with higher levels of formal education often demonstrate greater awareness of financial concepts and investment products. However, general education alone does not necessarily guarantee financial literacy, highlighting the importance of specific financial education and practical financial experience. The literature also indicates that income influences investment behaviour. Individuals with higher and more stable incomes may have greater capacity to save and invest, while individuals with limited income may prioritize immediate consumption and basic financial needs. However, financial literacy can influence how individuals allocate available income between consumption, savings, and investments.

Risk tolerance is another important factor discussed in investment behaviour studies. Young adults may have a relatively long investment horizon, which can allow them to consider market-linked investments with higher levels of risk. However, actual risk-taking behaviour depends on financial knowledge, income stability, investment experience, personality, and perceptions of financial markets. Research on investment preferences shows that individuals choose different financial instruments according to their risk tolerance, return expectations, liquidity requirements, and investment objectives. Traditional instruments such as bank deposits and gold continue to attract conservative investors, while mutual funds, equities, and other market-linked products may appeal to individuals seeking higher potential returns. Several studies have examined the role of financial literacy in stock market participation. Higher financial knowledge has generally been associated with greater understanding of investment risks and increased willingness to participate in financial markets. Financially literate individuals are better positioned to evaluate investment opportunities and understand the importance of diversification.

RESEARCH METHODOLOGY

The present study adopts a descriptive and analytical research methodology to examine the relationship between financial literacy and investment behaviour among young adults. The study focuses on financial knowledge, savings habits, investment preferences, risk tolerance, financial planning, and the factors influencing investment decisions. The study uses both primary and secondary sources of information. Primary data may be collected from young adults through a structured questionnaire designed to assess their level of financial literacy and investment behaviour. The questionnaire can include questions relating to basic financial concepts, savings practices, investment awareness, preferred investment instruments, risk preferences, financial planning, and sources of financial information. For the purpose of the study, young adults may be considered individuals within the selected age group, such as 18 to 35

years. Respondents may include students, salaried employees, self-employed individuals, and other young adults with different educational and income backgrounds.

A convenient or purposive sampling technique may be used to select respondents based on their availability and relevance to the study. The sample size should be determined according to the research requirements and accessibility of respondents. Participation should be voluntary, and respondents' personal information should be kept confidential. Secondary data is collected from reliable sources such as academic journals, research papers, books, reports of financial institutions, government publications, financial education materials, and relevant websites. Secondary information is used to develop the theoretical framework and support the analysis of financial literacy and investment behaviour. The major variables considered in the study include financial knowledge, investment awareness, savings behaviour, investment preferences, risk tolerance, investment experience, income, education, employment status, financial planning, and use of digital investment platforms.

STATEMENT OF THE PROBLEM

Financial decisions made during young adulthood can have a significant impact on an individual's long-term financial well-being. Young adults are increasingly earning income, using banking services, accessing digital investment platforms, and participating in various financial markets. However, access to financial products does not necessarily mean that individuals possess sufficient knowledge to make informed investment decisions. One of the major concerns is the varying level of financial literacy among young adults. Many individuals may have limited understanding of basic financial concepts such as inflation, interest rates, compounding, risk and return, diversification, and investment planning. Inadequate financial knowledge can affect their ability to evaluate investment opportunities and select suitable financial products. Investment behaviour among young adults is influenced by several factors, including income, education, risk tolerance, investment experience, family background, peer influence, financial goals, and access to information. Young investors may sometimes make decisions based on short-term returns, emotions, social influence, or recommendations from friends and social media rather than conducting proper financial analysis.

The rapid growth of digital investment platforms has further changed the investment environment. Mobile applications and online platforms have made investment products more accessible and convenient. However, easy access can also encourage impulsive investment, excessive trading, speculative behaviour, and exposure to financial misinformation, particularly among inexperienced investors. Another concern is the limited investment experience of young adults. Individuals who are new to financial markets may find it difficult to understand different investment products and their associated risks. Lack of practical knowledge can result in excessive risk-taking, inadequate diversification, or an excessive preference for certain investment instruments. Income and employment status can also influence investment behaviour. Young adults with limited or irregular income may have difficulty allocating funds toward long-term investments. At the same time, individuals with higher incomes may have greater investment opportunities but still require adequate financial knowledge to make appropriate choices.

NEED OF THE STUDY

Financial literacy is an essential component of personal financial management and plays an important role in helping individuals make informed decisions regarding saving, borrowing, investing, and financial planning. Young adulthood is an important stage for developing financial habits because investment and saving decisions made during this period can influence long-term financial security. The study is needed to understand the level of financial knowledge among young adults. Concepts such as

interest rates, inflation, compounding, risk and return, diversification, and investment planning are important for making appropriate financial decisions. Limited knowledge of these concepts may lead to unsuitable investment choices and inadequate financial planning. There is also a need to examine the investment behaviour of young adults. The availability of various investment options, including bank deposits, mutual funds, shares, insurance, gold, and digital investment products, provides greater choice but also makes investment decisions more complex. Understanding the preferences and behaviour of young investors can help identify their financial needs and challenges.

The rapid growth of digital investment platforms makes the study particularly relevant. Mobile applications and online platforms have made investment products more accessible to young adults. However, easy access may also encourage impulsive decisions, speculative investment, excessive trading, and dependence on unreliable financial information. Studying these developments can help promote responsible digital investment behaviour. The study is needed to understand the relationship between financial literacy and investment decisions. Financially knowledgeable individuals may be better equipped to evaluate investment risks, compare financial products, diversify their portfolios, and make decisions according to their long-term financial goals. Risk perception is another important reason for conducting the study. Young adults may differ considerably in their willingness to accept financial risk. Some may prefer safe investments such as bank deposits, while others may prefer market-linked investments with higher potential returns. Understanding the relationship between financial literacy and risk tolerance can help identify suitable approaches to investment education.

The study is also important because young adults are increasingly exposed to financial information through social media, online platforms, advertisements, and informal networks. While these sources can improve awareness, they can also provide misleading or incomplete information. Financial literacy can help individuals critically evaluate such information before making investment decisions. Income, education, employment status, investment experience, and family background can also influence financial behaviour. The study is therefore needed to examine these factors and understand the differences in financial literacy and investment behaviour among different groups of young adults.

FURTHER SUGGESTIONS FOR RESEARCH

Future research should collect primary data from a larger and more diverse sample of young adults to obtain a broader understanding of financial literacy and investment behaviour. Studies can include respondents from different regions, educational backgrounds, occupations, and income groups. Further research can compare financial literacy and investment behaviour between students, salaried employees, self-employed individuals, and young entrepreneurs. Such comparisons may help identify differences in financial knowledge, investment preferences, and financial planning. Future studies should examine gender differences in financial literacy and investment behaviour. Research can investigate whether young men and women differ in their financial knowledge, risk tolerance, investment preferences, and participation in financial markets.

More research is needed to examine the influence of digital investment platforms on young investors. Studies can analyse whether mobile investment applications, online brokerage platforms, and digital financial services encourage informed investment or contribute to impulsive and speculative behaviour. Future research should examine the influence of social media and online financial content on investment decisions. Studies can assess how financial influencers, online communities, advertisements, and digital investment information affect young adults' risk perceptions and investment choices. Further studies can investigate the effectiveness of financial education programmes in improving investment behaviour. Researchers can compare individuals who have received structured financial education with

those who have not and examine differences in financial knowledge, savings, diversification, and investment planning.

Future research should examine the relationship between financial literacy and specific investment products such as mutual funds, equities, fixed deposits, insurance, gold, bonds, and exchange-traded funds. This can help identify whether financial knowledge influences the selection of particular investment instruments. More research is required on the relationship between financial literacy and investment risk-taking. Future studies can examine whether financially literate young adults make more rational risk assessments and whether financial knowledge encourages appropriate rather than excessive risk-taking.

SCOPE AND LIMITATIONS

Scope of the Study

The present study focuses on financial literacy and investment behaviour among young adults. It examines the level of financial knowledge possessed by young individuals and how this knowledge influences their savings, investment decisions, risk preferences, and financial planning. The study covers basic financial concepts such as interest rates, inflation, compounding, risk and return, diversification, investment planning, and financial management. These concepts are examined to understand their importance in making informed investment decisions. The study includes various investment options available to young adults, such as bank deposits, fixed deposits, mutual funds, shares, bonds, insurance, gold, and other financial products. It examines the preferences of young investors and the factors influencing their selection of different investment instruments.

The scope of the study includes factors such as income, education, employment status, investment experience, risk tolerance, financial goals, family background, and access to financial information. These factors are considered in understanding differences in investment behaviour. Digital investment and financial services are also included within the scope of the study. The study considers the role of mobile applications, online investment platforms, digital banking, and online financial information in influencing the investment decisions of young adults. The study also examines the importance of financial education and awareness. It considers how educational institutions, financial institutions, government agencies, and digital platforms can contribute to improving financial literacy and encouraging responsible investment behaviour.

Limitations of the Study

The study may be limited by the size and composition of the sample. If primary data is collected from a limited number of respondents, the findings may not represent the investment behaviour of all young adults. The study relies partly on self-reported information. Respondents may provide answers based on their perceptions or may not accurately report their income, savings, investment amounts, or financial knowledge. Financial literacy and investment behaviour can change over time. Changes in economic conditions, interest rates, market performance, government policies, and financial technologies may influence investment decisions after the study is completed.

The study focuses specifically on young adults and therefore its findings may not be directly applicable to older age groups with different financial responsibilities, income levels, investment experience, and financial goals. The availability of digital financial services varies across regions and individuals. Differences in internet access, digital literacy, and access to financial institutions may influence the investment behaviour of respondents. The study primarily examines financial literacy and selected demographic and behavioural factors. Other influences, such as psychological characteristics, cultural

factors, market conditions, and macroeconomic changes, may also affect investment decisions but may not be examined in detail.

FINDINGS

The study finds that financial literacy plays an important role in shaping the investment behaviour of young adults. Individuals with better knowledge of financial concepts are generally more capable of understanding investment alternatives, evaluating risks, and making decisions based on their financial objectives. The findings indicate that awareness of basic financial concepts such as interest rates, inflation, risk and return, compounding, and diversification varies among young adults. While many young individuals have general awareness of financial matters, their practical understanding of investment-related concepts may be limited. The study finds that young adults consider several factors when selecting investment products. Expected returns, safety of capital, liquidity, risk level, investment horizon, and personal financial goals are among the major factors influencing investment choices.

Traditional investment instruments such as bank deposits, fixed deposits, insurance, and gold continue to attract young investors who prefer relatively stable and lower-risk options. At the same time, awareness and participation in mutual funds, shares, and other market-linked investments are increasing among financially aware young adults. The findings suggest that financial literacy is associated with greater willingness to consider diversified investment options. Young adults with better financial knowledge are more likely to understand the importance of spreading investments across different assets to manage risk. Risk tolerance differs considerably among young adults. Some investors prefer safe and predictable investment products, while others are willing to accept higher levels of risk in pursuit of greater returns. Financial knowledge appears to help individuals better understand the relationship between risk and potential return.

The study finds that income and employment status influence investment behaviour. Young adults with stable income are generally in a better position to save and invest regularly, whereas individuals with limited or irregular income may prioritize current expenses and short-term financial needs. Investment experience is another important factor influencing financial behaviour. Young adults with previous investment experience tend to demonstrate greater familiarity with financial products and investment processes than individuals who are investing for the first time.

DISCUSSION

The findings of the study indicate that financial literacy is an important factor influencing the investment behaviour of young adults. Young individuals with greater financial knowledge are generally better equipped to understand financial products, evaluate risks, compare investment alternatives, and make decisions that are consistent with their financial objectives. The study highlights that awareness of basic financial concepts such as interest rates, inflation, compounding, risk and return, and diversification is essential for effective investment decision-making. Although many young adults may have general awareness of financial matters, a gap can exist between theoretical knowledge and the practical ability to apply that knowledge when selecting investment products. Investment preferences among young adults are influenced by their perception of risk and return. Conservative investors tend to prefer bank deposits, fixed deposits, insurance, and gold because of their perceived safety. On the other hand, young adults with greater financial knowledge and higher risk tolerance may be more willing to invest in mutual funds, shares, and other market-linked instruments.

The findings suggest that financial literacy can encourage a more rational approach to risk. Financially knowledgeable investors are more likely to understand that higher potential returns are

generally associated with higher risk and that investment decisions should be based on financial objectives and risk capacity rather than short-term market movements. Income and employment status also influence investment behaviour. Young adults with stable employment and regular income may have greater capacity to save and invest. Those with limited or irregular income may focus primarily on meeting immediate expenses. This indicates that financial literacy should be considered together with an individual's financial circumstances when examining investment behaviour. Investment experience is another important factor. Young adults who have previously invested in financial products may have greater confidence and familiarity with market mechanisms. However, experience without adequate financial knowledge may not necessarily result in sound investment decisions. Therefore, practical experience should be supported by appropriate financial education. The growing use of digital investment platforms has significantly changed the financial behaviour of young adults. Mobile applications and online platforms have reduced barriers to accessing investment products and have made transactions more convenient. However, the ease and speed of digital investing may also encourage impulsive decisions, frequent trading, and speculative behaviour among inexperienced investors.

CONCLUSION

Financial literacy plays an important role in shaping the investment behaviour of young adults. The study concludes that individuals with better financial knowledge are generally more capable of understanding financial products, evaluating investment risks, comparing alternatives, and making investment decisions according to their financial goals. The study highlights that knowledge of basic financial concepts such as interest rates, inflation, compounding, risk and return, and diversification is essential for making informed investment decisions. However, awareness of these concepts among young adults may vary, and a gap may exist between theoretical knowledge and the practical application of financial information. Young adults have access to a wide range of investment options, including bank deposits, fixed deposits, mutual funds, shares, insurance, gold, and digital investment products. Their choices are influenced by factors such as income, risk tolerance, investment experience, financial goals, expected returns, and perceptions of safety and liquidity.

The study concludes that financial literacy can encourage more responsible risk-taking and diversified investment behaviour. Financially knowledgeable individuals are more likely to evaluate potential risks and returns before investing and are less likely to rely entirely on short-term market trends or informal recommendations. Digital financial services have made investment more accessible to young adults. Online investment platforms and mobile applications provide convenience and greater access to financial products. However, the ease of digital investing also creates risks such as impulsive investment, speculative behaviour, misinformation, and excessive dependence on social media recommendations. The study further concludes that financial education is essential for improving investment behaviour. Young adults need practical knowledge about financial planning, savings, investment products, risk management, diversification, and responsible use of digital financial services.

RECOMMENDATIONS

Financial education should be introduced and strengthened in schools, colleges, and universities to help young adults develop basic knowledge of savings, investments, budgeting, risk management, inflation, compounding, and financial planning. Educational institutions should provide practical financial-literacy programmes rather than focusing only on theoretical concepts. Workshops, investment simulations, case studies, financial-planning exercises, and practical demonstrations can help young adults understand real-world investment decisions. Financial institutions should provide simple and reliable educational materials

explaining different investment products, associated risks, expected returns, fees, and investment horizons. This can help young investors compare alternatives and select products appropriate to their financial objectives. Young adults should be encouraged to establish clear financial goals before making investment decisions. Investments should be aligned with objectives such as education, home ownership, emergency needs, wealth creation, and long-term financial security.

Young investors should be encouraged to develop regular saving and investment habits. Starting with affordable amounts and investing consistently can help develop financial discipline and take advantage of long-term wealth-building opportunities. Financial literacy programmes should emphasize the importance of diversification. Young adults should understand that concentrating investments in a single asset or financial product can increase risk and that diversification can help manage investment risk. Investors should be educated about the relationship between risk and return. Young adults should avoid making investment decisions solely on the basis of promises of high or quick returns and should carefully evaluate the level of risk associated with every investment.

Greater awareness should be created regarding digital investment platforms. Young investors should understand platform fees, security measures, investment risks, privacy issues, and the potential dangers of excessive trading or speculative investing. Young adults should be encouraged to verify financial information obtained through social media and online sources. Investment decisions should be based on reliable and verified information rather than unverified recommendations, online trends, or pressure from peers.

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