

A Study on Financial Literacy and Investment Behavior among Young Working Professionals in Kerala

Dr. Pratheep K

Lecturer in Commerce, University Institute of Technology, University of Kerala, Thiruvananthapuram

Abstract—Financial literacy—the capacity to comprehend and manage financial matters—has become an indispensable skill in the age of digital banking and globalized investment options. This study investigates how financial literacy influences the investment behavior of young working professionals in Kerala. Primary data were gathered from 150 respondents in Thiruvananthapuram, Ernakulam, and Kozhikode. Descriptive, correlation, and regression analyses were used to examine the relationship between literacy levels and investment choices. Results indicate moderate financial literacy, strong budgeting discipline, but limited understanding of diversification and long-term planning. Regression findings show a significant positive relationship between literacy and prudent investment decisions. The paper concludes that structured financial-education programs, workplace initiatives, and digital-awareness campaigns are necessary to enhance the financial well-being of Kerala’s young professionals.

Index Terms—Financial literacy, investment behavior, young professionals, Kerala, behavioral finance, financial education.

I. INTRODUCTION

The financial environment of modern India has evolved dramatically with liberalization, digitization, and technological innovation. Individuals are now exposed to a range of complex instruments—mutual funds, equities, SIPs, cryptocurrencies, and insurance products. Managing these requires not only access but also adequate literacy. Kerala, often celebrated for its high general literacy, presents a paradox: despite education and income, many young employees still depend on informal advice, social media, or herd behavior when investing. The Reserve Bank of India (2023) and NISM (2022) report that although awareness about saving is widespread, comprehension of risk, return, and diversification remains shallow.

Hence, understanding how financial literacy affects the investment behavior of this group is vital.

II. STATEMENT OF THE PROBLEM

Young professionals in Kerala frequently participate in savings and investment activities without fully grasping financial principles. This knowledge gap leads to sub-optimal portfolios, excessive conservatism, or speculative tendencies. The study aims to analyze this literacy–behavior link and to suggest measures for improvement.

III. OBJECTIVES OF THE STUDY

1. To measure the level of financial literacy among young working professionals in Kerala.
2. To study the investment behavior patterns of these professionals.
3. To determine the relationship between financial literacy and investment behavior
4. To propose recommendations for strengthening financial education programs.

IV. HYPOTHESES

H₀₁: There is no significant relationship between financial literacy and investment behavior among young working professionals in Kerala. H₁₁: Financial literacy significantly influences investment behavior among young working professionals in Kerala.

V. REVIEW OF LITERATURE

Lusardi & Mitchell (2014) found that individuals with low financial literacy are less likely to plan for retirement and more likely to incur debt. Thaler & Sunstein (2008) argued in Nudge that structured choice environments can improve decisions.

Kahneman & Tversky (1979), through Prospect Theory, explained why investors are risk-averse toward gains and risk-seeking toward losses. Gitman & Zutter (2020) and Van Horne & Wachowicz (2018) underscored diversification as the cornerstone of rational investing. Pandey (2021), Brigham & Ehrhardt (2022), and Khan & Jain (2020) emphasized the significance of financial management education for decision-making. Mishkin (2019) connected financial literacy with macroeconomic stability, while Shefrin (2016) addressed behavioral biases such as mental accounting and overconfidence. Indian evidence by Bhushan (2019), Sriram (2020), and Nair & Menon (2022) revealed moderate literacy levels and conservative investment attitudes among salaried professionals. RBI (2023), SEBI (2022), NISM (2022), and OECD (2016) documented continuing gaps between awareness and action. In summary, prior studies converge on the view that education, income, and exposure positively affect literacy, but cognitive and cultural biases continue to distort investment behavior—making empirical Kerala-based evidence necessary.

VI. RESEARCH METHODOLOGY

Research Design: Descriptive-analytical, quantitative design using survey data. **Population and Sample:** 150 young professionals aged 25–40 from Thiruvananthapuram, Ernakulam, and Kozhikode, selected through stratified random sampling across IT, banking, education, health, and service sectors. **Data Collection:** Structured questionnaire with 24 Likert-scale items covering knowledge, attitude, and behavior. **Analytical Tools:** SPSS 28 used for descriptive analysis, Pearson correlation, and regression. **Reliability** verified through Cronbach's $\alpha = 0.87$. **Variables:** Independent: Financial Literacy Score; Dependent: Investment Behavior Index

VII. DATA ANALYSIS AND INTERPRETATION

7.1 Descriptive Statistics: Basic financial concepts (Mean=3.80, SD=0.74, Moderate) Budgeting & saving habits (Mean=4.18, SD=0.63, High) Investment awareness (Mean=3.41, SD=0.81, Moderate) Risk diversification (Mean=3.02, SD=0.77, Low–Moderate) Overall financial literacy (Mean=3.60, SD=0.68, Moderate) Investment

behavior index (Mean=3.72, SD=0.70, Positive) Budgeting is strong; risk understanding remains modest.

7.2 Correlation Analysis: Pearson $r = 0.62$ ($p < 0.01$) → a strong positive correlation between literacy and investment behavior. Budgeting is strong; risk understanding remains modest.

7.3 Regression Results: Financial Literacy → Investment Behavior: $R = 0.62$, $R^2 = 0.38$, $\beta = 0.69$, $t = 8.03$, $p = 0.000$ Financial literacy explains 38 % of behavioral variation; the rest arises from psychological and cultural influences.

VIII. FINDINGS AND DISCUSSION

1. Financial literacy among Kerala's young professionals is moderate.
2. Budgeting and saving discipline are strong; knowledge of capital-market instruments is limited.
3. A significant positive relationship exists between literacy and prudent investment behavior.
4. Professionals trained in finance or commerce exhibit higher literacy and diversified portfolios.
5. Behavioral biases—overconfidence, herd behavior, loss aversion—still influence investment decisions.
6. Technology usage promotes access but can also trigger impulsive investing.
7. Region-wise, Ernakulam shows slightly higher awareness due to financial-sector density.

The results confirm international findings (Lusardi & Mitchell 2014) while emphasizing Kerala's distinctive socio-cultural context.

IX. MANAGERIAL IMPLICATIONS AND POLICY SUGGESTIONS

Workplace training: Integrate financial-education modules into corporate HR programs. **Curricular reform:** Introduce personal-finance papers at undergraduate and postgraduate levels. **Public campaigns:** State Literacy Mission to extend literacy from reading to financial competency. **Digital responsibility:** FinTech firms should include Malayalam tutorials on risk and returns. **Regulatory synergy:** RBI–SEBI–NISM collaboration to measure

and enhance literacy annually. - Community outreach: NGOs and youth organizations can conduct awareness drives for new earners.

X. CONCLUSION

The study confirms that financial literacy substantially determines investment behavior among Kerala's young professionals. Despite high general education, specialized financial knowledge remains moderate. Structured educational initiatives and ethical digital platforms can transform awareness into sustainable investing practices. Improved literacy will strengthen personal finances and contribute to Kerala's broader economic health. Future research could examine rural youth and women entrepreneurs for inclusive policy design.

REFERENCES (APA 7th EDITION)

- [1] Bhushan, P. (2019). Financial literacy and investment behavior of salaried individuals in India. *Journal of Finance and Economics*, 7(4), 45–54.
- [2] Brigham, E. F., & Ehrhardt, M. C. (2022). *Financial Management Theory and Practice*. Cengage.
- [3] Gitman, L. J., & Zutter, C. J. (2020). *Principles of Managerial Finance*. Pearson.
- [4] Pandey, I. M. (2021). *Financial Management*. Vikas Publishing.
- [5] Kahneman, D., & Tversky, A. (1979). Prospect theory: An analysis of decision under risk. *Econometrica*, 47(2), 263–291.
- [6] Khan, M. Y., & Jain, P. K. (2020). *Financial Management*. Tata McGraw-Hill.
- [7] Lusardi, A., & Mitchell, O. S. (2014). The economic importance of financial literacy. *Journal of Economic Literature*, 52(1), 5–44.
- [8] Mishkin, F. S. (2019). *The Economics of Money, Banking and Financial Markets*. Pearson.
- [9] Nair, A., & Menon, S. (2022). Financial awareness and investment attitudes among Kerala professionals. *Indian Journal of Finance*, 16(3), 27–36.
- [10] NISM. (2022). *Investor Survey Report of India*. Mumbai: National Institute of Securities Markets.
- [11] OECD. (2016). *OECD/INFE International Survey of Adult Financial Literacy Competencies*. Paris: OECD.
- [12] RBI. (2023). *Financial Inclusion and Literacy Report*. Mumbai: Reserve Bank of India.
- [13] SEBI. (2022). *Annual Report on Investor Awareness Programs*. New Delhi: Securities and Exchange Board of India.
- [14] Shefrin, H. (2016). *Behavioral Corporate Finance*. McGraw-Hill Education.
- [15] Sriram, S. (2020). Investor behavior in India: A behavioral-finance approach. *Asian Economic Review*, 62(1), 88–105.
- [16] Thaler, R. H., & Sunstein, C. R. (2008). *Nudge: Improving Decisions about Health, Wealth, and Happiness*. Yale University Press.
- [17] Van Horne, J. C., & Wachowicz, J. M. (2018). *Fundamentals of Financial Management*. Pearson.
- [18] World Bank. (2023). *Global Financial Literacy Database*. Washington DC.
- [19] Kerala State Planning Board. (2024). *Economic Review 2024*. Thiruvananthapuram: Government of Kerala.