A Study on Financial Literacy and Investment Behaviour of Young Adults

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Abstract—**This study examines how financial knowledge influences investment behaviour among young adults (aged 18–25) in India. A descriptive research design was employed, using a structured questionnaire administered to 107 participants selected via stratified random sampling. The questionnaire covered topics such as financial literacy, saving habits, risk tolerance, and investment preferences. Data analysis was performed using SPSS and Excel, utilizing percentages, averages, correlation, and regression analyses to explore relationships. The results indicate that most young adults possess only a basic understanding of financial concepts. While they are familiar with simple savings instruments like bank deposits, their knowledge of advanced topics such as portfolio diversification, stock investment, and long-term financial planning is limited. Consequently, respondents overwhelmingly preferred low-risk options (e.g., savings accounts, fixed deposits, gold, and real estate) and largely avoided high-risk assets like equities. The main factors deterring higher-risk investing were fear of losses, low confidence, lack of trustworthy advice, and concerns about fraud. The study found that young adults generally neglect systematic investment strategies and retirement planning, despite a positive attitude toward saving and budgeting. Hypothesis testing confirmed that overall financial literacy is below an acceptable level and that lower literacy negatively impacts investment choices. These findings suggest the need for enhanced financial education and awareness campaigns. Practical recommendations include hands-on training, risk management guidance, early savings habits, and accessible advice to build confidence. Improving financial literacy among youth is essential for their personal well-being and can contribute to broader economic stability**

Index Terms—**Financial Literacy, Investment Behaviour, Young Adults, Financial Knowledge, Savings, Financial Education, Financial Awareness**

I. INTRODUCTION

Financial literacy is essential for making informed financial decisions and securing long-term well-being. The savings and investments made today form the basis of future financial security, yet inadequate financial knowledge can lead to either excessive risk-taking or overly conservative choices, hindering economic growth. In developing countries like India, many young adults lack basic financial awareness and are thus vulnerable to fraud and poor financial outcomes. This study investigates the direct correlation between financial literacy and the investment decisions made by young adults (aged 18–25), with the aim of understanding how financial knowledge influences their behaviour.

In the modern financial landscape, rapid technological advancements have introduced a wide range of investment products and platforms. While banks, financial institutions, and online services offer abundant opportunities, prudent financial decision-making still depends on individual understanding and judgment. The core argument is that financial education is not a luxury but a fundamental need. As more youth engage with retirement planning, wealth management, and investment choices, a deficit in financial knowledge often leads to suboptimal decisions that can affect personal financial stability and, by extension, broader economic productivity. Therefore, this study focuses on assessing young adults' grasp of key concepts (such as savings, inflation, risk, and diversification) and how this knowledge shapes their investment choices.

II. REVIEW OF LITERATURE

1.Desai, Chitra and Harshini (2025): A survey of people aged between 18 to 28 years found that being financially knowledge may not always lead to willingly to invest in high risks. Researchers discovered that the role of financial knowledge is stronger in the risk-taking nature or risk preference of individuals compared to high-risk investment decisions. Financial knowledge helps people to understand about financial products, but at the time of actual decision-making, risk tolerance plays an important role. According to this study, risk tolerance and financial literacy have to be treated differently in financial modules because both have different effects on decision-making.

2.Barua, Sensoria and Agarwalla (2015): This study is considered to be one of the largest scale studies made on Indian youth. In this study author's main focus is towards the young adults who are working in urban areas to assess the financial awareness. This study results in people having confusions related to basic concepts like compounding, inflation and interest rate. And individuals who are financially literate, they not only depend upon the simple deposits, but they are investing in different financial products and formal savings through banks. This study has mainly focused on how demographic factors like income, gender and education level have affected financial knowledge and formal saving participation have a direct relationship. And this will provide a strong base for future research.

3. Singh, Bhatia and Chawla (2022): In this study the analysis is made on family background, parental advice and the relationship between financial behaviour and awareness. According to this study, individuals who come to know about financial management from their parents from childhood are more interested in investment, and they have good financial knowledge. With this research we come to know about how confidence plays an important role in creating a bridge between behaviour and knowledge. People who are very confident in their financial abilities use their knowledge practically. The authors concluded that family-based financial education effectively motivates the youngsters to invest.

4. Savaliya (2024): The study is a regional sample based on empirical research, and it has identified the positive relationship between financial knowledge and investment decisions. According to the study, the young adults who are financially wise are more satisfied with their investment decisions. Even if the sample size is small, the study also shows how local environment and situations have an important impact on financial literacy and investment experience. One more important point is that not only returns but also satisfaction like qualitative factors matters more in investment decisions.

5. Study on Financial Inclusion and Financial Knowledge (Delhi-NCR, 2021): This study has made an analysis of 381 youth by collecting the data to analyse whether awareness, attitude and behaviour were more effective predictors of inclusion. According to this study, the knowledge related to financial concepts provides an important base, but attitude towards savings and actual saving behaviour are stronger predictors of financial inclusion. It means that financial knowledge is not enough; along with that, good financial practices are also required. Research says knowledge by itself without behaviour change promotion might not be enough.

III. OBJECTIVES OF THE STUDY

- To evaluate the degree of financial knowledge in young adults.
- To explore the relationship between financial knowledge and investment decisions taken by young adults

IV. HYPOTHESIS

Null Hypothesis(H_0): Young adults do not possess a significant level of financial knowledge.
Alternative Hypothesis(H_1): Young adults possess a significant level of financial knowledge.
Null Hypothesis(H_0): There is no significant relationship between financial knowledge and investment decisions among young adults.
Alternative Hypothesis(H_1): There is significant relationship between financial knowledge and investment decisions among young adults.

V. RESEARCH METHODOLOGY

Particulars	Explanation
Primary Data	The researcher conducted a survey to assess financial literacy and investment behaviour among Young adults.
Secondary Data	Websites, research papers and financial reports were used as secondary data sources.
Data Collection Tool	The data was collected using a self-administered and well-structured questionnaire with multiple questions, distributed to respondents via Google Forms.
Sample Size	107
Sample Point	Young Adults(18-25)
Sample Method	Simple random sampling method was selected for choosing samples.
Data Analysis	MS Excel, T-Test, Descriptive Statistics from IBM SPSS software was used for the data analysis.

VI. SCOPE AND LIMITATIONS OF THE STUDY

- This study examines the relationship between financial literacy and investment decisions among young adults in India.
- It focuses on the respondents' understanding of savings, diversification, and financial planning.
- The research targets specific regions and a defined group of participants, so the findings may not be generalizable to all demographics in India.
- The study provides valuable insights into how financial knowledge affects the investment behaviour of youth under current economic conditions.

VII. DATA ANALYSIS AND INTERPRETATION

Analysis of Hypothesis-1

H_0 (Null Hypothesis): Young adults do not possess a significant level of financial knowledge.
H_1 (Alternative Hypothesis): Young adults possess a significant level of financial knowledge.

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Knowledge of personal finance	107	2.50	.732	.071
Highest potential returns	107	2.87	1.166	.113
Diversifying an investment portfolio	107	1.86	.852	.082
Worth rupee	107	1.43	.715	.069
I avoid finance because it's difficult	107	2.84	1.199	.116
Where did you learn finance?	107	2.66	1.197	.116

One-Sample Test

	Test Value = 3					
					95% Confidence Interval of the Difference	
	t	df	Sig. (2-tailed)	Mean Difference	Lower	Upper
Knowledge of personal finance	-7.135	106	.000	-.505	-.64	-.36
Highest potential returns	-1.161	106	.248	-.131	-.35	.09
Diversifying an investment portfolio	-13.847	106	.000	-1.140	-1.30	-.98
Worth rupee	-22.708	106	.000	-1.570	-1.71	-1.43
I avoid finance because it's difficult	-1.371	106	.173	-.159	-.39	.07
Where did you learn finance?	-2.907	106	.004	-.336	-.57	-.11

Interpretation

The one-sample t-test was conducted to examine whether the mean responses of respondents regarding various aspects of financial knowledge and behavior significantly differ from the test value of 3, which represents a neutral level of agreement. The null hypothesis (H_0) assumes that the population mean for each variable is equal to 3, while the alternative hypothesis (H_1) assumes that the population mean is significantly different from 3.

Decision Rule:

- if the p-value (sig 2-tailed) is less than 0.05, the null hypothesis (H_0) is rejected, indicating a significant difference from the test value.
- if the p-value is greater than 0.05, the null hypothesis (H_0) is not rejected, indicating no significant difference.

Key Findings:

1. Knowledge of personal finance shows a statistically significant result (p=0.000). The negative t-value (-7.135) and negative mean difference (-0.505) indicate that respondents' average knowledge level is significantly below the neutral level.
2. Highest potential returns do not show a significant difference from the test value (p=0.248). This suggests that respondents' perceptions regarding high-return investments are not significantly different from the neutral position.
3. Diversifying an investment portfolio shows a highly significant result (p=0.000). The large negative t-value (-13.847) indicates that respondents demonstrate a low inclination toward diversification.
4. Worth rupee is found to be statistically significant (p=0.000). The strongly negative mean difference (-1.570) suggests that respondents have limited awareness or agreement regarding the concept of the value of money.
5. Avoiding finance because it is difficult does not show a significant difference (p=0.173),

indicating that respondents are neutral in their perception of financial difficulty.
6. Source of learning finance shows a significant difference (p=0.004), implying that respondent's exposure to financial education is below the expected neutral level.

The 95% confidence intervals for variables with significant results are entirely negative, confirming that the true population means lie below the test value of 3.

Conclusion

Based on the one-sample t-test results, the null hypothesis (H_0) is rejected for knowledge of personal finance, diversification of investment, worth of rupee, and source of learning finance, as their p-values are below 0.05. This indicates that respondents exhibit lower than average financial knowledge and investment awareness. However, the null hypothesis is not rejected for highest potential returns and avoiding finance due to difficulty, suggesting neutral attitudes toward these aspects. Overall, the findings reveal a need for improved financial education and awareness programs among respondents.

Analysis of Hypothesis-2

H_0 (Null Hypothesis): There is no significant relationship between financial knowledge and investment decisions among young adults.

H_1 (Alternative Hypothesis): There is a significant relationship between financial knowledge and investment decisions among young adults.

One-Sample Statistics

	N	Mean	Std. Deviation	Std. Error Mean
Save and invest before spending?	107	.70	.460	.044
Your preferred saving method?	107	1.60	1.008	.097
Your preferred investment option ?	107	.88	.328	.032
Invest a fixed amount regularly?	107	2.04	.835	.081
Willingness to take investment risks (1-5)	107	1.47	1.556	.150
Your investment decision method?	107	2.65	1.304	.126

One-Sample Test

| | Test Value = 3 | | | | | |
| | t | df | Sig. (2-tailed) | Mean Difference | 95% Confidence Interval of the Difference | |
					Lower	Upper
Save and invest before spending?	-51.699	106	.000	-2.299	-2.39	-2.21
Your preferred saving method?	-14.385	106	.000	-1.402	-1.60	-1.21
Your preferred investment option ?	-66.856	106	.000	-2.121	-2.18	-2.06
Invest a fixed amount regularly?	-11.929	106	.000	-.963	-1.12	-.80
Willingness to take investment risks (1–5)	-10.189	106	.000	-1.533	-1.83	-1.23
Your investment decision method?	-2.743	106	.007	-.346	-.60	-.10

Interpretation

The null hypothesis (H_0) in this case assumes that the population mean for each financial literacy variables is equal to the test value (3). The alternative hypothesis (H_1) assumes that the population mean is significantly different from 3

Decision Rule

- if the p-value (sig. 2-tailed) is less than 0.05, the null hypothesis (H_0) is rejected
- if the p-value is greater than 0.05, the null hypothesis (H_0) is not rejected.

Key Findings

1. The p-values for knowledge of personal finance, diversifying an investment portfolio, worth of rupee, and source of learning finance are below 0.05, indicating statistically significant differences from the test value.
2. The negative t-values indicate that the sample means for these variables re significantly lower than 3.
3. The 95% confidence intervals for these variables are entirely negative, confirming that the true population means lie below the test value.
4. Highest potential returns and avoiding finance because it is difficult have p values greater than 0.05, showing no significant difference.

Conclusion

Since most p-values are below 0.05, the null hypothesis (H_0) is rejected for the majority of financial literacy variables. This indicates that respondents have lower levels of financial knowledge and investment awareness compared to the neutral level, suggesting a need for improved financial education.

VIII.   FINDINGS

• Many young adults find it difficult to manage their finances due to limited income and lack of practical financial experience.
• Financial knowledge among young adults is basic, with poor awareness of investment options, taxation, and financial planning.
• Most young adults do not maintain emergency savings, which creates financial risk during unexpected situations.
• Fear of fraud and loss leads young adults to prefer safe investments like fixed deposits and mutual funds over high-risk options.

IX. SUGGESTIONS

• Financial education should be introduced early in schools and colleges to build basic knowledge on saving, budgeting, investment, and taxation.
• Regular workshops and training programs should be conducted to improve practical financial management skills among young adults.
• Young adults should be encouraged to save regularly and maintain emergency funds to handle unexpected financial situations.
• Awareness should be created about different investment options, risk–return concepts, and retirement planning to support long-term financial security.

X.   CONCLUSION

The study highlights that financial literacy plays a crucial role in shaping the investment behaviour of young adults. Although most young adults have basic

knowledge of savings and simple financial products, they lack awareness about investment options, risk management, taxation, and long-term financial planning. Due to fear of loss and fraud, they prefer safe investment avenues such as savings accounts, fixed deposits, and mutual funds. Enhancing financial education through awareness programs and practical training can help young adults make better financial decisions and achieve long-term financial security

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