



International Journal of Management Science and Business Conclave (IJMSABC)

<https://ijmsabc.com/>

P ISSN -: 3108-2688

E ISSN -: ****_****



RESEARCHARTICLE

Impact of Financial Literacy on Investment Decisions Among Young Adults

Bandi Pavithra,^{1*}

¹Student II Year M.Com AdikaviNannaya University, Rajamahendravaram, Andhra Pradesh.

ARTICLE HISTORY

Received: 03July 2025

Accepted: 17 July 2025

Published: 05 August 2025

CITATION

Pavithra, B., (2025). Impact of Financial Literacy on Investment Decisions Among Young Adults. International Journal of Management Science and Business Conclave (IJMSABC), 1(1), 55-60. <https://doi.org/>

Abstract

This study investigates the impact of financial literacy on investment decisions among young adults in urban and semi-urban Andhra Pradesh, India. With the proliferation of digital financial tools and diverse investment avenues, young adults face increasingly complex financial choices. The research, based on a survey of 400 respondents aged 18–30, reveals that while most young adults possess moderate financial literacy, only a minority demonstrate high proficiency. Findings indicate a strong positive correlation between financial literacy and informed investment behaviors: financially literate individuals are more likely to diversify investments, assess risks, and pursue goal-oriented financial planning. Conversely, those with limited financial knowledge tend to rely on traditional, low-risk options and are less equipped to capitalize on modern investment opportunities. The study underscores the urgent need for integrating financial education into academic curricula and promoting targeted awareness programs. Enhancing financial literacy is pivotal for empowering youth to make sound investment decisions, achieve financial independence, and contribute to inclusive economic growth.

Keywords: Finance, FinTech, Financial literacy, Economics & Finance

1. Introduction

Financial literacy is the cornerstone of sound financial behavior. It empowers individuals with the knowledge and confidence to make informed and effective decisions regarding their financial resources. With growing complexities in financial markets, increasing avenues for investment, and a surge in fintech solutions, the need for financial literacy has become more pressing than ever—especially among young adults who are just beginning their financial journey.

Young adults are at a critical stage in life where financial decisions can significantly impact their future stability. Despite having access to digital tools and investment platforms, many lack the necessary understanding of financial concepts such as risk diversification, inflation, interest rates, and savings strategies. Consequently, financial literacy becomes not only a personal asset but also a societal necessity. In recent years, the digital financial ecosystem has undergone a major transformation. From mobile banking apps and UPI-based payment systems to mutual fund platforms and cryptocurrency exchanges, young adults are exposed to a wide range of investment and saving options. Without proper knowledge and awareness, these tools can lead to poor financial

choices, impulsive spending, or falling prey to scams and misinformation.

Financially literate individuals tend to plan for retirement, avoid high-interest debt, invest in diversified portfolios, and are better prepared for financial emergencies. On the contrary, those lacking basic financial skills often delay savings, misuse credit, and fail to benefit from long-term investments.

The importance of financial education at an early age cannot be overstated. Globally, many countries have integrated personal finance education into school and college curricula, acknowledging that sound financial behavior is a learned skill. In India, however, formal financial education is still in its nascent stages, particularly among rural and semi-urban youth. This study focuses on understanding the impact of financial literacy on investment decisions among young adults in the Indian context. The research aims to evaluate the current levels of financial awareness, the decision-making patterns of youth regarding investment, and the degree to which literacy influences their financial behavior. The insights gained can help in designing targeted financial education programs, policy interventions, and strategies for increasing financial inclusion and economic empowerment.

2. Objectives of the Study

1. To assess the level of financial literacy among young adults.
2. To identify the common investment avenues preferred by financially literate and illiterate young adults.
3. To examine the relationship between financial literacy and risk-taking ability in investment.

3. Review of Literature

- Lusardi & Mitchell (2011): Found a positive correlation between financial literacy and sound financial decision-making, particularly in retirement planning.
- Agarwal et al. (2009): Showed that young adults with higher literacy tend to diversify their portfolios more effectively.
- OECD (2016): Stated that lack of financial education is a global issue affecting youth investment habits.
- Bhushan & Medury (2014): Identified gender disparities in financial literacy and its effects on investment patterns in India.
- Chen & Volpe (1998): Reported that students with higher financial knowledge were more confident in their financial decisions.
- Sabri & MacDonald (2010): Noted that better financial knowledge led to better money

management practices among university students.

- Xiao et al. (2011): Showed how attitude and financial literacy combined influence investment behavior.
- Atkinson & Messy (2012): Emphasized the importance of integrating financial education into formal schooling.
- Mandell (2008): Observed that exposure to financial education improved financial behavior among teens and young adults.
- Chinen & Endo (2012): Found that cultural context also plays a role in the effectiveness of financial education.

4. Research Methodology

- Type of Research: Descriptive and analytical.
- Sample Size: 400 young adults (aged 18–30).
- Sampling Technique: Stratified random sampling.
- Area of Study: Urban and semi-urban areas in Andhra Pradesh.
- Data Type: Primary data (via structured questionnaire); secondary data (research papers, reports).
- Tools Used: Percentage analysis, Chi-square test, and Likert scale.
- Data Collection Method: Online and offline surveys.

5. Data Analysis and Interpretation

1. Can you differentiate between saving and investing? (Yes/No)

Financial Literacy Score	No. of Respondents	Percentage
High (7–10 correct)	120	30%
Moderate (4–6 correct)	180	45%
Low (0–3 correct)	100	25%

Interpretation: Majority (45%) of respondents have a moderate level of financial literacy. Only 30% showed high literacy, indicating a need for education initiatives

2. Which investment avenues do you use? (FD, Mutual Funds, Stocks, Crypto, PPF)

Investment Type	Literate (%)	Illiterate (%)
Fixed Deposits	50%	70%
Mutual Funds	40%	20%
Stocks	30%	10%

Crypto	20%	15%
PPF	35%	25%

Interpretation: Financially literate individuals are more likely to diversify their investments beyond traditional options like FDs, exploring stocks and mutual funds.

3. Do you calculate risk before investing?

Risk Category	Literate (%)	Illiterate (%)
High Risk	35%	10%
Moderate Risk	50%	40%
Low/No Risk	15%	50%

Chi-square value: 18.67 (Significant at 5% level)

Interpretation: A statistically significant relationship exists between financial literacy and willingness to take investment risks.

Findings

- Financial literacy levels among young adults are generally moderate.
- Literate individuals show greater diversification in investment.
- Financially literate youth display a higher risk appetite and better investment planning.
- Lack of awareness is a primary barrier to smart investing.

Suggestions

- Financial literacy should be introduced as a mandatory subject at the undergraduate level.
- Online financial tools and mobile apps should include educational modules.
- Government and private agencies should collaborate to conduct financial education workshops.
- Awareness programs through social media can reach wider audiences.

6. Conclusion

The study establishes a positive link between financial literacy and well-informed investment decisions among young adults. Individuals with greater financial knowledge tend to diversify, evaluate risks, and make more confident financial choices. Bridging the literacy gap can empower a generation to achieve financial independence and stability, ultimately contributing to national economic growth. The findings of this study clearly highlight the pivotal role financial literacy plays in shaping the investment behavior of young adults. In an era marked by financial innovation, digital banking, and a multitude of investment avenues, financial knowledge is not merely a skill but a

necessity. The research establishes that individuals who possess a higher level of financial literacy are more likely to engage in diversified, calculated, and goal-oriented investment practices. They demonstrate a better understanding of financial risks, seek information before making decisions, and show greater confidence in managing their personal finances. Conversely, young adults with limited financial literacy often rely on traditional or risk-averse investment choices such as fixed deposits or savings accounts. They are less aware of the long-term benefits of investments like mutual funds, equities, or retirement schemes, and are more susceptible to poor financial decisions, impulsive spending, and financial stress. The study also reveals a significant gap between access to financial tools and the ability to use them wisely. While technology has made investing easier and more accessible than ever before, a lack of foundational knowledge prevents many young individuals from maximizing its potential. This gap underlines the need for integrating financial education into academic curricula and community outreach programs. Moreover, the research points toward a broader societal implication: financially literate citizens are more likely to contribute positively to the economy through better financial planning, increased savings, and informed investment. Therefore, enhancing financial literacy is not only essential for individual empowerment but also for national financial stability and inclusive economic growth. In conclusion, the path toward stronger investment behavior among young adults lies in sustained financial education, awareness campaigns, and the active involvement of educational institutions, financial service providers, and policymakers. By equipping the youth with the tools of financial knowledge, we pave the way for a generation that is economically responsible, independent, and future-ready.

References

- Agarwal, S., Driscoll, J. C., Gabaix, X., & Laibson, D. (2009). Financial literacy and financial planning: Evidence from India. *Journal of Pension Economics & Finance*, 8(2), 145–168. <https://doi.org/10.1017/S1474747208003904>
- Atkinson, A., & Messy, F.-A. (2012). *Measuring financial literacy: Results of the OECD / International Network on Financial Education (INFE)*. OECD Publishing. <https://www.oecd.org/finance/financial-education/Measuring-Financial-Literacy.pdf>
- Bhushan, P., & Medury, Y. (2014). Financial literacy and investment decisions of salaried individuals. *Journal of Business Management*, 16(5), 25–33.
- Chen, H., & Volpe, R. P. (1998). An analysis of personal financial literacy among college students. *Financial Services Review*, 7(2), 107–128.
- Chinen, K., & Endo, H. (2012). Effects of attitude and background on personal financial ability. *International Journal of Management*, 29(2), 778–789.
- Lusardi, A., & Mitchell, O. S. (2011). Financial literacy around the world. *Journal of Pension Economics and Finance*, 10(4), 497–508. <https://doi.org/10.1017/S1474747211000448>
- Mandell, L. (2008). *The financial literacy of young American adults*. JumpStart Coalition for Personal Financial Literacy. <https://www.jumpstart.org/research>
- OECD. (2016). *PISA 2015 results: Students' financial literacy*. OECD Publishing. <https://doi.org/10.1787/9789264270282-en>
- Sabri, M. F., & MacDonald, M. (2010). Savings behavior and financial problems among college students: The role of financial literacy in Malaysia. *International Journal of Consumer Studies*, 34(3), 289–296. <https://doi.org/10.1111/j.1470-6431.2010.00800>

Xiao, J. J., Tang, C., Serido, J., & Shim, S. (2011). Financial behavior of young adults: The role of parental financial socialization and financial literacy. *Journal of Consumer Affairs*, 45(1), 27–55. <https://doi.org/10.1111/j.1745-6606.2010.01196.x>

COPYRIGHT:

© 2026 The Author(s). This is an open-access article distributed under the terms of the Creative Commons Attribution 4.0 International License (CC-BY 4.0), which permits unrestricted use, distribution, and reproduction in any medium, provided the original author and source are credited. See <http://creativecommons.org/licenses/by/4.0/>