



Impact of Financial Literacy on Investment Decisions among Financially Emerging Adults

Dr. Ruchi Anand

Senior Assistant Professor, HR (Management), PTVA's Institute of Management, Mumbai, Maharashtra.

Ms. Shravni Mhatre

Student, PTVA's Institute of management, Mumbai, Maharashtra.

Abstract:

This study explores the impact of financial literacy on investment decisions among financially emerging adults (18–33 years). Surveying 110 respondents, it found moderate financial confidence, with only 20% actively investing, favoring safer options like mutual funds, FDs, and gold. An Independent Sample t-test shows higher financial literacy significantly improves investment choices. The study highlights the need for practical financial education, digital literacy, and mentorship to enable informed and confident financial decisions.

Keywords: Financial Literacy, Investment Decisions, Emerging Adults, Risk Tolerance.

1. Introduction

Financial literacy has become an essential life skill in today's fast-changing financial environment. It involves understanding basic concepts such as saving, budgeting, investing, risk, and financial planning, and using this knowledge to make informed financial decisions. With increasing financial independence and complex financial products, being financially educated is more important than ever.

This study focuses on financially emerging adults—mainly adults who are starting to earn, manage expenses, and make their first investment decisions. Early financial habits can significantly impact long-term stability and wealth creation. While options like mutual funds, equities, fixed deposits, and digital assets offer growth opportunities, many young investors either avoid investing or make decisions influenced by hype, peer pressure, or incomplete knowledge.

The motivation for this research arises from observing how adults enter financial markets without a proper understanding of risks, returns, or long-term planning. Conversations with peers revealed that many invest due to social media influence or the belief in quick profits, with very few understanding the investment products, risk levels, or goal-based selection.

This research aims to examine how financial literacy impacts investment decisions, saving habits, budgeting, risk tolerance, and choice of investment instruments. It also explores the role of social media, peers, family, and financial advisors in shaping these decisions. Ultimately, the study seeks to demonstrate that financial literacy is more than information—it builds confidence, prevents mistakes, and helps Adults plan for a secure financial future. Empowering young investors with knowledge can encourage disciplined investing, improve financial behavior, and contribute to a financially responsible and stable society.

2. Literature Review

Sharma Munish, Damseth, Anitika and Shyam, Ishita conducted a study on Financial Literacy and Investment Decisions among Youth in Himachal Pradesh. Studied 631 youth; found that financial literacy, risk tolerance, and social influence improve investment decisions, though social media can encourage impulsive choices.

Reema Sharma in her study “Impact of Financial Literacy and Risk Tolerance on Investment Decision” Higher financial literacy combined with risk tolerance leads to more confident and informed investment choices.

Gangwar, Rachna and Singh, Ritvik (2018) in “Analyzing Factors Affecting Financial Literacy and its Impact on Investment Behavior among Adults in India found that sociodemographic and economic factors influence financial literacy in India. Literacy alone did not significantly impact investment behavior, highlighting the need for broader policies.

Pastor, Mary Catherine; Almazan, Diana Aubrey; Flores, Lauren Ryoko; Lopez, Lois Jane, Income influences saving; investing is shaped by age, gender, and education. Financial literacy improves decisions, peer pressure has little effect.

Wang, Guan; Zhang, Menschen; He, Baiting in “Financial Literacy and Investment Returns: The Moderating Effect of Education Level”. Higher financial literacy and education lead to better investment returns; emphasizes need for stronger financial education.

Muhammad; Ali, Amjad; Audi, Marc in “The Impact of Financial Literacy on Investment Decisions: Behavioral and digital literacy boost investments; peer pressure may hinder decisions, while financial status influences confidence...

Das, Sulagna (2025) in “Impact of Financial Literacy on Investment Behaviour of Millennial in Developing Countries. Analyzed millennials in developing countries, showing that financial literacy improves saving and investing habits, reduces financial problems, and mitigates biases like overconfidence and herding. Early financial education is crucial for stable, empowered investors.

Agarwal, Monika in “Financial Literacy and Investment Decisions” Highlighted that higher financial literacy leads to better investment decisions in stocks, bonds, and mutual funds, while low literacy leads individuals to rely on family/friends. Improving literacy encourages smarter investing and greater participation in financial markets.

3. Overview of Financial Literacy

India’s financial landscape is rapidly evolving, especially among adults aged 18–35, who are beginning to manage money, invest, and plan for the future. With over 65% of the population under 35, understanding their financial knowledge, gaps, and decisions is crucial for both personal and national economic growth.

3.1 India’s Investment Patterns:

Post-pandemic, Adults are exploring mutual funds, stocks, digital assets, and traditional savings. They are moderately comfortable taking risks and using technology. Government initiatives, private programs, and social media help spread financial awareness, making it easier to learn and share investment tips.

3.2 Popular Investment Options:

- **Mutual Funds:** Easy, professionally managed, SIPs allow small, regular investments.
- **Stocks/Equities:** Attractive for high returns, though riskier; platforms like Zerodha, Upstox, and Groww simplify trading.
- **Bank FDs:** Safe, guaranteed returns, balancing riskier investments.
- **Digital Assets (Crypto/NFTs):** High-risk, high-return options for tech-savvy adults.
- **Gold & Real Estate:** Traditional, stable, and inflation-protected, though less liquid.

3.3 Digital Investment Trends:

Apps like Groww, Zerodha, and Paytm Money have made investing accessible, offering tracking, market updates, and learning resources. Yet, limited financial knowledge, peer influence, behavioral biases, and focus on quick profits can lead to poor decisions among emerging investors.

4. Research Methodology

4.1. Objectives:

- To understand the level of financial literacy among the financially emerging population.
- To analyze the investment behavior and preferences of the financially emerging population.
- To analyze how financial literacy can influence investment choices.

Hypothesis :

H0: Financial literacy has no significant impact on investment decisions among financially emerging youth.

H1: Financial literacy significantly impacts investment decisions among financially emerging youth.

4.2. Research Design:

Descriptive and analytical design used to study financial literacy, investment preferences, and their relationship; descriptive tools (charts, percentages) and inferential analysis (Independent Sample t-test) applied.

4.3. Sampling Technique:

Convenience sampling of 110 participants aged 18–34 for practical and accessible responses.

4.4 Sample Size:

The study surveyed 110 respondents, sufficient to identify demographic and behavioral patterns, conduct t-tests, and draw conclusions about the impact of financial literacy on investment decisions.

4.5 Tools for Data Analysis

Descriptive methods: percentages, pie charts, bar charts, frequency distributions. Inferential method: Independent Sample t-test to determine whether differences between high and low financial literacy groups are statistically significant.

The results of the t-test ($t = -2.1907$, $p = 0.0295$) indicated a significant impact of financial literacy on investment decisions, supporting the alternative hypothesis.

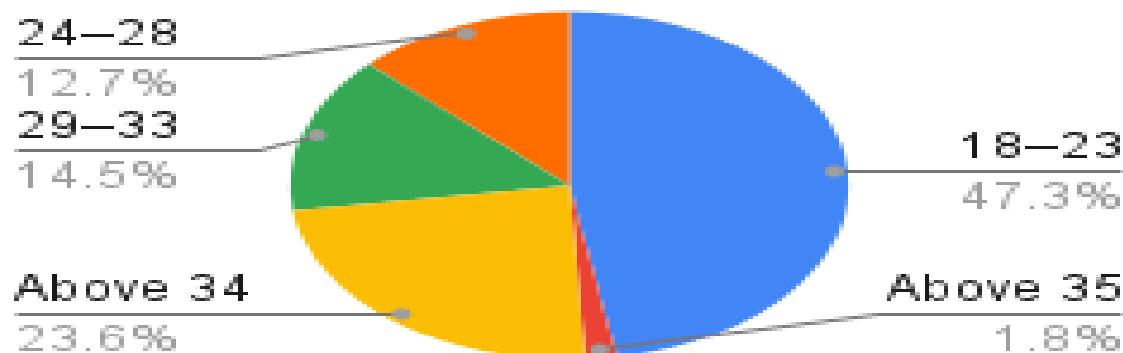
5. Data Analysis and Interpretation

1) Age

Age Group (Years)	Number of Respondents	Percentage (%)
18–23	52	47.3%
24–28	14	12.7%
29–33	16	14.5%
Above 34	26	23.6%
Above 35	2	1.8%
Total	110	100%

Table no. 5.1

Count of Age



Inference:

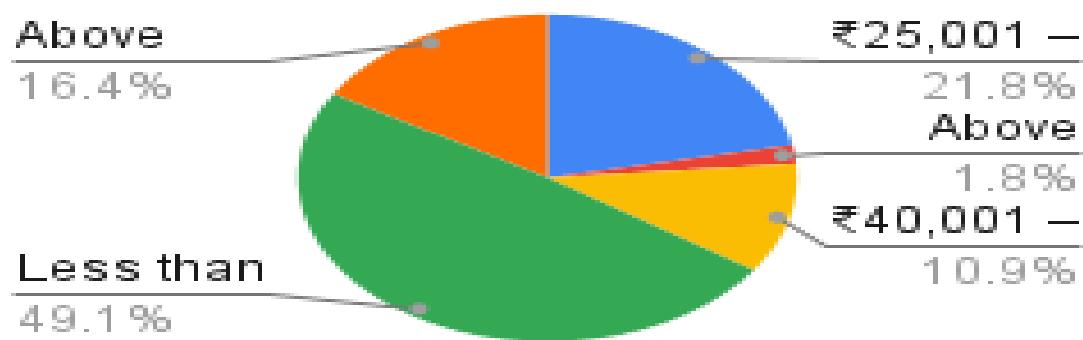
Most respondents (47.3%) are 18–23, making them ideal for studying financial literacy.

2) Monthly Income / Allowance

Monthly Income (RS.)	Number of Respondents	Percentage (%)
Less than ₹25,000	54	49.1%
₹25,001 – ₹40,000	24	21.8%
₹40,001 – ₹55,000	12	10.9%
Above ₹55,001	18	16.4%
Above ₹70,000	2	1.8%
Total	110	100%

Table no.5.2

Count of Monthly Income



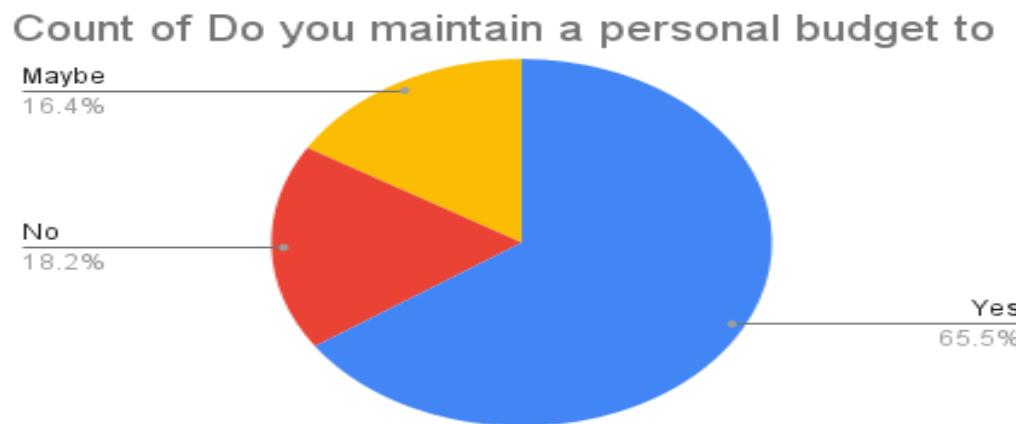
Inference:

Nearly half earn under ₹25,000, indicating limited income and preference for safer investments.

3) Do you maintain a personal budget to track your expenses and savings?

Response	Number of Respondents	Percentage (%)
Yes	72	65.5%
No	20	18.2%
Maybe	18	16.4%
Total	110	100%

Table no. 5.3

**Inference:**

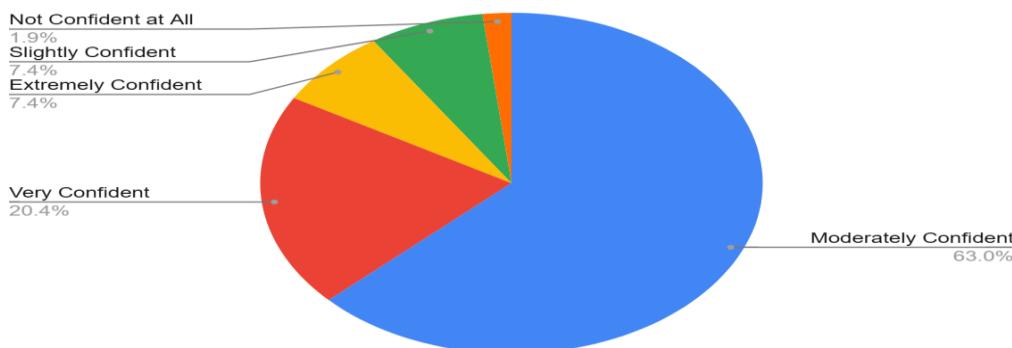
65.5% maintain a budget, showing basic money management skills.

4) How confident are you about your overall financial knowledge?

Confidence Level	Number of Respondents	Percentage (%)
Extremely Confident	8	7.4%
Very Confident	22	20.4 %
Moderately Confident	69	63%
Slightly Confident	8	7.4%
Not Confident at All	3	1.9%
Total	110	100%

Table no. 5.4

Count of How confident are you about your overall financial knowledge?



Inference:

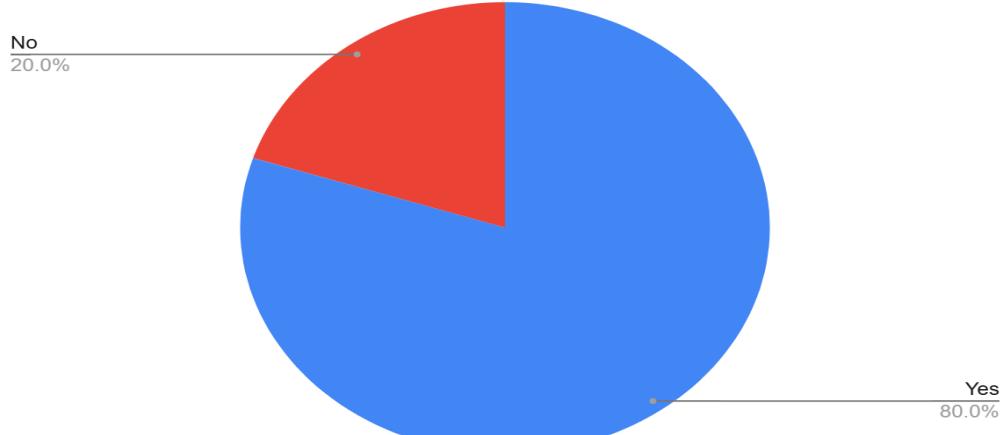
Majority (63%) are moderately confident, highlighting need for further financial education.

5) Do you currently invest your money?

Table no.5.5

Response	Number of Respondents	Percentage (%)
Yes	22	20%
No	88	80%
Total	110	100%

Count of Do you currently invest your money?

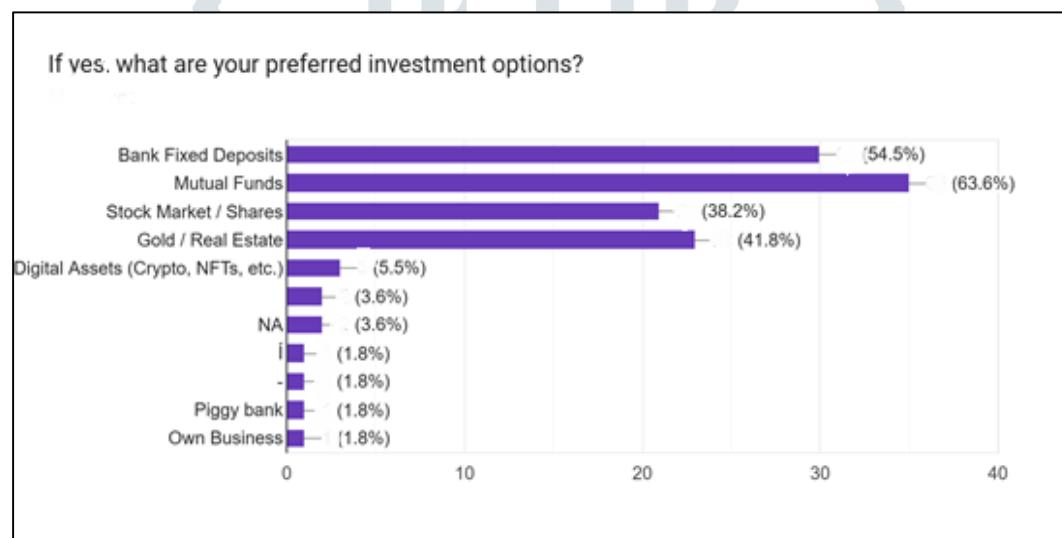


Inference:

Only 20% invest, reflecting hesitation due to knowledge, income, or risk concerns.

6) If yes, what are your preferred investment options?

Investment Option	Number of Respondents	Percentage (%)
Bank Fixed Deposits	60	54.5%
Mutual Funds	70	63.6%
Stock Market / Shares	21	38.2%
Digital Assets (Crypto, NFTs, etc.)	6	5.5%
Gold / Real Estate	46	41.8%
Piggy Bank	2	1.8%
Own Business	2	1.8%
Other / Not Specified	2	1.8%
NA / Nothing	14	12.8%

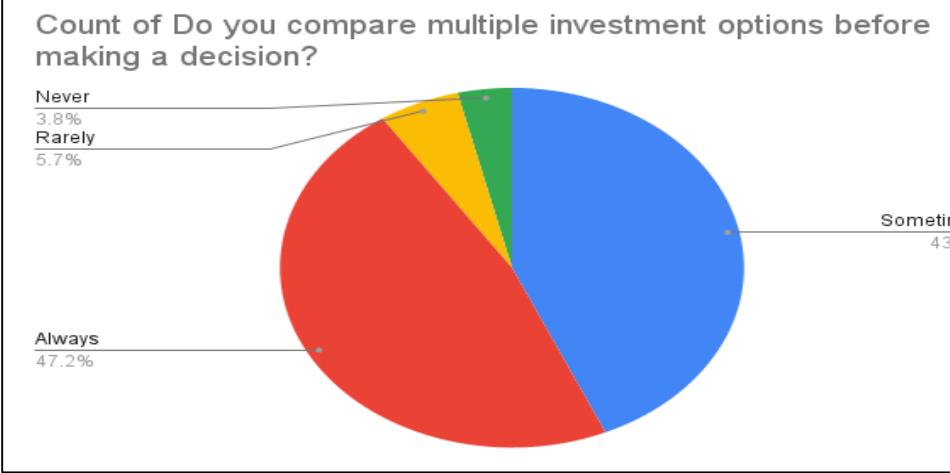
Table no.5.6**Inference:**

Mutual funds (63.6%) and FDs (54.5%) preferred; high-risk options like digital assets are minimal.

7) Do you compare multiple investment options before making a decision?

Response Option	Number of Respondents	Percentage (%)
Always	51	47.2%
Sometimes	46	43.4%
Rarely	9	5.7%
Never	4	3.8%
Total	110	100%

Table no. 5.7



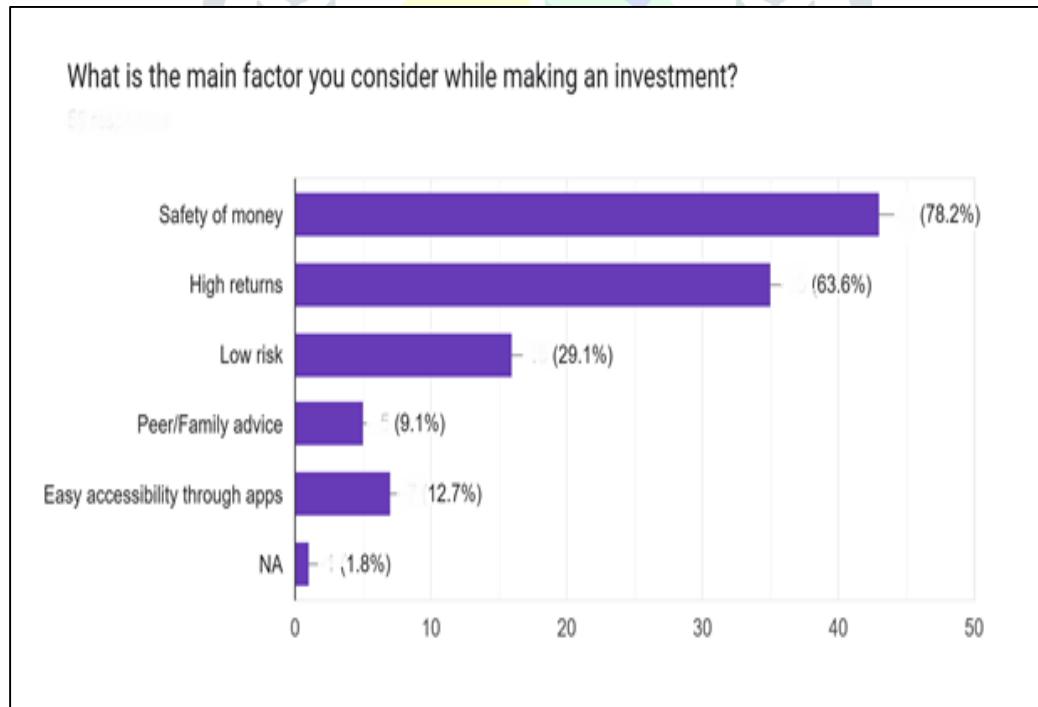
Inference:

Most (90.6%) compare multiple options, indicating cautious decision-making.

8) What is the main factor you consider while making an investment?

Factor	Number of Respondents	Percentage (%)
Safety of Money	86	78.2%
High Returns	70	63.6%
Low Risk	32	29.1%
Peer/Family Advice	10	9.1%
Easy Accessibility (Apps)	14	12.7%

Table no. 5.8



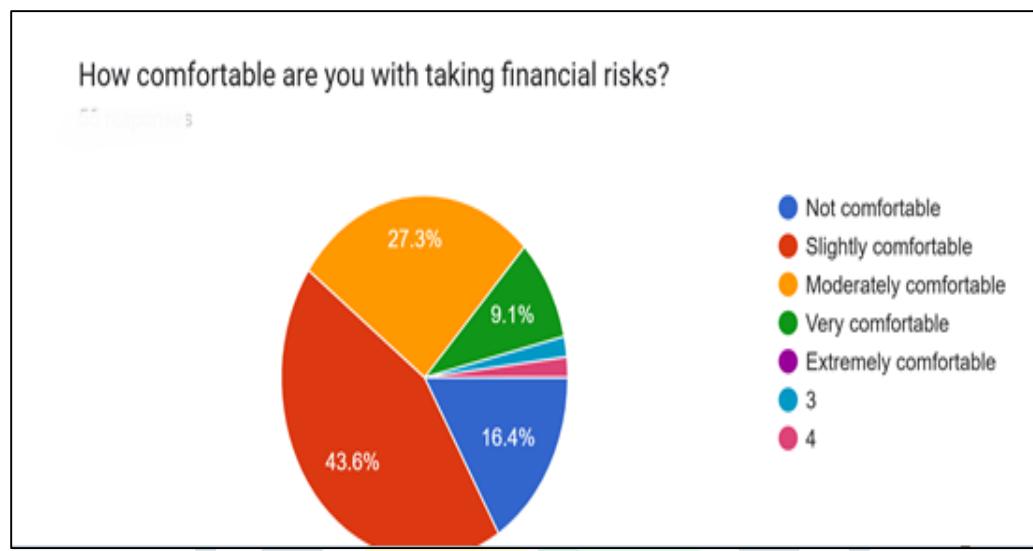
Inference:

Safety (78.2%) and returns (63.6%) are top priorities; peer advice less influential.

9) How comfortable are you with taking financial risks?

Comfort Level	Number of Respondents	Percentage (%)
Very Comfortable	10	9.1%
Moderately Comfortable	30	27.3%
Slightly Comfortable	48	43.6%
Not Comfortable	18	16.4%
Other	2	1.8%
Not Sure	2	1.8%
Total	110	100%

Table no. 5.9

**Inference:**

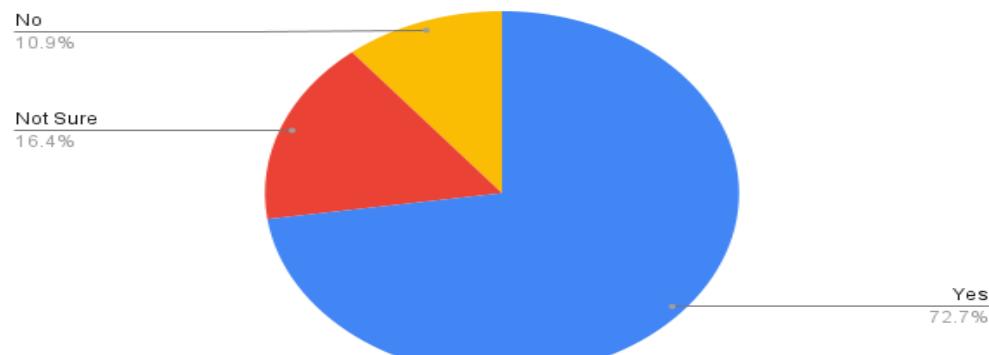
Most are slightly or moderately comfortable taking risks, showing cautious approach.

10) Do you believe your financial knowledge affects the way you make investment decisions?

Response	Number of Respondents	Percentage (%)
Yes	80	72.7%
No	12	10.9%
Not Sure	18	16.4%
Total	110	100%

Table no. 5.10

Count of Do you believe your financial knowledge affects the way you make investment decisions?



Inference:

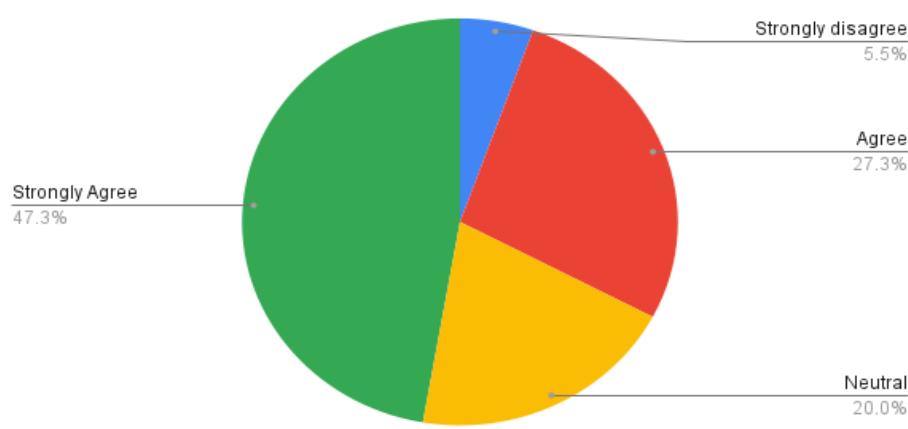
72.7% say financial knowledge affects their investment choices.

11) To what extent do you agree: "Higher financial literacy leads to better investment decisions."

Response	Number of Respondents	Percentage (%)
Strongly Agree	52	47.3%
Agree	30	27.3%
Neutral	22	20%
Strongly Disagree	6	5.5%
Total	110	100%

Table no. 5.11

Count of To what extent do you agree: "Higher financial literacy leads to better investment decisions."



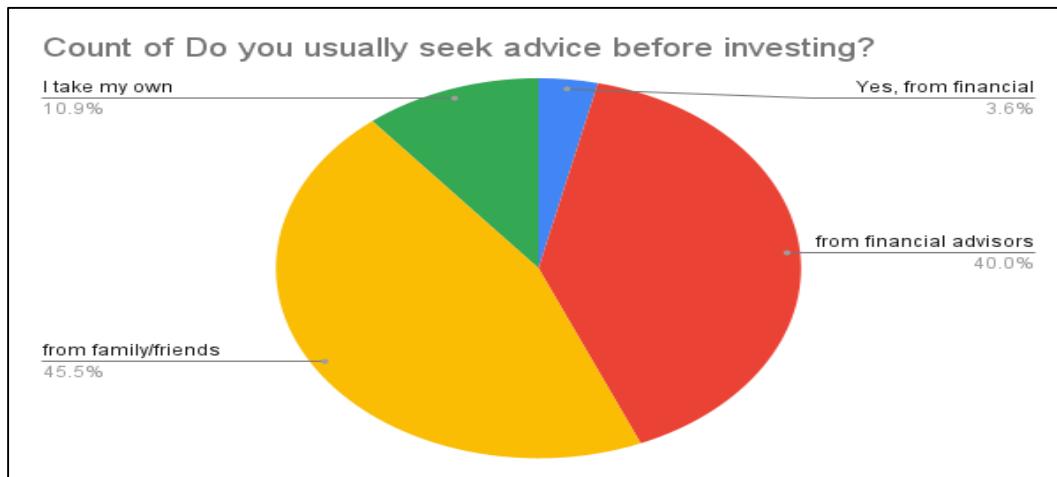
Inference:

74.6% agree that higher financial literacy leads to better investment decisions

12) Do you usually seek advice before investing?

Source of Advice	Number of Respondents	Percentage (%)
Family / Friends	50	45.5%
Financial Advisor	44	40%
I take my own decisions	12	10.9%
Both Family & Financial Advisor	4	3.6%
Total	110	100%

Table no. 5.12

**Inference:**

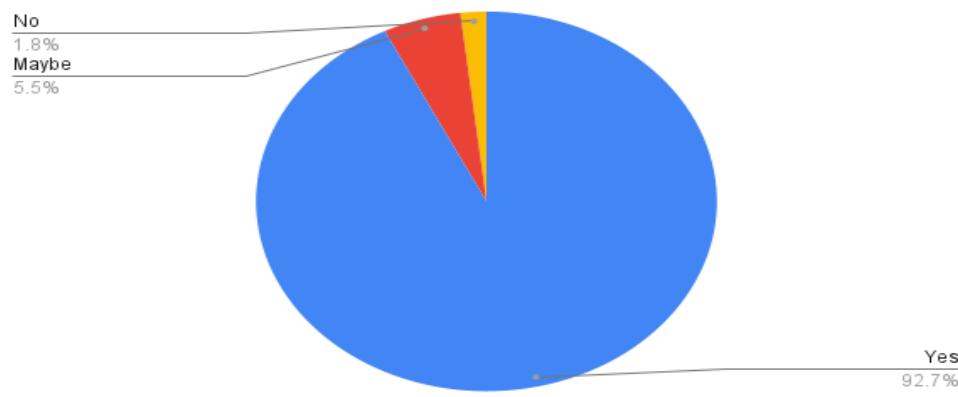
85.5% consult family, friends, or advisors before investing.

13) Do you believe investing is important for financial security in the future ?

Response	Number of Respondents	Percentage (%)
Yes	102	92.7%
No	2	1.8%
Maybe	6	5.5%
Total	110	100%

Table no. 5.13

Count of Do you believe investing is important for financial security in the future?



Inference:

92.7% believe investing is key for long-term financial security.

T-Test Sample Assuming Equal Variances :

Hypothesis:

H0: Financial literacy has no significant impact on investment decisions among financially emerging youth.
H1: Financial literacy significantly impacts investment decisions among financially emerging youth.

t-Test: Two-Sample Assuming Equal Variances

	Variable 1	Variable 2
Mean	2.727272727	3
Variance	1.704753962	0
Observations	110	110
Pooled Variance	0.852376981	
Hypothesized Mean Difference	0	
df	218	
t Stat	-2.190756243	
P(T<=t) one-tail	0.014764643	
t Critical one-tail	1.651873373	
P(T<=t) two-tail	0.029529285	
t Critical two-tail	1.970905601	

Based on the Independent Sample t-test (assuming equal variances), the statistical results are as follows:

t-statistic: -2.1907

p-value (two-tailed): 0.0295

Degrees of freedom (df): 218

t-critical (two-tailed): 1.9709

Since the p-value (0.0295) is less than the significance level of 0.05, the result is statistically significant.

Interpretation and Hypothesis Decision:

H0: Financial literacy has no significant impact on investment decisions among financially emerging youth. → Rejected.

H1: Financial literacy significantly impacts investment decisions among financially emerging youth. → Accepted.

The t-test shows a significant difference between higher and lower financial literacy groups. H0 is rejected, and H1 is accepted, confirming that financial literacy significantly impacts investment decisions. Individuals with higher literacy make more informed and confident investment choices, supporting the study's assumption.

6.Observations and findings

- Majority (18–23) are new to managing money; women make up 78.2% of respondents.
- Nearly half earn below ₹25,000; 65% maintain a budget.
- Only 7.4% feel highly confident financially; 20% currently invest.
- Preferred investments: mutual funds (63.6%), FDs (54.5%), gold/real estate (41.8%).
- 43.6% are comfortable with risks; safety (78.2%) and high returns (63.6%) drive choices.
- 72.7% say financial knowledge affects decisions; 45.5% consult family/friends, 40% financial advisors.
- 92.5% consider investing essential for long-term security.

7. Recommendations and suggestions

- Conduct workshops on saving, budgeting, and investing.
- Use simulations and practical tools for hands-on learning.
- Teach risk management and goal-based investing.
- Leverage apps and online tools for accessible learning.
- Connect youth with mentors and simplify investment processes.

8. Limitations

- Small sample (110) may not represent all young investors.
- Single-time data collection; behavioral changes over time not captured.
- Focused mainly on safe investments; high-risk behavior less explored.
- Areas like borrowing, emergency funds, and retirement planning were not deeply studied.

9.Conclusion

The study titled "Impact of Financial Literacy on Investment Decisions among Financially Emerging Adult" examined how young adults perceive, manage, and invest money, and how financial literacy shapes these choices. Surveying 110 respondents aged 18–33, mostly students or newly employed, the study focused on financially emerging adults. Demographics showed a majority of females and nearly half earning below ₹25,000, indicating limited resources but growing interest in financial management. Most preferred safer investments—fixed deposits, gold, mutual funds, and real estate—while high-risk options like stocks or digital assets were less favored.

Findings highlighted moderate risk tolerance and limited confidence in making bold financial decisions, emphasizing the importance of financial literacy. Respondents with better financial knowledge were more confident, disciplined, and capable of informed investing. The research purpose is satisfied, showing that financial literacy significantly influences investment behavior. Enhancing literacy through practical education, mentorship, and real-world exposure can empower young adults to make strategic, responsible, and long-term financial decisions, contributing to a financially informed and secure generation.

10.Bibliography

- <https://www.invest4edu.com/>
- <https://doi.org/10.36555/almana.v9i2.2890>
- <https://doi.org/10.1016/j.frl.2024.105781>
- <https://www.ajbm.com/wp-content/uploads/2022/05/D554450.pdf>
- https://mpra.ub.uni-muenchen.de/89452/1/MPRA_paper_89452.pdf
- <https://www.ijmh.org/wp-content/uploads/papers/v4i11/K10590741120.>
- DOI: 10.47191/ijcsrr/V7-i10-72
- <https://financeindia.org/data/2019/FI334/FI-334-Art05.>
- <https://www.proquest.com/openview/2252888724b871f3da6ad3035f64eba6/1?pq-origsite=gscholar&cbl=2032035>

11.Annexure

Age

- 18–23
- 24–28
- 29–33
- Above 34

Gender

- Male
- Female
- Prefer not to say

Monthly Income / Allowance

- Less than ₹25,000
- ₹25,001 – ₹40,000
- ₹40,001 – ₹55,000
- Above ₹55,001

Do you maintain a personal budget to track your expenses and savings?

- Yes
- No
- Maybe

How confident are you about your overall financial knowledge?

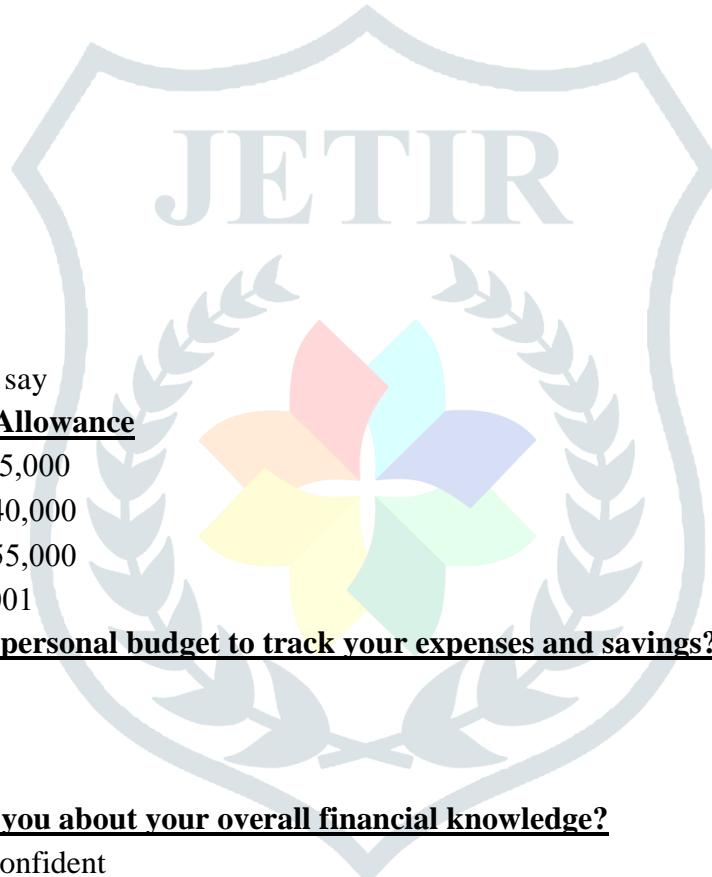
- Extremely Confident
- Very Confident
- Moderately Confident
- Slightly Confident
- Not Confident at All

Do you currently invest your money?

- Yes
- No

If yes, what are your preferred investment options?

- Bank Fixed Deposits
- Mutual Funds
- Stock Market / Shares
- Gold / Real Estate



- Digital Assets (Crypto, NFTs, etc.)
- Other:

Do you compare multiple investment options before making a decision?

- Always
- Sometimes
- Rarely
- Never

What is the main factor you consider while making an investment?

- Safety of money
- High returns
- Low risk
- Peer/Family advice
- Easy accessibility through apps
- Other:

How comfortable are you with taking financial risks?

- Not comfortable
- Slightly comfortable
- Moderately comfortable
- Very comfortable
- Extremely comfortable

Do you believe your financial knowledge affects the way you make investment decisions?

- Yes
- No
- Not Sure

To what extent do you agree: "Higher financial literacy leads to better investment decisions."

- Strongly Agree
- Agree
- Neutral
- Disagree
- Strongly disagree

Do you usually seek advice before investing?

- from family/friends
- from financial advisors
- I take my own decisions

Do you believe investing is important for financial security in the future?

- Yes
- No
- Maybe