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Assessing the Relationship Between Financial Literacy and Investment Decisions: An Indian Perspective

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ABSTRACT

Purpose: This research study aims to explore the influence of financial literacy on investment decision-making among postgraduate students in India. Recognizing that educated youth are not only prospective investors but also pivotal in shaping the country's economic future, this study investigates the extent to which their financial knowledge and skills impact their financial behavior and choices.

Methodology: A total of 150 postgraduate students from various institutions in India participated in this study, providing valuable insights into their understanding and application of financial principles using PLS-SEM. The study focuses on several key dimensions: awareness and understanding of financial products, ability to access financial services, money management practices, familiarity with investment options, and overall financial skills. These components were selected to assess the participants' comprehensive financial competence.

Result: The results of the study indicate a significant and positive relationship between financial literacy and investment decisions among postgraduate students. The study underscores the importance of integrating financial education into academic curricula and promoting financial awareness programs targeted at youth.

Discussion: The study recommends that financial institutions, educators, and policymakers work collaboratively to design initiatives that enhance financial literacy among students. Such efforts will not only empower individuals to make better financial decisions but will also contribute to building a financially secure and economically resilient society.

Keywords: Financial Literacy, Financial products, financial skills, Financial Competencies, Investment Decision

Introduction

Financial literacy represents the combination of information, abilities, and attitudes that empower people to make wise and efficient financial resource decisions. In today's increasingly complex financial landscape, characterized by diverse investment options, sophisticated financial products, and evolving market dynamics, financial literacy has emerged as a critical competency for individuals across all demographic segments. Understanding and navigating financial concepts, goods, and services is no longer only beneficial; it is now necessary for both economic stability and personal financial well-being. This necessity is particularly pronounced among young adults, especially postgraduate students who stand at the threshold of significant financial decisions that will shape their economic futures.

India, with its rapidly evolving economy and financial markets, presents a unique context for examining financial literacy and its implications. The country has witnessed substantial growth in its financial sector, accompanied by increased accessibility to various investment avenues. However, this expansion has not been matched by a corresponding enhancement in financial education and awareness among the general population. This paradox—of educated individuals lacking adequate financial knowledge—underscores the need for targeted research and interventions in this domain.

Postgraduate students represent a particularly significant demographic for financial literacy research. As future professionals and potential economic contributors, their financial decisions will have far-reaching implications not only for their personal financial trajectories but also for broader economic development. These individuals, despite their advanced education, often enter adulthood with limited exposure to formal financial education, as such content is rarely integrated into academic curricula outside of specialized finance programs. As a result, many postgraduate students are ill-prepared to handle the difficult financial decisions they must make when they join the job, such as debt management, retirement planning, and investment selection.

Research Context and Problem Statement

India's provides an ideal setting for investigating financial literacy among postgraduate students. Examining the complex nature of financial literacy and its determinants is made possible by the city's varied student body, which is drawn from a range of academic fields and socioeconomic backgrounds. Despite people and especially youth in India have knowledge and are more tech-savvy, limited research has been conducted on financial literacy among its student population, particularly concerning the relationship between financial knowledge and investment behavior.

To fill this research gap, the current study looks at how postgraduate students in India make investment decisions in relation to their level of financial literacy. The study is based on the knowledge that financial literacy has several components, each of which may have a unique impact on investment behavior. These components include knowledge of financial products, access to financial services, money management techniques, investment options familiarity, and general financial skills. By disaggregating financial literacy into these constituent components, this study try to gauge the nuanced understanding of which aspects most significantly impact investment decisions among educated youth.

The problem this research addresses is multifaceted: despite their advanced education, postgraduate students often exhibit suboptimal investment behaviors that may compromise their long-term financial well-being. This phenomenon raises questions about the adequacy of current educational approaches in fostering practical financial competencies. Furthermore, it highlights the need to identify which specific aspects of financial literacy most significantly influence investment decisions, thereby informing more targeted educational interventions and policy initiatives.

The importance of this study goes beyond scholarly investigation. This study offers important insights for educational institutions, financial service providers, and regulators by clarifying the connection between financial literacy and investment behavior among educated young. Educational institutions can leverage these findings to develop more effective financial education curricula that address the specific knowledge gaps identified. Financial service providers may utilize the results to design products and educational materials that better serve the needs of young, educated investors. Policymakers can draw upon this research to formulate more targeted financial literacy initiatives that address the vulnerabilities of educated youth.

To sum up, this study makes a substantial contribution to our knowledge of the crucial connection between postgraduate students in India, and their financial literacy while making investment decisions. This research

offers important insights that can guide educational practices, financial services, and policy initiatives aimed at improving financial literacy and encouraging wise investment behaviors among educated youth by using a rigorous methodological approach and looking at several aspects of financial literacy.

Literature Review

Understanding daily behaviors and attitudes toward financial decision-making is essential for fostering economic well-being and sustainable financial futures. Numerous studies emphasize that while public awareness of financial concepts is increasing, there often remains a gap between knowledge and practical behavior. [1] observed that information insufficiency significantly affects consumers' willingness to seek knowledge about financial products, especially among older, less-educated, and female consumers.

In Hungary, [2] found that while drivers believed they were knowledgeable about financial concepts, their actual understanding was often incomplete. It becomes evident that attitudes toward financial decisions are shaped not only by awareness but also by accessible information, social norms, and personal experience.

[2] carried out a thorough analysis of the literature on financial literacy and discovered that people lack basic financial knowledge and are generally financially ignorant, which has a big influence on their retirement planning and investment results. [3] highlighted that the knowledge and abilities necessary to make wise financial decisions, have an impact on one's personal and professional life, and strengthen the economy through improved debt management, investing, saving, and budgeting techniques are all included in financial literacy. [4] examined how investors' decision-making styles are impacted by herding, overconfidence, anchoring, and loss aversion. The findings showed that behavioral biases have a big influence on investing decisions, whereas financial literacy is crucial for removing prejudice from decision-making.

[5] discovered that only for heuristics, not for self-control, can financial literacy positively influence the association between behavioral biases and financial decisions. This suggests that regular financial literacy courses can assist investors in identifying and overcoming different kinds of biases.

[6] analysed how investors act in the real world and how biases affect investment behavior to show how psychology can better explain financial decisions than financial theory.

[7] shown that risk attitude moderates the association between financial literacy and investment decisions, but financial behavior and literacy have a favorable and significant impact on financial satisfaction and individual investment decisions.

Financial Literacy and Investment Behavior

[8] demonstrated that investment decisions are influenced by income, financial behavior, and financial knowledge; income has little effect on financial behavior, but financial literacy influences financial conduct.

[9] examined the function of financial literacy as a moderator between behavioral factors and investment decision-making, discovering that it reduced the relationship with herding variables while strengthening the relationship between behavioral factors (heuristic, prospect, and market) and investment decision-making.

[10] shown that while financial literacy helps prevent bad behavior, demographic factors such as gender, age, education, income, occupation, and experience influence and induce particular behaviors when making investment decisions.

[11] assessed people's degree of financial literacy and determined how financial literacy affected their choices to invest in or save for financial products, such as pension plans or investment funds.

[12] discovered that while risk perception has no bearing on accounting students' investment decisions, financial literacy, accounting information, and herding behavior do.

Sandhya and [13] examined how behavioral biases affect investment choices among working people in the education sector. They discovered that overconfidence, herding, and loss aversion all have a big impact on investment choices, and that these biases are made worse by a lack of financial literacy.

[14] demonstrated that among individual equity investors, financial literacy had a positive and significant influence on both financial risk tolerance and investment decision-making behavior, with financial risk tolerance acting as a mediator in the interaction between the two.

[15] discovered that overconfidence and loss aversion have a negative impact on investment decisions, but financial literacy mitigates the effects of overconfidence and mental accounting. This suggests that, in some situations, financial knowledge may support particular cognitive shortcuts.

Behavioral Biases and Investment Decision-Making

[16] found a statistically significant correlation between heuristic bias and behavioral bias in decision-making, while cognitive illusions, herd mentality, and the framing effect had detrimental effects. This was the result of an empirical evaluation of financial literacy and behavioral biases on investment decisions.

[1] validated the crucial role of a firm's features in mediating the relationship between financial literacy and investment choices by using structural equation modelling to examine the interplay between behavioral biases, firm characteristics, and financial literacy.

[17] investigated the effects of overconfidence on individual investor performance and decision-making, discovering that financial literacy moderates the links between overconfidence and investing decisions, whereas risk perception completely mediates them. [18] examined the ways in which cultural norms and personality traits influence the choices made by Pakistani investors. The results showed that financial literacy moderates the relationship between behavioral biases and investment decisions, while overconfidence, extroversion, introversion, individualism, and collectivism all had a positive impact. [19] examined the reasons behind less-than-ideal financial conduct, finding that psychological biases and heuristics, as well as societal effects including wealth, income, and social capital, are important determinants that go beyond financial illiteracy. [20] examined how education level affects financial decision-making and discovered that more educated investors are better at processing information, identifying cognitive bias, managing risk, and understanding long-term investing principles, all of which help them make more logical investment choices. [21] showed that several psychological characteristics, like as overconfidence, the anchoring effect, and loss aversion inclinations, affect individual investors' risk preferences. Market volatility and changes in the economic environment have a major impact on investors' readiness to take on risks. [22] found that while financial literacy has no discernible impact on personal behavioral biases, socio-demographics significantly influences individual investment decisions, and behavioral bias significantly influences investment decisions.

Mediating and Moderating Factors

[23] discovered that, with education level acting as a moderating variable, better investing decisions can result from a stronger internal locus of control, acceptable risk perception, efficient use of technology, and a better

knowledge of financial literacy. [24] discovered that while risk tolerance had a negligible impact on investment decisions, herding bias, overconfidence, and representativeness have a large impact, with financial literacy acting as a moderating factor. [25] showed a substantial positive correlation between investment decisions and economic independence, as well as between financial literacy and prudent decision-making. Economic independence was found to be a significant predictor of investment decisions.

[26] assessed how financial literacy programs affected participants' investment behaviors and discovered that they showed a notable change toward consistent, diversified investment practices, a decreased dependence on unofficial advice, and an increase in confidence in their ability to make financial decisions after the program. [27] shown that although financial literacy and sociodemographic characteristics cannot indirectly affect investor behavior bias, they do have a considerable favorable impact on stock investment decisions with behavioral biases.

[28] examined the impact of financial literacy on investment decision-making behavior with financial risk tolerance as a mediating factor, finding positive and significant benefits of financial literacy on both investment decision-making behavior and financial risk tolerance. [29] discovered that risk inclination, risk perception, and investment choices were significantly and favorably correlated with financial literacy, whereas herding behavior had the opposite effect.

Cross-Cultural and Demographic Perspectives

[30] examined how behavioral biases, financial literacy, and stock market decisions are related. It was discovered that while all cognitive and emotional biases have a significant impact on stock market investment decisions, financial literacy significantly reduces cognitive biases but not emotional ones. [31] examined the impact of herding bias, loss aversion, and overconfidence on investment choices using financial literacy as a mediating variable. The results showed that these biases have a significant impact on choices but are not mediated by financial literacy.

[32] found that financial literacy has a significant impact on investment decisions for both male and female investors, with varying patterns of moderation between genders. The study also looked at how financial literacy moderates the relationship between behavior biases and investment decisions among gender. [33] Financial literacy significantly moderates only the relationship between overconfidence and investment decisions. The study examined the effects of overconfidence bias and herding bias on investment decision-making in the Colombo Stock Market and found that overconfidence bias significantly influences investment decisions while herding bias does not. [7] examined how behavioral biases mediate the relationship between financial literacy and investment decisions, revealing that financial literacy significantly improves investment decisions while negatively affecting behavioral biases. The relationship is partially mediated by illusion of control bias and hindsight bias. [34] investigated whether overconfidence bias and herding serially mediate the relationship between financial literacy and the decision-making of equity investors. The results showed that overconfidence bias and herding serially mediate the relationship between financial literacy and the decision-making of individual investors, with financial literacy having a significant positive impact.

[35] discovered that risk aversion, disposition effect, and overconfidence significantly improve investment decision-making but herding does not. These biases are adversely moderated by financial literacy, suggesting that greater financial literacy levels can lessen their effects. [36] examined how certain sociodemographic and psychological traits predict financial market participation and discovered that, in addition to financial literacy, psychological traits like impulsivity, risk tolerance, and financial self-efficacy have a significant impact on the likelihood of investing.

[37] examined how behavioral finance knowledge might affect investing decisions for people with rudimentary personal finance knowledge, discovering that financial knowledge helps to moderate undesirable behavior and that behavioral finance and financial knowledge work together as a mediator to improve investment choices.

[38] investigated how financial literacy and behavioral biases affected individual investors' decision-making in Kerala, India. It was discovered that overconfidence bias had a negative impact on fundamental anomalies, while herding and anchoring biases had a positive influence on both technical and fundamental anomalies.

[39] examined how financial literacy influences the relationship between investors' investment choices and behavioral biases. The results showed that financial literacy significantly moderates this relationship, with implications indicating the significance of encouraging investors to be financially literate. [40] examined the intricate connections between investment decisions, cognitive biases, and financial literacy. It was discovered that while financial literacy significantly improves the quality of investment decisions, this relationship is partially mediated by a variety of cognitive biases, with cognitive biases accounting for 40% of the overall effect.

Empirical Studies and Methodological Approaches

[41] investigated how investor behavior and financial literacy affect capital market investment decisions, emphasizing the significance of comprehending both psychological and financial aspects in developing successful investment strategies. [28] investigated the moderating effect of financial literacy on Iraqi investors' investment decision-making and personal behavior factors, offering insights into how financial education might enhance decision-making in emerging economies.

[42] examined how investors' decisions are affected by behavioral biases in the Pakistani equity market, providing empirical proof that these associations are moderated by financial literacy and that investors' decisions are greatly influenced by behavioral biases and market anomalies.

[43] examined how behavioral finance factors affected investment choices in Saudi equity markets and discovered that overconfidence, blue-chip bias, herding, and disposition effect all had a significant and positive impact on risk perception and financial literacy, which in turn influenced investment choices.

[44] found that overconfidence, herding, loss aversion, and risk perception all had a significant influence on stock investment decision-making, with financial literacy acting as a moderator for all but risk perception. The study also looked at the influence of behavioral finance factors on stock market investment behavior.

[45] examined how behavioral biases and financial literacy affected the diversification of investors' portfolios. They discovered that overconfidence had a major detrimental effect on portfolio diversification, while behavioral biases like familiarity and availability had a negligible negative impact.

[46] found that while financial literacy has no effect and does not mitigate prejudice behavior towards investment decisions among employees in Jabodetabek, Indonesia, behavioral biases (overconfidence, herding, risk aversion, and disposition) do.

[47] studied societal and cultural influences, personal money paradigms, and advanced investment strategies based on antifragile principles. It emphasized the role of societal scripts and cultural norms in influencing financial behaviors and synthesized frameworks for coordinating financial decisions with long-term objectives and personal values.

[48] examined the relationship between demographic characteristics, investment behavior, and financial literacy among people in Bangalore. It found no significant differences in financial literacy scores across various

investment behaviors, but it did find significant relationships between age and savings, education and savings, financial literacy and investment returns, and education and investment returns.

[4] investigated the effects of cognitive dissonance, herding behavior, and loss aversion on the investment choices of individual investors in Pakistan. The results showed that financial literacy moderated the considerable effects of herding and loss aversion on investment choices.

[49] found that belief perseverance biases, information processing biases, and emotional biases are present in the behavioral biases of individual investors on the Egyptian stock exchange, and that financial literacy has a negative impact that varies depending on the type of bias.

[50] investigated the relationship between financial literacy and demographic factors and behavioral biases among Indian investors. It was discovered that financial literacy has no significant relationship with overconfidence or emotional biases, but it has a negative relationship with disposition effect and herding bias and a positive relationship with mental accounting bias.

[51] examined how behavioral finance affects investment decision-making, highlighting key biases and their effects on individual investors while combining ideas from financial economics, psychology, and sociology to create a comprehensive model of human behavior in financial markets.

[52] investigated the combined influence of behavioral biases and financial literacy on investment choices, discovering that herd mentality, cognitive illusions, and the framing effect had negative relationships with behavioral bias in decision-making, while heuristic bias had a substantial positive association.

Recent Developments

[53investigated the connection between German students' investment-related cognitive biases and their financial literacy, discovering that the former positively influences the latter's cognitive biases during the investment process and identifies the most important biases in students' investment decision-making.

[54] investigated how psychological factors affect investment decisions in the Nepalese share market and discovered that these factors have a positive and significant impact. Financial literacy mediates this relationship by increasing people's confidence and understanding.

[55] investigated how financial education and behavioral biases affected the investment decisions of people living in the Kurdistan Region of Iraq. It was discovered that behavioral biases, such as overconfidence and loss aversion, had a significant impact on investment decisions, while investors with greater financial education were less susceptible to these biases.

[56] examined behavioral finance concepts from the last few decades, demonstrating how to take advantage of heuristics and biases by using strategies including diversification, investing in crisis-robust options, forecasting based on demographics, and profiting from outperforming market tactics.

[57] investigated how South Lebanon's investors made investment decisions, and discovered a strong positive correlation between bank clients' investment decisions and their level of financial literacy.

[4] calculated the influence of investor personality, overconfidence bias, and financial literacy on investment choices using risk tolerance as a mediator. The results showed that these factors had a major impact on risk tolerance and investment choices, with risk tolerance acting as a substantial mediating component.

[58] revealed complex interactions between personal experiences, cognitive biases, emotions, social influences, and financial literacy in forming people's risk perceptions and decision-making processes. This study was a qualitative exploration of psychological factors influencing risk preferences and investment decisions.

[59] examined the impact of behavioral bias and financial literacy on investment decision-making among Jakarta's millennial population. The results showed that risk-aversion and overconfidence biases have a major influence on investment choices, but financial literacy, herding bias, and disposition effect have no discernible impact.

[60] examined the relationship between investment actors' demographic characteristics, financial literacy, and behavioral bias. It was discovered that while financial literacy cannot mediate investment decisions, behavioral bias can, and that self-confidence, family responsibilities, and financial behavior all play a significant role.

[61] examined how behavioral finance influences investment choices from the viewpoints of cognitive biases, emotional swings, and market anomalies. It discovered that investors' psychological biases and emotional swings have a significant impact on their decision-making, which causes price fluctuations and market anomalies. It also emphasized how crucial it is to increase financial literacy and address behavioral biases in order to support stability and efficiency in financial markets.

[62] investigated how behavioral biases affected people's investment choices using risk perception as a mediator and financial literacy as a moderator. It was discovered that, with the exception of loss aversion, all independent variables had a significant influence on people's investment choices, with risk perception and financial literacy serving as important moderators and mediators, respectively.

Summary of Literature Review

The extensive body of literature reviewed demonstrates the complex interplay between financial literacy, behavioral biases, and investment decision-making across diverse cultural contexts and demographic groups. While financial literacy generally improves investment decisions and helps mitigate behavioral biases, its effectiveness varies depending on the specific biases involved, individual characteristics, and environmental factors. Future research should focus on developing more targeted financial education interventions that address specific behavioral biases, exploring the long-term impact of financial literacy programs, and investigating how emerging technologies and changing economic conditions affect the relationship between financial knowledge and investment behavior.

Research Objectives and Significance

This study aims to explore the influence of financial literacy on investment decision-making among postgraduate students in India, with the following specific objectives:

1. To assess the current levels of financial literacy among postgraduate students across various dimensions (awareness, access, management, investment knowledge, and skills)
2. To examine the relationship between overall financial literacy and investment decision-making
3. To identify which specific components of financial literacy most significantly influence investment behavior
4. To investigate whether demographic and educational factors moderate the relationship between financial literacy and investment decisions

5. To develop recommendations for enhancing financial education and literacy programs targeted at postgraduate students

The importance of this study goes beyond scholarly investigation. This study offers important insights for educational institutions, financial service providers, and regulators by clarifying the connection between financial literacy and investment behavior among educated young. These results can be used by educational institutions to create more efficient financial education programs that fill up the knowledge gaps found. The findings may be used by financial service providers to create goods and instructional resources that better meet the requirements of youthful, knowledgeable investors. This data can be used by policymakers to create more focused financial literacy programs that target the vulnerabilities of young people with education.

Methodology Overview: Structural Equation Modeling

In order to thoroughly investigate the intricate connections between financial literacy factors and investment choices, this research utilizes structural equation modeling (SEM). When examining latent dimensions like financial literacy, which must be inferred from a variety of indicators rather than directly observed, this advanced statistical method is especially well-suited (Rana, 2024). Multiple associations between observed and unobserved factors can be examined simultaneously using SEM, allowing for a thorough assessment of the ways in which different facets of financial literacy interact and collectively impact investment behavior.

The research design follows a quantitative approach, utilizing a structured survey questionnaire administered to 150 postgraduate students from various institutions in India. The sample selection employed a purposive sampling technique to ensure representation across diverse academic disciplines, socioeconomic backgrounds, and demographic characteristics. The survey instrument was designed to capture data on multiple dimensions of financial literacy, investment behaviors, and relevant demographic variables.

The data was analyzed in a number of steps, including path analysis to test the proposed connections between financial literacy components and investment choices, confirmatory factor analysis to validate the measurement model for financial literacy dimensions, and descriptive statistics to establish baseline characteristics. This analytical approach enables the evaluation of the general association between investing behavior and financial literacy as well as the identification of the variables that have the greatest impact.

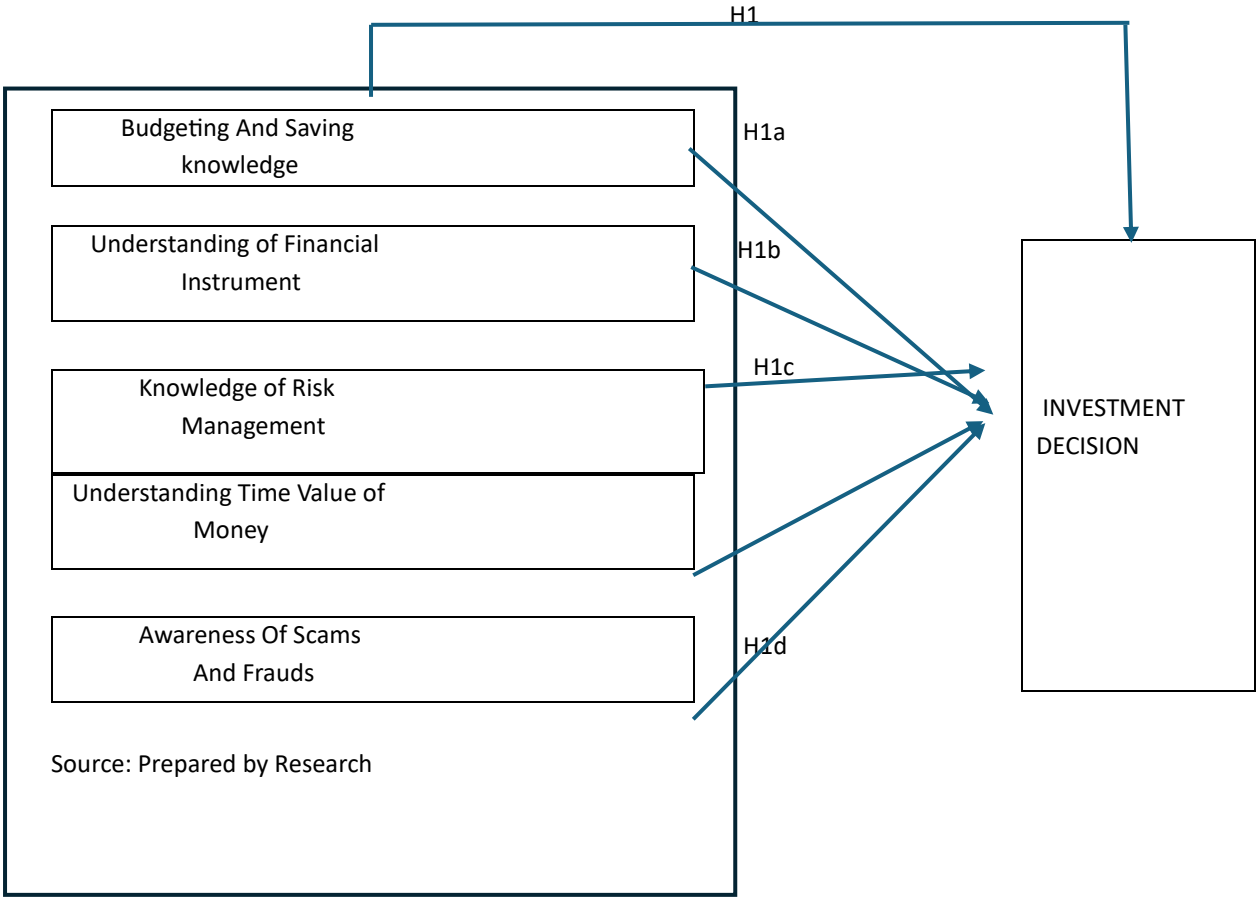
Hypothesis Development

One factor that was found to have a beneficial impact on the choice to invest was financial knowledge. According to the earlier researches, financial literacy and investing decisions are strongly causally related. Thus, the researcher developed a hypothesis to investigate the direct relationship as a key hypothesis while taking those earlier works into consideration.

H1: Financial literacy of undergraduates is significantly affecting on their investment decision.

Five sub-hypotheses were developed in addition to the primary hypothesis to examine the multifaceted influence of financial literacy on their investing choices. Financial literacy is a key component of sound financial decision making and can have significant implications for financial behavior. Research, conducted primarily in developed countries, has shown that people with low financial literacy are more likely to experience debt problems.

Figure: Research Framework



H1a: Knowledge related to budgeting s saving significant affect the investment decision.

H1b: Knowledge of the risk management impact on investment Decision

H1c: Knowledge about the Risk Management significantly impact the investment Decision.

H1d: Understanding of time value of money influence the investment Decision.

H1e: Awareness about the scams and Frauds impact the investment Decision.

Justification of the study / Rationale of the study and Research Gap

Several strong arguments that emphasize the importance of financial literacy in both academic and real-world settings support the study on how it affects postgraduate students' investing decisions in India.

First, India's rapidly evolving financial landscape presents unique challenges and opportunities for young investors. With the country's financial markets experiencing significant growth and transformation, understanding how educated youth navigate these changes is crucial. As prospective high earners and future economic leaders, postgraduate students constitute a crucial group whose financial decisions will have a big impact on India's economic development. Their current investment choices will influence not just their own financial security but also the stability and expansion of the country's economy as a whole.

Second, while financial literacy has been studied extensively in Western contexts, research specific to the Indian context—particularly focusing on educated youth in emerging country—remains limited. India as an educational and technological center with a large concentration of postgraduate students from diverse backgrounds provides an ideal setting to examine how financial literacy manifests in a demographically rich environment. The city's unique blend of traditional values and modern economic aspirations creates a distinctive context for studying financial behavior that cannot be adequately understood through research conducted in other cultural settings.

Third, the "structural equation modeling" (SEM) approach employed in this study offers methodological advantages that previous research has not fully utilized. By taking into consideration both direct and indirect impacts, SEM enables the simultaneous analysis of several correlations between financial literacy dimensions and investment decisions. This advanced analytical technique offers insights that are not possible with more straightforward statistical techniques, allowing for a more nuanced understanding of the interactions and influences of many facets of financial literacy on investment behavior.

Fourth, the focus on postgraduate students addresses a critical life stage when financial decisions become increasingly consequential. These students are at the threshold of their professional careers, making decisions about student loans, first investments, retirement planning, and other financial commitments that will have long-term implications. Knowing what influences their financial choices at this critical juncture can help guide focused educational programs and legislative efforts aimed at improving young adults' financial literacy.

Lastly, the study offers a whole framework for comprehending financial capability that goes beyond straightforward assessments of financial knowledge since it emphasizes the multifaceted character of financial literacy by looking at awareness, access, management, investment knowledge, and skills. This holistic approach recognizes that effective financial decision-making requires not only information but also the ability to access financial services, manage resources, understand investment options, and apply financial skills in real-world contexts.

Research Gap

Although the literature on financial literacy and investment behavior is expanding, there are still a number of important research gaps that this study attempts to fill:

1. Limited Research on Educated Youth in India: While numerous studies have examined financial literacy in developed economies, research specific to educated youth in India's emerging economic centers remains scarce. Most existing studies in India have focused on general population samples or rural communities, with limited attention to the unique financial challenges and opportunities facing educated urban youth. This study addresses this gap by specifically targeting postgraduate students in India, providing insights into a demographic that will significantly influence India's economic future.

2. Inadequate Examination of Multidimensional Financial Literacy: Many previous studies have conceptualized financial literacy narrowly, focusing primarily on financial knowledge while neglecting other important dimensions such as access to financial services, money management practices, and practical financial skills. This study fills the knowledge gap on the complex nature of financial aptitude by taking a more thorough approach and looking at five important aspects of financial literacy and how they relate to investing choices.

3. Methodological Limitations in Previous Research: Many current research on investing behavior and financial literacy has been based on regression models or basic correlational analyses, which are unable to adequately capture the intricate interactions between variables. This study fills a methodological vacuum in the literature by using structural equation modeling, which enables a more thorough

examination of the direct and indirect connections between financial literacy traits and investment choices.

4. Insufficient Understanding of Contextual Factors: The significance of contextual elements including cultural values, the economic climate, and educational background in influencing the relationship between financial literacy and investment behavior has frequently been disregarded in prior study. This study fills this gap by analyzing how financial literacy functions in a specific cultural and economic environment, set in the unique situation of India with its varied student body.
5. Limited Integration of Behavioral Finance Perspectives: Although behavioral finance has offered insightful information about how to make investments, these viewpoints have not been sufficiently incorporated into studies on financial literacy in India. By integrating behavioral finance ideas into the examination of how financial literacy affects investing choices, this study closes this gap and acknowledges the significant roles that emotional and cognitive biases play in addition to knowledge and abilities.

This study makes a substantial contribution to our understanding of financial literacy and investment behavior among educated youth in India by filling in these research gaps. In addition to advancing theoretical understanding in this area, the findings will offer useful information to policymakers, financial institutions, and educators that aim to improve young adults' financial literacy and encourage wise investment choices in India's changing economic environment.

Research Philosophy and Approach

This study uses a quantitative research technique, a deductive research approach, and positivism as its guiding philosophy to investigate the degree of financial literacy among postgraduate students in India and how it influences their investing choices. Because it makes it possible to test financial literacy and investment behaviors objectively and use statistical analysis to determine the causal correlations between variables, the positivist paradigm is suitable for this study. In the setting of postgraduate students in India, the deductive approach makes it easier to evaluate well-established theories of financial literacy.

The primary goal of the current study is to determine how financial literacy affects postgraduate students' investment choices in India. It also seeks to confirm which financial literacy factors have the biggest effects on investment choices. Multiple links between financial literacy dimensions and investment decisions can be examined simultaneously using the "structural equation modelling" (SEM) approach, which considers both direct and indirect impacts.

Research Design and Data Collection

To determine the essential components of financial literacy and their possible connections to investment decision-making, a thorough literature analysis was conducted as part of the study's first phase. This review led to the identification of five important dimensions: knowledge and comprehension of financial products, access to financial services, money management techniques, investment options familiarity, and general financial abilities.

In the second phase, 150 postgraduate students from different Indian colleges participated in a survey using a questionnaire that was given by the researcher. The purpose of the questionnaire was to gather information on investment decision-making practices, demographic traits, and financial literacy along the five categories that

were identified. To guarantee clarity and applicability, the instrument was pilot-tested with a small sample of 20 students, modified for the Indian setting, and included existing scales from earlier studies.

Sampling Method

To guarantee representation across various disciplines, institutions, and demographic traits, the sample was chosen using the stratified random sampling approach. Field of study (management, engineering, humanities, sciences), institution type (public, private), gender, and age group were among the stratification variables. This method improved the findings' generalizability to India’s heterogeneous postgraduate student body.

Individual postgraduate students registered in accredited Indian colleges served as the unit of analysis. Given the number of latent variables and indicators in the model, statistical power analysis for “structural equation modelling” recommended a minimum sample size of 120 for detecting medium effect sizes with a power of 0.80 at the 0.05 significance level. This led to the determination of the sample size of 150.

Measurement and Scale Reliability

Cronbach's Alpha coefficients were used to assess the reliability of the scales; all constructs had internal consistency levels above the 0.7 threshold. All constructs exceeded the suggested criterion of 0.5 when convergent validity was evaluated using Average Variance Extracted (AVE). By making sure that each construct's square root of AVE was higher than its association with other components, discriminant validity was demonstrated.

A thorough 30-item scale that encompassed the five elements noted in the literature study was used to test financial literacy. A fifteen-item measure measuring risk assessment, diversification strategies, information-seeking behavior, and decision confidence was used to evaluate investment decision-making.

Data Analysis Approach

The primary data analysis technique used was "structural equation modeling" (SEM), and the primary analytical program was SmartPLS 3.0. SEM was used because it may investigate intricate correlations between several latent variables at once while taking measurement error into account. Because of its flexibility regarding sample size and data distribution assumptions, as well as its applicability for predictive research aims, the partial least squares (PLS) variation of SEM was chosen.

The analysis was conducted in two steps: first, the measuring model was examined to verify the validity and reliability of the constructs; second, the structural model was analyzed to test the proposed connections between investment choices and financial literacy characteristics.

Additionally, “Principal Component Analysis” (PCA) was used to determine important factors of financial literacy from the 30 items identified in previous research.

To account for any confounding effects on the association between financial literacy and investment decisions, the model additionally included a number of control factors, such as age, gender, family income, past investing experience, and field of study.

Ethical Considerations

Strict ethical procedures were followed throughout the study, including getting everyone's informed consent, protecting the privacy of responses, and giving participants the choice to leave the study at any time. Prior to the start of data collection, the institutional ethics committee examined and approved the research protocol.

With implications for financial education programs, policy initiatives, and financial service providers aiming to reach this significant demographic, this methodological approach allows for a thorough investigation of the ways in which financial literacy affects postgraduate students' investment decision-making in India.

Results And Discussion

The relationships between the main constructs in the conceptual framework will have been indicated by the structural model using path coefficients, which in turn represent the hypothesized relationships among the constructs in the model. The path coefficient's value should fall between -1 and +1; a tendency toward +1 indicates a strong positive relationship that is statistically significant, and vice versa. The standard error of the path coefficient determines whether it is significant, and this can be determined by taking into account two different types of criteria.

As bootstrap standard error enables to compute the t values and p values for all structural path coefficients, p value can be considered to assess significant level of path coefficients [63] Generally, 5% significant level can be considered as the threshold level of p value, accordingly, p value must be smaller than 0.05 to demonstrate the significant relationship among constructs. Further, respective t value should be fall in the range of - 1.96 to +1.96 to assure the significant level of path coefficients. Therefore, said condition can be considered as criteria 01. Moreover [63] advise that in the event that the first requirement is not met, researchers should examine the bootstrap confidence intervals under the "Bias Corrected method" (BCa) to further test the significant values of path coefficients. Therefore, the route coefficient remains significant even if the bootstrap confidence interval does not have a zero value.

Table 1: Hypothesized result

	Standard Beta	"Sample-Mean"	"Standard-Deviation"	"t-statistics"	"p-values"	Hypotheses
BSK	-0.172	-0.171	0.06	2.844	0.004	Accepted
UFI	0.03	0.034	0.064	0.47	0.689	Rejected
KRM	0.291	0.293	0.067	4.358	0	Accepted
UTVM	-0.056	-0.055	0.079	0.81	0.418	Rejected
ASF	0.722	0.718	0.069	10.275	0	Accepted

Source: Researcher Compilation

Findings and Discussion

Budgeting and Saving Knowledge (BSK):

Statistical Finding: Interestingly, there is a negative correlation between investment decisions and budgeting and saving knowledge, even if the association is statistically significant ($\beta = -0.172$, $t = 2.844$, $p = 0.004$).

Discussion: The negative coefficient for Budgeting and Saving Knowledge presents an intriguing finding that warrants careful interpretation. This suggests that as postgraduate students' knowledge of budgeting and saving increases, there is a slight tendency toward more conservative or hesitant investment decision-making. This seemingly counterintuitive result may be explained by several factors: First, students with stronger budgeting and saving knowledge may prioritize financial security and capital preservation over growth, leading to more conservative investment approaches. The emphasis on budgeting and saving often focuses on protecting assets rather than growing them through investments that involve market risk. Second, in the Indian context, particularly among educated youth in India, there may be cultural factors at play. Traditional values emphasizing saving over investing might be reinforced by budgeting education, creating a psychological barrier to more aggressive investment strategies. The concept of "saving for a rainy day" is deeply ingrained in Indian financial culture and may compete with investment motivations. Third, the negative relationship might reflect a psychological trade-off between saving and investing behaviour. Students who are highly focused on budgeting and saving may view these activities as alternatives to investing rather than complementary financial strategies. This could create a mental accounting effect where funds allocated to savings are psychologically separated from potential investment capital. According to this research, financial education programs ought to be thoughtfully created to incorporate investing information with budgeting and saving skills, highlighting the ways in which these financial behaviors can enhance rather than conflict with a holistic financial strategy.

Understanding of Financial Instruments (UFI)

Statistical Finding: There is no statistically significant correlation between investment decisions and knowledge of financial instruments ($\beta = 0.03$, $t = 0.47$, $p = 0.689$).

Discussion: The lack of significant relationship between understanding financial instruments and investment decisions is noteworthy, especially given the theoretical expectation that greater knowledge of investment vehicles would influence decision-making. This finding suggests that mere knowledge about financial instruments does not translate directly into investment behavior among postgraduate students in India. Several explanations may account for this result. First, there may be a gap between theoretical knowledge of financial instruments and practical application skills. Students might understand what stocks, bonds, and mutual funds are conceptually, but lack the confidence or contextual understanding to apply this knowledge to actual investment decisions.

Second, in the Indian market context, particularly for young adults in India, other factors such as peer influence, family traditions, or general risk perception may overshadow the influence of instrument-specific knowledge. The financial services landscape in India has evolved rapidly, and knowledge of traditional instruments may not align with the digital and alternative investment options increasingly available to young investors.

Third, the result may reflect measurement challenges in capturing the depth and applicability of instrument knowledge rather than just its breadth. Understanding the mechanics of financial instruments may be less important than understanding their appropriateness for specific financial goals. This finding has implications for financial education programs, suggesting they should focus not just on conveying information about financial instruments but on building applied skills and contextual understanding of when and how to use different investment vehicles.

Knowledge of Risk Management (KRM)

Statistical Finding: Investment decisions and knowledge of risk management are positively and statistically significantly correlated (β = 0.291, t = 4.358, p < 0.001).

Discussion: The strong positive relationship between risk management knowledge and investment decisions underscores the critical importance of understanding risk principles in financial decision-making. This finding suggests that postgraduate students who better understand concepts like diversification, risk-return trade-offs, and volatility management are more likely to make confident and informed investment decisions. The substantial effect size (β = 0.291) indicates that risk management knowledge is one of the more influential components of financial literacy in shaping investment behaviour. This aligns with theoretical expectations, as investment decisions inherently involve risk assessment and management.

In the context of India's postgraduate students, this finding may reflect the growing sophistication of India's financial markets and the increasing exposure of educated youth to global financial concepts. As India's economy continues to integrate with global markets, understanding risk management principles becomes increasingly valuable for navigating investment options. The result also suggests that financial education initiatives targeting this demographic should emphasize risk management concepts, potentially using case studies and practical examples relevant to the Indian market context. Educational programs might benefit from focusing on how to apply risk management principles to the specific investment opportunities and challenges faced by young professionals in India's evolving economy.

Understanding of Time Value of Money (UTVM)

Statistical Finding: There is no statistically significant correlation between investment decisions and understanding of time value of money (β = -0.056, t = 0.81, p = 0.418).

Discussion: The non-significant relationship between understanding the time value of money and investment decisions is somewhat surprising, given the fundamental importance of this concept in finance theory. This result suggests that among postgraduate students in India, theoretical knowledge of concepts like compounding, present value, and future value does not directly translate into investment behaviour.

Several factors might explain this finding. First, while students may understand the mathematical principles of the time value of money, they may not internalize the long-term implications for their personal finances. The abstract nature of time value calculations might not connect emotionally with students' decision-making processes. Second, in the Indian context, particularly among younger investors, immediate financial concerns or short-term goals might overshadow long-term considerations where time value principles become more relevant. Cultural factors related to time orientation and planning horizons may also play a role. Third, the slight negative coefficient, though not significant, hints at a possible tension between theoretical understanding and practical application. Students who understand time value concepts might recognize the complexity of making optimal long-term decisions, potentially leading to decision deferral or status quo bias.

According to this research, financial education should not only teach time value calculations but also relate these ideas to actual situations and the feelings that influence investing choices. Abstract mathematical presentations may not be as successful as experiential learning strategies that show the dramatic impacts of compounding over time.

Awareness of Scams and Frauds (ASF)

Statistical Finding: There is a high and positive correlation between investment decisions and awareness of scams and frauds (β = 0.722, t = 10.275, p < 0.001).

Discussion: The exceptionally strong relationship between awareness of scams and frauds and investment decisions represents the most powerful finding in this analysis. With the highest beta coefficient (0.722) and t-

value (10.275), this dimension emerges as the dominant factor influencing investment behaviour among postgraduate students in India. This finding is particularly noteworthy as it suggests that knowledge about financial risks and fraudulent schemes significantly enhances rather than inhibits investment decision-making. This positive relationship may seem counterintuitive at first glance, as awareness of potential scams might be expected to increase caution or hesitancy. However, several explanations support this strong positive relationship: First, awareness of scams and frauds likely increases investors' confidence in their ability to distinguish legitimate investment opportunities from fraudulent ones. This enhanced sense of discernment may reduce uncertainty and fear, enabling more decisive investment actions. Students who can identify red flags and warning signs may feel more empowered to participate in financial markets.

Second, in the Indian context, where investment scams and fraudulent schemes have received significant media attention, the ability to navigate this landscape safely represents a crucial skill. The strong relationship suggests that education about financial fraud serves as an enabler rather than a deterrent to investment activity among educated youth.

Third, awareness of scams may correlate with overall financial sophistication and engagement. Students who have taken the time to learn about potential frauds are likely more engaged with financial matters generally, which may translate into greater investment activity.

Fourth, this finding may reflect a psychological mechanism where perceived control over risks increases willingness to engage with those risks. When students feel equipped to identify and avoid scams, the perceived riskiness of legitimate investments may decrease by comparison.

Programs for financial literacy and education should incorporate a lot of information on spotting and avoiding financial frauds and fraudulent schemes, according to this conclusion, which has important ramifications. Such instruction seems to enable pupils to engage in financial markets with greater confidence rather than instilling dread.

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