

## FINANCIAL LITERACY VERSUS FINANCIAL CONFIDENCE: A STUDY OF COMMERCE STUDENTS' INVESTMENT PERCEPTION

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### Abstract:

*This paper investigates the reason why numerous commerce students, even with formal finance education, are reluctant to invest their money. “Financial Literacy” pertains to the objective understanding of concepts such as inflation and interest, whereas “Financial Confidence” relates to an individual’s self-assurance in making the right decisions. The study reveals that confidence often plays a more significant role in prompting investment actions than actual knowledge. Research indicates that there is no significant difference in the financial confidence levels of male and female commerce students. The study shows that understanding money is not just about knowing facts. It also involves behavior. Teaching methods need to focus on emotions to help students act on what they know. This report offers a framework for understanding how to transition students from being “educated” to becoming “active” investors.*

**Key words:** *Financial Literacy, Financial Confidence, Financial Behavior.*

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### Introduction:

For a nation to progress from a developing to a developed economy, it is essential for its citizens to be both financially included and literate. In India, the youth, particularly the Gen Z group which numbers around 377 million, is seen as a crucial driver of economic advancement. Despite this, there is considerable debate over whether this generation can effectively handle, save, and invest money. According to the OECD, financial literacy involves a blend of awareness, knowledge, skills, attitudes, and behaviors needed to make informed financial choices. Commerce students are expected to gain a strong grounding in these areas through their education. Nonetheless, research indicates a persistent global issue of “Awareness versus Action,” where being well-informed does not always lead to taking appropriate or preventive measures.

Between 2020 and 2025, the Indian financial sector has seen a profound transformation, largely influenced by the National Strategy for Financial Education (NSFE) and the National Strategy for Financial Inclusion (NSFI). According to the Reserve Bank of India (RBI), although nearly 89% of people now own accounts, the level of engagement with financial products, particularly investments beyond basic savings, remains insufficient. This gap is especially evident for commerce students, who find themselves at the crossroads of theoretical knowledge

and the practical digital economy. Despite their familiarity with Unified Payment Interface (UPI) transactions and the ease of assessing stock market applications, they frequently fall prey to cognitive biases that lead them to prioritize short-term gains over the pursuit of long-term financial growth.

The importance of this research lies in addressing the problem of the "Educated Inactive". When individuals trained in financial mechanics fail to connect theory with practice, it poses significant systemic risks to the national economy. A decline in investment participation results in lower capital formation, increased susceptibility to debt traps, and heightened social stress. This study focuses on the student population in the Navi Mumbai area known for high literacy rates and extensive financial infrastructure to identify the psychological and behavioral factors that hinder financial decision-making.

#### **Review of Literature:**

The current literature consistently highlights that students' investment choices are influenced by a combination of financial knowledge, financial literacy, psychological factors, and contextual limitations. These elements do not function independently; instead, they collectively determine students' participation in financial markets and their ability to effectively utilize their knowledge. From the studies reviewed, four key themes become apparent.

#### **i. Financial Knowledge and Financial Literacy as Foundation of Investment Behavior**

Throughout the literature, a prominent theme is the essential influence of financial knowledge and literacy on students' investment behaviors. Numerous studies indicate that students with a solid grasp of investment principles, financial products, and market dynamics are more inclined to participate in investment activities and make well-informed choices.

Faizah et al. (2025) and Mulyani & Wirawati (2024) emphasize that investment knowledge significantly boosts students' interest in engaging with the stock market. Likewise, Dhiran & Jayabalan (2024) and Assyarofi et al. (2024) reveal that financial literacy positively impacts students' investment decisions by improving their capacity to assess risks, returns, and financial options. Timalsina (2021) further supports these findings by highlighting that understanding financial products and possessing basic financial skills are vital for responsible money management and investment decision-making among undergraduates.

#### **ii. Financial Confidence and Self Efficacy in Applying Knowledge**

Although possessing financial knowledge is essential, numerous studies highlight that confidence, or financial self-efficacy, plays an equally crucial role in determining whether students apply their knowledge to real investment activities. Self-efficacy represents students' belief in their capability to handle finances and make wise financial choices. Faizah et al. (2025) and Karo & Murtanto (2024) point out that financial self-efficacy is a significant factor influencing students' readiness to invest, observing that those with higher confidence levels show more interest in investing. Aristei & Gallo (2021) further illustrate that confidence has a positive impact on participation in financial markets, emphasizing that knowledge alone is not enough without the confidence to act on it. This theme acts as a behavioral catalyst, bridging the gap between theoretical knowledge and practical financial decision-making.

**iii. Knowledge-Behavior Gap and the Role of Educational Interventions**

One frequently noted problem in academic discussions is the disparity between acquiring financial knowledge and applying it practically. Although many students possess adequate financial understanding, they often struggle to implement this knowledge effectively in real-life situations due to a lack of confidence or uncertainty. Kushwaha & Singh (2023) highlight this issue, indicating that students frequently find it challenging to use their financial knowledge in making investment choices because of low self-assurance. This gap implies that conventional financial education, which mainly emphasizes theoretical comprehension, might not be sufficient. In response, various studies advocate for educational programs that incorporate experiential learning, practical investment simulations, and decision-making exercises. Dhiran & Jayabalan (2024) and Karo & Murtanto (2024) stress that such hands-on learning methods can simultaneously boost financial literacy and self-confidence, promoting responsible and assured investment behavior among students.

**iv. Psychological and External Moderators of Investment Decisions**

In addition to knowledge and confidence, psychological biases and external limitations play crucial roles as moderating factors. Mandiri & Sriwidharmanely (2025) point out that overconfidence is a major psychological bias that adversely impacts the quality of students’ investment decisions. Their research indicates that while confidence is vital, too much of it can result in irrational choices and financial setbacks. Financial literacy is found to mitigate this effect, enabling students to make more rational and balanced investment decisions. Furthermore, external elements such as market volatility, minimum capital requirements, and personal financial constraints can discourage students from investing, even when they have sufficient knowledge and confidence. Mulyani & Wirawati (2024) observe that capital requirements affect students’ interest in investing, while Kushwaha & Singh (2023) emphasize that uncertainty and financial limitations can overshadow students’ willingness to apply their knowledge.

**Research Objectives:**

- To examine the relationship between financial literacy, financial confidence, and perceived investment barriers among commerce students.
- To assess gender-based differences in financial confidence among commerce students.

**Research Hypotheses:**

Hypotheses	Null Hypothesis (H <sub>0</sub> )	Alternative Hypothesis (H <sub>1</sub> )
1	H <sub>01</sub> : There is no significant relationship between financial literacy and financial confidence among commerce students.	H <sub>11</sub> :There is a significant relationship between financial literacy and financial confidence among commerce students.
2	H <sub>02</sub> : There is no significant relationship between financial literacy and perceived investment barriers among commerce students.	H <sub>12</sub> : There is a significant relationship between financial literacy and perceived investment barriers among commerce students.

3	H <sub>03</sub> : There is no significant relationship between financial confidence and perceived investment barriers among commerce students.	H <sub>13</sub> : There is a significant relationship between financial confidence and perceived investment barriers among commerce students.
4	H <sub>04</sub> : Financial literacy and financial confidence do not significantly differ in their influence on perceived investment barriers among commerce students.	H <sub>14</sub> : Financial confidence has a stronger influence on perceived investment barriers than financial literacy among commerce students.
5	H <sub>05</sub> : There is no significant difference in financial confidence between male and female commerce students.	H <sub>15</sub> : There is a significant difference in financial confidence between male and female commerce students.

**Limitations of the study:**

The research relies on self-reported information gathered via a questionnaire, which could be influenced by respondent bias. The sample is confined to commerce students, which restricts the applicability of the results to other fields or groups. The study focuses solely on fundamental financial concepts and certain behavioral factors, excluding more complex investment decisions. Additionally, the cross-sectional design captures responses at a single moment, failing to account for changes in financial knowledge or behavior over time.

**Research Methodology:**

The present study is empirical in nature and is based on primary data collected from commerce students using a structured questionnaire. The questionnaire was designed to measure financial literacy, investment awareness, financial attitude and behavior, perceived investment barriers, investment participation, and financial confidence. Responses were recorded using a five-point likert scale. The data collected were coded and analyzed using appropriate statistical tools such as independent sample t - test, correlation and regression analysis to test the hypothesis of the study.

**Data Analysis :**

The study uses a descriptive and analytical approach. Descriptive statistics show the age, gender, and financial literacy of the students. Analytical methods such as correlation and t tests examine how financial literacy, confidence and perceived investment barriers are connected.

**i. Descriptive Analysis of Demographic Variables**

The demographic profile of the respondents was analysed using descriptive statistics to understand the background of the commerce students included in the study.

A total of 110 valid responses with 62 females and 48 males were considered for analysis. The mean value of 1.56, with standard deviation of 0.49, indicates a relatively balanced representation of male and female respondents, with a slightly higher proportion of females. The low standard deviation suggests limited dispersion, confirming homogeneity in gender distribution. With regards to academic level, majority of the

respondents belonged to undergraduate level. The analysis of personal bank account ownership shows a mean value of 0.75, indicating that a substantial proportion of the students possess a personal bank account.

**ii. Correlation Analysis**

Below table shows the relationship of Financial Literacy, Financial Confidence and Perceived Investment Barriers

**Table 1: Interrelationships among among Key Financial Variables**

Relationship	Correlation (r)	Interpretation
Financial Literacy & Financial Confidence	0.65	Strong positive relationship
Financial Literacy & Perceived Investment Barriers	0.49	Moderate positive relationship
Financial Confidence & Perceived Investment Barriers	0.67	Strong positive relationship

**Interpretation:** Correlation analysis reveals a strong positive relationship between financial literacy and financial confidence ( $r = 0.65$ ). Financial confidence shows a stronger association with perceived investment barriers ( $r = 0.67$ ) compared to financial literacy ( $r = 0.49$ ), indicating that confidence plays a more decisive role than knowledge in motivating students to participate in investments.

**iii. Independent Sample t-Test (Two-Sample Assuming Unequal Variances)**

An independent sample t-test was conducted to examine gender-based differences in financial confidence among commerce students.

**Table 2: t-Test: Two-Sample Assuming Unequal Variances**

	Male	Female
Mean	3.573	3.676
Variance	0.748	0.615
Observations	48.000	62.000
Hypothesized Mean Difference	0.000	
df	96.000	
t Stat	-0.644	
P(T<=t) one-tail	0.261	
t Critical one-tail	1.661	
P(T<=t) two-tail	0.521	
t Critical two-tail	1.985	

**Interpretation:**

For the purpose of hypothesis testing, the level of significance was fixed at 5% ( $\alpha = 0.05$ ). An independent sample t-test (two-tailed) was applied to examine whether a significant difference exists in financial confidence between male and female commerce students. According to the decision rule, the null hypothesis is rejected if the calculated p-value is less than or equal to the chosen level of significance; otherwise the null hypothesis is

accepted. In the present study, the calculated p-value ( $p=0.521$ ) was greater than the significance level of 0.05. Therefore, the null hypothesis was accepted. This statistical decision indicated that there is no significant difference in the financial confidence levels of male and female commerce students, suggesting that gender does not have a statistically meaningful impact on financial confidence in the sample studied.

**Hypothesis Testing:**

Hypo.	Statement	Statistical Tool	Result
1	H <sub>01</sub> : There is no significant relationship between financial literacy and financial confidence among commerce students.	Correlation analysis	Rejected
	H <sub>11</sub> : There is a significant relationship between financial literacy and financial confidence among commerce students.		Accepted
2	H <sub>02</sub> : There is no significant relationship between financial literacy and perceived investment barriers among commerce students.	Correlation analysis	Rejected
	H <sub>12</sub> : There is a significant relationship between financial literacy and perceived investment barriers among commerce students.		Accepted
3	H <sub>03</sub> : There is no significant relationship between financial confidence and perceived investment barriers among commerce students.	Correlation analysis	Rejected
	H <sub>13</sub> : There is a significant relationship between financial confidence and perceived investment barriers among commerce students.		Accepted
4	H <sub>04</sub> : Financial literacy and financial confidence do not significantly differ in their influence on perceived investment barriers among commerce students.	Correlation comparison	Rejected
	H <sub>14</sub> : Financial confidence has a stronger influence on perceived investment barriers than financial literacy among commerce students.		Accepted
5	H <sub>05</sub> : There is no significant difference in financial confidence between male and female commerce students.	Independent sample t-test	Accepted
	H <sub>15</sub> : There is a significant difference in financial confidence between male and female commerce students.		Rejected

**Suggestion:**

The research indicates that financial education programs for commerce students should aim to enhance both financial knowledge and confidence. To address psychological barriers to investing, classroom-based financial literacy efforts could be complemented with practical experiences like investment simulations, workshops, and real-world case studies. Additionally, institutions should integrate behavioral finance principles to help students identify and overcome biases such as fear of loss and hesitation. Since no significant gender differences were observed in financial confidence, policy measures should focus on students as a whole rather than implementing gender-specific strategies. Moreover, introducing simple investment tools early may help lower perceived barriers and encourage active participation.

**Conclusion:**

The study concludes that while financial literacy is an important foundation for informed financial decision-making, it is financial confidence that plays a more influential role in shaping students' perception of investment barriers. The absence of a significant gender-based confidence gap suggests that behavioral and psychological factors affect commerce students uniformly. The findings highlight the existence of an awareness-action gap, where knowledge does not always translate into investment participation. Addressing this gap requires a balanced approach that combines financial education with confidence-building and behavioral interventions. Overall, the study contributes to the understanding of youth investment behavior and provides valuable insights for educators, policymakers, and financial institutions seeking to promote financial inclusion and investment readiness among students.

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