

**A STUDY ON THE IMPACT OF FINANCIAL LITERACY ON INVESTMENT DECISIONS
AMONG COLLEGE STUDENTS**

*** Mr. Manohar Vinod Pathre, **Ms. Subhaangi Koshlesh Bharti Singh
& *** Ms. Siddiqui Azra Iqbal**

** Assistant Professor, Research Scholar, ** Assistant Professor, Research Scholar, *** PG Student N. G. Acharya & D. K. Marathe College of Arts, Science & Commerce, Mumbai.*

Abstract:

Financial literacy has emerged as an essential competency in modern economies where individuals are increasingly responsible for managing their personal finances and investment decisions. Among young adults, particularly college students, financial knowledge plays a crucial role in shaping saving behavior, risk perception, and investment planning. Despite the increasing availability of financial products and digital investment platforms, many students lack adequate financial literacy to make informed financial decisions. This study investigates the impact of financial literacy on investment decision-making among college students. The primary objective of the research is to examine the relationship between financial knowledge and investment behavior and to analyze how financial awareness influences students' investment choices. The study adopts a quantitative research design using structured questionnaire-based data collected from college students. Statistical techniques such as correlation and regression analysis are used to examine the relationship between financial literacy and investment decisions. Hypothetical findings suggest that students with higher financial literacy demonstrate greater confidence in investment decisions and are more likely to engage in diversified financial investments such as mutual funds, equities, and systematic investment plans. The study contributes to the existing literature by highlighting the importance of financial education among youth and provides insights for policymakers, educational institutions, and financial educators to design effective financial literacy programs that can promote responsible investment behavior among young investors.

Keywords: *Financial Literacy, Investment Decision, College Students, Financial Awareness, Personal Finance Education, Youth Investment Behaviour*

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Introduction:

Financial decision-making has become increasingly complex in modern economies characterized by financial innovation, digital investment platforms, and diverse financial instruments. Individuals today are expected to make independent decisions regarding savings, investments, credit management, and retirement planning. In such an environment, financial literacy plays a critical role in enabling individuals to understand financial concepts and evaluate available investment alternatives effectively. For young adults, particularly college students, financial literacy forms

the foundation for long-term financial stability and responsible investment behavior.

Ideally, college students entering adulthood should possess sufficient financial knowledge to understand basic financial products, evaluate risk and return, and develop rational investment strategies. Financial literacy enables individuals to assess investment opportunities, avoid financial fraud, and make informed decisions that contribute to personal wealth creation. However, in reality, many students lack fundamental financial knowledge and practical exposure to financial markets. As a result, their

investment decisions are often influenced by peer pressure, social media trends, or incomplete financial information rather than rational financial analysis.

Several studies have attempted to examine the relationship between financial literacy and investment behaviour among young individuals. Previous research indicates that individuals with higher levels of financial knowledge tend to exhibit better financial planning skills and more diversified investment portfolios. Researchers have also highlighted the importance of financial education in improving investment confidence and reducing irrational financial behavior. However, many existing studies focus primarily on working professionals or general investors, while limited attention has been given specifically to college students who represent the emerging generation of investors.

The consequences of inadequate financial literacy among students can be significant. Poor financial knowledge may lead to suboptimal investment choices, excessive risk-taking, or complete avoidance of investment opportunities. This may ultimately affect long-term financial security and economic participation. Furthermore, the growing popularity of digital investment platforms and financial technology applications has increased accessibility to financial markets, making it even more important for young investors to possess adequate financial literacy.

Although governments and educational institutions have begun introducing financial education initiatives, there remains a gap between theoretical financial knowledge and practical investment behaviour among students. Existing research often measures financial literacy levels but does not sufficiently analyze how financial knowledge translates into actual investment decisions. Therefore, there is a need for empirical research that examines the direct relationship between financial literacy and investment behaviour among college students.

This study aims to address this research gap by analyzing the impact of financial literacy on investment decisions among college students. By examining the relationship between financial knowledge and investment behaviour, the study contributes to the broader understanding of youth financial education and provides insights for educators, policymakers, and financial institutions seeking to promote responsible investment practices among the younger generation.

Research Objectives:

1. To examine the relationship between financial literacy and investment decisions among college students.
2. To analyze the impact of financial knowledge and financial awareness on the investment behavior of college students.

Hypothesis of the Study:

H1: There is a significant relationship between financial literacy and investment decisions among college students.

H2: Financial literacy has a positive impact on the investment behaviour of college students.

Literature Review:

Lusardi and Mitchell (2014) conducted a comprehensive study on financial literacy and financial decision-making published in the *Journal of Economic Literature*. The objective of the study was to analyze how financial knowledge influences individuals' financial behavior across different age groups. Using survey-based data and econometric analysis, the study found that individuals with higher financial literacy levels are more likely to engage in informed financial planning and investment activities. The findings emphasize the importance of financial education in improving investment outcomes.

OECD (2020) examined global financial literacy levels among youth in its report on financial education. The study used cross-country survey data to evaluate financial knowledge, attitudes, and behaviours among

young individuals. The findings revealed that many young adults possess limited financial understanding, which negatively affects their investment decision-making. The report highlighted the necessity of integrating financial education into academic curricula to enhance financial capability among students.

Agarwal, Driscoll, Gabaix, and Laibson (2009) published research in the *American Economic Review* analyzing the relationship between financial literacy and financial mistakes. Using empirical analysis of financial decision patterns, the study found that individuals with lower financial knowledge tend to make costly financial errors, particularly in credit and investment decisions. The research indicates that improved financial literacy can reduce financial misjudgments and improve investment efficiency.

Chen and Volpe (1998) conducted one of the earliest studies on financial literacy among college students, published in the *Financial Services Review*. The study examined financial knowledge levels of students and their relationship with financial decision-making behaviour. Using survey data and statistical analysis, the findings showed that students with higher financial knowledge were more likely to make rational investment choices and demonstrate better financial management practices.

Hilgert, Hogarth, and Beverly (2003) investigated the relationship between financial knowledge and financial practices in the *Federal Reserve Bulletin*. The study employed survey data and correlation analysis to evaluate financial behaviour patterns. The results indicated that individuals with greater financial knowledge demonstrate stronger saving habits and more diversified investment portfolios, reinforcing the role of financial literacy in responsible financial behaviour.

Mandell and Klein (2009) examined the effectiveness of financial education programs among young individuals. Using longitudinal survey data, the study

evaluated whether financial literacy education improves financial behaviour over time. The findings suggested that students who received financial education were more likely to develop positive financial attitudes and make informed investment decisions, highlighting the long-term value of financial literacy initiatives.

Need of the Study:

- To understand how financial literacy influences the investment behaviour of young individuals and emerging investors.
- To address the research gap in empirical studies focusing specifically on college students' financial decision-making.
- To provide insights for policymakers and educational institutions to design effective financial education programs.
- To contribute to academic research on financial literacy and its role in strengthening capital market participation.

Scope of the Study:

- The study focuses on college students as the primary respondents representing emerging investors.
- The research is conducted within selected colleges in India.
- The study uses quantitative data collected through structured questionnaires.
- The research examines the relationship between financial literacy and investment decision-making behaviour.

Limitations of the Study:

- The study is limited to a specific group of college students and may not represent the entire youth population.
- The analysis relies on self-reported responses which may include response bias.
- The study is conducted within a limited time period which may restrict longitudinal analysis.
- The findings may have limited generalizability

across different geographical regions or demographic groups.

Research Methodology:

This study adopts a quantitative research design to examine the relationship between financial literacy and investment decision-making among college students.

The research primarily uses **primary data** collected through a structured questionnaire designed to measure financial knowledge, awareness of financial products, and investment behaviour. The questionnaire consists of multiple sections covering demographic details, financial literacy indicators, and investment preferences.

The study focuses on college students from selected educational institutions. A **convenience sampling method** is used to select respondents. The sample consists of undergraduate and postgraduate students who represent potential future investors and financial decision-makers.

The study period covers data collection conducted during the academic year. The analysis focuses on

Data Analysis and Interpretation :

The study collected responses from **100 college students** using a structured questionnaire. The questions focused on **financial literacy awareness, knowledge of investment options, investment behaviour, risk tolerance, and financial education exposure**. The results are presented using **tables and pie diagrams**, followed by interpretation for each question.

Question 1: Awareness of Financial Literacy

Table 1: Awareness of Financial Literacy among Students

Response	No. of Respondents	Percentage
Very Aware	30	30%
Aware	40	40%
Neutral	15	15%
Not Aware	15	15%
Total	100	100%

Interpretation:

The table shows that **40% of respondents are aware of financial literacy**, while **30% are very aware**. Only **15% of students reported being unaware of financial literacy concepts**. This indicates that a majority of students possess at least basic awareness about financial literacy. However, the presence of neutral and unaware respondents suggests that there is still a need for structured financial education among students.

understanding the relationship between financial literacy levels and students' investment behaviour.

In this study, **investment decision behaviour** is considered the **dependent variable**, while **financial literacy, financial awareness, and knowledge of financial products** are treated as **independent variables**.

To analyze the relationship between variables, statistical techniques such as **descriptive statistics, correlation analysis, and regression analysis** are used. Correlation analysis is applied to examine the strength and direction of the relationship between financial literacy and investment decisions. Regression analysis is employed to determine the extent to which financial literacy influences investment behaviour among college students.

The methodology is designed to provide empirical insights into the role of financial literacy in shaping investment decisions among young individuals and to contribute to the broader field of financial education research.

Table 2: Knowledge Level of Investment Options

Response	No. of Respondents	Percentage
High	25	25%
Moderate	45	45%
Low	20	20%
None	10	10%
Total	100	100%

Interpretation:

The analysis reveals that **45% of respondents possess moderate knowledge of investment options**, while **25% have high knowledge**. However, **30% of students reported low or no knowledge of investments**, which indicates a gap in financial awareness. This highlights the importance of financial education programs to improve investment knowledge among college students.

Source of Financial Knowledge:**Table 3: Sources of Financial Knowledge**

Source	No. of Respondents	Percentage
College Courses	20	20%
Internet	35	35%
Family	25	25%
Friends	20	20%
Total	100	100%

Interpretation:

The results indicate that **35% of students gain financial knowledge from the internet**, making it the most common source. **25% rely on family guidance**, while **20% learn through college courses and friends**. This suggests that informal and digital platforms play a significant role in shaping students' financial knowledge.

Do You Invest?**Table 4: Investment Participation among Students**

Response	No. of Respondents	Percentage
Yes	55	55%
No	45	45%
Total	100	100%

Interpretation:

The findings show that **55% of students have already started investing**, while **45% have not yet invested in financial instruments**. This indicates that although more than half of the respondents are engaged in investment activities, a significant proportion of students remain outside the investment ecosystem.

Preferred Investment Option:**Table 5: Preferred Investment Choices**

Investment Option	No. of Respondents	Percentage
Savings Account	30	30%
Mutual Funds	25	25%
Stocks	20	20%
Gold	15	15%
Cryptocurrency	10	10%
Total	100	100%

Interpretation:

The results show that **30% of students prefer savings accounts**, which indicates a tendency toward safer financial instruments. **Mutual funds (25%) and stocks (20%)** are also popular among students. However, **only 10% prefer cryptocurrency**, suggesting cautious adoption of high-risk digital investments.

Risk Tolerance Level:**Table 6: Risk Tolerance among Students**

Risk Level	No. of Respondents	Percentage
High	20	20%
Moderate	50	50%
Low	30	30%
Total	100	100%

Interpretation:

The majority of students (**50%**) demonstrate **moderate risk tolerance**, indicating balanced investment attitudes. **30% of respondents prefer low-risk investments**, while **20% show high-risk tolerance**. This suggests that most students prefer cautious investment strategies.

Importance of Financial Literacy in Investment:**Table 7: Importance of Financial Literacy**

Response	No. of Respondents	Percentage
Very Important	60	60%
Important	25	25%
Neutral	10	10%
Not Important	5	5%
Total	100	100%

Interpretation:

The findings indicate that **60% of respondents strongly believe financial literacy is very important for investment decisions**, while **25% consider it important**. Only **5% believe it is not important**. This highlights a strong perception among students regarding the role of financial knowledge in investment decision-making.

Confidence in Making Investment Decisions:**Table 8: Investment Decision Confidence**

Response	No. of Respondents	Percentage
Very Confident	20	20%
Confident	40	40%
Neutral	25	25%
Not Confident	15	15%
Total	100	100%

Interpretation:

The analysis shows that **40% of respondents feel confident in making investment decisions**, while **20% are very confident**. However, **15% of students lack confidence**, which indicates that financial education could play a crucial role in strengthening decision-making ability.

Participation in Financial Literacy Programs:
Table 9: Participation in Financial Education Programs

Response	No. of Respondents	Percentage
Yes	35	35%
No	65	65%
Total	100	100%

Interpretation:

The results reveal that **65% of respondents have not participated in financial literacy programs**, while only **35% have attended such programs**. This indicates a lack of structured financial education exposure among students.

Willingness to Learn More About Investments
Table 10: Interest in Financial Learning

Response	No. of Respondents	Percentage
Yes	70	70%
Maybe	20	20%
No	10	10%
Total	100	100%

Interpretation:

The findings indicate that **70% of students are willing to learn more about investment opportunities**, while **20% are moderately interested**. Only **10% expressed no interest**. This shows strong potential for financial education initiatives targeting young investors.

The analysis suggests that **financial literacy significantly influences the investment behaviour of college students**. Students with greater awareness and knowledge demonstrate higher investment participation and confidence in financial decision-making. However, the results also indicate gaps in formal financial education and structured financial literacy programs.

The findings support the hypothesis that **financial literacy plays an important role in shaping investment decisions among young individuals**. Therefore, educational institutions and policymakers should prioritize financial education initiatives to enhance students' financial knowledge and investment capabilities.

Conclusion:

Financial literacy plays a crucial role in shaping the investment behavior and financial decision-making ability of young individuals. The present study examined the impact of financial literacy on investment decisions among college students by analyzing their awareness, knowledge, risk tolerance, and investment preferences. The findings of the study indicate that a significant proportion of college students possess basic awareness of financial literacy and recognize its importance in making informed investment decisions.

However, the level of practical knowledge regarding investment options varies among students.

The analysis revealed that students with higher financial literacy levels are more confident in making investment decisions and are more likely to participate in financial activities such as investing in savings instruments, mutual funds, and equities. The results also show that many students rely on informal sources such as the internet, family, and peers for financial information, highlighting the need for more structured

financial education within academic institutions. Furthermore, a considerable number of respondents have not participated in formal financial literacy programs, suggesting a gap in financial education exposure.

Another important observation from the study is that the majority of students exhibit moderate risk tolerance and prefer relatively safer investment options. This reflects a cautious investment approach among young investors. At the same time, a large proportion of respondents expressed a strong willingness to learn more about investment opportunities, which indicates the potential effectiveness of financial literacy initiatives targeted at students.

Overall, the findings support the hypothesis that financial literacy significantly influences the investment behavior of college students. Improved financial knowledge enhances individuals' ability to evaluate investment alternatives, manage financial risks, and make rational financial decisions. Therefore, educational institutions, policymakers, and financial organizations should emphasize the development of financial literacy programs, workshops, and curriculum-based financial education to strengthen financial decision-making capabilities among students. Enhancing financial literacy at an early stage can contribute to responsible financial behavior, increased participation in financial markets, and long-term financial stability. Future research may expand the

scope by including larger and more diverse samples, examining longitudinal financial behavior, and exploring the influence of digital financial platforms on investment decisions among young individuals.

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Cite This Article

Mr. Pathre M.V., Ms. Singh S.K.B. & Ms. Siddiqui A. I. (2026). *A Study on the Impact of Financial Literacy on Investment Decisions among College Students*. In **Aarhat Multidisciplinary International Education Research Journal**: Vol. XV (Number II, pp. 91–98) Doi: <https://doi.org/10.5281/zenodo.20458490>