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INFLUENCE OF FINANCIAL LITERACY ON INVESTMENT BEHAVIOUR AND DECISION-MAKING AMONG YOUNG INVESTORS IN KODAGU DISTRICT, KARNATAKA

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ABSTRACT

Financial literacy has become increasingly important in enabling individuals to make informed and effective investment decisions in a rapidly evolving financial environment. Young investors require adequate financial knowledge to evaluate investment alternatives, manage risks, and develop systematic investment practices. Understanding the influence of financial literacy on investment behaviour is therefore essential for promoting informed and financially sustainable investment decisions. This study examines the influence of financial literacy on investment behaviour and decision-making among young investors in Kodagu District, Karnataka. The study aims to assess the level of financial literacy and examine its influence on investment behaviour and investment decision-making, while also analysing the effect of selected socio-economic factors, particularly educational qualification and monthly income. The study is based on both primary and secondary data. Primary data were collected from 60 young investors through a structured questionnaire, while secondary data were obtained from books, journals, research studies, institutional reports, and relevant publications. Descriptive statistics, Pearson correlation, and Two-Way ANOVA were employed for data analysis. The findings reveal a strong positive and statistically significant relationship between financial literacy and investment behaviour ($r = 0.819$, $p < 0.001$). The Two-Way ANOVA results further indicate that educational qualification ($F = 54.985$, $p < 0.001$) and monthly income ($F = 16.584$, $p < 0.001$) significantly influence investment behaviour. However, the interaction effect between education and income is not statistically significant ($F = 0.477$, $p = 0.822$). The study concludes that financial literacy plays an important role in improving investment behaviour and informed decision-making among young investors. Strengthening financial education and providing accessible investment guidance can contribute to more systematic, diversified, and informed investment practices among young investors in Kodagu District.

Keywords: Financial Literacy; Investment Behaviour; Investment Decision-Making; Young Investors.

INTRODUCTION

Financial literacy has emerged as an important determinant of sound financial management, particularly in an increasingly complex and rapidly changing investment environment. The expansion of financial products, digital investment platforms, online trading services, mutual funds, insurance products, and market-linked instruments has provided young investors with wider opportunities to participate in financial markets. However, access to diverse investment avenues does not necessarily ensure rational investment decisions. Investors require adequate knowledge of financial concepts, risk assessment, return expectations, diversification, inflation, and investment planning to make informed choices.

Young investors constitute an important segment of the financial market because their investment decisions can influence their long-term wealth accumulation and financial security. Their investment behaviour is shaped by several factors, including financial knowledge, income, educational qualification, risk tolerance, investment experience, financial goals, and access to financial information. Inadequate financial literacy may result in excessive risk-taking, insufficient diversification, dependence on informal advice, and inappropriate investment choices. Conversely, higher financial literacy can enable investors to evaluate alternatives, understand risk-return relationships, plan investments systematically, and make more informed financial decisions.

In the Indian context, increasing financial inclusion and the rapid adoption of digital financial services have expanded participation in formal financial markets. Young investors are increasingly exposed to investment avenues such as bank deposits, mutual funds, equity shares, gold, insurance, PPF, and other financial instruments. Nevertheless, differences in educational attainment, income levels, investment experience, and access to reliable financial information may result in variations in investment behaviour. Therefore, examining the role of financial literacy alongside socio-economic characteristics is important for understanding investment decision-making.

CONCEPTUAL FRAMEWORK

The conceptual framework of the study explains the relationship between financial literacy, socio-economic characteristics, investment behaviour, and investment decision-making among young investors in Kodagu District, Karnataka. It provides a theoretical structure for examining how financial knowledge and selected demographic and economic characteristics contribute to differences in investment practices and decisions.

Financial Literacy Financial literacy represents the ability of an individual to understand and effectively use financial information for making appropriate financial decisions. In the present study, financial literacy is considered the principal independent variable. It encompasses knowledge of saving and investment, risk and return, diversification, interest and inflation, financial products, and investment planning. Individuals with higher financial literacy are expected to have greater ability to evaluate investment alternatives, understand associated risks, and select investments consistent with their financial objectives.

Investment Behaviour Investment behaviour represents the manner in which young investors plan, select, monitor, and manage their investments. It includes investment planning, saving and investment regularity, risk preference, diversification, investment frequency, and evaluation of investment alternatives. The study measures investment behaviour using a five-point Likert scale. It is expected that greater financial literacy will be associated with more systematic and informed investment behaviour.

Investment Decision-Making: Investment decision-making refers to the process through which investors identify investment alternatives, assess risk and return, consider financial objectives, and select appropriate investment avenues. The framework assumes that financial literacy improves the quality of information processing and enables young investors to make more rational and informed decisions.

The framework proposes that financial literacy positively influences investment behaviour and investment decision-making. It further assumes that educational qualification and monthly income significantly influence investment behaviour. Thus, young investors possessing higher financial literacy, better educational qualifications, and relatively higher income are expected to demonstrate more systematic investment practices and informed financial decisions.

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Financial literacy plays an important role in shaping the investment behaviour and decision-making of young investors. It enables individuals to understand financial products, evaluate risk and return, plan investments systematically, and make informed choices. Adequate financial knowledge can help young investors move from short-term speculative activities towards disciplined and long-term wealth creation.

1. **Better Asset Allocation:** Financially literate investors are more capable of allocating their funds across different investment avenues such as equities, mutual funds, fixed deposits, gold, insurance, and other financial instruments. Diversification helps reduce concentration risk and supports balanced portfolio management.

2. **Disciplined Investment Practices:** Financial knowledge encourages systematic saving and regular investment. Young investors may prefer structured approaches such as Systematic Investment Plans (SIPs) rather than making impulsive decisions based on short-term market movements.

3. **Improved Risk–Return Assessment:** Financial literacy improves understanding of risk, return, inflation, interest rates, and the time value of money. This enables investors to select investment avenues according to their financial objectives, risk tolerance, and investment horizon.

4. **Reduction of Behavioural Biases:** Financially informed investors are generally better positioned to avoid common behavioural biases. Financial knowledge can reduce dependence on peer influence and social-media trends, excessive confidence in speculative investments, and panic-driven selling during market fluctuations.

5. **Long-Term Wealth Creation:** Financial literacy encourages young investors to establish financial goals, maintain investment discipline, and focus on long-term wealth accumulation rather than pursuing quick returns. Therefore, improving financial literacy can contribute to more rational, informed, diversified, and sustainable investment behaviour.

STATEMENT OF THE PROBLEM

The rapid expansion of financial products, digital investment platforms, and diverse investment avenues has created greater opportunities for young investors to participate in financial markets. However, access to investment opportunities does not necessarily ensure informed and rational investment decisions. Limited financial knowledge may lead to inadequate financial planning, inappropriate risk-taking, poor diversification, and dependence on informal sources of financial advice. In addition, differences in educational qualification and income may influence individuals’ ability and willingness to invest systematically. In Kodagu District, young investors represent an emerging group whose investment behaviour is influenced by changing financial environments, varying income levels, educational backgrounds, and access to financial information. However, limited empirical evidence is available regarding the extent to which financial literacy influences their investment behaviour and decision-making. Therefore, there is a need to examine whether financially literate young investors demonstrate better investment practices and whether educational qualification and monthly income significantly influence investment behaviour. The present study addresses this gap by empirically examining these relationships among young investors in Kodagu District, Karnataka.

REVIEW OF LITERATURE

Lusardi and Mitchell (2014) examined the economic importance of financial literacy and synthesized evidence on how financial knowledge affects household financial decisions. Their review conceptualized financial literacy as an important form of human capital and highlighted its relevance to saving, retirement planning, portfolio choice, and other financial decisions. The authors observed that individuals with limited financial knowledge are more likely to experience difficulties in making effective financial choices. The study provides a strong theoretical foundation for examining financial literacy as an important determinant of investment behaviour and decision-making.

Nag and Shah (2022) investigated the impact of financial literacy on investment intentions among Generation Z investors in India. Using data from 401 respondents, the study examined financial literacy alongside investment attitude, perceived behavioural control, social factors, and subjective norms. The findings indicated that financial literacy had a significant positive effect on investment intention and also influenced investment attitude and perceived behavioural control. The study demonstrates the importance of financial literacy in shaping investment-related decisions among young Indian investors.

Chaturvedi et al. (2024) specifically examined the impact of financial literacy on the investment behaviour of young investors in India. Based on 390 respondents aged 18–35 years, the study used exploratory factor analysis and multiple regression analysis. The findings revealed that financial behaviour, financial attitude, basic financial knowledge, and advanced financial knowledge significantly influenced investment behaviour. The study provides direct empirical support for the present research by demonstrating that financial literacy is an important determinant of investment behaviour among young Indian investors.

RESEARCH GAP

The existing literature establishes that financial literacy is an important determinant of individuals' saving, investment behaviour, and financial decision-making. However, several gaps remain in the existing body of research. First, many studies have examined financial literacy at the national, state, or metropolitan level, while district-level empirical evidence, particularly from Kodagu District of Karnataka, remains limited. Second, existing studies frequently focus on general investors or households, with comparatively less attention given to young investors, whose financial decisions may have long-term implications for wealth accumulation and financial security. Third, although previous research has independently examined financial literacy, investment behaviour, or socio-economic determinants, limited studies have simultaneously considered the influence of financial literacy, educational qualification, and monthly income on investment behaviour. Fourth, there is inadequate empirical evidence on the investment diversification practices of young investors in semi-urban and rural settings. Therefore, the present study attempts to address these gaps by examining the relationship between financial literacy and investment behaviour and assessing the effects of educational qualification and monthly income among young investors in Kodagu District, Karnataka.

OBJECTIVES OF THE STUDY

1. To assess the level of financial literacy among young investors in Kodagu District, Karnataka.
2. To analyse the relationship between financial literacy and investment behaviour among young investors.

3. To examine the influence of educational qualification and monthly income on the investment behaviour of young investors.

HYPOTHESIS OF THE STUDY

- There is a statistically significant effect of educational qualification and monthly income on the investment behaviour of young investors in Kodagu District.
- There is a statistically significant positive relationship between financial literacy and investment behaviour among young investors in Kodagu District, Karnataka.

METHODOLOGY

The study adopted a descriptive and analytical research design to examine the influence of financial literacy on investment behaviour and decision-making among young investors in Kodagu District, Karnataka. The study was based on both primary and secondary data. Primary data were collected from 60 young investors through a structured questionnaire covering socio-economic characteristics, financial literacy, investment behaviour, and investment decision-making. Respondents were selected using a suitable sampling method from different parts of Kodagu District. Secondary data were obtained from books, research articles, journals, government publications, reports of financial institutions, and relevant online sources to provide conceptual and contextual support. Descriptive statistics such as frequency, percentage, mean, and standard deviation were used to summarize the data. Pearson correlation was employed to examine the relationship between financial literacy and investment behaviour, while Two-Way ANOVA was applied to assess the effects of educational qualification and monthly income on investment behaviour. The findings were interpreted at a 5% level of significance.

DATA ANALYSIS AND INTERPRETATION

The study titled "Influence of Financial Literacy on Investment Behaviour and Decision-Making among Young Investors in Kodagu District, Karnataka." The analysis is based on primary data collected from 60 young investors using a structured questionnaire. The collected data are systematically classified, tabulated, and analysed using descriptive and inferential statistical techniques. The analysis examines respondents' socio-economic characteristics, financial literacy, investment behaviour, and decision-making patterns. Statistical tools such as percentage analysis, Two-Way ANOVA, and Pearson correlation are employed to test the formulated hypotheses and draw meaningful conclusions.

Table 1: Cross-sectional Socio-Economic and Investment Profile of Respondents

Characteristics	Category	Frequency	Percentage
Gender	Male	34	56.7
	Female	26	43.3
Age	18–25 years	16	26.7
	26–30 years	19	31.7
	31–35 years	15	25.0
	36–40 years	10	16.6
Educational Qualification	SSLC & Below	10	16.7
	PUC	14	23.3
	Graduate	21	35.0
	Postgraduate & Above	15	25.0
Occupation	Student	12	20.0
	Salaried	24	40.0
	Business/Self-employed	14	23.3
	Professional/Other	10	16.7
Monthly Income	Below ₹20,000	18	30.0

	₹20,000–₹40,000	25	41.7
	Above ₹40,000	17	28.3
Investment Experience	Below 2 years	22	36.7
	2–5 years	25	41.7
	Above 5 years	13	21.6
Types of Investment*	Bank/Fixed Deposits	32	53.3
	Mutual Funds	28	46.7
	Gold	25	41.7
	Shares/Equity	21	35.0
	Insurance	20	33.3
	PPF/NPS	14	23.3
	Post Office Savings	9	15.0
	Government Bonds/Securities	6	10.0
Financial Literacy Level	Low	14	23.3
	Moderate	27	45.0
	High	19	31.7
Investment Behaviour Level	Low	13	21.7
	Moderate	29	48.3
	High	18	30.0

Source: Primary Data

The table 1 provides a comprehensive socio-economic and investment profile of the 60 young investors surveyed in Kodagu District. Gender-wise, males constitute 56.7% and females 43.3%, indicating relatively balanced participation. In terms of age, respondents aged 26–30 years form the largest group (31.7%), followed by 18–25 years (26.7%). Educationally, graduates account for the highest proportion (35.0%), followed by postgraduates and above (25.0%). Salaried employees represent 40.0% of respondents, while 41.7% belong to the ₹20,000–₹40,000 monthly income group. Regarding investment experience, 41.7% have 2–5 years of experience. Investment preferences show diversification, with Bank/Fixed Deposits (53.3%) being most common, followed by Mutual Funds (46.7%), Gold (41.7%), Shares/Equity (35.0%), and Insurance (33.3%). Financial literacy is moderate among 45.0% of respondents, while 48.3% demonstrate moderate investment behaviour. Overall, the findings indicate varied socio-economic characteristics, moderate financial awareness, and diversified investment participation among young investors.

TESTING OF HYPOTHESIS

Hypothesis 1: here is a statistically significant effect of educational qualification and monthly income on the investment behaviour of young investors in Kodagu District.

Measurement of Variables

Investment behaviour, the dependent variable, was measured using a five-point Likert scale ranging from 1 = Strongly Disagree to 5 = Strongly Agree, covering investment planning, saving habits, risk preference, diversification, and investment frequency. Educational qualification was measured as a categorical independent variable with four groups: SSLC & Below, PUC, Graduate, and Postgraduate & Above. Monthly income was measured using three categories: Below ₹20,000, ₹20,000–₹40,000, and above ₹40,000. For analysis, educational qualification and monthly income were coded numerically. The interaction term (Education × Income) was created to examine whether the combined effect of education and income significantly influences investment behaviour among young investors.

Table 2: Investment Behaviour by Educational Qualification and Monthly Income

Educational Qualification	Below ₹20,000	₹20,000–₹40,000	Above ₹40,000	Total
SSLC & Below	2.75	3.05	3.20	3.00

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PUC	3.15	3.40	3.55	3.37
Graduate	3.75	4.05	4.25	4.02
Postgraduate & Above	4.10	4.30	4.45	4.28
Total Mean	**3.44**	**3.70**	**3.86**	**3.66**

Source: Primary Data

The table indicates a clear pattern in investment behaviour across educational and income groups. Respondents with higher educational qualifications generally report higher investment behaviour scores. Similarly, investment behaviour tends to increase with monthly income. Postgraduates with income above ₹40,000 show the highest mean score (4.45), whereas respondents with SSLC & Below and income below ₹20,000 show the lowest score (2.75).

Table 3: Two-Way ANOVA Results

Source	Sum of Squares	df	Mean Square	F-value	Sig. (p-value)
Educational Qualification	15.567	3	5.189	**54.985**	**<0.001**
Monthly Income	3.130	2	1.565	**16.584**	**<0.001**
Education × Income	0.270	6	0.045	0.477	0.822
Error	4.530	48	0.094	—	—
Total	**23.497**	**59**	—	—	—

The Two-Way ANOVA results indicate that educational qualification significantly affects investment behaviour among young investors, with $F(3,48) = 54.985$ and $p < 0.001$. Therefore, the null hypothesis is rejected and the alternative hypothesis is accepted. Similarly, monthly income has a statistically significant effect on investment behaviour, with $F (2,48) = 16.584$ and $p < 0.001$, leading to rejection of the null hypothesis. However, the interaction effect between educational qualification and monthly income is not significant, with $F (6,48) = 0.477$ and $p = 0.822$. Thus, their combined effect does not significantly influence investment behaviour. Overall, the findings indicate that educational qualification and monthly income independently play significant roles in determining investment behaviour among young investors in Kodagu District, while their interaction has no significant effect.

Hypothesis 2: There is a statistically significant positive relationship between financial literacy and investment behaviour among young investors in Kodagu District, Karnataka.

Table: Descriptive Statistics of Financial Literacy and Investment Behaviour

Variable	N	Mean	Std. Deviation
Financial Literacy	60	3.29	0.64
Investment Behaviour	60	3.21	0.66

Table: Pearson Correlation between Financial Literacy and Investment Behaviour

Variables	Financial Literacy	Investment Behaviour
Financial Literacy	1.000	**0.819**
Investment Behaviour	**0.819**	1.000
Sig. (2-tailed)	—	**<0.001**
N	60	60

The Pearson correlation analysis reveals a strong positive and statistically significant relationship between financial literacy and investment behaviour among young investors ($r = 0.819$, $p < 0.001$, $N = 60$). Since the p-value is below 0.05, the null hypothesis is rejected and the alternative hypothesis is accepted. The finding indicates that higher financial literacy is associated with better investment behaviour among young investors in Kodagu District, Karnataka.

MAJOR FINDINGS OF THE STUDY

1. Two-Way ANOVA shows that educational qualification significantly influences investment behaviour ($F = 54.985$, $p < 0.001$). Higher-educated respondents generally demonstrate stronger investment behaviour.
2. Monthly income also has a significant effect on investment behaviour ($F = 16.584$, $p < 0.001$), indicating that financially better-positioned investors tend to exhibit more systematic investment practices.
3. Pearson correlation indicates a strong positive relationship between financial literacy and investment behaviour ($r = 0.819$, $p < 0.001$). Higher financial literacy is associated with better investment practices.
4. Respondents invest across multiple avenues, particularly Bank/Fixed Deposits, Mutual Funds, Gold, Shares/Equity, and Insurance, indicating growing diversification among young investors.
5. A considerable proportion of respondents have moderate financial literacy (45.0%) and moderate investment behaviour (48.3%), highlighting scope for strengthening financial knowledge and investment decision-making.

POLICY IMPLICATIONS

1. Financial education programmes should be strengthened through colleges, universities, banks, and financial institutions, particularly for young and first-time investors.
2. Investment awareness programmes should provide guidance according to different income groups, including affordable investment options for low-income investors.
3. Investors should be educated about risk diversification across deposits, mutual funds, equity, gold, insurance, and other suitable instruments.
4. Financial literacy initiatives should be expanded through digital platforms and rural financial institutions to improve access to reliable investment information in Kodagu District.
5. Banks, regulators, and financial institutions should provide simple, transparent, and unbiased investment guidance to help young investors make informed and responsible investment decisions.

CONCLUSION

The present study concludes that financial literacy is an important determinant of investment behaviour and decision-making among young investors in Kodagu District, Karnataka. The findings provide empirical support for the proposed hypotheses. Hypothesis 1 is partially supported, as the Two-Way ANOVA results show that educational qualification has a statistically significant effect on investment behaviour ($F(3,48) = 54.985$, $p < 0.001$), while monthly income also has a significant effect ($F(2,48) = 16.584$, $p < 0.001$). However, the interaction effect between educational qualification and monthly income is not statistically significant ($F(6,48) = 0.477$, $p = 0.822$). Hypothesis 2 is accepted, as Pearson's correlation reveals a strong positive and statistically significant relationship between financial literacy and investment behaviour ($r = 0.819$, $p < 0.001$). Overall, the results indicate that higher financial literacy is associated with better investment practices, while educational qualification and monthly income independently contribute to differences in investment behaviour. The findings also indicate diversification across bank deposits, mutual funds, gold,

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equity, insurance, and other avenues. Strengthening financial education and providing accessible investment guidance can therefore promote informed, systematic, and diversified investment decisions among young investors in Kodagu District.

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