



# AN ANALYSIS OF THE IMPACT OF FINANCIAL LITERACY ON INVESTMENT DECISION - MAKING AMONG UNDERGRADUATES

*FOR THE PARTIAL FULFILLMENT OF THE REQUIREMENT*

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## **Abstract:**

Financial literacy plays a crucial role in shaping individuals' financial behaviors and decision-making processes, particularly among undergraduate students who are transitioning into adulthood and assuming greater responsibility for managing their finances. This study examines the impact of financial literacy on investment decision-making among undergraduate students in India, with a focus on understanding investment preferences, factors influencing decision-making, and the relationship between financial literacy and investment outcomes. A sample of undergraduate students from various educational institutions across India participated in the study, providing insights into their financial literacy levels, investment behaviors, and attitudes towards financial decision-making. The findings reveal a diverse range of financial literacy levels among undergraduate students, with the majority falling within the average range

**Index Terms** – financial literacy, financial planning

## **INTRODUCTION**

Financial literacy plays a crucial role in shaping individuals' financial behaviors and decision-making processes, particularly among undergraduate students who are transitioning into adulthood and assuming greater responsibility for managing their finances. This study examines the impact of financial literacy on investment decision-making among undergraduate students in India, with a focus on understanding investment preferences, factors influencing decision-making, and the relationship between financial literacy and investment outcomes. A sample of 120 undergraduate students from various educational institutions across India participated in the study, providing insights into their financial literacy levels, investment behaviors, and

attitudes towards financial decision-making. The findings reveal a diverse range of financial literacy levels among undergraduate students, with the majority falling within the average range.

## OBJECTIVES OF THE STUDY

- To assess the level of financial literacy among undergraduate students in India.
- To examine the investment preferences, attitudes, and behaviors of undergraduate students in India.
- To identify the key factors influencing investment decision-making among undergraduate students in India.
- To explore the relationship between financial literacy and investment decision-making among undergraduate students in India.
- To investigate the moderating effects of individual characteristics, socio-economic factors, and psychological biases on the relationship between financial literacy and investment decision-making among undergraduate students in India.

## SCOPE OF THE STUDY

- This study focuses on examining the impact of financial literacy on investment decision-making among undergraduate students in India.
- It encompasses an investigation into the levels of financial literacy among this demographic, their investment preferences, attitudes, and behaviors, as well as the key factors influencing their investment decisions.
- The study will explore the relationship between financial literacy and investment decision-making, taking into account individual characteristics, socio-economic factors, psychological biases, and market conditions.
- However, the study does not delve into specific investment products or strategies but rather aims to provide a comprehensive understanding of the determinants of investment behavior among young adults in India.
- The findings of the study are intended to inform policymakers, educators, and financial professionals about the importance of financial literacy and its implications for promoting responsible investment practices among undergraduate students in India.

## RESEARCH METHODOLOGY

- The research design outlines the overall strategy and approach that will be employed to address the research objectives effectively. In this study, a mixed-methods research design will be utilized to gain a comprehensive understanding of the impact of financial literacy on investment decision-making among undergraduate students in India. The mixed-methods approach will allow for the integration of both quantitative and qualitative data, providing a more holistic perspective on the research topic.

- The data collection methods describe how data will be gathered from participants to address the research questions effectively. In this study, data will be collected using a combination of survey questionnaires and semi-structured interviews or focus group discussions.
- Survey Questionnaires: A structured survey questionnaire will be administered to undergraduate students to collect quantitative data on their financial literacy levels, investment knowledge, attitudes, behaviors, and socio-demographic characteristics. The questionnaire will include validated scales and items adapted from existing literature on financial literacy and investment decision-making. Participants will be asked to rate their agreement with statements, respond to multiple-choice questions, and provide demographic information.

## RESULTS AND DISCUSSION

- The research found a significant positive correlation between the level of financial literacy and the quality of investment decision-making among undergraduates. Those with higher financial literacy scores tended to make more informed and strategic investment choices compared to those with lower scores.
- Findings revealed that undergraduates with a strong grasp of investment concepts such as risk assessment, diversification, and compound interest were more likely to engage in investment activities. This understanding enabled them to evaluate investment opportunities effectively and mitigate potential risks.
- The research identified a clear link between financial literacy and awareness of financial products among undergraduates. Students with higher financial literacy levels demonstrated greater knowledge of various investment instruments, including stocks, bonds, mutual funds, and retirement accounts. This awareness empowered them to make informed decisions tailored to their financial goals and risk tolerance.

The findings underscore the critical role of financial literacy in shaping investment decision-making behaviors among undergraduates. A strong foundation in financial literacy equips students with the knowledge and skills necessary to navigate the complexities of the financial markets and make sound investment decisions. By understanding fundamental investment concepts and products, students can assess the potential risks and rewards associated with different investment opportunities.

Moreover, financial literacy empowers undergraduates to set realistic financial goals, develop investment strategies aligned with their objectives, and effectively manage their investment portfolios over time. By fostering a culture of financial education and literacy, educational institutions and policymakers can empower students to take control of their financial futures and achieve long-term financial security.

However, the research also highlights disparities in financial literacy levels among undergraduates, suggesting the need for targeted interventions to address gaps in financial knowledge and skills. Educational initiatives aimed at improving financial literacy should be tailored to the specific needs and backgrounds of undergraduate students, incorporating practical exercises, real-world case studies, and interactive learning experiences.

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