



# Financial Literacy and Investment Behaviour of Young Professionals

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**Abstract** – The study titled “Financial Literacy and Investment Behaviour of Young Professionals” focuses on understanding the level of financial awareness among individuals and its impact on their investment decisions. In today’s dynamic financial environment, financial literacy plays an important role in helping individuals make informed and effective financial choices. This study follows a descriptive research design and is based on primary data collected from 100 respondents through a structured questionnaire using Google Forms. The questionnaire covered areas such as financial knowledge, financial skills, attitude, and investment behaviour. The data collected was analyzed using statistical tools like percentage analysis, weighted average method, and the Chi-square test. The findings show that most respondents have basic financial knowledge and are aware of different investment options such as fixed deposits, mutual funds, and stocks. While many individuals show a positive attitude towards saving and financial planning.

**Keywords:** Financial Literacy, Investment Behaviour, Young Professionals, Financial Knowledge, Chi-square Test, Risk Preference, Financial Awareness.

## I. INTRODUCTION

In today’s modern financial environment, financial literacy has become an important factor that influences how individuals make financial decisions. It includes the knowledge, skills, and attitudes required to manage personal finances effectively, such as saving, budgeting, investing, and managing financial risks. As financial markets become more complex and a wide range of investment options are available, individuals need proper financial understanding to make informed and logical decisions.

Young professionals represent a significant group in the economy, as they are at an early stage of their financial journey. At this stage, individuals begin earning, take on financial responsibilities, and get exposed to various financial products and services. However, despite this exposure, many young professionals do not have sufficient financial knowledge or practical skills needed for proper financial planning. This often leads to irregular investment habits and lack of consistent budgeting.

Investment behaviour refers to the way individuals allocate their money across different investment options such as fixed deposits, mutual funds, and stocks. This behaviour is influenced by several factors including financial literacy, income level, risk tolerance, and personal financial goals. Among these factors, financial literacy plays a key role in helping individuals evaluate different investment options, understand risks, and make decisions that support their long-term financial goals.

In recent years, there has been increasing focus on improving financial literacy to enhance financial inclusion and overall economic stability. However, the level of

financial awareness among young professionals is still not uniform, which makes it important to study this area in detail.

Therefore, the present study aims to assess the level of financial literacy among young professionals and examine its impact on their investment behaviour. It also seeks to identify the relationship between financial literacy and investment decisions using appropriate statistical methods. The findings of the study are expected to provide useful insights for improving financial awareness and encouraging better financial decision-making.

## II. LITERATURE REVIEW

Several studies have emphasized the importance of financial literacy in influencing individuals’ financial decisions and overall economic well-being. Researchers have highlighted that better financial knowledge, responsible financial behaviour, and proper planning play a significant role in improving investment outcomes. Individuals who understand financial concepts are more likely to make informed decisions and manage their resources effectively.

Bhushan (2014) conducted a study on salaried individuals to understand the link between financial literacy and investment behaviour. The study included 516 respondents and found that individuals with higher financial knowledge are more aware of various investment options. Such individuals are also more likely to make informed and better investment decisions. This shows a strong positive relationship between financial literacy and investment behaviour.



Xiao and Porto (2017) examined the effect of financial literacy on financial well-being using data from a national financial capability survey. Their study indicated that financial knowledge, financial behaviour, and financial skills together play an important role in improving financial satisfaction. It was also observed that individuals with better financial understanding tend to make more effective financial decisions. However, the study suggested the need for further long-term research to understand these relationships more clearly.

Usha Lakshmi and Dr. K. Selvavinayagam (2019) studied the investment behaviour of college teachers in Dharmapuri District. The findings revealed that most respondents preferred safer investment options such as gold, fixed deposits, insurance, and real estate. This preference was mainly due to limited financial knowledge and lack of awareness about managing investments. As a result, individuals avoided high-risk investment options and focused more on secure alternatives.

Prasad (2021) conducted research on retail investors to identify the factors influencing their investment decisions. The study involved 600 respondents and considered behavioural factors, socio-economic conditions, and financial literacy. The results showed that both behavioural aspects, such as risk-taking ability and personal attitudes, and socio-economic factors, such as income and education, have a significant impact on investment decisions. Financial literacy was found to act as an important connecting factor between these variables and investment behaviour.

### Objectives of the Study

- To assess the level of financial literacy among young professionals.
- To examine the investment behaviour and preferences of young professionals.
- To analyze the relationship between financial literacy and investment decisions.
- To identify the key factors that influence the investment behaviour of young professionals.

## III. RESEARCH METHODOLOGY

### 1. Research Design

The study uses a descriptive research design to examine the level of financial literacy and its effect on the investment behaviour of young professionals.

### 2. Study Duration

The research was carried out over a specific period during which data was collected, processed, and analyzed.

### 3. Target Population and Sample Selection

The target population includes young professionals from different age groups, occupations, and income categories who are involved in financial decision-making.

### 4. Data Collection Method

The study is based on primary data collected through a structured questionnaire created using Google Forms. The questionnaire consisted of both closed-ended questions and Likert scale statements.

### 5. Sampling Technique

A simple random sampling technique was applied to select respondents, ensuring fair and equal participation.

### 6. Sample Size

The total sample size for the study is 100 respondents.

### 7. Instrumentation / Measures

The questionnaire was developed to measure the following variables:

- Financial knowledge
- Financial skills
- Financial attitude
- Investment behaviour
- Demographic factors

### 8. Data Analysis Tools and Techniques

The collected data was analyzed using the following statistical tools:

- Percentage Analysis – to understand demographic and general information
- Weighted Average Method – to evaluate responses based on Likert scale
- Chi-square Test – to study the relationship between variables

### 9. Hypothesis Testing

The hypotheses were tested using the Chi-square test at a 5% level of significance to examine the relationship between financial literacy and investment behaviour.

### 10 Limitations of the Study

- The study is based on a sample size of only 100 respondents
- The data collected relies on self-reported responses, which may involve bias
- Limited time duration restricted the overall scope of the research
- The study focuses only on young professionals, which limits the general applicability of the findings

## IV. DATA ANALYSIS AND KEY FINDINGS

### 1. Demographic Profile of Respondents

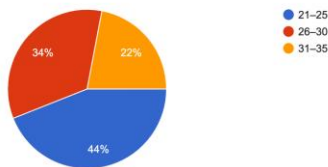
Out of 100 young professionals surveyed:

- Age: 44% of respondents belong to the 21–25 years age group, 34% fall between 26–30 years, and 22% are in the 31–35 years category.
- Gender: 62% of respondents are male, 36% are female, and 2% belong to other categories.



- Occupation: Respondents are equally distributed, with 50% salaried and 50% self-employed individuals.
- Monthly Income: 29% earn ₹50,000–₹1,00,000, 27% earn ₹25,000–₹50,000, 26% earn below ₹25,000, and 18% earn above ₹1,00,000.

1. Age Group  
100 responses



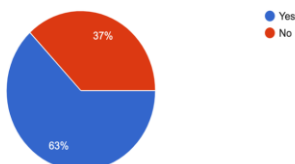
### Interpretation

The sample represents a balanced mix of young earning individuals, primarily from middle-income groups, making it appropriate for analyzing financial literacy and investment behaviour.

### Financial Literacy Levels

- 63% of respondents have basic financial knowledge, while 37% do not.
- 64% are aware of different investment options, whereas 36% are not aware.
- 58% understand the concept of risk and return, while 42% lack clarity.
- 60% have knowledge about tax-saving investment options, while 40% do not.

5. Do you have basic knowledge of financial concepts (interest, inflation, etc.)?  
100 responses



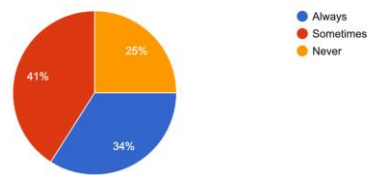
### Interpretation

The findings shows that a majority of respondents possess basic financial literacy; however, a significant proportion still lacks complete understanding, suggesting the need for enhanced financial education.

### Financial Behaviour and Practices

- Only 34% of respondents always prepare a monthly budget, while 41% do so sometimes, and 25% never follow budgeting practices.
- 54% of respondents compare investment options before investing, whereas 46% do not.
- 54% track their expenses regularly, while 46% do not.
- 55% use financial apps/tools, while 45% do not use them.

9. Do you prepare a monthly budget?  
100 responses



### Interpretation

Even though awareness levels are fairly high, the practical application of financial management practices such as budgeting and expense tracking is inconsistent among respondents.

### Financial Attitude of Respondents

- 66% of respondents (37% strongly agree, 29% agree) prefer saving over spending, while a smaller proportion remains neutral or disagrees.
- Only 45% agree to take financial risks, while 41% remain neutral and 14% are risk-averse.
- 65% (35% strongly agree, 30% agree) believe that financial planning is important.

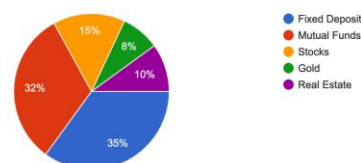
### Interpretation

Respondents generally exhibit a positive attitude towards saving and financial planning but show moderate to low willingness to take financial risks, indicating a cautious financial mindset.

### Investment Behaviour of Respondents

- 62% of respondents invest their money, while 38% do not.
- Preferred investment options include:
  - Fixed Deposits – 35%
  - Mutual Funds – 32%
  - Stocks – 15%
  - Real Estate – 10%
  - Gold – 8%
- 41% invest for long-term wealth creation, 35% for short-term gains, and 24% for safety of money.
- 44% prefer moderate risk, 29% prefer low risk, and 27% prefer high risk.
- 40% invest occasionally, 36% invest regularly, and 24% invest rarely.

17. Which investment option do you prefer?  
100 responses



### Interpretation

The findings indicate that respondents prefer moderate-risk and relatively safe investment options, with a strong



focus on long-term wealth creation. However, investment frequency is irregular for many individuals.

### Hypothesis Testing (Chi-Square Test)

#### Hypothesis 1

- $H_0$ : There is no significant relationship between financial literacy and the investment behaviour of young professionals.
- $H_1$ : There is a significant relationship between financial literacy and the investment behaviour of young professionals.

#### Test Applied

The above hypothesis was tested using the Chi-square test to analyze the relationship between financial literacy and investment behaviour.

Formula Used

$$\chi^2 = \sum \frac{(O - E)^2}{E} \quad \chi^2 = \sum \frac{(O - E)^2}{E}$$

#### Observed Frequency (O)

	Invest (Yes)	Invest (No)	Total
Financial Literacy (Yes)	45	18	63
Financial Literacy (No)	17	20	37
Total	62	38	100

#### Expected Frequency (E)

	Invest (Yes)	Invest (No)
Financial Literacy (Yes)	39.06	23.94
Financial Literacy (No)	22.94	14.06

#### Chi-Square Calculation

Category	O (Observed)	E (Expected)	$\frac{(O - E)^2}{E}$
1	45	39.06	0.90
2	18	23.94	1.47
3	17	22.94	1.54
4	20	14.06	2.51
Total	100	100	6.42

$$\chi^2 = 0.90 + 1.47 + 1.54 + 2.51 = 6.42$$

$$\text{Total } \chi^2 = 6.42$$

Degree of Freedom

$$df = (r-1)(c-1) = (2-1)(2-1) = 1$$

#### Decision Rule

At 5% level of significance, the table value of  $\chi^2$  for 1 degree of freedom is 3.84.

### Result

Since the calculated value (6.42) is greater than the table value (3.84), the null hypothesis ( $H_0$ ) is rejected.

### Key Findings

- A large proportion of respondents fall within the 21–25 age group, showing that the study is mainly focused on young individuals.
- The number of male respondents is higher compared to female respondents.
- Respondents are evenly divided between salaried and self-employed categories, providing balanced representation.
- Most participants belong to the middle-income group, especially in the ₹50,000–₹1,00,000 range.
- While many respondents possess basic financial knowledge, a notable portion still lacks sufficient awareness.
- More than half of the respondents are familiar with different investment options such as mutual funds and fixed deposits.

## V. CONCLUSION

The study was conducted to analyze the level of financial literacy and investment behaviour among young professionals. The analysis of data collected through the structured questionnaire indicates that financial awareness plays an important role in influencing individual financial decisions.

The results show that most respondents belong to the younger age group and have basic knowledge of financial concepts such as saving, investment, risk, and return. A majority of participants demonstrate a positive attitude towards saving and understand the importance of financial planning for achieving long-term financial stability.

It is also observed that respondents generally prefer safer and moderate-risk investment options like fixed deposits and mutual funds, which reflects a cautious approach towards investing. At the same time, some individuals are willing to take moderate risks, indicating a balanced financial perspective.

However, the study identifies certain gaps in financial behaviour. Many respondents do not regularly follow budgeting practices, and a significant number invest only occasionally instead of maintaining consistency. This shows that although financial awareness is present, its practical implementation is still limited.

The findings from hypothesis testing confirm that factors such as financial literacy, financial knowledge, financial skills, financial attitude, and demographic characteristics have a significant impact on investment behaviour. Therefore, improving financial literacy and encouraging disciplined financial habits can help individuals make



better financial decisions and achieve long-term financial growth.

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