
A STUDY ON FINANCIAL LITERACY AND ITS IMPACT ON INVESTMENT DECISIONS OF YOUNG WORKING PROFESSIONALS

¹Muskan Agarwal, ²Dr. Saudah Khatri,¹Student, Department of M.Com (Part II), Jai Hind College, Autonomous²Assistant Professor, Department of Commerce, Jai Hind College, Autonomous**ABSTRACT**

Financial literacy is an important factor in influencing the investment behavior of young working professionals, especially in generations characterized by rapid digitalization and the access to financial products. Young professionals often have to make significant financial decisions related to investment opportunities, saving habits, and planning for the future at the beginning of their professional lives. The aim of the present study is to assess young working professional's financial literacy and to investigate its effect on their investment decisions. This study also explores the effects of demographic factors like age and income, as well as their sources of financial information.

A descriptive research design was adopted wherein primary data was collected through a structured questionnaire circulated among 80 respondents. The data was analyzed using percentage analysis and graphical representation. The findings make us understand that with a increased level of financial literacy, better investment decisions can be made, confidence would increase, and there is more consideration of the aspect of risk and return. This study also focuses on the rising gullibility towards adopting digital platforms and informal sources for financial knowledge. Over all, the research puts forward the need for better financial education programs to be implemented so that more informed investment behaviour could be witnessed among young working professionals.

Keywords: *Financial Literacy, Investment Decisions, Young Working Professionals, Financial Awareness, Demographic Factors, Investment Behaviour*

INTRODUCTION

In the ever-evolving world of finance that we live in today, the need for financial literacy is a necessity. It is necessary for individuals to make the right decisions during every stage in their lives, especially having taken into account the increase in the number of income, credit, and investment opportunities available to an individual. It has become far more crucial for the younger generation to start their investments at a young age in order to gain from long-term growth while they go through different stages of their lifetime in the prevailing environment of increasing inflation. The ability to comprehend fundamental financial concepts like savings, budgeting, interest, inflation, risk, and investment planning is referred to as financial literacy. A high degree of financial literacy enables people to effectively manage their money and make wise choices for long-term financial security.

Being in their young age and exposed to different types of financial responsibilities, young working professionals make up a large part of our population. At this age in their lives, they make their first major decisions in their savings plans, insurance, and investment schemes. Although investing is made easy through digital platforms and online investment tools, it poses the threat of making hasty and ignorant decisions. People who lack adequate financial knowledge may either avoid investing entirely or take excessive risks.

The purpose of this study is to gauge the levels of financial literacy within the cohort of young working professionals and analyze its impact on their investment decisions. It also explores the influence of demographic factors and sources of financial knowledge on financial behaviour, helping to understand how financial awareness affects investment decisions.

OBJECTIVES OF THE STUDY

The objectives of this research are as follows:

- Assess the Level of Financial Literacy among Young Working Professionals.
- Study the Association between Financial Literacy and Investment Decision Making.
- To identify the sources of financial knowledge preferred by young professionals.
- To study the effects of demographic factors on financial literacy and investment behavior.

LITERATURE REVIEW**1. Hrulekha and Tandan (2025):**

Hrulekha and Tandan (2025) conducted a detailed study on the role of financial literacy in shaping investment behaviour among young adults between the ages of 18 and 35. The study was motivated by the growing complexity of financial products and the need for young people to make sound financial choices early in their careers

2. Sharma (2024):

Sharma (2024) explored the strong relationship between financial literacy and investment decisions among young individuals, emphasizing the role of structured financial education in enhancing rational financial choices.

3. Adesina (2025):

Adesina (2025) reviewed the effectiveness of financial education programs in enhancing investment behaviour among young adults. The study analyzed various tailored literacy interventions and discovered that such programs significantly improved participants' confidence in managing money and investments.

SCOPE OF THE STUDY

The present study focuses on the financial literacy of young working professionals and how it influences their investment decisions. It analyses investment behavior, preferred sources of financial information, knowledge of basic financial principles, and the impact of demographic variables like age and income. The study is supported by secondary data from relevant literature reviews and is based on primary data collected through a structured questionnaire.

RESEARCH METHODOLOGY**I) Study Method**

The approach taken for the study is Descriptive Research Method because the focus is to know the level of financial literacy prevailing among young working professionals and how financial knowledge affects them in their investment decisions. This method is suitable as it helps in understanding existing financial awareness, behaviour, and attitudes without manipulating any variables.

II) Primary Data

Primary Data Collection was done using a structured online questionnaire in the manner of google form prepared particularly for this study. This questionnaire was filled by young working professionals from the age group 18-35 to understand their financial knowledge, investment behaviour, sources of financial awareness, and demographic details.

III) Secondary Data

The secondary data was collected from different sources such as online resources, journals, and published studies related to financial literacy, investment behaviour, and young professionals. This data helped in building the theoretical foundation and reviewing previous research.

IV) Sample Unit

The unit of sampling used for this particular study is young working professionals who are currently employed and have exposure to financial decisions concerning savings and investments.

V) Sample Size – 80

A total sample size of 80 respondents were there for the study. This size was appropriate to obtain meaningful insights and analyze trends related to financial literacy and investment decisions among young professionals.

VI) Sampling Technique – Convenience Sampling

Convenience sampling was adopted for selecting respondents due to ease of access, time constraints, and practicality. This method allowed quick data collection while ensuring participation from individuals relevant to the objectives of this study.

HYPOTHESIS OF THE STUDY

Following sets of hypotheses form the basis of the study:

Hypothesis 1

- Null Hypothesis (H_0): There is no significant relationship between financial literacy and investment decisions amongst young working professionals.
- Alternative Hypothesis (H_1): There is a significant association that exists in financial literacy and the

investment decisions of young working professionals.

Hypothesis 2

- Null Hypothesis (H₀): Age would not significantly impact the level of financial literacy among young working professionals.
- Alternative Hypothesis (H₁): Age plays a significant role in the level of financial literacy existing among young working professionals.

Hypothesis 3

- Null Hypothesis (H₀): The level of financial literacy among young working professionals is not affected in any way by their income.
- Alternative Hypothesis (H₁): Income significantly affects the level of financial literacy amongst young working professionals.

DATA INTERPRETATION AND ANALYSIS

1. Level of Financial Literacy Among Respondents

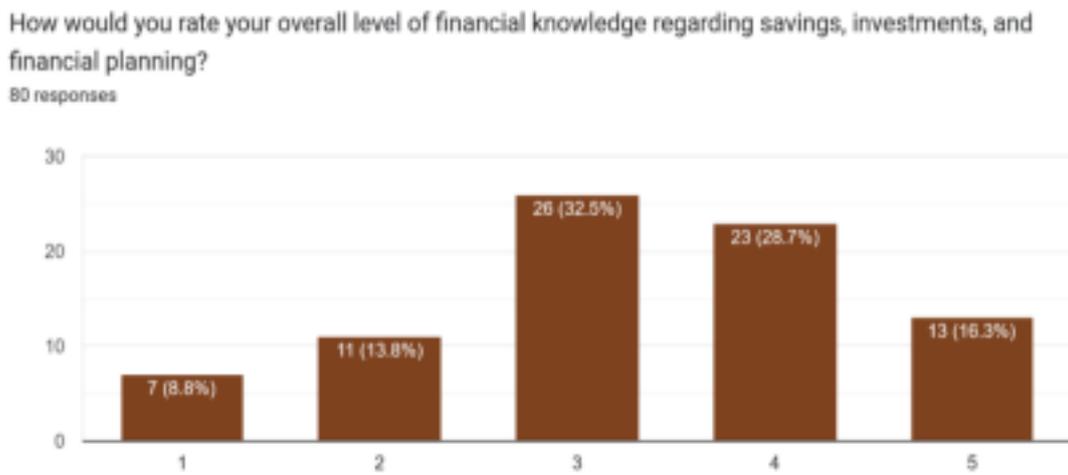


Chart 1.1 - Level of Financial Literacy

The Chart 1.1 indicates that most respondents rate their financial knowledge at a moderate to good level. A majority of participants selected rating 3 (32.5%) and 4 (28.7%), showing reasonable awareness of savings, investments, and financial planning. Additionally, 16.3% of respondents rated their knowledge at the highest level (5), reflecting strong financial understanding among a smaller group. On the other hand,

22.6% of respondents chose ratings 1 (8.8%) and 2 (13.8%), indicating limited financial knowledge. Overall, the results suggest that while basic financial awareness exists among young working professionals, there is scope for improvement through structured financial education.

2. Understanding of Basic Investment Concepts

The Chart 1.2 indicates that most respondents have a good understanding of basic investment concepts such as risk, return, inflation, diversification, stocks, and mutual funds. Majority of respondents rated their understanding at higher levels, with 35% and 26.3% choosing the next highest. Around 23.8% rated a moderate level of understanding, while only a small percentage showed low levels of awareness. This suggests that while the overall understanding of fundamental investment concepts is strong among respondents, a minor segment still requires improved financial education.

I understand basic investment concepts such as risk, return, inflation, diversification, stocks, and mutual funds.

80 responses

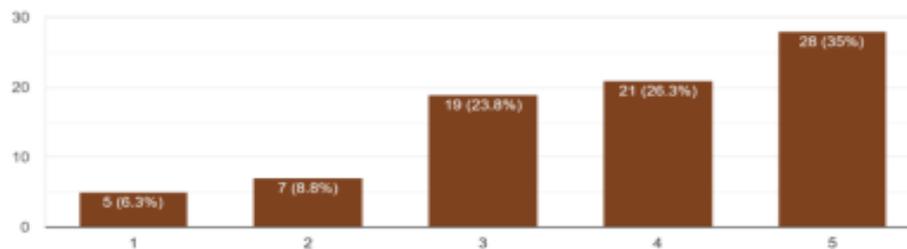


Chart 1.2 - Understanding of Basic Investment Concepts

3. Primary Sources of Financial Knowledge

The most prominent source for the respondents is Internet and social media (63.7%), followed by family and friends (57.5%) and self-learning through books and courses (45%). Formal education contributed to 35%, while financial advisors were consulted by 23.8% of respondents. This distribution shows a strong dependence on informal and digital sources rather than structured institutional education.

What is your primary source of financial knowledge?

80 responses

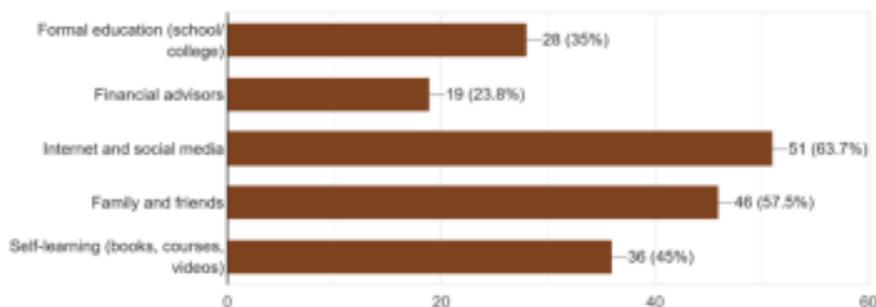


Chart 2.1- Primary Sources of Financial Knowledge

4. Frequency of Investment in Financial Instruments

The results of the chart 2.2 depict a general mixed investment behavior among the respondents. 33.8% of the total respondents are investing in the markets. However, 22.5% frequently, indicating their active participation in the of respondents have never invested, and 18.8% rarely invest, suggesting a significant percentage that may not participate in the financial investment activities. The remaining respondents invest occasionally (13.8%) or frequently (11.3%). This mixed pattern reflects differences in financial readiness, risk appetite, and confidence levels among young working professionals.

How frequently do you invest in financial instruments (such as mutual funds, stocks, fixed deposits, or bonds)?

80 responses

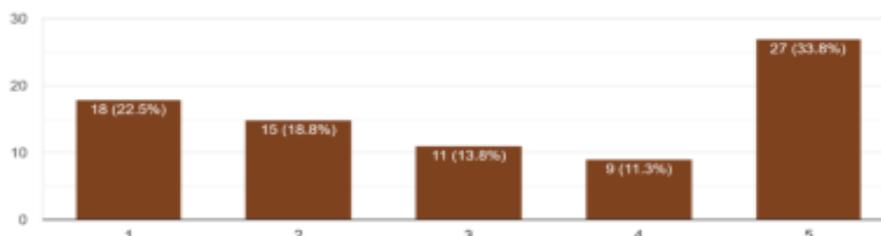


Chart 2.2 - Frequency of Investment in Financial Instruments

5. Interpretation of Investment Objectives

The graph shown in the chart in figure 2.3 shows that the majority of people's primary investment goal is wealth creation (67.5%). This shows these people have a future mindset; they want to grow in life with the help of investments such as the stock market. Future security (45%) and retirement planning (22.5%) were also important goals, reflecting growing financial responsibility among young professionals. However, 20% focus on short-term returns, and 13.8% reported having no specific investment goal, highlighting the need for goal-based financial planning awareness.

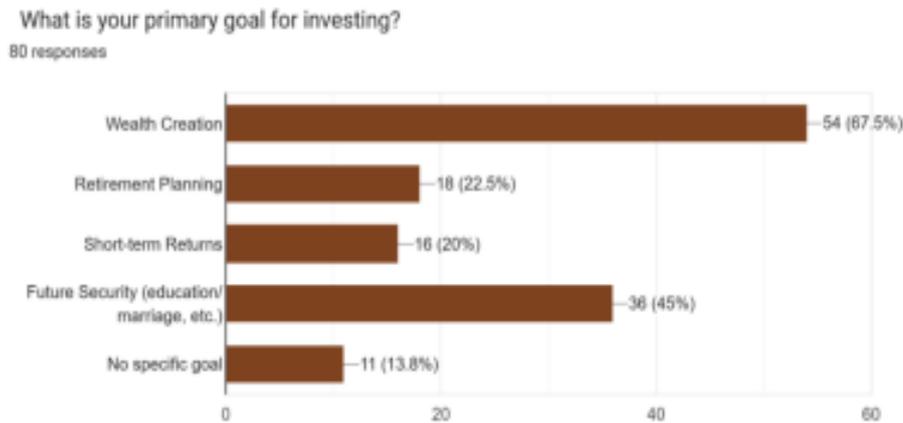


Chart 2.3 - Interpretation of Investment Objectives

6. Consideration of Risk and Return in Investment Decisions

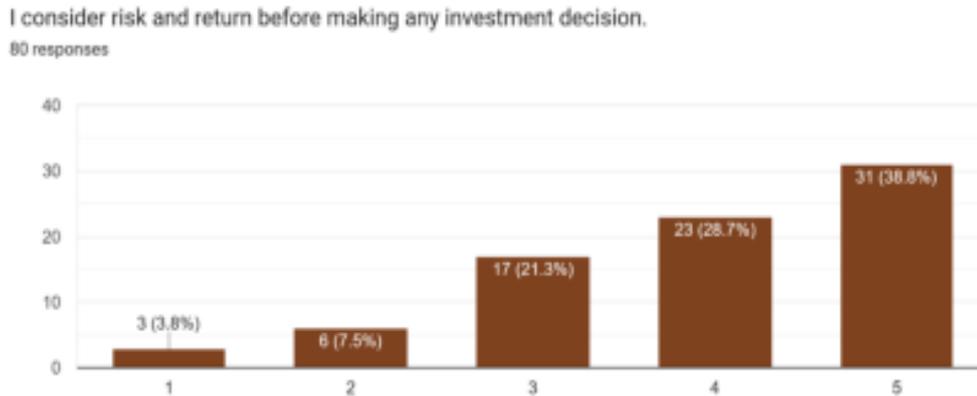


Chart 2.4 - Consideration of Risk and Return in Investment Decisions

The chart 2.4 shows that a large majority of respondents actively consider risk and return before investing. Nearly 67.5% selected higher agreement levels (4 and 5), reflecting rational and informed decision-making behaviour. Only a very small percentage disagreed, indicating that risk–return evaluation is a common practice among respondents.

7. Influence of Financial Literacy on Investment Decisions

The responses clearly indicate that financial literacy influences investment decisions. Around 38.8% of respondents agreed and 31.3% strongly agreed that their investment decisions are shaped by their understanding of financial concepts. Only a small percentage disagreed.

My investment decisions are influenced by my understanding of financial concepts.
80 responses

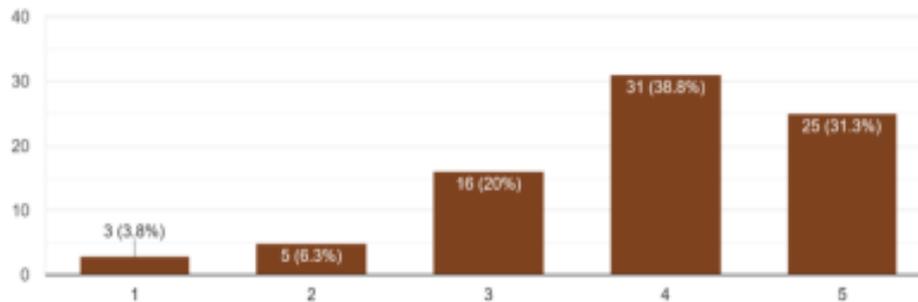


Chart 3.1 - Influence of Financial Literacy on Investment Decisions

8. Role of Financial Literacy in Improving Investment Decisions

Higher financial literacy helps me make better investment decisions.
80 responses

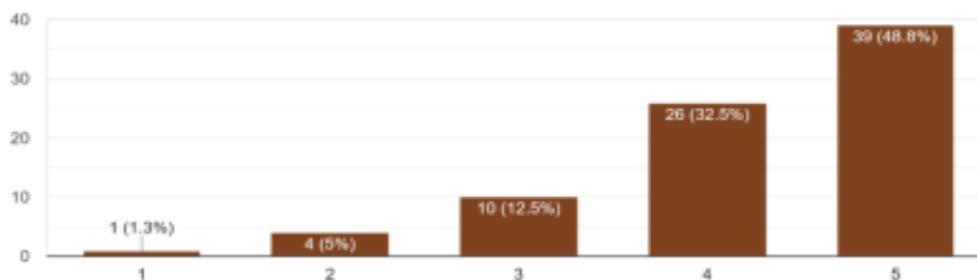


Chart 3.2 - Role of Financial Literacy in Improving Investment Decisions

An overwhelming majority of respondents believe that higher financial literacy leads to better investment decisions. Nearly 81.3% agreed or strongly agreed with the statement, while negligible disagreement was observed.

9. Impact of Financial Literacy on Investment Confidence

The chart 3.3 indicates that financial literacy significantly enhances confidence while making investment decisions. A majority of respondents (75.1%) agreed or strongly agreed that their confidence increases with higher financial literacy.

My level of financial literacy increases my confidence while making investment decisions.
80 responses

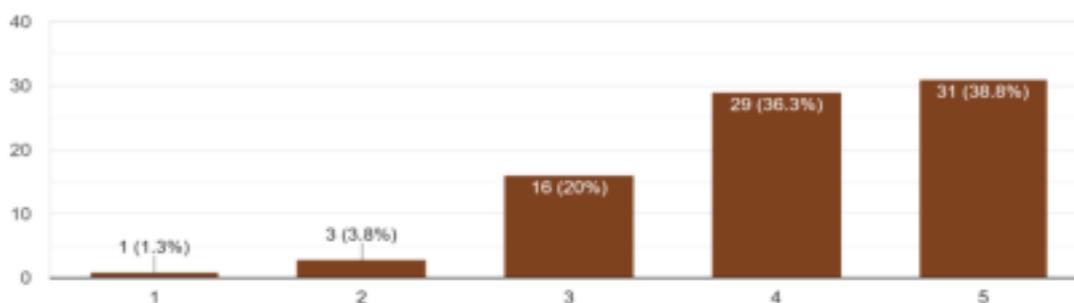


Chart 3.3 - Impact of Financial Literacy on Investment Confidence

10. Demographic Factors Influencing Financial and Investment Decisions

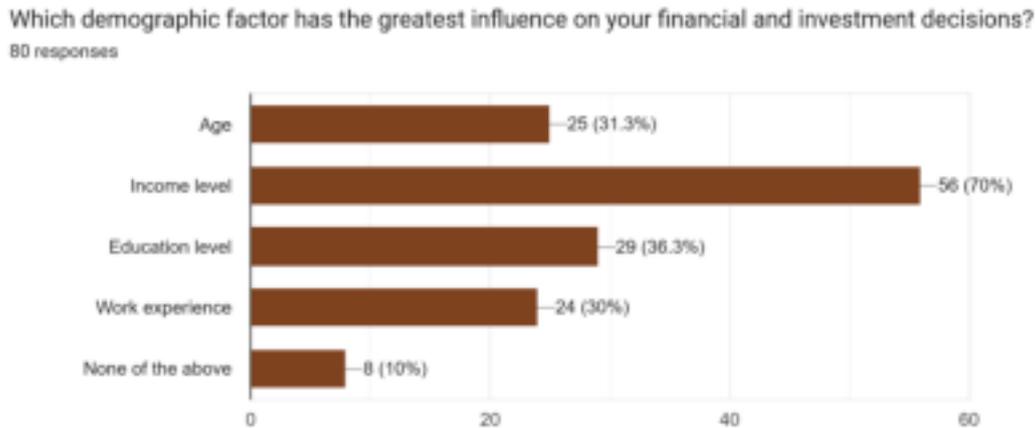


Chart 4.1- Demographic Factors Influencing Financial and Investment Decisions

Among demographic factors, income level (70%) emerged as the most influential, followed by education level (36.3%) and age (31.3%). Work experience also plays a role, while only a small percentage felt demographics had no influence. This shows that income is the key determinant of the financial and investment decisions among the young working professionals.

11. Interpretation of Herd Behaviour in Investment Decisions

The chart 4.2 indicates mixed responses regarding herd behaviour. While 33.8% disagreed and 16.3% strongly disagreed with following others, a combined 27.5% agreed or strongly agreed, and 22.5% remained neutral. This suggests that although many respondents prefer independent decision-making, a considerable section is still influenced by peers, trends, or social media, indicating the presence of behavioural bias.

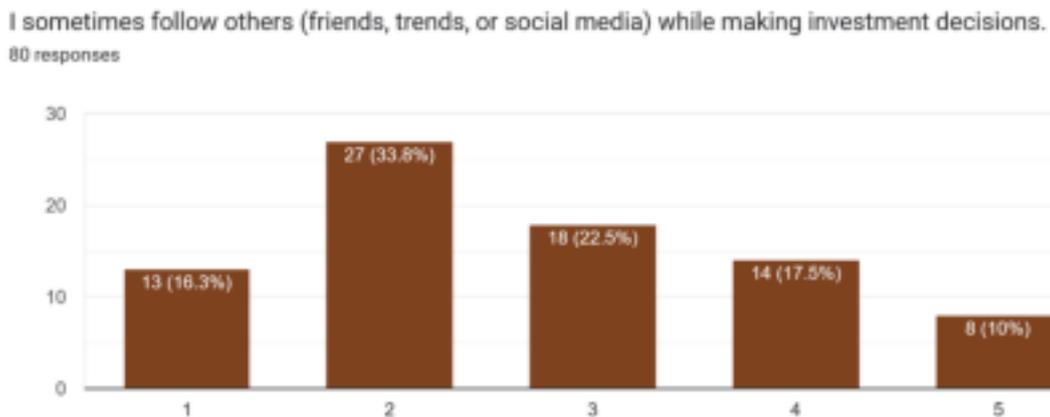


Chart 4.2 - Interpretation of Herd Behaviour in Investment Decisions

➤ **Testing of Hypothesis 1:**

Null Hypothesis (H₀): There is no significant relationship between financial literacy and investment decisions amongst young working professionals.

Alternative Hypothesis (H₁): There is a significant association that exists in financial literacy and the investment decisions of young working professionals.

Observed Data (from survey):

- Respondents who strongly agree or agree that financial literacy improves investment decisions (Chart 3.2): Agree (32.5%) + Strongly Agree (48.8%) = 81.3%

- Respondents who disagreed or were neutral: Neutral (12.5%) + Disagree (5%) + Strongly Disagree (1.3%) = 18.8% Out of 80 respondents, a clear majority believe that financial literacy directly improves investment decision-making.

Interpretation:

Since a significantly higher percentage of respondents acknowledge that financial literacy positively influences their investment decisions, the relationship between the two variables is evident.

Result:

The null hypothesis (H_0) is rejected.

The alternative hypothesis (H_1) is accepted.

Conclusion:

There is a significant relationship between financial literacy and investment decisions of young working professionals.

> Testing of Hypothesis 2:

Null Hypothesis (H_0): Age would not significantly impact the level of financial literacy among young working professionals.

Alternative Hypothesis (H_1): Age plays a significant role in the level of financial literacy existing among young working professionals.

Observed Data (from survey):

- 53.8% of respondents belong to the 22–25 age group and show moderate to high financial literacy levels.
- Respondents aged 31–35 (16.2%) reported comparatively higher confidence and understanding of financial concepts.
- Younger respondents (18–21) showed lower levels of strong agreement regarding financial literacy confidence.

Interpretation:

The differences in the level of financial literacy found among various age groups imply that age also helps to foster more awareness and understanding regarding financial-related issues, perhaps through increased familiarity.

Result:

The null hypothesis (H_0) is rejected.

The alternative hypothesis (H_1) is accepted.

Conclusion:

Age significantly influences the level of financial literacy among young working professionals.

> Testing of Hypothesis 3

Null Hypothesis (H_0): The level of financial literacy among young working professionals is not affected in any way by their income.

Alternative Hypothesis (H_1): Income significantly affects the level of financial literacy amongst young working professionals.

Observed Data (from survey):

- 70% of respondents identified income level as the most influential demographic factor affecting their financial and investment decisions.
- Respondents in higher income brackets showed greater confidence in understanding investment concepts and decision-making.
- Lower income respondents focused more on basic savings and low-risk instruments

Interpretation:

The data clearly suggests that income level affects exposure to financial products, risk taking ability, and overall financial awareness.

Result:

The null hypothesis (H_0) is rejected.

The alternative hypothesis (H_1) is accepted.

Conclusion:

Income significantly affects the level of financial literacy among young working professionals.

FINDINGS OF THE STUDY

1. The research reveals that a majority of young working professionals possess a moderate to high level of financial literacy, indicating growing awareness of financial concepts related to savings, investments, and financial planning.
2. A significant proportion of respondents demonstrated strong understanding of basic investment concepts such as risk, return, inflation, diversification, stocks, and mutual funds, reflecting increasing exposure to financial knowledge.
3. From the findings, we can understand that there is a direct link that exists between financial literacy and investment decision making since most of the participants agreed that the understanding of various financial concepts affects the investment decisions of the respondents.
4. A large number of respondents reported that higher financial literacy improves their confidence while making any investment decisions, suggesting that knowledge reduces hesitation and fear related to investing.
5. The study reveals that internet and social media platforms are the most preferred sources of financial knowledge, followed by family and friends, highlighting a shift from traditional advisory channels to digital learning.
6. Despite increased awareness, investment frequency varies among respondents, with a noticeable group investing frequently, while a considerable portion still invests rarely or occasionally, indicating scope for improved financial engagement.
7. Wealth creation emerged as the primary investment goal among young working professionals, followed by future security and retirement planning, showing a long-term orientation toward financial growth.
8. The majority of respondents stated that they consider risk and return before making investment decisions, reflecting a rational and informed approach to investing.
9. Income level was identified as the most influential demographic factor affecting financial and investment decisions, followed by education level and age.
10. The findings indicate that age and income have a positive effect on increasing financial literacy among respondents, whereby they agree that the level of understanding and exposure improve with increased age and income levels.
11. Although financial literacy levels are reasonably strong, a notable percentage of respondents admitted to occasionally following others or market trends, indicating the presence of herd behaviour in investment decisions.
12. Overall, these findings have confirmed that financial literacy indeed remains a vital factor for shaping informed, confident, and goal-oriented investment behaviour among young working professionals.

CONCLUSION

The study particularly focuses on the importance of financial literacy in affecting the decisions of young working young professionals, as far as investments are concerned. Essentially, it was established through the study that when an individual is financially literate, they are more confident, more aware of risks and returns, and therefore more likely to make sound financial investment decisions, as seen in the study's findings. It was also established that both age and income have a recognizable effect on financial literacy levels.

Additionally, the increasing trend of reliance on digital platforms, family, and self-learning for acquiring financial knowledge depicts the new pattern of financial education for young professionals. Although social influence and trends play a role in their decision-making process to some extent, the majority of the respondents bank on their understanding of financial instruments while making the actual investment decision. Thus, it can be conclusively stated that the financial literacy of young working professionals is bound to impact their positive investment practices.

REFERENCES

1. Lusardi, A., & Mitchell, O. S. (2014). The economic importance of financial literacy: Theory and evidence. *Journal of Economic Literature*, 52(1), 5–44.
2. Bhushan, P., & Medury, Y. (2013). Financial literacy and its determinants., *International Journal of Engineering, Business and Enterprise Applications*, 4(2), 155–160.
3. Rooij, M. C. J. van, Lusardi, A., & Alessie, R. J. M. (2011). Financial literacy and stock market participation. *Journal of Financial Economics*, 101(2), 449–472.
4. OECD. (2018). *OECD/INFE toolkit for measuring financial literacy and financial inclusion*. OECD Publishing. <https://www.oecd.org/financial/education>
5. Sharma, M., & Gupta, S. (2024). Financial literacy and investment behaviour among young professionals in India. *Indian Journal of Finance*, 18(3), 45–58.
6. Nagpal, R., & Sharma, N. (2024). Financial literacy among young working professionals: A demographic analysis. *Journal of Contemporary Issues in Business and Government*, 30(2), 112–121.
7. Sahi, S. K., Dhameja, N., & Arora, A. P. (2012). Individual investor biases: A segmentation analysis. *Qualitative Research in Financial Markets*, 4(1), 6–25.