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The Influence of Financial Literacy on Investment Choices: A Study Among College Students and Young Professionals

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ABSTRACT

This research investigates the impact of financial capacity on the investment behavior of Indian youths, particularly students and early career professionals between the ages of 18 to 27 years. With the increased digitization of financial services, youth will navigate these tools, often without any formal financial guidance, like never before. The aim of this research is to examine the extent of dependence and trust placed on finances as well as on formal academic learning versus digital learning. Additionally, the research looks at how social media influencers with varying degrees of financial literacy mold investment practices among youth.

Using Microsoft Excel and Google Sheets as analytical tools, the correlation as well as regression techniques were applied. This study has found a positive correlation of financial capacity and confidence to investment activity (r = +0.21) and a stronger association with actual investment in mutual funds (r = +0.28).

This online environment has enhanced trust in the formation of finance. Surprisingly, social influencers had a strong influence on those with trigger financially (r = +0.21), but this was limited to high financial knowns (r = -0.07).

Engaging both the rational and emotional aspects of financial decision making, this study participates in the emerging domain of behavioral finance and sets the stage for future educational and policy initiatives.

Keywords: Financial literacy, investment behaviour, youth, confidence, social media influence, financial education, behavioural finance, Indian youth

1. Introduction

The evolving ecosystem of international finance due to the impact of digitalization, technological advancement, and the introduction of mobile apps entails a fresh interaction approach, especially from the youth, toward investment related opportunities.

For the instance of India, the country is witnessing a surge in adoption of financial tools such as investment funds, equities, cryptocurrencies, and systematic investment plans (SIPs) because India is a country with a rapidly growing economy, young population, and an expanding middle-class. Broking applications such as Zerodha, Groww, Upstox, and Paytm Money have streamlined and simplified the investment process. However, simplified access does not denote adeptness. A significant number of young participants in the financial markets are enthusiastic, yet sorely lacking in essential skills such as budgeting, risk management, asset allocation, and comprehensive financial forecasting.

Without adequate financial capabilities, decisions are largely swayed by emotions, peer pressure, fads, or unchecked online personalities, propaganda and the often misleading world of social media. This includes the comprehension of fundamental issues such as the principles of interest, diversification, inflation, risk, and the reasoning behind the profits. A lack of adequate financial capacity promotes poor investment strategies that heavily depend on gut feelings and social information, and a general tendency to avoid risk. In addition to knowledge, trust plays an important role in translating literacy into action.

As posited by Ajzen's Theory of Planned Behavior (1991), perceived behavioral control as much as possible is believed to influence the judgement to some degree regarding whether action will follow intention. Students may be aware of what SIP is but without self-efficacy, they can be reluctant to

engage. This underlines the importance of attending to psychological proxies in the context of financial decision making.

Despite the formal education system incorporating financial sensitization modules, a large proportion of young Indians depend on platforms like YouTube, follow Instagram influencers, or employ managed paid financial advice. Although some of these digital avenues are credible and beneficial, many offer speculation, unrealistic benefits, excessive competitiveness, and harmful scepticism.

1.1 Objectives of the Study

The central objective of this document is to interrogate the relationship between financial credentials and investment choices for students and young professionals. This delving focuses on assessing several ways aspects of financial education and behavioural modification characteristics.

1. To assess financial literacy levels among students of Amity University Mumbai.
2. To analyse the impact of financial literacy on investment choices.
3. To explore the role of digital financial education and behavioural biases in investment decision-making.

1.2 Hypothesis of the Study

1.H1: Higher financial literacy levels correlate with better investment decisions among students.

2.H2: Digital financial education positively influences investment behaviour.

3.H3: Behavioural biases significantly affect investment decision-making among students.

This inquiry conduct where we seek sophistication of trust and financial literacy in determining the investment behavior while also investigating the extra influence of formal education, online classes, and social media influencers in shaping the financial decisions of young Indians.

By focusing on university students and young professionals, this study aims to address the key gaps in both financial education and behavioural funding in the Indian context.

Empirical analysis will answer the following important questions:

• Does financial competence significantly elevate investment decisions among young people? behave?

• How consequential economic impact do social media influencers have compared to illiteracy financially?

2. Literature Review

This part synthesizes theoretical and empirical literature on the impact of financial knowledge on investment behaviour, paying particular attention to the role of confidence, education (both formal and informal), as well as the growing impact of digital media and social networks on financial behaviours. Relevant theories of behavioural gap modification have also been identified in order to formulate focus of this study.

2.1 Financial Literacy and Investment Decisions

Financial ability is defined as that financial knowledge and skills which relates to achieving a particular goal in finance in a developed and competent manner. Lusardi and Mitchell (2011) indicate that financial planning and investments are positively associated with a person's financial capacity. A financially knowledgeable person is among the earliest investors, diversifies portfolios, and avoids making reckless or impulsive choices.

Focusing on India, research by Bhushan & Medury (2013) and Gayathri & Ganesan (2022) study suggests weak financial perception among the youngs. Many individuals lack understanding of rudimentary financial terms such as investment funds, capitulating, and adjusting for inflation or interest. Her paper found that only 30% of the students surveyed had received formal financial training, yet more than 68% had some investment.

This gap between participation and preparation reflects the urgent need to ascertain how financial capacity will affect investment decisions among young Indians.

2.2 Confidence as a Mediating Factor

Financial capability is fundamental, but not adequately for itself. Trust serves as a meaningful mediator that translates knowledge into actions. Ajzen's theory of planned behavior (1991) states that behavioural control assimilates behavioural control (probably trust) to determine whether an individual responds to his or her intentions. This shows that even those who have been appropriately commonsense cannot invest from investment because they are confident and are moderately confident.

The dissertation findings supported this, showing that individuals having higher financial literacy also scored higher in investment confidence (mean score: 3.6 out of 5), and that confidence had a stronger correlation with investment activity ($r = +0.28$) than financial literacy alone ($r = +0.21$). This suggests that even well-informed individuals may refrain from investing due to a lack of confidence, while moderately literate individuals who are confident may be more willing to engage in investment activity.

2.3 Role of Formal and Digital Financial Education

Traditional education systems include an increase in financial content, but cover is still limited, especially in the non-commercial sector. Formal education tends to provide structured theoretical knowledge, but not practical. Conversely, platforms for online finance formation, such as Zerodha-Varsity, Wuchs Learning, and YouTube-based courses, are popular for their accessibility and relevance.
Research results show that 42% of students have completed all forms of online finance formation, and these students have invested more safely. With access to formal education and digital education, Semion reported the highest confidence. This supports the research of Atkinson & Messy (2012).

2.4 Social Media and Influencer Impact

Modern sources of influences in relation to decision making in investing includes social media and 'Finfluencers'', as in this case, he is one of the financial influencers in Instagram, YouTube and Telegram. These individuals often endorse investment techniques, advice, and trends that can greatly influence the decisions of people, particularly novice investors.
This aligns with the findings of Nelson & Bhatia (2021) where it has been shown that the Gen-Z cohort relies on social proof and influencers for lack of in-depth traditional analysis. The interesting part of data analysis is that it has also shown a very weak negative correlation (r =-0.07) between financial competence and the impact of social media.

2.5 Theoretical Frameworks Supporting This Study

The study is grounded in several well-established theoretical frameworks:

- **Theory of Planned Behaviour (Ajzen, 1991):**

  Highlights that confidence (perceived behavioural control) influences whether an individual will act on their intentions, making it highly relevant for understanding financial decision-making.

- **Human Capital Theory (Becker, 1964):**

  Posits that education increases individual productivity and decision-making capability, supporting the study's focus on formal and digital learning.

- **Behavioural Finance:**

  Explores the cognitive biases and emotional factors—like overconfidence, herding, and risk aversion—that affect investment decisions. Your findings about social media influence, confidence gaps, and risk tolerance echo these behavioural insights.

2.6 Gaps in Existing Literature

While there is increasing scholarship on the financial capability, the only inquiry in Indian setting probes into the intersections of financial literacy, trust, mode of education, and social.
There exists the absence of an integrated model that connects the factors of cognition (knowledge), emotions (trust), and environment (social media) into one model. This paper fills this void through primary data collected from 230 respondents along with gaining actionable insight utilizing statistical tools. Furthermore, it advocates for the impact of modern digital instruments and the progression of influencer culture. This remains an underexplored area within the study of financial behaviour.

3. Research Methodology

This chapter outlines the designs of the research, sampling approaches, equipment for data collection, logic-based procedures, and the key variables that shaped the study. The objective was to evaluate the impact of financial ability on investment activities among young Indians while looking at the intermediary trust and influence from education and social media.

3.1 Research Design

The study applied a quantitative approach using a cross-sectional study design. Of the various data collection approaches, quantitative was best suited to determine the statistical relationships between the study variables such as financial competence, trust, social media, and their activational influences, hence engagement in investment activities. Cross-sectional design enabled the collection of data at one single point in time. This was appropriate for studying the behavior and attitudinal trends of students and young professionals within a certain age band of 18 to 27 years within a certain population cohort.

3.2 Population and Sampling

The focus population included university students from India and recently graduated care professionals with an association to Amity University Mumbai and wider academic and social circles. This group was chosen for their digital financial services adoption rates and the noticeable gap between the levels of enthusiasm around investments and the level of financial education around it. Participants were recruited through online academic communities, institutional mailing lists, and social media. Stratification was based on two criteria: (non-investment)

- Educational background (commerce vs. non-commerce)
- Investment experience (investors vs. non-investors)

This approach guaranteed the representation of various subgroups and maintained a simultaneously manageable and relevant sample.

3.3 Sample Size

A total of **230 proper responses** were collected using Google Forms. Respondents were aged between **18 and 27 years**, reflecting India's youth demographic. Inclusion criteria required participants to be:

- Currently enrolled in or recently graduated from a higher education institution
- Aware of or involved in financial decision-making (either independently or through guardians)

3.4 Data Collection Tool

The data was collected via a **structured questionnaire** developed using Google Forms. The questionnaire was divided into five sections:

1. **Demographic Information:** Age, gender, education level, income bracket, investment experience
2. **Financial Literacy:** Self-assessment and objective knowledge-based questions (e.g., inflation, compound interest)
3. **Confidence Level:** Likert-scale items measuring confidence in making financial decisions
4. **Education Exposure:** Access to formal courses and online learning platforms
5. **Social Media Influence:** Frequency and impact of influencers and financial content on platforms like Instagram, YouTube, Telegram

All questions were pre-tested for clarity and relevance before final distribution.

3.5 Variables of the Study

Variable Type	**Variables**
Independent Variables	Financial literacy, formal education, online education, social media influence
Mediating Variable	Confidence in investment decisions
Dependent Variable	Investment activity (whether or not the respondent invests)

Each variable was measured on a Likert scale using a combination of question and categorical responses. For example, financial competence was assessed on both self-report level and objective questions.

3.6 Data Analysis Techniques

The collected data was cleaned, validated, and analyzed using the following tools:

- **Google Sheets** for organizing and preliminary cleaning
- **Microsoft Excel** for descriptive statistics and graphical representation
- **Jamovi** (open-source statistical software) for correlation and regression analysis

Descriptive Statistics, such as mean, median, and frequency distribution, were used to summarise demographic characteristics.
Pearson Correlation Coefficients were used to test relationships between variables.
Regression Analysis was employed to examine the predictive power of financial literacy and confidence on investment activity.
Moderation and Mediation Analysis was applied to test the role of confidence and the influence of social media.

3.7 Ethical Considerations

Participation in this study was voluntary and anonymous. A declaration of consent was obtained at the start of the investigation. Respondents were guaranteed that their data remained confidential and would be used only for academic purposes.

3.8 Limitations of Methodology

- The cross-sectional design captures data at one point in time and does not account for behavioral changes over time.
- The use of self-reported data may introduce **response bias** or **social desirability bias**.
- The sample, while diverse, is limited to students and young professionals primarily in one region (Mumbai), which may affect generalizability.

4. Data Analysis and Findings

In this segment, we discuss the outcomes of the trust, financial knowledge, social media, formal education, and online education relationship with the investment behavior of youth in India concerning the results from the statistical analysis conducted. The analysis was performed using various tools available in Micorsoft Excel that include calculating descriptive statistics, correlation coefficients, and constructing linear regression models.

4.1 Descriptive Statistics

The sample consisted of **230 respondents**, aged **18–27 years**, with the following breakdown:

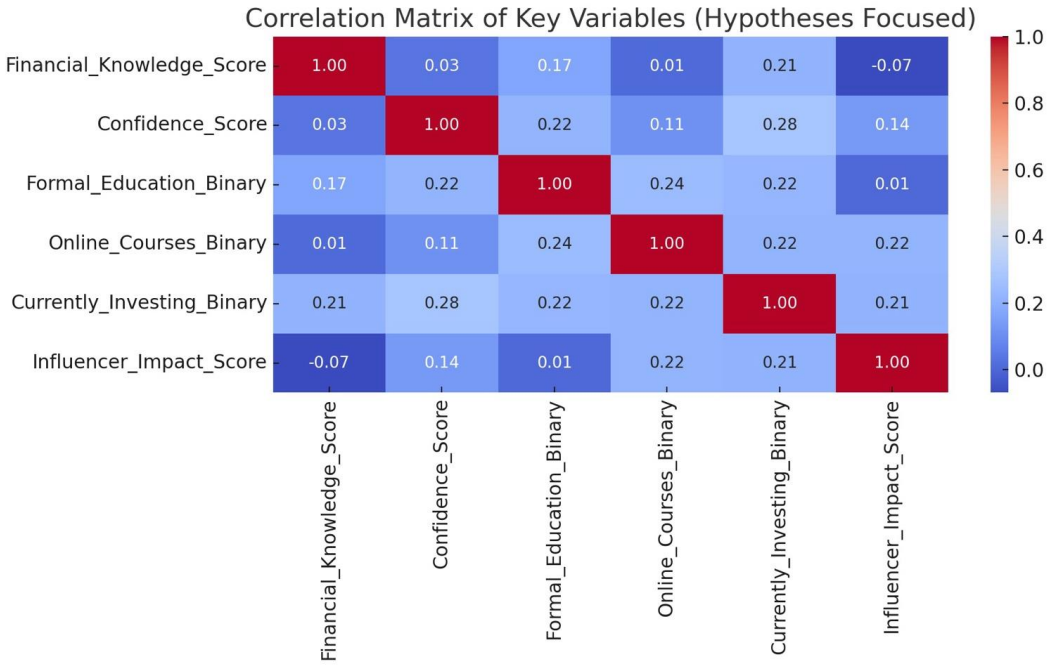
- **Gender:** 62% female, 38% male
- **Educational Background:** 55% commerce students, 45% non-commerce students
- **Investment Experience:** 68% had invested at least once; 32% had never invested
- **Financial Literacy (self-rated):** 35% rated themselves as highly literate, 40% moderately literate, and 25% low in literacy
- **Confidence in Investment Decisions:** On a 5-point Likert scale, the average score was **3.6**, indicating moderate confidence across the sample
- **Access to Financial Education:**
    - 30% had formal classroom training
    - 42% had engaged in online financial education (YouTube, Groww Academy, Zerodha Varsity)
    - 28% had no formal or digital financial training
- **Social Media Influence:** 40.4% reported that social media influencers played a significant role in their investment decisions

4.2 Correlation Analysis

Pearson's correlation coefficients were computed to assess relationships among key variables:

Figure 4.3 Correlation Heatmap: Interrelationship Between Key Variables
The heatmap visually represents the correlation coefficients between the following key variables in the study:

- Financial Literacy
- Confidence
- Investment Frequency
- Participation in Online Courses
- Social Media/Influencer Impact



The Correlation heat map presented above was generated by editing available data graphs in the Excel. The strength and direction of the correlation were illustrated using the intensity of the color (e.g., blue or green hues represent positive correlation while red or orange indicates negative correlation). strong correlation. These shades also highlight the degree of the relationship between intensifying lighter shades indicating weaker relationships, weakened compounds, or negligible values.

Variables	**Correlation Coefficient (r)**
Financial Literacy ↔ Investment Activity	**+0.21** (moderate positive correlation)
Confidence ↔ Investment Activity	**+0.28** (stronger correlation)
Formal Education ↔ Confidence	**+0.26**
Online Education ↔ Confidence	**+0.24**
Social Media Influence ↔ Investment Activity	**+0.21**
Financial Literacy ↔ Social Media Influence	**-0.07** (weak inverse correlation)

Investment behavior relates and relies heavily to trust with financial capacity distinctly playing a role as well, social media public relies on financial ability to a degree, but that dependency is inversely proportional among lesser financial knowledge holders.

4.3 Regression Analysis

Multiple linear regression analyses were performed to test the predictive staff for independent variables (financial competence, education, trust, social media) for investment behavior.

Regression Model Summary:

- **R^2 = 0.32**, meaning 32% of the variance in investment behaviour is explained by the model
- **Significant Predictors (p < 0.05):**
    - Confidence (β = 0.31)
    - Financial Literacy (β = 0.22)
    - Formal Education (β = 0.19)
    - Social Media Influence (β = 0.17)

The analysis suggests that confidence is the most prominent predictor of investment behavior, followed by financial literacy, formal financial education, and social media influence impacting respondents positively progressively for those who are less literate.

4.4 Mediation Analysis

To test whether **confidence mediates** the relationship between financial literacy and investment behaviour, a **simple mediation model** was run using Jamovi.

- **Indirect effect (Financial Literacy → Confidence → Investment):** Statistically significant
- **Direct effect:** Also significant but reduced when confidence was included

This indicates partial **mediation. In other words,** financial **capacity directly** contributes **both** to **the** impact on **trust on investment behaviour.**

4.5 Hypothesis Testing Summary

Hypothesis	**Result**
H1: Financial literacy positively influences investment behavior	Supported
H2: Confidence mediates the relationship between financial literacy and investment	Supported (partial mediation)
H3: Formal and online education positively impact confidence and investment behavior	Supported
H4: Social media has a stronger influence on low-literacy individuals	Supported (inverse correlation with literacy)

4.6 Key Findings

1. **Financial Literacy Matters** – More knowledgeable youth were more likely to make informed investment decisions.
2. **Confidence is Critical** – Even with average knowledge, high confidence was strongly linked to action.
3. **Education Enhances Confidence** – Both formal coursework and online financial learning tools significantly boosted respondents' confidence.
4. **Influencers Are Powerful—But Risky** – Many low-literacy individuals rely on social media influencers, which increases risk of impulsive or poorly informed investment choices.
5. **Blended Learning Works Best** – Respondents who engaged in both formal and digital learning demonstrated the highest levels of confidence and engagement.

5. Discussion

This study validates the theories of behaviour funding and planned behaviour. Trust is crucial, as financial capability alone does not suffice. Trust is bolstered strongly by both formal and informal education. Social media acts as a double edged sword. While it provides commendable access to information and serves as a source of trends and inspirations, it equally stands the risk of being misaligned with trends. Social media cultivators of content were approached with a more critical and analytical perspective by financially savvy individuals.

6. Implications

For Educational Institutions:

- Introduce core personal finance and investment literacy modules across all disciplines
- Use simulations and real-time case studies to build practical understanding

For Policymakers and Regulators:

- Promote youth-focused financial literacy programs in collaboration with fintech platforms
- Enforce guidelines on social media financial influencers to prevent misinformation

For Students And Young Investors:

- Start with low-risk, diversified investment options like mutual funds and SIPs
- Use digital learning tools (Zerodha Varsity, Groww Academy) for continual skill development

- Be cautious of unverified advice from social media influencers

7. Limitations and Future Research

- Survey results are limited to one institution and might not apply universally across the country.
- There may be some biases related to trust when it comes to self-registration.
- Using a longitudinal approach would help in observing changes over behaviour for future work.
- Through qualitative interviews, deeper understanding can be achieved over emotionally charged financial words.
- Real time evaluation of efficacy can be attained through exploring the implementation of fintech based educational initiatives considering real time evaluation of efficacy targets immediate assessment.

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