



An Empirical Study on the Influence of Financial Literacy on Savings and Investment Behaviour Among Young Adults

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ABSTRACT :

This study examines how financial literacy, measured through financial knowledge, financial attitude and financial behaviour, influences the savings and investment habits of young adults, and whether income level changes this relationship. Design/methodology: A structured questionnaire using a five-point Likert scale was administered to young adults aged 18–26 years, and the data were analysed in Microsoft Excel using descriptive statistics, Cronbach's alpha, Pearson correlation, chi-square tests of independence, one-way ANOVA and multiple linear regression, including an interaction (moderation) model. Findings: Composite financial literacy was high ($M = 4.00$ on a 5-point scale) and significantly and positively predicted both savings habits ($\beta = .53$, $R^2 = .28$) and investment habits ($\beta = .70$, $R^2 = .49$). Financial knowledge was the strongest predictor of savings ($\beta = .74$), while financial attitude was the strongest predictor of investment ($\beta = .68$). Income level significantly moderated the literacy–savings relationship (interaction $B = .46$, $p < .001$) but not the literacy–investment relationship ($p = .51$). Chi-square tests showed no significant association between literacy level and actual investment participation ($\chi^2 = 3.81$, $p = .149$), whereas employment status, residence and income were associated with investing. Mediation by financial self-efficacy could not be tested because the instrument did not measure it. Originality: The study links the three dimensions of financial literacy separately to savings and investment habits among young Indian adults and tests income as a moderator. Implications: Financial education for young adults should combine knowledge building with attitude formation and income-sensitive guidance.

Keywords: *financial literacy; financial knowledge; financial attitude; financial behaviour; savings habits; investment habits; young adults; income level; India*

Introduction

Financial decisions made in early adulthood, such as whether to save regularly, how to plan spending and whether to invest, shape long-term wealth and security. Young adults today enter a financial landscape that is more complex than that faced by earlier generations: digital payments, instant credit, mutual fund applications and online trading platforms have made financial products easy to access, but also easy to misuse. In this environment, the ability to understand and apply financial concepts, commonly called financial literacy, has become a core life skill (Lusardi & Mitchell, 2014).

International evidence suggests that financial literacy remains low across many countries. The S&P Global FinLit Survey reported that only about one in three adults worldwide could answer basic financial questions correctly, and that India was well below the global average (Klapper, Lusardi & van Oudheusden, 2015). Young people are a particular concern, since they often have limited experience, are early in their earning careers and are a target of aggressive marketing of credit and speculative products (Lusardi, Mitchell & Curto, 2010).

Financial literacy is not only about knowing facts. Following Huston (2010) and Potrich, Vieira and Mendes-Da-Silva (2016), this study treats it as a multidimensional construct with three parts: financial knowledge (what a person understands), financial attitude (what a person believes and values) and financial behaviour (what a person actually does). Each of these may influence savings and investment in a different way. A person may know how inflation works but still not save, or may hold a positive attitude towards saving without having the knowledge to choose suitable instruments.

Two further factors are likely to shape the link between literacy and habits. First, financial self-efficacy, the belief in one's own ability to manage money (Bandura, 1977; Lown, 2011), may explain how knowledge is converted into action. Second, income level may limit or enlarge the extent to which literacy can be put into practice, because a person with no income has little to save or invest regardless of what they know. The present study therefore examines the direct effect of financial literacy on savings and investment habits and specifies the mediating role of self-efficacy and the moderating role of income in its conceptual model.

The remainder of the paper is organised as follows: Section 2 reviews the literature; Section 3 presents the conceptual framework; Sections 4 and 5 state

the objectives and hypotheses; Section 6 describes the methodology; Section 7 reports the analysis; Sections 8 to 11 discuss the findings, implications, limitations and conclusions.

2. Review of Literature

Rapina et al. (2023) studied how financial literacy and financial behavior affect entrepreneurial motivation among accounting students in West Java, Indonesia. Both had a significant positive association with motivation, and financial behavior mediated the link between literacy and motivation. The study is novel for testing this mediating effect, addressing the scarcity of research linking all three variables in Indonesia.

Duvenhage, Keyser and Moepi (2025) examined financial literacy and savings in South Africa using NIDS panel data. Higher literacy was linked to a greater propensity to save, while males and certain racial groups were less likely to save. The study distinguishes literacy from behavior and uses several econometric models, filling a gap in South African evidence.

Chaturvedi, Singh, Jain and Chaturvedi (2024) assessed the impact of financial literacy dimensions on the investment behavior of young Indian investors aged 18 to 35. Financial behavior, attitude, and basic and advanced knowledge all had significant positive effects, with financial behavior and advanced knowledge the most important. The study addresses the lack of work testing literacy dimensions against investment behavior for young investors.

Ammer and Aldhyani (2022) explored the determinants of investment awareness among young Saudi university students. Financial literacy, self-control, saving behavior, and family financial socialization had significant positive effects, while spending patterns and risk attitude were insignificant. Its novelty is a model combining cognitive and non-cognitive factors in a developing-country setting.

Alshebami and Aldhyani (2021) examined how parental and peer influence shape financial literacy, and how literacy affects saving behavior among Saudi youth, with self-control as a moderator. Social influence positively predicted literacy, literacy improved saving habits and mediated the effect of social influence, and self-control unexpectedly moderated the relationship negatively. The study fills a gap in research on young people's financial literacy in developing countries.

Pangestu and Karnadi (2020) analysed how financial literacy and materialism affect the savings decisions of Indonesian Generation Z students. Financial literacy influenced savings decisions positively and materialism negatively, and age, gender, and major affected literacy scores. The study is novel for adding materialism as a psychological factor.

Ofori (2022) examined whether savings and investment habits moderate the relationship between financial literacy and sustainable development among microfinance customers. Financial literacy enhanced sustainable development, and savings and investment habits both affected it directly and moderated the relationship. The study addresses the lack of attention to this interplay in existing financial literacy programs.

Kaiser and Menkhoff (2023) conducted a meta-analysis of 126 impact evaluations of financial education. Education significantly improved financial behavior (effect size 0.09) and literacy (0.26), but effects were weaker for low-income clients and countries and for mandatory programs, and stronger with higher intensity and "teachable moments". The study helps explain conflicting results in earlier meta-analyses.

Abebe, Tekle and Mano (2018) tested financial literacy training and SMS reminders on the savings of micro-entrepreneurs in Ethiopia through a randomised experiment. Reminders increased savings, the combination of reminders and training improved literacy and bank deposits, and training alone had no significant effect. It is the first study to compare the individual and joint effects of the two interventions.

Virjan, Virjan and Ursea (2022) assessed the behavior of young Romanian economists before and after a financial education course. Consumption fell from 70–80% to 30–50% of income, savings rose from 20–30% to 40–60%, investment increased, and self-perceived literacy improved. The study addresses the scarcity of research on financial education for young people in Romania in a digital context.

Farinella, Bland and Franco (2017) compared standalone and integrated money management education among high school students. A standalone course did not improve financial literacy or willingness to avoid debt, whereas learning the topic within another course did. The study addresses the limited evidence on whether dedicated courses outperform integrated ones.

Prawitz and Cohart (2025) examined whether employee-needs-driven workplace financial education improves financial behavior. Participants were 1.8 times more likely to budget, 1.9 times more likely to review asset allocation, and 1.6 times more likely to raise retirement contributions, and their negative

behaviors fell by 32% against 16% for non-participants. The quasi-experimental, theory-driven design fills gaps in earlier studies that lacked comparison groups.

Simunic (2016) explored how formal education, spending habit, and planning habit influence investing habit using a national dataset (NFCS, $n = 25,509$). Planning habit had the strongest positive influence ($\text{Beta} = 0.267$), spending habit a smaller one, and formal education a negative one; the model explained 26% of the variance. The study is novel for testing the three factors together.

Aydemir (2021) estimated the causal effect of years of education on savings in Turkey, using a compulsory schooling reform as a natural experiment. Education raised saving propensity and amounts among women by 4–5 percentage points per year and moved their savings toward formal channels, with no significant effect for men. The study addresses the limited evidence on gender differences and on middle-income countries.

Atkinson, Messy, Rabinovich and Yoong (2015) reviewed the literature on financial education for long-term savings and investments. Effective programs had sufficient duration, workplace delivery, saving incentives, "teachable moments", and technology-based tools, although the evidence was limited. The review notes few rigorous evaluations, mostly from the US, and little information on costs and long-term impact.

Calderone et al. (2020) evaluated financial literacy training for low-income branchless banking clients in India through a randomised experiment. Training increased total savings by Rs 2,648 (49%) and improved attitudes, though not knowledge, while post-harvest reminders alone had no effect. The study addresses the mixed evidence from developing countries and the few studies on mechanisms.

Khoirunnisa and Johan (2020) analysed how financial literacy and self-control affect the financial behavior of high school students in Bogor, Indonesia. Financial attitude and self-control had positive effects, financial knowledge had none, and overall behavior was poor. The study is novel for separating knowledge and attitude and comparing high-grade and low-grade schools.

Andriani and Nugraha (2018) investigated financial literacy and spending habits by gender among employees in Indonesia. There was no significant gender difference; both groups had low literacy (37.88% for females, 29.75% for males) and tight spending habits, spending mostly on daily needs and saving in bank accounts. The study addresses mixed evidence on gender differences in financial literacy.

Sabri and MacDonald (2016) analysed how financial literacy relates to savings behavior and financial problems among Malaysian college students. Literacy was positively related to savings and negatively related to financial problems, while financial socialization was associated with more problems and Chinese ethnicity with lower savings. It is the first study to link literacy to both outcomes in Malaysia.

Fenta, Dessie, Mitku and Muluneh (2017) assessed saving habits and their determinants in Ethiopia's Amhara region ($n = 1,059$). About 62.1% of respondents saved, and education, employment as a businessman, household headship, living status, income, and alcohol use were significant predictors; banks were the most used institutions (56.2%). The study addresses limited research on urban saving habits in Ethiopia.

Lusardi (2008) reviewed the role of financial literacy, information, and financial education in US household saving behavior. Financial illiteracy was widespread, especially among women, minorities, and the less educated; literacy correlated with retirement planning and wealth, and education programs showed mixed but promising results. The paper notes a lack of understanding of causal mechanisms and of cost-effectiveness.

Marthak (2020) examined how gender and family structure affect the savings and investment habits of working-class individuals in India. Males saved more than females, nuclear families invested more than joint families, and savings and investment habits were strongly correlated ($r = 0.65$). The study is novel for combining gender and family structure.

Hidayat and Hermawan (2025) examined how behavioral factors affect financial management and saving among Indonesian Gen Z, with financial literacy as a moderator. Self-control, mental accounting, and future orientation had positive effects, financial anxiety a negative one, and literacy strengthened the positive effects. The study addresses limited research on behavioral traits and literacy in emerging markets.

Rajasekaran, Kiran, Varadaraj and Aarcha (2021) analysed the impact of financial pedagogy on household savings and investment portfolios in Kerala, India. Households favoured conventional low-risk instruments, and financial education was significantly and positively related to savings behavior and portfolio diversification. The study addresses the shortage of region-specific empirical work on Kerala.

Hathaway and Khatiwada (2020) critically reviewed research on the effect of financial education programs on consumer behavior. Financial knowledge correlated positively with behavior, targeted programs such as homeownership and credit card counseling tended to work, and general programs showed unclear results. The review stresses the lack of conclusive evidence and the need for formal program evaluation.

. Conceptual Framework

The framework (Figure 1) positions financial literacy, composed of financial knowledge, financial attitude and financial behaviour, as the independent variable, and savings habits and investment habits as the dependent variables. Financial self-efficacy is proposed as a mediator that carries part of the effect of literacy to habits, and income level is proposed as a moderator that changes the strength of the relationship.

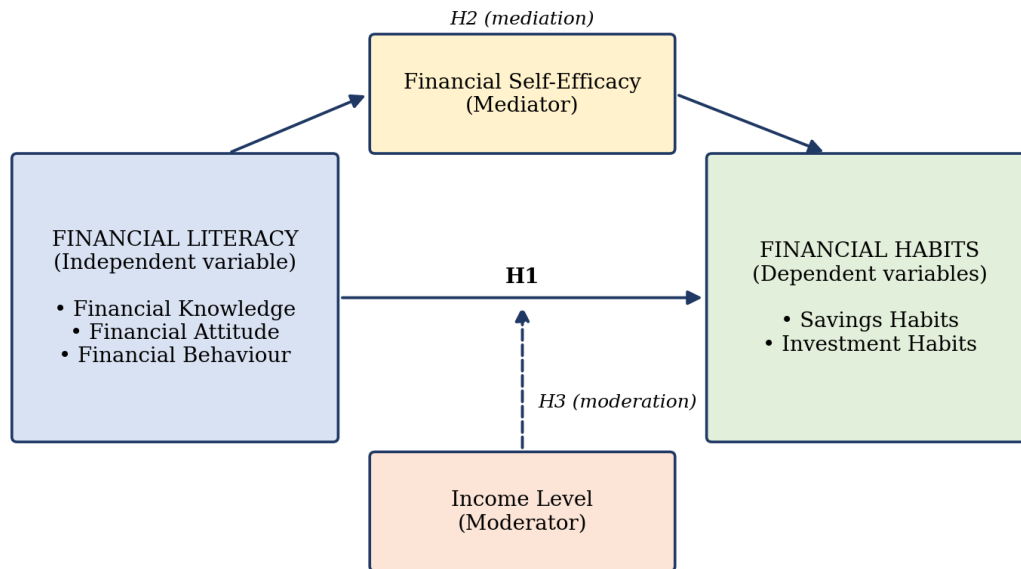


Figure 1: Conceptual framework of the study

4. Research Objectives

- To analyse the relationship between financial literacy and the savings habits of young adults.
- To analyse the relationship between financial literacy and the investment habits of young adults.
- To examine the influence of financial knowledge, financial attitude and financial behaviour on savings and investment habits.
- To analyse the mediating effect of financial self-efficacy on the relationship between financial literacy and savings habits.
- To analyse the mediating effect of financial self-efficacy on the relationship between financial literacy and investment habits.
- To examine the moderating effect of income level on the relationship between financial literacy and savings habits.
- To examine the moderating effect of income level on the relationship between financial literacy and investment habits.
- To identify which dimension of financial literacy has the strongest influence on the savings and investment habits of young adults.

5. Research Hypotheses

5.1 Theoretical hypothesis

H_{0T}: Financial literacy has no significant impact on the savings and investment habits of young adults.

H_{1T}: Financial literacy has a significant positive impact on the savings and investment habits of young adults.

5.2 Analytical hypothesis – direct effect

H₀₁: Financial literacy has no significant relationship with the savings and investment habits of young adults.

H₁₁: Financial literacy has a significant positive relationship with the savings and investment habits of young adults.

5.3 Analytical hypothesis – mediation

H₀₂: Financial self-efficacy does not significantly mediate the relationship between financial literacy and the savings and investment habits of young adults.

H₁₂: Financial self-efficacy significantly mediates the relationship between financial literacy and the savings and investment habits of young adults.

5.4 Analytical hypothesis – moderation

H₀₃: Income level does not significantly moderate the relationship between financial literacy and the savings and investment habits of young adults.

H₁₃: Income level significantly moderates the relationship between financial literacy and the savings and investment habits of young adults.

5.5 Supplementary hypotheses tested with chi-square and ANOVA

To describe how literacy and habits differ across groups, two further sets of null hypotheses were tested. For chi-square, H₀: the two categorical variables are independent (for example, literacy level and investment participation). For one-way ANOVA, H₀: the mean scores of all groups are equal. All tests use a 5 per cent significance level.

6. Research Methodology

6.1 Research design

The study follows a descriptive and explanatory (causal-comparative) research design using primary data collected through a cross-sectional survey.

6.2 Population, sample and data collection

The target population is young adults aged 18–26 years. Data were collected through a structured online questionnaire between 13 and 28 September 2026 (as recorded in the response timestamps). The sampling method was [confirm: convenience / purposive / snowball] and the study area was [confirm: e.g., Andhra Pradesh]. The dataset contains 120 records. Respondents were 100 aged 18–20 years (83.3%), 10 aged 21–23 years and 10 aged 24–26 years. All respondents were female and all held a bank account.

6.3 Research instrument

The questionnaire has two parts. Part A collects demographic and financial-profile information (age, gender, education, employment status, monthly personal and household income, place of residence, marital status, bank account ownership and whether the respondent has invested in financial products). Part B contains 25 statements measured on a five-point Likert scale (1 = strongly disagree to 5 = strongly agree), arranged in five constructs of five items each, as shown in Table 1.

Table 1: Constructs and measurement

Construct	Items	Sample statement
Savings habits (SAV)	5	My understanding of inflation motivates me to plan my savings carefully.
Investment habits (INV)	5	I compare different investment options before investing my money.
Financial knowledge (KNOW)	5	I understand how inflation affects the value of money.
Financial attitude (ATT)	5	I am willing to postpone unnecessary spending to achieve my financial goals.
Financial behaviour (BEH)	5	I prepare or follow a personal budget.

Composite financial literacy (FL) is the mean of the knowledge, attitude and behaviour scores. Because the instrument contains no financial self-efficacy items, the mediating role of self-efficacy specified in the framework could not be measured (see Section 7.9). Income level is measured by monthly personal income and coded as an ordinal rank (0 = no personal income, 1 = below ₹15,000, 2 = ₹30,001–₹50,000, 3 = above ₹75,000).

6.4 Tools and techniques of analysis

All analysis was carried out in Microsoft Excel using formulas so that every statistic is traceable. Likert responses were coded 1–5. The techniques used were:

- **Descriptive statistics and reliability:** frequencies, percentages, means, standard deviations and Cronbach's alpha (Cronbach, 1951).
- **Pearson correlation:** to assess bivariate association among the study variables.
- **Chi-square test of independence:** to test association between categorical variables; Cramér's V is reported as effect size.
- **One-way ANOVA:** to compare mean scores across groups; eta-squared is reported as effect size.
- **Multiple linear regression (OLS):** to estimate the effect of literacy and its dimensions on savings and investment habits, with variance inflation factors (VIF) to check multicollinearity. Moderation was tested by adding a mean-centred literacy × income interaction term (Baron & Kenny, 1986).

Financial-literacy level was classified from the composite score as low (below 3.5), moderate (3.5 to below 4.0) and high (4.0 or above). These cut-offs

are the authors' choice and can be changed in the workbook.

7. Data Analysis and Interpretation

7.1 Sample profile

Table 2: Demographic profile of respondents

Variable	Category	Frequency	Percent
Age	18–20 years	100	83.3
	21–23 years	10	8.3
	24–26 years	10	8.3
Education	Higher secondary	10	8.3
	Diploma	10	8.3
	Undergraduate	80	66.7
	Postgraduate	20	16.7
Employment	Student	100	83.3
	Salaried employee	20	16.7
Personal income	No personal income	70	58.3
	Below ₹15,000	20	16.7
	₹30,001–₹50,000	20	16.7
	Above ₹75,000	10	8.3
Residence	Urban	60	50.0
	Semi-urban	20	16.7
	Rural	40	33.3
Marital status	Single	100	83.3
	Other	20	16.7
Invested in financial products	Yes	30	25.0
	No	90	75.0

The sample is predominantly young (83.3% aged 18–20), student (83.3%) and undergraduate (66.7%), and 58.3% have no personal income. One in four respondents (25.0%) has invested in financial products. Household income was reported as "prefer not to say" by 41.7%, so personal income is used as the income measure.

7.2 Descriptive statistics and reliability

Table 3: Descriptive statistics and reliability of constructs

Construct	Items	Mean	SD	Cronbach's α
Savings habits	5	3.92	0.55	.581
Investment habits	5	4.18	0.41	.810
Financial knowledge	5	4.02	0.49	.899
Financial attitude	5	4.27	0.54	.863
Financial behaviour	5	3.72	0.65	.924
Composite financial literacy	15	4.00	0.42	.892

All constructs have mean scores between 3.7 and 4.3, meaning respondents on average agree with the statements. Financial attitude is the highest ($M = 4.27$) and financial behaviour the lowest ($M = 3.72$), indicating a gap between what respondents believe and what they do. Reliability is acceptable to excellent for investment habits, knowledge, attitude, behaviour and composite literacy ($\alpha = .81$ to $.92$; Nunnally, 1978). The savings-habits scale, however,

has low internal consistency ($\alpha = .58$), so results involving savings should be interpreted cautiously and the scale should be refined in future work.

7.3 Correlation analysis

Table 4: Pearson correlation matrix

	SAV	INV	KNOW	ATT	BEH	FL
SAV	1	.692***	.710***	.566***	.027	.530***
INV		1	.717***	.878***	.094	.700***
KNOW			1	.621***	.394***	.855***
ATT				1	.092	.714***
BEH					1	.708***
FL						1

Composite literacy is positively and significantly correlated with savings habits ($r = .53$) and investment habits ($r = .70$). Knowledge is strongly related to both outcomes ($r = .71$ and $.72$). Attitude is very strongly related to investment habits ($r = .88$) and moderately to savings habits ($r = .57$). Behaviour shows no significant simple correlation with savings ($r = .03$, $p = .766$) or investment ($r = .09$, $p = .305$).

7.4 Chi-square tests of independence

Table 5 shows the cross-tabulation of literacy level and investment participation, and Table 6 summarises all six chi-square tests.

Table 5: Financial-literacy level and investment participation (observed counts)

Literacy level	Has invested	Has not invested	Total
Low	0	10	10
Moderate	10	30	40
High	20	50	70
Total	30	90	120

Table 6: Summary of chi-square tests

Test	χ^2	df	p	Cramér's V	Cells E<5
Literacy level $\times$ Invested	3.81	2	.149	.18	1 of 6
Education $\times$ Invested	40.00	3	< .001	.58	2 of 8
Employment $\times$ Invested	8.00	1	.005	.26	0 of 4
Residence $\times$ Invested	8.89	2	.012	.27	0 of 6
Personal income $\times$ Invested	74.29	3	< .001	.79	1 of 8
Personal income $\times$ Literacy level	61.22	6	< .001	.51	4 of 12

Financial-literacy level is not significantly associated with whether a respondent has invested ($\chi^2(2) = 3.81$, $p = .149$), so H_0 is not rejected. This is an important qualification of the regression findings: higher self-reported literacy goes with a stronger investment attitude, but does not by itself distinguish investors from non-investors. Investment participation is instead significantly associated with employment status ($\chi^2(1) = 8.00$, $p = .005$; 40% of salaried employees versus 20% of students have invested), residence ($\chi^2(2) = 8.89$, $p = .012$), education and personal income. Personal income is also associated with literacy level. Effect sizes for education and income are large, but the low expected counts and the small number of respondents in some categories mean these results are indicative only.

7.5 One-way ANOVA

Table 7: Summary of one-way ANOVA results

Dependent variable by factor	F	df	p	η^2
Savings by literacy level	20.31	2, 117	< .001	.26
Investment by literacy level	67.67	2, 117	< .001	.54
Literacy by education	3.80	3, 116	.012	.09
Literacy by residence	5.87	2, 117	.004	.09
Literacy by age group	30.15	2, 117	< .001	.34
Literacy by personal income	20.73	3, 116	< .001	.35
Savings by personal income	20.18	3, 116	< .001	.34
Investment by personal income	2.91	3, 116	.038	.07
Savings by education	2.08	3, 116	.107	.05
Investment by education	2.78	3, 116	.044	.07

Table 8: Group means for selected ANOVA tests

Group	n	Mean	SD
Savings by literacy level: Low	10	3.00	0.00
Savings by literacy level: Moderate	40	4.00	0.56
Savings by literacy level: High	70	4.00	0.46
Investment by literacy level: Low	10	3.20	0.00
Investment by literacy level: Moderate	40	4.35	0.26
Investment by literacy level: High	70	4.23	0.31
Literacy by income: No personal income	70	3.81	0.39
Literacy by income: Below ₹15,000	20	4.23	0.17
Literacy by income: ₹30,001–₹50,000	20	4.43	0.38
Literacy by income: Above ₹75,000	10	4.00	0.00
Savings by income: No personal income	70	3.86	0.56
Savings by income: Below ₹15,000	20	3.90	0.10
Savings by income: ₹30,001–₹50,000	20	4.50	0.31
Savings by income: Above ₹75,000	10	3.20	0.00

Savings and investment habits differ significantly across literacy levels, with large effects ($\eta^2 = .26$ and $.54$). The difference is driven mainly by the low-literacy group (savings $M = 3.00$, investment $M = 3.20$) compared with the moderate and high groups (savings $M = 4.00$ in both; investment $M = 4.35$ and 4.23). Note that the low group consists of only 10 records with identical answers, so this contrast rests on very little independent information. Literacy also varies by income: respondents with no personal income scored lowest ($M = 3.81$) and those earning ₹30,001–₹50,000 highest ($M = 4.43$). Savings habits are strongest in the ₹30,001–₹50,000 income band ($M = 4.50$) and lowest in the highest income band ($M = 3.20$), which shows that a higher income does not automatically mean stronger savings habits. Post-hoc tests and Levene's test are not available in basic Excel; because group sizes are unequal, significant ANOVA results should be confirmed with Tukey/Games-Howell tests in statistical software.

7.6 Regression analysis – direct effect of financial literacy

Table 9: Simple regression of savings and investment habits on financial literacy

Outcome	B	SE	β	t	p	R ²	F(1, 118)
Savings habits	0.687	0.101	.530	6.79	< .001	.281	46.05
Investment habits	0.687	0.065	.700	10.65	< .001	.490	113.47

Financial literacy has a significant positive effect on both outcomes. A one-point increase in the literacy score raises savings habits by 0.69 points ($\beta = .53$) and investment habits by 0.69 points ($\beta = .70$). Literacy explains 28.1% of the variance in savings habits and 49.0% in investment habits. The null hypotheses H_{0T} and H_{0I} are therefore rejected.

7.7 Regression analysis – dimensions of financial literacy

Table 10: Multiple regression on knowledge, attitude and behaviour

Outcome / predictor	B	SE	β	t	p	VIF
Savings habits ($R^2 = .591$, adj. $R^2 = .581$, $F(3, 116) = 55.88$, $p < .001$)						
Knowledge	0.823	0.094	.735	8.76	< .001	2.00
Attitude	0.136	0.079	.135	1.74	.085	1.70
Behaviour	-0.230	0.055	-.275	-4.16	< .001	1.24
Investment habits ($R^2 = .827$, adj. $R^2 = .823$, $F(3, 116) = 185.20$, $p < .001$)						
Knowledge	0.284	0.046	.335	6.13	< .001	2.00
Attitude	0.521	0.039	.680	13.50	< .001	1.70
Behaviour	-0.064	0.027	-.100	-2.33	.021	1.24

The three dimensions jointly explain 59.1% of the variance in savings habits and 82.7% in investment habits. For savings, financial knowledge is by far the strongest predictor ($\beta = .74$), attitude is not significant once the other dimensions are controlled ($p = .085$), and behaviour has a significant negative coefficient ($\beta = -.28$). For investment, financial attitude is the strongest predictor ($\beta = .68$), followed by knowledge ($\beta = .34$), while behaviour is weakly negative ($\beta = -.10$). Objective 8 is therefore answered as follows: knowledge matters most for savings and attitude matters most for investment.

The negative coefficients for behaviour deserve care. Behaviour has almost no simple correlation with either outcome ($r = .03$ and $.09$), but is positively correlated with knowledge ($r = .39$). When knowledge is held constant, respondents with more habitual budgeting and monitoring score slightly lower on the outcome scales, a pattern typical of statistical suppression rather than evidence that good financial behaviour reduces saving. It should not be interpreted causally.

7.8 Moderating effect of income level

Table 11: Moderation by personal income (mean-centred variables)

Outcome / term	B	SE	β	t	p
Savings habits ($R^2 = .408$, $F(3, 116) = 26.63$, $p < .001$)					
Financial literacy (centred)	0.895	0.104	.690	8.59	< .001
Income rank (centred)	-0.172	0.044	-.319	-3.94	< .001
Literacy $\times$ Income	0.456	0.119	.281	3.83	< .001
Investment habits ($R^2 = .583$, $F(3, 116) = 54.08$, $p < .001$)					
Financial literacy (centred)	0.836	0.066	.852	12.65	< .001
Income rank (centred)	-0.141	0.028	-.345	-5.07	< .001
Literacy $\times$ Income	0.050	0.076	.041	0.66	.512

The interaction between literacy and income is significant for savings habits ($B = 0.46$, $p < .001$) but not for investment habits ($B = 0.05$, $p = .512$). Income therefore strengthens the effect of literacy on savings: literacy translates into saving more strongly among respondents with higher income ranks. H_{03} is rejected for savings and not rejected for investment. Because income is coded as a four-level ordinal rank with unequal intervals, and 58% of respondents have no personal income, this result should be treated as exploratory.

7.9 Mediating effect of financial self-efficacy

Hypotheses H_{02} and H_{12} and objectives 4 and 5 concern the mediating role of financial self-efficacy. The questionnaire, however, contains no items measuring self-efficacy, so a mediation analysis (for example the Baron and Kenny steps or a bootstrapped indirect effect) cannot be carried out with the present data. These hypotheses are left untested. To test them, a validated scale such as the Financial Self-Efficacy Scale (Lown, 2011) should be added and data re-collected.

7.10 Summary of hypothesis testing

Table 12: Summary of hypotheses

Hypothesis	Test	Result	Decision
H_{0T} / H_{01} : no effect of literacy on habits	Simple regression	$p < .001$ for both outcomes	Rejected
Objective 3: dimensions influence habits	Multiple regression	$R^2 = .59$ (savings), $.83$ (investment)	Dimensions significant
H_{02} : no mediation by self-efficacy	—	Self-efficacy not measured	Not tested
H_{03} : no moderation by income (savings)	Interaction regression	$B = 0.46$, $p < .001$	Rejected
H_{03} : no moderation by income (investment)	Interaction regression	$B = 0.05$, $p = .512$	Not rejected
Literacy level independent of investing	Chi-square	$\chi^2(2) = 3.81$, $p = .149$	Not rejected
Group means equal (9 of 10 ANOVAs)	One-way ANOVA	$p < .05$	Rejected
Savings mean equal across education	One-way ANOVA	$F = 2.08$, $p = .107$	Not rejected

8. Discussion

The results support the central proposition that financial literacy is positively related to the savings and investment habits of young adults. This agrees with the wider literature linking literacy to planning, saving and market participation (Lusardi & Mitchell, 2014; Van Rooij et al., 2011). The effect is larger for investment ($\beta = .70$) than for savings ($\beta = .53$), which is plausible since investing draws directly on concepts such as risk, return and diversification, whereas saving depends more on income, constraints and discipline.

Separating the three dimensions gives a more nuanced picture. Knowledge is the main driver of savings habits, consistent with the idea that understanding interest and inflation motivates saving. Attitude is the main driver of investment habits, which is in line with the theory of planned behaviour, in which favourable attitudes underpin intentions to act (Ajzen, 1991). Together with the modest mean for behaviour ($M = 3.72$) compared with attitude ($M = 4.27$), this points to an attitude–behaviour gap that financial education should target.

The chi-square result that literacy level is not significantly associated with actually having invested ($p = .149$) is consistent with the meta-analytic caution that knowledge alone is a limited predictor of behaviour (Fernandes et al., 2014). Investing is more strongly tied to employment, residence and income, in other words to having the means and access to invest. The moderation result for savings, in which literacy has a stronger effect at higher income ranks, supports the view that knowledge cannot be turned into savings without disposable income.

Two cautions apply to interpretation. First, the outcome items describe how respondents' own financial knowledge or literacy affects their saving and investing, so the outcome scales partly measure perceived literacy effects and may overlap conceptually with the predictors; correlations and R^2 values may therefore be overstated. Second, all measures come from the same self-report survey, so common-method bias is possible.

9. Limitations and Scope for Further Research

- The dataset contains repeated records (12 distinct responses replicated 10 times), all respondents are female and predominantly students; findings cannot be generalised and significance levels are inflated. A clean, larger and more diverse sample is needed.
- The savings-habits scale has low reliability ($\alpha = .58$) and should be refined.
- Financial self-efficacy was not measured, so mediation remains untested.

- Outcome items are perception-based, and income is measured on a coarse ordinal scale in which several bands have no respondents.
- Post-hoc tests, tests of normality and homogeneity of variance, and structural equation modelling were beyond the tools used. Future research could apply PLS-SEM or bootstrapped mediation and include actual savings amounts and portfolio data.

10. Conclusion

This study examined the effect of financial literacy on the savings and investment habits of young adults. On the data analysed, financial literacy has a significant positive effect on both habits, with knowledge the leading driver of savings and attitude the leading driver of investing. Income strengthens the literacy–savings link but not the literacy–investment link, and actual investment participation depends more on employment, residence and income than on literacy level. Because self-efficacy was not measured, the mediation hypothesis remains open. Subject to the data limitations noted, the findings suggest that effective financial education for young adults should build knowledge, shape attitudes and address the income constraints that determine whether literacy can be acted upon.

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