A Comparative Study on Financial Literacy and Investment Behaviour among Gen Z and Millennials

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Abstract:
Financial literacy is generally considered to be a basis for wise investment, but increased access to digital financial services does not guarantee that young people know the products that they use. This paper investigates the relationship between financial literacy and investment behaviour among young adults (Gen Z and Millennials) and tests whether investor confidence mediates that relationship.
Primary data were collected using an online structured questionnaire of 45 items (five demographic questions and 40 five-point Likert statements). Twenty-two responses were obtained and 21 were usable. Cronbach's alpha was above .80 for all three core scales. Using Microsoft Excel, the data were analysed using chi-square tests of independence, one-way ANOVA and linear regression, including a Baron and Kenny mediation analysis with a Sobel test. Financial literacy was strongly and positively related to investment behaviour ($\beta = .79$, $R^2 = .62$) and to investor confidence ($\beta = .71$), and investor confidence was strongly related to investment behaviour ($\beta = .86$). Confidence partially mediated the literacy–behaviour link (indirect effect = 0.396, Sobel $z = 2.95$, $p = .003$), accounting for about 53% of the total effect. Gender, income, education and work experience did not differ significantly in any ANOVA and were not significant predictors in the multiple regression, although women were more likely than men to fall in the high-literacy group ($\chi^2 = 5.74$, $p = .017$). Because only one of the 21 respondents was a Millennial, the generational comparison could not be tested statistically, and the findings are exploratory and chiefly describe Gen Z. The results suggest that financial education should build not just knowledge but also well-founded confidence.

Keywords: Financial literacy; Investment behaviour; Investor confidence; Gen Z; Millennials; Mediation analysis; Chi-square; ANOVA; Regression

1. Introduction:

Financial literacy is becoming an increasingly important factor in influencing the financial decisions of individuals, particularly in younger generations. The rapid development of financial markets, digital banking, online investment platforms, mobile payment systems, and financial technology can give young people greater access to financial products and investment opportunities. But increased access to financial services does not necessarily imply that individuals possess adequate knowledge to make informed financial decisions. Financial literacy involves understanding financial concepts and applying this knowledge to decisions related to saving, investment, risk, borrowing, and wealth creation. Therefore, examining the relationship between financial literacy and investment behaviour is of particular importance among Generation Z (Gen Z) and Millennials (Wahyuni et al., 2024).
Gen Z and Millennials have grown up in different economic, technological, and social environments, which may influence how they understand and manage money. Millennials have experienced the transition from traditional financial services to digital finance and Gen Z has grown up with smartphones, social media, digital payments, and online financial information as part of everyday life. These differences may contribute to differences in financial knowledge, attitudes towards risk, investment preferences, and financial decision-making. Wahyuni et al. (2024) specifically compared financial literacy among Millennials and Gen Z and highlighted the importance of technological, educational, economic, and cultural factors in shaping financial literacy across the two generations.
Financial literacy is particularly relevant to investment behaviour because investment decisions require individuals to understand concepts such as risk, return, diversification, inflation, and investment horizons. Individuals with greater financial knowledge may be better positioned to evaluate investment alternatives and understand their associated risks and returns. Letkiewicz and Fox (2014) examined the relationship between financial literacy, conscientiousness, and

asset accumulation among young adults. Their study provides evidence that financial literacy is associated with financial outcomes and asset accumulation, highlighting the importance of financial knowledge in shaping long-term financial behaviour (Letkiewicz & Fox, 2014).

The Millennial generation represents an important group for studying investment behaviour because many of them are in stages of life involving employment, income generation, wealth accumulation, and long-term financial planning. Bagama (2024) examined the relationship between financial literacy and investment behaviour among Millennials and found that higher financial literacy was associated with more proactive investment behaviours, including retirement saving, portfolio diversification, and participation in the stock market. The study also indicates that greater financial knowledge can contribute to a better understanding of investment products and their associated risks (Bagama, 2024). These findings demonstrate the relevance of financial literacy when examining investment decisions among Millennials.

Similarly, Gen Z is becoming an increasingly important group in financial and investment activities. As this generation grows into higher education, employment, and independent financial life, its financial decisions may have long-term implications for saving and wealth accumulation. Ratnawati (2024) examined investment decisions of Gen Z and investigated the mediating role of financial behaviour on the relationship between financial literacy and investment decisions. The study, based on 110 Gen Z stock investors in Malang City, found that financial literacy influenced both financial behaviour and investment decisions, while financial behaviour mediated the relationship between financial literacy and investment decisions (Ratnawati, 2024). These findings suggest that financial knowledge and financial behaviour are important factors in understanding the investment decisions of Gen Z.

A direct comparison between Gen Z and Millennials is important because financial literacy and investment behaviour may differ across generations. Although both generations increasingly interact with digital financial services, their experiences with technology, employment, financial markets, and economic conditions are different. Wahyuni et al. (2024) conducted a comparative analysis of financial literacy among Millennials and Gen Z across global contexts and identified differences in financial knowledge, behaviour, and attitudes. The study also highlighted that technological familiarity does not necessarily ensure comprehensive financial understanding, suggesting the importance of examining both financial literacy and actual financial behaviour.

Existing studies therefore provide valuable evidence about financial literacy and investment behaviour of Millennials and Gen Z, but there remains a need for research that examines the two generations together. Bagama (2024) focuses specifically on Millennials and Ratnawati (2024) focuses specifically on Gen Z. Wahyuni et al. (2024) provide a direct generational comparison of financial literacy, while Letkiewicz and Fox (2014) provide broader evidence concerning financial literacy and asset accumulation among young adults. Bringing these perspectives together can provide a more comprehensive understanding of similarities and differences in the financial decision-making patterns of the two generations.

Therefore, the present study titled “A Comparative Study on Financial Literacy and Investment Behaviour among Gen Z and Millennials” aims to examine and compare the financial literacy and investment behaviour of these two generations. The study focuses on whether differences in financial literacy are associated with differences in investment preferences and decision-making. It also seeks to understand how young individuals approach investment-related decisions in an increasing digital financial environment. By comparing Gen Z and Millennials, the study can contribute to the existing literature on generational financial behaviour and provide useful insights for financial education, investment awareness, and the development of appropriate financial-literacy initiatives (Bagama, 2024; Ratnawati, 2024; Wahyuni et al., 2024).

The remainder of this paper is organised as follows. Section 2 reviews the relevant literature, Section 3 presents the conceptual framework, objectives and hypotheses, Section 4 describes the research methodology, Section 5 reports the results of the chi-square, ANOVA and regression analyses, and Sections 6 to 9 discuss the findings, implications, limitations of the study and the conclusions.

2. **Review of Literature:**

1. Sharma, Damseth & Shyam (2024), Financial literacy and investment decisions among youth: age

The article provides quantitative/qualitative evidence on the relationship between investment decisions and financial literacy, as well as the influence of age in a sample of 631 youth in Himachal Pradesh. Literacy levels were generally moderate, and age was significantly associated with both literacy and investment decisions: youth tended to make

more bank deposits than stocks and cryptocurrencies, and higher age was correlated with increased stock/crypto investments. Higher literacy was generally associated with more prudent investment decisions, and the authors call for evidence from longitudinal studies and more nuanced analyses of behavioural biases.

2. Anumol & Malavika (2024), Financial literacy and financial satisfaction among youth
The authors investigate whether financial behaviour mediates the link between literacy and satisfaction for Indian youth. Financial literacy significantly predicted financial behaviour ($\beta = 0.564$) and satisfaction ($\beta = 0.896$), whereas behaviour in turn predicted satisfaction ($\beta = 0.746$) and partially mediated the effect of literacy. Overall, the findings are limited by the concentration of the sample in one population group and the use of self-reported measures of behaviour, and the authors call for exploring the impact of social media and fintech.

3. Malaiya (2025), Financial literacy and investment behaviour among young adults
The article is a qualitative, literature-based conceptual analysis of the impact of financial literacy on investment behaviour in young adults. It concludes that financial literacy generally has a positive impact on confidence, diversification and long-term strategies and risk perception, albeit with socio-economic and educational barriers, and opportunities for enhanced financial learning through digital technologies. The article calls for more longitudinal investigations and deeper understanding of the psychological and cultural dimensions of financial investing.

4. Lusardi, Mitchell & Curto (2009), Financial literacy among the young
The study uses a large sample of US youth to assess the extent to which they are prepared to make financial decisions and the factors associated with their literacy levels. Only 27% of respondents demonstrated basic understanding of interest rates, inflation and the importance of diversification. Financial literacy was generally low across most groups and lower for women, black and Hispanic youth, and those with less education. Family financial sophistication, cognitive ability and level of education were significant predictors of youth literacy, but the data is several years old and does not reflect the realities of digital finance.

5. Wahyuni, Mauliza & Yanti (2024), Financial literacy of Millennials vs Gen Z
The article provides a global synthesis of the financial literacy levels, behaviours, attitudes and digital-financial access of Millennials and Gen Z. Both populations are digital-savvy but frequently exhibit a disconnect between digital-financial access and actual knowledge. There are significant regional variations, and technology enables both opportunities and risks, including misinformation, cybersecurity risks and the digital divide. The authors call for targeted digital and experiential financial education and greater empirical evidence, particularly for non-urban and developing-country populations.

6. Ratnawati (2024), Gen Z investment decisions, financial behaviour and literacy
Based on the Theory of Planned Behaviour, the article uses a quantitative method to explore the impact of financial literacy on financial behaviour and investment decisions in a sample of 110 Gen Z stock investors in Malang City. Financial literacy significantly predicted both financial behaviour and investment decisions, whereas financial behaviour acted as a significant mediator for the relationship between literacy and investment decisions. The study is limited by the convenience sampling method and the focus on a single city and population of stock investors.

7. Rodríguez-Correa et al. (2025), Financial literacy among young college students
The PRISMA-based systematic review provides an overview of 44 peer-reviewed empirical studies on the financial literacy of college students. The body of research is skewed towards investigations into general financial knowledge and behaviour, whereas less attention is paid to specific areas such as budgeting, credit cards, student loans and digital finance. The review highlights a need for more focused financial-literacy agendas and interventions.

8. de Bassa Scheresberg (2013), Financial literacy and financial behaviour among young adults
Using data from the National Financial Capability Study, the article describes the levels of financial literacy and their associations with financial behaviour in a sample of 25–34-year-old Americans. Most respondents demonstrated insufficient financial literacy, and women, minorities, those with low income and those with less education were

overrepresented in this category. Higher levels of financial literacy and confidence were generally associated with reduced use of costly credit and greater levels of retirement planning and emergency savings, but the study is limited to data from 2009 and does not consider the impact of digital finance.

9. Samuelsson, Levinsson & Ahlström (2023), Financial literacy, financial situation and mental health in Sweden
The descriptive article reports on the levels of financial literacy, financial situation and mental health in a sample of 2,057 Swedish young adults. Financial literacy was generally lower than previously reported, particularly in regards to inflation, and women scored lower than men. A significant proportion of respondents had consumption loans and reported financial difficulties, and levels of anxiety and depression were also high. As a descriptive study, it does not establish causality between any of the variables analysed.

10. Siegfried & Wuttke (2021), What influences young adults' financial literacy?
The study explores the relationships between socio-demographic characteristics, personality, learning opportunities and delay of gratification in one sample. Gender and educational background acted as moderators for the relationships between respondents' self-reported financial literacy, learning opportunities, delay of gratification and actual financial literacy. The findings support the need for differentiated financial-education approaches, and the authors call for longitudinal and cross-cultural investigations.

2.1 Research gap:

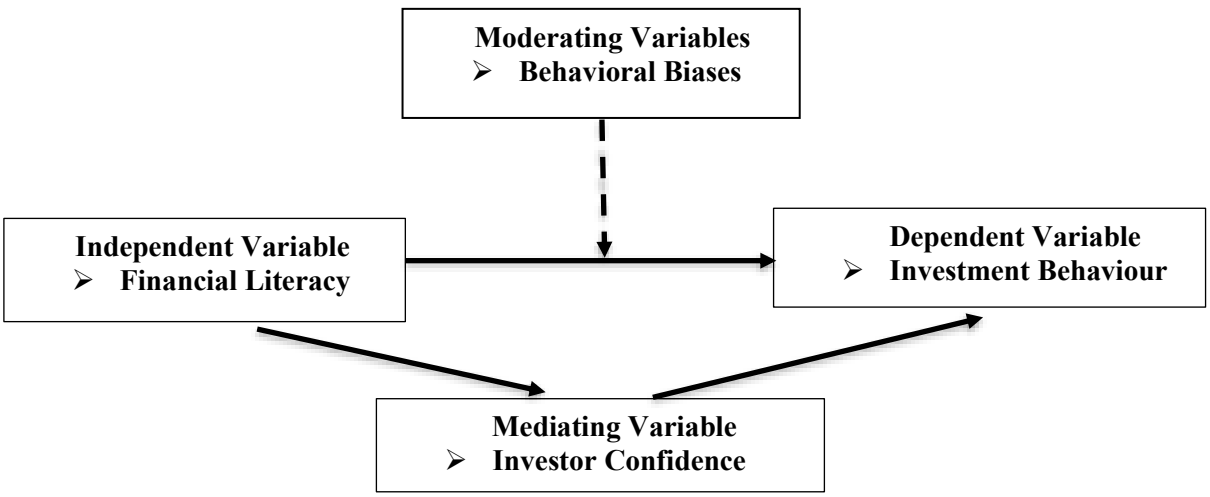
Three gaps emerge from this body of work. First, few studies place Gen Z and Millennials within a single comparative framework: Bagama (2024) concentrates on Millennials and Ratnawati (2024) on Gen Z, and only Wahyuni et al. (2024) compare the two directly, and then for financial literacy rather than investment behaviour. Second, many studies examine financial behaviour or decisions as the outcome, but few test investor confidence as an explicit mediator between financial literacy and investment behaviour within one model. Third, most authors call for larger samples, wider regional coverage and closer attention to psychological mechanisms. The present study directly addresses the second gap using data from young Indian adults, and is designed to support the first once a sufficiently large Millennial sample is available.

3. **Conceptual Framework, Objectives and Hypotheses :**

Figure 1 presents the conceptual framework. Financial literacy (independent variable) is expected to influence investment behaviour (dependent variable) directly and indirectly through investor confidence (mediating variable). Behavioural biases are proposed as a moderating variable on the direct path, and age, gender, income, education and work experience enter as control variables.

Figure 1 Conceptual framework of the study

Frame Work:



3.**2 Research hypotheses** :Direct relationships

H1: Financial literacy has a significant positive effect on investment behaviour among young adults. H2: Financial literacy has a significant positive effect on investor confidence among young adults. H3: Investor confidence has a significant positive effect on investment behaviour among young adults.

Mediation hypothesis

H4: Investor confidence significantly mediates the relationship between financial literacy and investment behaviour among young adults.

Moderation hypothesis

H5: Behavioural biases significantly moderate the relationship between financial literacy and investment behaviour among young adults.

Control variables

H6: Selected demographic and socio-economic control variables, namely age, gender, income, education and work experience, significantly influence investment behaviour among young adults.

4. **Research Methodology**

4.1 Research design

The study uses a quantitative, cross-sectional survey design that is both descriptive (profiling literacy, confidence and investment behaviour) and explanatory (testing the hypothesised relationships).

Primary data were collected with a structured questionnaire administered online.

4.2 Population, sampling and sample

The target population was young adults in two cohorts: Gen Z (18–24 years) and Millennials (28–35 years). Respondents were reached via an online form distributed by non-probability convenience sampling, and received responses during September 2026. Twenty-two responses were collected. One respondent answered none of the scale items and was excluded from all scale-based analyses, leaving 21 usable responses (20 Gen Z, 1 Millennial). The sample is therefore small and dominated strongly by Gen Z; this has important consequences for what can be tested (see Sections 5.1 and 8).

4.3 Research instrument and measurement

The questionnaire had two sections. Section A recorded five demographic characteristics: age group, gender, monthly income, education level and work experience. Section B had 40 statements, rated on a five-point Likert scale from 1 (strongly disagree) to 5 (strongly agree). Fifteen statements measure the three core constructs (five each for financial literacy, investment behaviour and investor confidence); the remaining 25 statements ask respondents how strongly they perceive the relationships among the constructs and the influence of demographic factors. Table 1 summarises the measurement; the full item list is in Appendix A.

Construct	Items	Illustrative item	Role in the model
Financial literacy (FL)	5	"I understand basic financial concepts such as inflation and interest rates."	Independent variable
Investment behaviour (IB)	5	"I diversify my investments across different asset classes."	Dependent variable
Investor confidence (IC)	5	"I feel confident in making my own investment decisions."	Mediating variable
Perceived relationships	20	"My financial knowledge increases my confidence in investing."	Attitudinal support for H1–H4
Perceived demographic influence	5	"My income level affects my ability to invest."	Attitudinal support for H6

Note. Composite scores are the mean of the five items in each construct (range 1–5). Higher scores indicate greater agreement.

4.4 Data preparation

Responses were coded numerically in Microsoft Excel (Likert labels to 1–5; gender Male = 0, Female = 1; income 1–3). Names and timestamps were removed before analysis. Where a respondent skipped one or two items in a construct, the construct score was the mean of the items answered (at least three were required). Missing monthly income (one respondent) and work experience (two respondents) were not imputed; affected cases were dropped only from analyses that used those variables, so the multiple regression with control variables used 19 complete cases. Because some demographic categories had very few respondents, education was collapsed to Undergraduate versus Graduate or Others (n = 4) and work experience to Under 1 year versus 1 year or more (n = 4). For chi-square tests each composite score was classified as High (mean ≥ 3.5, midway between "neutral" and "agree") or Low/Moderate (< 3.5).

4.5 Statistical techniques

All analyses were carried out in Microsoft Excel with formula-driven worksheets so that every statistic recalculates from the raw data. The significance level was $\alpha = .05$ throughout.

Reliability and descriptives. Cronbach's (1951) alpha was computed for each scale from the item and total-score variances; values of .70 or to be conventionally acceptable (Nunnally, 1978). Means, standard deviations and Pearson correlations were also computed.

• Chi-square tests of independence. Expected counts were computed from the row and column totals, $\chi^2 = \Sigma(O - E)^2/E$, and p-values were obtained with CHIDIST and cross-checked with CHITEST. Effect size is reported as Cramér's V. Because expected counts below 5 weaken the chi-square approximation (Cochran, 1954), the number of such cells is reported for every test.

• One-way ANOVA. Between- and within-group sums of squares were calculated from group means, F = MS between / MS within, p was obtained with FDIST, and effect size is reported as η^2. For two-group factors, F equals the square of the independent-samples t statistic.

• Linear regression. Ordinary least squares models were estimated with LINEST: Model 1, IB on FL (H1); Model 2, IC on FL (H2); Model 3, IB on IC (H3); Model 4, IB on FL and IC; and Model 5, IB on FL plus the control variables (H6).

• Mediation. Following Baron and Kenny (1986), mediation was assessed from the total effect (c, Model 1), path a (Model 2), path b and the direct effect c′ (Model 4). The indirect effect a × b was tested with the Sobel (1982) test. As the Sobel test assumes a normal sampling distribution that is doubtful in small samples, a percentile bootstrap confidence interval for a × b (10,000 resamples; Preacher & Hayes, 2008) was also computed outside Excel as a supplementary check.

All Excel results were cross-checked against an independent statistical calculation (Python, SciPy and statsmodels) and agreed to the precision reported here. The accompanying workbook, Financial_Literacy_Analysis.xlsx, contains every table in this paper.

5. Data Analysis and Results

5.1 Sample profile

Table 2 describes the 21 analysed respondents. Twenty (95.2%) were Gen Z and one (4.8%) was a Millennial. The sample was balanced by gender (52.4% male, 47.6% female). Most respondents were undergraduates (81.0%), had less than one year of work experience (71.4%) and earned less than ₹50,000 a month (76.2%). **Table 2** *Profile of analysed respondents (N = 21)*

Variable	Category	n	%
Age group	Gen Z	20	95.2
	Millennial	1	4.8
Gender	Male	11	52.4
	Female	10	47.6
Monthly income	Below ₹20,000	9	42.9
	₹20,000–₹50,000	7	33.3

	Above ₹1,00,000	4	19.0
	Not reported	1	4.8
Education	Undergraduate	17	81.0
	Graduate or Others	4	19.0
Work experience	Under 1 year	15	71.4
	1 year or more	4	19.0
	Not reported	2	9.5

Note. Monthly income and work experience were not reported by 1 and 2 respondents respectively; percentages use N = 21

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An important consequence for the generational comparison. With one Millennial in the analysed sample, no test of differences between Gen Z and Millennials (chi-square or ANOVA by age group) is statistically meaningful, and age could not be entered as a control variable because it has almost no variation. The analyses below therefore examine the relationships among literacy, confidence and investment behaviour, and differences across gender, income, education and work experience, in a sample that mainly represents Gen Z.

5.2 Reliability, descriptive statistics and correlations

Table 3 shows that all scales were reliable. Cronbach's alpha was .80 for financial literacy, .86 for investment behaviour and .83 for investor confidence, and between .89 and .94 for the five perception scales. Mean scores laid between 3.3 and 3.7, indicating moderate to fairly high agreement. Investor confidence had the highest mean (3.71) and financial literacy the lowest (3.40). Within the literacy scale the weakest item concerned understanding inflation and interest rates (M = 3.00) and the strongest concerned seeking knowledge from reliable sources (M = 3.67). Within investment behaviour, preferring long-term investment over short-term speculation scored highest (M = 3.62) and diversifying across asset classes scored lowest (M = 3.24).

Table 3 *Reliability and descriptive statistics of the constructs*

Construct	Items	n	Mean	SD	Min	Max	Cronbach's α
Financial literacy (FL)	5	21	3.40	0.84	1.8	5.0	.802
Investment behaviour (IB)	5	21	3.47	0.79	2.2	5.0	.861
Investor confidence (IC)	5	21	3.71	0.64	2.8	5.0	.834
Perceived effect: literacy →behaviour	5	21	3.51	0.85	1.0	5.0	.911
Perceived effect: literacy →confidence	5	21	3.54	0.87	1.0	4.8	.930
Perceived effect: confidence →behaviour	5	21	3.31	0.81	1.0	4.6	.891
Perceived mediation by confidence	5	21	3.48	0.92	1.2	5.0	.937
Perceived influence of demographic factors	5	21	3.33	0.86	1.0	4.6	.917

Table 4 reports the Pearson correlations among the three core constructs. All were strong, positive and statistically significant ($p < .001$): financial literacy was correlated with investment behaviour ($r =$ .79) and with investor confidence ($r = .71$), and investor confidence was correlated with investment behaviour ($r = .86$). A rank-based check gave the same conclusion for literacy and behaviour (Spearman $\rho = .69$, $p < .001$).

Table 4 *Pearson correlations (N = 21)*

Pair	r	t (df = 19)	p (two-tailed)
FL – IB	.788	5.58	< .001
FL – IC	.705	4.33	< .001
IC – IB	.856	7.22	< .001

5.3 Chi-square tests of independence

Table 5 presents ten chi-square tests. Two were significant. First, gender was associated with the literacy level ($\chi^2(1) = 5.743$, $p = .017$, Cramér's $V = .52$): 7 of 10 women, but only 2 of 11 men, were in the high-literacy group. Second, investor confidence level was strongly associated with investment-behaviour level ($\chi^2(1) = 11.813$, $p < .001$, $V = .75$): none of the nine respondents with low or moderate confidence scored high on investment behaviour, compared with 9 of the 12 respondents with high confidence. Literacy level showed an association with investment-behaviour level ($p = .056$) and with confidence level ($p = .098$) in the expected direction, but these did not reach significance at the 5% level; classifying continuous scores into two levels discards information and reduces power, and the regression results below are a more sensitive test of the same relationships. Income, education and work experience were not significantly associated with literacy or investment-behaviour level.

The chi-square approximation is imperfect in this sample: between one and six cells per table had expected counts below 5. As a robustness check, Fisher's exact tests were run for the 2 × 2 tables outside Excel. They gave the same conclusions (gender × literacy level, $p = .030$; confidence × behaviour level, $p = .001$; literacy × behaviour level, $p = .087$; literacy × confidence level, $p = .184$).

Table 5 *Chi-square tests of independence (High vs Low/Moderate levels)*

Variables	χ^2	df	p	V	N	Cells E < 5	Significant
Gender × FL level	5.743	1	.017	.523	21	2 of 4	Yes
Gender × IB level	0.398	1	.528	.138	21	2 of 4	No
Income × FL level	2.589	2	.274	.360	20	5 of 6	No
Income × IB level	0.055	2	.973	.052	20	6 of 6	No
Education × FL level	2.085	1	.149	.315	21	2 of 4	No
Education × IB level	0.103	1	.748	.070	21	2 of 4	No
Work experience × IB level	2.249	1	.134	.344	19	2 of 4	No
FL level × IB level (H1)	3.646	1	.056	.417	21	1 of 4	No
FL level × IC level (H2)	2.738	1	.098	.361	21	1 of 4	No
IC level × IB level (H3)	11.812	1	< .001	.750	21	1 of 4	Yes

Note. *V* = Cramér's V. "Cells E < 5" gives the number of cells with expected count below 5 out of the total cells. N differs where income (1 missing) or work experience (2 missing) was not reported. Age group was not tested (1 Millennial).

5.4 One-way ANOVA

Table 6 reports twelve one-way ANOVAs comparing financial literacy, investor confidence and investment behaviour across gender, income, education and work-experience groups. None was significant (all $p > .28$). Group differences were small in most cases ($\eta^2 \leq .03$). The largest effect sizes were for income ($\eta^2 = .087$ for literacy and .098 for investment behaviour) and for work experience on confidence ($\eta^2 = .068$), which are medium by conventional benchmarks (Cohen, 1988) but not statistically distinguishable from zero with samples of 19–20. Respondents earning above ₹1,00,000 had the highest mean investment-behaviour score (3.95, against 3.40 and 3.29 in the two lower income

groups), a pattern that merits testing in a larger sample. Women had a higher mean literacy score than men (3.54 vs 3.27), but the difference was not significant (p = .479); the significant chi-square result for gender therefore reflects a difference in the share of respondents above the 3.5 threshold, together with the wider spread of male scores (F = MS3 vs 0.76), rather than a clear difference in average literacy.

Table 6 *One-way ANOVA of construct scores by demographic factor*

DV	Factor (group order)	Group means	F (df)	p	η²	N
FL	Gender (M / F)	3.27 / 3.54	0.522 (1, 19)	.479	.027	21
FL	Income (<₹20k / ₹20–50k /3.47 / 3.09 / 3.75 >₹1L)		0.814 (2, 17)	.460	.087	20
FL	Education (UG / Grad–Others)	3.38 / 3.50	0.067 (1, 19)	.798	.004	21
FL	Experience (<1 yr / ≥1 yr)	3.35 / 3.60	0.251 (1, 17)	.623	.015	19
IC	Gender (M / F)	3.64 / 3.78	0.241 (1, 19)	.629	.013	21
IC	Income (<₹20k / ₹20–50k /3.69 / 3.61 / 3.90 >₹1L)		0.240 (2, 17)	.790	.027	20
IC	Education (UG / Grad–Others)	3.71 / 3.70	0.001 (1, 19)	.981	.000	21
IC	Experience (<1 yr / ≥1 yr)	3.59 / 4.00	1.239 (1, 17)	.281	.068	19
IB	Gender (M / F)	3.35 / 3.60	0.537 (1, 19)	.473	.027	21
IB	Income (<₹20k / ₹20–50k /3.40 / 3.29 / 3.95 >₹1L)		0.918 (2, 17)	.418	.098	20
IB	Education (UG / Grad–Others)	3.45 / 3.55	0.053 (1, 19)	.820	.003	21
IB	Experience (<1 yr / ≥1 yr)	3.40 / 3.70	0.401 (1, 17)	.535	.023	19

Note. DV = dependent variable (FL = financial literacy, IC = investor confidence, IB = investment behaviour). Group means follow the order shown in the Factor column. Homogeneity of variance was not formally tested because group sizes are small. Age group could not be used as a factor.

5.5 Linear regression and mediation

5.5.1 Direct relationships (H1–H3)

Each simple regression was significant (Table 7). Financial literacy explained 62.1% of the variance in investment behaviour (F = MS4__, β = .79, F = MS5__, p < .001), supporting H1; a one-point increase in the literacy score was associated with a 0.74-point increase in the investment-behaviour score. Financial literacy also explained 49.7% of the variance in investor confidence (F = MS6__, β = .71, p < .001), supporting H2, and investor confidence explained 73.3% of the variance in investment behaviour (F = MS7__, β = .86, p < .001), supporting H3. Residuals of Models 1 and 4 were consistent with normality (Shapiro–Wilk W = .974, p = .826 and W = .975, p = .830).

Model	Relationship	B	SE	β	t	p	R²	Adj. R²	F(1, 19)
M1 (H1)	IB ← FL	0.740	0.133	.788	5.58	< .001	.621	.601	31.12
M2 (H2)	IC ← FL	0.536	0.124	.705	4.33	< .001	.497	.471	18.79
M3 (H3)	IB ← IC	1.058	0.147	.856	7.22	< .001	.733	.719	52.07

5.5.2 Mediation by investor confidence (H4)

Table 8 summarises the mediation analysis and Figure 3 displays the estimated paths. The total effect of literacy on investment behaviour was significant (F = MS9_, p < .001), literacy significantly predicted confidence (N = 210_, p <

.001), and confidence significantly predicted investment behaviour when literacy was controlled (N = 211__, p < .001). When confidence entered the model, the effect of literacy fell from 0.740 to c′ = 0.344 but remained significant (p = .024). The indirect effect (N = 212_) was significant under the Sobel test (N = 213__, p = .003), and its bootstrap 95% confidence interval [0.194, 0.644] excluded zero. Approximately 53% of the total effect operates through investor confidence. H4 is therefore supported, and the pattern indicates partial rather than full mediation. Model 4 explained 80.0% of the variance in investment behaviour (adjusted R^2 = .778, F(2, 18) = 36.07, p < .001); the two predictors were moderately correlated (variance inflation factor = 1.99).

Table 8 *Mediation of the literacy–behaviour relationship by investor confidence*

Path	B	SE	z / t	p
Total effect c: FL → IB (Model 1)	0.740	0.133	5.58	< .001
Path a: FL → IC (Model 2)	0.536	0.124	4.33	< .001
Path b: IC → IB, controlling FL (Model 4)	0.738	0.184	4.02	< .001
Direct effect c′: FL → IB, controlling IC (Model 4)	0.344	0.139	2.47	.024
Indirect effect a × b (Sobel test)	0.396	0.134	2.95	.003
Indirect effect, bootstrap 95% CI	[0.194, 0.644]	–	–	–

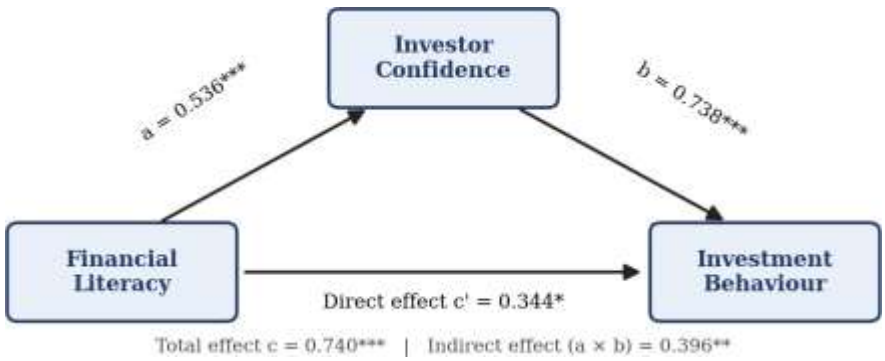


Figure 3 *Mediation model with estimated paths (unstandardised coefficients*

5.5.3 Control variables (H6)

Table 9 adds gender, income, education and work experience to the literacy model (N = 214__complete cases; age could not be included). The model was significant overall (F(5, 13) = 5.19, p = .008, R^2 = .666, adjusted R^2 = .538), but only financial literacy was a significant predictor (N = 215__, p < .001). None of the control variables was significant (all p > .28): higher income showed a positive but non-significant association with investment behaviour (N = 216__, p = .290). Adding the controls raised R^2 only from .621 (Model 1) to .666, and the adjusted R^2 fell from .601 to .538, so the controls add little explanatory power. H6 is not supported in this sample.

Table 9 *Multiple regression with control variables (N = 19)*

Predictor	B	SE	t	p	β
Intercept	0.594	0.604	0.98	.344	–
Financial Literacy	0.740	0.154	4.79	< .001	.786
Gender (Female=1)	−0.014	0.277	−0.05	.960	-.009
Income (1−3)	0.203	0.184	1.10	.290	.193
Education (Grad/Oth=1)	−0.027	0.419	−0.06	.950	-.012
Experience (>=1 yr=1)	0.007	0.373	0.02	.985	.004

Note. Dependent variable: investment behaviour. Gender: Female = 1; Income: 1 = below ₹20,000, 2 = ₹20,000–₹50,000, 3 = above ₹1,00,000; Education: Graduate or Others = 1; Experience: 1 year or more = 1. Only 3 respondents had graduate/other education and 4 had a year or more of experience in this model, so coefficients for these terms are imprecise.

5.6 Summary of hypothesis tests

Table 10 *Summary of hypothesis testing*

Hypothesis	Statement (abridged)	Evidence	Decision
H1	Financial literacy → investment behaviour (+)	B = 0.740, R^2 = .621, p < .001	Supported
H2	Financial literacy → investor confidence (+)	B = 0.536, R^2 = .497, p < .001	Supported
H3	Investor confidence → investment behaviour (+)	B = 1.058, R^2 = .733, p < .001	Supported
H4	Investor confidence mediates FL → IB	Indirect = 0.396, Sobel z = 2.95, p = .003; bootstrap CI excludes 0	Supported (partial mediation)
H5	Behavioural biases moderate FL → IB	No behavioural-bias items in the questionnaire	Not tested
H6	Control variables influence investment behaviour	Gender, income, education, experience all p > .28	Not supported

6. Discussion

The central finding is a strong, positive association between financial literacy and investment behaviour (H1), in line with evidence that more financially knowledgeable young people invest more proactively, diversify more and plan for the long term (Bagama, 2024; Malaiya, 2025) and accumulate more assets (Letkiewicz & Fox, 2014). The standardised effect (β = .79) is large. It should be read with the measurement in mind: literacy here is self-rated ("I understand…", "I am able to calculate…") rather than tested, and Sinnewe and Nicholson (2023) caution that subjective and objective knowledge play different roles. Self-rated literacy and self-reported behaviour collected in the same survey may share method variance, so the strength of the association is probably an upper bound.

The results support the proposed role of investor confidence. Literacy raised confidence (H2) and confidence was the strongest correlate of investment behaviour (H3). The indirect path accounted for roughly half of the total literacy effect (H4), while a significant direct effect remained, so confidence is better described as an important channel than as

the only one. This parallels the partial mediation by financial behaviour found by Ratnawati (2024) and Anumol and Malavika (2024) and the mediating role of attitude reported by Jabbour Al Maalouf and Sfeir (2026), and it is consistent with Malaiya's (2025) observation that financial education builds investment confidence. Two cautions apply. Confidence and investment behaviour were measured at the same time, so the data cannot show the causal order; people who invest regularly may also become more confident, a reverse path that the cross-sectional design cannot exclude. In addition, the content of some confidence and behaviour items overlaps, which may inflate their correlation ($r = .86$).

Confidence is not unambiguously beneficial. Mean investor confidence (3.71) was numerically higher than mean financial literacy (3.40), and Sharmila (2026), Bagama (2024) and Abdul Raman et al. (2025) all warn that confidence can run ahead of capability. Without tested knowledge or a bias scale, the present data cannot determine whether confidence in this sample is well founded, which is also why the moderation hypothesis (H5) could not be examined.

Demographic differences were largely absent. No ANOVA was significant and none of the control variables predicted investment behaviour after literacy was taken into account (H6), so financial literacy appears to carry the explanatory weight. This differs from studies reporting age, education and gender effects (Sharma et al., 2024; Siegfried & Wuttke, 2021; Lusardi et al., 2009), but the sample is too small and homogeneous to detect moderate effects: the income groups, for instance, exhibited a medium-sized, non-significant difference in investment behaviour. The one significant demographic result runs counter to Samuelsson et al. (2024), who found lower literacy among women: here, women were more often in the high-literacy group, but the mean scores difference was not significant, so this should be treated as a hypothesis for replication rather than a finding.

Finally, the title of this study refers to a comparison between Gen Z and Millennials. The data cannot address that comparison because the sample contained a single Millennial. The results should be read as evidence of how literacy, confidence and investment behaviour relate to each other among young adults who are predominantly Gen Z.

7. Implications

• Financial education. Programmes should target literacy and calibrated confidence. Practical, simulation-based learning, such as the gamified approach proposed by Ghongde et al. (2026), allows learners to practice decisions at low risk and test whether their confidence is warranted.

• Educational institutions. Respondents were weakest on understanding inflation and interest rates ($M = 3.00$) and on diversification ($M = 3.24$); curricula for undergraduates could give these topics particular attention.

• Investment platforms and advisers. Because confidence strongly relates to investing, onboarding tools that explain risk and return clearly may help new investors to act with understanding, rather than with unfounded self-belief.

• Policy makers. Region-specific and digital financial-literacy initiatives, as recommended by Wahyuni et al. (2024), should be evaluated for their effect on both knowledge and confidence.

8. Limitations and Directions for Future Research

• Sample size and composition. With 21 usable responses, statistical power is low and estimates are imprecise. Only one respondent was a Millennial, so the generational comparison that motivates the study could not be tested. Future work should recruit a larger, balanced sample of both cohorts (and consider the 25–27 age band that the instrument did not cover) and then compare cohorts using chi-square tests, ANOVA and multi-group regression.

• Sampling. Convenience sampling and self-selection limit generalisation; the findings describe this sample rather than all Indian young adults.

• Measurement. Literacy, confidence and behaviour were all self-reported in a single survey. Future studies should add objective financial-knowledge questions and behavioural data, and test measurement validity with factor analysis in a larger sample.

• Behavioural biases. The moderating role of behavioural biases (H5) was not measured. A validated bias scale (for example overconfidence, herding and loss aversion) should be added.

• Design and analysis. The cross-sectional design precludes causal conclusions. Several chi-square tables had expected counts <5, categories were merged, dichotomising scores loses information, and the Sobel test assumes normality. Larger samples would allow structural equation modelling and longitudinal designs.

9. Conclusion

This study explored how financial literacy relates to investment behaviour among young adults and whether investor confidence explains that relationship. Using chi-square tests, one-way ANOVA and regression in Microsoft Excel, it found that financial literacy is strongly and positively related to both investor confidence and investment behaviour, that confidence is the strongest correlate of investment behaviour, and that confidence partially mediates the effect of literacy, accounting for just over half of it. Gender, income, education and work experience showed no significant differences across groups and added little to the explanation of investment behaviour. The principal limitation is the very small sample, which contains only one Millennial respondent, so the comparison between Gen Z and Millennials remains to be carried out. Even so, the results indicate that efforts to improve young people's investment behaviour should strengthen financial knowledge together with the well-founded confidence to apply it.

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