

# Financial Literacy and Investment Behaviour Among Post Graduate Students: Evidence from Bengaluru, India

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## Abstract

The rapid expansion of digital investment platforms has fundamentally transformed financial decision-making for young adults. This study examines the impact of financial literacy on the investment behaviour of 122 post graduate students in Bengaluru, India. Using a structured questionnaire with a Five-Point Likert Scale and analysed through IBM SPSS (Descriptive Statistics, One-Sample T-Test, One-Way ANOVA, and Pearson's Correlation), the findings reveal a significant positive relationship between financial literacy and investment behaviour ( $r = 0.333$ ,  $p = 0.0004$ ). Commerce and Management students demonstrate the highest financial literacy and investment activity. Investment planning emerges as the strongest predictor of active participation ( $r = 0.412$ ), while peer influence and social media significantly drive impulsive decisions. Notably, financial literacy alone does not guarantee active investment participation, as practical and behavioural barriers persist.

## 1. Introduction and Background

The global financial ecosystem has undergone a sweeping transformation over the past decade. Online brokerages, mutual fund SIP applications, robo-advisors, cryptocurrency exchanges, and peer-to-peer lending platforms have collectively reduced the barriers to investment participation to near zero. A student today can open a demat account, purchase fractional shares of blue-chip companies, and gain exposure to international markets without leaving their hostel room. In India, the number of unique demat account holders crossed 150 million in 2024, with a significant share of new openings driven by young, first-time investors (SEBI, 2023).

Post graduate students occupy a particularly consequential position in this financial landscape. They are transitioning from full-time education toward professional employment, managing modest incomes or family support, and often navigating their first independent financial decisions. The financial habits formed during this period — whether disciplined or impulsive — tend to persist well into professional life and compound dramatically over time.

Yet access alone does not confer understanding. Social media channels, financial influencers ('finfluencers'), and gamified trading applications can create an environment where speculation is normalised and rigorous analysis is bypassed. This paradox of abundant access paired with incomplete understanding sits at the heart of the financial literacy challenge for post graduate students and provides the rationale for this study.

## 2. Research Problem

Despite significantly expanded access to digital investment platforms and financial information, many post graduate students continue to exhibit investment behaviour that is inconsistent with principles of informed financial decision-making. Investment choices are frequently driven by peer influence, social media trends, and emotional reactions to market movements rather than systematic analysis.

The degree to which formal financial literacy — knowledge of core financial concepts — translates into better investment behaviour remains insufficiently studied among this specific population in the Indian context. Research on financial literacy has largely focused on general adult populations, working professionals, or undergraduate students, leaving post graduate students as a relatively underexamined cohort with unique financial circumstances.

This study addresses that gap by investigating how financial literacy levels, academic background, behavioural biases, and digital platform exposure interact to shape investment behaviour among post graduate students in Bengaluru.

## 3. Objectives of the Study

**Primary Objective:** To examine the impact of financial literacy on the investment behaviour of post graduate students.

### Secondary Objectives:

- To assess the level of financial literacy among post graduate students and identify variations across demographic groups.
- To analyse investment behaviour patterns, including preferred instruments, frequency, and risk tolerance.
- To examine the role of behavioural biases and digital platform usage in investment decision-making.
- To provide actionable recommendations for educational institutions, regulators, and policymakers.

## 4. Research Hypotheses

Based on the research objectives and review of literature, the following hypotheses are formulated:

**H<sub>1</sub>:** There is a significant positive relationship between the level of financial literacy and the investment behaviour of post graduate students.

**H<sub>2</sub>:** Academic background (commerce vs. non-commerce) significantly influences the level of financial literacy among post graduate students.

**H<sub>3</sub>:** Behavioural biases such as herd behaviour, overconfidence, and peer influence significantly affect investment decisions among post graduate students.

**H<sub>4</sub>:** Digital platform usage significantly and positively influences investment participation among post graduate students.

## 5. Review of Literature

The academic study of financial literacy and its influence on financial decision-making has grown substantially over the past two decades. Lusardi and Mitchell (2014) establish that financial literacy is positively associated with retirement savings, wealth accumulation, and reduced financial fragility, providing a foundational theoretical basis for the present study. Their work demonstrates that financially literate individuals systematically outperform their less literate counterparts across multiple financial behaviour dimensions.

Agarwalla, Barua, Jacob, and Varma (2013) examined financial literacy among working young adults in urban India, finding levels to be low to moderate and emphasising the need for targeted financial education. Garg and Singh (2018) similarly found that youth financial literacy in India remains insufficient relative to the complexity of financial products available to young investors. Together these studies confirm the relevance of the Indian research context adopted in the present study.

Grohmann, Kouwenberg, and Menkhoff (2015) demonstrate that childhood roots of financial socialisation — including family discussions about money and early exposure to savings instruments — have lasting effects on adult financial behaviour, supporting the Financial Socialisation Theory applied in this research. Their findings suggest that academic environment acts as an extension of financial socialisation, a proposition directly tested here.

Afiqah and Lau (2023) examined financial literacy, risk tolerance, and investment behaviour among university students in Malaysia, finding a significant positive relationship between financial knowledge and willingness to accept investment risk. Bagama (2024) extended this analysis to millennials globally, finding that financially literate individuals are more likely to diversify portfolios and engage with market-linked instruments. Both studies provide direct comparisons for the present research.

The behavioural finance literature, grounded in the work of De Bondt and Thaler (1985) and developed extensively since, documents that cognitive biases — herd behaviour, overconfidence, loss aversion, and availability bias — consistently distort investment decisions even among sophisticated investors. Recent studies by YURUK (2025) confirm that peer influence and social media mediate the relationship between financial literacy and investment behaviour, an interaction central to the present study's analytical framework.

Despite this substantial body of research, the specific intersection of financial literacy, behavioural biases, and digital platform influence among post graduate students in India remains insufficiently explored. The present study directly addresses this gap.

## 6. Research Methodology

### 6.1 Research Design

The study adopts a descriptive, quantitative, and cross-sectional research design. The quantitative approach was selected to enable objective measurement of financial literacy and investment behaviour variables and to facilitate statistical hypothesis testing. The cross-sectional nature reflects the study's aim to capture a snapshot of current financial attitudes and practices rather than track longitudinal change.

## 6.2 Population and Sample

The target population consists of post graduate students enrolled across various disciplines in higher education institutions in Bengaluru, Karnataka. The city's diverse academic population and high digital connectivity make it a suitable research setting. A convenience sample of 122 post graduate students was selected, drawn from programmes across Commerce/Management, Science/Engineering, Arts/Humanities, and other disciplines.

## 6.3 Data Collection

Primary data was collected through a structured questionnaire distributed via Google Forms. The instrument was divided into two sections: Section A captured demographic information (gender, age, field of study, income level), while Section B contained 40 Likert-scale statements measuring financial literacy dimensions, investment behaviour, risk tolerance, and behavioural influences on a five-point scale (1 = Strongly Disagree to 5 = Strongly Agree). The questionnaire was pilot-tested and refined before final administration.

Secondary data was sourced from published reports by the OECD, SEBI, ADB, and NCFE, as well as peer-reviewed academic journals, to support the theoretical framework and contextualise primary findings.

## 6.4 Statistical Tools

Data was analysed using IBM SPSS Statistics, applying the following techniques: Descriptive Statistics (frequency distributions and percentages for demographic and awareness variables), One-Sample T-Test (testing whether mean scores significantly differ from the neutral value of 3 on the Likert scale), One-Way ANOVA (comparing financial literacy and investment behaviour across academic disciplines and self-rated knowledge groups), and Pearson's Correlation Coefficient (assessing the strength and direction of relationships between key variables). A significance level of  $p < 0.05$  was adopted throughout.

## 6.5 Theoretical Framework

The study is grounded in four theoretical frameworks: Human Capital Theory (investment in knowledge generates improved economic outcomes), the Theory of Planned Behaviour (attitudes, subjective norms, and perceived control shape investment intentions), Behavioural Finance Theory (cognitive biases and emotional factors distort rational decision-making), and Financial Socialisation Theory (academic and familial environments shape financial attitudes and behaviours).

## 7. Expected Contribution and Significance

### 7.1 Theoretical Contribution

This study contributes empirical evidence to the intersection of financial literacy theory, behavioural finance, and financial socialisation research in the Indian context. By examining a demographic cohort — post graduate students in urban India — that has received insufficient direct research attention, the study extends the application of existing theoretical frameworks to a context characterised by rapidly growing retail investor participation and a distinctive digital financial ecosystem.

The finding that financial literacy alone does not guarantee active investment participation adds nuance to Human

Capital Theory by demonstrating that knowledge accumulation must be accompanied by enabling structural conditions and behavioural interventions to translate into tangible financial action.

## 7.2 Practical Contribution

For educational institutions, the study provides evidence-based justification for integrating structured financial literacy modules into postgraduate curricula across all disciplines, not only commerce and management programmes. The significant financial literacy gap between Commerce/Management students and their peers from other disciplines highlights an urgent curricular need.

For financial regulators and policymakers, the findings inform the design of investor education initiatives that address both the cognitive and behavioural dimensions of investment decision-making. The strong influence of social media and peer pressure on impulsive investment decisions calls for regulatory attention to financial influencer content and the gamification of trading platforms targeting young investors.

For post graduate students themselves, the study reinforces the value of investment planning, financial goal-setting, and critical evaluation of social media-sourced financial information as practical behaviours that significantly enhance investment outcomes.

## 8. Key Findings

The study yields twelve substantive findings. Financial literacy was found to significantly and positively influence overall investment behaviour ( $r = 0.333$ ,  $p = 0.0004$ ), confirming H<sub>1</sub>. Commerce and Management students consistently recorded the highest financial literacy (mean = 3.43) and investment behaviour scores, with statistically significant differences across academic disciplines confirmed by One-Way ANOVA ( $F = 7.456$ ,  $p = 0.0001$ ), confirming H<sub>2</sub>.

Investment planning emerged as the strongest predictor of active investment participation ( $r = 0.412$ ,  $p = 0.000$ ), exceeding the predictive power of financial knowledge alone. Peer influence ( $r = 0.387$ ) and social media influence ( $r = 0.354$ ) were both significantly and positively correlated with impulsive investment decisions, confirming H<sub>3</sub>. Digital platform usage was found to significantly influence investment awareness and participation, confirming H<sub>4</sub>.

Critically, the correlation between financial literacy score and active investment participation was not statistically significant ( $r = 0.145$ ,  $p = 0.136$ ), indicating that financial knowledge alone does not guarantee investment action. Practical barriers including limited income, psychological hesitation, and platform access constraints prevent even financially aware students from translating knowledge into concrete financial behaviour. Secondary data analysis confirmed a global trend of rising youth investment participation alongside persistent financial literacy gaps, reinforcing the urgency of the study's recommendations.

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