"Financial Literacy and Their Impact on Investment Decision Among Mba Students"

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ABSTRACT
Financial literacy is an essential skill that significantly influences individuals' financial behavior and investment decision-making, particularly among MBA students who are expected to manage financial resources effectively in their professional and personal lives. This study titled "Financial Literacy and Its Impact on Investment Decision among MBA Students" aims to assess the level of financial literacy among MBA students and examine its impact on their investment decisions. The study focuses on understanding students' knowledge of financial concepts such as budgeting, savings, risk–return relationship, financial planning, and awareness of various investment instruments. Primary data were collected through a structured questionnaire administered to MBA students, while secondary data were gathered from journals, books, and online sources. The collected data were analyzed using suitable statistical tools to identify patterns and relationships between financial literacy and investment behavior. The findings indicate that MBA students with higher financial literacy levels tend to make more informed, rational, and diversified investment decisions, showing better risk assessment and long-term financial planning. In contrast, students with lower financial literacy exhibit limited awareness of investment options and higher risk aversion. The study highlights the importance of incorporating practical financial education into MBA curricula to enhance students' financial knowledge and decision-making abilities, thereby contributing to improved personal financial management and overall economic well-being.

KEYWORDS: Financial Literacy, Investment Decision, MBA Students, Financial Awareness, Risk and Return, Financial Planning, Investment Behavior.

INTRODUCTION

Financial literacy has emerged as one of the most critical life skills required for individuals to survive and succeed in the modern economic environment. It refers not only to the knowledge of basic financial concepts such as saving, budgeting, interest rates, inflation, and investment, but also to the ability to apply this knowledge effectively while making real-life financial decisions. In recent decades, rapid economic changes, financial market globalization, technological advancement, and the availability of complex financial products have made financial decision- making increasingly challenging. Individuals are no longer dependent solely on traditional saving instruments; instead, they are expected to actively participate in financial markets to achieve long-term financial security.

MBA students represent a unique and important group in this context. As future managers, entrepreneurs, consultants, financial analysts, and policymakers, they are expected to possess a high level of financial competence. Their financial literacy influences not only their personal investment decisions but also their professional decision-making ability in organizations. Sound financial knowledge enables them to analyze financial statements, evaluate investment projects, manage risk, and allocate resources efficiently. Conversely, poor financial literacy may lead to irrational investment decisions, excessive risk-taking, or complete avoidance of investment opportunities, which can have long-term financial consequences.

In India, financial inclusion initiatives, digital payment systems, and easy access to online trading platforms have increased participation in financial markets, particularly among young adults and students. However, increased access does not necessarily translate into informed decision-making. Many students enter financial markets without adequate understanding of risk- return trade-offs, portfolio diversification, or long-term investment planning. This lack of financial preparedness can lead to financial losses and reduced confidence in investment activities. Therefore, assessing the level of financial literacy among MBA students and understanding its impact on their investment decision-making behavior becomes essential.

Investment decisions involve selecting appropriate financial instruments based on individual financial goals, time horizon, and risk tolerance. These decisions require analytical skills, market awareness, and financial discipline. Financial literacy acts as a foundation for such decisions by enabling individuals to evaluate alternatives systematically. This study focuses on examining how financial literacy influences investment decisions among MBA students, with particular emphasis on their awareness of investment instruments, risk perception, and confidence in financial decision-making. By doing so, the study aims to highlight the importance of strengthening financial literacy within management education.In the Indian context, rising income levels, increased participation of retail investors in capital markets, and the growth of digital investment platforms have intensified the importance of financial literacy among young professionals. MBA students often begin making independent financial decisions during their academic years or shortly after entering the workforce. Their investment behavior at this stage can shape long-term financial habits and career-related financial decisions. Understanding the relationship between financial literacy and investment decision-making among MBA students is therefore essential for academic institutions, policymakers, and financial educators.This study seeks to examine the level of financial literacy among MBA students and analyze its impact on their investment decision-making process. By exploring students' knowledge, attitudes, and behaviors related to investment, the research aims to identify gaps in financial understanding and suggest measures to strengthen financial education within management programs.

Against this background, the present study focuses on examining financial literacy and its impact on investment decision-making among MBA students. The study seeks to analyze how financial knowledge influences students' investment preferences, risk perception, confidence levels, and overall investment behavior. By identifying the relationship between financial literacy and investment decisions, the research aims to highlight existing gaps and emphasize the need for enhanced financial education within MBA programs. The findings of this study are expected to provide valuable insights for academic institutions, educators, and policymakers to design effective financial literacy initiatives that prepare MBA students for responsible and informed financial decision-making.

Investment decision-making is one of the most important aspects of personal finance, as it directly influences an individual's long-term financial stability and wealth accumulation. Investment decisions involve selecting suitable financial instruments by analyzing factors such as expected returns, associated risks, liquidity, tax implications, and investment duration. These decisions require not only access to financial information but also the ability to interpret and analyze that information objectively. Financial literacy plays a vital role in shaping investment behavior by enhancing awareness of market dynamics, improving risk assessment capability, and promoting a disciplined and goal-oriented investment approach.

Investment decision-making is a vital component of financial management, involving the evaluation of risk, return, and time value of money. Individuals with higher levels of financial literacy are better equipped to analyze financial information, assess investment alternatives, and manage financial risks efficiently. Conversely, inadequate financial knowledge can lead to poor investment choices, increased exposure to risk, and long-term financial losses.

This study aims to examine the relationship between financial literacy and investment decision- making among MBA students, highlighting how financial knowledge, awareness, and skills influence their investment behavior. The findings of this research can contribute to enhancing financial education curricula and promoting sound investment practices among future business leaders.

RESEARCH OBJECTIVES

The objectives of study are :

1. To measure the level of financial literacy among MBA students in Amravati city.

2.To analyze the impact of financial literacy on risk-taking ability and investment decision- making.

3. To examine the investment preferences of MBA students across various finance instruments.

4.To understand the behavioural patterns, biases, and psychological factors that influencing investment decisions among MBA students..

REVIEW OF LITERATURE

Modern Portfolio Theory (Harry Markowitz, 1952) Markowitz introduced the concept of portfolio diversification and risk-return optimization. His theory established that investors can reduce risk through diversification. For MBA students, this theory is important as it helps in understanding the need for constructing balanced investment portfolios.**Capital Asset Pricing Model (Sharpe, 1964; Lintner, 1965)**CAPM states that investors are compensated only for systematic risk. This theory forms the basis of understanding risk–return trade-offs, which is essential for investment decisions. **Prospect Theory (Kahneman & Tversky, 1979)**This behavioural theory argues that individuals evaluate financial decisions based on potential gains and losses rather than final outcomes. The concepts of *loss aversion* and *framing effects* are particularly important in understanding why young investors and MBA students may avoid risky assets such as equity markets**. Mental Accounting (Richard Thaler, 1985)**Thaler proposed that individuals categorize money mentally into different accounts (e.g., savings, investments, emergency funds), which affects their investment decisions. Many young students follow such patterns, influencing their asset preferences**. Theory of Planned Behaviour (Ajzen, 1991)**This theory suggests that attitudes, subjective norms, and perceived behavioural control influence intentions. In the context of MBA students, peer influence, perceived confidence, and faculty guidance may strongly influence investment preferences.Together, these theories provide the conceptual foundation for understanding how financial literacy influences investment choices among MBA students.**Studies by Lusardi and Mitchell** Lusardi and Mitchell conducted extensive research across the United States and globally. Their studies (2007, 2011, 2014) reveal widespread financial illiteracy irrespective of age or education. They developed the widely adopted "Big Three" financial literacy questions covering numeracy, inflation, and risk diversification. They found that financially literate individuals are more likely to plan, invest, and accumulate wealth. Their studies highlight that young adults, including students, often lack adequate knowledge to make investment decisions. **Van Rooij, Lusardi, and Alessie (2011)**Their study on Dutch households found that individuals with high financial literacy were significantly more likely to participate in the stock market. They categorized literacy into "basic" and "advanced" and proved that advanced literacy strongly predicts equity participation. This has strong relevance in the context of MBA students.**Atkinson & Messy (OECD, 2012)**These researchers provided a global framework to measure financial literacy. Their findings show that financial attitude and behaviour must be evaluated alongside knowledge. This guideline has influenced numerous youth-based studies

RESEARCH METHODOLOGY

a) **Research Design**

The study will adopt a descriptive research design. It aims to describe the current financial literacy levels and analyze how they impact investment choices. The descriptive part identifies existing trends, while the analytical part tests relationships using statistical tools.

b) **Data Sources**

1. **Primary Data**: Collected directly from MBA students using a structured questionnaire.

2.**Secondary Data**: Gathered from academic journals, reports from RBI/SEBI, government publications, and previous research studies.

c) **Tools of Data Collection**

A structured questionnaire will be designed with three key sections:

1. Demographic information (age, gender, specialization, income).
2. Financial literacy assessment (knowledge-based questions).
3. Investment behavior (preferences, risk attitude, decision patterns).

d) **Sample Design**

The sample will consist of MBA students from multiple specializations and academic years. The target sample size may range from 100 respondents.

e) **Sampling Technique**

The study uses a non-probability convenience sampling method. This technique was chosen because:

- The population is easily approachable within college campuses.
- It allows flexibility in data collection.
- It is suitable for student-based studies where respondents are available within a defined academic environment.

HYPOTHESIS OF STUDY

H_0: There is no significant relationship between financial literacy and investment decision- making among MBA students.

H_1: There is a significant relationship between financial literacy and investment decision - making among MBA students.

HYPOTHESIS TESTING

The analysis of collected data indicates that a majority of MBA students possess a moderate level of financial literacy, while a smaller proportion demonstrates high financial literacy. Students with higher financial literacy scores exhibit greater awareness of various investment instruments such as equities, mutual funds, bonds, and exchange-traded funds. These students also demonstrate better understanding of risk-return relationships and portfolio diversification principles.

The analysis further reveals that financially literate students are more confident in making investment decisions and are more willing to invest in market-linked instruments. In contrast, students with lower financial literacy prefer traditional and low-risk investment options such as savings accounts and fixed deposits. Correlation analysis shows a strong positive relationship between financial literacy and investment decision quality, indicating that an increase in financial knowledge leads to improved investment behavior. Regression analysis confirms that financial literacy is a significant predictor of investment confidence and decision-making ability.

FINDINGS AND DISCUSSION

The findings of the study clearly indicate that financial literacy has a significant influence on investment decisions among MBA students. Students with higher financial literacy levels demonstrate better understanding of financial markets, higher risk tolerance, and greater participation in investment activities. The study also reveals that exposure to finance-related courses and practical learning opportunities positively impacts students' financial confidence.

The discussion highlights that although MBA programs provide a strong theoretical foundation in finance, practical exposure remains limited. This gap between theory and practice restricts students' ability to apply financial knowledge effectively. The findings are consistent with previous studies that emphasize the importance of financial education in shaping responsible financial behavior. The discussion underscores the need for integrating practical financial

CONCLUSION

The study concludes that financial literacy has a significant and positive impact on investment decision-making among MBA students. Students with higher financial literacy are better equipped to evaluate investment options, assess risk, and make rational financial decisions. Although MBA education provides a theoretical foundation in finance, it is not always sufficient to develop practical financial skills. Therefore, enhancing financial literacy through experiential learning and practical exposure is essential for preparing MBA students to manage their personal and professional financial responsibilities effectively. Furthermore, the study reveals that financial literacy positively impacts risk management behavior. Financially literate MBA students are better equipped to assess market volatility, interpret financial data, and anticipate potential losses, thereby reducing the likelihood of impulsive or emotionally driven investment decisions. This ability to manage financial risk is particularly important in uncertain economic conditions, where informed decision-making can protect investors from significant financial setbacks.

SUGGESTIONS / RECOMMENDATIONS

- Management institutes should include structured financial literacy programs within the MBA curriculum to strengthen students' understanding of investment concepts.

- Practical exposure through workshops, seminars, and guest lectures by financial experts should be organized on a regular basis.

- Simulation-based learning methods such as virtual stock trading, investment games, and case studies should be introduced to improve real-time decision-making skills.

- MBA students should be encouraged to participate in internships, online certification courses, and financial literacy initiatives related to personal finance and investment management.

- Institutions should promote disciplined saving and long-term investment habits among students through mentoring and guidance programs.

- Collaboration with banks, mutual fund companies, and financial institutions should be undertaken to conduct awareness programs on risk management and portfolio diversification.

- Future research studies should be conducted with a larger sample size and wider geographical coverage to enhance the reliability and generalizability of results.

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