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Original Research Paper

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MAKING BETTER INVESTMENT DECISIONS THROUGH FINANCIAL LITERACY: EVIDENCE FROM KERALA

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ABSTRACT Financial literacy has emerged as an essential factor influencing investment behaviour in an increasingly complex financial environment. Individuals with adequate financial knowledge are better equipped to evaluate investment alternatives, understand associated risks, and make informed financial decisions. The present study examines the impact of financial literacy on investment decision-making among individual investors in Kerala. A descriptive research design was adopted, and primary data were collected from 100 respondents using a structured questionnaire. Convenience sampling was employed for selecting the participants. The study assessed respondents' financial knowledge, awareness of investment products, confidence in making investment decisions, and the challenges encountered while investing. The findings indicate that respondents possessing higher levels of financial literacy demonstrate greater confidence, make more systematic investment decisions, and are more likely to diversify their investment portfolios. Conversely, inadequate financial knowledge often results in risk-averse behaviour, dependence on informal sources of information, and poor investment choices. The study highlights the importance of strengthening financial education initiatives through educational institutions, financial service providers, and government agencies to enhance investors' financial capability and promote informed investment behaviour. Improving financial literacy can contribute not only to individual financial well-being but also to broader economic development by encouraging efficient allocation of financial resources.

KEYWORDS : Financial Literacy, Investment Decision-Making, Individual Investors, Financial Knowledge

INTRODUCTION

Financial literacy has become an essential life skill in today's dynamic financial environment. The rapid expansion of financial products, digital investment platforms, and diversified investment opportunities has increased the need for individuals to possess adequate financial knowledge before making investment decisions. Financial literacy refers to the ability to understand financial concepts, evaluate available financial alternatives, and make informed decisions that enhance financial well-being. Individuals with sound financial literacy are generally better prepared to manage personal finances, assess investment risks, and select suitable investment avenues that align with their financial goals.

Investment decisions involve the allocation of financial resources with the expectation of generating future returns. These decisions require an understanding of various financial instruments, including bank deposits, mutual funds, shares, insurance products, and government securities. However, investment decisions are often influenced by an individual's financial knowledge, experience, risk tolerance, and access to reliable financial information. Investors with limited financial literacy may rely on informal advice or emotional judgement, which can result in poor financial outcomes.

In recent years, India has witnessed significant growth in financial inclusion through digital banking, online trading platforms, and government initiatives promoting financial awareness. While these developments have increased access to financial services, they have also made investment choices more complex. Consequently, financial literacy has emerged as a crucial factor in enabling individuals to understand financial markets and make rational investment decisions.

Kerala has experienced steady growth in household savings and investment participation. Nevertheless, disparities in financial knowledge continue to influence the quality of investment decisions among individual investors. Assessing the relationship between financial literacy and investment decision-making can provide valuable insights for policymakers, educational institutions, and financial service providers in designing effective financial education programmes.

The present study examines the influence of financial literacy on investment decision-making among individual investors in Kerala. It seeks to understand how financial knowledge contributes to informed investment behaviour and identifies the challenges faced by investors with varying levels of financial literacy.

REVIEW OF LITERATURE

Several researchers have examined the relationship between financial literacy and investment behaviour. **Bhabha et al. (2014)** reported that financial literacy positively influences saving and investment behaviour by enabling individuals to make informed financial decisions. Their study emphasized that higher financial knowledge encourages better financial planning and investment practices.

Jariwala (2015) found that retail investors possessing higher levels of financial literacy were more likely to make rational investment decisions compared to investors with limited financial knowledge. The study highlighted financial literacy as an important determinant of investment behaviour.

Awais et al. (2016) observed that financial literacy and investment experience significantly improve investors' risk tolerance and decision-making ability. Investors with greater financial understanding demonstrated higher confidence while selecting suitable investment alternatives.

Balagobei and Prashanthan (2021) concluded that financial knowledge, financial behaviour, and financial attitude have a significant positive influence on investment decisions among individual investors. The authors recommended strengthening financial education programmes to improve investment outcomes.

More recently, **Suresh (2024)** examined the combined influence of financial literacy and behavioural biases on investment decisions. The study revealed that financially literate investors are better able to minimise behavioural biases and make rational investment choices. It emphasized that financial education plays a vital role in improving investment performance and long-term financial well-being.

The review of previous studies indicates a consistent positive association between financial literacy and investment decision-making. However, empirical evidence focusing on individual investors in Kerala remains relatively limited. The present study attempts to address this gap by examining the impact of financial literacy on investment decisions among investors in Kerala.

Statement of the Problem

The growing availability of financial products has created numerous investment opportunities for individuals. However, selecting appropriate investment avenues requires adequate financial knowledge and the ability to evaluate risk and return. Many individual investors continue to make investment decisions based on incomplete information, personal opinions, or advice from friends and relatives rather than objective financial analysis. Such decisions often lead to unsatisfactory investment outcomes and financial losses. Although financial awareness has improved in recent years, differences in financial literacy continue to influence investment behaviour. Therefore, it is important to examine how financial literacy affects investment decision-making among individual investors. This study attempts to assess the influence of financial literacy on investment decisions among investors in Kerala.

OBJECTIVES OF THE STUDY

The study was undertaken with the following objectives:

1. To examine the level of financial literacy among individual investors in Kerala.
2. To analyse the influence of financial literacy on investment decision-making.
3. To identify the challenges faced by investors while making investment decisions.

RESEARCH METHODOLOGY

The study adopted a **descriptive research design** to examine the relationship between financial literacy and investment decision-making. Primary data were collected using a structured questionnaire administered to individual investors residing in Kerala. A total of **100 respondents** were selected through **convenience sampling**. The questionnaire included items relating to financial knowledge, investment preferences, awareness of financial products, and investment behaviour.

Secondary data were collected from books, peer-reviewed journals, research articles, government reports, and reliable online sources to provide theoretical support for the study. The collected data were classified, tabulated, and analysed using descriptive statistical techniques such as percentages and mean scores to interpret respondents' financial literacy and investment behaviour.

DATA ANALYSIS AND INTERPRETATION

Table 1:Demographic Profile of Respondents (n = 100)

Interpretation

Particulars	Category	Frequency	Percentage
Gender	Male	58	58.0
	Female	42	42.0
Age	Below 30 years	28	28.0
	31–40 years	37	37.0
	41–50 years	22	22.0
	Above 50 years	13	13.0
Education	Graduate	46	46.0
	Postgraduate	38	38.0
	Others	16	16.0

The demographic profile indicates that 58% of the respondents were male and 42% were female. The largest proportion (37%) belonged to the age group of 31–40 years. Most respondents were graduates or postgraduates, indicating that the sample consisted largely of educated individuals with the potential to understand financial concepts and investment opportunities.

Table 2:Level of Financial Literacy among Respondents

Statement	Agree (%)	Neutral (%)	Disagree (%)
I understand basic financial concepts.	72	18	10
I compare investment alternatives before investing.	69	20	11
I am aware of investment risks.	75	15	10
I regularly update my financial knowledge.	63	22	15

Interpretation

The results show that the majority of respondents possess a satisfactory level of financial literacy. Around three-fourths of the respondents indicated that they understand financial concepts and investment risks. However, only 63% reported regularly updating their financial knowledge, suggesting the need for continuous financial education programmes.

Table 3:Influence of Financial Literacy on Investment Decision-Making

Response	Frequency	Percentage
High Influence	48	48.0
Moderate Influence	37	37.0
Low Influence	15	15.0
Total	100	100.0

Interpretation

Nearly half of the respondents believed that financial literacy has a strong influence on their investment decisions, while 37% perceived a moderate influence. Only a small proportion considered financial literacy to have a limited impact. These findings suggest that financial knowledge plays a significant role in improving investment decision-making and encourages individuals to evaluate investment alternatives more carefully before investing.

FINDINGS

Based on the analysis of data collected , the following major findings were identified:

1. The majority of respondents belonged to the age group of **31–40 years**, indicating active participation in investment activities.
2. Most respondents possessed graduate or postgraduate qualifications, reflecting a reasonably educated investor base.
3. A large proportion of respondents demonstrated a satisfactory understanding of basic financial concepts and investment products.
4. Financial literacy significantly influenced investment decisions by enabling respondents to compare investment alternatives and evaluate associated risks.
5. Respondents with higher financial literacy exhibited greater confidence in making investment decisions and were more likely to diversify their investments.
6. A section of respondents depended on informal sources such as friends and relatives for investment advice, indicating the need for improved financial education.
7. Continuous updating of financial knowledge was comparatively lower among respondents, suggesting scope for awareness programmes.

SUGGESTIONS

Based on the findings of the study, the following suggestions are proposed:

1. Financial literacy programmes should be conducted regularly by educational institutions, financial institutions, and government agencies.
2. Investors should be encouraged to improve their financial knowledge through workshops, online learning platforms,

and certified financial education programmes.
3. Financial institutions should provide simplified and transparent information regarding investment products to facilitate informed decision-making.
4. Investors should evaluate investment opportunities based on objective financial analysis rather than depending solely on personal opinions or informal advice.
5. Public awareness campaigns should emphasize the importance of risk assessment, portfolio diversification, and long-term financial planning.

CONCLUSION

Financial literacy has become an essential prerequisite for effective investment decision-making in the modern financial environment. The findings of the study indicate that investors possessing higher financial knowledge are more capable of understanding investment alternatives, assessing associated risks, and making rational financial decisions. Financially literate individuals are also more confident in selecting suitable investment avenues and managing their financial resources efficiently.

The study highlights that although respondents exhibit a moderate to high level of financial literacy, continuous financial education remains necessary due to the increasing complexity of financial markets and investment products. Strengthening financial literacy initiatives can improve investment behaviour, reduce financial mistakes, and contribute to the long-term financial well-being of individuals. The study concludes that enhancing financial literacy should remain a priority for policymakers, educational institutions, and financial service providers to promote responsible investment practices and inclusive economic development.

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