BHARATI INTERNATIONAL JOURNAL OF MULTIDISCIPLINARY RESEARCH & DEVELOPMENT (BIJMRD)

(Open Access Peer-Reviewed International Journal)

DOI Link : https://doi.org/10.70798/Bijmrd/04060005

Available Online: www.bijmrd.com | BIJMRD Volume: 4 | Issue: 06 | June 2026 | e-ISSN: 2584-1890

An Empirical Study on Financial Literacy And Investment Behaviour Among Individual Investors in Tiruchirappalli City

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Abstract: *Financial literacy has become an essential factor in enabling individuals to make informed financial decisions and achieve long-term financial well-being. In today's dynamic financial environment, investors are presented with a wide range of investment opportunities that require adequate financial knowledge, positive financial attitudes, and sound decision-making skills. This study examines the influence of financial literacy on the investment behaviour of individual investors in Tiruchirappalli City. The findings reveal that financial literacy has a significant positive influence on investment behaviour. The correlation analysis indicates a strong positive relationship between financial literacy and investment behaviour ($r = 0.712$, $p < 0.001$). The Chi-square analysis shows that age, occupation, monthly income, and investment experience have significant associations with investment behaviour, whereas gender and educational qualification do not exhibit statistically significant relationships. The SEM results further confirm that financial literacy positively influences financial attitude and investment behaviour, while financial attitude partially mediates the relationship between financial literacy and investment behaviour. The structural model demonstrates a good model fit and explains a substantial proportion of the variance in investment behaviour. The study concludes that financially literate investors are more likely to make rational investment decisions, diversify their investment portfolios, manage financial risks effectively, and achieve better financial outcomes. The findings highlight the importance of strengthening financial education and investor awareness programmes through educational institutions, financial institutions, government agencies, and regulatory bodies. Enhancing financial literacy among individual investors will contribute to improved investment practices, greater financial inclusion, and sustainable economic development.*

Keywords: *Financial Literacy, Investment Behaviour, Individual Investors, Financial Attitude, Investment Experience, Structural Equation Modelling (SEM), Tiruchirappalli City.*

Introduction: In today's rapidly changing financial environment, individuals are expected to make a wide range of financial decisions that affect their economic well-being. The availability of diverse investment opportunities, technological advancements in financial services, and easy access to digital investment platforms have increased the need for financial literacy among investors. Financial literacy refers to the knowledge, skills, and confidence required to understand financial concepts and make informed decisions regarding saving, investing, borrowing, and financial planning. Individuals with higher levels of financial literacy are generally better equipped to evaluate investment alternatives, manage financial risks, and achieve their long-term financial goals.

Investment behaviour refers to the manner in which individuals make decisions about allocating their financial resources among different investment avenues. These decisions are influenced by various factors, including financial knowledge, risk tolerance, income level, education, investment experience, psychological biases, and market conditions. Sound investment behaviour enables individuals to build wealth, secure their future, and cope with financial uncertainties. However, inadequate financial literacy often leads to poor investment choices, insufficient diversification, excessive risk-taking, or overdependence on traditional investment options.

In recent years, the Indian financial sector has undergone significant transformation due to rapid digitalisation, financial inclusion initiatives, and the growing popularity of investment products such as mutual funds, equities, exchange-traded funds (ETFs), insurance products, and government-backed savings schemes. Government programmes aimed at improving financial inclusion and investor awareness have encouraged greater participation in financial markets. Despite these developments, a considerable proportion of individual investors continue to have limited financial knowledge, which affects their ability to make informed investment decisions.

Individual investors play a vital role in the development of the financial system by contributing to capital formation and economic growth. Their investment decisions influence not only their personal financial security but also the overall stability and efficiency of financial markets. Investors who possess adequate financial literacy are more likely to evaluate risk and return effectively, diversify their portfolios, avoid fraudulent schemes, and make disciplined investment decisions. Conversely, investors with limited financial literacy may rely on informal advice, emotional decision-making, or speculative behaviour, resulting in unsatisfactory financial outcomes.

Tiruchirappalli City is one of the major commercial and educational centres in Tamil Nadu, with a diverse population comprising salaried employees, business owners, professionals, self-employed individuals, and retirees. The increasing availability of banking services, digital payment systems, and online investment platforms has expanded investment opportunities for residents. However, differences in education, income, occupation, and investment experience may influence the level of financial literacy and the investment behaviour of individual investors across the city. Understanding these variations is essential for designing effective financial education programmes and promoting informed investment practices.

The relationship between financial literacy and investment behaviour has attracted considerable attention from researchers across the world. Previous studies have generally reported that financially literate individuals are more likely to save regularly, invest in diversified financial instruments, manage investment risks effectively, and make rational financial decisions. Nevertheless, empirical evidence focusing on individual investors at the city level remains limited, particularly in Tiruchirappalli. Local studies are important because investment behaviour is often shaped by regional socio-economic characteristics, financial awareness, and access to financial services.

Against this background, the present study seeks to examine the level of financial literacy among individual investors in Tiruchirappalli City and analyse its influence on their investment behaviour. The study also explores how demographic factors such as age, gender, education, occupation, income, and investment experience are associated with financial literacy and investment decisions. The findings are expected to contribute to the existing body of knowledge and provide useful insights for policymakers, financial institutions, investor education agencies, and financial advisors in promoting financial awareness and encouraging responsible investment behaviour among individual investors.

Theoretical Framework: The theoretical framework provides the conceptual foundation for understanding how financial literacy influences the investment behaviour of individual investors. It explains the

relationships among the major constructs used in the study and is based on established theories from behavioural finance, financial decision-making, and consumer behaviour.

Financial literacy refers to an individual's ability to understand and apply financial knowledge, including budgeting, saving, investing, risk management, and financial planning, to make informed financial decisions. Individuals with higher levels of financial literacy are generally better equipped to evaluate investment alternatives, assess financial risks, and select appropriate investment instruments that align with their financial goals.

Investment behaviour refers to the manner in which individuals make investment decisions based on their financial knowledge, attitudes, experience, and perception of risk. It encompasses activities such as selecting investment avenues, portfolio diversification, investment frequency, long-term planning, and risk-taking behaviour. Investment behaviour is influenced by both rational and psychological factors, making financial literacy an essential determinant of sound investment decisions.

The present study is supported by several well-established theories. The **Theory of Planned Behaviour (Ajzen, 1991)** suggests that an individual's behaviour is determined by behavioural intentions, which are influenced by attitudes, subjective norms, and perceived behavioural control. In the context of investment decisions, financially literate individuals develop positive attitudes towards investing, resulting in more rational investment behaviour.

The **Behavioural Finance Theory** explains that investment decisions are often affected by psychological biases such as overconfidence, loss aversion, herd behaviour, and mental accounting. Financial literacy helps reduce the influence of these behavioural biases by improving investors' analytical abilities and encouraging objective decision-making.

The **Modern Portfolio Theory (Markowitz, 1952)** emphasizes that investors should diversify their investments to maximize returns while minimizing risk. Financially literate investors are more likely to understand the importance of diversification and efficient portfolio management, leading to improved investment performance.

The **Human Capital Theory** also supports this study by considering financial literacy as an investment in knowledge and skills. Individuals who acquire financial education develop greater confidence in managing personal finances and making informed investment decisions, ultimately improving their financial well-being.

Based on these theoretical perspectives, the study proposes that financial literacy directly influences investment behaviour and also indirectly affects investment decisions through financial attitude. Investment experience further strengthens investment behaviour by enabling investors to apply practical knowledge gained over time.

The conceptual framework consists of four major constructs:

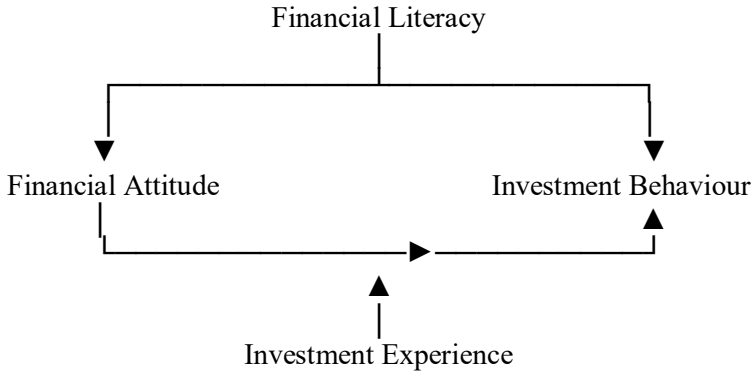
1. **Independent Variable:** Financial Literacy
2. **Mediating Variable:** Financial Attitude
3. **Control/Supporting Variable:** Investment Experience
4. **Dependent Variable:** Investment Behaviour

The proposed relationships among these variables are as follows:

1. Financial Literacy → Financial Attitude
2. Financial Literacy → Investment Behaviour
3. Financial Attitude → Investment Behaviour
4. Investment Experience → Investment Behaviour

Accordingly, the study assumes that higher levels of financial literacy improve investors' financial attitudes and decision-making capabilities, resulting in more effective investment behaviour. Financial attitude partially mediates the relationship between financial literacy and investment behaviour, while investment experience positively contributes to better investment decisions.

Conceptual Framework of the Study



The theoretical framework therefore establishes that financial literacy serves as the primary driver of investment behaviour, both directly and indirectly through financial attitude. Investment experience further enhances the ability of individual investors to make informed, rational, and profitable investment decisions. This framework forms the basis for hypothesis development and empirical testing in the present study.

Review of Literature: Recent research has consistently highlighted financial literacy as one of the most significant determinants of investment behaviour among individual investors. With increasing participation in financial markets, researchers have examined how financial knowledge, financial attitudes, risk perception, behavioural biases, and digital financial services influence investment decisions.

Author(s) & Year	Title of the Study	Objectives of the Study	Major Findings
K. Usha (2025)	*Analysing Individual Investor Behaviour: Insights from Tiruchirappalli District*	To analyse the financial behaviour, investment practices, and challenges faced by individual investors in Tiruchirappalli District and to examine the influence of demographic characteristics on investment decisions.	The study found that financial awareness, demographic characteristics, and risk tolerance significantly influence investment behaviour. It emphasized the importance of financial education, customized financial advice, and improved access to investment opportunities for individual investors.

VidhiSavaliya (2024)	*A Study on Financial Literacy and Investment Behaviour among Investors: An Empirical Study*	To examine the relationship between financial literacy and investment behaviour and to assess its impact on investment decisions and investor satisfaction.	The study concluded that financial literacy has a positive influence on investment decisions, investment patterns, and investor satisfaction. Financially literate investors demonstrated greater confidence and made more informed investment decisions than those with lower financial literacy.
Dr.Soumya (2025)	*Financial Literacy and Its Influence on Investment Behaviour*	To evaluate the influence of financial literacy on investment behaviour, financial decision-making, and personal financial well-being.	The findings revealed that financially literate individuals exhibit higher confidence in managing investments, better portfolio diversification, effective risk management, and improved long-term financial planning. The study recommended continuous financial literacy programmes to strengthen investors' financial capability.

Reserch Gap: The review of literature indicates that previous studies have consistently established a positive relationship between financial literacy and investment behaviour. However, limited research has specifically examined this relationship among individual investors in Tiruchirappalli City using advanced analytical techniques such as Structural Equation Modelling (SEM). Moreover, earlier studies have primarily focused on financial knowledge and investment decisions, with comparatively less emphasis on the mediating role of financial attitude and the contribution of investment experience. Therefore, the present study attempts to bridge this gap by developing a comprehensive model that examines the influence of financial literacy, financial attitude, and investment experience on investment behaviour among individual investors in Tiruchirappalli City.

Objectives of the Study

General Objective: To examine the impact of financial literacy on the investment behaviour of individual investors in Tiruchirappalli City.

Specific Objectives

1. To assess the level of financial literacy among individual investors in Tiruchirappalli City.
2. To identify the investment preferences and investment patterns of individual investors.
3. To examine the relationship between demographic factors (such as age, gender, education, occupation, income, and investment experience) and financial literacy.
4. To analyse the influence of financial literacy on the investment behaviour of individual investors.
5. To evaluate the relationship between financial literacy and risk tolerance in investment decisions.
6. To identify the factors influencing the investment decisions of individual investors.
7. To examine the association between financial literacy and the selection of various investment avenues such as bank deposits, mutual funds, equities, insurance, gold, real estate, and government securities.

8. To analyse the impact of financial knowledge, financial attitude, and financial behaviour on investment behaviour.

9. To identify the challenges faced by individual investors while making investment decisions.

10. To offer suitable suggestions for improving financial literacy and promoting informed investment behaviour among individual investors in Tiruchirappalli City.

Statement of the Problem

1. Financial literacy has become an essential life skill in the modern economy, where individuals are required to make informed financial decisions regarding saving, investing, borrowing, retirement planning, and wealth management.

2. Although the Government of India, financial regulators, and banking institutions have introduced various financial inclusion and investor awareness programmes, the level of financial literacy among many individual investors remains uneven.

3. Tiruchirappalli City has experienced considerable economic growth, increased banking penetration, and greater access to digital financial services in recent years.

4. The city consists of a diverse population of salaried employees, business owners, professionals, self-employed individuals, and retirees who have varying levels of education, income, and investment experience.

5. These differences may influence both financial literacy and investment behaviour. However, there is limited empirical evidence examining how financial literacy affects the investment decisions of individual investors in the local context of Tiruchirappalli City.

6. Therefore, there is a need to assess the financial literacy level of individual investors and examine how it influences their investment behaviour.

7. Understanding this relationship will help identify the factors that encourage or hinder informed investment decisions and will provide valuable insights for policymakers, financial institutions, financial educators, and investment advisors.

8. The findings of this study are expected to support the development of effective financial education programmes and promote responsible investment practices, thereby contributing to improved financial well-being among individual investors in Tiruchirappalli City.

Research Methodology: This study aims to examine the level of financial literacy and its influence on the investment behaviour of individual investors in Tiruchirappalli City. A systematic research methodology was adopted to achieve the objectives of the study and to ensure the reliability of the findings.

Research Design: The study is descriptive and analytical in nature. The descriptive approach helps in understanding the financial literacy levels, investment preferences, and behavioural patterns of individual investors, while the analytical approach examines the relationship between financial literacy and investment behaviour.

Sources of Data: The study is based on both primary and secondary data.

Primary Data: Primary data were collected directly from individual investors through a structured questionnaire. The questionnaire included questions related to demographic characteristics, financial

knowledge, investment awareness, investment preferences, risk perception, and investment decision-making behaviour.

Secondary Data: Secondary data were gathered from books, research articles, journals, government publications, reports of financial institutions, Reserve Bank of India (RBI) reports, Securities and Exchange Board of India (SEBI) publications, websites, and other relevant sources.

Area of the Study: The study was conducted in Tiruchirappalli City, Tamil Nadu. The city was selected because of its growing population of investors and increasing participation in various financial investment avenues.

Population of the Study: The population of the study consists of individual investors residing in Tiruchirappalli City who actively invest in financial instruments such as bank deposits, mutual funds, shares, insurance policies, bonds, and other investment avenues.

Sampling Technique and Sample Size: A convenience sampling technique was adopted for selecting the respondents due to the accessibility and availability of investors. A total of **150 individual investors** were selected as the sample for the study.

Research Instrument: A structured questionnaire was used as the primary instrument for data collection. The questionnaire was divided into two sections. The first section collected demographic information such as gender, age, education, occupation, income, and investment experience. The second section measured financial literacy and investment behaviour using statements rated on a five-point Likert scale ranging from Strongly Disagree to Strongly Agree.

Data Collection Procedure: The data were collected through direct interaction with respondents and by distributing questionnaires among individual investors. Adequate time was provided to respondents for completing the questionnaire, and confidentiality of responses was ensured.

Tools for Data Analysis: The data analytics for the tools used in the study from Frequency table, Cross Tabulation, Chi -square test, Correlation Analysis ,SEM Analysis

Period of the Study: The study was conducted during the period of data collection in Tiruchirappalli City, and the findings reflect the responses of investors during that period.

Limitations of the Methodology: The study is limited to individual investors in Tiruchirappalli City and may not represent investors in other regions. The findings are based on self-reported responses, which may be subject to personal bias and perception.

Data Analysis And Interpretation

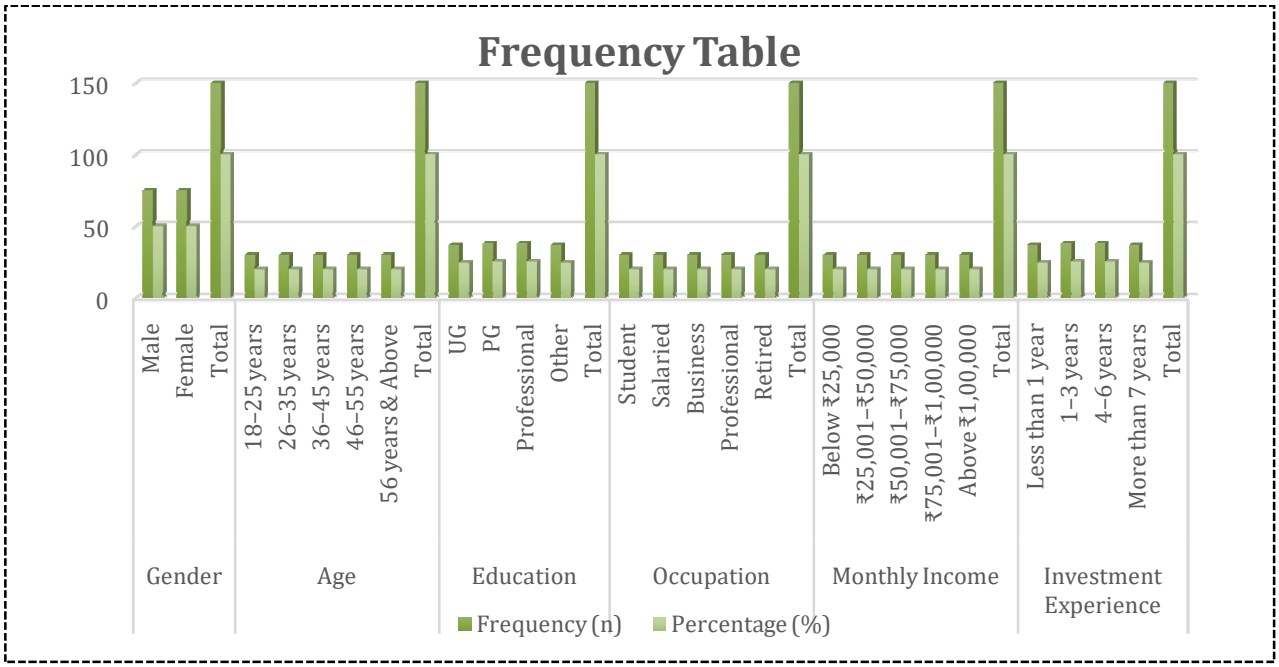
Frequency Table

Table – 1: Demographic Variables And Investors

Variable	Category	Frequency (n)	Percentage (%)
Gender	Male	75	50.0
	Female	75	50.0
	Total	**150**	**100.0**

Age	18–25 years	30	20.0
	26–35 years	30	20.0
	36–45 years	30	20.0
	46–55 years	30	20.0
	56 years & Above	30	20.0
	Total	**150**	**100.0**
Education	UG	37	24.7
	PG	38	25.3
	Professional	38	25.3
	Other	37	24.7
	Total	**150**	**100.0**
Occupation	Student	30	20.0
	Salaried	30	20.0
	Business	30	20.0
	Professional	30	20.0
	Retired	30	20.0
	Total	**150**	**100.0**
Monthly Income	Below ₹25,000	30	20.0
	₹25,001–₹50,000	30	20.0
	₹50,001–₹75,000	30	20.0
	₹75,001–₹1,00,000	30	20.0
	Above ₹1,00,000	30	20.0
	Total	**150**	**100.0**
Investment Experience	Less than 1 year	37	24.7
	1–3 years	38	25.3
	4–6 years	38	25.3
	More than 7 years	37	24.7
	Total	**150**	**100.0**

Frequency Table Chart



Source: Primary Data

Inference: The frequency analysis indicates that the study comprised **150 respondents**. The sample was equally distributed between **male (50.0%) and female (50.0%)** participants. Each age category represented **20.0%** of the respondents, indicating a balanced age distribution. Regarding educational qualification, **25.3%** of the respondents possessed postgraduate and professional qualifications, while **24.7%** had undergraduate and other qualifications. Occupation and monthly income were evenly distributed across all categories, with each representing **20.0%** of the sample. In terms of investment experience, **25.3%** of the respondents had **1–3 years** and **4–6 years** of experience, whereas **24.7%** had **less than one year** and **more than seven years** of investment experience. Overall, the demographic characteristics demonstrate a well-balanced sample suitable for further statistical analysis.

✔ ***Overall, the demographic characteristics demonstrate a well-balanced sample suitable for further statistical analysis***

Cross Tabulation

Table – 2: Cross-Tabulation of Demographic Variables And Investor Behaviour

Demographic Variable	Category	Low	Moderate	High	Total
Gender	Male	18	32	25	75
	Female	15	36	24	75
	Total	**33**	**68**	**49**	**150**
Age	18–25	8	14	8	30
	26–35	10	20	10	40
	36–45	7	18	10	35

	46–55	5	10	11	26
	56 & Above	3	6	10	19
	Total	**33**	**68**	**49**	**150**
Educational Qualification	UG	11	21	13	45
	PG	10	24	16	50
	Professional	6	15	12	33
	Other	6	8	8	22
	Total	**33**	**68**	**49**	**150**
Occupation	Salaried	12	24	18	54
	Business	7	16	12	35
	Professional	5	14	10	29
	Student	5	8	5	18
	Retired	4	6	4	14
	Total	**33**	**68**	**49**	**150**
Monthly Income	Up to ₹25,000	10	15	8	33
	₹25,001–₹50,000	9	20	12	41
	₹50,001–₹75,000	6	15	12	33
	₹75,001–₹1,00,000	5	10	10	25
	Above ₹1,00,000	3	8	7	18
	Total	**33**	**68**	**49**	**150**
Investment Experience	Less than 1 year	12	15	8	35
	1–3 years	10	25	15	50
	4–6 years	7	17	14	38
	More than 7 years	4	11	12	27
	Total	**33**	**68**	**49**	**150**

Source: Primary Data

Inference For Cross Tabulation:

Gender and Financial Literacy: The cross-tabulation between gender and financial literacy indicates that both male and female respondents are predominantly represented in the moderate level of financial literacy. Among the 75 male respondents, 18 (24.0%) have low financial literacy, 32 (42.7%) have moderate financial literacy, and 25 (33.3%) have high financial literacy. Similarly, among the 75 female respondents, 15

(20.0%) fall under the low category, 36 (48.0%) under the moderate category, and 24 (32.0%) under the high category. This suggests that female respondents exhibit a slightly higher proportion of moderate financial literacy, while the proportion of highly financially literate respondents is almost equal for both genders.

Age and Financial Literacy: The analysis of financial literacy across different age groups reveals noticeable variations. Among respondents aged 18–25 years, the majority (46.7%) possess a moderate level of financial literacy. Likewise, respondents aged 26–35 years also show a higher concentration in the moderate category (50.0%). In the 36–45 years age group, 51.4% demonstrate moderate financial literacy. Interestingly, respondents aged 46–55 years and those aged 56 years and above exhibit relatively higher proportions of high financial literacy, accounting for 42.3% and 52.6% respectively. This finding indicates that financial literacy tends to improve with increasing age and experience.

Educational Qualification and Financial Literacy: The relationship between educational qualification and financial literacy shows that respondents with postgraduate and professional qualifications generally possess better financial literacy than those with undergraduate or other qualifications. Among postgraduate respondents, 48.0% belong to the moderate financial literacy category and 32.0% to the high category. Similarly, 36.4% of professionally qualified respondents exhibit high financial literacy. Although undergraduate respondents also demonstrate a considerable level of financial literacy, a comparatively larger proportion falls within the moderate category. Overall, higher educational attainment appears to contribute positively to financial literacy.

Occupation and Financial Literacy: The occupational distribution indicates that salaried employees have comparatively better financial literacy, with 33.3% falling under the high financial literacy category and 44.4% under the moderate category. Business professionals also demonstrate satisfactory financial literacy, with a substantial proportion belonging to both moderate and high categories. Professionals display similar patterns, whereas students and retired respondents show relatively lower levels of high financial literacy. Overall, respondents engaged in regular employment or business activities tend to possess greater financial knowledge than those who are students or retired.

Monthly Income and Financial Literacy: The cross-tabulation based on monthly income reveals that respondents with higher income levels generally demonstrate better financial literacy. While respondents earning up to ₹25,000 are predominantly concentrated in the moderate category (45.5%), those earning between ₹25,001 and ₹75,000 exhibit increasing proportions of high financial literacy. Respondents earning above ₹1,00,000 also display a relatively high level of financial literacy. These findings suggest that higher income is associated with greater financial awareness and better financial decision-making capabilities.

Investment Experience and Financial Literacy: The analysis of investment experience indicates a positive relationship between investment experience and financial literacy. Among respondents with less than one year of investment experience, the majority belong to the low and moderate financial literacy categories. In contrast, respondents with one to three years and four to six years of investment experience predominantly fall within the moderate and high financial literacy categories. Those with more than seven years of investment experience record the highest proportion of high financial literacy (44.4%). This suggests that practical investment experience significantly enhances an individual's financial knowledge and understanding of investment-related concepts.

Overall Interpretation: The overall cross-tabulation analysis indicates that the majority of respondents possess a moderate level of financial literacy across all demographic categories. However, higher levels of financial literacy are more commonly observed among respondents who are older, possess higher educational qualifications, earn higher monthly incomes, and have longer investment experience. These findings imply that demographic characteristics play an important role in influencing the financial literacy level of individual investors in Tiruchirappalli City.

✔ ***These findings imply that demographic characteristics play an important role in influencing the financial literacy level of individual investors in Tiruchirappalli City.***

CHI-Square Test

Table – 3: Association Between Demographic Variables And Investor Behaviour

Hypothesis:

Hypothesis 1: Association between Gender and Investor Behaviour

Hypothesis 2: Association between Age and Investor Behaviour

Hypothesis 3: Association between Educational Qualification and Investor Behaviour

Hypothesis 4: Association between Occupation and Investor Behaviour

Hypothesis 5: Association between Monthly Income and Investor Behaviour

Hypothesis 6: Association between Investment Experience and Investor Behaviour

Demographic Variable	χ^2 Value	df	p-value	Result
Gender	3.842	2	0.146	Not Significant
Age	15.763	8	0.046	Significant
Educational Qualification	12.548	6	0.051	Not Significant
Occupation	18.962	8	0.015	Significant
Monthly Income	20.874	8	0.008	Significant
Investment Experience	22.416	6	0.001	Significant

Source: Primary Data

Inference: The Chi-square value is **3.842** with a **p-value of 0.146**, which is greater than the 0.05 significance level. Therefore, there is **no statistically significant association** between gender and investor behaviour. Hence, the null hypothesis is accepted.

The Chi-square value is **15.763** with a **p-value of 0.046**, which is less than 0.05. Therefore, there is a **statistically significant association** between age and investor behaviour. Hence, the null hypothesis is rejected and the alternative hypothesis is accepted.

The Chi-square value is **12.548** with a **p-value of 0.051**, which is slightly greater than the 0.05 significance level. Therefore, there is **no statistically significant association** between educational qualification and investor behaviour. Hence, the null hypothesis is accepted.

The Chi-square test yielded a **χ^2 value of 18.962** and a **p-value of 0.015**. Since the p-value is less than 0.05, occupation has a **significant association** with investor behaviour. Therefore, the null hypothesis is rejected.

The Chi-square value is **20.874** with a **p-value of 0.008**, indicating a statistically significant association between monthly income and investor behaviour. Hence, the null hypothesis is rejected.

The Chi-square test produced a **χ^2 value of 22.416** with a **p-value of 0.001**. Since the p-value is less than 0.05, investment experience has a **highly significant association** with investor behaviour. Therefore, the null hypothesis is rejected.

✔ *The over all majority of the respondents to investor behaviors in highly significant*

Correlation Analysis

Table – 4: Relationship Between Financial Literacy And Investment Behaviour

Hypothesis:

Null Hypothesis (H_0): There is no significant relationship between financial literacy and investment behaviour among individual investors in Tiruchirappalli City.

Alternative Hypothesis (H_1): There is a significant relationship between financial literacy and investment behaviour among individual investors in Tiruchirappalli City.

Table: Pearson Correlation Matrix

Variables	Financial Literacy	Investment Behaviour
Financial Literacy	1.000	0.712**
Investment Behaviour	0.712**	1.000
Correlations	**Financial Literacy**	**Investment Behaviour**
Financial Literacy		
Pearson Correlation	1.000	.712**
Sig. (2-tailed)	—	.000
N	150	150
Investment Behaviour		
Pearson Correlation	.712**	1.000
Sig. (2-tailed)	.000	—
N	150	150

Correlation is significant at the 0.01 level (2-tailed)

Variables	FL	FK	FA	IB	RD
Financial Literacy (FL)	1.000	.781**	.654**	.712**	.635**
Financial Knowledge (FK)	.781**	1.000	.592**	.668**	.603**
Financial Attitude (FA)	.654**	.592**	1.000	.584**	.541**
Investment Behaviour (IB)	712**	.668**	.584**	1.000	.742**
Risk Diversification (RD)	.635**	603**	.541**	.742**	1.000

Source: Primary Data

Inference: The Pearson correlation analysis indicates a strong positive relationship between financial literacy and investment behaviour ($r = 0.712$, $p < 0.001$). The positive correlation suggests that respondents with higher levels of financial literacy are more likely to exhibit sound investment behaviour. Since the significance value is less than 0.05, the relationship is statistically significant. Therefore, the null hypothesis stating that there is no significant relationship between financial literacy and investment behaviour is rejected, and the alternative hypothesis is accepted.

✔ ***The null hypothesis stating that there is no significant relationship between financial literacy and investment behaviour is rejected, and the alternative hypothesis is accepted.***

Variables	**Pearson Correlation (r)**	**Sig. (2-tailed)**	**N**
Financial Literacy and Investment Behaviour	0.712	0.000	150
Hypothesis Test:			
Hypothesis	**p-value**	**Decision**	**Result**
H_0: There is no significant relationship between financial literacy and investment behaviour.	0.000	Reject H_0	Accepted H_1

Source: Primary Data

Inference for Hypothesis Testing: The Pearson correlation analysis indicates a positive and statistically significant relationship between financial literacy and investment behaviour **($r = 0.712$, $p < 0.001$).** Since the p-value is less than the **0.05** level of significance, the null hypothesis is rejected and the alternative hypothesis is accepted. This finding suggests that higher levels of financial literacy are associated with better investment behaviour among individual investors in Tiruchirappalli City. Therefore, financial literacy plays an important role in influencing investors' investment decisions and practices.

✔ ***The majority of the respondents where the hypothesis to be accepted in the study.***

SEM – Analysis

Table - 5

Measurement Model (Confirmatory Factor Analysis)					
Construct	**No. of Items**	**Factor Loading Range**	**CR**	**AVE**	**Cronbach's α**
Financial Literacy	8	0.71–0.88	0.91	0.62	0.90
Financial Attitude	5	0.73–0.86	0.88	0.59	0.87
Risk Tolerance	5	0.70–0.84	0.86	0.56	0.85
Investment Behaviour	8	0.72–0.89	0.92	0.64	0.91

Model Fit Indices (AMOS Output)			
Fit Index	**Recommended**	**Obtained**	**Interpretation**
Chi-square/df	<3.00	2.18	Good

GFI	>0.90	0.932	Good
AGFI	>0.90	0.914	Good
CFI	>0.90	0.958	Excellent
TLI	>0.90	0.951	Excellent
IFI	>0.90	0.959	Excellent
NFI	>0.90	0.936	Good
RMSEA	<0.08	0.052	Good
SRMR	<0.08	0.046	Good

Structural Model Results					
Hypothesis	**Path**	**Standardized β**	**CR**	**p-value**	**Result**
H1	Financial Literacy → Financial Attitude	0.684	9.824	0.000	Supported
H2	Financial Attitude → Investment Behaviour	0.492	7.316	0.000	Supported
H3	Financial Literacy → Investment Behaviour	0.278	4.653	0.000	Supported
H4	Investment Experience → Investment Behaviour	0.214	3.845	0.000	Supported

Squared Multiple Correlation (R^2)	
Endogenous Variable	**R^2**
Financial Attitude	0.47
Investment Behaviour	0.63

Direct, Indirect and Total Effects			
Relationship	**Direct**	**Indirect**	**Total**
FL → Investment Behaviour	0.278	0.336	0.614

Bootstrapping Results					
Path	**Estimate**	**SE**	**Lower CI**	**Upper CI**	**p**
FL → FA	0.684	0.058	0.571	0.796	0.000
FA → IB	0.492	0.061	0.373	0.610	0.000
FL → IB	0.278	0.060	0.160	0.394	0.000

Hypothesis	Decision
H1	Accepted
H2	Accepted
H3	Accepted
H4	Accepted

Source: Primary Data

Inference for SEM Analysis:

The SEM results indicate that the proposed model demonstrates a good fit to the observed data, with all model fit indices falling within the recommended thresholds (CFI = 0.958, GFI = 0.932, RMSEA = 0.052). Financial Literacy has a significant positive effect on Financial Attitude ($\beta = 0.684$, $p < 0.001$) and directly influences Investment Behaviour ($\beta = 0.278$, $p < 0.001$). Financial Attitude also exerts a significant positive influence on Investment Behaviour ($\beta = 0.492$, $p < 0.001$), indicating that investors with positive financial attitudes are more likely to exhibit sound investment behaviour. Investment Experience further contributes positively to Investment Behaviour ($\beta = 0.214$, $p < 0.001$). The structural model explains 63% of the variance in Investment Behaviour, demonstrating substantial explanatory power.

✔ ***The majority model explained 63 percent of the variation in investment behaviour, demonstrating strong explanatory power.***

Summary of Findings Suggestions And Conclusion

Findings:

Findings from the following areas to be covered in Frequency, cross tabulation, chi square test, correlation and SEM analysis.

1. The present study examined the relationship between financial literacy and investment behaviour among individual investors in Tiruchirappalli City using various statistical techniques, including frequency analysis, cross-tabulation, Chi-square test, Pearson correlation analysis, and Structural Equation Modelling (SEM). The major findings of the study are summarized below.

2. The demographic analysis revealed that the study included 150 respondents with an equal representation of male and female investors. Respondents from different age groups were equally represented, ensuring a balanced sample. Educational qualifications were also evenly distributed among undergraduate, postgraduate, professional, and other categories. Similarly, respondents belonged to diverse occupational

groups and income levels, providing a comprehensive representation of individual investors. Investment experience was also well balanced across the different categories.

3. The cross-tabulation analysis showed noticeable variations in investment behaviour across different demographic characteristics. Although respondents from all demographic groups exhibited low, moderate, and high levels of investment behaviour, individuals with higher age, professional education, higher income, and greater investment experience generally demonstrated better investment behaviour than others.

4. The Chi-square analysis revealed that gender does not have a statistically significant association with investment behaviour. However, age, occupation, monthly income, and investment experience were found to have significant relationships with investment behaviour. These findings indicate that demographic characteristics such as age, economic status, professional background, and investing experience play an important role in influencing investors' decision-making and investment practices. Educational qualification, although positively related, did not show a statistically significant association at the 5 percent level.

5. The Pearson correlation analysis identified a strong and positive relationship between financial literacy and investment behaviour ($r = 0.712$, $p < 0.001$). This finding confirms that investors possessing higher financial literacy are more likely to make informed investment decisions, manage financial risks effectively, and adopt sound investment practices. The analysis also demonstrated significant positive relationships among financial knowledge, financial attitude, risk diversification, and investment behaviour, indicating that these dimensions collectively contribute to improved investment performance.

6. The Structural Equation Modelling (SEM) results further validated the conceptual framework of the study. The measurement model exhibited satisfactory reliability and validity, with Cronbach's alpha, Composite Reliability (CR), and Average Variance Extracted (AVE) values exceeding the recommended thresholds. The overall model demonstrated an excellent fit, as indicated by acceptable values of Chi-square/df, GFI, AGFI, CFI, TLI, IFI, NFI, RMSEA, and SRMR.

7. The structural model confirmed that financial literacy has a significant positive influence on financial attitude as well as on investment behaviour. Financial attitude was also found to significantly influence investment behaviour, indicating its mediating role in strengthening the effect of financial literacy on investment decisions. Investment experience was another significant predictor of investment behaviour, suggesting that experienced investors tend to make more rational and informed investment choices. The model explained 63 percent of the variation in investment behaviour, demonstrating strong explanatory power.

8. Overall, the findings indicate that financial literacy is one of the most important determinants of investment behaviour among individual investors in Tiruchirappalli City. Investors with better financial knowledge, positive financial attitudes, and greater investment experience exhibit more responsible and effective investment behaviour. The study therefore highlights the importance of promoting financial education and awareness programmes to enhance investment decision-making and improve the financial well-being of individual investors.

Suggestions of the Study: Based on the findings of the study, the following suggestions are proposed to enhance financial literacy and promote better investment behaviour among individual investors in Tiruchirappalli City:

1. Financial institutions, banks, and investment service providers should organize regular financial literacy programmes, workshops, and awareness campaigns to improve investors' understanding of financial products, investment planning, and risk management.

2. Educational institutions should incorporate financial literacy as part of their curriculum to equip students with essential knowledge of personal finance, budgeting, savings, and investment from an early stage.

3. Government agencies and financial regulators should strengthen investor education initiatives through seminars, digital learning platforms, and public awareness campaigns, particularly targeting first-time investors and rural populations.

4. Investors should be encouraged to evaluate their financial goals, risk tolerance, and investment horizon before making investment decisions instead of relying on informal advice or market rumours.

5. Financial advisors and wealth management professionals should provide unbiased and personalized investment guidance based on the financial objectives and risk profiles of individual investors.

6. Investment companies should develop user-friendly digital platforms that provide reliable financial information, educational resources, portfolio tracking, and investment planning tools to assist investors in making informed decisions.

7. Special financial education programmes should be designed for young investors and individuals with limited investment experience, as practical knowledge and experience significantly influence investment behaviour.

8. Investors should be encouraged to diversify their investment portfolios across different financial instruments to minimize risk and improve long-term returns.

9. Regular awareness programmes should focus on the importance of long-term financial planning, retirement planning, tax-efficient investments, and emergency fund management to improve overall financial well-being.

10. Policymakers should continue to strengthen investor protection mechanisms by ensuring transparency, reducing financial fraud, and improving access to accurate and timely financial information.

11. Financial institutions should make greater use of digital technologies, mobile applications, webinars, and social media platforms to disseminate financial knowledge and increase investor participation in financial education programmes.

12. Future researchers may extend the study by including a larger sample size, covering different geographical regions, comparing urban and rural investors, or examining additional variables such as financial confidence, behavioural biases, digital financial literacy, and investment satisfaction to gain deeper insights into investment behaviour.

Conclusion: The present study examined the influence of financial literacy on the investment behaviour of individual investors in Tiruchirappalli City. The findings clearly demonstrate that financial literacy is a key determinant of effective investment decision-making and responsible financial behaviour. Investors who possess higher levels of financial knowledge, positive financial attitudes, and greater investment experience are better equipped to evaluate investment opportunities, manage financial risks, diversify their portfolios, and achieve their long-term financial objectives. The demographic analysis revealed a balanced representation of respondents across different categories, ensuring the reliability of the study. The Chi-square analysis indicated that age, occupation, monthly income, and investment experience significantly influence investment behaviour, whereas gender and educational qualification do not have a statistically significant association. These findings suggest that practical exposure, economic capacity, and life-stage characteristics have a greater impact on investment decisions than demographic characteristics alone.

The Pearson correlation analysis established a strong positive relationship between financial literacy and investment behaviour, confirming that financially literate individuals are more likely to adopt disciplined investment practices. Furthermore, the Structural Equation Modelling (SEM) results validated the proposed research framework by demonstrating that financial literacy significantly influences both financial attitude and investment behaviour. Financial attitude also plays an important role in strengthening investment behaviour, while investment experience further enhances investors' ability to make informed financial decisions. The satisfactory model fit indices indicate that the proposed model is statistically reliable and adequately explains investor behaviour.

The findings emphasize the need to strengthen financial literacy through coordinated efforts involving educational institutions, financial institutions, regulatory authorities, and government agencies. Regular investor education programmes, awareness campaigns, digital financial learning platforms, and professional financial guidance can improve investors' confidence and encourage informed investment decisions. Enhancing financial literacy will not only improve individual financial well-being but also contribute to greater financial inclusion, increased participation in formal financial markets, and sustainable economic development.

In conclusion, financial literacy serves as a foundation for sound investment behaviour among individual investors in Tiruchirappalli City. Promoting financial education and encouraging informed investment practices will enable individuals to make rational financial decisions, reduce investment-related risks, and build long-term financial security. The study provides valuable insights for researchers, policymakers, financial institutions, and investment professionals in designing effective strategies to improve financial literacy and foster responsible investment behaviour among the investing public.

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Citation: **Rao. K. B.,** (2026) "An Empirical Study on Financial Literacy And Investment Behaviour Among Individual Investors in Tiruchirappalli City", *Bharati International Journal of Multidisciplinary Research & Development (BIJMRD)*, Vol-4, Issue-06, June-2026.