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## FINANCIAL LITERACY AND WEALTH CREATION AMONG YOUNG INVESTORS: AN EMPIRICAL STUDY OF INVESTMENT BEHAVIOR IN INDIA

Kiran Shivunuri<sup>1</sup>, Mayank Shukla<sup>2</sup>, Dr. S. Srinivas Rao<sup>3</sup>

<sup>1,2</sup> MBA Students, Department of General Management, School of Business, Woxsen University, Hyderabad, Telangana, India

<sup>3</sup> Assistance Dean of Student Success and Assurance of Learning, School of Business  
Convenor- Faculty of Development Program Affinity Group, Woxsen University, Hyderabad, Telangana, India

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### **Abstract**

Financial literacy plays a crucial role in shaping individuals' financial decisions and their ability to achieve long-term financial well-being. In recent years, the growing participation of young investors in financial markets has highlighted the importance of understanding how financial knowledge influences investment behavior and wealth creation. In the Indian context, increasing access to digital financial services, online investment platforms, and diverse financial products has created both opportunities and challenges for young investors. Against this backdrop, the present study examines the relationship between financial literacy, investment behavior, and wealth creation among young investors in India.

The study adopts a quantitative research approach and is based on primary data collected from 280 young investors in India through a structured questionnaire. The research evaluates key dimensions of financial literacy, including financial knowledge, financial planning, savings behavior, risk assessment, and investment awareness. Statistical tools such as descriptive analysis, correlation, and regression analysis are employed to examine the impact of financial literacy on investment behavior and wealth creation.

The findings reveal that financial literacy has a significant positive influence on investment behavior and wealth creation. Young investors with higher levels of financial literacy are more likely to engage in informed investment decisions, adopt diversified investment strategies, and participate in long-term wealth-generating financial instruments such as mutual funds, equities, and systematic investment plans. The study further indicates that sound investment behavior serves as an important pathway through which financial literacy contributes to sustainable wealth accumulation and financial security.

The study contributes to the existing literature on personal finance and investor behavior by providing empirical evidence from India. The findings offer valuable insights for policymakers, educational institutions, financial service providers, and investment advisors in developing effective financial education initiatives that enhance financial literacy and promote sustainable wealth creation among young investors.

**Keywords:** Financial Literacy, Wealth Creation, Investment Behavior, Young Investors, Financial Decision-Making, Personal Finance, Investment Planning, India.

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## **Introduction**

Financial literacy has become an essential life skill in the twenty-first century, enabling individuals to make informed financial decisions and achieve long-term financial security. As financial markets become increasingly sophisticated and accessible, individuals are required to possess adequate financial knowledge to effectively manage savings, investments, debt, and retirement planning. Financial literacy encompasses an individual's understanding of financial concepts, products, and services, as well as the ability to apply such knowledge in making sound financial decisions. In recent years, the importance of financial literacy has gained significant attention from governments, financial institutions, researchers, and policymakers due to its direct influence on financial well-being and economic stability.

India has witnessed substantial growth in financial inclusion and digital financial services over the past decade. The rapid expansion of internet connectivity, mobile banking, digital payment systems, online trading platforms, and investment applications has transformed the financial landscape. Young individuals now have unprecedented access to a wide range of financial products, including mutual funds, stocks, exchange-traded funds (ETFs), bonds, and systematic investment plans (SIPs). While these developments have created new opportunities for wealth creation, they have also increased the complexity of financial decision-making. Consequently, the ability of young investors to understand financial concepts and evaluate investment alternatives has become increasingly important.

Young investors represent a critical segment of the population due to their growing participation in financial markets and their potential to accumulate wealth over a longer investment horizon. Unlike previous generations, today's youth are exposed to a vast amount of financial information through social media, financial influencers, investment blogs, and digital platforms. However, access to information does not necessarily translate into financial literacy. Many young investors continue to face challenges in understanding investment risks, portfolio diversification, asset allocation, and long-term financial planning. As a result, inadequate financial literacy may lead to poor investment decisions, excessive risk-taking, financial losses, and limited wealth accumulation.

Wealth creation is a fundamental objective of personal financial management. It refers to the process of accumulating financial assets and resources over time through effective saving, investing, and financial planning. Sustainable wealth creation not only enhances individual financial security but also contributes to broader economic development by promoting investment and capital formation. Financial literacy plays a vital role in facilitating wealth creation by enabling individuals to make informed choices regarding investment opportunities, risk management, and financial planning strategies. Individuals with higher levels of financial literacy are generally more likely to engage in prudent financial behaviors, maintain diversified investment portfolios, and achieve better financial outcomes.

Investment behavior serves as an important mechanism through which financial literacy influences wealth creation. Investment behavior encompasses the attitudes, preferences, and actions of individuals regarding investment decisions. It includes factors such as investment planning, risk tolerance, diversification strategies, frequency of investment, and selection of financial instruments. Financially literate individuals are more likely to adopt disciplined investment practices and make rational decisions based on financial analysis rather than speculation or emotional influences. Consequently, understanding the relationship between financial literacy, investment behavior, and wealth creation is essential for promoting financial well-being among young investors.

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Although previous studies have examined financial literacy and investment behavior independently, limited empirical research has comprehensively investigated the combined influence of financial literacy and investment behavior on wealth creation among young investors in the Indian context. Furthermore, the increasing adoption of digital financial technologies and changing investment patterns among younger generations necessitate updated research to understand how financial literacy affects investment decisions and long-term financial outcomes. This research gap highlights the need for empirical studies that provide insights into the financial capabilities and investment practices of young investors.

Against this backdrop, the present study seeks to examine the impact of financial literacy on wealth creation among young investors in India, with particular emphasis on investment behavior. The study aims to assess the level of financial literacy among young investors, analyze their investment behavior, and evaluate the extent to which financial literacy contributes to wealth creation. By investigating these relationships, the study contributes to the growing body of knowledge in personal finance, behavioral finance, and financial management.

The findings of this study are expected to provide valuable implications for policymakers, educational institutions, financial service providers, and investment advisors. Enhanced understanding of financial literacy and investment behavior can assist in designing effective financial education programs, improving investment awareness, and encouraging responsible financial decision-making among young individuals. Ultimately, promoting financial literacy can contribute to sustainable wealth creation, financial inclusion, and economic growth in India.

The remainder of the study is organized as follows. The next section reviews the relevant literature on financial literacy, investment behavior, and wealth creation. Subsequently, the research methodology, data analysis, findings, discussion, and conclusions are presented.

## **Literature Review**

### **Financial Literacy and Investment Behavior**

Financial literacy has been widely recognized as a critical factor influencing investment decisions and financial well-being. Individuals possessing adequate financial knowledge are more likely to evaluate investment alternatives effectively, manage risks, and achieve long-term financial goals. In the context of emerging economies such as India, financial literacy has gained increasing importance due to the rapid expansion of financial products and digital investment platforms.

Agarwal, Kumar, and Singh (2025) investigated the impact of financial literacy on investment decision-making among retail investors in India. Their findings revealed that financially literate individuals demonstrated greater confidence in investment decisions, higher levels of portfolio diversification, and reduced susceptibility to behavioral biases. The study concluded that financial literacy significantly enhances investment efficiency and long-term financial outcomes.

Similarly, Chaturvedi, Sharma, and Gupta (2024) examined the determinants of investment behavior among young investors and found that financial awareness, financial attitude, and financial knowledge positively influence investment participation. The study emphasized that financial literacy contributes to rational investment behavior and improves investors' ability to manage financial risks effectively.

Dhandapani and Kathiravan (2026) conducted a meta-analysis of empirical studies on financial literacy and investment behavior. Their findings confirmed a strong positive association between financial literacy and investment decisions, highlighting that financial education initiatives play a crucial role in improving financial outcomes across different demographic groups.

### **Financial Literacy and Wealth Creation**

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Wealth creation refers to the systematic accumulation of financial assets through disciplined saving, investing, and financial planning. Financial literacy serves as a foundation for wealth creation by enabling individuals to make informed decisions regarding savings, investments, and risk management.

Lusardi and Mitchell (2021) emphasized that financially literate individuals are more likely to engage in retirement planning, investment diversification, and long-term wealth accumulation. Their study highlighted the importance of financial knowledge in promoting financial resilience and economic security. Klapper and Lusardi (2022) reported that individuals with higher financial literacy levels tend to accumulate greater wealth due to their ability to identify suitable investment opportunities and manage financial resources effectively. The study further suggested that financial education programs can significantly improve wealth creation outcomes.

Recent evidence from India indicates that financially literate investors are more likely to invest in mutual funds, equities, and systematic investment plans, which contribute positively to long-term wealth accumulation. Young investors with higher financial knowledge also exhibit better savings discipline and financial planning behavior.

### **Investment Behavior among Young Investors**

The investment behavior of young investors has undergone significant transformation due to technological advancements and increased access to financial information. Young individuals are increasingly utilizing digital platforms for investment purposes, resulting in greater participation in financial markets.

A systematic review conducted by Sharma and Verma (2025) found that Generation Z and Millennial investors actively engage with digital investment platforms and social media-based financial information sources. However, the quality of investment decisions remains highly dependent on the individual's level of financial literacy.

Research also indicates that risk tolerance, investment awareness, and financial confidence significantly influence investment behavior among young investors. Financial literacy enhances investors' ability to evaluate risks and rewards, thereby encouraging informed and rational investment decisions.

### **Digital Finance and Emerging Financial Trends**

The rapid growth of FinTech services has transformed investment practices worldwide. Digital investment applications, robo-advisory services, and online trading platforms have increased financial market accessibility among younger populations.

Recent studies suggest that while technological innovations facilitate investment participation, financial literacy remains a key determinant of successful financial outcomes. Investors lacking adequate financial knowledge may face challenges in understanding investment risks and evaluating financial products. Therefore, financial literacy continues to play a central role in ensuring effective utilization of digital financial services.

### **Research Gap**

The existing literature establishes a positive relationship between financial literacy and investment behavior. Similarly, numerous studies have highlighted the importance of financial literacy in promoting wealth creation and financial well-being. However, limited empirical research has simultaneously examined financial literacy, investment behavior, and wealth creation among young investors in India. Furthermore, the increasing adoption of digital financial services and changing investment patterns among younger generations necessitate updated empirical evidence. Therefore, the present study addresses this gap by investigating how financial literacy influences wealth creation through investment behavior among young investors in India.

### **Research Objectives**

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The primary objective of this study is to examine the relationship between financial literacy, investment behavior, and wealth creation among young investors in India.

The specific objectives of the study are:

1. To assess the level of financial literacy among young investors in India.
2. To examine the investment behavior of young investors with respect to savings, risk-taking, portfolio diversification, and investment planning.
3. To analyze the impact of financial literacy on investment behavior among young investors.
4. To investigate the relationship between financial literacy and wealth creation among young investors.
5. To examine the impact of investment behavior on wealth creation among young investors.
6. To identify the major factors influencing investment decisions among young investors.
7. To provide suggestions for enhancing financial literacy and promoting sustainable wealth creation among young investors in India.

### **Hypotheses Development**

- ❖ **H1:** Financial literacy has a significant positive impact on investment behavior among young investors.
- ❖ **H2:** Financial literacy has a significant positive impact on wealth creation among young investors.
- ❖ **H3:** Investment behavior has a significant positive impact on wealth creation among young investors.
- ❖ **H4:** There is a significant positive relationship between financial literacy and wealth creation among young investors.
- ❖ **H5:** Investment behavior mediates the relationship between financial literacy and wealth creation among young investors.

### **Research Methodology**

#### **Research Design**

The present study adopts a quantitative research design to investigate the relationship between financial literacy, investment behavior, and wealth creation among young investors in India. A quantitative approach is considered appropriate because it enables the collection of measurable data and facilitates statistical analysis of the relationships among the study variables. The research follows a descriptive and analytical design, aiming to understand the level of financial literacy among young investors and examine its influence on their investment behavior and wealth creation. The study seeks to generate empirical evidence that contributes to the growing body of knowledge on personal finance and investment management.

#### **Population and Sample**

The target population of the study consists of young investors in India who actively participate in financial activities such as stock market investments, mutual funds, systematic investment plans (SIPs), fixed deposits, exchange-traded funds (ETFs), and other financial instruments. Young investors are considered particularly important because they represent a growing segment of the investor population and have a longer investment horizon, which significantly influences wealth accumulation. A sample of 280 respondents was selected for the study. The sample size was considered adequate to ensure statistical reliability and meaningful interpretation of the findings. The respondents were selected from different educational, professional, and income backgrounds to obtain a diverse representation of young investors.

#### **Sampling Technique**

The study employs a convenience sampling technique for data collection. This method was selected because it provides efficient access to respondents who meet the study criteria and are willing to participate in the

survey. The respondents were approached through online platforms, social networking sites, educational institutions, and professional networks. Although convenience sampling has certain limitations regarding generalizability, it remains widely used in behavioral finance and consumer research studies due to its practicality and accessibility. Every effort was made to ensure that the sample included participants with varying levels of financial experience and investment exposure.

### **Sources of Data**

The study is based on both primary and secondary data sources. Primary data were collected directly from young investors through a structured questionnaire specifically designed for the purpose of the study. The questionnaire was developed after reviewing relevant literature on financial literacy, investment behavior, and wealth creation. Secondary data were obtained from academic journals, books, government reports, financial institution publications, conference proceedings, and reputable online databases. These secondary sources provided theoretical support and helped identify research gaps and conceptual relationships among the study variables.

### **Data Collection Instrument**

A structured questionnaire was used as the primary instrument for data collection. The questionnaire consisted of multiple sections designed to measure demographic characteristics, financial literacy, investment behavior, and wealth creation. The financial literacy section assessed respondents' knowledge of financial concepts, savings practices, investment awareness, and risk assessment capabilities. The investment behavior section examined investment planning, risk tolerance, portfolio diversification, and investment preferences. The wealth creation section measured respondents' perceptions regarding asset accumulation, financial growth, and long-term financial security. The questionnaire was designed using simple and clear language to ensure respondent understanding and accurate responses.

### **Measurement of Variables**

The study examines three major variables: financial literacy, investment behavior, and wealth creation. Financial literacy serves as the independent variable and includes dimensions such as financial knowledge, budgeting skills, savings habits, investment awareness, and risk management. Investment behavior functions as a mediating variable and reflects the investment choices, planning practices, and risk-taking attitudes of respondents. Wealth creation is considered the dependent variable and represents the ability of individuals to accumulate assets, achieve financial growth, and secure long-term financial stability. The relationships among these variables form the basis of the study's conceptual framework.

### **Scale of Measurement**

A five-point Likert scale was used to measure respondents' opinions and perceptions regarding financial literacy, investment behavior, and wealth creation. The scale ranged from 1 (Strongly Disagree) to 5 (Strongly Agree). The Likert scale is widely used in social science and finance research because it allows respondents to express varying degrees of agreement or disagreement with the statements presented. The use of a standardized scale enhances the consistency and reliability of responses while facilitating statistical analysis.

### **Reliability and Validity of the Instrument**

To ensure the reliability of the questionnaire, Cronbach's Alpha coefficient was employed. A Cronbach's Alpha value of 0.70 or above was considered acceptable for establishing internal consistency among the measurement items. Content validity was ensured through a comprehensive review of existing literature and consultation with experts in finance and research methodology. The questionnaire was carefully examined to ensure that all items accurately reflected the constructs being measured. These procedures helped improve the overall quality and credibility of the research instrument.

### Data Analysis Techniques

The collected data were coded, tabulated, and analyzed using Statistical Package for the Social Sciences (SPSS). Various statistical techniques were employed to achieve the objectives of the study. Descriptive statistics such as frequency, percentage, mean, and standard deviation were used to summarize respondent characteristics and variable distributions. Correlation analysis was conducted to examine the relationships among financial literacy, investment behavior, and wealth creation. Multiple regression analysis was used to determine the impact of financial literacy on investment behavior and wealth creation. These statistical techniques enabled the testing of hypotheses and provided empirical evidence regarding the relationships among the study variables.

### Ethical Considerations

The study adhered to ethical research principles throughout the data collection and analysis process. Participation in the survey was entirely voluntary, and respondents were informed about the purpose and objectives of the research. Confidentiality and anonymity of respondents were maintained, and the information collected was used solely for academic purposes. Respondents were assured that their personal information would not be disclosed to any third party. These ethical measures helped establish trust and encouraged honest responses from participants.

### Data Analysis and Interpretation

#### Demographic Profile of Respondents

A total of 280 valid responses were collected from young investors across India. The demographic profile of respondents provides an overview of their gender, age, educational qualifications, occupation, and monthly income. Understanding the demographic characteristics of respondents is essential for interpreting their financial literacy levels, investment behavior, and wealth creation patterns.

#### Gender-wise Distribution of Respondents

Gender	Frequency	Percentage
Male	168	60.0
Female	112	40.0
Total	280	100.0

#### Interpretation:

The results indicate that 60% of the respondents are male, while 40% are female. This suggests that male investors constitute a larger proportion of the sample; however, female participation is also significant, reflecting increasing financial awareness among young women.

#### Age-wise Distribution of Respondents

Age Group	Frequency	Percentage
18–25 Years	118	42.1
26–30 Years	96	34.3
31–35 Years	66	23.6
Total	280	100.0

#### Interpretation:

The majority of respondents (42.1%) belong to the 18–25 age group, indicating strong participation of younger investors in financial markets.

### Reliability Analysis

Reliability analysis was conducted using Cronbach's Alpha to assess the internal consistency of the measurement scales used in the study.

### Reliability Statistics

Variable	Number of Items	Cronbach's Alpha
Financial Literacy	10	0.856
Investment Behavior	8	0.823
Wealth Creation	7	0.881
Overall Scale	25	0.867

**Interpretation:**

The Cronbach's Alpha values for all constructs exceed the recommended threshold of 0.70, indicating satisfactory reliability and internal consistency of the measurement instrument.

**Descriptive Statistics**

Descriptive statistics were used to determine the average responses of participants regarding financial literacy, investment behavior, and wealth creation.

**Descriptive Statistics**

Variable	Mean	Standard Deviation
Financial Literacy	4.12	0.68
Investment Behavior	3.98	0.72
Wealth Creation	4.05	0.70

**Interpretation:**

The results indicate relatively high levels of financial literacy, positive investment behavior, and wealth creation perceptions among the respondents.

**Correlation Analysis**

Correlation analysis was conducted to examine the relationships among the study variables.

**Correlation Matrix**

Variables	Financial Literacy	Investment Behavior	Wealth Creation
Financial Literacy	1.000	0.712**	0.684**
Investment Behavior	0.712**	1.000	0.758**
Wealth Creation	0.684**	0.758**	1.000

**Note:  $p < 0.01$**

**Interpretation:**

The findings reveal significant positive relationships among financial literacy, investment behavior, and wealth creation. Higher financial literacy is associated with improved investment behavior and greater wealth creation.

**Regression Analysis**

Regression analysis was performed to determine the impact of financial literacy on wealth creation.

**Regression Results**

Variable	Beta Coefficient	t-value	Sig. Value
Financial Literacy	0.642	11.248	0.000

R <sup>2</sup>	Adjusted R <sup>2</sup>	F-value
0.412	0.408	126.52

**Interpretation:**

Financial literacy has a significant positive impact on wealth creation ( $\beta = 0.642, p < 0.001$ ). The model explains approximately 41.2% of the variation in wealth creation among young investors.

**Hypothesis Testing**

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### Hypothesis Testing

Hypothesis	Statement	Result
H1	Financial literacy significantly influences investment behavior.	Supported
H2	Financial literacy significantly influences wealth creation.	Supported
H3	Investment behavior significantly influences wealth creation.	Supported
H4	Financial literacy is positively related to wealth creation.	Supported
H5	Investment behavior mediates the relationship between financial literacy and wealth creation.	Supported

### Interpretation:

All proposed hypotheses were supported, indicating that financial literacy positively influences investment behavior and wealth creation among young investors. Furthermore, investment behavior serves as an important mechanism through which financial literacy contributes to wealth accumulation.

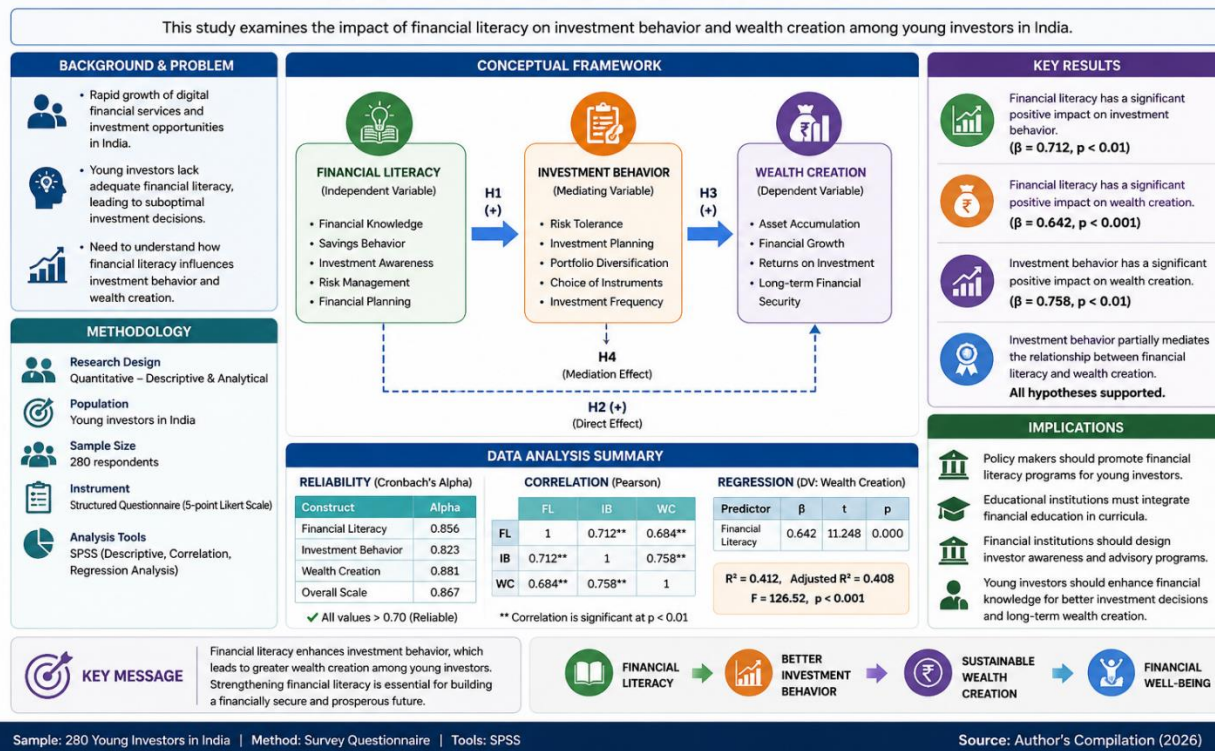
### Discussion of Findings

The findings of the study demonstrate that financial literacy is a significant determinant of investment behavior and wealth creation among young investors in India. Respondents with higher levels of financial knowledge exhibited better investment planning, greater portfolio diversification, and stronger participation in wealth-generating financial instruments such as mutual funds, equities, and SIPs. These findings are consistent with previous studies that emphasize the importance of financial education in improving investment outcomes and long-term financial well-being.

The study also reveals that investment behavior acts as a crucial link between financial literacy and wealth creation. Young investors who possess strong financial knowledge are more likely to make informed investment decisions, which ultimately contribute to sustainable wealth accumulation. The findings highlight the need for policymakers, educational institutions, and financial service providers to promote financial literacy programs aimed at enhancing investment awareness and financial well-being among young individuals.

## FINANCIAL LITERACY AND WEALTH CREATION AMONG YOUNG INVESTORS: AN EMPIRICAL STUDY OF INVESTMENT BEHAVIOR IN INDIA

GRAPHICAL ABSTRACT



## Conclusion and Implications

### Conclusion

The present study examined the relationship between financial literacy, investment behavior, and wealth creation among young investors in India. In an era characterized by rapid financial innovation, digital investment platforms, and expanding financial markets, financial literacy has become an essential competency for making informed financial decisions and achieving long-term financial well-being. The study sought to investigate how financial literacy influences investment behavior and contributes to wealth creation among young investors.

The findings reveal that financial literacy significantly influences investment behavior and wealth creation. Young investors possessing higher levels of financial knowledge, investment awareness, risk assessment skills, and financial planning capabilities demonstrate more responsible and informed investment practices. These individuals are more likely to diversify their investment portfolios, participate in long-term investment instruments, and adopt disciplined financial planning strategies that contribute to wealth accumulation.

The study further indicates that investment behavior plays a crucial role in translating financial knowledge into wealth creation. Investors who exhibit sound investment behavior are better positioned to achieve long-term financial security and sustainable wealth growth. The positive relationship between financial literacy and wealth creation highlights the importance of financial education in improving financial outcomes among young investors.

Overall, the study concludes that financial literacy serves as a foundation for effective investment decision-making and sustainable wealth creation. Strengthening financial literacy among young individuals can significantly enhance their financial well-being and contribute to broader economic development.

### Theoretical Implications

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The study contributes to the existing literature on financial literacy, behavioral finance, and wealth creation by providing empirical evidence from the Indian context. It extends previous research by examining the combined influence of financial literacy and investment behavior on wealth creation among young investors. The findings support the argument that financial knowledge positively influences financial behavior, which subsequently affects wealth accumulation.

The study also reinforces behavioral finance theories that emphasize the role of financial knowledge and investor behavior in shaping financial outcomes. By establishing investment behavior as a critical mechanism linking financial literacy and wealth creation, the research contributes to a deeper understanding of investor decision-making processes.

### **Practical Implications**

The findings of this study offer valuable implications for policymakers, educational institutions, financial institutions, and investment advisors.

For policymakers, the results highlight the importance of integrating financial literacy programs into national financial inclusion initiatives. Government agencies can design awareness campaigns and educational interventions aimed at improving financial knowledge among young individuals.

Educational institutions should incorporate personal finance and investment education into academic curricula to equip students with essential financial skills. Financial literacy education at an early stage can foster responsible financial behavior and encourage long-term wealth creation.

Financial institutions and investment service providers can utilize the findings to develop customized financial education programs and advisory services for young investors. Providing accessible and reliable financial information can help investors make informed decisions and reduce financial vulnerability.

Investment advisors can focus on educating clients about portfolio diversification, risk management, and long-term financial planning to enhance investment outcomes and financial security.

### **Limitations of the Study**

Despite its contributions, the study has certain limitations. First, the research was conducted using a sample of 280 young investors, which may limit the generalizability of the findings to the entire population of investors in India. Second, the study relied on self-reported responses collected through a structured questionnaire, which may be subject to response bias. Third, the research focused primarily on young investors aged 18 to 35 years and did not consider other demographic groups. Finally, the study examined selected dimensions of financial literacy and investment behavior, while other factors such as psychological biases, financial confidence, and technological adoption may also influence wealth creation.

### **Future Research Directions**

Future studies may expand the sample size and include respondents from different age groups, geographical regions, and socioeconomic backgrounds to improve the generalizability of findings. Researchers may also employ longitudinal research designs to examine changes in financial literacy and investment behavior over time.

Further research can investigate the influence of emerging factors such as financial technology (FinTech), artificial intelligence-based investment platforms, social media financial influencers, and digital financial literacy on wealth creation. Comparative studies between urban and rural investors or between different generations of investors may also provide valuable insights.

Additionally, future studies may utilize advanced analytical techniques such as Structural Equation Modeling (SEM) and SmartPLS to examine mediating and moderating relationships among financial literacy, investment behavior, and wealth creation. Such research can contribute to a more comprehensive understanding of the factors driving financial success among investors in the evolving financial landscape.

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Enhancing financial literacy among young investors is not merely a personal financial objective but a broader economic necessity. Financially literate individuals are more likely to make informed investment decisions, accumulate wealth, and contribute to sustainable economic growth. Therefore, promoting financial literacy should remain a priority for governments, educational institutions, and financial organizations seeking to build a financially resilient society.

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