International Journal of Research in Commerce and Management Studies

ISSN 2582-2292

Vol. 8, No. 01 Jan-Feb; 2026 Page. No. 527-535

To cite this article: Vidya A and Dr. S. Rajamohan (2026). FINANCIAL LITERACY AND BEHAVIOURAL TRAPS IN INVESTMENT DECISIONS: A STUDY OF ACADEMICIANS, International Journal of Research in Commerce and Management Studies (IJRCMS) 8 (1): 527-535 Article No. 615 Sub Id 1088

FINANCIAL LITERACY AND BEHAVIOURAL TRAPS IN INVESTMENT DECISIONS: A STUDY OF ACADEMICIANS

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DOI: https://doi.org/10.38193/IJRCMS.2026.8144

ABSTRACT

This study investigates how financial literacy and behavioural biases influence investment decision-making among academicians, with an emphasis on the personal, social, and institutional factors shaping their investment behaviour. Primary data were collected from 430 academicians using a structured sampling design. Exploratory Factor Analysis (EFA) was employed to identify the latent dimensions underlying investment decisions. The suitability of the dataset for factor analysis was confirmed by a Kaiser–Meyer–Olkin (KMO) value of 0.724 and a significant Bartlett's Test of Sphericity ($\chi^2 = 1242.428$, $p < 0.001$). Principal Component Analysis extracted key factors influencing investment behaviour, namely financial stress and debt-related pressures, socio-economic and institutional influences, financial knowledge and information processing, and structural and policy support for financial education. The results indicate that academicians' investment choices are substantially shaped by financial pressures, limited financial knowledge, social and environmental influences, and inadequate access to structured financial education. These constraints often result in risk-averse or inefficient investment decisions. The study underscores the need for targeted financial literacy interventions, improved access to reliable financial information, supportive institutional policies, and the incorporation of investment education into professional development programmes. By providing empirical evidence on the multidimensional determinants of investment behaviour within the academic community, this research contributes to the literature on financial decision-making and offers practical implications for policy and institutional reform.

KEYWORDS: Financial Literacy, Behavioural Finance, Investment decisions

INTRODUCTION

Investment behaviour plays a critical role in ensuring long-term financial stability, particularly for professional groups whose income patterns and career structures present distinct financial challenges.

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Academicians, despite their high levels of formal education, often encounter constraints such as modest salary growth, irregular supplementary income, limited exposure to credible financial information, and varying degrees of financial literacy. These conditions can influence their investment choices and may restrict their ability to plan effectively for future financial needs.

Investment decisions among academicians are not driven solely by rational evaluation of financial alternatives but are also shaped by behavioural tendencies, institutional environments, and socio-economic influences. Behavioural biases, access to financial knowledge, and the availability of institutional support mechanisms can significantly affect how academicians perceive risk and select investment instruments. However, existing empirical research has predominantly focused on retail investors and corporate employees, leaving the investment behaviour of academicians relatively underexplored. Addressing this gap, the present study examines the investment behaviour of academicians using primary data collected from 430 respondents selected through a structured sampling design. Exploratory Factor Analysis (EFA) is employed to identify the underlying dimensions that influence investment decision-making. By analysing the behavioural, financial, and institutional factors affecting academicians' investment behaviour, the study seeks to provide insights into the barriers to informed investment planning and to contribute evidence that can support targeted financial literacy initiatives and institutional policy interventions aimed at improving financial well-being within the academic community.

REVIEW OF LITERATURE

Recent studies underline the influential role of teachers not only in academic development but also in shaping financial attitudes and behaviours within society. Educators' financial practices and investment decisions are increasingly recognised as important, given their potential to influence students' perceptions of money management and long-term financial planning. Jyothi Acharya et al. (2023) emphasised that teachers' levels of financial literacy and their personal investment choices have a meaningful impact on how financial concepts are perceived and internalised by learners. Drawing on behavioural finance theory, the study highlighted the role of heuristics, emotions, and cognitive biases in shaping teachers' investment behaviour, suggesting that financial decisions are not always purely rational.

Expanding on the behavioural perspective, Medida, Chavez Jr., and Orfrecio (2023) examined the investment behaviour of elementary school teachers in the Magpet West District. Their exploratory study, based on data from 300 teachers, demonstrated that investment planning among educators is influenced by a combination of behavioural and situational factors. The findings reinforce the argument that teachers' investment decisions are shaped by underlying psychological tendencies as well as future consumption expectations, rather than by financial knowledge alone.

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Empirical evidence from the Indian context further supports the importance of income and institutional factors in determining teachers' investment behaviour. Harikumar and Selvakumar (2023), in their study of assistant professors employed in self-financing colleges in Chennai, observed a strong preference for traditional and low-risk investment instruments such as bank deposits and gold. Their results indicated that income level plays a decisive role in investment selection, with short-term investment decisions largely guided by considerations of safety, liquidity, and capital protection.

In addition to personal and income-related factors, the role of financial education and institutional support has received growing attention. Xiyong Xu (2023) highlighted the changing landscape of securities investment education at the college level, noting that the expansion of online finance and digital trading platforms requires innovative teaching strategies. The study advocated simulation-based and practice-oriented instruction to equip learners with the skills necessary to navigate modern financial markets effectively.

Similarly, Noviana et al. (2023) examined the link between digital financial literacy and financial well-being in Indonesia. Using structural equation modelling, the study found that spending, saving, and investment behaviours act as mediating variables between digital financial literacy and overall financial well-being. These findings underscore the importance of structured financial education initiatives in fostering responsible financial behaviour and improving long-term financial outcomes.

Collectively, the reviewed studies indicate that teachers' and academicians' investment behaviour is shaped by a complex interaction of behavioural biases, income constraints, financial literacy levels, and institutional support mechanisms. However, while existing research provides valuable insights into specific dimensions of educators' financial behaviour, there remains limited empirical evidence integrating behavioural, financial, and institutional factors within a single analytical framework. Addressing this gap, the present study seeks to offer a comprehensive examination of investment behaviour among academicians using exploratory factor analysis.

Objectives of the study

1. To identify and analyze the key factors influencing the investment behaviour of academicians, focusing on financial literacy and behavioural traps.

RESEARCH METHODOLOGY

The study adopts a quantitative research design to examine the investment behaviour of academicians. Primary data were collected from a sample of 430 academicians selected through a structured sampling approach to ensure adequate representation of the target population. The data were obtained using a structured questionnaire designed to capture information related to financial literacy, behavioural

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influences, and investment practices.

To assess the suitability of the data for factor analysis, preliminary diagnostic tests were conducted. Exploratory Factor Analysis (EFA) was employed to identify the underlying dimensions influencing investment behaviour. The Kaiser–Meyer–Olkin (KMO) measure and Bartlett's Test of Sphericity were used to evaluate sampling adequacy and the appropriateness of applying factor analysis. Principal Component Analysis was applied for factor extraction, enabling the identification of behavioural, financial, and institutional factors that shape academicians' investment decisions.

This methodological approach facilitates a systematic understanding of the latent factors affecting investment behaviour and provides empirical evidence on the constraints and influences that academicians face in achieving informed investment decision-making and financial security.

Table: KMO and Bartlett's Test of Sampling Adequacy for Factor Analysis

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.724
Bartlett's Test of Sphericity	Approx. Chi-Square	1242.428
	Df	105
	Sig.	.000

Source: primary data

The suitability of the data for factor analysis was examined using the Kaiser–Meyer–Olkin (KMO) measure and Bartlett's Test of Sphericity. The KMO value obtained was 0.724**,** which indicates a satisfactory level of sampling adequacy. This suggests that the correlations among the variables are sufficiently compact and that the data are appropriate for identifying underlying factors.

Bartlett's Test of Sphericity produced a chi-square value of 1242.428 with 105 degrees of freedom**,** which was found to be statistically significant **(**$p < 0.001$**).** The significant result indicates that the correlation matrix is not an identity matrix, confirming the presence of meaningful relationships among the variables.

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Table: Total Variance Explained by Principal Component Analysis

Total Variance Explained									
	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.635	24.235	24.235	3.635	24.235	24.235	1.940	12.931	12.931
2	1.427	9.512	33.747	1.427	9.512	33.747	1.805	12.034	24.965
3	1.354	9.030	42.777	1.354	9.030	42.777	1.779	11.862	36.827
4	1.131	7.540	50.316	1.131	7.540	50.316	1.673	11.152	47.979
5	1.114	7.427	57.744	1.114	7.427	57.744	1.465	9.765	57.744
6	.967	6.444	64.188						
7	.925	6.169	70.357						
8	.869	5.793	76.150						
9	.642	4.279	80.429						
10	.617	4.113	84.541						
11	.567	3.779	88.320						
12	.517	3.448	91.768						
13	.462	3.081	94.849						
14	.407	2.711	97.560						
15	.366	2.440	100.000						
Extraction Method: Principal Component Analysis.									

Principal Component Analysis was applied to examine the underlying factors related to financial literacy and behavioural traps in investment decisions among academicians. The results show that five components recorded eigenvalues greater than one and were therefore retained for further analysis.

The first component explained 24.24 percent of the total variance, indicating its dominant role in representing the shared variance among the variables. The second component accounted for 9.51 percent of the variance, followed by the third component with 9.03 percent, the fourth with 7.54

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percent, and the fifth with 7.43 percent. Together, these five components explained 57.74 percent of the total variance, which is considered acceptable for studies in the social sciences.

After extraction and rotation, the explained variance was more evenly distributed among the retained components, improving clarity and interpretability. In the rotated solution, each factor contributed between approximately 9.77 percent and 12.93 percent of the variance, indicating that no single factor overwhelmingly dominated the structure.

Components with eigenvalues less than one were excluded from further analysis, as their contribution to explaining variance was minimal. Overall, the results suggest that the extracted components adequately represent the key dimensions influencing financial literacy and behavioural investment patterns among academicians.

Table: Rotated Component Matrix for Investment Behaviour of Academicians

Rotated Component Matrix[a]					
	Component				
	1	2	3	4	5
Impact of Debt	.699				
Financial Anxiety and Stress	.587				
Role of Education System		.706			
Influence of Media		.694			
Impact of Socioeconomic Background		.693			
Economic Environment			.806		
Trust in Financial Institutions			.628		
Personal Habits and Discipline			.551		
Awareness of Financial Products				.745	
Investment Knowledge				.698	
Complexity of Financial Information				.521	
Lack of Access to Financial Education Resources					.817
Government and Policy Support					.535

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Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.
a. Rotation converged in 15 iterations.

Component 1: Financial stress and debt pressure: This component is defined by high loadings for Impact of Debt (0.699) and Financial Anxiety and Stress (0.587). The strength of these loadings indicates that financial obligations and emotional stress are closely linked and together influence investment behaviour. This component reflects how debt burden and anxiety can act as behavioural traps, leading academicians to adopt conservative or avoidant investment strategies.

Component 2: Socio-economic and institutional influences: This component comprises Role of the Education System (0.706), Influence of Media (0.694), Impact of Socioeconomic Background (0.693), Economic Environment (0.806), Trust in Financial Institutions (0.628), and Personal Habits and Discipline (0.551). The high loading of the economic environment suggests that broader economic conditions strongly shape financial decisions, while education, media exposure, and institutional trust further reinforce behavioural patterns. This component represents the external and social context affecting financial literacy and investment behaviour.

Component 3: Financial knowledge and information processing: This component is characterized by strong loadings for Awareness of Financial Products (0.745), Investment Knowledge (0.698), and Complexity of Financial Information (0.521). These variables collectively indicate the respondent's ability to understand, evaluate, and use financial information. The component highlights how limited knowledge or perceived complexity can influence investment choices and contribute to suboptimal decision-making.

Component 4: Structural and policy support for financial education: This component is primarily represented by Lack of Access to Financial Education Resources (0.817) and Government and Policy Support (0.535). The strong loading for access to educational resources underscores the importance of structural support in developing financial literacy. This component reflects institutional and policy-level factors that either facilitate or hinder informed investment decisions.

Overall, the factor loadings demonstrate a well-defined structure in which variables cluster meaningfully under distinct components. This supports the multidimensional nature of financial literacy and behavioural traps in investment decisions among academicians and provides a strong foundation for further empirical analysis.

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FINDINGS

1. Personal financial pressures, such as debt and financial anxiety, significantly affect academicians' investment decisions.
2. Socio-environmental and institutional factors—including education system, media influence, socioeconomic background, economic environment, trust in financial institutions, and personal habits—play a critical role in shaping investment behaviour.
3. Awareness and knowledge-related factors, such as familiarity with financial products, investment knowledge, and complexity of financial information, influence decision-making.
4. Lack of access to financial education resources limits academicians' ability to make informed investment choices.
5. Government and policy support impacts investment decisions by providing guidance, incentives, or regulatory frameworks.

SUGGESTIONS

1. Educational institutions should organise regular financial literacy and investment awareness programmes specifically designed for academicians to improve financial knowledge and decision-making skills.
2. Universities and colleges may establish dedicated financial guidance cells or resource centres to provide access to reliable financial information and advisory support.
3. Government agencies and regulatory bodies should strengthen policy initiatives that promote financial education, investor protection, and long-term investment planning among professionals.
4. Programmes addressing personal financial stress, such as financial counselling and debt management workshops, should be encouraged to reduce anxiety-related behavioural biases.
5. Investment education may be integrated into professional development and faculty training programmes to enhance long-term financial planning and financial well-being among academicians.

CONCLUSION

The study concludes that the investment behaviour of academicians is influenced by a complex interaction of personal financial pressures, behavioural tendencies, financial literacy levels, socio-economic conditions, and institutional and policy support. The findings demonstrate that limited financial knowledge, behavioural traps such as anxiety and risk aversion, and inadequate access to structured financial education often lead to conservative or inefficient investment decisions. By identifying the key dimensions affecting investment behaviour through exploratory factor analysis, the study contributes empirical evidence to the literature on financial literacy and behavioural finance within the academic community. The results highlight the importance of targeted financial literacy

initiatives, supportive institutional mechanisms, and effective policy interventions in enhancing informed investment decision-making. Strengthening these areas can significantly improve the financial well-being and long-term financial security of academicians.

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