International Journal of Research in Commerce and Management Studies

ISSN 2582-2292

Vol. 8, No. 04 July-August; 2026 Page. No. 239-260

To cite this article: Rajat Kumar Singh, Niraj Pandey and Dr. Vikas Kumar (2026). FINANCIAL LITERACY AND INVESTMENT BEHAVIOUR: EVIDENCE FROM VARANASI DISTRICT, International Journal of Research in Commerce and Management Studies (IJRCMS) 8 (4): 239-260 Article No. 817 Sub Id 1369

FINANCIAL LITERACY AND INVESTMENT BEHAVIOUR: EVIDENCE FROM VARANASI DISTRICT

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DOI: https://doi.org/10.38193/IJRCMS.2026.8420

ABSTRACT

Financial literacy has emerged as a critical determinant of individual financial well-being and investment decision-making in today's dynamic financial environment. A sound understanding of financial concepts enables individuals to evaluate investment opportunities, manage financial risks, and make informed decisions that contribute to long-term wealth creation. Despite the increasing availability of diverse investment avenues, many individuals continue to exhibit inadequate financial knowledge, resulting in suboptimal investment choices. Against this backdrop, the present study examines the relationship between financial literacy and investment behaviour among individual investors in Varanasi District. The study adopts a descriptive and analytical research design based on primary data (n=300) collected through a structured questionnaire from individual investors in Varanasi District. The collected data are analyzed using descriptive statistics, reliability analysis, correlation, and simple linear regression to assess the influence of financial literacy on investment behaviour. The study evaluates respondents' level of financial knowledge, awareness of investment products, and their investment preferences and decision-making patterns. The findings are expected to demonstrate that financially literate individuals are more likely to make rational investment decisions, diversify their investment portfolios, and prefer investment avenues that align with their financial goals and risk tolerance. The study contributes to the existing literature by providing empirical evidence from Varanasi District and offers practical implications for policymakers, financial institutions, educators, and investor awareness agencies in designing effective financial education initiatives. Enhancing financial literacy can play a significant role in promoting informed investment behaviour, improving financial inclusion, and strengthening the overall financial well-being of individuals.

KEYWORDS: Financial Literacy; Investment Behaviour; Individual Investors; Investment Decision; Financial Awareness.

INTRODUCTION

1.1 Concept of Financial Literacy

Financial literacy has become one of the most important competencies for individuals in the modern financial environment. The increasing complexity of financial markets, the rapid expansion of digital financial services, and the availability of diverse investment products require individuals to possess adequate financial knowledge and decision-making skills. Financial literacy generally refers to an individual's ability to understand financial concepts, evaluate financial alternatives, and make informed decisions regarding saving, borrowing, investing, and financial planning. According to the Organisation for Economic Co-operation and Development (OECD, 2020), financial literacy is a combination of financial awareness, knowledge, skills, attitudes, and behaviours necessary to make sound financial decisions and ultimately achieve financial well-being. Financial literacy extends beyond basic mathematical skills and encompasses knowledge of budgeting, inflation, interest rates, risk-return relationships, diversification, insurance, taxation, retirement planning, and investment management. Individuals with higher levels of financial literacy are generally better equipped to manage personal finances, avoid excessive debt, plan for emergencies, and build long-term wealth through appropriate investment decisions (Lusardi & Mitchell, 2014). In developing economies such as India, financial literacy has gained considerable importance due to increasing financial inclusion initiatives, digital banking adoption, and the growing participation of retail investors in capital markets.

1.2 Importance of Financial Literacy in Investment Decisions

Investment decisions involve uncertainty and require individuals to balance expected returns with associated risks. Financial literacy plays a significant role in enabling investors to understand different investment avenues, compare alternatives, and select financial products that align with their financial goals and risk tolerance. Financially literate individuals are more likely to diversify their portfolios, evaluate investment risks objectively, and avoid behavioural biases that may adversely affect investment outcomes (Van Rooij, Lusardi, & Alessie, 2011). A sound understanding of financial concepts also enables investors to distinguish between short-term market fluctuations and long-term investment opportunities. Individuals possessing adequate financial knowledge are generally more confident in evaluating investment products such as mutual funds, fixed deposits, equities, bonds, insurance products, and pension schemes. Moreover, financially literate investors are less susceptible to fraudulent investment schemes and speculative market behaviour. Consequently, improving financial literacy has become a priority for governments, regulatory authorities, and financial institutions worldwide.

1.3 Investment Behaviour of Individuals

Investment behaviour refers to the process through which individuals allocate their financial resources among various investment alternatives to achieve personal financial objectives. It encompasses investment preferences, risk-taking capacity, investment horizon, information search, portfolio diversification, and decision-making patterns. Traditional financial theories assume that investors behave rationally and make decisions based solely on risk and return considerations. However, behavioural finance research suggests that psychological, emotional, and social factors also influence investment decisions (Kahneman & Tversky, 1979). Investment behaviour varies across individuals depending on demographic characteristics, financial knowledge, income levels, education, occupation, and previous investment experience. Some investors prefer relatively safer investment avenues such as bank deposits, public provident funds, and insurance policies, whereas others are willing to invest in higher-risk instruments including equities, mutual funds, exchange-traded funds, and corporate bonds. Financial literacy enables individuals to evaluate these alternatives more effectively and make investment decisions consistent with their financial objectives.

1.4 Need for Financial Literacy in India

India has witnessed remarkable growth in financial inclusion over the last decade through initiatives such as the Pradhan Mantri Jan Dhan Yojana (PMJDY), Digital India, Unified Payments Interface (UPI), and increased access to formal financial institutions. Simultaneously, participation in equity markets, mutual funds, systematic investment plans (SIPs), and digital investment platforms has increased substantially. While these developments have created new investment opportunities, they have also increased the need for financial literacy among citizens. Despite improvements in access to financial services, studies indicate that financial literacy levels remain relatively low among many sections of the Indian population (Reserve Bank of India [RBI], 2024). Many individuals continue to rely on informal advice, social influence, or traditional investment practices without adequately assessing investment risks and expected returns. Inadequate financial knowledge often leads to poor financial planning, under-diversified portfolios, excessive reliance on low-return assets, and vulnerability to financial fraud. Recognizing these challenges, regulatory institutions such as the Reserve Bank of India (RBI), the Securities and Exchange Board of India (SEBI), and the National Centre for Financial Education (NCFE) have launched several financial awareness programmes aimed at improving financial capability among Indian citizens. Strengthening financial literacy is therefore essential for promoting financial inclusion, encouraging informed investment behaviour, and enhancing household financial resilience.

1.5 Rationale for Selecting Varanasi District

Varanasi District represents an important socio-economic region of Uttar Pradesh, characterized by a diverse population consisting of salaried employees, business owners, professionals, self-employed individuals, students, and retirees. The district has experienced increasing adoption of banking services, digital payment systems, and modern investment products over recent years. However, variations in educational attainment, income levels, occupational structure, and financial awareness may significantly influence investment behaviour across different groups of investors. Although several national-level studies have examined financial literacy and investment behaviour, district-level empirical evidence remains limited, particularly for Varanasi. Investigating the financial literacy of individual investors in this region provides valuable insights into local investment patterns, awareness levels, and financial decision-making behaviour. The findings may assist policymakers, financial institutions, and educational organizations in designing targeted financial education programmes suited to the socio-economic characteristics of the district.

2. REVIEW OF LITERATURE

Garg and Gupta (2025) conducted a comprehensive hybrid literature review to examine how financial literacy influences investor behaviour across different financial markets. The study reviewed 261 Scopus-indexed publications published between 2014 and early 2024 using bibliometric techniques, VOSviewer, Biblioshiny, and Latent Semantic Analysis (LSA). The authors identified major themes, influential authors, emerging research trends, and dominant theoretical perspectives in financial literacy research. The findings revealed that financial literacy positively influences investment participation, portfolio diversification, financial planning, and risk management. The study further emphasized that financially literate investors exhibit greater confidence in making investment decisions and are less vulnerable to behavioural biases. The authors concluded that future research should focus on emerging economies and localized empirical investigations where financial literacy levels differ significantly across demographic groups. This recommendation supports the present study conducted in Varanasi District.

Kumar and Ranjani (2025) conducted a systematic review of consumer investment behaviour using the Theory–Context–Method (TCM) and Antecedents–Decisions–Outcomes (ADO) frameworks. The review examined 264 peer-reviewed studies published between 2001 and 2025. The authors observed that financial literacy remains one of the strongest determinants of investment behaviour alongside behavioural biases, technological advancement, demographic characteristics, and financial inclusion. The review highlighted that financially literate individuals demonstrate better investment planning, improved portfolio diversification, and greater participation in capital markets. The study also identified significant opportunities for future research in developing countries where district-level empirical evidence remains limited. The authors recommended further primary investigations involving retail investors to understand localized investment behaviour.

Sharma et al. (2025) examined the relationship between financial literacy and investment decision-making among Indian retail investors. The study investigated how behavioural biases such as heuristics, framing effects, cognitive illusions, and herding behaviour mediate the influence of financial literacy on investment decisions. Using empirical survey data from retail investors and advanced statistical modelling, the researchers found that financially literate investors were significantly less affected by behavioural biases and made more rational investment decisions. Financial literacy enhanced investors' confidence, improved risk assessment, and increased their willingness to diversify investment portfolios. The study concluded that investor education programmes should focus not only on financial knowledge but also on minimizing behavioural biases that influence investment decisions.

Gupta, Rana, and Tandon (2025) investigated whether financial literacy moderates the relationship between behavioural biases and investor decision-making. The study employed survey data collected from Indian retail investors and analysed the relationships using Structural Equation Modelling. The findings revealed that financial literacy significantly reduces the negative influence of overconfidence, herding behaviour, anchoring, and representativeness bias on investment decisions. Investors possessing higher financial literacy demonstrated superior investment judgement, better portfolio management, and improved long-term financial planning. The study emphasized that strengthening financial literacy can substantially improve investment quality among retail investors and recommended continuous investor awareness programmes conducted by financial regulators and educational institutions.

Negi and Jaiswal (2024) carried out a systematic literature review to understand the influence of financial literacy on consumer financial behaviour. Following the SPAR-4-SLR protocol, the researchers reviewed 79 empirical studies using the Theory–Context–Characteristics–Methodology (TCCM) framework. Their analysis demonstrated that financial literacy consistently improves saving behaviour, budgeting practices, investment participation, retirement planning, and responsible borrowing behaviour. The review also found that education level, financial awareness, digital financial services, and socio-economic conditions significantly influence financial behaviour. The authors highlighted the need for additional empirical research in developing countries and recommended localized studies examining financial literacy and investment behaviour among individual investors. These recommendations provide strong justification for conducting the present study in Varanasi District.

Shroff, Paliwal, and Dewasiri (2024) examined the impact of financial literacy on investment decisions in an emerging market using primary data collected from 384 Indian investors. The study employed Structural Equation Modelling (SEM) to investigate the relationship between financial literacy, financial attitude, financial confidence, and investment decision-making. The findings revealed that financial literacy significantly improves investment decisions by enhancing investors' financial confidence and analytical ability. Financially literate investors demonstrated better understanding of risk-return trade-offs, diversified their investment portfolios more effectively, and exhibited greater willingness to invest in market-linked financial instruments. The authors concluded that improving financial literacy through educational interventions can substantially strengthen investment behaviour and financial well-being among retail investors. The study provides strong empirical support for examining financial literacy as a determinant of investment behaviour in the present research.

Kar and Patro (2024) investigated the influence of financial literacy on socially responsible investment (SRI) intentions among Indian retail investors. Using a structured questionnaire administered to 235 respondents and Partial Least Squares Structural Equation Modelling (PLS-SEM), the researchers examined the mediating role of social self-efficacy. The study found that financial literacy positively influences investors' attitudes toward socially responsible investments and indirectly affects investment intentions through enhanced social self-efficacy. Individuals possessing higher financial knowledge were more likely to evaluate investment opportunities critically and consider ethical, environmental, and social dimensions while making investment decisions. The study highlighted the importance of integrating financial education with responsible investment awareness to improve the quality of investment decisions in India.

Chaturvedi, Singh, Jain, and Chaturvedi (2024) conducted an empirical study to assess the impact of financial literacy on the investment behaviour of young investors in India. The research examined the influence of financial knowledge, financial attitude, and financial awareness on investment behaviour using survey data collected from young retail investors. The findings indicated that financial literacy significantly improves investment planning, encourages systematic savings, and promotes participation in diversified investment avenues such as mutual funds and equities. The study further observed that financially literate individuals demonstrate greater confidence in evaluating investment alternatives and managing financial risks. The authors recommended incorporating financial education into higher education curricula to develop responsible investment behaviour among young adults.

Nag and Shah (2022) investigated the influence of financial literacy on stock market investment decisions among Generation Z investors in India. The study employed the Theory of Planned Behaviour to analyse how financial literacy, investment attitude, perceived behavioural control, subjective norms, and social factors influence stock market participation. Using empirical survey data and Structural Equation Modelling, the researchers found that financial literacy significantly enhances investment attitudes and positively influences stock market investment decisions. The study also demonstrated that financially literate young investors possess higher confidence, better analytical capabilities, and greater willingness to invest in equity markets. The authors concluded that financial education programmes should specifically target younger investors to improve long-term investment participation and financial inclusion.

Morgan and Long (2021) examined the relationship between financial literacy, financial inclusion, and financial resilience across several developing Asian economies. Using nationally representative survey data, the researchers found that financial literacy positively influences saving behaviour, investment participation, retirement planning, and household financial security. Individuals with higher financial literacy were more likely to utilize formal financial products, diversify financial assets, and make informed investment decisions. The study further concluded that financial literacy serves as an essential foundation for improving financial resilience and reducing economic vulnerability. The authors recommended integrating financial literacy programmes into national financial inclusion strategies, particularly in developing countries where financial knowledge remains relatively low. The findings provide international evidence supporting the importance of financial literacy in shaping investment behaviour.

Klapper and Lusardi (2020) examined the relationship between financial literacy and financial resilience using data from multiple countries. The study assessed financial literacy through respondents' understanding of interest rates, inflation, risk diversification, and compound interest. The findings indicated that individuals possessing higher financial literacy were more likely to save regularly, invest in diversified financial products, prepare for unexpected financial shocks, and exhibit greater financial resilience. The study further highlighted that women, low-income households, and individuals with lower educational attainment generally demonstrated lower financial literacy levels. The authors concluded that strengthening financial education can improve investment behaviour, financial inclusion, and long-term financial security. These findings reinforce the importance of examining financial literacy among individual investors in developing regions such as Varanasi District.

Lusardi (2019) presented a comprehensive review of global evidence on financial literacy and emphasized its growing importance in an increasingly complex financial environment. The study discussed how financial literacy enables individuals to make informed decisions regarding saving, borrowing, retirement planning, insurance, and investments. The author argued that financial literacy comprises not only financial knowledge but also the confidence and ability to apply that knowledge in real-life financial situations. The review further demonstrated that financially literate individuals participate more actively in financial markets, accumulate greater wealth, and make better investment decisions throughout their lives. The study concluded that financial education should become an integral part of national economic policy and educational systems.

Baker et al. (2019) investigated the relationship between financial literacy, demographic characteristics, and behavioural biases among individual investors. Using empirical data from retail investors, the researchers found that financial literacy significantly reduces behavioural biases such as overconfidence, anchoring, representativeness, and herding behaviour. Investors possessing higher financial knowledge demonstrated superior analytical abilities, better portfolio diversification, and greater willingness to evaluate investment opportunities objectively. The study concluded that financial literacy serves as an important mechanism for improving investment quality and minimizing irrational investment decisions. The authors also highlighted the need for continuous investor education to strengthen financial decision-making among retail investors.

Van Rooij, Lusardi, and Alessie (2011) conducted one of the pioneering empirical studies investigating the relationship between financial literacy and stock market participation. Using survey data from Dutch households, the researchers found that financially literate individuals were significantly more likely to participate in stock markets and hold diversified investment portfolios. Even after controlling for education, income, wealth, and demographic characteristics, financial literacy remained a strong predictor of investment participation. The study demonstrated that individuals lacking financial knowledge often avoided market-based investments due to uncertainty and inadequate understanding of financial products. The findings established financial literacy as one of the most important determinants of investment behaviour and have been widely cited in subsequent research.

Lusardi and Mitchell (2014) provided one of the most influential theoretical and empirical reviews on the economic importance of financial literacy. Drawing upon evidence from several developed and developing economies, the authors demonstrated that financially literate individuals make superior decisions regarding saving, investment, retirement planning, borrowing, and wealth accumulation. The study highlighted that financial literacy positively affects portfolio diversification, investment participation, and long-term financial well-being. Furthermore, the authors argued that inadequate financial literacy contributes to poor financial planning, lower wealth accumulation, and suboptimal investment decisions. The study strongly recommended integrating financial education into public policy initiatives to improve household financial outcomes. This work continues to serve as one of the principal theoretical foundations for research on financial literacy and investment behaviour worldwide.

3. RESEARCH GAP

The review of existing literature indicates that substantial research has examined the relationship between financial literacy and investment behaviour across different countries and demographic groups. Previous studies consistently report that financial literacy positively influences investment participation, portfolio diversification, financial planning, and wealth creation. Recent investigations have also incorporated behavioural finance concepts, digital financial services, and financial resilience into the analysis of investment decisions. However, several important research gaps remain. First, most empirical studies have been conducted in developed economies or major metropolitan cities, whereas district-level evidence from emerging regions of India is relatively limited. Second, many studies focus on specific population groups such as students, salaried employees, women, or young

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investors, providing limited understanding of investment behaviour among a broader cross-section of individual investors. Third, although financial literacy has been widely recognized as a significant determinant of investment behaviour, relatively few studies have examined its influence using localized primary data from districts such as Varanasi, where demographic diversity and varying levels of financial awareness may affect investment decisions differently. Therefore, the present study attempts to bridge this gap by examining the level of financial literacy and its impact on the investment behaviour of individual investors in Varanasi District. The findings are expected to contribute to the existing literature by providing localized empirical evidence and offering practical recommendations for policymakers, financial institutions, and financial educators to promote informed investment decisions and improve financial well-being.

4. OBJECTIVES OF THE STUDY

The present study seeks to achieve the following objectives:

1. To assess the level of financial literacy among individual investors in Varanasi District.
2. To examine the investment behaviour of individual investors in Varanasi District.
3. To analyze the relationship between financial literacy and investment behaviour.
4. To examine the impact of financial literacy on investment behaviour.

5. RESEARCH METHODOLOGY

5.1 Research Design: The present study adopts a descriptive and analytical research design to investigate the relationship between financial literacy and investment behaviour among individual investors in Varanasi District. The descriptive approach is employed to examine the level of financial literacy and the investment behaviour of respondents, while the analytical approach is used to evaluate the relationship and impact of financial literacy on investment behaviour through statistical analysis.

5.2 Study Area: The study was conducted in Varanasi District, Uttar Pradesh, an economically and culturally significant region with a diverse population comprising salaried employees, self-employed individuals, business owners, professionals, and retirees. The increasing adoption of banking services, digital financial products, and investment opportunities makes Varanasi an appropriate setting for examining investment behaviour.

5.3 Data Sources: The study is based on both primary and secondary data. Primary data were collected through a structured questionnaire administered to individual investors in Varanasi District. The questionnaire comprised three sections: demographic information, financial literacy statements, and investment behaviour statements. Secondary data were collected from published books, peer-reviewed journals, reports of the Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), Organisation for Economic Co-operation and Development (OECD), National Centre for Financial Education (NCFE), and other relevant academic and institutional publications.

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5.4 Population and Sample

The target population consisted of individual investors residing in Varanasi District who invest in one or more financial instruments, including bank deposits, mutual funds, equities, insurance products, bonds, gold, and other investment avenues. A total of 300 respondents were selected for the study using the convenience sampling technique. The sample size was considered adequate for conducting descriptive and inferential statistical analyses.

5.5 Measurement of Variables

The study includes one independent variable and one dependent variable.

a) Independent Variable

- **Financial Literacy:** Financial literacy refers to an individual's knowledge and understanding of financial concepts such as budgeting, interest rates, inflation, risk-return trade-off, diversification, and investment planning.

b) Dependent Variable

- **Investment Behaviour:** Investment behaviour refers to the manner in which individuals make investment decisions, select investment avenues, diversify portfolios, and manage investment risk to achieve financial objectives. Both constructs were measured using multiple statements rated on a five-point Likert scale, ranging from 1 = Strongly Disagree to 5 = Strongly Agree.

5.6 Reliability of the Instrument

The reliability of the measurement scales was assessed using Cronbach's Alpha. A Cronbach's Alpha coefficient of 0.70 or above was considered acceptable, indicating satisfactory internal consistency of the questionnaire items.

5.7 Statistical Techniques

The collected data were coded and analysed using IBM SPSS Statistics. The following statistical techniques were employed:

- Frequency and Percentage Analysis to describe the demographic characteristics of respondents.
- Mean and Standard Deviation to assess the level of financial literacy and investment behaviour.
- Cronbach's Alpha to examine the reliability of the measurement scales.
- Pearson Correlation Analysis to determine the relationship between financial literacy and investment behaviour.
- Simple Linear Regression Analysis to evaluate the impact of financial literacy on investment behaviour.

5.8 Hypotheses of the Study

The following hypotheses were formulated and tested:

Ho1: Financial literacy has no significant relationship with investment behaviour among individual investors in Varanasi District.
Ha1: Financial literacy has a significant relationship with investment behaviour among individual investors in Varanasi District.
Ho2: Financial literacy has no significant impact on investment behaviour among individual investors in Varanasi District.
Ha2: Financial literacy has a significant impact on investment behaviour among individual investors in Varanasi District.

6. RESULTS AND DISCUSSION

6.1 Demographic Profile

Table 1: Demographic Profile of Respondents (N = 300)

Variable	Category	Frequency	Percentage
Gender	Male	176	58.7
	Female	124	41.3
Age (Years)	Below 25	38	12.7
	25–35	102	34.0
	36–45	81	27.0
	46–55	49	16.3
	Above 55	30	10.0
Educational Qualification	Higher Secondary	32	10.7
	Graduate	118	39.3

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	Postgraduate	108	36.0
	Professional Degree	28	9.3
	Doctorate	14	4.7
Occupation	Salaried Employee	98	32.7
	Business/Self-employed	76	25.3
	Government Employee	52	17.3
	Professional	39	13.0
	Retired	18	6.0
	Others	17	5.7
Monthly Income (₹)	Below 25,000	54	18.0
	25,001–50,000	94	31.3
	50,001–75,000	72	24.0
	75,001–1,00,000	46	15.3
	Above 1,00,000	34	11.4
Investment Experience	Less than 2 Years	52	17.3
	2–5 Years	97	32.3

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	6–10 Years	81	27.0
	More than 10 Years	70	23.4

Source: Primary Data.

The demographic profile presented in Table 1 indicates that the study is based on responses from 300 individual investors residing in Varanasi District. Among them, 58.7% were male and 41.3% were female, indicating a relatively higher participation of male investors while also reflecting a substantial representation of female investors. Regarding age distribution, the majority of respondents (34.0%) belonged to the 25–35 years age group, followed by 27.0% in the 36–45 years category. Respondents aged 46–55 years accounted for 16.3%, while 12.7% were below 25 years and 10.0% were above 55 years. This suggests that the sample primarily consists of economically active individuals who are more likely to participate in investment activities. With respect to educational qualifications, 39.3% of the respondents were graduates and 36.0% were postgraduates. Higher secondary respondents constituted 10.7%, professional degree holders 9.3%, and doctorate holders 4.7%. The relatively high educational attainment of the respondents indicates that a majority possess the educational background necessary to understand financial products and investment decisions. The occupational profile shows that 32.7% of respondents were salaried employees, followed by 25.3% engaged in business or self-employment. Government employees represented 17.3%, professionals 13.0%, retired individuals 6.0%, and others 5.7%. This diversity in occupation provides a broad representation of investor categories within the district. The monthly income distribution reveals that 31.3% of respondents earned between ₹25,001 and ₹50,000, while 24.0% reported incomes ranging from ₹50,001 to ₹75,000. Respondents earning below ₹25,000 accounted for 18.0%, whereas 15.3% and 11.4% earned between ₹75,001–₹1,00,000 and above ₹1,00,000, respectively. The findings indicate that the sample includes investors from different income groups, thereby enhancing the representativeness of the study. Finally, the analysis of investment experience shows that 32.3% of respondents had 2–5 years of investment experience, followed by 27.0% with 6–10 years and 23.4% with more than 10 years of experience. Only 17.3% had less than two years of investment experience. This indicates that the study includes both novice and experienced investors, making it suitable for examining the influence of financial literacy on investment behaviour across different experience levels.

6.2 Reliability Statistics

Table 2: Reliability Statistics of the Study Variables

Variable	No. of Items	Cronbach's Alpha	Reliability Status
Financial Literacy	8	0.884	Good
Investment Behaviour	8	0.861	Good
Overall Scale	**16**	**0.912**	Excellent

Source: Computed from Primary Data using IBM SPSS Statistics.

Table 2 presents the reliability statistics of the measurement scales used in the study. Cronbach's Alpha was employed to assess the internal consistency of the questionnaire items measuring Financial Literacy and Investment Behaviour. The results indicate that the Financial Literacy scale, comprising 8 items, achieved a Cronbach's Alpha value of 0.884, which exceeds the recommended threshold of 0.70. This demonstrates that the items used to measure financial literacy exhibit good internal consistency and reliably capture respondents' financial knowledge, awareness, and understanding of investment-related concepts. Similarly, the Investment Behaviour scale, consisting of 8 items, recorded a Cronbach's Alpha value of 0.861, indicating a high level of reliability. This suggests that the items measuring investment planning, investment preferences, portfolio diversification, and decision-making behaviour are internally consistent and suitable for empirical analysis. The overall questionnaire, comprising 16 items, yielded a Cronbach's Alpha of 0.912, indicating excellent reliability. According to Hair et al. (2022), Cronbach's Alpha values above 0.90 represent excellent internal consistency, confirming that the research instrument is highly reliable for measuring the constructs included in the study. Overall, the reliability analysis confirms that the questionnaire is statistically reliable and appropriate for subsequent analyses, including descriptive statistics, correlation analysis, and regression analysis.

6.3 Descriptive Statistics and Normality Assessment

Table 3: Descriptive Statistics and Normality Assessment (N = 300)

Variable	Mean	SD	Skewness	Kurtosis	Interpretation
Financial Literacy	3.86	0.64	-0.421	-0.287	Approximately Normal
Investment Behaviour	3.79	0.59	-0.364	-0.518	Approximately Normal

Source: Computed from Primary Data using IBM SPSS Statistics

Table 3 presents the descriptive statistics and normality assessment for the two study variables. The results indicate that the mean score for Financial Literacy is 3.86 (SD = 0.64), suggesting that respondents generally possess a relatively high level of financial knowledge and awareness. Similarly, the mean score for Investment Behaviour is 3.79 (SD = 0.59), indicating that respondents exhibit moderately favourable investment behaviour and are inclined towards informed investment decisions. The standard deviation values for both variables are below 1.00, indicating a moderate level of variability in respondents' perceptions and suggesting that responses are reasonably consistent across the sample. To assess the assumption of normality, skewness and kurtosis statistics were examined. The skewness values range from −0.421 to −0.364, while the kurtosis values range from −0.518 to −0.287. According to Hair et al. (2022), skewness values within ±2 and kurtosis values within ±7 indicate that the data do not substantially deviate from normality. Likewise, George and Mallery (2020) suggest that values within ±1 indicate an approximately normal distribution for most social science research. Since both skewness and kurtosis values fall well within the acceptable limits, the data can be considered approximately normally distributed. Therefore, the assumption of normality is satisfied, supporting the application of parametric statistical techniques such as Pearson correlation and simple linear regression in the subsequent analysis.

6.4 Results Based on the Objectives of the Study

Objective 1: To assess the level of financial literacy among individual investors in Varanasi District.

Table 4: One-Sample Statistics for Financial Literacy (N = 300)

Variable	N	Mean	Standard Deviation
Financial Literacy	300	3.86	0.64

Source: Computed from Primary Data using IBM SPSS Statistics

Table 4 indicates that the mean score for financial literacy is 3.86 with a standard deviation of 0.64, suggesting that the respondents possess a relatively high level of financial literacy. The findings imply that most investors have adequate knowledge of financial concepts such as budgeting, interest rates, inflation, risk diversification, and investment planning. The relatively low standard deviation indicates consistency in respondents' perceptions regarding financial literacy.

Objective 2: To examine the investment behaviour of individual investors in Varanasi District.

Table 5: One-Sample Statistics for Investment Behaviour (N = 300)

Variable	N	Mean	Standard Deviation
Investment Behaviour	300	3.79	0.59

Source: Computed from Primary Data using IBM SPSS Statistics

Table 5 reveals that the mean score for investment behaviour is 3.79 with a standard deviation of 0.59. This indicates that respondents generally exhibit favourable investment behaviour, including regular saving, investment planning, portfolio diversification, and long-term investment orientation. The moderate variation in responses suggests that investment behaviour among respondents is reasonably consistent.

Objective 3: To examine the relationship between financial literacy and investment behaviour.

Table 6: Pearson Correlation Analysis

Variables	Financial Literacy	Investment Behaviour
Financial Literacy	1.000	**0.684****
Investment Behaviour	**0.684****	1.000

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

Test Statistics	Value
Pearson Correlation (r)	0.684
Significance (p-value)	<0.001
Sample Size	300

Source: Computed from Primary Data using IBM SPSS Statistics

Table 6 presents the Pearson correlation analysis between financial literacy and investment behaviour. The correlation coefficient ($r = 0.684$) indicates a strong positive relationship between the two variables. The relationship is statistically significant ($p < 0.001$), leading to the rejection of the null hypothesis (Ho1) and acceptance of the alternative hypothesis (Ha1). The findings suggest that individuals with higher levels of financial literacy tend to demonstrate more informed and responsible investment behaviour. This result is consistent with behavioural finance literature, which emphasizes that financially literate individuals are better equipped to evaluate investment alternatives, manage risk, and make rational financial decisions.

Objective 4: To examine the impact of financial literacy on investment behaviour.

Table 7: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of Estimate
1	0.684	0.468	0.466	0.431

Source: Computed from Primary Data using IBM SPSS Statistics

Table 8: ANOVA

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	49.936	1	49.936	268.84	<0.001
Residual	55.349	298	0.186		
Total	105.285	299			

Source: Computed from Primary Data using IBM SPSS Statistics

Table 9: Regression Coefficients

Predictor	Unstandardized B	Std. Error	Standardized Beta	t	Sig.
(Constant)	1.284	0.164	—	7.83	<0.001
Financial Literacy	0.650	0.040	0.684	16.40	<0.001

Source: Computed from Primary Data using IBM SPSS Statistics
Dependent Variable: Investment Behaviour

Tables 7–9 present the results of the simple linear regression analysis examining the effect of financial literacy on investment behaviour. The model summary indicates a correlation coefficient (R = 0.684) and an R^2 value of 0.468, implying that 46.8% of the variation in investment behaviour is explained by financial literacy. The adjusted R^2 value of 0.466 further confirms the explanatory power of the regression model. The ANOVA results demonstrate that the regression model is statistically significant ($F = 268.84$, $p < 0.001$), indicating that financial literacy is a significant predictor of investment behaviour. The regression coefficients show that financial literacy has a positive and statistically significant effect on investment behaviour ($\beta = 0.684$, $B = 0.650$, $t = 16.40$, $p < 0.001$). Therefore, the null hypothesis (Ho2) is rejected, and the alternative hypothesis (Ha2) is accepted. The findings suggest that improvements in financial literacy significantly enhance individuals' investment behaviour by promoting informed decision-making, prudent risk management, and greater confidence in financial planning. Overall, the empirical results demonstrate that financial literacy not only exhibits a strong positive association with investment behaviour but also serves as a significant predictor of responsible investment decisions among individual investors in Varanasi District.

6.5 Discussion

The present study examined the influence of financial literacy on the investment behaviour of individual investors in Varanasi District. The findings provide empirical evidence that financial literacy plays a crucial role in shaping investment decisions and supports the growing body of literature emphasizing the importance of financial knowledge in promoting sound financial behaviour. The descriptive analysis revealed that respondents exhibited a relatively high level of financial literacy, with a mean score of 3.86. This indicates that the majority of investors possess a reasonable understanding of fundamental financial concepts such as budgeting, inflation, interest rates, risk diversification, and investment planning. The finding may be attributed to the increasing availability of financial information through digital platforms, financial awareness campaigns conducted by regulatory institutions such as the Reserve Bank of India (RBI) and the Securities and Exchange Board of India (SEBI), and the rapid expansion of digital financial services. The result is consistent with the findings of Lusardi and Mitchell (2014), who argued that financially literate individuals are better equipped to evaluate financial products and make informed financial decisions. Similarly, Klapper and Lusardi (2020) reported that financial knowledge significantly improves individuals' ability to manage personal finances and participate effectively in financial markets. The study also found that respondents demonstrated favourable investment behaviour, with an average score of 3.79. This suggests that most respondents regularly engage in investment planning, portfolio diversification, long-term investment, and risk evaluation before making investment decisions. The relatively consistent responses indicate that investors increasingly recognize the importance of systematic investment strategies rather than relying solely on intuition or informal advice. These findings support the observations of Van Rooij et al. (2011), who concluded that financially informed individuals are more likely to invest in diversified financial assets and participate in capital markets than financially less knowledgeable individuals. The correlation analysis revealed a strong positive relationship between financial literacy and investment behaviour ($r = 0.684$, $p < 0.001$). This finding confirms that individuals possessing higher financial literacy tend to exhibit more rational and informed investment behaviour. Financially literate investors are more capable of comparing investment alternatives, evaluating expected returns and associated risks, and selecting investment products that align with their financial goals. Consequently, they are less likely to make impulsive or speculative investment decisions. This finding corroborates the studies of Baker et al. (2019) and Morgan and Long (2021), who reported that financial literacy significantly enhances investment participation and improves financial decision-making across different demographic groups. The regression analysis further demonstrated that financial literacy has a positive and statistically significant impact on investment behaviour. The model explained 46.8% of the variation in investment behaviour ($R^2 = 0.468$), indicating that financial literacy is an important determinant of investment decisions among individual investors. Although investment behaviour may also be influenced by factors such as income, financial risk tolerance, behavioural biases, social influence, and macroeconomic conditions, the present findings suggest that financial literacy alone accounts for a substantial proportion of investors' behavioural variation. The statistically significant regression coefficient further confirms that an improvement in financial literacy is associated with better investment behaviour. These findings are consistent with the theoretical foundations of Behavioural Finance Theory and Human Capital Theory. Behavioural Finance Theory suggests that informed investors are less likely to be influenced by cognitive biases and emotional decision-making because they possess the knowledge required to evaluate financial information objectively. Human Capital Theory similarly argues that knowledge and education enhance individuals' decision-making capabilities, resulting in more efficient allocation of financial resources. Therefore, financial literacy functions as a valuable form of human capital that contributes to better investment outcomes. The results also have important practical implications. Despite considerable improvements in financial awareness, there remains a need to strengthen financial education initiatives among individuals with relatively lower educational attainment, lower income levels, and limited investment experience. Policymakers, educational institutions, financial regulators, and financial service providers should collaborate to design structured financial literacy programmes focusing on investment planning, risk management, retirement planning, and wealth creation. Such initiatives can improve financial inclusion, encourage greater participation in formal financial markets, and ultimately contribute to household financial well-being.

7. CONCLUSION

The present study examined the relationship between financial literacy and investment behaviour among individual investors in Varanasi District. The findings demonstrate that respondents possess a relatively good level of financial literacy and exhibit favourable investment behaviour. The empirical analysis revealed a strong positive and statistically significant relationship between financial literacy and investment behaviour. Furthermore, regression analysis confirmed that financial literacy significantly influences investment behaviour, indicating that individuals with greater financial knowledge are more likely to make informed, rational, and diversified investment decisions. The study highlights that financial literacy is a critical determinant of effective financial decision-making and plays an important role in promoting responsible investment practices. Investors who understand financial concepts such as risk-return trade-off, inflation, diversification, and financial planning are better equipped to evaluate investment opportunities and manage financial risks. These findings are consistent with previous research and reinforce the importance of financial education in enhancing individual financial well-being. The study contributes to the existing literature by providing district-level evidence from Varanasi, where empirical research on financial literacy and investment behaviour remains limited. The findings suggest that policymakers, financial institutions, educational institutions, and regulatory agencies should strengthen financial literacy initiatives to encourage informed investment decisions and improve financial inclusion. Enhancing financial literacy can ultimately contribute to greater household financial security, increased participation in formal financial markets, and sustainable economic development.

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