

Financial Literacy and Investment Behaviour among Young Adults: A Study with Reference to Mysore District, Karnataka

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Abstract

Financial literacy has emerged as a decisive life skill that shapes how young adults save, borrow, and invest in an increasingly complex financial marketplace. This paper examines the level of financial literacy among 200 young adults in Mysore District, Karnataka, and tests whether financial literacy is statistically associated with seven demographic and behavioural characteristics: gender, age, education, occupation, monthly income, place of residence, and investment experience. Respondents were classified into three financial-literacy bands—Low (LFL), Moderate (MFL), and High (HFL)—and the association with each characteristic was assessed using the Pearson chi-square test of independence (with Cramér's V as the effect size) and one-way ANOVA on an ordinal literacy score (with eta-squared). The results show that six of the seven characteristics are significantly associated with financial literacy at the 5% level; only gender is not. Investment experience ($V = 0.280$), monthly income ($V = 0.278$), and residence ($V = 0.277$) exhibit the strongest associations, and mean literacy scores rise consistently with age, education, income, and investment experience, while urban respondents outperform rural respondents. The findings confirm that financial literacy among young adults is patterned by socio-economic circumstance and, importantly, by hands-on investment experience, suggesting that targeted, experience-oriented financial education can meaningfully raise literacy among the district's most vulnerable groups.

Keywords: Financial literacy, Investment behaviour, Young adults, Chi-square, ANOVA, Mysore District, Financial inclusion.

1. Introduction

Financial literacy refers to the combination of knowledge, attitude, and behaviour that enables an individual to make informed judgements and effective decisions about the use and management of money. As financial products have grown more numerous and complex, and as responsibility for saving, borrowing, insurance, and retirement provision has shifted increasingly onto the individual, the ability to understand concepts such as interest compounding, inflation, risk, and diversification has become a basic requirement of economic participation rather than a specialist skill. Lusardi and Mitchell (2014) treat financial knowledge as a form of investment in human capital, arguing that its accumulation carries measurable consequences for savings, portfolio choice, and long-term well-being.

For young adults, the stakes are particularly high. This is the stage of life at which individuals begin earning, open bank and demat accounts, take on credit, and make their first investment decisions. Choices made early—whether to save, which instruments to use, how much risk to bear—compound over decades.

Yet survey evidence consistently shows that young people score lower on financial-literacy assessments than older cohorts, even as they face early exposure to credit, digital payments, and market-based investment products (Atkinson & Messy, 2012). India, with nearly half its population under the age of twenty-five, has a particularly strong interest in ensuring that its young adults are equipped to navigate these decisions.

Mysore District in Karnataka offers a useful setting in which to study this question. It combines a substantial urban student and salaried population with a considerable rural and semi-urban hinterland, producing precisely the kind of socio-economic variation—in education, income, occupation, and residence—through which differences in financial literacy tend to express themselves. Understanding how these characteristics relate to financial literacy, and how investment experience itself shapes literacy, is essential for designing financial-education interventions that reach the groups that need them most.

Against this background, the present study measures financial literacy among 200 young adults in Mysore District and examines its association with seven demographic and behavioural characteristics. Rather than treating investment behaviour and financial literacy as wholly separate, the study incorporates investment experience as a behavioural characteristic, allowing it to test the widely reported but under-examined proposition that literacy and market participation reinforce one another.

2. Review of Literature

Four studies are reviewed below because each speaks directly to a dimension of the present enquiry—the economic significance of financial literacy, its link with investment behaviour, its determinants among young Indians, and the specific demographic characteristics that drive it.

2.1 Lusardi and Mitchell (2014) – The economic importance of financial literacy

Lusardi and Mitchell (2014), in their influential review in the *Journal of Economic Literature*, synthesise a rapidly growing body of research and cast financial knowledge as a form of investment in human capital. Drawing on surveys from the United States and several other countries, they document that financial literacy is unevenly distributed—markedly lower among the young, women, and the less educated—and that these gaps carry real economic consequences. Individuals with greater financial literacy save more, plan more effectively for retirement, and are more likely to hold and manage complex assets. The authors argue that because financial knowledge is costly to acquire, policy interventions and financial education are justified where literacy gaps translate into poorer economic outcomes. This study provides the conceptual foundation for the present enquiry: it establishes both that financial literacy matters and that it is systematically patterned by demographic characteristics such as age, education, and gender.

2.2 Van Rooij, Lusardi and Alessie (2011) – Financial literacy and stock market participation

Van Rooij, Lusardi and Alessie (2011), writing in the *Journal of Financial Economics*, examine the relationship between financial literacy and investment behaviour directly. Using two purpose-built modules in the De Nederlandsche Bank Household Survey, they find that while most respondents grasp basic concepts such as interest compounding and inflation, far fewer understand the distinction between bonds and stocks, the relationship between bond prices and interest rates, or the principle of risk diversification. Crucially, they report an independent effect of financial literacy on market participation: individuals with low financial literacy are significantly less likely to invest in stocks. Their finding that literacy shapes participation is central to the present study, which incorporates investment experience as a behavioural variable and tests whether literacy and experience move together.

2.3 Agarwalla, Barua, Jacob and Varma (2015) – Financial literacy among working young in urban India

Agarwalla, Barua, Jacob and Varma (2015), in a study of over three thousand working young people across urban India published in *World Development*, investigate how socio-demographic attributes shape the three dimensions of financial literacy—knowledge, attitude, and behaviour. They find that the working young in urban India display comparatively weak financial knowledge and attitude but relatively strong financial behaviour, and that the effects of gender, education, and income broadly mirror patterns reported elsewhere. Distinctively, they report that living in a joint family influences financial literacy negatively while consultative decision-making within the family influences it positively. The authors call for financial-literacy programmes that are sensitive to context and customised to specific target groups rather than delivered uniformly. This study is the closest Indian antecedent to the present work in both population (young adults) and method (examining demographic determinants), and it motivates the district-level, group-specific lens adopted here.

2.4 Bhushan and Medury (2013) – Financial literacy and its determinants

Bhushan and Medury (2013), in the *International Journal of Engineering, Business and Enterprise Applications*, examine the determinants of financial literacy using a sample drawn from three districts of Himachal Pradesh. They report that the level of financial literacy is higher among males than females, and that it rises with education and income and is greater among those in urban areas and non-government (private) employment than among those in rural areas and government jobs. Notably, they conclude that financial literacy is not significantly affected by age or geographic region. Their variable-by-variable findings map almost exactly onto the characteristics tested in the present study—gender, education, income, occupation, and residence—and provide a valuable point of comparison, including where the present results diverge (for instance, on the roles of gender and age).

2.5 Research Gap

While the studies above establish the importance of financial literacy, its link with investment behaviour, and its socio-demographic determinants, most Indian evidence is drawn either from national urban samples or from other states. Relatively little work isolates a single Karnataka district and jointly analyses demographic characteristics alongside investment experience for young adults. Moreover, the reviewed studies disagree on the roles of gender and age, leaving these questions open in a South Indian district setting. The present study addresses this gap by measuring financial literacy among young adults in Mysore District and testing its association with seven characteristics—including investment experience—using both chi-square and ANOVA, thereby offering fresh, locally grounded evidence.

3. Objectives of the Study

1. To assess the level of financial literacy (Low, Moderate, High) among young adults in Mysore District.
2. To examine whether financial literacy is significantly associated with demographic characteristics—gender, age, education, occupation, monthly income, and place of residence.
3. To examine whether investment experience is significantly associated with the financial-literacy level of young adults.
4. To suggest measures for improving financial literacy among the groups found to be least literate.

4. Hypotheses

For each characteristic the following null and alternative hypotheses were tested at the 5% level of significance:

H₀: Financial literacy is independent of the characteristic (mean literacy does not differ across groups).

H₁: Financial literacy is associated with the characteristic (mean literacy differs across groups).

Applied across the seven characteristics, this yields hypotheses H₀₁ (gender) through H₀₇ (investment experience). A p-value below 0.05 leads to rejection of the corresponding null hypothesis.

5. Research Methodology

Nature and source of data. The study is empirical and analytical in nature and is based on primary data collected from 200 young adults residing in Mysore District. Data were gathered through a structured questionnaire capturing respondents' demographic profile, investment experience, and responses to a set of items measuring financial knowledge and money-management understanding.

Measurement of financial literacy. Each respondent's financial-literacy responses were scored and classified into three ordered bands—Low Financial Literacy (LFL), Moderate Financial Literacy (MFL), and High Financial Literacy (HFL). For the analysis of variance these bands were treated as an ordinal score (LFL = 1, MFL = 2, HFL = 3), yielding a group mean literacy score for interpretation.

Analytical tools. Two complementary tests were applied to each characteristic. First, the Pearson chi-square test of independence examined whether financial-literacy level is statistically independent of the characteristic, with Cramér's V reported as the effect size (0.1 = small, 0.3 = medium, 0.5 = large). Second, a one-way ANOVA tested whether the mean ordinal literacy score differs across groups, with eta-squared (η^2) reporting the proportion of variance explained. Effect sizes were interpreted using Cohen's (1988) conventions. All tests were conducted at the 5% level of significance.

Scope and limitations. The study is confined to 200 young adults in Mysore District and to seven characteristics; its conclusions are therefore indicative for this district rather than generalisable to the whole state or country. For the age, education, and occupation cross-tabulations a small number of expected cell frequencies fall below five, so the corresponding chi-square values should be read with mild caution—though the corroborating ANOVA results reinforce the same conclusions.

6. Data Analysis and Interpretation

6.1 Profile of the Respondents

The 200 respondents were distributed across the three financial-literacy bands as 42 (21%) Low, 76 (38%) Moderate, and 82 (41%) High. Their demographic and behavioural composition is summarised below.

Table 1. Profile of respondents (n = 200)

Characteristic	Category	Count	Percentage
Gender	Male	100	50%
	Female	100	50%
Age (years)	18–22	60	30%
	23–27	70	35%

Characteristic	Category	Count	Percentage
	28–31	47	24%
	32–35	23	12%
Education	PUC / Diploma	40	20%
	Graduate	90	45%
	Postgraduate	56	28%
	Professional	14	7%
Occupation	Student	60	30%
	Private employee	70	35%
	Government employee	30	15%
	Self-employed	27	14%
	Others	13	7%
Monthly income (₹)	Below 20,000	50	25%
	20,001–40,000	70	35%
	40,001–60,000	51	26%
	Above 60,000	29	15%
Residence	Urban	130	65%
	Rural	70	35%
Investment experience	Less than 1 year	44	22%
	1–3 years	76	38%
	3–5 years	48	24%
	Above 5 years	32	16%

Note. Percentages are rounded. Financial-literacy distribution overall: LFL = 42, MFL = 76, HFL = 82.

6.2 Financial Literacy and Gender

Table 2. Gender × Financial literacy (row % in parentheses)

Gender	LFL	MFL	HFL	Total
Male	18 (18%)	34 (34%)	48 (48%)	100
Female	24 (24%)	42 (42%)	34 (34%)	100
Total	42	76	82	200

Test results. $\chi^2 = 4.089$, $df = 2$, $p = 0.129$, $V = 0.143$; $F = 3.474$ (df 1, 198), $p = 0.064$, $\eta^2 = 0.017$.

Decision on H_0 : Accepted.

Interpretation. Neither test is significant at the 5% level, so H_{01} is accepted: financial literacy does not differ significantly by gender. Males show a marginally higher mean score (2.30) than females (2.10), but the difference is not statistically meaningful. This diverges from Bhushan and Medury (2013), who reported a significant gender gap, suggesting that the gap may be narrowing among young adults in this district.

6.3 Financial Literacy and Age

Table 3. Age $\times$ Financial literacy (row % in parentheses)

Age (years)	LFL	MFL	HFL	Total
18–22	20 (33%)	28 (47%)	12 (20%)	60
23–27	10 (14%)	24 (34%)	36 (51%)	70
28–31	7 (15%)	16 (34%)	24 (51%)	47
32–35	5 (22%)	8 (35%)	10 (43%)	23
Total	42	76	82	200

Test results. $\chi^2 = 17.892$, $df = 6$, $p = 0.007$, $V = 0.211$; $F = 6.136$ (df 3, 196), $p < 0.001$, $\eta^2 = 0.086$.

Decision on H_0 : Rejected.

Interpretation. The association is significant, so H_{02} is rejected. Financial literacy rises sharply from the 18–22 group (mean 1.87) to the 23–27 group (mean 2.37) and then plateaus, indicating that early working-age respondents attain markedly higher literacy than the youngest cohort. This contrasts with Bhushan and Medury (2013), who found no age effect, and points to the transition from study to employment as a key literacy-building phase.

6.4 Financial Literacy and Education

Table 4. Education $\times$ Financial literacy (row % in parentheses)

Education	LFL	MFL	HFL	Total
PUC / Diploma	16 (40%)	18 (45%)	6 (15%)	40
Graduate	18 (20%)	36 (40%)	36 (40%)	90
Postgraduate	6 (11%)	18 (32%)	32 (57%)	56
Professional	2 (14%)	4 (29%)	8 (57%)	14
Total	42	76	82	200

Test results. $\chi^2 = 22.551$, $df = 6$, $p = 0.001$, $V = 0.237$; $F = 8.063$ (df 3, 196), $p < 0.001$, $\eta^2 = 0.110$.

Decision on H_0 : Rejected.

Interpretation. A strong, significant relationship is observed and H_{03} is rejected. Mean literacy climbs steadily with education—from 1.75 (PUC/Diploma) to 2.46 (Postgraduate)—confirming education as a key driver of financial literacy, consistent with Lusardi and Mitchell (2014), Agarwalla et al. (2015), and Bhushan and Medury (2013).

6.5 Financial Literacy and Occupation

Table 5. Occupation × Financial literacy (row % in parentheses)

Occupation	LFL	MFL	HFL	Total
Student	18 (30%)	22 (37%)	20 (33%)	60
Private employee	8 (11%)	26 (37%)	36 (51%)	70
Govt. employee	3 (10%)	10 (33%)	17 (57%)	30
Self-employed	8 (30%)	10 (37%)	9 (33%)	27
Others	5 (38%)	8 (62%)	0 (0%)	13
Total	42	76	82	200

Test results. $\chi^2 = 22.287$, $df = 8$, $p = 0.004$, $V = 0.236$; $F = 5.500$ (df 4, 195), $p < 0.001$, $\eta^2 = 0.101$.

Decision on H_0 : Rejected.

Interpretation. Occupation is significantly associated with financial literacy and H_{04} is rejected. Government (2.47) and private employees (2.40) record the highest mean scores, while the 'Others' category is lowest (1.62), with no respondent in that group reaching the high-literacy band. Regular salaried employment—with its exposure to payroll, provident fund, and tax decisions—appears to build literacy.

6.6 Financial Literacy and Monthly Income

Table 6. Monthly income × Financial literacy (row % in parentheses)

Monthly income (₹)	LFL	MFL	HFL	Total
Below 20,000	22 (44%)	18 (36%)	10 (20%)	50
20,001–40,000	12 (17%)	32 (46%)	26 (37%)	70
40,001–60,000	5 (10%)	18 (35%)	28 (55%)	51
Above 60,000	3 (10%)	8 (28%)	18 (62%)	29
Total	42	76	82	200

Test results. $\chi^2 = 30.954$, $df = 6$, $p < 0.001$, $V = 0.278$; $F = 10.310$ (df 3, 196), $p < 0.001$, $\eta^2 = 0.136$.

Decision on H_0 : Rejected.

Interpretation. Income shows the second-strongest association and the largest ANOVA effect ($\eta^2 = 0.136$); H_{05} is rejected. Mean literacy rises monotonically from 1.76 (below ₹20,000) to 2.52 (above ₹60,000), evidencing a clear income–literacy gradient consistent with Bhushan and Medury (2013).

6.7 Financial Literacy and Residence

Table 7. Residence × Financial literacy (row % in parentheses)

Residence	LFL	MFL	HFL	Total
Urban	18 (14%)	48 (37%)	64 (49%)	130
Rural	24 (34%)	28 (40%)	18 (26%)	70
Total	42	76	82	200

Test results. $\chi^2 = 15.302$, $df = 2$, $p < 0.001$, $V = 0.277$; $F = 16.236$ ($df\ 1, 198$), $p < 0.001$, $\eta^2 = 0.076$.

Decision on H_0 : Rejected.

Interpretation. A significant urban–rural divide exists and H_{06} is rejected. Urban respondents have a substantially higher mean score (2.35) than rural respondents (1.91)—the largest single two-group gap in the study—echoing the urban advantage reported by Bhushan and Medury (2013) and underscoring the need for rural-focused intervention.

6.8 Financial Literacy and Investment Experience

Table 8. Investment experience $\times$ Financial literacy (row % in parentheses)

Investment experience	LFL	MFL	HFL	Total
Less than 1 year	20 (45%)	16 (36%)	8 (18%)	44
1–3 years	12 (16%)	36 (47%)	28 (37%)	76
3–5 years	6 (13%)	16 (33%)	26 (54%)	48
Above 5 years	4 (13%)	8 (25%)	20 (63%)	32
Total	42	76	82	200

Test results. $\chi^2 = 31.295$, $df = 6$, $p < 0.001$, $V = 0.280$; $F = 9.684$ ($df\ 3, 196$), $p < 0.001$, $\eta^2 = 0.129$.

Decision on H_0 : Rejected.

Interpretation. Investment experience yields the strongest association overall ($V = 0.280$) and H_{07} is rejected. Mean literacy increases consistently with experience, from 1.73 (< 1 year) to 2.50 (> 5 years), highlighting learning-by-doing in financial markets. This is the study's most direct evidence of the reinforcing relationship between literacy and investment behaviour anticipated by Van Rooij et al. (2011).

6.9 Consolidated Summary of Results

Table 9. Consolidated chi-square and ANOVA results (H_0 rejected where 'Significant')

Characteristic	χ^2	df	p (χ^2)	F	Result
Gender	4.089	2	0.129	3.474	Not Significant
Age	17.892	6	0.007	6.136	Significant
Education	22.551	6	0.001	8.063	Significant
Occupation	22.287	8	0.004	5.500	Significant
Monthly income	30.954	6	<0.001	10.310	Significant
Residence	15.302	2	<0.001	16.236	Significant
Investment exp.	31.295	6	<0.001	9.684	Significant

Note. All F-tests significant at $p < 0.001$ except gender ($p = 0.064$). Effect sizes (Cramér's V , η^2) interpreted per Cohen (1988).

7. Key Findings

1. Six of the seven characteristics are significantly associated with financial literacy at the 5% level; only gender is not ($\chi^2 = 4.089$, $p = 0.129$).

2. Investment experience ($V = 0.280$) and monthly income ($V = 0.278$) exhibit the strongest associations, followed closely by residence ($V = 0.277$).
3. The ANOVA corroborates the chi-square results in every case: mean literacy rises with age, education, income, and investment experience, and is higher for urban than rural respondents.
4. Income explains the most variance among the ordinal predictors ($\eta^2 = 0.136$), followed by investment experience ($\eta^2 = 0.129$) and education ($\eta^2 = 0.110$).
5. Financial literacy is weakest among rural respondents, low-income groups, first-time investors, and the youngest (18–22) cohort.

8. Discussion

The results present a coherent picture. Financial literacy among young adults in Mysore District is not randomly distributed; it is patterned by socio-economic circumstance and, most tellingly, by direct engagement with financial markets. The finding that investment experience produces the strongest association of all seven characteristics gives empirical weight to the reinforcing relationship between literacy and participation identified by Van Rooij et al. (2011): those who invest learn, and those who learn invest. Because experience and literacy move together, financial-education programmes that create safe, low-stakes opportunities for young adults to actually invest—rather than only to study—are likely to be especially effective.

The income, education, and residence gradients align closely with both the Indian evidence of Bhushan and Medury (2013) and the international synthesis of Lusardi and Mitchell (2014), reinforcing the view that access to resources and formal learning underpins literacy. The two departures from Bhushan and Medury (2013)—the non-significant gender effect and the significant age effect—are instructive. The narrowing gender gap may reflect improved educational and employment parity among younger cohorts in an urbanised district, while the strong age effect, concentrated in the jump from the 18–22 to the 23–27 group, points to the entry into salaried employment as a decisive literacy-building transition. These local nuances underline Agarwalla et al.'s (2015) call for context-sensitive, group-specific interventions rather than uniform programmes.

9. Conclusion and Suggestions

This study measured financial literacy among 200 young adults in Mysore District and tested its association with seven demographic and behavioural characteristics. Six characteristics—age, education, occupation, income, residence, and investment experience—are significantly associated with financial literacy, while gender is not. Investment experience and income emerge as the strongest correlates, and literacy is lowest among the youngest, rural, low-income, and first-time-investor groups. The evidence confirms that financial literacy and investment behaviour are intertwined and that both are shaped by socio-economic context.

On the basis of these findings, the following suggestions are offered:

1. Prioritise rural and low-income young adults, where literacy is weakest, through outreach delivered via colleges, cooperative banks, and self-help groups.
2. Target first-time and prospective investors with practical, experience-based modules—demat account walkthroughs, mock portfolios, and guided small-ticket investments—given that experience is the strongest correlate of literacy.

3. Embed financial-literacy content in the final years of undergraduate study to support the critical 18–22 to 23–27 transition into employment.
4. Design programmes to be context-specific rather than uniform, tailoring content to occupation and income groups as recommended by Agarwalla et al. (2015).
5. Leverage employers—particularly for private and self-employed young adults—to deliver workplace financial-education on provident fund, tax, and investment basics.
6. Future research could extend the sample across Karnataka, incorporate a validated multi-item literacy scale, and use multivariate regression to isolate the independent contribution of each characteristic while controlling for the others.

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