

From Financial Knowledge to Investment Readiness: Examining Financial Capability Among Commerce Students in India

Samdaniel S¹, Dr. B. Jagadeeswaran²

¹Ph.D. Research Scholar (FT), PG & Research Department of Commerce,
Thiruthangal College, Selavayal, Chennai

²Research Supervisor, Associate Professor & Head, PG & Research Department of Commerce,
Thiruthangal Nadar College, Selavayal, Chennai

Abstract:

As young adults are increasingly exposed to a variety of financial savings, investment and financial decision-making opportunities, their financial capability has become more important. Commerce students are not always able to translate their academic skills and knowledge of accounting, finance and business into personal financial decisions. This study explores the financial competence of commerce students by analyzing the dimension of financial knowledge, financial attitude and financial behaviour along with investment awareness and investment preferences. The study employed primary data which were obtained from the structured questionnaire and a valid 150 responses were used for the analysis. Based on the analytical design of the original study, correlation analysis, paired-sample analysis, percentage analysis and one-way analysis of variance were used. The findings suggest positive and statistically significant relationships between financial knowledge and financial attitude/financial behaviour. The investment profile also shows that investment activities are not widely undertaken and that, within the group of investors, investment channels are preferred ones that are well known. The results stress the need to shift from the dissemination of financial concepts to the development of financial skills, especially at post-secondary level. The study adds to the conversation about student financial literacy by taking a holistic view of both cognitive, attitudinal and behavioural aspects, all within the context of commerce education.

Keywords: Financial knowledge, financial attitude, financial behaviour, investment awareness, investment preferences.

1. INTRODUCTION

Financial decision making is getting more complicated with multiple saving instruments, investment products, digital financial services and alternative ways of financial participation. Young adults in higher education and then into the labour market are left to make decisions with regards to spending, saving, borrowing and investing, well before they've gained significant real-world financial knowledge. Financial literacy is no longer about understanding financial terms and phrases, but has now become a concept of knowledge, attitudes, skills and behaviours that enable sound financial decisions. A particular concern of this discussion is the student population as their financial behaviors learned in the transition

from education to financial independence can be important in shaping their financial resilience and investment participation later in life. Within this, commerce students are an important group as their academic programme is usually geared towards accounting, economics, finance, business and related subjects. But, just because students are exposed to financial concepts in class does not mean that this equates to personal financial skills. Knowing financial concepts, and using concepts in real decision making, therefore offers an important platform for analyzing student financial behaviours. Financial capability could be interpreted as a multidimensional construct, and the three dimensions are financial knowledge as a cognitive base, financial attitude as orientations towards saving, planning and financial responsibility, and financial behaviour as financial application. The interplay between these elements is especially relevant when pupils transition from financial awareness to making investment decisions. Factors such as income, lack of experience, risk perception and lack of confidence in analyzing financial products can hinder investment awareness from becoming participation. In the present study these dimensions have been explored in commerce students through the integration of financial knowledge, financial attitude, financial behaviour with investment awareness and investment preferences. The primary data were collected from the underlying study by an online structured questionnaire. The questionnaire included questions related to financial-inclusion, investment awareness, financial-investment preferences, financial-investment behaviour, and financial-literacy components, along with questions related to the demographic characteristics. The empirical base of the present research article is a total of 150 valid responses in the original data set.

REVIEW OF LITERATURE It is well established that financial literacy is a multidimensional entity comprising financial knowledge, attitude, skills and behaviour. Financial literacy is not just being knowledgeable about finance, it's about using financial information in real life decisions (Lusardi & Mitchell, 2011; Hung, Parker, & Yoong, 2009). Lusardi (2019) pointed out the ongoing requirement of financial education and Rai, Dua and Yadav (2019) laid emphasis on the correlation between financial knowledge, attitude and behaviour. These dimensions are crucial in financial decisions of students, such as saving, controlling spending and planning investments, as emphasized by Potrich, Vieira and Mendes-Da-Silva (2016). Pavkovic Andelinovic and Misevic (2018) determined the educational and demographic factors that can affect the financial literacy of students. The financial literacy level of students among Indian students was found to be comparatively lower with commerce students being better in comparison with other streams by Jayaraman and Jambunathan (2018). Garg and Singh (2018) also noted that the level of financial literacy was low among the youth and pointed out the demographic factors. In fact, Bhushan (2014) revealed that financially literate people were more aware of the various types of investment products, and Volpe, Chen and Pavlicko (2009) reported that college students lack knowledge about the investment products. Two other studies have suggested that financial education has a positive impact on saving and financial planning behaviour: Bernheim, Garrett and Maki (2001) and Clark, Madeleine and d'Ambrosio (2003). Recent Indian studies by Singh et al. (2023), Pranusha (2023), D and Jayabalan (2024) also proved that financial literacy plays a crucial role in budgeting, saving, investing, and making financial decisions. The overall literature review suggests that financial literacy has a significant impact on investment attitudes among youths and formal financial education of commerce graduates in a commerce field requires further investigation to determine if it has a positive effect on their financial decisions.

2. RESEARCH GAP

Financial literacy is a study widely done with students and young adults, however, not much work has been done to explore financial knowledge, financial attitude, financial behaviour, investment awareness and investment preferences of commerce students all together. In some ways, commerce students are a special educational demographic as they have had exposure to academic material related to finance in their studies, but this academic exposure does not always equate with financial readiness. In order to address this contextually missing link, the present study looks at the multidimensionality of financial capability and its links with investment-related characteristics.

Objectives

- To determine the existing level of financial literacy.
- To evaluate the knowledge and awareness of investment options.
- To analyze investment trends and approaches based on the different financial skills and concepts.
- To highlight the effectiveness of education institutions in context of financial literacy and investment behaviour.

3. RESEARCH METHODOLOGY

The study is descriptive and empirical research with primary data approach. The questionnaire included four sections on financial literacy components, financial inclusion, financial literacy awareness, financial literacy preferences, and investment behaviour, along with sections on the demographic characteristics of the respondents. Of the 180 received responses, 30 were discarded due to the fact that the respondents were not within the targeted population. As a result, 150 valid responses were retained for analysis. To investigate the relationships between financial knowledge (FK), financial attitude (FA) and financial behaviour (FB), Pearson correlation was performed. The comparison of financial knowledge and investment-awareness was carried out by using a paired sample t-test. A percentage analysis was done on the preferred investment vehicles of the respondents, and a one-way ANOVA was used to determine the differences between the financial-literacy component of each educational group. The numerical results shown below are kept from the original empirical analysis. In cases where the narrative interpretation in the project is different from the narrative interpretation in the corresponding table, the former narrative interpretation has been matched with the latter without changing the statistical values reported in the tables.

4. RESULTS AND ANALYSIS

Profile of Respondents

Majority of the respondents were young commerce students. The ages ranged from 12 to 48 years with the majority being 22-24 years (41.30%) and the males were 54% of the sample. 56% of the respondents were undergraduate students. In addition, 94.70% were unmarried, 55.30% not engaged in work activities and 55.30% had incomes and/or savings less than ₹5,000. The demographic profile thus describes a population that is to a large extent in the early phases of economic independence.

Relationship among Financial Literacy Components

Variables	Pearson r	Sig.
Financial Knowledge – Financial Attitude	0.722	0.000
Financial Knowledge – Financial Behaviour	0.662	0.000
Financial Attitude – Financial Behaviour	0.852	0.000

Results of correlation data shows high positive and statistically significant relationships between the three dimensions of financial literacy. The highest correlation is found between financial attitude and financial behaviour ($r = 0.852$); financial knowledge and financial attitude ($r = 0.722$) and financial knowledge and financial behaviour ($r = 0.662$). This means that the empirical results indicate that there is a financial knowledge – financial attitude – financial behaviour relationship.

Financial Knowledge and Investment Awareness

Statistic	Reported value
Mean difference	8.60714
Standard deviation	10.35424
T	4.399
Df	27
Sig.	0.00056
Cohen's d	0.831
95% CI	0.394 to 1.257

The paired-sample analysis shows that the financial-knowledge measure is significantly different for the investment-awareness measure. The reported difference mean is 8.60714 and the paired test t is 4.399 for 27 degrees of freedom and a significance value of 0.00056. The effect size estimate is Cohen's $d = 0.831$, with a 95% confidence interval of 0.394 to 1.257. These values are given verbatim as found in the empirical analysis.

Investment Preferences

The investment-preference analysis is based on 28 investors. Savings account/bank fixed deposit and gold and silver were the most preferred mode of investment (92.86%), followed by equity shares (85.71%). Public provident fund and life insurance had the highest rates at 78.57% and 75% respectively, whereas the national savings scheme had 75%. The rates of growth for post office savings, government securities and mutual funds were 71.43%, respectively. Commodity market had 50% preferences followed by traditional investment avenues with 53.57% and debentures and bonds with 53.57% and next debenture funds were chit funds with 42.86% of preference. The pattern suggests a more pro-investment attitude of the respondents that reported their participation in the investment among established and familiar avenues.

Educational Qualification and Financial Literacy

Financial-literacy dimension	F	Sig.
Financial Knowledge (FK)	1.182	0.321
Financial Attitude (FA)	1.146	0.225
Financial Behaviour (FB)	1.013	0.403

The results of the ANOVA test are obtained: financial knowledge (0.321), financial attitude (0.225), financial behaviour (0.403). There are more than 0.05 for all three values. For this reason, the reported analysis cannot conclude that there is a statistically significant difference between the three dimensions of financial-literacy among the educational groups analyzed.

5. DISCUSSION

The empirical results support the multidimensionality of financial competence. There are strong positive correlations between all of the three dimensions of financial knowledge and financial attitude with financial behaviour, indicating that there is a close relationship between the financial knowledge, financial attitude and financial behaviour of the study population. It is important to note that the correlation between financial attitude and financial behaviour is relatively higher, suggesting that financial behaviour may be influenced by the attitude of financial planning, as well as financial knowledge and decision-making. The following investment results are a further indication. Within the full sample, only a small number of students are involved in investment. Even though they have learnt about commerce and financial subjects in school, only a small number of students invest. The 28 investors indicated a preference for bank deposits, gold and silver, and equity shares, indicating that investors are focused on relatively familiar investment vehicles. This is likely due to a familiarity bias, as well as perceived safety, ease and lack of investment experience. The ANOVA results are a further insight. For financial knowledge, attitude and behaviour, lack of statistically significant difference across the various educational groups suggests that formal educational qualification per se does not lead to measurable differences. This reinforces the premise that financial capacity shouldn't be gained only during the classroom experience but also through hands-on training.

6. IMPLICATIONS

The results can be used in commerce education and financial-literacy education programs in institutions. Educational institutions can enhance financial capability by providing activities that help the students to practice in the financial field like investment simulation, personal budgeting, case studies, risk-return analysis and comparison of financial products. These are the kinds of activities that can help students relate what they are learning in the classroom to real financial choices. It is also important to teach people about financial literacy when talking about investment awareness and taking investment risk responsibly. Expert guidance from finance experts and well-designed experiential learning can help students develop an understanding of what diversification, long-term planning and risk management are. It is not only the number of students investing that is desired; it's the ability to make a sound, financially-sound decision.

7. LIMITATIONS AND FUTURE RESEARCH

The findings of the study are based on a specific group of students in the commerce field and the results cannot be assumed to be applicable to all commerce students or young adults. Convenience sampling was also the method of the original study. Sample size may be extended using probability sampling with students from various institutions, regions and academic streams in future research. Comparative studies can also explore the differences in financial behaviour in relation to practical financial education and to digital financial literacy and experience in investments.

8. CONCLUSION

The study looked at financial literacy in terms of financial knowledge, financial attitude and financial behaviour, and the relationship between financial literacy and investment awareness and investment preferences of commerce students. The analysis was done with the use of statistics of correlation, paired-sample analysis, percentage analysis and one-way ANOVA and the study results give evidence of financial capability as a multidimensional character in the student population.

The significant relationships between financial knowledge, financial attitude and financial behaviour have been identified which gives a sense of the importance of building financial capability and not only financial knowledge. Meanwhile, the investment profile shows that there is some lack of exposure at the school level to financial concepts and of participation and experience in investment. The findings therefore reinforce the importance of enhancing financial education in practice in the educational system and other stakeholders to ensure that commerce students can make financial decisions based on their understanding in a responsible manner.

REFERENCES

1. Vaghela, P. S., Kapadia, J. M., Patel, H. R., & Patil, A. G. (2023). Effect of financial literacy and attitude on financial behavior among university students. *Indian Journal of Finance*, 17(8), 43–57. <https://doi.org/10.17010/ijf/2023/v17i8/173010>
2. D, M. D., & Jayabalan, J. (2024). Exploring the impact of financial literacy on investment behavior among college students. *Shanlax International Journal of Management*, 11(S1-Mar), 44–50. <https://doi.org/10.34293/management.v11iS1-Mar.8057>
3. Shroff, S. J., Paliwal, U. L., & Dewasiri, N. J. (2024). Unraveling the impact of financial literacy on investment decisions in an emerging market. *Business Strategy & Development*. <https://doi.org/10.1002/bsd2.337>
4. Chaturvedi, D. D., Singh, H., Jain, A., & Chaturvedi, S. (2024). Impact of financial literacy on the investment behavior of young investors in India: An empirical study. *IITM Journal of Business Studies*, 15–31. <https://doi.org/10.48165/iitmjbs.2024.SI.2>
5. Tiwari, P. T., & Punyani, H. J. (2024). An analytical study of investment decision-making behaviour among youth in India. *Journal of Information Systems Engineering and Management*, 9(4s).
6. Jain, D. (2026). Financial literacy among college students: Assess students' understanding of budgeting, credit and investments. *Asia-Pacific Journal of Management Research and Innovation*. <https://doi.org/10.1177/2319510X251405367>



7. OECD. (2023). OECD/INFE 2023 international survey of adult financial literacy. OECD Publishing. <https://doi.org/10.1787/56003a32-en>