



Financial Literacy and Its Impact on Investment Awareness: A Review Study in India

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Abstract

Financial knowledge and investment awareness have recently become essential pillars for enhancing individual economic stability and overall financial well-being. Having sound financial capabilities allows people to better comprehend economic concepts, manage their earnings and savings efficiently, and make well-informed investment choices. Similarly, being aware of various financial instruments assists individuals in choosing appropriate options while mitigating market risks through systematic decision-making. The primary objective of this paper is to explore the link between financial knowledge and investment awareness within the Indian context using a review-based framework.

The study is descriptive in nature and is mainly based on secondary data collected from research papers, journals, books, articles, and other academic sources related to financial literacy and investment awareness. Various previous studies have been reviewed to grasp the significance of financial education, investment behavior, and awareness regarding financial decision-making among individuals.

The findings of the study reveal that financial literacy significantly influences investment awareness and financial decision-making ability. Individuals with better financial knowledge are more capable of managing savings, banking activities, and investment practices effectively. The review also indicates that various demographic aspects including an individual's age, earnings, educational background, and profession, along with awareness campaigns, play a significant role in determining their financial literacy. Despite increasing financial education initiatives and technological development, a large section of the Indian population still lacks adequate financial understanding, particularly among rural and economically weaker groups.

The study concludes that strengthening financial education and awareness programs is necessary for improving investment awareness and achieving greater financial inclusion in India. Overall, financial literacy



can be considered an essential instrument for promoting financial security and long-term economic development.

Keywords: *Financial Literacy, Investment Awareness, Financial Education, Investment Behaviour, Financial Inclusion, India.*

Introduction

Financial literacy and investment awareness have become extremely important for the economic development of people in the contemporary world. Having a sound financial understanding assists people in making prudent choices regarding their earnings, personal savings, outlays, and asset allocations. It goes beyond theoretical knowledge, as it actively transforms personal attitudes and enhances individual financial capabilities. Through proper financial understanding, an individual can make better plans for the future and reduce financial risks. Consequently, being financially literate serves as a vital asset that fosters the holistic advancement of an individual.

A close and interdependent relationship can be observed between financial literacy and investment awareness. Both strengthen each other and enable individuals to make appropriate financial decisions. Financial literacy provides knowledge about various financial instruments, savings, and investment alternatives, while investment awareness equips people with the capacity to utilize that understanding effectively in real-world scenarios.

Considering the increasing economic complexities in the modern era, investment awareness has become highly essential. When individuals lack adequate awareness, they are prone to making faulty financial choices, whereas accurate information and understanding help them build a more secure and stable future. Thus, financial literacy and investment awareness also contribute significantly to the economic progress of the country.

In recent times, rapid changes in financial markets and the emergence of new investment opportunities have highlighted the critical necessity of financial education and investment awareness. However, many studies indicate that people still lack adequate financial understanding. Especially in developing countries like India, common citizens continue to face difficulties in making appropriate financial decisions.

An analysis of the available literature reveals that limited attention has been directed toward exploring how financial knowledge connects with investment awareness, while there is still a need for more review-based and analytical studies on this subject. Therefore, this research holds significance for comprehending the link between financial capability and investment awareness.



Review of Related literature

Kumar and Pandey (2025) conducted research centered on financial education and observed that financial knowledge plays an important role in improving both individual financial stability and overall economic growth. The study pointed out that, although financial services and banking facilities have expanded in India, many people still lack adequate financial understanding. The authors further stated that institutions such as government bodies, educational organizations, financial institutions, and NGOs can contribute significantly to increasing financial awareness among citizens. The study also emphasized the need for effective financial education programs to help people make better financial and investment-related decisions.

Siddaraju S. and Shriharsha B.S. (2025) conducted an investigative analysis regarding investment awareness among degree students. Their research evaluated various dimensions such as investment knowledge, investment behaviour, financial literacy, and awareness regarding investment platforms. The findings revealed that students possessed a moderate level of investment awareness, but their overall understanding was still below what is generally anticipated. Furthermore, the paper pointed out that socio-demographic and academic factors influence investment awareness among students. The authors emphasized the importance of improving financial education and guidance to develop better investment decision-making skills among young individuals.

Maheria (2023) conducted a theoretical investigation focusing on financial awareness in India and explained that the country's financial understanding remains deficient despite increasing awareness regarding financial education. The study discussed different dimensions of money management skills, including its meaning, importance, and the initiatives taken by the National Centre for Financial Education (NCFE). It additionally highlighted that financial literacy levels differ across various states and regions of India because of socio-economic and cultural diversity. The study suggested that improving financial education and implementing effective awareness programs are essential for strengthening financial literacy among people in India.

Arya (2018) studied the condition of financial literacy and financial education in India. The study explained that lack of financial knowledge is a major issue among people and many individuals still remain outside the organized banking sector. The author highlighted the critical necessity of financial literacy amidst the growing intricacies of modern financial markets. The paper also analyzed state-led initiatives and recommended upgrading instructional campaigns to promote broader economic integration.

McCormick (2009) reviewed the significance of cultivating financial knowledge among youth and explained that financial knowledge is necessary for managing future financial responsibilities. The study highlighted that young individuals should receive proper financial education from an early stage to improve their decision-making abilities. The author concluded that effective financial education can help youth become financially responsible individuals in the future.



Objectives of the Study

The present study aims to understand the concept and significance of financial capability and investment awareness. It also attempts to investigate how financial literacy links with investment awareness among individuals. Further, the study reviews previous literature pertaining to financial understanding and investment awareness in the Indian context.

Research Methodology

The current paper adopts a descriptive, review-centric approach. The study is mainly based on secondary data collected from various research papers, journals, articles, books, and online sources related to financial literacy and investment awareness. Relevant literature published in different journals and academic sources has been reviewed and analysed to understand the association connecting financial literacy with investment awareness in the Indian context.

Findings and Discussion

The reviewed literature demonstrates that financial knowledge significantly impacts investment awareness and financial decision-making among individuals. Most studies reveal that people with better financial knowledge are more capable of managing savings, banking activities, and investment decisions effectively.

The literature further emphasizes that socioeconomic variables like education, income level, profession, and age influence the level of financial literacy and investment awareness. Many studies also observed that lack of financial understanding creates difficulties in selecting suitable investment alternatives and managing financial risks.

The reviewed studies additionally suggest that financial education programs, awareness campaigns, and digital financial services can improve financial literacy among people. However, financial awareness still remains comparatively low among rural populations, women, and economically weaker sections in India.

Conclusion

Financial literacy and investment awareness exert a substantial influence on enhancing the financial stability and economic well-being of individuals. The reviewed studies indicate that people with better financial knowledge are more capable of making effective savings and investment decisions. In addition, possessing adequate money management skills assists people in comprehending financial products, managing financial risks, and mapping out their long-term goals in a better manner.

The empirical evidence from past literature demonstrates that socioeconomic determinants such as education, income, occupation, and awareness programs significantly influence financial literacy and investment awareness among individuals. Although financial awareness has increased in recent years due to



technological development and financial education initiatives, a large section of the domestic populace still lacks adequate financial understanding.

Therefore, there is a need to strengthen financial education and awareness programs to improve investment decision-making and achieve greater financial inclusion in the country. Overall, financial literacy can be considered an essential tool for promoting financial security and long-term economic development.

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