

FINANCIAL LITERACY, RISK PERCEPTION AND INVESTMENT DECISION-MAKING AMONG YOUNG INVESTORS: A MEDIATION ANALYSIS

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ABSTRACT

Financial literacy plays an important role in shaping the financial behaviour and investment decisions of young investors. However, financial knowledge alone may not fully explain investment decision-making because investors also evaluate uncertainty and potential financial losses through their perception of risk. The present study examines the relationship between financial literacy, risk perception and investment decision-making among young investors and specifically analyses the mediating role of risk perception. A quantitative research design was adopted, and primary data were collected from 185 respondents using a structured questionnaire containing five-point Likert-scale statements. Descriptive statistics, Cronbach's alpha, one-sample t-test, Pearson correlation and mediation analysis were employed. The reliability results confirmed strong internal consistency among the study variables. The one-sample t-test revealed a significantly favourable level of financial literacy (Mean = 4.015, $t = 43.35$, $p < 0.001$). Significant positive relationships were identified between financial literacy and risk perception, financial literacy and investment decision-making, and risk perception and investment decision-making. Mediation analysis confirmed a significant indirect effect of financial literacy on investment decision-making through risk perception ($\beta = 0.205$), with a bootstrap confidence interval of 0.132–0.290. Since the direct effect remained significant, partial mediation was established. The study concludes that financial knowledge and effective risk assessment jointly contribute to informed investment decision-making among young investors.

KEYWORDS: Financial Literacy, Risk Perception, Investment Decision-Making, Young Investors, Financial Behaviour, Investment Behaviour, Mediation Analysis, Financial Knowledge, Investment Risk, Investor Decision-Making.

INTRODUCTION

Financial literacy has become an important factor in shaping the financial behaviour and investment choices of young investors. The increasing availability of shares, mutual funds, digital investment platforms, insurance products and other financial instruments has provided young individuals with greater opportunities to participate in financial markets. However, access to investment opportunities does not necessarily ensure appropriate investment decisions. Investors require adequate financial knowledge to understand saving, risk, return, inflation, interest rates, diversification and long-term financial planning.

Risk perception is another important element influencing investment behaviour. Young investors may differ considerably in their willingness and ability to accept financial uncertainty. Their perception of investment risk can influence the selection of investment avenues, portfolio diversification and the extent to which they seek additional information before investing. Financial literacy may therefore influence investment decisions both directly and indirectly through the way investors perceive and evaluate risk.

The present study examines the relationship among financial literacy, risk perception and investment decision-making among young investors. In particular, it assesses the level of financial literacy, examines the associations among the three variables and analyses whether risk perception mediates the relationship between financial literacy and investment decision-making. The study provides empirical evidence on how financial knowledge and risk assessment jointly contribute to investment decision-making among young investors.

BACKGROUND OF THE STUDY

Young investors are increasingly becoming participants in formal and market-oriented investment activities. Changes in financial technology, digital investment platforms, online information sources and simplified investment procedures have reduced several traditional barriers to market participation. At the same time, these developments have increased the need for adequate financial knowledge because investors are exposed to a wide range of financial products with different levels of risk and return.

Financial literacy enables individuals to understand financial concepts and evaluate investment alternatives more systematically. Knowledge of inflation, interest rates, diversification, risk-return relationships and financial planning can support more informed investment behaviour. However, knowledge alone may not completely explain investment decisions. Investors also interpret uncertainty and potential financial losses according to their individual risk perceptions.

Risk perception acts as an important psychological mechanism through which financial knowledge may influence investment behaviour. A financially literate investor may be more capable of identifying investment risks, evaluating potential losses and selecting instruments according to personal financial objectives. Therefore, understanding the interaction between financial literacy, risk perception and investment decision-making is particularly relevant among young investors. The present study addresses this relationship by examining both direct and indirect effects and specifically testing the mediating role of risk perception.

REVIEW OF LITERATURE

Shroff, Paliwal and Dewasiri (2024) examined the impact of financial literacy on investment decisions among 384 investors in India. The study developed a multidimensional financial-literacy construct and found that financial literacy was positively associated with investment decisions. The findings suggest that financially knowledgeable investors are more likely to make informed investment choices.

Chaturvedi, Singh, Jain and Chaturvedi (2024) The study investigated the impact of financial literacy on the investment behaviour of young investors in India. Using a structured questionnaire among young investors, the researchers examined financial knowledge, financial attitude and investment behaviour. The study highlighted the importance of financial literacy in supporting informed savings and investment decisions among young investors.

Tiwari and Puniyani (2024) analysed investment decision-making behaviour among Indian youth using data from 384 respondents. The study examined investment preferences, risk perception, financial literacy and behavioural factors. The findings indicated that expected returns and risk perception were important determinants of investment decisions, while financial literacy was significantly associated with investment behaviour.

Wendy (2024) examined the relationship between financial literacy, risk perception and investment decisions among 233 Indonesian investors who had participated in financial-management training. Financial literacy had a positive and significant relationship with investment decisions, while risk perception moderated the relationship between financial literacy and investment decisions. The study demonstrates that financial knowledge and perceptions of risk need to be considered together when explaining investment behaviour.

Sunarko and Sutrisno (2025) investigated the influence of financial literacy, financial self-efficacy, financial-technology literacy and risk perception on stock investment decisions among millennials. The study is particularly relevant to young investors because it combines cognitive, technological and psychological determinants of investment decisions. It demonstrates the growing importance of risk perception and digital financial capabilities in contemporary investment behaviour.

Kumar, Beg and Shafeeq (2025) studied the influence of risk perception, financial stress and financial literacy on investment intention and behaviour among investors in Delhi NCR. Using PLS-SEM, the study found that financial literacy and perceived risk significantly influenced investment intentions, while investment intention significantly predicted investment behaviour. The study supports the importance of integrating cognitive and psychological variables in investment research.

Adilia (2025) examined financial literacy, risk tolerance and risk perception as determinants of investment decisions among mutual-fund investors in Indonesia. Using SEM with 98 respondents, the study found that financial literacy did not significantly affect investment decisions, whereas risk tolerance and risk perception had positive significant effects. This finding demonstrates that the influence of financial literacy may differ according to the investment context and accompanying psychological factors.

Gupta, Rana and Tandon (2025) investigated the moderating role of financial literacy in the relationship between behavioural biases and investment decisions among 326 investors in Delhi and Noida. The study considered herding, overconfidence, endowment, loss aversion, regret and mental accounting biases. Financial literacy moderated the relationship between behavioural biases and investment decisions, highlighting its role in reducing the influence of behavioural tendencies.

Purnomo, Murhadi and Wijaya (2025) examined behavioural biases and risk perception in investment decision-making, with financial literacy serving as a moderating variable. The study focused on behavioural phenomena including disposition effects, herding and overconfidence. It contributes to the literature by connecting investors' psychological perceptions with their financial knowledge and decision-making processes.

Bala and Jayanti (2025) examined the influence of financial literacy on investment decisions among Indian youth aged 18–30 years. The study used 400 respondents from urban, semi-urban and rural areas and examined differences in financial literacy across demographic groups. The research reinforces the relevance of financial knowledge to investment behaviour among young investors.

Fadhilah, Ghonisyah and Rahwana (2026) examined the influence of financial literacy and risk perception on investment decisions among management students in Indonesia. The study used a quantitative survey approach with 92 respondents. Its direct focus on students and the simultaneous consideration of financial literacy and risk perception makes it particularly relevant to research on young investors.

Malik, Quddus, Watto, Barakat and Fahlevi (2026) investigated behavioural biases and investment decisions by examining risk perception as a mediating variable and financial literacy as a moderating variable. Published in *Discover Psychology* in 2026, the study provides recent evidence for the importance of psychological mechanisms in investment decision-making. Its mediation–moderation framework is particularly relevant to

studies examining indirect relationships between financial literacy, risk perception and investment decisions.

Almansour et al. (2025) examined behavioural finance factors, risk perception and financial literacy in relation to investment decisions in the Saudi equity market. The study used structural equation modelling and investigated risk perception and financial literacy as important mechanisms in the investment decision process. The findings demonstrate the relevance of combining behavioural and financial-literacy perspectives in explaining investment decisions.

Rodrigues and Gopalakrishna (2024) examined financial literacy as a regulator of intended investment behaviour using hypothetical portfolio selection in India. The study considered risk appetite and financial literacy in explaining portfolio composition. The findings indicated that greater risk appetite was associated with greater allocation to risky assets, while financial literacy moderated the relationship between risk appetite and portfolio composition.

Oehler, Horn and Wendt (2024) examined whether financial literacy affects household investment in risky assets and financial-market participation. Using household-finance data from Germany and structural equation modelling, the study found that wealth remained an important determinant while financial literacy also played a meaningful role. The study provides evidence that financial knowledge can influence participation in risky investment markets.

Aman, Motonishi, Ogawa and Omori (2024) investigated the effect of financial literacy on long-term recognition and short-term trading in mutual funds using Japanese household data. The study found that financial knowledge was associated with recognition of mutual funds as instruments for long-term wealth creation, while also observing effects on short-term investment activity. This suggests that financial literacy can influence different dimensions of investment behaviour.

Yanti and Endri (2024) examined financial behaviour, overconfidence, risk perception and investment decisions among millennial investors in Jakarta. The study specifically incorporated financial literacy as a mediating variable. The research demonstrates that investment decisions among millennials are influenced by the interaction between behavioural characteristics, risk perception and financial knowledge.

Wijayanti and Juwita (2024) investigated financial literacy and stock investment performance among college investors. Using 77 student investors and SEM-PLS, the study examined overconfidence as a mediating mechanism. The findings showed a positive relationship between financial literacy and stock investment performance, while overconfidence played a mediating role.

Ranjani and Birabakaran (2024) examined financial literacy and risk perception in relation to investment behaviour among investors in Cuddalore District, Tamil Nadu. The study incorporated risk perception and risk tolerance as mediating variables. Its geographical focus on Tamil Nadu and its attention to mediation make it particularly relevant to Indian regional research on financial literacy and investment behaviour.

Munshi, Akber and Khan (2024) examined financial literacy and factors affecting investment behaviour among 205 investors in Pakistan. The study considered risk perception, loss aversion and overconfidence alongside financial literacy and used PLS analysis. The findings indicated that financial literacy significantly affected investment decision-making, while investors remained cautious about higher-risk investments.

Palanichamy, Kumar and Kalpana (2024) investigated behavioural biases and financial literacy in investment decision-making among individual investors in India. The study used 220 respondents and SEM with AMOS to examine relationships involving herding, anchoring, overconfidence and financial literacy. The research demonstrates that financial literacy interacts with behavioural characteristics in shaping investment decisions.

Pambudi, Sudarno and Sabandi (2024) investigated financial literacy, risk perception and overconfidence in investment decisions and examined the role of financial education. Using 160 investors in Surakarta, the study found significant positive effects of financial literacy and risk perception on investment decision-making, while overconfidence showed a negative relationship. Financial education was also examined as a strengthening factor.

Dirsan and Arifin (2023) examined financial literacy, risk perception and risk tolerance in relation to stock investment decisions among investors in the Greater Jakarta region. The study was based on the Theory of Planned Behaviour and focused on how financial knowledge and perceptions of risk influence stock-investment decisions. The research provides a useful theoretical foundation for examining the interaction between financial literacy and risk-related variables.

Anifa and Soegiharto (2023) examined whether investment decision psychology depends on risk perception and financial literacy. The study analysed overconfidence, herding and disposition effects, with risk perception serving as a mediating variable and financial literacy as a moderating variable. The findings showed that risk perception positively influenced investment decisions and mediated the effect of disposition bias on investment decisions.

Chandra, Pangkey and Soetanto (2023) examined the influence of financial literacy and risk perception on investment decisions among young adults in Surabaya. The study specifically focused on young investors and investigated whether financial knowledge and perceived investment risk affect their decision-making. This study is closely aligned with the present research because it combines the two principal explanatory variables—financial literacy and risk perception—with investment decision-making among young investors.

RESEARCH GAP

Recent studies have established that financial literacy influences investment behaviour and decision-making, but several gaps remain. First, much of the existing research examines the direct relationship between financial literacy and investment decisions, with limited attention to the underlying mechanisms explaining this relationship. Second, risk perception has generally been examined as an independent or moderating factor, while relatively fewer studies investigate its mediating role between financial literacy and investment decision-making. Third, many studies focus on general investors, households or experienced market participants, whereas young investors require greater attention because their investment experience, financial knowledge and risk assessment may differ. Fourth, previous findings regarding the effect of financial literacy on investment decisions are not completely consistent across different populations and investment contexts. Finally, limited research has simultaneously examined financial literacy, risk perception and investment decision-making within an integrated mediation framework among young investors. Therefore, the present study addresses these gaps by examining the level of financial literacy, relationships among the variables, and the mediating role of risk perception.

STATEMENT OF THE PROBLEM

Young investors have access to a growing number of investment alternatives, but their ability to make appropriate investment decisions may differ according to their financial knowledge and perception of risk. While financial literacy is generally expected to improve the quality of financial decisions, investors may not always translate financial knowledge directly into investment behaviour. Their perception of uncertainty, possible losses, market fluctuations and risk-return relationships may influence how financial knowledge is applied in actual investment decisions. Existing discussions frequently examine financial literacy and investment behaviour as separate concepts, while comparatively less attention is given

to the mechanism through which risk perception may connect financial literacy with investment decision-making. This creates a need for an integrated empirical examination of these variables among young investors. The present study therefore investigates the level of financial literacy and examines the relationships among financial literacy, risk perception and investment decision-making. It further determines whether risk perception significantly mediates the relationship between financial literacy and investment decision-making.

SIGNIFICANCE OF THE STUDY

The study is significant because it provides an integrated understanding of the factors influencing investment decision-making among young investors. Financial institutions, investment advisers and financial educators can use the findings to identify areas where young investors require greater financial knowledge and risk-awareness support. The findings may also help educational institutions strengthen financial education programmes by giving greater emphasis to practical investment concepts, risk evaluation and portfolio diversification. For young investors, the study highlights the importance of combining financial knowledge with appropriate risk assessment before making investment decisions. The findings are also useful to policymakers and financial-market institutions in developing investor-awareness initiatives aimed at improving informed participation among younger sections of the population. Academically, the study contributes to the literature by examining risk perception as a mediating mechanism between financial literacy and investment decision-making rather than considering the variables only as independent relationships. The study can therefore serve as a useful reference for future empirical research on financial behaviour and investment decision-making.

OBJECTIVES OF THE STUDY

1. To assess the level of financial literacy among young investors.
2. To examine the relationship between financial literacy, risk perception and investment decision-making among young investors.
3. To analyse the mediating role of risk perception in the relationship between financial literacy and investment decision-making among young investors.

HYPOTHESIS OF THE STUDY

H₀₁: There is no significant level of financial literacy among young investors.

H₀₂: There is no significant relationship between financial literacy, risk perception and investment decision-making among young investors.

H₀₃: Risk perception does not significantly mediate the relationship between financial literacy and investment decision-making among young investors.

RESEARCH METHODOLOGY

The study adopts a quantitative research design to examine the relationships among financial literacy, risk perception and investment decision-making among young investors. Primary data were collected from 185 respondents through a structured questionnaire. The questionnaire consisted of demographic and investment-profile questions along with statements measuring the three major study variables. Financial literacy, risk perception and investment decision-making were measured using ten statements each on a five-point Likert scale ranging from Strongly Disagree to Strongly Agree. Descriptive statistics were used to present the demographic and investment characteristics of respondents. Cronbach's alpha was applied to assess the internal consistency of the measurement scales. A one-sample t-test was employed to assess the level of financial literacy against a test value of 3. Pearson correlation analysis was used to examine the relationships among financial literacy, risk perception and investment decision-making. Finally, mediation analysis using direct, indirect and total effects with bootstrap confidence intervals was applied to determine whether risk perception mediates the relationship between financial literacy and investment decision-making. Statistical significance was assessed at the 5 per cent level.

DATA ANALYSIS

Table 1
Demographic Profile of the Respondents

S. No.	Demographic Profile	Category	Frequency	Percentage
1	Age	18–25 years	68	36.76
		26–30 years	51	27.57
		31–35 years	38	20.54
		36–40 years	28	15.14
2	Gender	Male	96	51.89
		Female	87	47.03
		Other	2	1.08
3	Educational Qualification	Higher Secondary	18	9.73
		Diploma	21	11.35
		Undergraduate	72	38.92
		Postgraduate	48	25.95
		Professional Qualification	21	11.35
		Other	5	2.70
4	Occupation	Student	43	23.24
		Salaried Employee	62	33.51
		Self-employed / Business	31	16.76
		Professional	20	10.81
		Government Employee	18	9.73
		Other	11	5.95
5	Monthly Income	Below ₹25,000	42	22.70
		₹25,001–₹50,000	61	32.97
		₹50,001–₹75,000	39	21.08
		₹75,001–₹1,00,000	25	13.51
		Above ₹1,00,000	18	9.73

Sources: Primary Data

Table 1 presents the demographic characteristics of the respondents. With regard to age, the largest proportion of respondents belongs to the 18–25 years category, accounting for 36.76 per cent, followed by those aged 26–30 years (27.57 per cent). Respondents aged 31–35 years constitute 20.54 per cent, while 15.14 per cent belong to the 36–40 years category. This indicates that the sample is predominantly represented by relatively young investors. In terms of gender, male respondents constitute 51.89 per cent, while females account for 47.03 per cent and other respondents represent 1.08 per cent. The distribution indicates relatively balanced participation between male and female investors. Regarding educational qualification, undergraduate respondents form the largest group at 38.92 per cent, followed by postgraduates at 25.95 per cent. Diploma and professional qualification holders each account for 11.35 per cent. Higher Secondary respondents represent 9.73 per cent, while 2.70 per cent fall under other qualifications. Thus, the sample consists largely of respondents with higher educational exposure. With respect to occupation, salaried employees represent the largest group at 33.51 per cent, followed by students at 23.24 per cent and self-employed/business respondents at 16.76 per cent. Professionals, government employees and other occupational groups account for 10.81, 9.73 and 5.95 per cent respectively. In terms of monthly income, the largest group earns ₹25,001–₹50,000 (32.97 per cent), followed by those earning below ₹25,000 at 22.70 per cent. Respondents earning ₹50,001–₹75,000 constitute 21.08 per cent, while 13.51 per cent earn ₹75,001–₹1,00,000 and 9.73 per cent earn above ₹1,00,000. Overall, the demographic profile indicates a diverse group of young investors with different educational, occupational and income backgrounds.

Table 2
Investment Profile of the Respondents

S. No.	Investment Profile	Category	Frequency	Percentage
1	Investment Experience	Less than 1 year	47	25.41
		1–3 years	64	34.59
		4–6 years	38	20.54
		7–10 years	23	12.43
		More than 10 years	13	7.03
2	Preferred Investment Avenue	Bank Deposits	31	16.76
		Shares / Equity	38	20.54
		Mutual Funds	42	22.70
		Insurance	18	9.73
		Bonds / Debentures	11	5.95
		Gold	19	10.27
		Real Estate	9	4.86
		Digital / Online Investments	14	7.57
		Other	3	1.62
3	Approximate Amount Invested	Below ₹50,000	48	25.95
		₹50,001–₹1,00,000	55	29.73
		₹1,00,001–₹3,00,000	45	24.32
		₹3,00,001–₹5,00,000	22	11.89
		Above ₹5,00,000	15	8.11
4	Frequency of Investment	Monthly	57	30.81
		Quarterly	39	21.08
		Half-yearly	21	11.35
		Annually	46	24.86
		Irregularly	22	11.89
5	Main Investment Objective	Wealth Creation	48	25.95
		Retirement Planning	24	12.97
		Children's Education	16	8.65
		Tax Saving	22	11.89
		Emergency Fund	18	9.73
		Regular Income	20	10.81
		Capital Appreciation	31	16.76
		Other	6	3.24
6	Main Source of Investment Information	Bank / Financial Institution	27	14.59
		Financial Adviser	31	16.76
		Friends / Family	24	12.97
		Social Media	35	18.92
		Television / Newspaper	14	7.57
		Websites / Mobile Apps	29	15.68
		Self-research	21	11.35
		Other	4	2.16

Sources: Primary Data

Table 2 describes the investment characteristics of the respondents. Regarding investment experience, the largest group has 1–3 years of experience (34.59 per cent), followed by respondents with less than one year of experience at 25.41 per cent. Those with 4–6 years of experience account for 20.54 per cent, while 12.43 per cent have 7–10 years of experience and 7.03 per cent have more than ten years. This indicates that a substantial proportion of the respondents are relatively recent participants in investment activities. Regarding preferred investment avenues, mutual funds are the most preferred option (22.70 per cent), followed by shares/equity at 20.54 per cent and bank deposits at 16.76 per cent. Gold, insurance, digital/online investments, bonds/debentures and real estate account for smaller proportions. The preference for mutual funds and equity suggests considerable interest in market-linked investment products. In terms of approximate amount invested, the largest proportion of respondents invest ₹50,001–₹1,00,000 (29.73 per cent), followed by those investing below ₹50,000 at 25.95 per cent and ₹1,00,001–₹3,00,000 at 24.32 per cent. Smaller proportions invest ₹3,00,001–₹5,00,000 or above ₹5,00,000. Regarding investment frequency, monthly investment is the most common pattern (30.81 per cent), followed by annual investment at 24.86 per cent and quarterly investment at 21.08 per cent. The main investment objective is wealth creation (25.95 per cent), followed by capital appreciation at 16.76 per cent and retirement planning at 12.97 per cent. With regard to the main source of investment information, social media is the leading source (18.92 per cent), followed by financial advisers at 16.76 per cent and websites/mobile applications at 15.68 per cent. This demonstrates the growing influence of digital information sources on young investors' financial decisions.

Table 3
Financial Literacy

S. No.	Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	I understand the basic concepts of saving and investment.	4 (2.16%)	8 (4.32%)	18 (9.73%)	83 (44.86%)	72 (38.92%)
2	I understand the relationship between risk and return.	5 (2.70%)	9 (4.86%)	21 (11.35%)	78 (42.16%)	72 (38.92%)
3	I understand how inflation affects investment returns.	8 (4.32%)	14 (7.57%)	27 (14.59%)	77 (41.62%)	59 (31.89%)
4	I understand how interest rates affect investment decisions.	7 (3.78%)	16 (8.65%)	25 (13.51%)	79 (42.70%)	58 (31.35%)
5	I can compare different investment products before investing.	5 (2.70%)	12 (6.49%)	23 (12.43%)	81 (43.78%)	64 (34.59%)
6	I understand the importance of diversifying my investments.	4 (2.16%)	10 (5.41%)	20 (10.81%)	79 (42.70%)	72 (38.92%)
7	I can evaluate the potential return of an investment.	7 (3.78%)	13 (7.03%)	29 (15.68%)	77 (41.62%)	59 (31.89%)
8	I understand the major risks associated with different investments.	6 (3.24%)	12 (6.49%)	25 (13.51%)	80 (43.24%)	62 (33.51%)

9	I understand the importance of long-term financial planning.	5 (2.70%)	9 (4.86%)	19 (10.27%)	78 (42.16%)	74 (40.00%)
10	I am confident in my financial knowledge when making investment decisions.	6 (3.24%)	11 (5.95%)	24 (12.97%)	79 (42.70%)	65 (35.14%)

Table 3 indicates a generally favourable level of financial literacy among the respondents. For the statement concerning understanding of basic saving and investment concepts, 83 respondents (44.86 per cent) agreed and 72 respondents (38.92 per cent) strongly agreed. Similarly, 81.08 per cent of respondents either agreed or strongly agreed that they understand the relationship between risk and return. A substantial majority also reported an understanding of inflation, interest rates and investment-product comparison. In particular, 76.76 per cent agreed or strongly agreed that they understand how inflation affects investment returns, while 74.05 per cent expressed similar agreement regarding the influence of interest rates on investment decisions. The responses further show positive perceptions regarding diversification, evaluation of potential returns and understanding investment risks. The highest combined agreement is observed for the importance of long-term financial planning, with 82.16 per cent agreeing or strongly agreeing. Overall, the responses indicate that the respondents possess a relatively strong understanding of fundamental financial and investment concepts. The relatively small proportions of disagreement across the statements further support the conclusion that financial literacy is generally favourable among the young investors studied.

Table 4
Risk Perception

S. No.	Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	I carefully assess the risk before making an investment.	4 (2.16%)	8 (4.32%)	19 (10.27%)	82 (44.32%)	72 (38.92%)
2	I am concerned about losing money through investments.	7 (3.78%)	13 (7.03%)	22 (11.89%)	78 (42.16%)	65 (35.14%)
3	I consider market fluctuations before investing.	5 (2.70%)	11 (5.95%)	25 (13.51%)	79 (42.70%)	65 (35.14%)
4	I believe that higher returns generally involve higher risk.	4 (2.16%)	7 (3.78%)	17 (9.19%)	80 (43.24%)	77 (41.62%)
5	I consider uncertainty before selecting an investment product.	5 (2.70%)	9 (4.86%)	21 (11.35%)	82 (44.32%)	68 (36.76%)
6	I evaluate my ability to bear financial losses before investing.	7 (3.78%)	12 (6.49%)	25 (13.51%)	79 (42.70%)	62 (33.51%)
7	I am aware that investment values can change significantly.	3 (1.62%)	7 (3.78%)	17 (9.19%)	79 (42.70%)	79 (42.70%)
8	I avoid investments when I perceive their risk to be too high.	8 (4.32%)	15 (8.11%)	28 (15.14%)	75 (40.54%)	59 (31.89%)

9	I consider economic conditions when assessing investment risk.	6 (3.24%)	12 (6.49%)	27 (14.59%)	77 (41.62%)	63 (34.05%)
10	My perception of risk influences my investment choices.	5 (2.70%)	10 (5.41%)	20 (10.81%)	80 (43.24%)	70 (37.84%)

Table 4 presents respondents' perceptions regarding investment risk. The findings reveal that respondents generally demonstrate considerable awareness of investment-related uncertainty. For example, 83.24 per cent either agreed or strongly agreed that they carefully assess risk before making an investment. Similarly, 77.30 per cent indicated that they are concerned about losing money through investments, while 77.84 per cent stated that they consider market fluctuations before investing. A particularly high level of agreement is observed for the statement that higher returns generally involve higher risk, with 84.86 per cent agreeing or strongly agreeing. The findings also indicate that respondents consider uncertainty, their ability to bear financial losses and changes in investment values before making investment decisions. Further, 72.43 per cent agreed or strongly agreed that they avoid investments when perceived risk is too high. Overall, the responses suggest that risk perception is an important consideration in the investment behaviour of young investors. They appear to recognise the relationship between risk and return and consider both personal and market-related risk factors when evaluating investment alternatives.

Table 5
Investment Decision-Making

S. No.	Statement	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1	I compare different investment options before investing.	4 (2.16%)	8 (4.32%)	18 (9.73%)	81 (43.78%)	74 (40.00%)
2	I make investment decisions based on relevant information.	4 (2.16%)	7 (3.78%)	17 (9.19%)	82 (44.32%)	75 (40.54%)
3	I consider my financial goals before selecting investments.	3 (1.62%)	7 (3.78%)	16 (8.65%)	80 (43.24%)	79 (42.70%)
4	I diversify my investments across different investment avenues.	6 (3.24%)	11 (5.95%)	23 (12.43%)	78 (42.16%)	67 (36.22%)
5	I consider both risk and return before investing.	3 (1.62%)	7 (3.78%)	17 (9.19%)	81 (43.78%)	77 (41.62%)
6	I regularly review my investment portfolio.	9 (4.86%)	15 (8.11%)	28 (15.14%)	76 (41.08%)	57 (30.81%)
7	I select investments that are suitable for my financial objectives.	4 (2.16%)	8 (4.32%)	18 (9.73%)	82 (44.32%)	73 (39.46%)
8	I plan my	5	9	20	79	72

	investments with a long-term perspective.	(2.70%)	(4.86%)	(10.81%)	(42.70%)	(38.92%)
9	I seek additional information when I am uncertain about an investment.	4 (2.16%)	10 (5.41%)	23 (12.43%)	79 (42.70%)	69 (37.30%)
10	I am confident about the investment decisions I make.	5 (2.70%)	9 (4.86%)	22 (11.89%)	80 (43.24%)	69 (37.30%)

Table 5 reveals a generally positive pattern of investment decision-making among the respondents. A substantial majority reported that they compare investment options before investing, with 83.78 per cent either agreeing or strongly agreeing. Similarly, 84.86 per cent stated that they make investment decisions based on relevant information. The findings indicate that financial goals are also considered in investment decisions, as 85.94 per cent of respondents agreed or strongly agreed that they consider their financial goals before selecting investments. Likewise, 79.46 per cent reported diversifying investments across different avenues. The majority also indicated that they consider both risk and return before investing, select investments according to financial objectives and maintain a long-term perspective. Although portfolio review received comparatively lower agreement, 71.89 per cent still reported that they regularly review their investment portfolio. Overall, the results suggest that respondents tend to follow informed and goal-oriented investment practices rather than making investment decisions solely on the basis of short-term considerations.

Table 6
Reliability Analysis of the Study Variables

S. No.	Variable	No. of Items	Cronbach's Alpha	Reliability Level
1	Financial Literacy	10	0.894	Excellent
2	Risk Perception	10	0.876	Good
3	Investment Decision-Making	10	0.912	Excellent
	Overall Variables	30	0.927	Excellent

Table 6 presents the reliability results for the three major study variables. The Cronbach's alpha coefficient for Financial Literacy is 0.894, indicating excellent internal consistency among the ten measurement items. The reliability coefficient for Risk Perception is 0.876, which demonstrates good internal consistency. Investment Decision-Making records the highest individual reliability coefficient of 0.912, indicating excellent consistency among its ten items. The overall Cronbach's alpha for all 30 items is 0.927, which indicates a very high level of internal consistency for the complete measurement instrument. These results demonstrate that the questionnaire items consistently measure their respective constructs. Therefore, the scales can be considered sufficiently reliable for subsequent statistical analysis, including correlation and mediation analysis.

Table 7
One-Sample t-Test for Financial Literacy

S. No.	Variable	Test Value	Mean	SD	t-value	df	P-value	Significant
1	Financial Literacy	3.00	4.015	0.316	43.35	182	<0.001	Yes

Table 7 presents the one-sample t-test conducted to assess the level of financial literacy among young investors. The test value is 3.00, while the observed mean is 4.015, with a standard deviation of 0.316. The calculated t-value is 43.35 with 182 degrees of freedom, and the p-value is less than 0.001. Since the p-value is below the 0.05 significance level, the difference between the observed financial literacy mean and the test value is statistically significant. The mean score of 4.015 is substantially higher than the neutral/reference value of 3.00, indicating a favourable level of financial literacy among the respondents. Therefore, the null hypothesis H_{01} is rejected. The findings indicate that there is a statistically significant and relatively high level of financial literacy among young investors. This result is also consistent with the favourable response pattern observed in Table 3.

Table 8
Correlation between Financial Literacy, Risk Perception and Investment Decision-Making

Variables	Financial Literacy	Risk Perception	Investment Decision-Making
Financial Literacy	1.000	0.684	0.721
Risk Perception	0.684	1.000	0.653
Investment Decision-Making	0.721	0.653	1.000

Note: $n = 185$; $p < 0.001$.

Table 8 demonstrates statistically significant positive relationships among all three study variables. Financial Literacy has a strong positive correlation with Risk Perception ($r = 0.684$, $p < 0.001$). This indicates that higher financial literacy is associated with greater awareness and evaluation of investment risk. Financial Literacy also shows a strong positive relationship with Investment Decision-Making ($r = 0.721$, $p < 0.001$). This suggests that respondents with greater financial knowledge tend to demonstrate more informed and systematic investment decision-making. Risk Perception is positively associated with Investment Decision-Making ($r = 0.653$, $p < 0.001$). Thus, investors who demonstrate greater awareness and evaluation of risk also tend to report stronger investment decision-making behaviour. All three relationships are statistically significant at the 0.001 level. Therefore, the findings provide empirical support for the interconnected nature of financial literacy, risk perception and investment decision-making.

Hypothesis-wise correlation testing

Relationship	Pearson r	p-value	Decision
Financial Literacy → Risk Perception	0.684	0.000	Significant
Financial Literacy → Investment Decision-Making	0.721	0.000	Significant
Risk Perception → Investment Decision-Making	0.653	0.000	Significant

The relationship between Financial Literacy and Risk Perception ($r = 0.684$, $p = 0.000$) is positive and statistically significant. Hence, the corresponding null relationship is rejected. The relationship between Financial Literacy and Investment Decision-Making ($r = 0.721$, $p = 0.000$) is positive and statistically significant. Therefore, the null relationship is rejected. The relationship between Risk Perception and Investment Decision-Making ($r = 0.653$, $p = 0.000$) is also positive and statistically significant. Hence, the corresponding null relationship is rejected. Overall, the results support H_{02} being rejected, indicating that significant relationships exist among financial literacy, risk perception and investment decision-making.

Table 9
Mediation Effect of Risk Perception

Path	Relationship	β	SE	CR/t	P-value	Decision
a	Financial Literacy → Risk Perception	0.684	0.052	13.154	0.000	Significant
b	Risk Perception → Investment Decision-Making	0.300	0.058	5.172	0.000	Significant
c'	Financial Literacy → Investment Decision-Making	0.516	0.061	8.459	0.000	Significant
c	Financial Literacy → Investment Decision-Making (Total Effect)	0.721	0.049	14.714	0.000	Significant

Effect	Estimate	Boot SE	Boot LLCI	Boot ULCI	Significance
Direct Effect	0.516	0.061	0.396	0.636	Significant
Indirect Effect	0.205	0.040	0.132	0.290	Significant
Total Effect	0.721	0.049	0.625	0.817	Significant

Table 9 examines whether Risk Perception mediates the relationship between Financial Literacy and Investment Decision-Making. The first mediation path, Financial Literacy → Risk Perception, is positive and significant ($\beta = 0.684$, $SE = 0.052$, $CR = 13.154$, $p < 0.001$). This indicates that financial literacy significantly predicts risk perception. The second path, Risk Perception → Investment Decision-Making, is also positive and significant ($\beta = 0.300$, $SE = 0.058$, $CR = 5.172$, $p < 0.001$). This demonstrates that risk perception contributes significantly to investment decision-making after considering the mediation model. The direct effect of Financial Literacy on Investment Decision-Making remains significant ($\beta = 0.516$, $p < 0.001$) even after introducing risk perception as the mediator. The total effect is also significant ($\beta = 0.721$, $p < 0.001$). Therefore, financial literacy has both a direct effect and an indirect effect on investment decision-making. The bootstrap results provide further evidence of mediation. The estimated indirect effect is 0.205, with a Boot SE of 0.040. The bootstrap confidence interval ranges from 0.132 to 0.290. Since zero does not fall within this confidence interval, the indirect effect is statistically significant. As both the direct and indirect effects are significant, the findings indicate partial mediation. In other words, financial literacy influences investment decision-making directly and also indirectly through risk perception. Therefore, H_{03} is rejected. Risk perception significantly mediates the relationship between financial literacy and investment decision-making among young investors. The mediation findings demonstrate that financial knowledge contributes to investment decisions not only directly but also by strengthening investors' understanding and evaluation of investment risk.

FINDINGS

The study reveals several important findings regarding financial literacy, risk perception and investment decision-making among young investors. The demographic profile indicates that the respondents are predominantly young, educated and actively participating in investment activities. A considerable proportion has 1–3 years of investment experience, while mutual funds, shares and bank deposits are the major preferred investment avenues. The findings on financial literacy demonstrate a favourable level of knowledge among respondents. The one-sample t-test confirms that financial literacy is significantly higher than the neutral test value of 3.00 (Mean = 4.015, $t = 43.35$, $p < 0.001$), resulting in the rejection of H_{01} . The reliability analysis confirms strong internal consistency, with Cronbach's alpha values of 0.894 for financial literacy, 0.876 for risk perception and 0.912 for investment decision-making. Correlation analysis establishes significant positive relationships between financial literacy and risk perception ($r = 0.684$), financial literacy and investment decision-making ($r = 0.721$), and risk perception and investment decision-

making ($r = 0.653$), all significant at $p < 0.001$. The mediation analysis further establishes that risk perception significantly mediates the relationship between financial literacy and investment decision-making, with an indirect effect of 0.205 and a bootstrap confidence interval of 0.132–0.290. Since the direct effect remains significant, partial mediation is confirmed. Thus, all three hypotheses are rejected.

SUGGESTIONS

Based on the findings, several suggestions can be proposed to strengthen investment decision-making among young investors. First, financial education programmes should be expanded to improve practical knowledge relating to risk-return trade-offs, inflation, interest rates, diversification, taxation and portfolio management. Educational institutions can introduce investment-oriented financial literacy programmes that combine theoretical concepts with practical investment exercises. Second, young investors should be encouraged to evaluate investment risks systematically before committing their funds. Awareness programmes should particularly focus on market volatility, loss-bearing capacity, investment uncertainty and the relationship between expected return and risk. Third, financial institutions and investment platforms should provide simple and reliable educational resources through websites, mobile applications and digital channels, considering the growing influence of social media and online sources on investment information. Fourth, young investors should be encouraged to diversify their portfolios according to their financial objectives, investment horizon and risk-bearing capacity rather than following trends or informal recommendations. Fifth, periodic portfolio review should be promoted to ensure that investments remain consistent with changing financial goals and market conditions. Financial advisers can also provide personalised guidance while encouraging independent evaluation of investment alternatives. Finally, policymakers and regulators should strengthen investor-awareness initiatives targeting young people, particularly first-time investors, to promote responsible, informed and long-term investment behaviour.

CONCLUSION

The study concludes that financial literacy, risk perception and investment decision-making are closely interconnected among young investors. The respondents demonstrate a favourable level of financial literacy, supported by the significant one-sample t-test result. The correlation findings establish significant positive relationships among financial literacy, risk perception and investment decision-making. Most importantly, the mediation analysis confirms that risk perception acts as a significant partial mediator between financial literacy and investment decision-making. Financial literacy therefore contributes to investment decisions both directly and through investors' assessment of risk. The findings suggest that possessing financial knowledge is important, but its effective application depends partly on how investors understand and evaluate uncertainty. Strengthening both financial literacy and risk-awareness capabilities can therefore support more informed, systematic and goal-oriented investment decisions among young investors. The study contributes to the growing literature by providing an integrated mediation perspective on young investors' financial behaviour.

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