Publisher

Singh Publication

www.singhpublication.com

Management Journal for Advanced Research

2025 Volume 5 Number 2 April

E-ISSN:2583-1747

Research Article

Financial Literacy

Impact of Financial Literacy on Investment Behaviour of Millennial in Developing Countries

Das T[1*], Das S[2]

DOI:10.5281/zenodo.15494185

[1*] Tanaya Das, Research Scholar, JIS University, Kolkata, West Bengal, India.

[2] Sulagna Das, Associate Professor, JIS University, Kolkata, West Bengal, India.

This study has focused on the impact of financial literacy on the investment behaviour of the millennials in developing countries. As economies evolve and grow more complex, the requirement of the financial knowledge has become increasingly significant, especially for the younger generation. This research study has therefore identified how millennials in the developing countries often make some poor investment decisions influenced by the behavioural biases and a lack of financial education. Unlike other individuals in the developed countries who demonstrated higher levels of the financial awareness, many millennials in developing regions, like, South Asia or Africa face several financial instabilities resulting from the inadequate financial skills. Using qualitative secondary methodology, this study has analysed previous literature, reports and case studies to investigate the role of financial literacy in shaping the savings and investment behaviour, key findings highlight that financial literacy positively correlate with the stronger saving-investment habits and negatively correlate with the financial issues. Two major psychological biases, namely, overconfidence and herding can be found to influence the investment choices of the millennials. Furthermore, this study shows that financial literacy can mitigate the effect of these biases, enabling the better decision-making.

A conceptual framework has also been proposed to illustrate the relationship between the financial literacy, behavioural biases and the investment behaviour. The findings suggest that strengthening financial literacy among the millennials can contribute not only to the personal financial well-being, but also it enhances the economic stability within the developing countries. It recommends that financial education at the early stage can increase the investment awareness initiatives to empower the youth with necessary financial decision-making skills. This study further concludes the enhancing financial literacy is the key to foster more rational, informed and sustainable investment behaviour among the millennials within the developing countries.

Keywords: financial literacy, investment behaviour, behavioural biases, overconfidence, herding biases

Corresponding Author	How to Cite this Article	To Browse
Tanaya Das, Research Scholar, JIS University, Kolkata, West Bengal, India. Email: tanaya.das837@gmail.com	Das T, Das S, Impact of Financial Literacy on Investment Behaviour of Millennial in Developing Countries. Manag J Adv Res. 2025;5(2):77-82. Available From https://mjar.singhpublication.com/index.php/ojs/article/view/212	

Manuscript Received	Review Round 1	Review Round 2	Review Round 3	Accepted
2025-03-06	2025-03-31			2025-04-21
Conflict of Interest	**Funding**	**Ethical Approval**	**Plagiarism X-checker**	**Note**
None	Nil	Yes	3.92	

1. Introduction

As society becomes advanced in different ways, the need for financial literacy is also realised. A common person can face different issues while making certain investments and during investment decisions making, they take wrong decisions as well. Therefore, unless an individual becomes a wiser investor and reduces their wrongdoings, the economy of the world, especially for the developing nations won't become a financially literate country. Therefore, possessing financial knowledge is of utmost importance for all people regardless of their age, job or other demographic profile. There are different studies which show that in developed countries, like the UK, USA, other European countries or Japan as well as China, most of the young people are very much concerned about their financial position and they take several lessons while making investment decisions. But the young generations of developing countries, like, India, Bangladesh, Pakistan, other African countries as well as Asian countries are unaware of the financial knowledge, hence they are financially illiterate. This makes the developing countries unstable in their financial position. Thus, this article will focus on the impact of financial literacy on the investment behaviour of millennial across developing countries.

Considering this discussion, the research objectives are as follows:

- To assess the financial literacy level among the millennials in developing countries
- To examine the investment behaviours exhibited commonly by millennials in developing countries
- To analyse the relationship between financial literacy and investment behaviour of millennials in developing countries

2. Literature Survey

According to Lim, Soutar & Lee, (2016), financial literacy is a must for the young generations to understand their society as well as their economic position. Based on the viewpoint of S., Mirosea & Hajar, (2023) by possessing financial knowledge young people would be able to understand and can utilise their different financial skills which consist of personal financial management, investing as well as budgeting. In this way, they can help their respective countries to become financially stable.

By this, Gupta, (2023) has discussed that if millennial can become financially literate, they can develop as well as maintain proper relationships with the money and this becomes a lifelong journey for them to understand and learn the whole thing. The significance of financial literacy to enhance the economic soundness of developing countries is undeniable. Hence, according to Kasim *et al.* (2023) becoming a financial literate denotes possession of important and essential financial concepts as well as skills. Rajan *et al.* (2021) discussed that as millennial become more financially literate, they will become less vulnerable to any kind of financial fraud. This can help them to learn the balance between savings and investment. Hence, they can become the backbone of the economic success of developing countries. According to Raut, (2020) most of the developing countries nowadays are still suffering from economic damage, financial instability as well as social degradation. The reports state that the key reason behind these kinds of issues is financial illiteracy. Hence, Widagdo & Roz, (2022) has suggested if the young generation from developing nations becomes more concerned about getting proper financial knowledge, the overall situation of those countries can be upgraded and they become stronger in terms of their political, economic as well as social activities and environment.

On the other side, different reports have shown different discussions regarding financial literacy and its improvement in developing countries. Sujenthirai, Bandara & Senevirathne, (2023) discussed that; the success of the countries can be measured by the possibilities and increasing rate of the entrepreneurs. Hence, most of the young generations are considered to become successful entrepreneurs as their career options. According to Ravikumar *et al.* (2022), there is no doubt that, these entrepreneurial activities can always strengthen the success of countries. Therefore, financial literacy can help the young generations to become successful entrepreneurs who can support their countries by possessing knowledge in maintaining budgets, retirement plan, saving/investment, managing debt as well as tracking any personal spending. Owusu *et al.* (2022) state in this way their life goals as well as the objectives of the developing countries and their strategies can be met.

3. Problem Definition/Research Question

Despite the increasing significance of the financial knowledge in today's complex economic environment, a significant portion of the millennial population in developing countries has remained financially illiterate (Lim, Soutar & Lee, 2016). Unlike their counterparts within the developed nations who could actively seek the financial education while adopted informed investment strategies, millennials within the countries, like, India, Bangladesh, Pakistan and other African and Asian nations often lack the essential skills which are required to make sound financial decisions. This gap in financial literacy not only affect the personal economic well-being of the millennials, but also it hinders the broader financial and economic stability of their respective countries.

Considering this discussion, the research questions in this context are as follows,

- What is the financial literacy level among the millennials in developing countries?
- What are the investment behaviours exhibited commonly by millennials in developing countries?
- What is the relationship between financial literacy and investment behaviour of millennials in developing countries?

4. Research Methodology

This research has carried out by the researchers through secondary qualitative method. Several journals, articles and case studies regarding the financial literacy and investment behaviour have been collected from previously published sources. Considering those data in context of the developing countries only, the researchers have analysed the result while discussed the result based on different themes.

5. Findings and Discussion

Savings-Investment Behaviour of Millennial in Developing Countries

Key Focus	Key Findings/Insights	Author (s)	Year
Impact of financial literacy on millennial's saving-investment behaviour	Financial literacy has a positive impact, especially among the college students in developing nations	Chawla, Bhatia & Singh	2022
Relationship between financial literacy, financial issues and investment behaviour	Financial literacy shows a negative correlation with financial issues and positive with saving habits	Xiao et al.	2014
Significance of early financial education regardless of social class	It advocates the financial education from childhood to support better savings and investment in adulthood.	Purwanto & Viana	2023
Financial literacy and its role in economic and political development.	Young people who are financial literate can make stronger investment decisions, contributing to national development.	Marlina, Irawati & Siregar	2019

Table 1: Summary of Findings on Savings-Investment Behaviour of Millennial in Developing Countries
(**Source:** Authors)

Table 1 shows that savings-investment behaviour has significant impact on the millennials of developing countries. According to Chawla, Bhatia & Singh, (2022) financial literacy has a positive impact on the saving-investment behaviour of the millennial, especially among college students. Different reports show that, in developing countries, like, India, Bangladesh as well as other Asian countries, the savings and investment habits of individuals are continuously increasing which indicates having a strong grasp of financial knowledge. Based on the viewpoint of Xiao *et al.* (2014) this has resulted in the reduction of the financial issues. This overall scenario therefore states that financial literacy has a negative correlation with financial issues and it is positively correlated with the strong investment and saving habits of the individuals. According to Farah, Purwanto & Viana, (2023), every child should get financial lessons regardless of their class or social background. If they become aware of their financial position, after growing up they can help their families as well as even countries to manage their income, investment as well as savings and other related activities.

Hence, Marlina, Irawati & Siregar, (2019) discusses that in this context it can be stated that financial literacy always strengthens the financial investment decision-making of individuals and young people can drive this activity to develop their nation both economically as well as politically.

6. Relationship between Financial Literacy and Investment Behaviour

According to Owusu *et al.* (2019), there are different types of psychological biases which create an impact on the behaviour of young people negatively and thus an unfavourable situation arises due to the lack of financial understanding, skills as well as knowledge. Among these different psychological biases, millennial is influenced by overconfidence biases as well as herding biases. According to (Choudhary, Mehta & Kamboj, (2021) in developing countries, the financial and economic educational ground is not strong, and the young generations are not that much into the practice of their financial knowledge. This kind of illiteracy leads them towards some vague as well as wrong decisions regarding financial investment decision-making. Therefore, this article will focus on the area of these two biases and how these biases can create impact the financial investment decision-making of millennial from different developing nations. This discussion is as follows, such as,

Overconfidence and Financial Literacy: According to Nurmelia *et al.* (2022) overconfidence biases are one of the important personality traits which should be considered while studying financial investment behaviour. In this regard, Shaik, Kethan & Jaggaiah, (2022) discuss overconfidence bias as the cognitive bias which can cause individuals to think that they are always better in some position than their other peers. Within developing nations, among the millennial, this kind of tendency is seen. Through this discussion, Hastings & Mitchell, (2011) revealed that as the younger generation will experience overconfidence more; their investing accuracy will be lower. Satoto & W. P., (2019) discusses that overconfidence biases can harm the financial investment decisions of the millennial if they do not have proper financial knowledge. On the other side, based on the viewpoint of Abdullah *et al.* (2021) if younger generations become financially literate, they won't face overconfidence biases. Hence, these two are negatively correlated.

Herding Biases and Financial Literacy: According to Ahmed *et al.* (2021) herding bias is considered one of the psychological behaviours of individuals where they behave and blindly follow their peers, acquaintances as well as friends or families without knowing the real causes. According to Abebe, Tekle & Mano, (2018), herding behaviours do not always affect the financial investing decisions of young people negatively as young people are always reacting quickly to new information. Therefore, if due to their herding biases, they get proper and new information, it might affect them positively. But contrarily Cahyani & Sriyono, (2023) has argued that herding behaviour by the young generation led to the wrong investment or vague investment decisions, as in this way they stay and think under the influence of others. To support this argument DM, (2021) discusses that during practising herding biases, young people can't utilise their financial knowledge properly to think and make the right decisions. Hence, Hasanuh & Putra, (2020) states that if young people across developing countries can become more financially literate, they would be able to avoid herding behaviour and take their own investment decisions.

Based on the above discussion, the following conceptual framework can be suggested that support this study, such as,

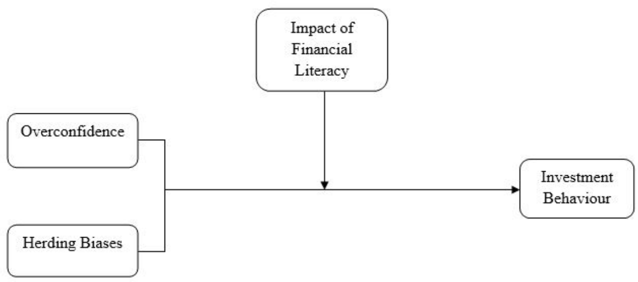

Figure 1: Proposed Conceptual Framework (**Source:** Authors)

7. Conclusion

Based on the above discussion it can be stated that financial literacy always helps and strengthens the investment decisions making of individuals. As developing nations depend on the younger generation more, they need to possess more financial and economic knowledge.

If they can understand the relationship between savings and investment, the overall position of their respective countries as a whole will change and there will be more financial prosperity Khan, (2016). On the other side, this should be noted that financial literacy also can improve the influence of psychological biases on investment decision-making. It is natural that in developing countries as most of the school as well as college students are unaware of the significance of financial literacy and knowledge, they blindly follow the market news or opinions of other people. This is because, in developing countries, the markets are not advanced; they lack financial as well as social resources and infrastructure which has further created hindrances to technological advancements. In this way either they become overconfident or they expose to herding traits. This can lead them towards wrong investment decisions making most of the time Krische, (2019). Thus, if they can learn about finance and the economy and how this works within their country, they would be able to understand the economic position of their country which can automatically allow them to make wise investment decisions.

References

1. Abdullah, D. F. B., Ahmed, Z., Noreen, U., & Ramakrishnan, S. A. L. (2021). What explains the investment decision-making behaviour The role of financial literacy and financial risk tolerance. *Afro-Asian J. of Finance and Accounting, 11*(1), 1. https://doi.org/10.1504/aajfa.2021.10033830.

2. Abebe, G., Tekle, B., & Mano, Y. (2018). Changing saving and investment behaviour: The impact of financial literacy training and reminders on micro-businesses. *Journal of African Economies, 27*(5), 587–611. https://doi.org/10.1093/jae/ejy007.

3. Ahmed, Z., Noreen, U., Ramakrishnan, S. A. L., & Abdullah, D. F. B. (2021). What explains the investment decision-making behaviour The role of financial literacy and financial risk tolerance. *Afro-Asian J. of Finance and Accounting, 11*(1), 1. https://doi.org/10.1504/aajfa.2021.111814.

4. Cahyani, R. N., & Sriyono, S. (2023). *Effect of financial literacy, risk perception and financial knowledge on investment decision making generation z with financial behavior as intervening variables*. https://doi.org/10.21070/ups.2374.

5. Chawla, D., Bhatia, S., & Singh, S. (2022). Parental influence, financial literacy and investment behaviour of young adults. *Journal of Indian Business Research, 14*(4), 520–539. https://doi.org/10.1108/jibr-10-2021-0357.

6. Choudhary, K., Mehta, S., & Kamboj, S. (2021). Financial literacy, investment behaviour and socio-demographic variables: evidence from India. *International Journal of Behavioural Accounting and Finance, 6*(3), 1. https://doi.org/10.1504/ijbaf.2021.10038856.

7. Nurmelia, N., Fadilla, F. N., AR, N. W., & Leon, F. M. (2022). Past behaviour, financial literacy, and investment decision-making process of individual investors. *SIMAK, 20*(01), 55–79. https://doi.org/10.35129/simak.v20i01.329.

8. DM, R. (2021). Financial literacy, financial behavior and financial attitudes towards investment decisions and firm bankruptcy. *Atestasi : Jurnal Ilmiah Akuntansi, 4*(1), 79–87. https://doi.org/10.57178/atestasi.v4i1.167.

9. Farah, A., Purwanto, B., & Viana, E. D. (2023). The influence of financial literacy and financial inclusion on saving and investment behaviour for millennial generation in DKI Jakarta. *TIJAB (The International Journal of Applied Business), 7*(1), 73–86. https://doi.org/10.20473/tijab.v7.i1.2023.43436.

10. Gupta, S. (2023). Financial literacy, Savings and Investment behaviour of IT professionals. *Journal of Business Management and Information Systems, 10*(1), 26–30. https://doi.org/10.48001/jbmis.2023.1001006.

11. Hasanuh, N., & Putra, R. A. K. (2020). Influence of financial literacy and financial attitude on individual investment decisions. *Advances in Business, Management and Entrepreneurship*, 424–428. https://doi.org/10.1201/9780429295348-92.

12. Hastings, J., & Mitchell, O. (2011). *How financial literacy and impatience shape retirement wealth and investment behaviors*. https://doi.org/10.3386/w16740.

13. Kasim, E. S., Awalludin, N. R., Zainal, N., Ismail, A., & Ahmad Shukri, N. H. (2023). The effect of financial literacy, financial behaviour and financial stress on awareness of investment scams among retirees. *Journal of Financial Crime*. https://doi.org/10.1108/jfc-04-2023-0080.

14. Khan, S. N. (2016). Impact of financial literacy, financial knowledge, moderating role of risk perception on investment decision. *SSRN Electronic Journal*. https://doi.org/10.2139/ssrn.2727890.

15. Krische, S. D. (2019). Investment experience, financial literacy, and investment-related judgments. *Contemporary Accounting Research, 36*(3), 1634–1668. Portico. https://doi.org/10.1111/1911-3846.12469.

16. Lim, K. L., Soutar, G. N., & Lee, J. A. (2016). Factors affecting investment intentions: A consumer behaviour perspective. *Financial Literacy and the Limits of Financial Decision-Making*, 201–223. https://doi.org/10.1007/978-3-319-30886-9_10.

17. Marlina, L., Irawati, N., & Siregar, S. M. (2019). Financial literacy, childhood consumer experience, and investment decision in milennial housewives. *Proceedings of the 2nd Economics and Business International Conference*. https://doi.org/10.5220/0009327205910595.

18. Owusu, G. M. Y., Ansong, R., Koomson, T. A. A., & Addo-Yobo, A. A. (2022). Savings and investment behaviour of young adults: the role of financial literacy and parental financial behaviour. *African Journal of Management Research, 27*(1), 75–92. https://doi.org/10.4314/ajmr.v27i1.5.

19. Owusu, J., Bin Ismail, M., Hassan Bin Mohd Osman, M., & Kuan, G. (2019). Financial literacy as a moderator linking financial resource availability and SME growth in Ghana. *Investment Management and Financial Innovations, 16*(1), 154–166. https://doi.org/10.21511/imfi.16(1).2019.12.

20. Rajan, B., Kaur, N., K. Athwal, H., Rahman, A., & P.S., V. (2021). Financial literacy as a tool for stimulating the investment behaviour of rural women: an empirical assessment. *Investment Strategies in Emerging New Trends in Finance*. https://doi.org/10.5772/intechopen.94532.

21. Raut, R. K. (2020). Past behaviour, financial literacy and investment decision-making process of individual investors. *International Journal of Emerging Markets, 15*(6), 1243–1263. https://doi.org/10.1108/ijoem-07-2018-0379.

22. Ravikumar, T., Sriram, M., Girish, S., Anuradha, R., & Gnanendra, M. (2022). Financial stress, financial literacy, and financial insecurity in India's informal sector during COVID-19. *Investment Management and Financial Innovations, 19*(2), 285–294. https://doi.org/10.21511/imfi.19(2).2022.25.

23. S., Mirosea, N., & Hajar, I. (2023). Effect of financial literacy and behaviour on investment decisions (Study on Southeast Sulawesi investors). *KnE Social Sciences*. https://doi.org/10.18502/kss.v8i2.12766.

24. Satoto, S. H., & W. P., S. B. (2019). The effect of financial literacy on financial management behaviour with self-control as intervening variable. *Proceedings of the International Conference of Business, Economy, Entrepreneurship and Management*. https://doi.org/10.5220/0009960501790186.

25. Shaik, M. B., Kethan, M., & Jaggaiah, T. (2022). Financial literacy and investment behaviour of IT professional with reference to Bangalore city. *Ilomata International Journal of Management, 3*(3), 353–362. https://doi.org/10.52728/ijjm.v3i3.487.

26. Sujenthirai, Bandara, R., & Senevirathne. (2023). Impact of financial literacy and investment skills on investors' behaviour in Colombo stock exchange – Mediating role of digital literacy. *Journal of Accountancy & Finance, 9*(2), 313–341. https://doi.org/10.57075/jaf922206.

27. Widagdo, B., & Roz, K. (2022). The role of personality traits, financial literacy and behavior on investment intentions and family support as a moderating variable. *Investment Management and Financial Innovations, 19*(2), 143–153. https://doi.org/10.21511/imfi.19(2).2022.12.

28. Xiao, J. J., Ahn, S. Y., Serido, J., & Shim, S. (2014). Earlier financial literacy and later financial behaviour of college students. *International Journal of Consumer Studies, 38*(6), 593–601. Portico. https://doi.org/10.1111/ijcs.12122.