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What Is The Impact Of Financial Literacy On Individual Investment Behaviour And Wealth Accumulation?

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I. Introduction

Financial literacy, which is the knowledge of finance, and its application affects every person's economic decision-making throughout their lifetime (Behrman, Mitchell, Soo, & Bravo, 2012). Specifically, with the continuously developing financial markets in the modern world, financial literacy enables a person to meet his or her financial requirements in the long term, choose the right instruments for investments, make the right investment decisions, and ensure his or her financial stability after retirement (Hastings et al., 2013). Researchers have recently started exploring the relationship between the incidence of financial literacy and an individual's capacity to financially grow over time. The paper seeks to give an overview of the literature and the available evidence about the nexus between financial literacy, investment behavior, and wealth creation at the micro level. Over the years, many researchers have established that the level of financial literacy is normally very poor among people in developed as well as developing nations (Hilgert et al., 2003). Financial literacy has been associated with budgeting, saving, investing, the right choice of a financial product, and appropriate retirement planning (Jappelli & Padula, 2013). Enhancing realistic numeracy capacities and elemental financial conceptual knowledge could enable people to engage in high decision-demanding conditions and attain beneficial investment results (Klapper et al., 2013).

In addition to the effects on saving/investment behaviors, fiscal literacy directly explains the variance in wealth and portfolio performances in terms of both micro-level accumulation effects at the household level. For instance, applying the 2004 HRS module, Lusardi and Mitchell (2007) realized that near-retirees who were relatively wealthy exhibited higher levels of financial literacy. Determined after controlling for differences in education and other socio-economic characteristics. Indeed, financial literacy contributes to explaining wealth differences across individuals in old age to the same extent as the mental abilities captured by numeracy and cognitive test scores (Van Rooij et al., 2011). It was also noted that those with low financial knowledge often achieve rather poor returns on savings and investments and cannot meet long-term financial needs goals. Using instrumental variable models to explain the causal effects, other studies even goto explain the causal effect that financial literacy increases household wealth (Xu & Zia, 2012). In total, the mass of empirical data provides a consistent confirmation of the importance of investing knowledge and skills in the management of financial literacy for constructing efficient schemes of saving (Barber & Odean, 2000).

Limitations in assessing financial knowledge and substantiating the correlation between literacy, behaviors, and investment returns are also analyzed in the paper. It goes on to examine distributional aspects and the corresponding heterogeneity of literacy across various subgroups, including age groups, gender, educational attainment, and geographic locations, which are critical in understanding the disparities in financial literacy levels (Chen & Volpe, 1998).

II. Theoretical Framework

Behavioral Finance Theory and Financial Literacy

Behavioral Finance Theory was a prior attempt made in the theoretical financial framework to understand how psychological behavior interfering with financial decisions led to risky spending or decision-making. The theory integrates psychology and economics to explain why and how individuals make irrational financial decisions that deviate from traditional financial theories like the Efficient Market Hypothesis. Pioneered by scholars such as Daniel Kahneman and Amos Tversky in the 1970s and 1980s, their work on Prospect Theory laid the foundation for Behavioral Finance, highlighting how individuals perceive gains and losses asymmetrically. Richard Thaler, another key contributor, expanded on these ideas and demonstrated how cognitive biases and heuristics influence financial decision-making. Their combined efforts introduced the concept of behavioral biases into mainstream financial theory.

When applying the theory, Inclined states that overconfidence, loss aversion, and herding could exert considerable influence on the choice of investments and produce non-optimal financial results. Investors who are overconfident in their knowledge or ability to predict the future, leading to excessive trading or misestimating risk, are subject to overconfidence bias. Loss aversion is the tendency of an individual to prefer avoiding losses

more than acquiring equivalent gains, frequently leading such an individual to hold onto losing investments longer than reason dictates. In herding—the imitation of the investment decisions of others without independent analysis—individuals can kick-start asset bubbles or crashes.

Feeling financially weak in a way, they were exposed to behavioral biases and could make less risky and less effective decisions of investment. They were not financially literate and found themselves at a point where their emotion and judgmental heuristics determined their decisions. This led to lower-quality investment decisions that also did not deliver optimal returns. Bias mitigation was found in the effects of financial literacy, in the sense that people with higher financial literacy made more rational investment decisions and saved more. A high level of financial literacy could make investors more rational than emotional and be able to understand the risk/return relationship. They might then be able to make more effective decisions on how they live, put together larger amounts of capital over time, and develop better, deeper financial reserves.

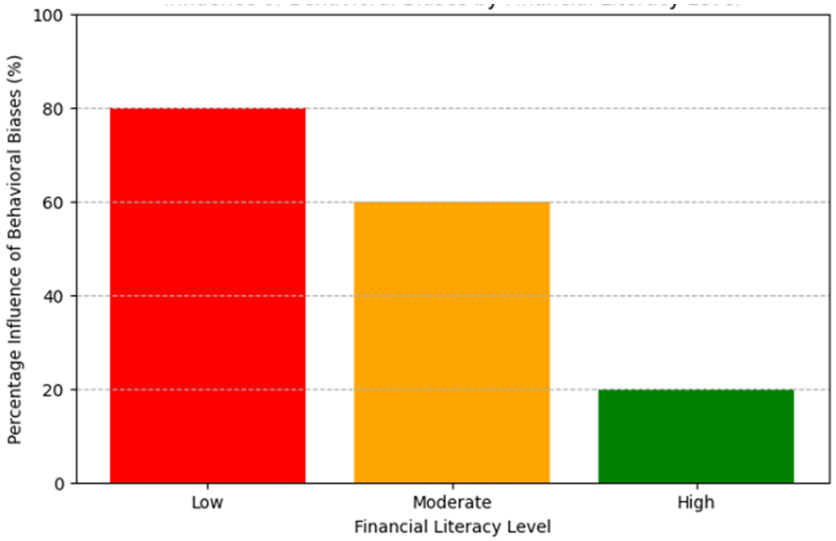

Figure 1: Influence of Behavioral Biases by Financial Literacy Level
Source: Generated by author

Figure 1 shows the relationship between financial literacy levels and the influence of behavioral biases on investment decisions. The study revealed that those with low financial literacy were most influenced by behavioral biases to the tune of 80%. People with a higher level of financial literacy (around 60%) appeared to experience a reduction in the influence of biases. On the other hand, individuals with high financial literacy exhibited the lowest behavioral bias influence, which was under 30%.

The section examines common behavioral biases affecting financial decisions, including:

1. **Overconfidence Bias**: The tendency to overestimate one's knowledge and predictive abilities, leading to excessive trading or risky decisions.
2. **Loss Aversion Bias**: A stronger preference for avoiding losses rather than achieving equivalent gains, resulting in holding onto poor investments longer.
3. **Herding Bias**: The tendency to follow the crowd in investment decisions without independent analysis.
4. **Anchoring Bias**: Over-reliance on the initial information or values encountered during decision-making.
5. **Framing Bias**: Decisions are influenced by how information is presented rather than the information itself.

Rational Choice Theory in Financial Decision-Making

Rational Choice Theory is an economic idea that allows us to believe individuals are rational: they always take an action to produce the most benefit or greatest level of satisfaction that is attainable based on their preferences and knowledge. The basic assumption of the theory is that people act rationally; that is, systematically composing the costs and benefits of certain actions before making a decision (Becker, 1976). In financial decision-making, it implies that people strive to achieve the greatest possible return on their utility via their investment choices, analyzing for input such as risk, return, and expected profits. Financial literacy is important because when applied to investment decisions, it helps improve an individual's ability to convert complex financial information into useful insights. An individual with high financial literacy can compare investment items based on the independent characteristics of risk-to-return ratio and diversification (Atlas et al., 2019). Financial literacy also helps people learn how to read financial statements, compute the effect of fees on returns, and compare investment products. The Rational Choice Theory demonstrates an emphasis and these skill components are

aligned on informed and deliberate decision making. Individuals with a higher level of financial literacy allocate wealth systematically and rationally and encourage them to take structured way for financial choices (De Clercq, 2019). People with more financial knowledge are better prepared to create long-term financial goals and devise a strategy to achieve them. It is also more likely that they select methods that are optimized in terms of returns utilizing rational evaluation, including, the compound interest over time. Emotional or impulsive decisions that do not have roots in logical, data-driven strategy planning do not follow the ideology of Rational Choice Theory and emotional decisions are not likely to lead to financial success (Agarwal et al., 2011).

Socio-Economic Factors Influencing Financial Literacy

Socio-economic variables examined included income status, education level, and employment nature were shown to have a significant influence on financial literacy. Frequently, people living with higher incomes and people with higher education were characterized by improved financial literacy (Yoong, 2011). Such different incomes and educations also result in a distinct financial literacy gap between men and women. Men in aggregate might fairly be said to have more access to higher-paying jobs, or schooling opportunities, thus accruing more financial know-how and skills. On the other side, women may encounter barriers founded in the structures of society, including gender pay gaps, limited access to tertiary (higher) education in certain locations where this is needed, and constraints via culture that result in lower levels of financial literacy than men. These factors widen the gender gap in financial decision-making and wealth accumulation over time.

This could eventually lead to differences in investment behavior and the acquisition of wealth between men and women in subsequent years on account of their perceived financial literacy. Financial literacy is perceived as an individual's self-assessment of his or her understanding of financial concepts and confidence in making financial decisions. While it fulfills an important purpose in guiding behavior, this does not necessarily correspond with how financial knowledge and skills are linked to real-life reality. Those who perceive themselves to be highly financially literate may increase the amount of financial risks they take — even when their actual knowledge is limited — while those on the other end of the spectrum may not make investments, despite possessing the necessary skills.

Education increased sensitivity to finance, suggesting that individuals with a college education previously participated in more sophisticated financial products. Education empowered them with information to exploit other investment prospects (Mitchell & Lusardi, 2015).

Social status, in turn, affected the owning status of such items as financial information and avenues to invest in the past, thus the issue of financial literacy. Both higher income and higher education make up a person's social status and frequently contribute to financial literacy. Higher-income enables people to afford financial products and services, and higher education teaches people to do so. Those who earned more had more money to put into investments and grow their wealth and knowledge of the same. The less affluent, by and large, experienced lower levels of investment knowledge and awareness. This sealed the literacy divide between income earners that has accumulated over the years.

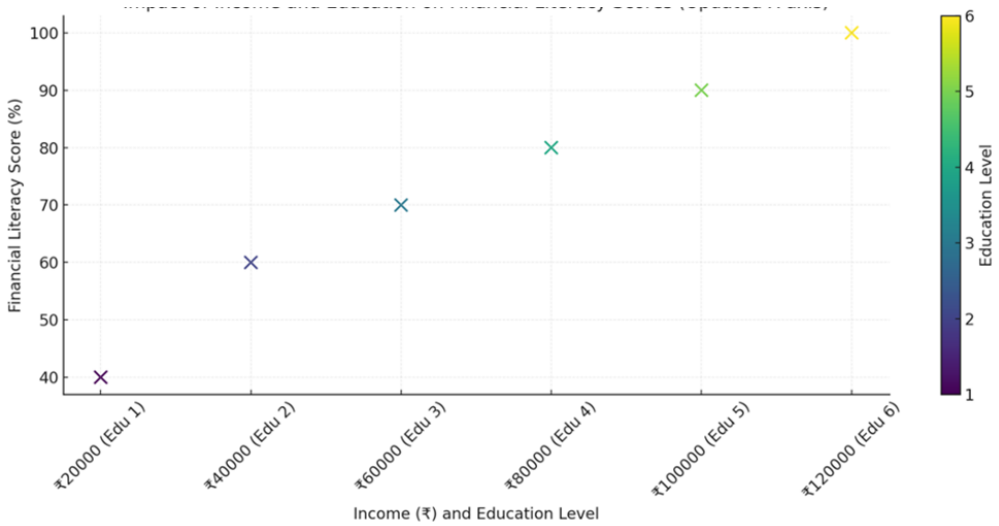

Figure 3: Impact of Socio-Economic Factor on Financial Literacy Scores
Source: Generated by author

Figure 3 shows the relationship between income, education levels, and financial literacy scores. A joint impact of income levels (₹) and education levels was presented on the x-axis. Financial literacy scores were shown

on the y-axis as a percentage and the color bar represented different education levels with darker colors representing lower education and lighter colors higher levels. The trend was positive, as people with higher incomes and higher levels of education had higher financial literacy scores. Financial literacy rose consistently with both rising income and education. The representation revealed associations between socio-economic factors, particularly income, and education, as having a cumulative effect on financial literacy outcomes and demonstrated how related these variables are to financial knowledge and decision-making ability.

III. Methodology

Research Design

The study used a quantitative research approach to examine the relationship between financial literacy, investment behavior, and wealth status of Indian adults. The study design was a cross-sectional descriptive study in which a survey was used to collect information on levels of financial literacy, investment practices, and overall wealth. To do so, a comprehensive survey tool was built to assess the degree to which respondents exhibited financial literacy, attitudes, and investment decision-making capabilities. The control questionnaire asked about the total amount of wealth and savings of entire households. The survey was conducted on Indian adults above 18 years of age living in both urban and rural areas. Subsequently, a demographic analysis was conducted to determine the relationship between mean financial literacy scores, investment behavior, and mean net worth among the sample population. The quantitative study in particular sought to confirm that the higher the level of financial knowledge, the more sound the investment practices and the greater the wealth accumulation.

Sample Selection

From both urban and rural sectors of India, 300 participants were chosen from different strata of socio-economic status (SES). The sampling was done specifically to earn adult members between 18 and 65 years of age from different socio-economic groups in geographical regions. This approach aimed to offer a holistic view of financial literacy and investment behavior by using a cross-sectional sample of rural and urban populations of different age groups. The stratified random sampling allowed all the population segments to be accounted for in the sample of 300 people for the final sample.

Data Collection

Data were collected through a structured questionnaire containing three sections:

Demographic Information: Age, gender, education, income, and occupation.
Financial Literacy Assessment: A series of questions were asked that assess how well they know about such things as personal finance management, knowing about investment options, and financial concepts.
Investment Behavior: Questions about the types of investments, the frequency of investments, the risk appetite, and total wealth accumulation.

Data Analysis

Data were analyzed by using the statistical software SPSS (Statistical Package for the Social Sciences). Descriptive analysis, correlation, and regression analysis were used and applied in analyzing the research questions focusing on financial literacy, investment behavior, and wealth creation. These analyses evaluated whether the degree of financial literacy and kinds of investment behaviors were significant correlates of wealth accumulation results. The correlation and regression between the variables were also checked and analyzed to find out the correlation matrix in the dataset.

IV. Results

Descriptive Statistics

Table 1 provides a summary of the demographic characteristics of the 300 subjects that participated in the study. Their age was between 18 and 65 years, with 30% of the participants being between 26 and 35 years old. Of the sample 50% comprised males, and 50% females. Participants' education level was also categorized, 40% of the participants had undergraduate qualifications, 33.3% had postgraduate qualifications, and 26.7 % were high school level. Half made per month between ₹20,001 and ₹50,000, 16.7% earned less than ₹20,000, 26.7% earned ₹50,001 to ₹100,000, and 6.7% earned more than ₹100,000 in a month. In short, the participants were young and old, men and women with varying educational achievements ranging from high school dropouts to postgraduates. Income was also reported as ranging from low to high, thus the overall sample was heterogeneous.

Table 1: Demographic Characteristics of Participants

Demographic Variable	Frequency	Percentage (%)
Age Group (Years)		
18-25	60	20.0
26-35	90	30.0
36-45	75	25.0
46-55	45	15.0
56-65	30	10.0
Gender		
Male	150	50.0
Female	150	50.0
Education Level		
High School	80	26.7
Undergraduate	120	40.0
Postgraduate	100	33.3
Monthly Income (₹)		
< 20,000	50	16.7
20,001 - 50,000	150	50.0
50,001 - 1,00,000	80	26.7
> 1,00,000	20	6.7

Figure 4: Financial Literacy Score vs. Percentage Engaging in Investments
Source: Generated by author

Figure 4 shows the relationship between financial literacy scores and the percentage of individuals engaging in investments. Four ranges of financial literacy scores were shown on the x-axis, and the y-axis showed the percentage of people who were involved in investments. The chart showed that people with higher financial literacy scores were more likely to invest. Those in the 81–100 score range had the highest investment participation, just under 90 percent, while those in the 0–40 score range had the lowest, around 20 percent. The data indicated that there was a positive relationship between financial literacy and investment participation.

Financial Literacy and Investment Behavior

Table 2 presents the results of the analysis focusing on the correlation between financial literacy (FL) scores and corresponding investment behaviors. The frequency distribution of financial literacy scores was categorized, and for each level of categorized scores, the percentage of individuals who engage in investments and the average investment amount were presented. As scores of financial literacy improved from ranges of 0-40 to 81-100, the percentage of individuals engaging in investments rose from 30.0% to 90.0%. Similarly, the average investment amount increased from ₹10,000 for scores of 0-40 to ₹100,000 for scores of 81-100.

The analysis distinguishes between engaging in investments and investment behavior. Engaging in investments refers to the act of participating in investment activities, such as purchasing financial products, opening investment accounts, or acquiring assets. In contrast, investment behavior encompasses the broader patterns, strategies, and decisions individuals use when managing their investments. This includes their choice of instruments, risk tolerance, investment horizon, and frequency of transactions. The results indicate that increased levels of financial knowledge and executive capacity, as deduced from financial literacy tests, are reflected not only in more active participation in investments but also in more deliberate and effective investment behaviors. Individuals with higher FL scores are more likely to make strategic decisions regarding risk-return optimization, diversify their portfolios, and align investments with long-term goals. This is evidenced by the significant positive correlation (coefficient r=0.68r = 0.68r=0.68), which suggests that financial literacy is strongly associated with both the degree of engagement in investment activities and the quality of investment behavior.

Table 2: Relationship Between Financial Literacy and Investment Behavior

Financial Literacy Score Range	Percentage Engaging in Investments (%)	Average Investment Amount (₹)
0-40	30.0	10,000
41-60	55.0	25,000
61-80	75.0	50,000
81-100	90.0	1,00,000

Figure 5: Relationship Between Financial Literacy and Investment Behavior
Source: Generated by author

V. Financial Literacy And Investment Behavior

Impact of Financial Knowledge on Investment Choices

Proficient financial literacy significantly influenced how individuals approached investment decisions and their choice of investment options. An informed investor, equipped with financial knowledge, was more likely to compare various investment opportunities and align their choices with personal financial goals and risk tolerance. These investors exhibited a clear understanding of diversification as a strategy to minimize risk while maximizing returns. They actively selected a mix of assets to optimize their portfolios based on calculated risk-reward ratios.

Conversely, investors who lacked financial literacy often struggled to assess investment opportunities comprehensively. They tended to favor safer, lower-yield investments or, in some cases, refrain from investing altogether due to insufficient knowledge. Many of these individuals overlooked the importance of diversification, thereby increasing their susceptibility to financial risks. Lawal et al. (2018) emphasized that such gaps in financial understanding often led to suboptimal portfolios that lacked both balance and growth potential. The section underscores the critical role of financial literacy in promoting informed decision-making and achieving long-term financial growth. By understanding the tenets of finance and the principles of risk management, financially literate individuals were better positioned to generate sustainable revenue from their investments while building diversified and resilient portfolios.

Figure 6: Distribution of investment choices by financial literacy levels
Source: Generated by author

Figure 6 illustrates a pie chart showing the distribution of investment choices based on financial literacy levels. Different sections represented various investment options, including fixed deposits, mutual funds, the stock market, real estate, and bonds. Fixed deposits held the largest share at 35%, indicating that individuals with varying financial literacy levels preferred the low-risk option. Mutual funds followed with 30% of the distribution, suggesting moderate popularity. The stock market accounted for 15%, while real estate and bonds each held 10%. The distribution implied that safer investments like fixed deposits and mutual funds were more commonly selected across financial literacy levels.

Risk Appetite and Portfolio Diversification

Self-awareness, financial literacy, and risk-taking in money matters are very significantly related. Individuals with high financial literacy understood the trade-off between prospective returns offered and the risks associated with an investment (Lusardi & Mitchell, 2014). For instance, research by Van Rooij et al. (2011) showed that financially literate investors were more likely to diversify their capital, by investing in such diverse risky assets as stocks, bonds, and mutual funds. The diversification strategy reduces portfolio risk by moving the investments across different asset classes, and industries, as a result of diversifying the investments, potential losses from any single asset or sector are mitigated. All sub-elements of financial literacy had a positive relationship with risk-taking. This doesn't mean that taking higher risks is always 'good', but that more financial knowledge allows people to make informed decisions about higher-risk investment opportunities. Investors with higher levels of financial literacy tended to weigh as attractive products those that would expose them to risk — such as equities or derivatives and thereby potentially higher returns. The ability to evaluate and accept risk was considered a 'positive' in that it allowed participants to access a wider range of investment opportunities and long-term financial growth. Conversely, people with low financial literacy were less likely to take high-risk investments because they did not understand risk-reward dynamics. Lusardi and Mitchell (2011) report that they tended to pick investments that were lower risk and safer, avoided investments in general, or felt that investments

were too complex or that there was a risk of losing their investment. Participants' financial knowledge and investment skills correlated strongly with the level of comfort with financial risk tolerance. Higher levels of financial literacy were associated with a higher propensity for informed risk and lower levels were associated with risk aversion and more conservative investment approaches.

Figure 7: Correlation Between Financial Literacy Levels and Risk Appetite
Source: Generated by author

Figure 7 shows that financial literacy levels positively correlated with risk appetite. Low financial literacy individuals had lower risk appetite index and moderate financial literacy individuals showed a moderate increase in risk-taking behaviors. The highest risk appetite index was associated with high financial literacy levels, meaning people who were more willing to make riskier financial decisions. The trend showed that as financial knowledge and understanding increased, so did the propensity for risk-taking. The relationship was well illustrated in the bar chart, where each level of financial literacy corresponded with increased values on the risk appetite index.

Influence of Financial Literacy on Long-term vs. Short-term Investments

The focus on long-term or short-term investment depends on the level of financial literacy of an investor. Someone with higher financial literacy is probably going to invest for the long term where they understand the power of compounding and market cycles (Bessière, 2022). The financial literacy of long-term investors is also stable, for long-term investors understand that there's value in strategic planning and patience in the wealth accumulation process.

As such, short-term retail investors, frequently motivated by market trends or fads, may not have the technical know-how to assess risks accurately.

Table 3: Investment Preference by Financial Literacy Levels

Financial Literacy Level	Long-term Investment Preference (%)	Short-term Investment Preference (%)
Low	20	80
Moderate	50	50
High	80	20

Figure 8: Investment Preference by Financial Literacy Levels
Source: Generated by author

Figure 8 shows the relationship between financial literacy levels and investment preferences. People with low financial literacy preferred short-term investments (80%) and preferred long-term investments (20%). When financial literacy rose to a moderate level, the preference for long-term investments increased to around 50 percent, the same for short-term preferences. When financial literacy was high, the preference for long-term investments increased to 80% and that for short-term investments decreased to 20%. As such, the trend showed the more financial literacy a person has, the more the person prefers long-term investment and shows less interest in short-term investment.

VI. Discussion

The study points out a high degree of correlation between financial knowledge and investment practice, which indicates that financial awareness is crucial for earning wealth. Financial literacy gives someone the knowledge to assess different investment vehicles like stocks, mutual funds, and retirement accounts, determining with their personal financial goals and risk tolerance what to do about each. These findings are in line with literature that underlines that an ever-higher financial literacy positively influences investment proficiency and prompts people to be more well-informed (Ashraf et al., 2006; Jappelli & Padula, 2013).

Investment Behavior and Socio-Economic Factors

The study found that socio-economic factors (income and education levels) are key determinants of financial literacy and that financial literacy, in turn, influences investment behavior. The higher educated and higher income participants had higher levels of financial literacy, made better investment decisions, had higher

participation rates, and had better wealth outcomes. This is consistent with earlier findings that education makes people more sensitive to financial matters and more likely to participate in more sophisticated financial products (Mitchell & Lusardi, 2015). Although there are systemic barriers such as gender disparity in education and income, these result also in uneven levels of financial literacy between different groups (Yoong, 2011). To fill these holes, specialized financial education programs aimed at women and disadvantaged populations, especially at the low end of the income spectrum, are needed to provide equal chances to financial resources and opportunity access.

Risk appetite and Portfolio diversification.

The research shows that financial literacy has a strong impact on risk appetite and portfolio diversification. By investing in different types of assets, high-risk - high return assets like stocks and mutual funds, those who are financially literate have a higher capacity to diversify their portfolio (Lusardi & Mitchell, 2014). The ability to evaluate and accept calculated risks is seen positively in terms of long-term financial growth because diversification reduces risk and increases return (Gathergood & Weber, 2017).

On the contrary, people with low financial literacy tend to avoid high-risk investments because they don't understand the risk-reward dynamics. Then those who want to protect their nest egg favor safer yield investments or, sometimes, just don't invest at all, missing out on the opportunity to create long-term wealth. The result suggests that financial education programs should emphasize risk management and portfolio diversification, and should be geared to the individual's preferences and circumstances.

Long-Term or Short-Term Investment Preferences

The study also shows the link between financial literacy and investment horizons. Those with a higher financial literacy invest for the long term, taking advantage of the compounding and market cycle magic that builds strong wealth. The result is consistent with behavioral finance theories that less financially informed people are more likely to engage in short-term speculative investments driven by market trends and fads (Parker et al., 2012). On the other hand, financially literate people tend to prefer strategic, long-term planning, giving the investments a purpose they tie the investment to a broader financial goal.

And these insights show that financial education programs should emphasize the advantages of long-term investments, and the principles of compound interest (the extra interest accumulated from making interest during the interest payment periods) to nudge people away from short-term gains towards sustainable wealth accrual. Educating investors on market cycles and the danger that speculative investments present promotes wiser handling of their investments.

Technological Advancements and Financial Literacy

The study shows that technology affects financial literacy in two ways. On the other hand, technology gives better access to financial information which helps people to make better decisions. While online resources are abundant, there are concerns with information overload; and dissemination of misinformation (Van Rooij et al. 2007). All of this underscores the importance of digital literacy in financial education programs that can help people learn to critically evaluate financial resources online, from the web and mobile applications, recognizing reliable sources as opposed to sourceless sharks. Financial institutions can make a difference by offering user-friendly online tools and resources to help people get on top of their finances. These tools can help users manage a budget, and a portfolio, and know which investment options are best for them in the digital age.

Implications for Policy and Practice

The results have important policy implications for policymakers, financial educators, and financial institutions. Financial literacy must be integrated into school curricula as a priority of policymakers so that students get basic financial skills early (OECD, 2020). Community-based initiatives and also targeting low-income and disadvantaged groups can help minimize the gap around financial literacy and investment behavior in the market. Financial institutions, educational organizations, and community groups' collaborations can include workshops and seminars to increase financial literacy for underserved populations (Agarwal & Mazumder, 2013). Given the speed at which technology is advancing, financial literacy programs must also be equipped with digital literacy, to arm individuals with knowledge about the good and bad of the digital financial world. Financial literacy programs are to be evaluated periodically and modified to remain relevant to an always-changing economic reality. Participants' financial knowledge and investment behaviors over time can be used to adjust the curriculum and make the educational efforts more effective and impactful.

Limitations and Future Research

The study, though, has limitations but provides insights into how asset accumulation is linked to financial literacy and investment behavior. Second, findings based on self-reported measures of financial literacy may

suffer from biases, as respondents may overestimate their financial knowledge and inaccurately describe their investment behaviors (Mitchell and Utkus 2004). These findings be useful as stemming points for future research, which could incorporate objective measures of financial literacy to validate these findings.

VII. Conclusion

The key position of financial literacy in investment behavior and wealth accumulation is emphasized. Understanding the trade-offs between risk and return, evaluating different investment options, and choosing ones that fit in with your financial goals is not for everybody. The findings are consistent with existing literature, showing that greater financial literacy leads to better financial decisions, such as portfolio diversification and long-term investment strategies. Socioeconomic factors such as income, education, and gender also come out clearly from the research to influence the level of financial literacy the people have. Individuals with higher income and higher education exhibited greater financial literacy and were better able to adopt more complex investment strategies. On the other hand, systemic barriers such as gender disparity and lack of access to resources are in the way of financial literacy for marginalized people. Addressing these disparities in targeted educational programs would offer bridges to make financial participation equitable, and eliminate wealth disparities (Marschke, 2010; Yoong, 2011; Mitchell and Lusardi 2015). Financial literacy is shown to impact risk tolerance and length of horizons. Those who were financially literate were more likely to engage in calculated risks, as well as to choose long-term investments to control the power of compounding and strategic planning. The behavior is in contrast with individuals of lower financial literacy levels tending to focus on the speculative and often very short term, as is common under behavioral finance theories. While digital literacy is becoming a more important aspect of financial decision-making, digital literacy needs to be built into financial education programs. Challenges arise from information overload, misinformation and an inability to critically evaluate online resources and programs need to find ways to address these issues. Financial literacy and policy education promote the capacity for individuals to gain financial stability and enable inclusive economic growth. Accessible, relevant, and adaptive financial literacy programs must be created to meet the needs of diverse populations, and policymakers, educators, and financial institutions must work together.

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