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Financial Literacy and Investment Decision-Making Among Retail Investors in Thanjavur District: A Conceptual and Empirical Framework

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Abstract
Financial literacy has become increasingly important as individuals are exposed to a wider range of financial products and investment alternatives. The ability to understand financial concepts, evaluate risk and return, and make informed investment choices can influence the quality of individual investment decisions. This study proposes a conceptual and empirical framework to examine the relationship between financial literacy and investment decision-making among retail investors in Thanjavur District, Tamil Nadu. The framework integrates financial knowledge, financial attitude, financial behaviour, investment awareness and risk tolerance as important dimensions associated with investment intention and decision-making.

The study is theoretically grounded in the Theory of Planned Behavior and behavioural finance perspectives. Thanjavur provides a relevant setting because its economic structure includes agriculture and allied activities alongside expanding service-sector and urban economic activity. Existing Indian research has established relationships between financial literacy, investment intention and investment choices, while recent studies have also highlighted behavioural and demographic influences on investment decisions. However, district-level evidence specific to Thanjavur remains comparatively limited. The proposed study therefore seeks to examine whether financial literacy contributes to investment decision-making and whether investment intention acts as a mediating mechanism.

Keywords: Financial Literacy, Investment Decision-Making, Investment Intention, Risk Tolerance, Retail Investors, Behavioural Finance, Thanjavur District

Introduction

Investment decisions have become an important component of household financial management. Individuals today can choose from a wide range of financial and investment products, including bank deposits, insurance products, mutual funds, equities, bonds, pension products and other market-linked instruments. The increasing variety and complexity of financial products make financial knowledge and investor awareness important elements of personal financial decision-making.

Financial literacy generally involves the knowledge, attitudes and behaviours required to make appropriate financial decisions. The Securities and Exchange Board of India (SEBI) identifies financial education and investor awareness as important mechanisms for helping individuals understand financial products, investment alternatives and investment risks. SEBI's investor education resources cover financial planning, securities markets, mutual funds, investment products and investor protection.

Thanjavur District provides an interesting geographical context for such research. The district administration describes the district economy as substantially dependent on agriculture and allied activities, while the tertiary sector is also an important component of the district economy. Thanjavur The district therefore includes individuals with different occupational, income, educational and socioeconomic backgrounds, which provides scope for examining variations in financial literacy and investment behaviour.

The present study proposes a framework to examine how financial literacy influences investment decision-making among retail investors in Thanjavur District. Rather than treating financial literacy as a single-dimensional construct, the study conceptualises it through financial knowledge, financial attitude, financial behaviour and investment

awareness, while incorporating risk tolerance and investment intention into the model.

Review of Literature

Financial Literacy and Investment Choices

Financial literacy has been associated with differences in individuals' investment choices. Arora and Chakraborty, using data covering 47,132 individuals in India, examined socioeconomic and demographic determinants of financial literacy and its relationship with investment choices. Their analysis reported that financial literacy was associated with investment choices involving businesses and traditional assets and that advanced financial literacy was related to stock-market participation. Emerald Publishing

This suggests that financial literacy may influence not merely whether individuals save, but also the types of financial assets they select.

Financial Literacy and Investment Intention

The Theory of Planned Behavior provides a useful foundation for examining investment intentions. Previous Indian research has incorporated financial literacy into TPB and reported relationships among financial literacy, attitude, perceived behavioural control and investment intention.

Similarly, research examining Indian investors using TPB together with financial literacy and past behaviour found that social pressure and financial literacy were relevant to investment intentions and stock-market participation. These findings support the inclusion of investment intention as an intermediate construct between financial literacy and investment decision-making.

Evidence from Thanjavur

There is some existing research connected to the Thanjavur region. For example, a 2025 study by Arunachalam and Amudha examined 822 retail investors and identified factors including investment literacy, risk level, investment experience, investment goals and socioeconomic characteristics in relation to mutual-fund investment returns.

Another study examined investment decisions among women college teachers in Thanjavur town and reported factors such as safety, expected return, liquidity and tax benefits as important considerations.

However, these studies do not exhaust the broader question of how multidimensional financial literacy, investment intention and risk tolerance jointly relate to investment decision-making among retail investors across Thanjavur District. This provides the basis for the proposed research.

Research Objectives

The study proposes the following objectives:

To assess the level of financial literacy among retail investors in Thanjavur District.

To examine the influence of financial knowledge on investment intention.

To examine the influence of financial attitude on investment intention.

To analyse the influence of financial behaviour on investment intention.

To examine the relationship between investment awareness and investment intention.

To determine the influence of investment intention on investment decision-making.

To examine the relationship between risk tolerance and investment decision-making.

To investigate whether investment intention mediates the relationship between financial literacy and investment decision-making.

To examine whether demographic and socioeconomic characteristics are associated with financial literacy and investment decision-making.

Scope of the Study

The geographical scope of the study is limited to Thanjavur District, Tamil Nadu. The unit of analysis is the individual retail investor.

The study focuses on financial literacy and investment decision-making and does not attempt to evaluate the performance of individual investment products. Investment decisions may be influenced by market conditions, economic circumstances and personal financial goals; therefore, the findings should be interpreted within the period during which the data are collected.

Limitations

The proposed study has several potential limitations. First, the cross-sectional design captures investor behaviour at one point in time and therefore limits conclusions concerning changes in behaviour over time. Second, questionnaire-based responses may be affected by self-reporting bias. Third, the study is geographically restricted to Thanjavur District and therefore its findings may not automatically generalise to all Indian investors. Finally, investment decisions can be affected by changing market conditions, which may not be fully captured through a single survey.

Research Gap

Existing literature provides substantial evidence regarding financial literacy and investment behaviour in India. However, three gaps can be identified.

First, many existing studies examine Indian investors at a national, metropolitan or selected-city level. District-specific evidence can provide a more contextual understanding of financial decision-making.

Second, financial literacy is frequently measured either as financial knowledge or as a general composite measure. A multidimensional approach incorporating knowledge, attitude, behaviour and investment awareness may provide a more comprehensive understanding.

Third, although previous studies have examined financial literacy and investment intention using TPB, relatively limited research combines financial literacy dimensions, risk tolerance and investment intention in a district-level framework focused specifically on Thanjavur.

The proposed study addresses these gaps by developing and empirically testing an integrated framework among retail investors in Thanjavur District.

Research Methodology

Research Design

The proposed study adopts a quantitative, cross-sectional research design. Primary data will be collected from retail investors residing in Thanjavur District through a structured questionnaire.

Population

The population will comprise individuals aged 18 years and above who have made at least one investment or currently hold an investment product.

Potential investment products may include:

Bank deposits
Recurring deposits
Fixed deposits
Mutual funds
Shares/equities
Bonds/debentures
Insurance-linked investments
Gold
Real estate
Pension products
Other recognised financial investment products

Sampling

A suitable sampling method may be stratified sampling, with respondents distributed across urban and rural areas of Thanjavur District.

For a journal-quality empirical study, a sample of approximately 400–500 respondents would provide a practical basis for multivariate analysis and structural equation modelling, subject to the final population and sampling design.

Data Collection Instrument

The questionnaire can contain five sections:
Section A – Demographic Profile
Section B – Financial Knowledge
Section C – Financial Attitude
Section D – Investment Behaviour and Awareness
Section E – Investment Decision-Making
Proposed Statistical Analysis
The following statistical techniques are appropriate:

Objective	Suggested Technique
Profile of respondents	Frequency and percentage
Level of financial literacy	Mean and standard deviation
Reliability of constructs	Cronbach's alpha / Composite Reliability
Construct validity	EFA/CFA
Relationships among variables	Pearson correlation
Direct effects	Multiple regression / SEM
Mediation of investment intention	Bootstrapping / SEM
Demographic differences	t-test / ANOVA
Overall conceptual model	PLS-SEM or CB-SEM

For a publication-oriented study, PLS-SEM or CB-SEM can be considered depending on the theoretical objective, measurement model and sample characteristics.

Theory of Planned Behavior

The Theory of Planned Behavior proposed by Ajzen explains behavioural intention through three principal components: attitude toward the behaviour, subjective norms and perceived behavioural control.

In an investment context:

Attitude represents an investor's favourable or unfavourable evaluation of investing.
Subjective norms represent perceived social influence from family, friends, peers and other reference groups.
Perceived behavioural control represents the individual's perception of having the knowledge, resources and ability to undertake investment activities.
Investment intention represents the individual's willingness or plan to undertake an investment.
Investment behaviour represents the actual investment decision or action.
Financial literacy can be incorporated into this framework because knowledge and financial capability can affect an individual's attitude, perceived control and intention.

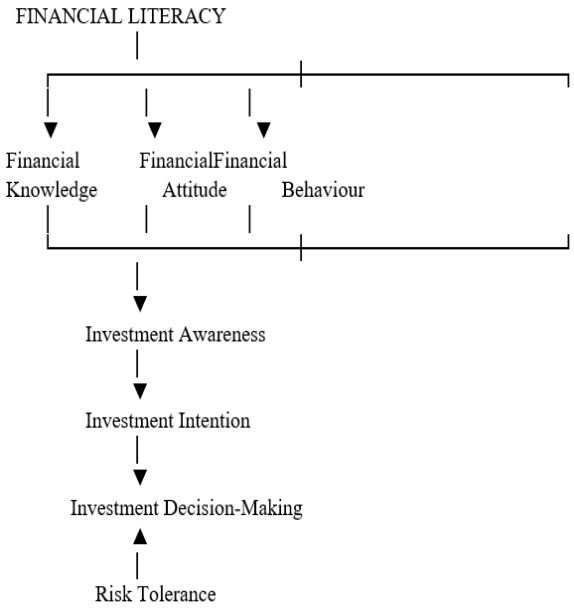
Behavioural Finance Perspective

Behavioural finance complements TPB by recognising the influence of psychological and behavioural characteristics on financial decisions. Investors may differ in risk tolerance, confidence, loss sensitivity and responses to information.

The proposed framework therefore combines the behavioural-intention mechanism of TPB with selected behavioural-finance considerations, particularly risk tolerance.

Conceptual Framework

The proposed conceptual framework is:



Explanation of the Framework

The model proposes that financial knowledge, financial attitude, financial behaviour and investment awareness constitute the principal dimensions of financial literacy.

These dimensions are expected to influence investment intention. Investment intention is then proposed as a mechanism through which financial literacy is associated with actual investment decision-making.

Risk tolerance is included because investors differ in their willingness to accept financial uncertainty and potential

loss. An investor with greater tolerance for risk may consider different investment products from a highly risk-averse investor.

Demographic and socioeconomic variables—age, gender, educational qualification, income, occupation and investment experience—can be included as control variables or moderators depending on the final statistical model.

Hypotheses Development

Based on the theoretical framework and previous literature, the following hypotheses can be tested:

H1: Financial knowledge has a significant positive relationship with investment intention among retail investors in Thanjavur District.

H2: Financial attitude has a significant positive relationship with investment intention among retail investors in Thanjavur District.

H3: Financial behaviour has a significant positive relationship with investment intention among retail investors in Thanjavur District.

H4: Investment awareness has a significant positive relationship with investment intention among retail investors in Thanjavur District.

H5: Investment intention has a significant positive relationship with investment decision-making among retail investors in Thanjavur District.

H6: Risk tolerance has a significant relationship with investment decision-making among retail investors in Thanjavur District.

H7: Financial literacy has a significant relationship with investment decision-making among retail investors in Thanjavur District.

H8: Investment intention mediates the relationship between financial literacy and investment decision-making.

H9: Demographic and socioeconomic characteristics significantly influence financial literacy among retail investors in Thanjavur District.

H10: Investment experience significantly influences investment decision-making among retail investors in Thanjavur District.

Expected Contribution

Theoretical Contribution

The study is expected to contribute to financial-literacy and behavioural-finance literature by integrating financial knowledge, financial attitude, financial behaviour, investment awareness, risk tolerance and investment intention into a single framework.

Empirical Contribution

The research will provide district-level evidence concerning retail investors in Thanjavur. This is relevant because existing Indian studies have frequently examined broader populations, while the socioeconomic characteristics of individual districts may produce different investment patterns.

Practical Contribution

The findings may be useful to financial institutions, investor-education organisations and policymakers in designing financial-awareness initiatives. SEBI currently provides investor education resources covering financial planning, securities markets, mutual funds and investor protection, while its recent investor survey identifies digital and direct-engagement formats as important channels for investor education.

The findings could therefore help identify which aspects of financial literacy require greater attention among investors in the study area.

Conclusion

Financial literacy is an important component of individual financial decision-making in an increasingly complex investment environment. Existing Indian research provides evidence of relationships between financial literacy, investment choices, investment intention and behavioural characteristics.

The proposed study extends this literature by developing a district-level framework for retail investors in Thanjavur. The framework combines financial knowledge, financial attitude, financial behaviour and investment awareness with investment intention, risk tolerance and investment decision-making. Its principal contribution is the attempt to examine not only whether financially literate individuals make different investment decisions, but also the potential role of investment intention in explaining that relationship.

The study can provide a foundation for empirical research using primary data from retail investors across Thanjavur District. The resulting evidence may contribute to academic discussions on financial literacy and behavioural finance while also providing context-specific information for investor-education initiatives.

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