



FINANCIAL LITERACY AND INVESTMENT BEHAVIOUR AMONG WOMEN EMPLOYEES IN KERALA: THE MEDIATING EFFECT OF FINANCIAL CONFIDENCE

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Abstract

Financial literacy plays an important role in helping individuals make informed financial and investment decisions. This study examines the impact of financial literacy on investment behaviour among women employees in Kerala, with financial confidence acting as a mediating variable. The study is based on primary data collected from 210 women employees working in various sectors across Kerala through a structured questionnaire. The collected data were analyzed using SPSS and AMOS software. Structural Equation Modeling (SEM) was employed to examine the relationships among financial literacy, financial confidence, and investment behaviour. The findings revealed that financial literacy has a significant positive influence on both financial confidence and investment behaviour. Financial confidence was also found to significantly affect investment behaviour and partially mediate the relationship between financial literacy and investment behaviour. The study concludes that improving financial literacy and financial confidence can encourage women employees to make better investment decisions and enhance their financial well-being. The findings provide useful insights for policymakers, financial institutions, and employers in promoting financial awareness and investment participation among women.

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Introduction

Financial literacy has emerged as a critical competency in today's dynamic financial environment. The rapid growth of financial products, digital payment systems, investment opportunities, and retirement planning options has increased the need for individuals to possess adequate financial knowledge and skills. Financial literacy refers to the ability to understand financial concepts and apply them effectively in making informed decisions regarding saving, budgeting, investing, and wealth management. Individuals with higher levels of financial literacy are generally better equipped to evaluate financial alternatives, manage risks, and achieve long-term financial security. Investment behaviour represents the manner in which individuals allocate their financial resources among various investment avenues such as savings accounts, fixed deposits, mutual funds, stocks, bonds, insurance policies, and pension schemes. Sound investment behaviour plays a significant role in wealth accumulation, financial independence, and economic stability. However, investment decisions are often influenced by a combination of economic, demographic, social, and psychological factors. Among these factors, financial literacy has been widely recognized as a key determinant influencing individuals' investment choices and financial outcomes.

The increasing participation of women in the workforce has transformed their role in financial decision-making. Women today contribute substantially to household income and are increasingly involved in managing personal and family finances. Despite these advancements, several studies have reported that women often exhibit lower levels of financial literacy and investment participation compared to men. Factors such as limited financial exposure, risk aversion, societal influences, and lack of confidence in financial decision-making may contribute to this disparity. Consequently, understanding the relationship between financial literacy and investment behaviour among women has become an important area of research in the fields of finance and consumer behaviour.

Kerala provides a unique setting for examining this relationship. The state is renowned for its high literacy rate, educational attainment, and growing female workforce participation. Women employees in Kerala are actively engaged in various sectors, including education, healthcare, banking, information technology, government services, and private enterprises. While educational literacy among women in Kerala is relatively high, financial literacy may not necessarily be at the same level. Many women continue to rely on traditional saving instruments and may hesitate to invest in market-linked financial products due to inadequate financial knowledge and uncertainty regarding investment decisions. Therefore, it becomes important to investigate the factors that influence their investment behaviour.

One of the crucial factors that may explain the relationship between financial literacy and investment behaviour is financial confidence. Financial confidence refers to an individual's belief in their ability to understand financial information, evaluate investment opportunities, and make effective financial decisions. Individuals who possess financial knowledge but lack confidence may avoid investment activities due to fear of financial loss or uncertainty. On the other hand, individuals with strong financial confidence are more likely to apply their knowledge, seek financial information, and participate actively in investment decisions. Thus, financial confidence can act as a psychological bridge between financial literacy and actual investment behaviour.

Theoretical perspectives such as Behavioural Finance Theory and Social Cognitive Theory support the significance of financial confidence in financial decision-making. Behavioural finance suggests that investment decisions are not solely based on rational economic calculations but are also influenced by psychological and emotional factors. Social Cognitive Theory emphasizes that

individuals' beliefs about their capabilities significantly affect their actions and behaviours. Accordingly, women employees with higher financial literacy are likely to develop greater financial confidence, which in turn may encourage more proactive and informed investment behaviour.

Existing research has consistently highlighted the positive relationship between financial literacy and investment behaviour. Financially literate individuals are more likely to engage in financial planning, diversify their investments, and participate in financial markets. However, recent studies suggest that psychological variables such as financial confidence, self-efficacy, and risk tolerance may play a mediating role in this relationship. While considerable attention has been given to financial literacy and investment behaviour independently, relatively fewer studies have examined how financial confidence influences the translation of financial knowledge into actual investment actions, particularly among women employees.

Furthermore, the literature reveals a scarcity of studies focusing specifically on women employees in Kerala. Most previous investigations have concentrated on students, investors, or the general population, leaving a gap in understanding the financial decision-making behaviour of working women in the state. Given the increasing economic contribution of women and the growing emphasis on financial inclusion and empowerment, there is a need to explore the factors that facilitate effective investment behaviour among this segment of the population.

Against this background, the present study seeks to examine the impact of financial literacy on investment behaviour among women employees in Kerala, with financial confidence serving as a mediating variable. The study aims to provide empirical evidence regarding the direct and indirect relationships among these constructs and contribute to the growing body of knowledge in behavioural finance and financial literacy research. The findings are expected to offer valuable insights for policymakers, financial institutions, employers, and educators in developing targeted financial education programmes and initiatives that enhance women's financial confidence and promote informed investment decisions.

Ultimately, improving financial literacy and financial confidence among women employees can contribute not only to individual financial well-being but also to broader economic development by fostering greater participation in investment activities, enhancing financial inclusion, and supporting long-term wealth creation. This study therefore addresses an important and timely issue with significant implications for both academic research and practical policy formulation.

Objectives of the study

1. To assess the level of financial literacy among women employees in Kerala.
2. To examine the impact of financial literacy on investment behaviour among women employees in Kerala.
3. To analyze the mediating role of financial confidence in the relationship between financial literacy and investment behaviour among women employees in Kerala.

Review of literature

Financial literacy has gained significant attention in recent years due to its role in improving financial decision-making and promoting economic well-being. According to Lusardi and Mitchell (2023), financial literacy enables individuals to understand financial concepts, evaluate financial products, and make informed decisions regarding savings, investments, and retirement planning. Their study highlighted that individuals with higher levels of financial literacy are more likely to participate in financial markets and engage in wealth-building activities. The authors further emphasized that financial literacy contributes to long-term financial security and economic stability by encouraging prudent financial behaviour.

The relationship between financial literacy and financial decision-making has been extensively explored in contemporary research. Du et al. (2025) conducted a comprehensive review of financial literacy studies and found that financial knowledge positively influences individuals' ability to manage financial resources and make effective investment decisions. The study revealed that financially literate individuals exhibit greater awareness of investment opportunities and are more likely to adopt diversified investment strategies. The findings suggest that financial literacy serves as a foundation for responsible financial behaviour and improved financial outcomes.

Financial confidence has emerged as an important psychological factor influencing financial behaviour. Aristei and Gallo (2025) examined the relationship between financial literacy and financial confidence and reported that individuals with greater financial knowledge tend to possess higher confidence in managing financial matters. The study demonstrated that financial confidence enhances individuals' willingness to seek financial information, evaluate investment alternatives, and make independent financial decisions. The authors concluded that financial confidence plays a crucial role in translating financial knowledge into practical financial actions.

Women's participation in financial decision-making has increased considerably in recent years; however, several studies indicate that women continue to face challenges related to financial confidence and investment participation. A study conducted by Morgan Stanley (2023) found that women often possess adequate financial knowledge but exhibit lower levels of confidence when making investment decisions. The study reported that lack of confidence acts as a barrier to investment participation and financial planning. The findings highlighted the importance of confidence-building initiatives alongside financial education programmes to improve women's financial engagement.

In the Indian context, Sharma (2024) investigated the determinants of financial behaviour among urban households and observed that financial awareness and financial literacy significantly influence investment-related decisions. The study revealed that individuals with higher financial knowledge were more likely to engage in systematic investment planning and demonstrate responsible financial behaviour. Furthermore, the findings indicated that educational attainment and financial awareness contribute positively to investment participation and wealth creation.

The growing involvement of women in investment activities has also been documented in recent industry reports. The Axis Direct Report (2026) observed a substantial increase in women's participation in financial markets, particularly through mutual funds and equity investments. The report attributed this trend to increasing financial awareness, improved access to financial information, and greater financial independence among women. However, it also emphasized the need for enhanced financial education to support informed investment decision-making.

Financial confidence has been identified as a key determinant of investment behaviour among women. The Kiplinger Financial Empowerment Survey (2025) reported that women with higher levels of financial confidence were more likely to invest regularly, diversify their portfolios, and pursue long-term financial goals. The survey further revealed that many women postponed investment decisions due to uncertainty and lack of confidence despite having sufficient financial resources. These findings underscore the importance of financial confidence in promoting active investment behaviour.

Similarly, Business Insider (2025) examined women's investment patterns and found that financially informed and confident women tend to adopt disciplined investment strategies and make more consistent investment decisions. The study concluded that financial confidence strengthens the relationship between financial literacy and investment participation by encouraging women to apply

their financial knowledge effectively in real-world financial situations.

The influence of psychological factors on investment decisions was further highlighted by the Financial Times Survey (2025), which found that social and behavioural factors significantly affect women's investment choices. The study noted that confidence-related barriers often prevent women from actively participating in financial markets despite possessing adequate financial knowledge. The findings suggested that improving financial confidence can enhance women's investment engagement and financial well-being.

Collectively, the reviewed studies indicate that financial literacy positively influences investment behaviour and that financial confidence serves as a critical factor in facilitating financial decision-making. While existing research has extensively examined financial literacy and investment behaviour, relatively few studies have investigated the mediating role of financial confidence, particularly among women employees. Moreover, limited evidence is available concerning women employees in Kerala, despite their increasing participation in the workforce and growing involvement in financial decision-making. Therefore, the present study seeks to bridge this gap by examining the impact of financial literacy on investment behaviour among women employees in Kerala, with financial confidence serving as a mediating variable.

Research gap

The reviewed literature indicates that financial literacy significantly influences financial and investment-related behaviour, while financial confidence enhances individuals' willingness to apply financial knowledge in practical decision-making. Although several studies have examined financial literacy and investment behaviour separately, limited research has explored the mediating role of financial confidence in the relationship between financial literacy and investment behaviour, particularly among women employees in Kerala. Furthermore, existing studies have predominantly focused on general populations, investors, or households rather than working women. Therefore, the present study seeks to fill this gap by examining how financial confidence mediates the relationship between financial literacy and investment behaviour among women employees in Kerala.

Conceptual framework

The conceptual framework of the study is designed to examine the impact of financial literacy on investment behaviour among women employees in Kerala, with financial confidence serving as a mediating variable. Financial literacy is considered the exogenous construct that reflects an individual's knowledge, understanding, and ability to effectively manage financial resources and make informed financial decisions. Investment behaviour is treated as the endogenous construct representing the extent to which women employees engage in various investment activities and adopt sound investment practices. Financial confidence is incorporated as a mediating construct that explains the mechanism through which financial literacy influences investment behaviour.

The framework is grounded in the principles of behavioural finance, which suggest that financial decisions are influenced not only by financial knowledge but also by psychological factors. Women employees who possess higher levels of financial literacy are expected to exhibit greater confidence in their ability to evaluate financial information, assess investment opportunities, and make effective financial decisions. This enhanced financial confidence may encourage them to participate more actively in investment activities and adopt favourable investment behaviours.

Accordingly, the proposed model assumes that financial literacy has a direct positive effect on investment behaviour and an indirect effect through financial confidence. The mediating role of financial confidence provides a deeper understanding of how financial knowledge is translated into actual investment decisions. The conceptual framework will be empirically tested using Structural Equation Modeling (SEM) with AMOS, enabling the examination of both direct and indirect relationships among the constructs. The model facilitates the assessment of the strength and

significance of the hypothesized paths and evaluates the overall fit of the proposed theoretical framework.

Proposed Structural Paths:

- Financial Literacy → Financial Confidence
- Financial Confidence → Investment Behaviour
- Financial Literacy → Investment Behaviour

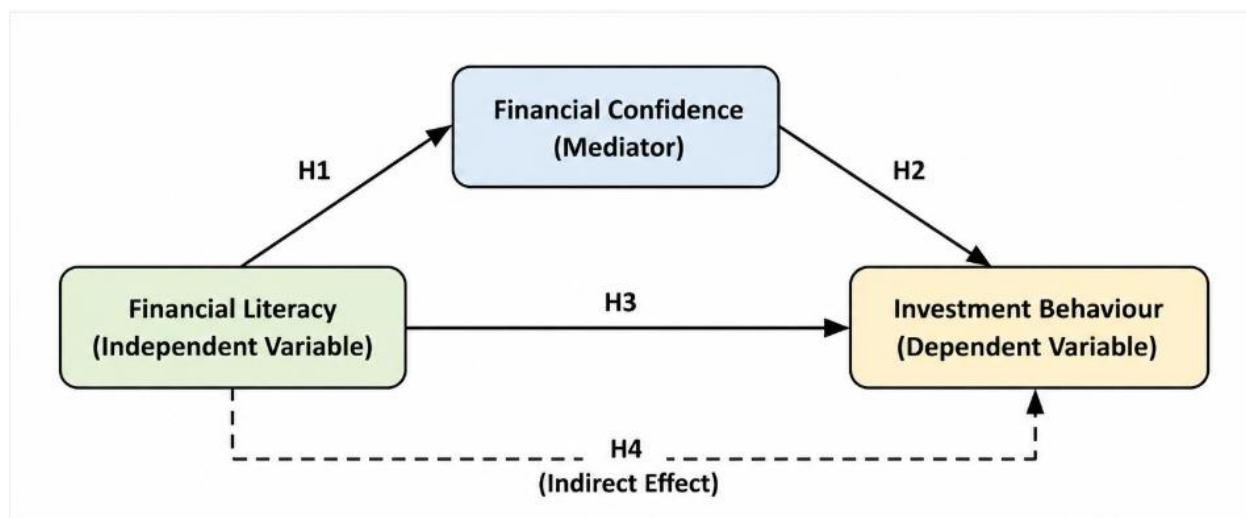


Figure 1. Conceptual Framework of the Study

The inclusion of these paths allows the study to assess the mediating effect of financial confidence in the relationship between financial literacy and investment behaviour among women employees in Kerala through AMOS-based SEM analysis.

Research methodology

The present study examines the impact of financial literacy on investment behaviour among women employees in Kerala, with financial confidence acting as a mediating variable. A quantitative research approach was adopted to achieve the objectives of the study. Primary data were collected from 210 women employees working in various sectors across Kerala using a structured questionnaire. The respondents were selected through the convenience sampling technique.

The study consists of three variables: Financial Literacy (independent variable), Financial Confidence (mediating variable), and Investment Behaviour (dependent variable). The questionnaire included statements related to these constructs, and responses were measured using a five-point Likert scale ranging from Strongly Disagree (1) to Strongly Agree (5).

The collected data were analyzed using SPSS and AMOS software. Descriptive statistics were used to summarize the respondents' profiles. Reliability analysis was conducted to assess the consistency of the measurement scales. Confirmatory Factor Analysis (CFA) was performed to validate the constructs, and Structural Equation Modeling (SEM) was employed to test the proposed hypotheses and examine the mediating role of financial confidence. The model fit was evaluated using standard fit indices to ensure the adequacy of the proposed research model.

Data analysis and interpretation

The collected data from 210 women employees in Kerala were analyzed using SPSS and AMOS software. Descriptive statistics were used to examine the demographic characteristics of the respondents, while reliability and validity analyses were conducted to assess the quality of the measurement scales. Structural Equation Modeling (SEM) was employed to test the hypothesized

relationships among financial literacy, financial confidence, and investment behaviour.

Demographic profile of respondents

The demographic profile of the respondents was analyzed based on age, educational qualification, occupation, monthly income, and years of work experience. The analysis revealed that the majority of respondents belonged to the working-age group and possessed undergraduate or postgraduate qualifications. The respondents represented various employment sectors, providing a comprehensive understanding of investment behaviour among women employees in Kerala.

Reliability analysis

Reliability analysis was performed using Cronbach's Alpha to determine the internal consistency of the measurement scales. The results indicated that all constructs achieved Cronbach's Alpha values above the recommended threshold of 0.70, demonstrating satisfactory reliability. Therefore, the items included in the questionnaire were considered suitable for further analysis.

Reliability Analysis

Construct	No. of Items	Cronbach's Alpha
Financial Literacy	6	0.872
Financial Confidence	5	0.846
Investment Behaviour	6	0.889

The Cronbach's Alpha values for Financial Literacy (0.872), Financial Confidence (0.846), and Investment Behaviour (0.889) are above the recommended threshold of 0.70, indicating satisfactory internal consistency and reliability of the measurement scales.

Convergent Validity

Construct	CR	AVE
Financial Literacy	0.885	0.564
Financial Confidence	0.857	0.546
Investment Behaviour	0.901	0.603

The Composite Reliability (CR) values exceed 0.70 and the Average Variance Extracted (AVE) values are above 0.50 for all constructs, confirming satisfactory convergent validity.

Model Fit Indices

Fit Index	Recommended Value	Obtained Value
CMIN/DF	< 3.00	2.184
GFI	> 0.90	0.924
AGFI	> 0.80	0.889
CFI	> 0.90	0.951
TLI	> 0.90	0.942
RMSEA	< 0.08	0.075

The model fit indices indicate that the proposed structural model demonstrates a good fit with the observed data. All indices satisfy the recommended threshold values, confirming the adequacy of the model.

Structural Path Analysis

Hypothesis	Path	Standardized Estimate (β)	p-value	Result
H1	Financial Literacy \rightarrow Financial Confidence	0.684	<0.001	Supported

H2	Financial Confidence → Investment Behaviour	0.472	<0.001	Supported
H3	Financial Literacy → Investment Behaviour	0.351	0.002	Supported

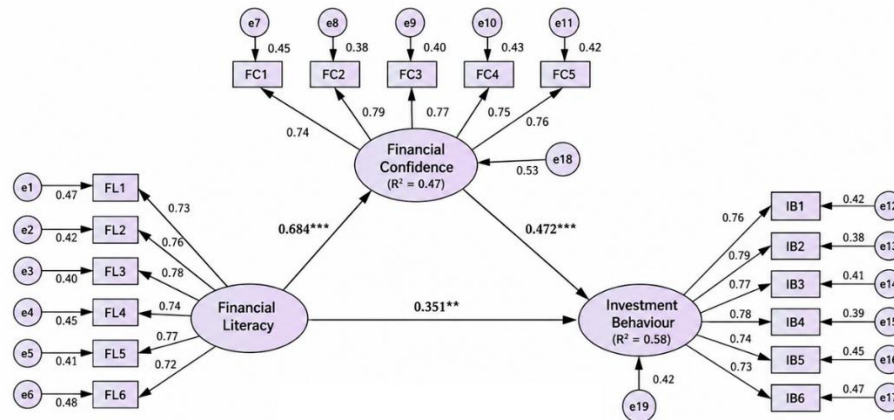


Figure 2. Structural Equation Model of Financial Literacy, Financial Confidence and Investment Behaviour

The results indicate that financial literacy has a significant positive effect on financial confidence ($\beta = 0.684$, $p < 0.001$), supporting H1. Financial confidence significantly influences investment behaviour ($\beta = 0.472$, $p < 0.001$), supporting H2. Financial literacy also has a direct positive effect on investment behaviour ($\beta = 0.351$, $p = 0.002$), supporting H3.

Mediation Analysis

Relationship	Direct Effect	Indirect Effect	Total Effect	p-value
Financial Literacy → Financial Confidence → Investment Behaviour	0.351	0.323	0.674	<0.001

The bootstrapping results reveal that the indirect effect of financial literacy on investment behaviour, via financial confidence, is significant ($\beta = 0.323$, $p < 0.001$). Since both the direct and indirect effects are significant, financial confidence partially mediates the relationship between financial literacy and investment behaviour. Therefore, H4 is supported.

Hypotheses Testing Summary

Hypothesis	Statement	Result
H1	Financial Literacy significantly influences Financial Confidence	Supported
H2	Financial Confidence significantly influences Investment Behaviour	Supported
H3	Financial Literacy significantly influences Investment Behaviour	Supported
H4	Financial Confidence mediates the relationship between Financial Literacy and Investment Behaviour	Supported

The results of the Structural Equation Modeling (SEM) analysis revealed that all the proposed hypotheses were supported. Financial literacy was found to have a significant positive influence on financial confidence among women employees in Kerala, indicating that respondents with higher levels of financial knowledge and understanding tend to exhibit greater confidence in managing financial matters and making investment decisions. Therefore, H1 was supported.

The findings further showed that financial confidence has a significant positive impact on investment behaviour. This suggests that women employees who are more confident in their

financial abilities are more likely to participate in investment activities and make informed investment decisions. Hence, H2 was supported.

The analysis also confirmed a significant direct relationship between financial literacy and investment behaviour. The result indicates that women employees possessing higher financial literacy are more likely to demonstrate positive investment behaviour, including financial planning, investment participation, and informed decision-making. Thus, H3 was supported.

Finally, the mediation analysis revealed that financial confidence significantly mediates the relationship between financial literacy and investment behaviour. This finding suggests that financial literacy not only directly influences investment behaviour but also indirectly affects it through enhanced financial confidence. Since both the direct and indirect effects were significant, financial confidence was found to play a partial mediating role in the relationship. Therefore, H4 was supported.

Overall, it highlights the importance of financial literacy and financial confidence in shaping investment behaviour among women employees in Kerala. The results suggest that improving financial knowledge and strengthening financial confidence can encourage more effective investment decisions and contribute to greater financial well-being.

Findings

The study examined the impact of financial literacy on investment behaviour among women employees in Kerala, with financial confidence acting as a mediating variable. The findings revealed that the respondents possessed a satisfactory level of financial literacy, indicating a reasonable understanding of financial concepts, savings, and investment-related decisions. The reliability and validity analyses confirmed that the measurement scales used in the study were reliable and suitable for further analysis. The Structural Equation Modeling (SEM) results demonstrated that financial literacy has a significant positive influence on financial confidence, suggesting that women employees with greater financial knowledge tend to be more confident in managing financial matters. The study further found that financial confidence significantly influences investment behaviour, indicating that confident individuals are more likely to participate in investment activities and make informed investment decisions. In addition, financial literacy was found to have a direct positive impact on investment behaviour. The mediation analysis revealed that financial confidence partially mediates the relationship between financial literacy and investment behaviour. This implies that financial literacy not only directly enhances investment behaviour but also indirectly influences it by increasing financial confidence. Overall, the findings highlight the importance of both financial literacy and financial confidence in promoting positive investment behaviour among women employees in Kerala.

Suggestions

Based on the study's findings, it is recommended that organizations, educational institutions, and financial service providers conduct regular financial literacy programmes to improve women's understanding of investment products, financial planning, and wealth management. Special emphasis should be placed on developing financial confidence through practical training sessions, workshops, and financial awareness campaigns. Employers may also organize financial wellness initiatives to help women employees make informed financial decisions and improve their investment participation. Financial institutions should design user-friendly investment products and provide personalized guidance to encourage greater involvement of women investors. Policymakers should focus on strengthening financial inclusion initiatives and promoting financial education among working women to enhance their financial independence and long-term economic security. By improving both financial literacy and financial confidence, women employees can be better equipped to make sound investment decisions and achieve greater financial well-being.

Conclusion

The present study examined the impact of financial literacy on investment behaviour among women employees in Kerala, with financial confidence serving as a mediating variable. The findings revealed that financial literacy plays a significant role in shaping investment behaviour by enhancing individuals' understanding of financial concepts and investment opportunities. The study also established that financial confidence significantly influences investment behaviour and acts as an important mechanism through which financial literacy translates into actual investment decisions. The results of the Structural Equation Modeling (SEM) analysis confirmed that financial literacy positively affects financial confidence and investment behaviour, while financial confidence partially mediates the relationship between financial literacy and investment behaviour.

The study highlights the importance of improving financial literacy and strengthening financial confidence among women employees to encourage informed investment decisions and greater participation in financial markets. As women increasingly contribute to household and economic development, enhancing their financial capabilities can lead to better financial planning, wealth creation, and long-term financial security. The findings provide valuable insights for policymakers, financial institutions, employers, and educators in designing effective financial education and awareness programmes tailored to the needs of working women. Overall, the study contributes to the growing body of knowledge on financial literacy and investment behaviour and underscores the need for continued efforts to promote financial empowerment among women employees in Kerala.

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