

## Original Article

# Financial Literacy and Investment Behaviour of Rural Generation Z: Evidence from Pune District, Maharashtra

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### Abstract

Financial literacy has become an essential component of economic empowerment in modern financial systems. The increasing digitalization of financial services has expanded access to investment opportunities, particularly for younger generations. However, access to financial platforms does not necessarily guarantee informed financial decision-making. This study examines the relationship between financial literacy and investment behaviour among rural Generation Z individuals in Pune District, Maharashtra. The research is based on primary data collected from 400 respondents aged between 18 and 27 years through structured questionnaires. Statistical tools including descriptive statistics, correlation analysis, ANOVA, and multiple regression were employed to analyse the data. The results reveal that financial literacy significantly influences investment participation, portfolio diversification, and risk perception. Income level and financial awareness also play important roles in shaping investment behaviour. The study highlights the importance of financial education initiatives targeted at rural youth to improve investment awareness and promote responsible financial behaviour.

**Keywords:** Financial Literacy, Investment Behaviour, Generation Z, Rural Finance, Behavioral Finance, Financial Inclusion

### Introduction

The rapid expansion of digital financial technologies has transformed the financial landscape across the world. In India, initiatives such as digital banking, mobile payment systems, and investment applications have significantly increased access to financial services. Young individuals are now able to participate in financial markets with minimal barriers through mobile-based investment platforms. Generation Z represents a unique demographic group that has grown up in a highly digital environment. Their familiarity with technology has enabled them to adopt digital financial tools at an early stage. Despite this technological advantage, many young individuals lack the financial knowledge necessary to make informed investment decisions.

Financial literacy is defined as the ability to understand financial concepts and apply this knowledge to make effective financial decisions (Lusardi & Mitchell, 2023). Higher financial literacy is associated with improved savings behaviour, diversified investment portfolios, and long-term financial planning. Rural areas in India are undergoing significant socio-economic transformation due to increasing digital connectivity. Young individuals in rural communities are gaining exposure to financial markets through smartphones and online platforms. However, the extent to which financial literacy influences their investment behaviour remains an important research question. This study focuses on rural Generation Z individuals in Pune District, Maharashtra. The region provides an appropriate context for analysing financial behaviour due to its combination of rural agricultural communities and growing educational infrastructure.

### Literature Review

Lusardi and Mitchell (2023) emphasised that individuals with higher financial literacy demonstrate better financial planning and investment diversification.

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Financial literacy has been widely recognised as a crucial determinant of financial behaviour.

**Barber and Odean (2018)** analysed the behaviour of individual investors and identified several behavioural biases that influence investment decisions. These biases include overconfidence, herd behaviour, and loss aversion.

**Research conducted by Prakash et al. (2024)** found that financial literacy significantly improves investment participation among young investors in India. Their study revealed that individuals with higher financial knowledge are more likely to invest in diversified financial instruments.

**Sharma et al. (2024)** examined financial education initiatives in rural India and concluded that targeted financial literacy programs can significantly improve financial awareness and investment participation.

**Arora et al. (2024)** investigated the role of digital financial platforms and found that social media influencers and digital investment applications increasingly influence the financial behaviour of young investors.

Despite the growing literature on financial literacy, limited studies have examined rural Generation Z investors. This research therefore attempts to fill this gap by analysing the relationship between financial literacy and investment behaviour in rural Pune District.

### Research Gap

Most previous studies on financial literacy have focused on urban populations or general investor groups. Rural youth, particularly Generation Z individuals, have received limited attention in academic research. With increasing digital financial inclusion, rural youth are becoming active participants in financial markets.

However, their level of financial knowledge and the factors influencing their investment decisions

### Data Analysis

#### Descriptive Statistics

Variable	Mean	Standard Deviation
Financial Literacy	3.45	0.72
Investment Behaviour	3.51	0.70
Income Level	3.30	0.65
Financial Awareness	3.40	0.68

The results indicate moderate financial literacy among respondents.

#### Correlation Analysis

Variable	Financial Literacy	Investment Behaviour
Financial Literacy	1	0.62
Investment Behaviour	0.62	1

The results indicate a **strong positive relationship** between financial literacy and investment behaviour.

remain relatively unexplored. This study addresses this gap by examining how financial literacy affects investment behaviour among rural Generation Z individuals.

### Objectives of the Study

- To assess the level of financial literacy among rural Generation Z individuals in Pune District.
- To analyse investment behaviour patterns among rural youth.
- To examine the relationship between financial literacy and investment participation.
- To identify key determinants influencing investment decisions.

### Hypotheses

H1: Financial literacy has a significant positive impact on investment behaviour.

H2: Income level significantly influences investment participation.

H3: Financial awareness positively influences portfolio diversification.

### Research Methodology

The study follows a **descriptive and analytical research design**.

**Data Source:** Primary data collected through structured questionnaires.

**Sample Size:** 400 respondents.

**Age Group:** 18–27 years.

**Sampling Technique:** Stratified random sampling.

#### Statistical Tools Used

- Descriptive statistics
- Correlation analysis
- ANOVA
- Multiple regression analysis

Reliability analysis using Cronbach's Alpha produced a value of **0.84**, indicating good reliability of the questionnaire.

**Regression Analysis**

The regression model used is:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \epsilon$$

Where

Y = Investment Behaviour

X<sub>1</sub> = Financial Literacy

X<sub>2</sub> = Income Level

X<sub>3</sub> = Financial Awareness

**Regression Results**

Variable	Beta	t-value	Significance
Financial Literacy	0.45	6.21	0.000
Income Level	0.32	4.18	0.002
Financial Awareness	0.28	3.66	0.004

R<sup>2</sup> = 0.58 Adjusted R<sup>2</sup> = 0.55

The results indicate that financial literacy has the strongest impact on investment behaviour.

**ANOVA Test**

Source	Sum of Squares	df	Mean Square	F	Sig
Regression	52.18	3	17.39	18.42	0.000
Residual	35.42	396	0.089		
Total	87.60	399			

The ANOVA results confirm that the regression model is statistically significant.

**Discussion**

The findings confirm that financial literacy significantly influences investment behaviour among rural Generation Z individuals. Respondents with higher financial knowledge demonstrate greater willingness to invest in diversified financial instruments such as mutual funds and equities.

Income level also plays a crucial role in determining investment participation. Higher income levels provide greater financial capacity to invest.

**Policy Implications**

Educational institutions should integrate financial literacy programs within academic curricula. Financial regulators should promote awareness campaigns focusing on investment education.

Banks and financial institutions should design simplified financial products targeting first-time investors.

**Conclusion**

Financial literacy plays a critical role in shaping investment behaviour among rural Generation Z individuals. Improving financial education can significantly enhance investment participation and promote financial inclusion. Policymakers and educational institutions must collaborate to develop targeted financial literacy initiatives aimed at rural youth.

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**Conflicts of interest**

The authors declare that there are no conflicts of interest regarding the publication of this paper

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