DOI: https://doi.org

Journal of Accounting, Finance & Business Insights

Journal homepage: https://rjsaonline.org/index.php/JAFBI

The Influence of Financial Literacy on Investment Decisions and Economic Stability A Study of Young Investors in Emerging Economies

Muhammad Asiel[1]

[1]National University of Modern Languages, Islamabad

Email: muhammdasiel007@gmail.com

ARTICLE INFO

Received: February 05, 2025

Revised: March 03, 2025

Accepted: March 17, 2025

Available Online: March 26, 2025

Keywords: Financial Literacy, Investment decisions, Economic stability, young investors, emerging economies, financial education.

Corresponding Author: muhammdasiel007@gmail.com

ABSTRACT

Financial literacy has become a key issue and is affecting the behavior of investment by individuals and consequently, economic growth. Empirical evidence suggests that there is a low likelihood that young investors in emerging economies will make informed investment decisions because of various factors, such as: the underdevelopment of financial markets and a lack of formal financial education. This paper examines the relationship between financial literacy, investment behavior and economic stability among young investors operating in emerging economies. A quantitative research design was used, where data were gathered using structured questionnaires administered online and offline to 300 people aged between 18 and 35 years. The empirical results show that there is a significant positive relationship between financial literacy and investments; people with higher levels of financial literacy exhibit higher levels of awareness regarding risk diversification, market fluctuations and long-term financial planning. Furthermore, the results suggest that increasing financial literacy among the young investors not only generates responsible investment behavior but also is part of macroeconomic stability as it helps in stimulating savings, reducing speculative activities, and boosting capital formation. Accordingly, the study calls for joint efforts among governments and education institutions and financial entities to carry out comprehensive financial education programmed targeting the young population to guarantee the sustainability of financial systems of emerging economies.

Introduction

The problem of financial literacy is now being acknowledged as one of the main determinants of personal financial prosperity and macroeconomic growth. In the modern evolving financial times, the skills of learning and understanding basic financial concepts, budgeting, saving, investing and dealing with credit has become a must to make sound economical choices. Lusardi and Mitchell (2014) claim that financial literacy is a concept that covers knowledge and understanding of financial concepts and risks, skills, motivation, and confidence to utilize this knowledge to make effective decisions. The young population forms a considerable segment of new investors in the emerging economies where financial markets are growing at a very high rate. Nonetheless, most young investors do not have sufficient knowledge of financial principles despite their eagerness to participate in financial activities resulting in poor performance in investments and probable economic instability.

The connection between financial literacy and investment behavior has attracted a lot of research and policy-making interest. The more financially literate an investor, the more rational, informed and goal-oriented investment choice is made (Al-Tamimi and Kalli, 2009). They know risk-benefit trade-offs, portfolio diversify, and also do not engage in fear or hasty financial behavior. However, financially illiterate people are usually vulnerable to making financial losses because they tend to act on their intuition, peer pressure or misinformation in making such investments. This financial illiteracy gains not only personal financial distress but also wider economic instability, especially in emerging economies where household investment behaviors play a big role in national savings and in capital market performances (Klapper, Lusardi, and van Oudheusden, 2015). As such, one of the most important measures to take in ensuring sustainable economic growth and stability is the creation of financial literacy among the young investors.

The development of online financial platforms has also made the situation of investment decision-making more complicated. Emerging market young investors are getting more and more exposed to online trading applications, cryptocurrency markets, and informal investments schemes offering quick returns. On the one hand, platforms in this way democratize the financial market, on the other hand, they increase the threats of misinformation and emotional decision-making (Bongomin et al., 2017). Financial literacy has become a kind of safeguard system that allows people to explore these Internet spaces critically. As an example, the literate investors can achieve greater levels of scrutinizing the credibility of financial products, determining the risk that may be present and determining how to conform their investments with their long-term financial objectives. Furthermore, the spread of financial technology (FinTech) requires a new literacy, which integrates the traditional with the digital skills, particularly in young populations who are the first to enter the financial system (OECD, 2020).

The macro-economic importance of financial literacy is reflected in national savings rates, level of access to finance and stability of national economies. Economies where its citizens have higher financial education are more likely to have more capital and less exposure to financial volatility (Grohmann, Kluhs & Menkhoff, 2018). Prudential decision-making of the investors leads to stability of the financial systems, confidence among the capital initiators and also leads to strong capital markets. On the other hand, financial illiteracy poses a vital risk: poorly informed decision-making processes cause resources to be misappropriated, speculative bubbles to be created, and risks to be poorly managed, thereby causing economic instability. This phenomenon is especially pronounced in emerging economies in the process of transitioning to market-based systems where financial inclusion and knowledge play a starring role in the process of sustained long-term economic growth (Rooij, Lusardi, & Alessie, 2011). Accordingly, understanding the effect of financial literacy on investment decisions is informative in both the micro-level (behavioral outcomes) and macro-level (economic implications).

In the case of young investors, financial literacy plays an even more critical role. Young adults are at an early stage in their financial life, when decisions about savings, debt and investments have everlasting consequences. Potrich, Vieira, and Kirch (2016) found that youths who are more financially literate are more likely to plan for retirement or to make long-term investments, which reduces tendencies to make erratic consumption choices or to take on excessive amounts of debt, and increase their risk management capabilities. In developing countries with a high rate of unemployment and a low level of security of income, financial literacy is seen as a tool to empower individuals to be self-reliant, and to make informed decisions in their economies. It also helps to ensure financial inclusion by encouraging young people to use regulated financial institutions like banks, insurance companies, and investment platforms instead of using informal schemes and fraudulent practices.

Government bodies and learning institutions in the emerging economies have started appreciating the need to have financial education as part of the school and university education. Young people should be taught about the practical financial skills of interest rates, credit management, and diversification of investments to make better financial decisions (OECD, 2019). The success of such projects is, however, minimal as they are not fully implemented and adjusted to the context. Transmission of financial knowledge to young investors is usually hindered by culture, social and institutional barriers. Also, the social media and peer group influence may be used to falsely inform investment perceptions, which results in herd behavior instead of logical decision making. Therefore, although the role of financial literacy in life is unanimously recognized as an essential skill, the process of its formation must be organized on an educational, policy, and corporate level.

Strategically, financial literacy is a personal and economic resiliency factor not just in terms of personal development. The more the young investors may be learned and responsible the more they will be found to contribute to a more stable financial system, increased rate of saving and increasing the investments in productive assets. All these microeconomic activities contribute to macroeconomic stability, which minimizes the chances of financial crisis and ensures sustainable growth (OECD, 2020). The policymakers of the emerging economies should therefore consider financial literacy as a component of national development policies. Producing financially literate youth masses will mean that the future generations will be equipped with the necessary skills to navigate through the complicated financial conditions, make sound investment decisions, and positively impact the welfare of the national economy.

Literature Review

Financial literacy is now an important field of research not only in behavioral finance but also in economic development because it is heavily related to decision-making, saving behavior, and financial stability in general. According to Lusardi and Mitchell (2011), the key to successful financial behavior and making informed investment decisions lies in financial literacy. The financial illiteracy factor in the case of emerging economies, where financial information and education are commonly not reachable by the population, is one of the factors that lead to poor investment behavior, poor usage of financial products and poor economic vulnerability. As per studies like Klapper, Lusardi and van Oudheusden (2015), financial illiteracy is still predominant in developing nations where almost two-thirds of adults are unable to respond to simple financial questions on interest, inflation, and diversification of risks. This is of great concern to young investors who in most cases are making first time decisions regarding investments without sufficient financial knowledge or experience.

Financial literacy has a variety of dimensions, such as the knowledge of financial products, the risk comprehension, and the skills to apply the financial concepts to practical cases. According to Atkinson and Messy (2012), it is a mix of awareness, knowledge, skill, attitude, and behavior that is required to make a good financial decision. An informed investor does not simply know what to invest in but he/she is also aware of the market fluctuations, trade-offs related to risk and returns and long-term planning. Van Rooij, Lusardi, and Alessie (2011) show that more financially literate people tend to be more likely to engage in the stock market and make rational decisions based on their stock market investments since it is easier to process more complicated financial information. On the other hand, the lack of financial literacy makes them rely on their feelings or peers or social media trends instead of analytical analysis, making their investment choices irrational and consequently making losses (Aren and Zengin, 2016).

The behavioral finance theories have also contributed to the increased knowledge on the influence of financial literacy on the investment behavior. The conventional models of finance suppose that investors are objective decision-makers that consider risks and returns but behavioral finance appreciates the effect of psychological biases on the decisions of investors. Financial literacy provides a cushion to such cognitive biases. Ricciardi and Simon (2000) argue that when investors are literate, they are at a much lower risk of being victims of herd mentality, overconfidence, and loss aversion, which in most cases, result in suboptimal decisions. The young investors are mostly vulnerable to such biases because of the lack of experience and social pressure. Nguyen, Gallery, and Newton (2019) studies established that financial literacy alleviates exposure to emotional trading and speculative investment behavior in young adults in a Vietnamese setting, a developing economy similar to other settings in Asia and Africa. This shows that financial literacy can indeed act as a stabilizing factor and thus help facilitate prudent investment behavior in volatile markets.

Evidence from a number of studies in various regions of the world demonstrates an empirical relationship between financial literacy and good investment choices. Al-Tamimi and Kalli (2009) reported that financial education is one of the most important factors affecting the investors' knowledge about risk and return in portfolio diversification and security selection in UAE. Similarly, Ansong and Gyensare (2012) showed that financial literacy has a positive effect on long-term investment planning of university students in Ghana, which means that education at an early age promotes responsible financial behaviour. According to Grohmann, Klues, and Menkhoff (2018), financial literacy has an impact on individual and overall financial inclusion in South Asia because it encourages access and usage of the formal financial institutions. These findings taken as a whole suggest that financial literacy is not just an individual capability but a social resource that is key to creating economic integration and sustainability.

The correlation between financial literacy and economic stability is especially important in emerging economies in which the young population constitutes a significant portion of the workforce. Young investors who are financially uneducated are more likely to put resources to waste, and they add to higher capital focusing and market stability (OECD, 2020). When people learn the principles of finance, they would not take part in the risky speculative business, which mostly creates the economic swings. Jariwala and Sharma (2011) noted that financial literacy increases risk perception where investors have to trade the short-term results with long-term sustainability. All of this behavior leads to stable capital markets and sustainable economic growth. Conversely, financial literacy can pose significant risks to the economies because ignorant investors tend to severely respond to the behavior of the market, and as a result, bubbles and market crashes occur. Therefore, financial literacy is not just a personal good, but also a communal good, where macroeconomic resilience is enhanced.

Financial education as the determinant of investment behavior has received growing recognition among policy-makers and educators. In most developing countries programs that are designed to enhance the financial literacy of the youth have been adopted though their success is different depending on cultural and institutional factors. According to the Organization of Economic Co-Operation and Development (OECD, 2019), financial education programs, which are part and parcel of school curricula, have a profound positive impact on financial behavior in the long-term, although the scope of the programs are usually limited and do not cover marginalized youth in rural or low-income areas. As an example, Bongomin, Ntayi, Munene, and Malinga (2017) discovered that financial literacy is an intervening variable in the connection between financial inclusion and economic empowerment among young people in Uganda, and literacy programs can establish channels to mainstream economic development. On the same note, Morgan and Trinh (2019) in their cross-region study of 28 developing Asian economies discovered that an increase in the degree of financial literacy relates to increased household savings and less dependence on informal credit systems.

The way financial literacy affects investment decision has also been transformed due to technological advances. The emergence of FinTech, online trading platforms, and cryptocurrencies are both an opportunity and a threat. The young investors are now in the position of having unparalleled access to global financial markets but again comes with easy access to misinformation, fraud and the emotional trading habits. Financially literate people are more capable of appraising the content they find online about finance and appraising investment opportunities (Aprea et al., 2016). Digital literacy, thus, augments the traditional financial literacy in helping regulate investment behavior in the digital age. In the emerging economies where digital financial inclusion is increasing rapidly, financial education with digital tools including mobile applications and online tutorials can contribute to enhancing the investment decision-making effortfully. The connection between knowledge and stability is reinforced by the World Bank (2020), which states that digital financial education campaigns according to a young demographic population are seen to have an observable influence on financial inclusion, and economic participation.

The way in which financial literacy affects investment choices has been transformed by technological advances. The advent of fintech, electronic trade platforms, and cryptocurrencies are both opportunities and challenges. Whilst young investors have unprecedented access to global financial markets, they are also exposed to more misinformation, fraudsters, and emotional trading patterns. People with some financial literacies are more likely to be able to critically engage with financial content online and assess investment opportunities (Aprea et al. 2016). Thus, digital literacy complements traditional financial literacy by facilitating the control of the investment behavior in the digital age. In fast-growing emerging markets, where digital financial inclusion is increasing, financial education that integrates digital technology might significantly enhance investment decision making by using smartphone applications and online tutorials. The World Bank (2020) highlights that digital financial education campaigns directed at the youth have a measurable effect in relation to financial inclusion and economic participation.

Another important facet of financial literacy is the relationship with the variables of demographic and socio-economic nature. Some studies have shown that there are financial literacy differences based on gender, income and education. Lusardi and Mitchell (2014) found that women in general have lower levels of financial literacy than men, which translates to differences in the rates of investment participation. The same study found that business and finance students have a higher level of financial literacy than their non-specialized counterparts (Chen and Volpe 1998). These inequities serve as the backbone for the need to develop inclusive financial education policies for demographic inequities. In emerging economies where large portions of the population are not formally educated, financial literacy programmed need to be developed with the local context in mind and culturally appropriate content and delivery mechanisms. Inclusive strategies can help to close knowledge gaps and promote the participation of a wider range of people in the market, which can contribute to more equitable economic growth.

Overall, the literature supports the hypothesis that financial literacy has been a critical determinant of sensible investment decisions and financial stability especially for younger investors in developing economies. Given strong financial systems and macro-economic resilience, financially literate individuals are better risk managers, have diversified portfolios, and generate more savings. On the other hand, financial illiteracy makes people more vulnerable to poor financial decisions, more prone to victimization from fraud, and more unstable on the individual and national levels. Based on the analysis of the discussed evidence, one could assert that financial literacy could be improved through education, policy, and digital innovation to produce a well-informed and responsible group of young investors. Accordingly, the current study advances on these premises, empirically testing the impact of financial literacy on the investment preferences of young investors in emerging economies, which gives policy recommendations both at a micro-level (financial behavior) and a macro-level (economic stability).

Methodology

The current research has a quantitative method which seeks to examine the correlation of financial literacy, investment decisions, and economic stability among young investors in emerging economies. Such a design is appropriate because it allows objective measurement of the associations between variables and also allows the derivation of generalizable inferences from numerical data (Creswell & Creswell, 2018). The sample consists of people aged between 18 and 35 who currently invest or have future plans to invest in investment activities (equity trading, mutual fund, cryptocurrencies, savings schemes). This demographic is chosen because of the rapidly growing population of emerging market young investors who are often uneducated in finance and are disproportionately affected by digital and social media trends in their financial decision making.

The target group is young investors living in Pakistan. This jurisdiction was selected because of their shared relevant economic characteristics such as fast-growing markets, low financial literacy and increasing trend of digital financial inclusion (OECD, 2020). The samples size was determined by applying the Krejcie and Morgan (1970) formula and it was found that the statistical validity and representativeness of the population would be retained with a sample size of 300 respondents. The sampling strategy was a blend of purposive and simple random sampling; purposive sampling was used for finding young participants who have direct involvement in investments while random sampling ensured heterogeneity in different demographic and socioeconomic parameters. Data collection was done using structured questionnaires that were administered online via Google Forms and offline at university campuses and financial literacy workshops.

The instrument included four main sections developed to operationalize the main constructs of interest: (1) demographic variables; (2) financial literacy; (3) investment decision behaviour; (4) perceived economic stability. Section 1 asked the respondents their age, sex, education level, type of occupation and monthly income. Section 2 used items from the Financial Literacy Survey of Lusardi and Mitchell (2011) to measure financial literacy, which includes basic concepts like inflation, interest rates, diversification of risk, and budgeting. Section 3 measured investment decision behavior using validated scales from Al-Tamimi and Kalli (2009) which measure rationality, risk tolerance and diversification strategy. Section IV assessed perceived economic stability using items assessing financial security, confidence in market conditions and in long-term planning. Responses were made on a five-point Likert scale (1 = strongly disagree to 5 = strongly agree) allowing the attitudes and behaviors to be analyzed quantitatively.

Prior to the actual collection of data, a pilot investigation with 30 respondents was conducted to determine instrument clarity, reliability, and construct validity. The pilot was used to identify ambiguous items, which informed the subsequent refinement of wording in order to improve understanding. Cronbach's alpha was used to assess internal consistency reliability, with each construct being found to have values over the commonly accepted threshold of 0.70 (Nunnally, 1978). Ethical protection was thoroughly carried out throughout the course of the study. Participants were given full information about the purpose of the study; participation was voluntary, and confidentiality and anonymity were assured. No personal data were gathered and all data were used solely for academic research in line with the ethical standards of the American Psychological Association (APA, 2020).

Data were analyzed through SPSS version 26. Descriptive statistics, including mean, standard deviation, and distribution frequency were used to summaries demographic variables as well as selected indicators of financial literacy and investment decision-making. Inferential statistical techniques, Pearson's correlation and multiple regression, were used to examine correlations between financial literacy, investment behaviour and perceived economic stability. Correlation analyses were used to determine the strength and direction of inter-variable associations, and regression modelling was used to explain models of predictive influence of financial literacy on investment decisions and economic stability. The regression model was formulated as follows:

$Y = b0 + b1X1 + b2X2 + e$,

Y is investment decision behavior, X1 and X2 are control variables, which are income and the level of education, b0 is the constant, b1 and b1 are regression coefficients, and e is the error term.

Assumptions of normality, multicollinearity and homoscedasticity were tested carefully to ensure that the regression model was appropriate. Multicollinearity was assessed using the Variance Inflation Factor (VIF), all of which were less than 5, which is generally considered acceptable as a guideline for determining if the predictors will be independent of one another. The Kolmogorov-Smirnov test was used to confirm that the data were normally distributed, while the Durbin-Watson statistic confirmed the lack of serial correlation in the residuals. These diagnostic procedures increased the reliability and validity of the analytical results.

The research has a cross-sectional design, collecting information at one point of time in order to reflect current levels of financial literacy in the target cohort, and patterns of investment behaviour. The difference is that while longitudinal research would give a clear picture on temporal developments, a cross-section approach is sufficient to reveal contemporaneous relationships. The digitalization of financial systems has been growing, and online data collection means that a researcher is able to reach a wider range of respondents and has lower logistical overheads. Potential biases intrinsic in self-report measures were reduced through anonymization and by stressing that the enquiry had an exclusively academic nature.

Overall, the methodological approach of the present study is scientific and practically feasible. The use of a validated and structured instrument and sound statistical analysis will enable the conclusion that the findings obtained are representative of the relationship between financial literacy and the investment choices made by youth investors in emerging economies, and their economic security. In addition to contributing to the emerging literature on behavioral finance and economic development, the framework provides practical implications for policymakers, educators and financial institutions, which are trying to develop a culture of financial literacy and rational investment behaviour in developing markets.

Results and Discussion

This part gives the findings of the data analysis performed to determine the impact of financial literacy on investment choices and economic stability in young investors in emerging economies. Statistical Package of Social Sciences (SPSS) version 26 was used to analyze the data collected. Demographic characteristics were summarized using descriptive statistics and inferential statistics like correlation analysis and multiple regression were done in order to test the hypotheses of the study as well as to test the strength and direction of the relationship between the variables.

There were 300 analyzed valid responses. The respondents were aged 18 years to 35 years and this was a varied group of young investors based on various educational and professional backgrounds. The findings can give information about their financial literacy, investment behaviors, and economic stability perceptions.

Table 1: Demographic Profile of Respondents (N = 300)

Demographic Variable	Category	Frequency	Percentage (%)
Gender	Male	174	58.0
	Female	126	42.0
Age Group	18–24 years	122	40.7
	25–29 years	108	36.0
	30–35 years	70	23.3
Education Level	Undergraduate	138	46.0
	Graduate	112	37.3
	Postgraduate	50	16.7
Occupation	Student	102	34.0
	Employed	158	52.7
	Self-employed	40	13.3

Source: Author's survey data (2025).

The demographic data indicate that there is a relatively equal gender proportion but a little more male. The majority of the participants fell between the age brackets of 18-29 years and are the main target of the young investor group. In terms of education, 83.3% had received at least a graduate level education meaning that they were highly exposed to a formal learning environment. Most of the respondents were working and this is evidence of financial participation and ability to invest.

Descriptive Analysis of Study Variables

The descriptive statistics were calculated in order to define the mean and the standard deviation of the key variables: the financial literacy, investment choices, and the economic stability.

Table 2: Descriptive Statistics of Key Variables

Variable	Mean	Standard Deviation	Minimum	Maximum
Financial Literacy	4.12	0.64	2.40	5.00
Investment Decisions	4.05	0.71	2.10	5.00
Economic Stability	3.88	0.68	2.00	5.00

Source: Author's calculations using SPSS (2025).

The findings reveal that financial literacy is overall high (M = 4.12) and this may indicate that the majority of young investors have a good knowledge of financial principles including budgeting, interest and risk diversification. Investment decisions were also rated high (M = 4.05) indicating that the respondents tend towards making rational and goal-oriented decisions regarding investments. The mean score of economic stability provided was 3.88 which indicated a moderate confidence in the financial situation of the nation and the individual.

Correlation Analysis

The analysis was done using correlation analysis to determine the strength and direction of relationships between the study variables.

Table 3: Correlation Matrix

Variables	Financial Literacy	Investment Decisions	Economic Stability
Financial Literacy	1	0.732**	0.684**
Investment Decisions	0.732**	1	0.708**
Economic Stability	0.684**	0.708**	1

Note: Correlation is significant at 0.01 level (2-tailed)

From the data, we can see that higher financial literacy is positively correlated with better investment performance. ($r=0.732$, $p<0.01$). This finding implies that people who have a better grasp on financial concepts are more likely to make good decisions on the allocation of their capital. Moreover, financial literacy shows significant positive relation with financial stability ($r = 0.684$, $p < 0.01$) that means people who are good at financial issues are more likely to have stable economic position. For these reasons, good financial actors contribute to the wellbeing of society and to the economy at large. The relationship between good investment decisions and economic stability is also interesting to note ($r = 0.708$, $p < 0.01$), reinforcing the proposition that strategic investing reinforces macro - economic resilience.

Regression Analysis

We conducted a subsequent analysis to assess the financial literacy's predictive capacity for investment behaviour and its financial state, while controlling for income, education and occupational status among different demographic strata.

Table 4: Regression Analysis – Financial Literacy and Investment Decisions

Predictor	β (Beta)	t-value	Sig. (p)	R^2	Adjusted R^2
Constant	1.142	3.258	0.001	0.547	0.541
Financial Literacy	0.622	12.428	0.000		
Income Level	0.138	2.214	0.027		
Education	0.101	1.964	0.051		

Dependent Variable: Economic Security

The results demonstrate that financial literacy and investment choices account for 49.1% of the variance of economic stability. Financial literacy is found to be the strongest predictor ($b = 0.581$, $p < 0.001$) followed by investment decisions ($b = 0.304$, $p < 0.001$). These findings suggest that financially educated people who make wise investments achieve greater levels of economic stability. Income is used as a control variable, which shows that being economically prosperous depends on both earning ability and financial literacy, with the latter having the most impact.

Table 5: Regression Analysis – Financial Literacy and Economic Stability

Predictor	β (Beta)	t-value	Sig. (p)	R^2	Adjusted R^2
Constant	0.932	2.768	0.006	0.491	0.486
Financial Literacy	0.581	11.306	0.000		
Investment Decisions	0.304	5.472	0.000		
Income Level	0.119	2.098	0.037		

Dependent Variable: Economic Stability

According to the results, financial literacy and investment choices jointly predict 49.1 percent of economic stability. Financial literacy is the best predictor ($\beta = 0.581$, $p < 0.001$), and then there are investment decisions ($\beta = 0.304$, $p < 0.001$). This means that economically well-educated people who invest wisely have greater degrees of economic stability. Income is included as a control variable, which is an indication that economic well-being depends on earning capacity as well as on the factor of financial literacy, yet the latter is the weightiest.

Interpretation of Findings

The results provide a great deal of evidence to the hypothesis that financial literacy plays an important role in investment behavior and it leads to economic stability by young investors in new economies. The correlation and regression coefficients are high which proves that the higher the level of financial knowledge of a person, the better the possibility of making rational investment choices and overcoming financial risks. This, in its turn, increases the individual financial stability as well as the economic stability on the collective level. The findings are consistent with the previous research by Lusardi and Mitchell (2014), Grohmann et al. (2018), and Nguyen et al. (2019), who also concluded that financial education and financial literacy increase responsible financial behavior and macroeconomic resilience.

In addition, the results indicate that financial literacy promotion can be the policy measure to enhance economic instability in emerging markets. Governments and financial institutions can enhance the level of savings, productive investment, and involvement in formal financial systems by increasing the ability of young investors to make better decisions. In general, the analysis of the data supports the view that financial literacy is a microeconomic requirement and macroeconomic stabilizer in the emerging economies.

Conclusion

This research investigated the link between financial literacy, investment behaviour and economic stability and focused on young investors in developing economies. The results affirm that financial literacy plays a crucial role in determining allocation of resources, perception to risk and the making of prudent investment decisions among the youth. Improving financial literacy will encourage diversification, disincentivize speculative activities and help build sustainable financial markets. On the other hand, low levels of financial literacy have been shown to be associated with poor investment decisions, indiscipline spending and higher susceptibility to macroeconomic shocks.

Besides, it is important to note that financial literacy is an asset for not only the individual but also to the society as a whole. At the micro level, its benefits include improvement in financial well-being, improved saving habit, and decreasing dependence on debt. At the macro level, financially literate populations promote economic progress by making capital allocation more efficient and adding to the participation of the population in formal financial systems. Thus, schools, government programs, and digital finance solutions continue to play an important role in shaping financially responsible citizens.

The results also indicate that financial literacy and investment behaviour are related by demographic variables (age, education and income). It is also found that in developing regions, especially among young investors, the use of informal sources of information such as peer groups or social media leads to decisions that are often inconsistent or biased. Thus, much needed is a systematic, evidence-based financial education. The introduction of financial literacy programmed into national curricula and vocational training programmed would close the existing gap of knowledge and enable young people to make wise investment choices that would lead to long-term financial stability.

In conclusion, the paper concludes that financial literacy is not an isolated craft but a strategic tool that can be used for national development. Innovative models for financial education and capital should be created in coordination with educators, policymakers and financial institutions to ensure that all individuals have access to both. As the emerging economies keep evolving, the focus on building a financially literate generation will form the base of a strong economy structure and economy growth. Future research could focus on the behavioral aspects of financial decision making and how digital literacy affects investment behaviour in an internationally financial integrated world.

References

1. Aren, S., & Zengin, A. N. (2016). Influence of financial literacy and risk perception on investment decisions: An empirical study on young investors. Journal of Business and Economic Studies, 22(3), 45–57.
2. Atkinson, A., & Messy, F. A. (2012). Measuring financial literacy: Results of the OECD / International Network on Financial Education (INFE) pilot study. OECD Working Papers on Finance, Insurance and Private Pensions, No. 15, OECD Publishing.
3. Beckmann, E. (2013). Financial literacy and household savings in Romania. Numeracy, 6(2), 1–20.
4. Bonga, W. G., & Nyakurimwa, C. (2019). Financial literacy and youth entrepreneurship development in Zimbabwe. International Journal of Economics and Financial Research, 5(3), 47–55.
5. Chen, H., & Volpe, R. P. (1998). An analysis of personal financial literacy among college students. Financial Services Review, 7(2), 107–128.
6. Cole, S., Sampson, T., & Zia, B. (2011). Prices or knowledge? What drives demand for financial services in emerging markets? The Journal of Finance, 66(6), 1933–1967.
7. Hastings, J. S., Madrian, B. C., & Skimmyhorn, W. L. (2013). Financial literacy, financial education, and economic outcomes. Annual Review of Economics, 5, 347–373.

8. Klapper, L., Lusardi, A., & van Oudheusden, P. (2015). Financial literacy around the world: Insights from the Standard & Poor's Ratings Services Global Financial Literacy Survey. Washington, DC: World Bank.
9. Lusardi, A., & Mitchell, O. S. (2014). The economic importance of financial literacy: Theory and evidence. Journal of Economic Literature, 52(1), 5–44.
10. Mandell, L., & Klein, L. S. (2009). The impact of financial literacy education on subsequent financial behavior. Journal of Financial Counseling and Planning, 20(1), 15–24.
11. Murendo, C., & Mutsonziwa, K. (2017). Financial literacy and savings decisions by adult financial consumers in Zimbabwe. International Journal of Consumer Studies, 41(1), 95–103.
12. OECD. (2016). OECD/INFE International Survey of Adult Financial Literacy Competencies. OECD Publishing.
13. Potrich, A. C. G., Vieira, K. M., & Kirch, G. (2015). Determinants of financial literacy: Analysis of the influence of socioeconomic and demographic variables. Reista Contabilidade & Finanças, 26(69), 362–377.
14. Robb, C. A., & Woodyard, A. S. (2011). Financial knowledge and best practice behavior. Journal of Financial Counseling and Planning, 22(1), 60–70.
15. Xiao, J. J., & O'Neill, B. (2016). Consumer financial education and financial capability. International Journal of Consumer Studies, 40(6), 712–721.