THESIS STATEMENT #2: BEHAVIOURAL & DECISION-MAKING FOCUS

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Financial literacy has been shown to influence not only objective financial outcomes but also behavioural factors such as confidence, risk tolerance, and susceptibility to cognitive biases when making investment decisions (Rahmiyati et al., 2025). This dissertation examines the influence of financial knowledge on the investment behaviour of individuals. This dissertation also presents the concept of financial literacy as a behavioural trigger that influences investor attitudes, heuristics, and biases that eventually make an individual decision regarding personal investments.

Instead of only focusing on factual knowledge, the study focuses on the mediation of the relationship between literacy and the actual investment behaviours like timing of entry, portfolio diversification, and utilisation of informal advice through financial confidence, risk perception, and financial attitudes. Individuals with higher financial literacy demonstrate lower behavioural biases, including overconfidence and loss aversion (Rasool et al., 2020). This dissertation evaluates such aspects as the extent to which people can take risks, their level of confidence in money, and the possibility of their thoughts being misleading.

Furthermore, the research will be used to test mediation models to evaluate whether enhanced literacy mainly functions by lessening behavioural biases or by increasing analytical ability using psychometrically valid measures of financial behaviour and attitudes as measured by the toolkit by OECD. The intended purpose of the findings is to define the priority interventions that must have between cognitive instruction, confidence-building, self-efficacy, and behavioural nudges to alter investor outcomes. The researchers believe that the more people understand money, the more smart and diversified investment decisions are made. This strategy has a direct implication on regulators and educators who aim to develop interventions that do not focus on knowledge transfer but objective behavioural change in investment decision-making.

REFERENCES

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