# Financial Literacy Determinants of Investment Decisions: A Structural Model Analysis of Self-Efficacy Mediation

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## Abstract

Investment decision-making is a complex process influenced by various financial and psychological factors. This study examines the role of investment self-efficacy as a mediator between financial knowledge, financial behaviour, financial attitude, and investment decisions. A structural equation modelling (SEM) approach was employed to analyse survey data collected from 298 respondents. The findings indicate that financial knowledge, financial behaviour, and financial attitude significantly impact investment self-efficacy, which in turn positively influences investment decisions. The study contributes to the literature by highlighting the psychological mechanisms underlying financial decision-making and provides insights for policymakers, financial educators, and investors aiming to enhance financial confidence and investment participation.

## Introduction

Investment decisions are critical financial choices that affect individual wealth accumulation and economic stability. Traditional financial theories emphasize the role of financial literacy in investment behavior; however, psychological factors, particularly self-efficacy, play a significant role in shaping financial decision-making.

Self-efficacy, derived from Bandura's Social Cognitive Theory (1986), refers to an individual's belief in their ability to execute specific tasks. In the context of investments, higher self-efficacy can lead to increased confidence, proactive financial planning, and improved decision-making. Prior research has explored financial literacy and investment behavior independently, but limited studies have examined the mediating role of investment self-efficacy in financial decision-making.

This study aims to bridge this gap by investigating the influence of financial knowledge, financial behavior, and financial attitude on investment self-efficacy and its subsequent impact on investment decisions. Employing Structural Equation Modeling (SEM), the study provides empirical evidence on how psychological factors interact with financial literacy in shaping investment outcomes.

The findings have significant implications for financial education programs and policy frameworks, emphasizing the need to foster self-efficacy among investors to enhance their participation and confidence in financial markets. This research contributes to the broader discourse on financial decision-making by integrating behavioral finance perspectives with traditional economic models.

## Objective of the Study

The primary objective of this study is to examine the factors influencing investment decisions, focusing on the role of financial knowledge, financial behavior, financial attitude, and investment self-efficacy. Specifically, the study aims to:

1. Assess the impact of financial knowledge on investment self-efficacy.

2. Analyze the relationship between financial behavior and investment self-efficacy.

3. Examine the effect of financial attitude on investment self-efficacy.

4. Investigate the influence of investment self-efficacy on investment decisions.

**Literature review**

Investment decisions are greatly influenced by one's level of financial education. Better financial results are the result of better investment decisions made by financially literate individuals, according to Lusardi and Mitchell (2014). In a similar vein, Van Rooij, Lusardi, and Alessie (2011) discovered that those who are financially aware are more inclined to diversify their investment portfolios and participate in stock markets.

Spending, saving, and investing are all parts of one's financial behaviour. Shefrin and Thaler (1988) found that people who are disciplined with their money who save and budget regularly are more likely to make good investment choices. Better long-term returns and less portfolio turnover are characteristics of financially savvy investors, according to study by Barber and Odean (2001).

A person's mentality towards handling their own money is known as their financial attitude. Chatterjee and Fan (2019) discovered that having a positive outlook on money leads to more happiness with one's finances and better results from investments. In a similar vein, Ricciardi and Simon (2000) point out that people's investing choices might be influenced by their risk aversion or risk seeking attitude towards money.

An important intermediary is investment self-efficacy, which is the belief in one's own abilities to make sound investment decisions. According to Bandura (1997), one's belief in one's own abilities affects how well they can put what they know into practice. Those who believe in their own ability to make sound investing decisions are more likely to do so, according to studies conducted by Chen and Volpe (1998).

Having the ability to assess investment opportunities is a key component of financial literacy, which in turn boosts investing self-efficacy. Individuals who have a deeper understanding of personal finance report less worry and reluctance when it comes to making important financial decisions (Lusardi and Tufano, 2015).

Confidence in one's capacity to handle money is bolstered by disciplined financial behaviour, which in turn increases investment self-efficacy. People are more likely to have high levels of investing self-efficacy, according to Strömbäck et al. (2017), if they engage in structured financial behaviours such creating financial goals and keeping track of spending.

I believe that my financial mindset has a major impact on my investment self-efficacy. According to Ajzen's (1991) Theory of Planned Behaviour, those who have a positive outlook on money tend to have faith in their own investing acumen. Farrell, Fry, and Risse

(2016) discovered that those who have a growth-oriented attitude towards money have greater levels of investment self-efficacy, which lends credence to this claim.

The ability to believe in one's own investing abilities connects one's financial literacy, financial habits, and outlook to one's actual investment choices. Kaur and Vohra (2012) found that those who have a high level of confidence in their investment abilities are better able to use their financial knowledge and habits to make smart investment choices.

Extensive research has been conducted on the relationship between financial literacy and investing decisions. Financial literacy encompasses knowledge, behaviour, and attitude related to money. Research by Hastings, Madrian, and Skimmyhorn (2013) indicates that people's self-assurance and competence are enhanced by financial literacy programs, which in turn affects their investing decisions for the better.

Investing choices are impacted by psychological biases and heuristics, according to behavioural finance theories. How investors' perceptions of risk and cognitive biases impact their decision-making processes is explained by Prospect Theory, which was introduced by Kahneman and Tversky (1979).

Important factors in investment choices include risk tolerance, which is affected by financial attitude and investment self-efficacy. Investors in equities are more likely to have a high risk tolerance, according to research by Grable and Joo (2004), whereas those with a lower risk tolerance favour fixed-income assets.

If we want more people to be better with money, we need more financial education programs. Interventions in financial education, according to Lusardi and Mitchell (2011), improve investment decision-making by increasing investment self-efficacy and providing people with essential financial skills.

In terms of financial literacy and confidence in one's own investment abilities, studies reveal that men and women differ. According to research by Bajtelsmit and Bernasek (1996), women's weaker investing self-efficacy makes them less likely to take risks with their money.

The decision-making process for investments has been revolutionised by the advent of digital financial services. Even if fintech platforms have opened up additional investment alternatives, consumers still need to be well-versed in finance and have confidence in their own investing abilities to make good judgements (Gomber et al., 2017).

Understanding investor behaviour requires investment decision models to incorporate financial information, behaviour, and attitude. Research by Pak and Mahmood (2015) suggests that humans' investment decision-making processes can be better understood by taking a holistic approach that takes into account all three elements.

According to research by Lone and Bhat (2024), one's financial well-being is improved when they have a good understanding of personal finance and how to manage their own money. It appears that those who have a better grasp of personal finance tend to have higher faith in their ability to make sound financial decisions.

According to studies conducted by Hidayat et al. (2023), self-efficacy acts as a mediator between financial knowledge and financial behaviour. It follows that engaging in prudent financial practices might boost one's self-assurance when it comes to handling their finances.

Additionally, Hidayat et al. (2023) shown that one's attitude towards money acts as a mediator between one's financial knowledge and their financial behaviour. This suggests that having a good attitude towards money can increase one's confidence in their ability to make investments.

Financial self-efficacy is a key factor in determining investment choices, according to research by Nadeem et al. (2020), which investigated the ways in which investors' attitudes impact stock market involvement. When people believe in their own abilities, they gain self-assurance and are more likely to take part in investing activities.

All things considered, these studies highlight how important it is to have a good grasp of money matters, as well as the right attitude and behaviour, in order to boost one's confidence in one's investment abilities.

**Hypotheses of the Study**

- H1: Financial knowledge has a significant positive impact on investment self-efficacy.

- H2: Financial behavior positively influences investment self-efficacy.

- H3: Financial attitude significantly affects investment self-efficacy.

- H4: Investment self-efficacy has a significant positive effect on investment decisions.

**Research Methodology**

This study adopts a quantitative research approach using a structured survey instrument to collect primary data. A cross-sectional survey design was implemented to examine the relationships among financial knowledge, financial behavior, financial attitude, investment self-efficacy, and investment decisions.

A total of 350 questionnaires were distributed, and 306 responses were received, resulting in a response rate of approximately 87.43%. After data screening and removing incomplete responses, 298 valid responses were retained for analysis. The respondents were selected using a purposive sampling technique, targeting individuals engaged in investment-related decision-making.The study employed a structured questionnaire with a five-point Likert scale (1 = Strongly Disagree, 5 = Strongly Agree) to measure the constructs. The scale items were adapted from established literature to ensure reliability and validity.

**4. Data analysis and Results:**

**4.1 Detail of respondents**

**Table 1: Demographics (N=298)**

| Demographic Variable | Categories | Frequency (n) | Percentage (%) |
|---|---|---|---|
| Gender | Male | 162 | 54.4% |
| | Female | 132 | 44.3% |

| | Other | 4 | 1.3% |
|---|---|---|---|
| **Age Group** | **18-25 years** | **78** | **26.2%** |
| | **26-35 years** | **95** | **31.9%** |
| | **36-45 years** | **60** | **20.1%** |
| | **46-55 years** | **42** | **14.1%** |
| | **56+ years** | **23** | **7.7%** |
| **Education Level** | **High School** | **40** | **13.4%** |
| | **Bachelor's** | **115** | **38.6%** |
| | **Master's** | **105** | **35.2%** |
| | **PhD** | **38** | **12.8%** |
| **Occupation** | **Student** | **52** | **17.4%** |
| | **Salaried** | **125** | **41.9%** |
| | **Self-employed** | **78** | **26.2%** |
| | **Retired** | **28** | **9.4%** |
| | **Others** | **15** | **5.0%** |
| **Monthly Income** | **Below ₹20,000** | **66** | **22.1%** |
| | **₹20,000 - ₹50,000** | **108** | **36.2%** |
| | **₹50,000 - ₹1,00,000** | **80** | **26.8%** |
| | **Above ₹1,00,000** | **44** | **14.8%** |

The demographic profile of the respondents (N=298) reveals a balanced representation across various characteristics. In terms of gender distribution, the majority of respondents are male (54.4%), followed by females (44.3%), while a small proportion (1.3%) identify as other. The age group analysis indicates that the largest segment (31.9%) falls within the 26-35 years category, followed by 18-25 years (26.2%), 36-45 years (20.1%), 46-55 years (14.1%), and 56+ years (7.7%).

Regarding education level, most respondents hold a bachelor's degree (38.6%), followed closely by those with a master's degree (35.2%). A smaller percentage of respondents have completed high school (13.4%), while 12.8% have obtained a PhD. The occupation distribution highlights that the largest proportion of respondents are salaried employees (41.9%), followed by self-employed individuals (26.2%), students (17.4%), retirees (9.4%), and others (5.0%).

In terms of monthly income, a significant portion of respondents (36.2%) earn between ₹20,000 and ₹50,000, while 26.8% fall in the ₹50,000 to ₹1,00,000 range. About 22.1% earn below ₹20,000, whereas 14.8% have an income exceeding ₹1,00,000.

### 4.2 Data Screening

4.2.1 **Missing values**: A total of 350 questionnaires were distributed, resulting in 306 responses returned. Data gaps for two or three constructs were resolved by replacing the missing values with the mean of the corresponding series. A total of 298 responses were finalised for data analysis after the removal of incomplete submissions.

4.2.2 **Normality**: The analysis of the collected data for outliers and normality utilised kurtosis and skewness as statistical measures. The study utilised the findings of Hair et al. (2010) to interpret the reference values. The values of skewness and kurtosis presented in Table 2 are within the range of +2 to -2, confirming that they remain below the established cutoff threshold. The standard deviations for all items exceed 0.5, indicating that the data are normally distributed.

**4.3 Exploratory Factor Analysis**: EFA was conducted to validate the underlying factor structure of the financial constructs derived from theoretical frameworks related to financial literacy, investment behavior, and decision-making. The primary objective of EFA was to assess the dimensionality of the constructs, determine factor loadings for each item, and ensure that the measured variables align with their respective theoretical dimensions.

Prior to conducting EFA, the Kaiser-Meyer-Olkin test was performed to assess sample adequacy, yielding a statistic of 0.915, which surpasses the recommended threshold of 0.60, confirming the dataset's suitability for factor analysis. Additionally, Bartlett's test of sphericity was significant at the 1% level, reinforcing the appropriateness of conducting factor extraction.

EFA was conducted using the principal component analysis (PCA) method with varimax rotation to allow for factor correlation. The analysis extracted five factors, based on the criterion of Eigenvalues exceeding 1, accounting for a total variance of 80.12%, indicating a strong explanatory power. These findings confirm the robustness of the factor structure in capturing key dimensions related to financial knowledge, financial behavior, financial attitude, investment self-efficacy and decision.

Table 2: Descriptives, Scale Items and Factor Loadings

| Items | Loadings | Mean | Standard deviations | Skewness | Kurtosis |
|-------|----------|------|---------------------|----------|----------|
| q1 | .807 | 3.79 | 1.266 | -.792 | -.500 |
| q2 | .840 | 3.73 | 1.116 | -.866 | .158 |
| q3 | .817 | 3.79 | 1.154 | -.915 | .104 |
| q4 | .796 | 3.70 | 1.178 | -.804 | -.241 |
| q5 | .824 | 3.83 | 1.111 | -.905 | .142 |
| q6 | .767 | 3.71 | 1.278 | -.829 | -.389 |
| q7 | .761 | 3.60 | 1.125 | -.588 | -.580 |
| q8 | .767 | 3.54 | 1.217 | -.521 | -.648 |
| q9 | .785 | 3.50 | 1.164 | -.593 | -.384 |
| q10 | .845 | 3.45 | 1.255 | -.546 | -.669 |
| q11 | .831 | 3.53 | 1.366 | -.790 | -.647 |

| q12 | .884 | 3.47 | 1.122 | -.678 | -.519 |
|-----|------|------|-------|-------|-------|
| q13 | .876 | 3.54 | 1.346 | -.488 | -1.019 |
| q14 | .863 | 3.49 | 1.386 | -.690 | -.836 |
| q15 | .816 | 3.54 | 1.282 | -.597 | -.795 |
| q16 | .663 | 3.66 | 1.251 | -.718 | -.426 |
| q17 | .694 | 3.56 | 1.211 | -.736 | -.469 |
| q18 | .840 | 3.54 | 1.263 | -.676 | -.604 |
| q19 | .761 | 3.78 | 1.170 | -.684 | -.661 |
| q20 | .774 | 3.62 | 1.326 | -.908 | -.349 |
| q21 | .810 | 3.65 | 1.197 | -.710 | -.475 |
| q22 | .850 | 3.47 | 1.311 | -.702 | -.691 |
| q23 | .871 | 3.65 | 1.383 | -.633 | -.936 |
| q24 | .789 | 3.50 | 1.193 | -.607 | -.537 |

Source: Primary survey

## 4.4 Measurement model

The measurement constructs' validity and reliability were systematically evaluated using Confirmatory Factor Analysis (CFA). The model demonstrated robust fit indices, with the Normed Fit Index (NFI = 0.901), Tucker-Lewis Index (TLI = 0.922) and Comparative Fit Index (CFI = 0.933), both surpassing the suggested threshold of 0.90. The Root Mean Square Error of Approximation (RMSEA = 0.058) was within the acceptable range (<0.08), indicating the model's adequacy for further analysis The chi-square test produced a value of 695.976 with 240 degrees of freedom, leading to a normed chi-square value ($\chi^2$/df) of 2.900, which is within the acceptable range ($1 < \chi^2$/df $< 3$), suggesting a well-fitted model. The findings are consistent with established guidelines for model fit evaluation (Hu & Bentler, 1999), confirming that the measurement model offers a reliable basis for subsequent hypothesis testing.

## 4.5 Reliability and Validity of research constructs:

Composite Reliability (CR) and Cronbach's alpha were used to assess the data's internal consistency. In addition, we used average variance extracted (AVE) to check for convergent validity and maximum shared variance (MSV) values to check for discriminant validity. The CR and Alpha values are over 0.7, the AVE values are over 0.5, and every MSV value is lower than the AVEs, as shown in Table 3. All results met the minimum requirements established by Fornell and Larcker (1981), proving the reliability and validity of the scale. By establishing the measurement model's accuracy and reliability, this lays a solid groundwork for SEM.
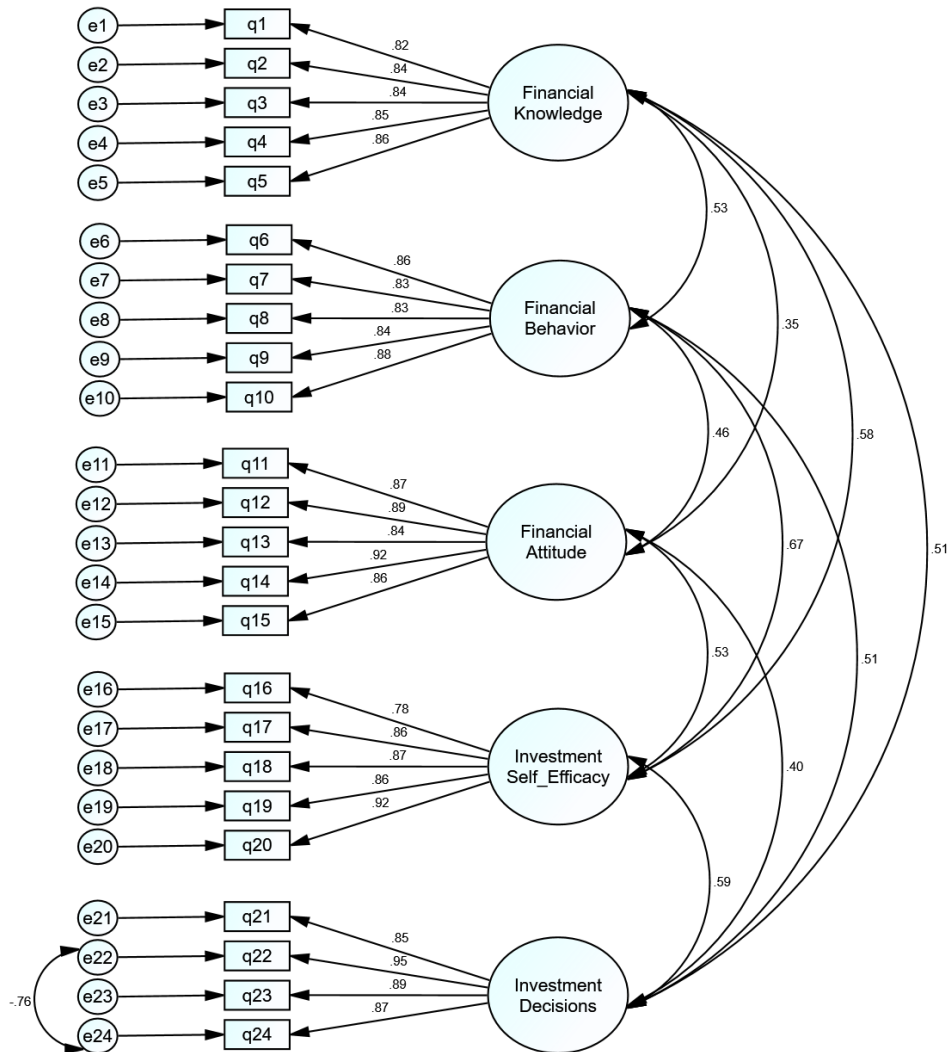
**Figure 2: Investment decision measurement model**



**Table 3. Reliability and Validity**

|  | CR | AVE | MSV |
|---|---|---|---|
| Financial Behavior | 0.927 | 0.719 | 0.454 |
| Financial Attitude | 0.944 | 0.771 | 0.291 |
| Investment Decisions | 0.939 | 0.795 | 0.343 |

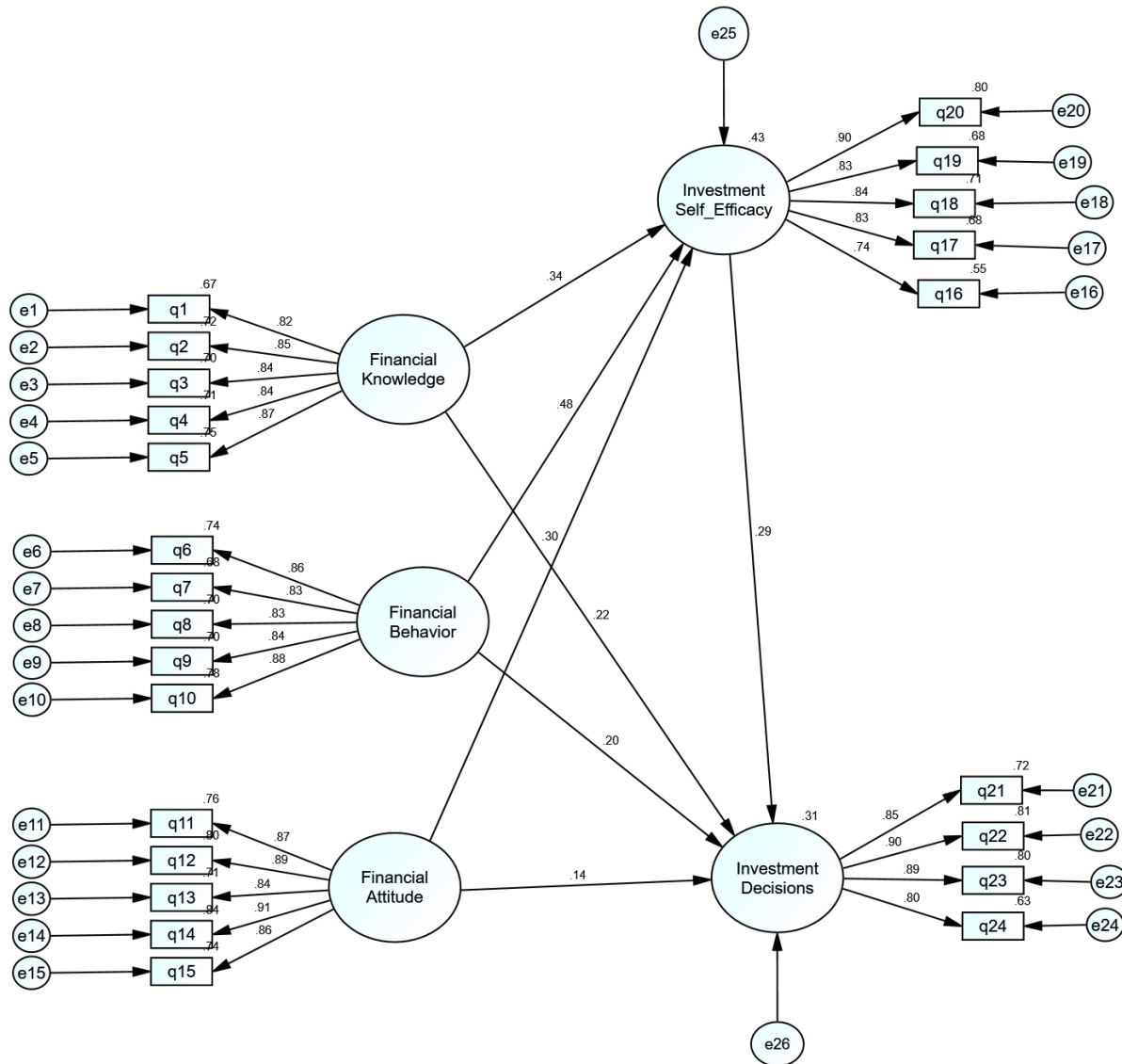| Investment Self-Efficacy | 0.935 | 0.742 | 0.454 |
|---|---|---|---|
| Financial Knowledge | 0.924 | 0.709 | 0.341 |

### 4.6 Hypotheses testing using SEM model

The study employed Structural Equation Modeling (SEM) to examine the relationships between financial knowledge, financial behaviour, financial attitude, investment self-efficacy, and investment decisions. Maximum Likelihood Estimation (MLE) was used due to its robustness in estimating complex models (Blunch, 2013). The hypothesis testing included standardized regression weights ($\beta$), critical ratios (CR/T), p-values, and standard errors (SE). Hypotheses were considered supported if p-values were below 0.05 and T-values exceeded 1.96.

As shown in Table 4, the results indicate that financial knowledge positively influences investment self-efficacy. The $\beta$ value for this path is = 0.325, with p = 0.000, and T = 5.973. Since p value less than 0.05 and T value above 1.96, therefore there is enough evidence to accept H1. Similarly, financial behaviour has a strong positive effect on investment self-efficacy ($\beta$ = 0.486, p = 0.000, T = 8.340), confirming H2. The findings further demonstrate that financial attitude significantly enhances investment self-efficacy ($\beta$ = 0.290, p = 0.000, T = 5.521), thereby validating H3. Finally, investment self-efficacy significantly impacts investment decisions ($\beta$ = 0.280, p = 0.000, T = 3.657), supporting H4.

**Explained Variance:**

The coefficient of determination ($R^2$) for investment self-efficacy is 0.432, indicating that financial knowledge, financial behavior, and financial attitude together explain 43.2% of the variance in investment self-efficacy. Among the predictors, financial behavior emerges as the strongest determinant. For investment decisions, the $R^2$ value is 0.314, signifying that investment self-efficacy and three financial literacy constructs are able to explains 31.4% of the variance in investment decisions.

**Figure 3: SEM model for Investment decision**

**Table 4: Path coefficients for hypothesis results**

| Hypothesis | Path | S.E. | C.R./T | P | (β) | Decision |
|---|---|---|---|---|---|---|
| H1 | Financial Knowledge → Investment Self-Efficacy | 0.045 | 5.973 | 0.000 | 0.325 | Supported |
| H2 | Financial Behavior → Investment Self-Efficacy | 0.045 | 8.340 | 0.000 | 0.486 | Supported |
| H3 | Financial Attitude → Investment Self-Efficacy | 0.037 | 5.521 | 0.000 | 0.290 | Supported |
| H4 | Investment Self-Efficacy → Investment Decisions | 0.085 | 3.657 | 0.000 | 0.280 | Supported |

**Mediation Analysis**

The study examined the role of investment self-efficacy as a mediator between financial knowledge, financial behavior, financial attitude, and investment decisions through mediation analysis. This analysis utilized a 95% confidence level with 2,000 bootstrapping samples to estimate standardized direct, indirect, and total effects. Mediation is indicated by a significant indirect effect ($p < 0.05$), with partial mediation occurring when both the direct ($p < 0.05$) and indirect effects are significant, and full mediation occurring when the direct effect is non-significant ($p > 0.05$).

The results confirmed that investment self-efficacy mediates the relationship between financial knowledge, financial behavior, and financial attitude with investment decisions. Specifically, the indirect effects were as follows: Financial Knowledge ($\beta = 0.091$), Financial Behavior ($\beta = 0.120$), and Financial Attitude ($\beta = 0.085$). The direct effects for all these relationships remained significant ($p < 0.05$), indicating partial mediation for each financial construct. Therefore, the mediation hypothesis (H5) was supported, confirming that investment self-efficacy serves as a partial mediator between financial knowledge, financial behavior, financial attitude, and investment decisions, with both direct and indirect effects being significant.

**Table 5: Bootstrapped Results of Indirect Effects**

| Relationship | Standardized Indirect Effect | LB & UB | Standardized Direct Effect | Standardized Total Effect | Results |
|---|---|---|---|---|---|
| Financial Knowledge → Investment Self-Efficacy → Investment Decisions | 0.091** | 0.031 - 0.183 | 0.211** | 0.302** | Partial mediation |
| Financial Behavior → Investment Self-Efficacy → Investment Decisions | 0.136** | 0.046 - 0.259 | 0.192** | 0.328** | Partial mediation |
| Financial Attitude → Investment Self-Efficacy → Investment Decisions | 0.081* | 0.025 - 0.182 | 0.169* | 0.250* | Partial mediation |

*Note: LB and UB; Lower & Upper bound, \*\*: $p<0.01$, \*: $p<0.05$.*

**5. Discussion**

This study adds to the existing body of research on financial decision-making by investigating how investment self-efficacy mediates the connection between financial literacy, financial conduct, financial outlook, and investment choices. According to the results, those who have a good outlook on money, a high level of financial knowledge, and a disciplined approach to their money management are more likely to make smart investment decisions. Crucial to this process is investing self-efficacy, which boosts confidence in carrying out investment decisions.

Previous studies have shown that having a good grasp of money matters is crucial for people to make wise investing decisions (Lusardi & Mitchell, 2014; Fernandes et al., 2014), and this finding adds credence to that idea. Investors who are well-versed in the ins and outs of the financial markets are more likely to confidently assess investment possibilities and take measures to reduce financial risk. The indirect effect of financial knowledge through investment self-efficacy suggests that knowledge alone is insufficient individuals must also develop confidence in their ability to apply financial concepts effectively. Recent studies highlight that self-efficacy strengthens financial literacy's impact on financial decision-making (Potrich et al., 2023).

Financial behavior also significantly predicted investment decisions, aligning with prior studies that emphasize how budgeting, saving habits, and investment planning contribute to better financial outcomes (Xiao & Porto, 2017). The mediation analysis confirmed that investment self-efficacy partially mediates this relationship, indicating that financial behavior influences investment decisions both directly and indirectly by strengthening confidence in financial management (Khara & Nayak, 2023). These findings are consistent with recent evidence suggesting that self-efficacy is a critical psychological factor influencing responsible financial behavior and long-term wealth accumulation (Lown, 2022).

The study further validated that financial attitude significantly impacts investment decisions. Individuals with a positive financial outlook are more likely to engage in effective investment planning, supporting previous findings that highlight the influence of financial attitudes on financial decision-making (Onodugo et al., 2021). Additionally, a recent study (Adiputra et al., 2024) confirms that a positive financial attitude fosters a greater propensity for investment, reinforcing the idea that mindset plays a key role in financial behavior. The mediation effect of investment self-efficacy in this relationship underscores the importance of confidence—investors with a positive attitude but low self-efficacy may still hesitate to make investment decisions.

The findings confirm that investment self-efficacy serves as a partial mediator between financial knowledge, financial behavior, financial attitude, and investment decisions. This aligns with Bandura's (1997) self-efficacy theory, which posits that an individual's confidence in executing tasks enhances overall decision-making capabilities. Moreover, individuals with high investment self-efficacy are more likely to take calculated financial risks, diversify portfolios, and actively engage in investment planning, consistent with findings from recent behavioral finance studies (Khan et al., 2023).

**Practical implications:**

The findings of this study have important implications for financial advisors, policymakers, and educators seeking to improve financial decision-making among individuals. Given that investment self-efficacy plays a significant mediating role, financial institutions should focus on developing training programs and resources that not only enhance financial knowledge but also build confidence in financial decision-making.

Since financial behavior exhibited the strongest mediation effect, financial education initiatives should emphasize behavioral aspects of financial management, such as goal setting, risk assessment, and disciplined investing. Programs designed to reinforce good financial habits can empower individuals to make informed investment choices.

Financial advisors should adopt a personalized approach to client interactions, recognizing that while knowledge and attitude are important, boosting clients' confidence in managing investments is equally critical. Providing practical investment simulations, mentorship programs, and real-life case studies can help bridge the gap between knowledge acquisition and confident investment execution.

Policymakers should incorporate self-efficacy-building strategies in financial literacy programs, ensuring that interventions go beyond information dissemination to actively encourage individuals to apply their knowledge in real-world investment scenarios. Government-backed initiatives promoting investment workshops and financial coaching could enhance self-efficacy and foster greater participation in financial markets.

Finally, financial institutions can leverage digital tools and interactive investment platforms that provide users with real-time feedback on their investment decisions. Such tools can enhance investment self-efficacy by allowing individuals to track their progress, simulate investment scenarios, and gain confidence in their financial decision-making abilities.

**Limitations and Future Research Directions**

While this study offers valuable insights, it has certain limitations. The cross-sectional nature of the data does not allow for an analysis of how financial knowledge, behavior, and attitude influence investment decisions over time. Future studies could employ a longitudinal approach to assess how self-efficacy evolves and affects investment choices in the long run. Additionally, this study focused on three key financial constructs—knowledge, behavior, and attitude—but other psychological and situational factors, such as financial stress, risk tolerance, and economic conditions, may also play a role in shaping investment decisions. Future research could explore these additional variables to provide a more comprehensive understanding of investment behavior.

Furthermore, while investment self-efficacy was found to be a significant mediator, other potential mediators, such as financial anxiety or overconfidence, could be examined to gain deeper insights into the cognitive and emotional factors influencing investment decisions. Finally, the sample was limited to a specific demographic group, which may affect the generalizability of the findings. Future studies could explore investment decision-making across diverse populations, considering cultural and socioeconomic differences in financial behavior.

**Conclusion**

This study highlights the crucial role of investment self-efficacy as a mediator between financial knowledge, financial behavior, financial attitude, and investment decisions. The

findings underscore that while financial literacy and positive financial habits are essential, confidence in one's investment capabilities significantly enhances decision-making effectiveness. By strengthening investment self-efficacy through targeted financial education, advisory services, and behavioral finance interventions, individuals can be empowered to make more informed and strategic investment decisions, ultimately improving their financial well-being.

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Annexure

Table A: KMO

**KMO and Bartlett's Test**

| | | |
|---|---|---|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. | | .915 |
| Bartlett's Test of Sphericity | Approx. Chi-Square | 6826.033 |
| | df | 276 |
| | Sig. | .000 |

Table B: Total variance explained

**Total Variance Explained**

| Component | Initial Eigenvalues | | | Extraction Sums of Squared Loadings | | |
|---|---|---|---|---|---|---|
| 1 | 11.447 | 47.695 | 47.695 | 11.447 | 47.695 | 47.695 |
| 2 | 2.771 | 11.546 | 59.241 | 2.771 | 11.546 | 59.241 |
| 3 | 1.958 | 8.160 | 67.401 | 1.958 | 8.160 | 67.401 |
| 4 | 1.796 | 7.483 | 74.884 | 1.796 | 7.483 | 74.884 |
| 5 | 1.257 | 5.239 | 80.123 | 1.257 | 5.239 | 80.123 |
| 6 | .467 | 1.944 | 82.067 | | | |
| 7 | .422 | 1.759 | 83.826 | | | |
| 8 | .400 | 1.667 | 85.493 | | | |
| 9 | .376 | 1.566 | 87.060 | | | |
| 10 | .367 | 1.528 | 88.587 | | | |
| 11 | .335 | 1.397 | 89.984 | | | |
| 12 | .319 | 1.331 | 91.315 | | | |
| 13 | .290 | 1.208 | 92.523 | | | |
| 14 | .251 | 1.045 | 93.569 | | | |
| 15 | .247 | 1.029 | 94.598 | | | |
| 16 | .214 | .891 | 95.489 | | | |
| 17 | .184 | .769 | 96.257 | | | |
| 18 | .170 | .709 | 96.966 | | | |
| 19 | .162 | .677 | 97.643 | | | |
| 20 | .147 | .612 | 98.255 | | | |
| 21 | .128 | .534 | 98.789 | | | |
| 22 | .119 | .496 | 99.285 | | | |
| 23 | .098 | .410 | 99.695 | | | |
| 24 | .073 | .305 | 100.000 | | | |

Extraction Method: Principal Component Analysis.

Figure A: Sree plot for five factors