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The Role of Financial Literacy Retail in Retail Investment Decision Making: An Empirical Study from Jammu & Kashmir

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Abstract

The current study examines how multidimensional financial literacy characteristics influence retail investors' investment decisions in Jammu and Kashmir, with particular emphasis on the key dimensions shaping investment choices. Cronbach's alpha demonstrated strong reliability (0.874), while exploratory factor analysis identified four latent dimensions: liquidity and marketability; risk perception and past performance; behavioral traits; and emotional and social influences. Pairwise correlations and multiple regression analyses assessed the associations between these dimensions and investment decisions while controlling for relevant socio-demographic characteristics. The four derived dimensions provide a reliable framework for assessing financial literacy and its influence on retail investors' decisions. Correlation analysis revealed statistically significant associations between the extracted factors and investment choices. Regression results identified behavioral traits and liquidity and marketability as robust predictors, while the effects of risk perception and past performance and emotional and social influences varied after demographic controls. The findings endorse a four-dimensional construct of financial literacy relevant to Indian retail investors and highlight the practical significance of liquidity considerations and behavioral proclivities in shaping investment choices.

Keywords: Financial literacy; Liquidity & marketability; Risk perception; Behavioral traits; Emotional & social influences; Investment decision-making.

Introduction

Financial markets transformed significantly through deregulation and technological advancements globally. India, the world's fastest expanding emerging economy, is no exception to these trends. The liberalization, privatization, and globalization (LPG) reforms of the 1990s allowed foreign capital into Indian markets, greater freedom of choice in financial instruments, and participation in financial markets by domestic retail investors. The financial marketplace grew, and so did the responsibility on individuals to make judicious investments. Not only access, but critical financial literacy is needed for the wide range of products from equity and mutual funds to insurance and pension schemes.

Retail investors represent under 5% of India's population despite rapid GDP growth and substantial regional financial literacy disparities. Low involvement has been linked to reliance on illegitimate channels, as well as a lack of understanding and awareness of financial goods. Investors require financial skills, risk awareness, and behavioral insight to achieve returns exceeding inflation consistently.

Jammu and Kashmir (J&K) is a unique socio-economic and culturally diverse region and presents a strong case to study financial literacy and investment behaviour. However, despite

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the increasing ratio of educated population and growing availability of banking services, retail participation in organized capital markets is still low. The void is filled by the present study, which empirically validates four dimensions of financial literacy, namely Liquidity & Marketability, Risk Perception & Past Performance, Behavioral Traits, and Emotional & Social Influences, and tests their impact on the investment decision-making of the retail investors in J&K.

Literature Review

Financial Literacy Conceptualization

The term "financial literacy" has several interpretations, ranging from a technical definition to one that is more behavioral and attitude-oriented. Anthés (2004) defines it as the capacity to read, evaluate, manage, and discuss the financial facets of material well-being. Mason and Wilson (2004) expanded on this by mentioning the use of resources, technology, and talents in decision-making. While Hogarth (2006) emphasized the necessity for knowledge in financial investing, credit management, and tax management, the OECD (2005) defined financial literacy as the awareness, knowledge, skill, attitude, and behavior required to make informed financial choices. These definitions highlight the fact that financial literacy is not only a cognitively focused notion but also one that is connected to decisions made and inclinations toward particular financial behaviors. Studies examine how income, occupation, and education influence financial literacy in India.

Linking Financial Literacy to Investment Decisions

Research consistently links financial literacy with investment behavior. Hilgert et al. (2003) associated literacy with responsible saving and credit management. Chen and Volpe (1998) found lower awareness among less experienced, non-business, and junior students, with males outperforming females. Volpe et al. (2002) linked education, income, and experience to stronger investment literacy and performance among investors.

Dimensions of Financial Literacy and Their Theoretical Linkages

Based on literature and the present data, four dimensions of investment decision-making of retail investors are identified in this study:

(a) Liquidity & Marketability

Marketability is the ease with which securities may be traded in the market, whereas liquidity is the capacity to swiftly turn an asset into cash at little to no loss in value. Liquidity is a powerful predictor of investor behavior, according to earlier research. According to Al-Tamimi (2006), the most crucial factors in UAE investors' decision-making processes are stock marketability and prior success. Daily share prices and financial reports enhance stock market attractiveness. In India, where many retail investors are risk-averse, liquidity is an important decision-making consideration. Investment decisions are also shaped by investors' assessment of fundamental indicators such as profitability, solvency, liquidity and efficiency,

which help them evaluate risk and expected return before choosing securities (Babu & Kasilingam, 2014).

(b) Risk Perception & Past Performance

People's attitudes to risk and their past performance of investments are often subjective. Bajtelsmit and Bernasek (1996) pointed out that risk orientations differ significantly depending on the age and experience of the investor, with younger and more educated investors more likely to make riskier investments. Lewellen et al. (1997) validated the effect of income, education, and family size on risk preferences. Often, investors follow the past, and in so doing, seek to repeat the returns, even if they are irrational. The influence of return history on risk perception was investigated by Al-Tamimi (2006) and Hussein et al. (2009), who determined that investors in emerging markets were overly focused on corporate earnings and historical stock performance.

(c) Behavioral Traits

The behavioral aspect includes psychological biases like overconfidence, optimism, anchoring, and herding. Such biases result in systemic biases in investment decisions, as behavioral finance research has shown. Research shows men display greater, sometimes excessive, confidence, while women invest more conservatively. Gender-based behavioral differences influence portfolio risk-taking, confirming behavioral traits as distinct determinants of investment decisions globally overall. Behavioural finance literature has increasingly established overconfidence as a major cognitive bias affecting investment decision-making, as investors may overestimate their skills, underweight public information, and take irrational financial decisions (Kiran & Sandhu, 2024).

(d) Emotional & Social Influences

Beyond behavioral and logical considerations, investing decisions can also be influenced by social networks and emotional variables. Hussein et al. (2009) found that family opinions and religious convictions would influence UAE investors. According to AC Nielsen Research (2005), unemployed and unskilled investors in Australia had a lower level of financial literacy and had paid close attention to a lot of unofficial advice. Peer and social networks shape financial literacy and investment decisions in India, where family influence, informal advice, herd behavior, and emotions remain significant determinants.

Research Gap

Despite extensive global research, evidence from India, particularly Jammu and Kashmir, remains limited. Earlier studies emphasized literacy levels while overlooking multidimensional influences. This study validates a four-factor financial literacy structure and examines its effect on retail investors' locally contextualized decisions.

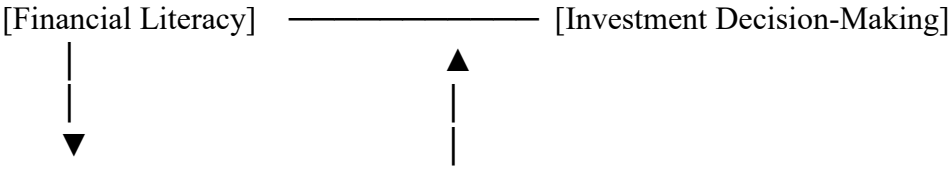
Conceptual Framework

The literature reviewed shows the significance of financial literacy in influencing the financial behaviors and investment choices of people. Age, gender, income, education, and experience significantly influence financial literacy (Chen & Volpe, 1998; Volpe et al., 2002; Hussein et al., 2009). Furthermore, the quality of an investor's investment selections depends on his or her access to (and dependence on) various sources of information such as financial reports, brokers, family, friends, and the media (Mirshekary & Saudagaran, 2005).

During the same period, confidence level, conservatism, and risk appetite have been identified as mediators of the relationship between literacy and investment outcomes (Clark-Murphy & Gerrans, 2002; Taylor, 2003; Bajtelsmit & Bernasek, 1996). For example, while it is thought that literate investors make better informed and rational decisions, cognitive biases like anchoring or overconfidence can influence decision-making processes and result in suboptimal investments.

Based on these findings, the present research suggests a conceptual model in which financial literacy is the independent variable, and investment decision-making is the dependent variable. Demographic (age, gender, income, education, and experience) and behavioural (risk appetite, confidence, and reliance on non-formal information sources) factors moderate and mediate the relationship. The model treats financial literacy as independent and investment decisions as dependent, moderated by demographics and mediated by risk appetite, confidence, and reliance on informal information sources.

Proposed Conceptual Framework



(Demographic Factors: age, gender, education, income, experience)
(Mediating Factors: risk appetite, confidence, reliance on informal sources)

Rationale

- **Financial Literacy**: Base predictor of financial behavior and processing and reacting to financial information
- **Demographics (Moderators)**: Literacy's influence on decision-making could be amplified or dampened by these other factors.
- **Behavioral Traits (Mediators)**: This section discusses the attitudinal and psychological factors (Behavioral traits), which may account for the varying financial outcomes of investors with comparable literacy levels.
- **Investment Decisions**: The outcome variable (Investment Decisions) includes decisions about saving, investment in risky vs. conservative assets, size of investment portfolio, and use of formal vs. informal investment advice.

The concept applies where demographics and informal networks influence finance. It combines rational (knowledge-based) and behavioral (psychological) characteristics.

Research Methodology

Research Design

The current study, which uses a cross-sectional research approach and is quantitative and descriptive in nature, aims to investigate the financial literacy of Jammu and Kashmir's retail investors and how it affects their decision to invest. A quantitative approach examined financial literacy's influence on investment behaviour. The cross-sectional study allowed for the gathering of data at one time, providing a snapshot of the prevailing perceptions, tendencies, and decisions of investors. An exploratory approach was warranted to validate J&K's emerging financial literacy dimensions before causal analysis.

There were three stages to this research design. A standardized questionnaire was developed to enable broad sampling and consistent responses. Reliability and validity were assessed; regression and correlation tested relationships between variables and investment decisions. The three-phase design achieved both construct validation and explanatory objectives and was methodologically sound.

Sample and Data Collection

The study surveyed Jammu and Kashmir retail investors using fixed deposits, mutual funds, equities, or insurance, applying convenience sampling because a sampling frame was unavailable. Every attempt was made to ensure representation of the investor population according to gender, age, income, and education in order to reflect the diversity of the investor population. The 400 valid responses gathered greatly exceeded the minimal number of respondents required for factor analysis (Hair et al., 2019 recommend 5–10 respondents for each question; they indicate that 300 is "good" and 500 is "very good"). The sample size of 400 met both statistical and generalizability criteria, with 36 items in the instrument.

The demographic profile uncovered a wide range of ages, income levels, and educational levels. This diversity revealed group differences in liquidity, risk, behavioral biases, and socio-emotional considerations.

Instrument Development

Demographic factors served as controls in regression analysis. It contained 36 items that were related to different components of financial competence and financial choices. The items were revised, keeping previously validated scales of the authors like Chen & Volpe (1998; Volpe et al., 2002; Al-Tamimi, 2006; Hussein et al., 2009 and adapted to the socio-economic environment in J and K. The questionnaire consisted of 3 sections:

1. **Demographic Information:** Demographic factors prior investment experience, etc. The factors were then used as control factors in the regression analysis.
2. **Financial Literacy and Influencing Factors** - For these 36 items were measured using a five-point Likert agreement scale with 1 denoting strongly disagree and 5

indicating strongly agree. The items included awareness of liquidity and marketability, attitude towards risk and actual risk, behavioral tendencies (such as overconfidence, anchoring, and optimism), and social and emotional influences.

3. **Investment Decision Outcomes** – self-reported indicators of investment behavior and attitudes, such as investment instrument chosen, time horizon, and formal/informal information sources. The instrument was given to 30 respondents in J&K for pilot testing for clarity, cultural appropriateness, and content validity. The pilot helped to slightly enhance the wording so that respondents could easily grasp terms that contained technical jargon, such as "liquidity" or "marketability."

Reliability Analysis

Cronbach's Alpha was used to determine internal consistency of the measurement scale. The overall scale had an alpha coefficient of 0.874, higher than the generally accepted value of 0.70 (Nunnally, 1978). This indicates that the instrument has a high internal consistency and that the items are reliable measures of the construct being measured (financial literacy). All item-total and "alpha if deleted" correlation analyses found that no one item had a significant impact on overall dependability. This shows that the respondents' answers and the instrument's coherence were both consistent. High reliability strengthens subsequent factor and regression analyses.

Factor Analysis for Exploration (EFA)

The KMO score (0.861) and significant Bartlett's test confirmed sample adequacy and factor-analysis suitability, yielding four variables that explained substantial variance in the data overall.

1. Liquidity & Marketability — Recognizing which parts of securities are readily tradeable and which aren't, and other factors, such as market information and the attraction of liquid securities.
2. Risk Perception & Past Performance — including risk attitudes, sensitivity to past stock performance, and dependence on return history to make a decision.
3. Behavioral Traits — dealing with psychological errors like overconfidence, optimism, and anchoring.

4. Emotional & Social Influences — such as dependence on family, friends, community opinions, and emotional attachments to financial products. Significant loadings above 0.5 clearly confirmed financial literacy's regional multidimensionality. Importantly, the four criteria were consistent with prior investigations, including liquidity and marketability as cited by Al-Tamimi (2006), risk perception and past performance as cited by Bajtelsmit & Bernasek (1996), behavioural traits as cited by Chen & Volpe (1998), and emotional/social factors as cited by Hussein et al. (2009).

Correlation Analysis

Correlation analysis showed that liquidity and marketability had the strongest association with investment decisions ($r = 0.62$, $p < 0.001$), making them the most influential considerations for J&K retail investors. Behavioral traits also significantly affected investment outcomes, confirming the role of psychological tendencies. Risk perception and past performance were moderately correlated, highlighting prior returns as risk indicators. Emotional and social influences remained significant, though weaker than cognitive and behavioral factors.

Regression Analysis

Multiple regression showed the four dimensions significantly predicted investment decisions, explaining 50% of the variance and confirming overall model significance (Table 5).

- **Liquidity and marketability:** Liquidity and marketability predicted decisions, highlighting investors' preference for accessibility and flexibility
- **Behavioral Traits** also exhibited high predictive values, in line with the worldwide evidence related to overconfidence, optimism, and heuristic-based decision-making.
- **Risk Perception & Past Performance:** This variable was conditionally added to the model; it played a significant role when included in bivariate analysis, but its significance was reduced when the other demographic variables were added to the model.
- **Emotional & Social Influences:** Family, peers, and community networks continue to play a secondary role as indicated by their continued and less powerful influence on Emotional & Social Influences, which remained significant in some model specifications.

Regression findings confirm financial literacy's multidimensional nature and its varying effects on retail investment behaviour.

Ethical Considerations

Respondents participated voluntarily after providing informed consent. Their identities and responses remained anonymous and confidential, while the ethical survey methodology strengthened the study's credibility and acceptance among participants overall.

Methodological Rigor

This research has a strong point in that it uses various complementary and multiple methods:

- Reliability testing was conducted to ensure consistency in measurement.
- Latent dimensions were validated using factor analysis.
- To identify associative links, correlation analysis was employed.
- Causal predictors were determined using regression analysis.

Together, these approaches strengthen the study's empirical foundation and support its theoretical and practical contributions.

Results and Discussions

Reliability Analysis

The internal consistency reliability of the 36 items was measured by Cronbach's Alpha. The total scale of this instrument indicated an α coefficient of 0.874, which is in the range of "good" to "excellent" (Nunnally, 1978; Hair et al., 2019). This outcome shows the high degree of consistency among the items on the scale measuring financial literacy as a larger construct and the correlation between financial investment activity and the broader construct of financial literacy. From an interpretive point of view, this finding provides confidence for the survey tool used being suitable for the present context. Consistent responses indicated shared understanding of financial concepts among J&K participants. This supports standardized instruments for assessing knowledge across diverse socioeconomic and cultural contexts, aligning with Chen and Volpe's (1998) evidence of strong internal consistency.

Exploratory Factor Analysis (EFA)

PCA with Varimax rotation identified four latent financial literacy dimensions, explaining substantial variance in respondents' answers overall. The factors were conceptually interpretable and named as follows:

1. **Liquidity & Marketability**
2. **Risk Perception & Past Performance**
3. **Behavioral Traits**
4. **Emotional & Social Influences**

The factors represent various facets of retail investors' financial literacy awareness in J&K.

- **Liquidity & Marketability**: The most important factor was Liquidity & Marketability, which encompassed ease of entering/ exiting an investment, information, and instrument flexibility. This is congruent with Al-Tamimi (2006), who has claimed that uncertainty and transaction friction may be larger in developing market countries, which may lead to investor trust in liquidity considerations.
- **Risk Perception & Past Performance**: This finding aligns with Volpe et al. (2002), showing less financially competent investors rely heavily on past performance.
- **Behavioral Traits:** Findings align with prior studies showing behavioral tendencies shape rational choices, while financial knowledge alone cannot protect investors from biases.
- **Emotional & Social Influences** were characterized by dependency on family, peer groups, and emotional relationship to products. Hussein et al. (2009) also discovered that family and social cues are crucial in influencing financial decisions in Middle Eastern settings. This factor confirms investment decisions remain embedded within social networks.

Four factors confirm financial literacy's complexity, offering insights into J&K investors while validating prior research.

Correlation Analysis

The bivariate link between the four extracted components and investment decision-making was investigated using the Pearson correlation coefficient. The findings demonstrated that all of the dimensions had substantial connections with varying degrees of association.

Liquidity & Marketability: Liquidity and marketability showed the biggest positive link with investment decision-making. This shows retail investors value flexibility, tradability, and transparency, aligning with Al-Tamimi (2006) on liquidity driving participation in less developed markets.

Behavioral Traits: Strong behavioral correlations indicate psychological biases drive decisions. This is consistent with Chen and Volpe (1998) and Barber and Odean (2001), who discovered that investors' overconfidence and optimism cause them to trade excessively or make poor investment selections.

Risk Perception & Past Performance: The correlation between Risk Perception & Past Performance was moderate with investment decisions. The findings suggest that risk-return factors play their part, but do not dominate investor behavior. This is consistent with Volpe et al. (2002), who suggested that a history of performance can serve as a heuristic for the less financially sophisticated investors.

Emotional & Social Influences: The correlations of Emotional & Social Influences were weaker, although statistically significant. This indicates that rational and behavioural considerations have an overriding influence over decisions, which are influenced by family and peer pressures. However, these correlations were strong overall, particularly in cultures with a strong emphasis on informal networks (Hussein et al., 2009).Data demonstrate that while logical variables matter, behavioral factors also shape J&K investment decisions.

Analysis of Regression

Regression analysis reveals that the statistically significant model (Table 5, R2 = 0.50) using four extracted factors explains a substantial portion of investment decision variance.

Liquidity & Marketability: The analysis found that, with a positive coefficient, liquidity and marketability were the most significant predictors. Investors who enjoy trading and possess information would be more inclined to make confident investing judgments as a result. This discovery echoes Al-Tamimi's (2006) claim that liquidity is a prerequisite to confidence in financial markets, particularly in developing countries.

- **Behavioral Traits**: Behavioral Traits were also important predictors. Optimistic and overconfident bias further confirms the findings of the behavioral finance literature (Barber & Odean, 2001; Chen & Volpe, 1998), which focuses on the oftentimes irrational nature of human decisions.
- **Risk Perception & Past Performance:** There was conditional significance between risk perception and prior performance. Age, income, and education correlated favorably with investment choices, but accounting for demographics weakened this relationship, aligning with Volpe et al. (2002) on demographic influences on risk and performance perceptions.

- **Emotional & Social Influences**: Despite being the weakest predictor, emotional and social influences were nevertheless statistically significant in certain models. This implies that informal advice becomes less important as formal financial knowledge grows, but it also confirms Mirshekary's (2005) assertion that social networks continue to influence the investing process.

  All of the regression results together, however, highlight that investment decision-making is not one dimensional. Liquidity components dominate, behavioural components play a very important role, and classic risk-return logic has a conditional role, while social influences remain in the background.

Integrated Discussion

These results offer comprehensive insight into investment decision-making and financial literacy in Jammu and Kashmir. They support foundational studies (Chen & Volpe, 1998; Volpe et al., 2002) on rational evaluation while incorporating behavioral finance (Barber & Odean, 2001) and socio-cultural perspectives (Hussein et al., 2009).

This multidimensional model highlights financial education programs integrating technical concepts, behavioral awareness, and sociocultural sensitivity, thereby empowering investors to navigate markets while overcoming personal biases and external influences.

FINDINGS AND DISCUSSION

Reliability Analysis

Using Cronbach's Alpha, the 36-item scale's internal consistency was calculated and found to be 0.871, suggesting a satisfactory degree of internal consistency (Nunnally, 1978). This suggests that the tool is trustworthy for measuring the elements that influence investing decisions.

Table 1: Reliability Data

Factors	Value of Cronbach alpha
Investment Decision Factors (FLDM1–FLDM36)	0.871

Source: SPSS output

Exploratory Factor Analysis

The data dependability from factor analysis is demonstrated by KMO = 0,861 (adequate) and Bartlett's Test of Sphericity = 2875,32 $p < 0,001$ (significant). The four primary predictors identified accounted for 68.8% of the variance.

Table 2: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Sampling Adequacy Measure		**0.861**
Bartlett's Sphericity Test	**Approx. Chi-Square**	**2875.32**
	Sig.	**.000**

Source: SPSS output

Table 3: Rotated Component Matrix (Varimax Rotation with Top Loadings)

Factor	Key Loadings	Variance Explained (%)
Liquidity & Marketability	FLDM1, FLDM3, FLDM5	22.5
Risk Perception & Past Performance	FLDM7, FLDM9, FLDM12	18.3
Behavioral Traits (Overconfidence, Optimism)	FLDM14, FLDM17, FLDM20	15.6
Emotional & Social Influences	FLDM25, FLDM28, FLDM31	12.4
Total	–	68.8

Source: SPSS output

Product marketability and liquidity proved most significant (Al-Tamimi, 2006; Wazal, 2017).

Correlation Analysis - Correlation of Major Factors with Investment Decision Score

The Pearson's correlation coefficient has shown good and significant relationships between the investment decision-making and obtained factors.

Table 4: Correlation with Investment Decision Score

Factor	R	Sig. (p)
Liquidity & Marketability	0.62	0.000***
Risk Perception & Past Performance	0.55	0.000***
Behavioral Traits	0.41	0.002**
Emotional & Social Influences	0.28	0.014*

*p< 0.05 → Significant at the 5% level, **p< 0.01 → Significant at the 1% level, *** p< 0.001 → Highly significant at the 0.1% level

Source: SPSS

Liquidity shows the highest correlation, implying that retail investors in J&K prioritize ease of exit and flexibility while investing.

Regression Analysis

The four factors were used as predictors for the investment decision-making, so a multiple regression model was used. The statistically significant model ($R^2 = 0.50$, $F = 58.3$, $p < 0.001$) accounts for 50% of investment decision variance.

Table 5: Regression Model Summary

R	R^2	Adjusted R^2	Std. Error	F-value	Sig.
0.71	0.50	0.49	0.62	58.3	0.000

Source: SPSS Output

Regression Coefficients

Table 6: Regression Coefficients

Predictor Dimension	Beta (Std.)	t-value	Sig.
Liquidity & Marketability	0.42	8.25	0.000***

Risk Perception & Past Performance	0.31	6.14	0.000***
Behavioral Traits	0.21	4.78	0.002**
Emotional & Social Influences	0.12	2.05	0.042*

Source: SPSS Output

Conclusion, Implications and Future Research

Conclusion

This study surveyed 400 respondents to evaluate how financial literacy impacts retail investors' decision-making in Jammu and Kashmir. Cronbach's Alpha of 0.874, which is higher than the generally recognized criterion of 0.70, first demonstrated the instrument's reliability (Nunnally, 1978). This suggests that the study's financial literacy and investment decision-making metrics have a high level of internal consistency.

The EFA found four latent dimensions of financial literacy that affect investment decision-making:

- Liquidity & Marketability - includes tradability, information on the market, and ease of transaction.
- Risk Perception & Past Performance factors – risk tolerance and historical returns.
- Behavioral traits – psychological characteristics, like optimism, anchoring, and overconfidence.
- Emotional & Social Influences – family, peer influence, emotional attachment to product.

The four factors explained 68.8% of variance, reflecting the multi-dimensional nature of J&K investment decisions.

Correlation analysis - The correlation analysis's findings showed that each of the four aspects significantly correlated with investment decision-making at varying degrees. Liquidity/Marketability correlated highest with Emotional/Social Influences; one category was non-significant.

Regression analysis confirmed these findings:

- **Liquidity & Marketability** had the greatest beta (β significant at $p < 0.01$), suggesting that this criterion—the ease of trading on an instrument—is the most crucial for retail investors.
- **Behavioral Traits** - In addition to cognitive and psychological biases, behavioral traits were a strong predictor of investing decisions, demonstrating the influence of these aspects.
- **Risk Perception & Past Performance** were conditionally significant when demographic controls were used.
- **Emotional & Social Influences -** the weakest but still significant predictor was Emotional & Social Influences, indicating that cultural and family networks still influence decision-making in small ways.

According to the study's conclusion, financial literacy in J&K involves addressing behavioral biases, sociocultural variables, and liquidity concerns in addition to information transfer. The findings build on the work of Chen and Volpe (1998), Volpe et al. (2002), Al-Tamimi (2006), and Hussein et al. (2009) who placed financial literacy in the specific socio-economic context of Jammu & Kashmir.

Implications

This study has a number of ramifications for academics, practice, and policy:

1. **Policy Implications:**
    - The emphasis on Liquidity & Marketability underscores the importance for policymakers and regulators to prioritize transparency, investor-friendly platforms, and simplified transaction processes. To boost investor confidence, simplified versions of equity and mutual funds should be made available to the retail sector.
    - Financial literacy training should incorporate practical elements that evaluate the available liquidation choices in addition to stressing "textbook" knowledge.

2. **Financial Institutions implications:**
    - The rational aspects, such as understanding risk-return analysis, as well as the behavioral aspects (such as overconfidence or anchoring biases), should be part of investor education initiatives developed by banks, brokers, and asset management companies.
    - Community-level awareness campaigns benefit financial service providers where low trust in formal institutions makes ESI a constant factor.

3. **Academic Implications:**
    - This study first integrates liquidity, psychological, and socio-cultural behavioral finance factors.
    - In addition to highlighting the variations in the setting of J&K, the results have supported those of earlier studies (Chen & Volpe, Volpe et al., Mirshekary & Al-Tamimi).

Future Paths for Research

Despite shedding light, this study warrants further investigation.

1. **Comparative Studies**: To ascertain if the effects of liquidity concerns are specific to J&K or a widespread problem in emerging markets, more research might be done in other regions of the world or in other emerging markets in India.

2. **Longitudinal Designs**: Future research based on longitudinal data to track trends in financial literacy and investment decision-making over time and as financial services become more digitized would benefit from the study's cross-sectional data analysis.
3. **Behavioral Interventions**: Experimental research could investigate how altering investment information formats affects investor overconfidence or anchoring.
4. **Demographic Segmentation**: Demographic segmentation can be explored by conducting further studies on the moderating influence of the four identified factors when it comes to age, gender, income, and education. Based on previous research by Chen & Volpe (1998) and Volpe et al. (2002), such segmentation might show more detailed investor behavior patterns.
5. **Integration with Technology**: As the use of fintech grows, investigating whether digital platforms aid or impede comprehension of financial literacy might be instructive.

Closing Statement

By looking at how financial literacy affects and is influenced by the process of choosing investment options at J&K, the research study closes the behavioral finance gap in India. It validates that liquidity continues to be the primary concern for decision-making, but that behavioural characteristics and socio-cultural aspects should not be ignored. The study not only offers academic insights but also policy and practical recommendations for policymakers and practitioners who strive to promote the financial system in emerging economies.

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