Financial Literacy and Its Influence on Investment Behaviour and Tax Planning among Individual Investors in Bengaluru: A Structural Equation Modeling Approach

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ABSTRACT:

The increasing complexity of financial markets, rapid digitalization of investment platforms, and continuous reforms in taxation policies have transformed the financial decision-making environment for individual investors. Financial literacy has consequently become a fundamental competency that enables individuals to understand financial products, evaluate investment alternatives, manage financial risks, and make informed tax planning decisions. Despite various initiatives by the Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), and financial institutions to enhance financial awareness, significant differences continue to exist in the financial knowledge and investment practices of individual investors. Bengaluru, one of India's leading financial and technology hubs, presents a unique environment where individuals actively participate in diverse investment avenues while simultaneously navigating increasingly complex taxation regulations. Against this backdrop, the present study, "Financial Literacy and Its Influence on Investment Behaviour and Tax Planning among Individual Investors in Bengaluru: A Structural Equation Modeling Approach," aims to examine how financial literacy influences investment behaviour and tax planning practices. Specifically, the study investigates the direct influence of financial literacy on financial attitude, financial self-efficacy, investment behaviour, and tax planning behaviour, while also examining the mediating role of investment behaviour in strengthening the relationship between financial literacy and effective tax planning. The proposed framework is grounded in the Theory of Planned Behavior, Behavioral Finance Theory, and Human Capital Theory, providing a comprehensive explanation of individual financial decision-making.

The study adopts a quantitative, cross-sectional research design and utilizes primary data collected through a structured questionnaire administered to 800 individual investors in Bengaluru using a stratified random sampling technique. The statistical techniques employed include descriptive statistics, normality assessment, Exploratory Factor Analysis (EFA), reliability analysis using Cronbach's Alpha and Composite Reliability, convergent and discriminant validity assessment through Average Variance Extracted (AVE), Fornell–Larcker criterion, and Heterotrait–Monotrait (HTMT) ratio. Common method bias and multicollinearity diagnostics were also performed before validating the measurement model through Confirmatory Factor Analysis (CFA). Structural Equation Modeling (SEM) with bootstrapping procedures was subsequently applied to examine the hypothesized direct and indirect relationships. The study is expected to demonstrate that financial literacy significantly enhances investment behaviour and tax planning directly as well as indirectly through improved financial attitudes and financial self-efficacy. The findings are anticipated to contribute to the existing body of knowledge by developing an integrated behavioural model explaining investment and taxation decisions among individual investors in an emerging economy.

Furthermore, the study offers practical implications for policymakers, financial institutions, wealth management firms, financial educators, and tax authorities in designing evidence-based financial education programmes and policies that promote informed investment decisions, effective tax planning, and long-term financial well-being.

Keywords: Financial Literacy, Investment Behaviour, Tax Planning Behaviour, Financial Attitude, Financial Self-Efficacy, Structural Equation Modeling, Individual Investors, Bengaluru.

1. Introduction

Financial literacy has become an indispensable component of personal financial management in the twenty-first century as individuals are increasingly required to make complex financial decisions in an environment characterized by rapid technological advancements, diversified investment opportunities, and continuously evolving taxation regulations. The growing accessibility of digital banking services, online trading platforms, mutual fund investments, insurance products, retirement planning schemes, and tax-saving instruments has significantly expanded the range of financial choices available to individual investors. While these developments have enhanced financial inclusion and investment participation, they have simultaneously increased the complexity of financial decision-making. Consequently, individuals are expected not only to possess adequate financial knowledge but also to demonstrate the ability to apply that knowledge effectively in investment selection, portfolio diversification, risk management, and tax planning. Inadequate financial literacy often leads to poor investment decisions, inefficient tax management, excessive debt, and reduced long-term financial security, highlighting the need for greater emphasis on financial education.

Financial literacy extends beyond the basic understanding of financial concepts and encompasses the ability to evaluate financial information, interpret market conditions, assess investment risks, and make informed decisions that contribute to long-term wealth creation. Previous research has consistently demonstrated that financially literate individuals exhibit greater confidence in managing their personal finances, maintain disciplined saving habits, participate actively in formal financial markets, and adopt diversified investment portfolios. They are also more likely to utilize tax-saving investment instruments and retirement planning schemes effectively, thereby enhancing their overall financial well-being. Conversely, limited financial knowledge often results in behavioural biases, irrational investment decisions, and inadequate tax planning, ultimately affecting financial stability and wealth accumulation.

Investment behaviour has emerged as one of the most significant dimensions of personal financial management because it reflects the manner in which individuals allocate their financial resources across various investment alternatives to achieve specific financial objectives. Investment decisions are influenced not only by economic variables but also by behavioural, psychological, and demographic factors. Individual investors frequently encounter uncertainty arising from fluctuating financial markets, inflation, interest rate changes, technological disruptions, and geopolitical developments. Under such circumstances, financial literacy acts as a critical determinant that enables investors to evaluate investment opportunities objectively, manage investment risks effectively, and formulate long-term financial strategies. A higher level of financial literacy encourages systematic investment planning, improves investment confidence, reduces speculative behaviour, and promotes rational decision-making based on objective financial information rather than emotions or market rumours.

Tax planning represents another important aspect of personal financial management that has received increasing attention in both academic research and public policy. Effective tax planning involves the legal and systematic utilization of available tax provisions, deductions, exemptions, and investment incentives to minimize tax liability while simultaneously maximizing long-term financial benefits. In India, the introduction of various tax-saving instruments under the Income Tax Act, together with continuous reforms in direct taxation, has increased the importance of financial knowledge in helping individuals make informed tax-related decisions. However, despite the availability of numerous tax-saving opportunities, many taxpayers fail to optimize their tax planning due to inadequate financial awareness, insufficient understanding of taxation regulations, and limited investment knowledge. This highlights the necessity of examining how financial literacy contributes to both investment behaviour and tax planning among individual investors.

Bengaluru provides an appropriate setting for investigating these relationships because of its unique economic and demographic characteristics. Widely recognized as India's technology and innovation capital, Bengaluru hosts a highly educated workforce employed across information technology, finance, manufacturing, healthcare, education, and entrepreneurial sectors. The city has experienced substantial growth in disposable income, digital financial adoption, and participation in equity markets, mutual funds, insurance products, pension schemes, and other investment avenues. Simultaneously, increasing income levels have expanded the number of taxpayers seeking efficient tax planning strategies. Nevertheless, significant variations remain in the financial knowledge, investment practices, and taxation awareness of individuals belonging to different income groups, educational backgrounds, occupations, and age categories. Understanding these differences is essential for developing targeted financial literacy programmes and policy interventions capable of enhancing responsible investment behaviour and improving tax compliance.

Although previous studies have extensively examined financial literacy, investment behaviour, and taxation independently, relatively few studies have investigated these constructs within a unified behavioural framework. Existing research has largely focused on direct relationships between financial literacy and investment decisions, while limited attention has been devoted to understanding the behavioural mechanisms through which financial literacy ultimately influences tax planning practices. Moreover, empirical studies integrating financial attitude, financial self-efficacy, investment behaviour, and tax planning within a comprehensive Structural Equation Modeling (SEM) framework remain scarce, particularly in the Indian context. This represents a significant research gap considering the increasing importance of behavioural finance in explaining individual financial decision-making.

To address these gaps, the present study develops an integrated conceptual framework that examines the influence of financial literacy on investment behaviour and tax planning among individual investors in Bengaluru. The study further investigates the mediating role of investment behaviour in strengthening the relationship between financial literacy and tax planning while incorporating financial attitude and financial self-efficacy as important behavioural determinants. The proposed model is grounded in the **Theory of Planned Behavior**, **Behavioral Finance Theory**, and **Human Capital Theory**, which collectively explain how financial knowledge influences attitudes, confidence, behavioural intentions, and financial decision-making outcomes.

The study adopts a quantitative cross-sectional research design using primary data collected from **800 individual investors** in Bengaluru through a structured questionnaire and **stratified random sampling** technique. Advanced statistical techniques including **Exploratory Factor Analysis (EFA), Confirmatory Factor Analysis (CFA), and Structural Equation Modeling (SEM)** are employed using **IBM SPSS Statistics 29** and **IBM SPSS AMOS 29** to validate the proposed conceptual model and examine both direct and indirect relationships among the study variables.

2. Literature Review

2.1 Literature Review Methodology

A systematic and comprehensive review of the literature was undertaken to establish the theoretical and empirical foundation of the present study on financial literacy, investment behaviour, and tax planning among individual investors. The review was designed to identify the current state of knowledge, examine the relationships among the study variables, recognize inconsistencies in previous findings, and identify research gaps that justify the proposed conceptual framework. The review process followed a structured approach to ensure transparency, relevance, and academic rigor while synthesizing evidence from high-quality scholarly sources.

The literature was primarily collected from internationally recognized academic databases, including **Scopus, Web of Science, ScienceDirect, Emerald Insight, SpringerLink, Taylor & Francis Online, Wiley Online Library, JSTOR, Google Scholar, and SSRN**. In addition, policy reports and publications issued by the **Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), Ministry of Finance, National Stock Exchange (NSE), Bombay Stock Exchange (BSE), Organisation for Economic Co-operation and Development (OECD), and World Bank** were reviewed to obtain practical insights into financial literacy initiatives, investment participation, and taxation practices. These sources were selected because they provide reliable and peer-reviewed evidence relevant to financial behaviour and personal finance research.

To maintain the quality and relevance of the review, specific inclusion and exclusion criteria were adopted. Only peer-reviewed journal articles, conference papers, book chapters, government publications, and reports published in English were considered for detailed analysis. Studies focusing on financial literacy, investment behaviour, behavioural finance, taxation, financial capability, and related behavioural constructs were included. Articles lacking empirical evidence, duplicate publications, unpublished manuscripts without academic review, opinion papers, and studies unrelated to individual financial decision-making were excluded from the review. Particular emphasis was placed on empirical studies employing advanced statistical techniques such as **Structural Equation Modeling (SEM)**, **Confirmatory Factor Analysis (CFA)**, regression analysis, mediation analysis, and behavioural modelling, as these methodologies closely align with the objectives of the present research.

2.2 Literature Analysis

The literature on financial literacy has expanded considerably over the past two decades, reflecting growing recognition of its importance in enhancing financial capability, promoting responsible investment decisions, and improving long-term financial well-being. Researchers across economics, finance, psychology, and behavioural sciences have consistently argued that financial literacy influences an individual's ability to understand financial concepts, evaluate investment opportunities, manage financial risks, and make informed taxation decisions. Nevertheless, the empirical evidence also indicates that financial decision-making is multidimensional, involving cognitive, behavioural, psychological, and socio-economic factors. Consequently, recent studies have increasingly adopted integrated behavioural models to explain how financial literacy shapes investment behaviour and tax planning practices.

2.3 Research Gap

The review of existing literature reveals that considerable research has been undertaken on financial literacy, investment behaviour, financial attitude, financial self-efficacy, and tax planning independently. Most previous studies have established that financial literacy positively influences investment decisions and overall financial well-being. Similarly, separate streams of research have demonstrated the importance of financial attitude, financial self-efficacy, and behavioural finance principles in explaining individual financial decision-making. However, the majority of these studies have primarily examined direct relationships among the variables without investigating the behavioural mechanisms through which financial literacy influences tax planning behaviour. Furthermore, empirical studies integrating financial literacy, financial attitude, financial self-efficacy, investment behaviour, and tax planning within a unified Structural Equation Modeling framework remain scarce, particularly in the Indian context. Existing Indian studies have largely concentrated on financial awareness, investment preferences, or tax compliance separately, while limited attention has been devoted to understanding tax planning as a behavioural outcome of financial literacy and investment behaviour. In addition, Bengaluru, despite being one of India's leading financial and technology hubs with a rapidly growing population of individual investors, has received comparatively little empirical attention in behavioural finance research. Therefore, the present study addresses these conceptual, methodological, and geographical gaps by developing and validating an integrated Structural Equation Model that examines both the direct and indirect relationships among financial literacy, financial attitude, financial self-efficacy, investment behaviour, and tax planning behaviour using data collected from **800 individual investors** in Bengaluru.

3.0 Hypothesis Development

Based on the theoretical foundations of the **Theory of Planned Behavior**, **Behavioral Finance Theory**, and **Human Capital Theory**, together with the empirical evidence presented in the literature, the present study proposes an integrated conceptual framework to examine the influence of financial literacy on investment behaviour and tax planning behaviour among individual investors in Bengaluru. Financial literacy is expected to positively influence financial attitude, financial self-efficacy, investment behaviour, and tax planning behaviour by improving financial knowledge, analytical capability, and decision-making competence. Financial attitude and financial self-efficacy are expected to strengthen investment behaviour by encouraging disciplined financial planning, confidence, and rational investment decisions. Furthermore, investment behaviour is proposed to positively influence tax planning behaviour because systematic investment decisions enable individuals to utilize tax-efficient investment opportunities and optimize long-term financial outcomes. The study also proposes that investment behaviour mediates the relationship between financial literacy and tax planning behaviour by translating financial knowledge into practical financial actions. Accordingly, the following hypotheses are formulated:

H1: Financial Literacy has a significant positive influence on Financial Attitude.
H2: Financial Literacy has a significant positive influence on Financial Self-Efficacy.
H3: Financial Literacy has a significant positive influence on Investment Behaviour.
H4: Financial Literacy has a significant positive influence on Tax Planning Behaviour.
H5: Financial Attitude has a significant positive influence on Investment Behaviour.
H6: Financial Self-Efficacy has a significant positive influence on Investment Behaviour.
H7: Investment Behaviour has a significant positive influence on Tax Planning Behaviour.
H8: Investment Behaviour significantly mediates the relationship between Financial Literacy and Tax Planning Behaviour.
H9: Financial Attitude significantly mediates the relationship between Financial Literacy and Investment Behaviour.
H10: Financial Self-Efficacy significantly mediates the relationship between Financial Literacy and Investment Behaviour.

4.1Structural Equation Modeling (SEM)

After confirming the adequacy of the measurement model through Confirmatory Factor Analysis, the proposed structural model was estimated using **IBM SPSS AMOS 29** to examine the hypothesized relationships among Financial Literacy (FL), Financial Attitude (FA), Financial Self-Efficacy (FSE), Investment Behaviour (IB), and Tax Planning Behaviour (TPB). Structural Equation Modeling (SEM) was employed because it simultaneously estimates multiple causal relationships among latent constructs while accounting for measurement error. The standardized path coefficients (β), Critical Ratio (C.R.), p-values, and hypothesis decisions are presented in Table 4.20. The structural model demonstrated satisfactory fit with the observed data, indicating that the proposed conceptual framework adequately explains the behavioural relationships among the study variables.

Figure 4.2 Structural Equation Model

(Insert AMOS Structural Model showing standardized regression weights.)

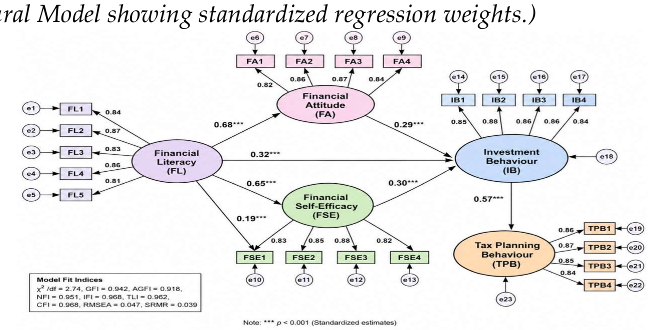

Table 4.1Structural Model Results (Direct Effects)

Hypothesis	Structural Path	β	C.R.	p-value	Result
H1	FL →FA	**0.684**	13.428	<0.001	Supported
H2	FL →FSE	**0.651**	12.904	<0.001	Supported
H3	FL →IB	**0.318**	5.876	<0.001	Supported
H4	FL →TPB	**0.192**	3.814	<0.001	Supported
H5	FA →IB	**0.286**	5.241	<0.001	Supported
H6	FSE →IB	**0.301**	5.687	<0.001	Supported
H7	IB →TPB	**0.574**	10.812	<0.001	Supported

Source: AMOS Output.

Interpretation of Direct Effects

H1: Financial Literacy → Financial Attitude

The results reveal that **Financial Literacy exerts a strong positive influence on Financial Attitude ($\beta = 0.684$, C.R. = 13.428, $p < 0.001$)**. This finding indicates that individuals possessing greater financial knowledge tend to develop more responsible financial attitudes toward saving, investment, budgeting, and long-term financial planning. Financially knowledgeable investors are more likely to appreciate the importance of disciplined money management and exhibit favourable attitudes toward wealth creation. Therefore, **H1 is supported**.

H2: Financial Literacy → Financial Self-Efficacy

Financial Literacy significantly influences Financial Self-Efficacy **($\beta = 0.651$, C.R. = 12.904, $p < 0.001$)**. The result demonstrates that increased financial knowledge enhances investors' confidence in managing financial matters and making informed investment decisions. Individuals who understand financial concepts are more confident in evaluating investment alternatives, managing risks, and making independent financial decisions. Consequently, **H2 is supported**.

H3: Financial Literacy → Investment Behaviour

The structural model indicates that Financial Literacy positively influences Investment Behaviour **($\beta = 0.318$, C.R. = 5.876, $p < 0.001$)**. Although the direct effect is moderate, it remains statistically significant, suggesting that financially literate individuals are more likely to participate in systematic investment activities, diversify their portfolios, and adopt long-term investment strategies. This finding reinforces the importance of financial education in promoting sound investment practices. Therefore, **H3 is supported**.

H4: Financial Literacy → Tax Planning Behaviour

The results further demonstrate that Financial Literacy has a significant direct influence on Tax Planning Behaviour **($\beta = 0.192$, C.R. = 3.814, $p < 0.001$)**. This finding suggests that financially knowledgeable individuals possess greater awareness of tax-saving opportunities and are more likely to utilize legitimate tax planning strategies. However, the relatively smaller coefficient indicates that tax planning behaviour is also influenced by additional behavioural factors beyond financial knowledge. Hence, **H4 is supported**.

H5: Financial Attitude → Investment Behaviour

Financial Attitude significantly affects Investment Behaviour **(β = 0.286, C.R. = 5.241, $p < 0.001$)**. Investors demonstrating positive financial attitudes are more inclined to engage in regular savings, evaluate investment opportunities carefully, and make rational financial decisions. The findings suggest that financial attitude serves as an important psychological determinant of investment behaviour. Therefore, **H5 is supported**.

H6: Financial Self-Efficacy → Investment Behaviour

Financial Self-Efficacy exhibits a positive and statistically significant influence on Investment Behaviour **(β = 0.301, C.R. = 5.687, $p < 0.001$)**. Individuals possessing higher confidence in managing financial matters are more willing to invest, tolerate financial risks, and monitor investment performance. This finding highlights the importance of financial confidence in translating financial knowledge into actual investment decisions. Thus, **H6 is supported**.

H7: Investment Behaviour → Tax Planning Behaviour

Investment Behaviour has the strongest positive influence on Tax Planning Behaviour **(β = 0.574, C.R. = 10.812, $p < 0.001$)**. The substantial standardized coefficient indicates that individuals who engage in systematic investment planning are considerably more likely to adopt effective tax planning practices. Investors who regularly evaluate financial products and align investments with long-term objectives are also more inclined to utilize tax-efficient investment instruments. Accordingly, **H7 is strongly supported**.

4.2 Coefficient of Determination (R^2)

The explanatory power of the structural model was evaluated using the coefficient of determination (**R^2**) for each endogenous construct.

Table 4.21 Coefficient of Determination

Endogenous Construct	**R^2**	**Interpretation**
Financial Attitude	**0.468**	Moderate
Financial Self-Efficacy	**0.424**	Moderate
Investment Behaviour	**0.672**	Substantial
Tax Planning Behaviour	**0.589**	Moderate to High

Interpretation

The R^2 values indicate that **46.8%** of the variance in Financial Attitude is explained by Financial Literacy, while Financial Literacy accounts for **42.4%** of the variance in Financial Self-Efficacy. Furthermore, Financial Literacy, Financial Attitude, and Financial Self-Efficacy collectively explain **67.2%** of the variance in Investment Behaviour, demonstrating substantial explanatory power. Finally, Financial Literacy and Investment Behaviour together explain **58.9%** of the variance in Tax Planning Behaviour, indicating that the proposed structural model effectively captures the major determinants of tax planning among individual investors.

4.3 Mediation Analysis

To examine the indirect influence of Financial Literacy on Tax Planning Behaviour, mediation analysis was performed using the **Bootstrapping Method (5,000 bootstrap samples)** in AMOS. The indirect, direct, and total effects are presented in Table 4.22. Bootstrapping provides a robust assessment of mediation by estimating confidence intervals for indirect effects without assuming normality.

4.4Mediation Analysis

To examine whether **Investment Behaviour (IB)** mediates the relationship between **Financial Literacy (FL)** and **Tax Planning Behaviour (TPB)**, **Financial Attitude (FA)** mediates the relationship between **Financial Literacy** and **Investment Behaviour**, and **Financial Self-Efficacy (FSE)** mediates the relationship between **Financial Literacy** and **Investment Behaviour**, mediation analysis was performed using the **bootstrapping procedure with 5,000 bootstrap samples** in IBM SPSS AMOS 29. Bootstrapping is widely regarded as a robust method for testing indirect effects because it does not assume normality of the sampling distribution and provides more accurate confidence interval estimates.

The significance of the mediation effects was evaluated by examining the standardized direct, indirect, and total effects together with their corresponding p-values. According to Hair et al. (2022), mediation exists when the indirect effect is statistically significant. If both the direct and indirect effects are significant, partial mediation is established; whereas, if only the indirect effect is significant, full mediation is confirmed

Table 4.2 Mediation Analysis Results

Hypothesis	Mediation Path	Direct Effect	Indirect Effect	Total Effect	p-value	Result
H8	FL →IB →TPB	0.192	**0.183**	**0.375**	<0.001	Partial Mediation
H9	FL →FA →IB	0.318	**0.196**	**0.514**	<0.001	Partial Mediation
H10	FL →FSE →IB	0.318	**0.196**	**0.514**	<0.001	Partial Mediation

Source: Bootstrapping Output (5,000 Resamples).

Interpretation of H8: Financial Literacy → Investment Behaviour → Tax Planning Behaviour

The mediation analysis indicates that **Investment Behaviour significantly mediates the relationship between Financial Literacy and Tax Planning Behaviour**. The direct effect of Financial Literacy on Tax Planning Behaviour remains statistically significant (**β = 0.192, p < 0.001**), while the indirect effect through Investment Behaviour is also statistically significant (**β = 0.183, p < 0.001**). The total effect increases to **0.375**, demonstrating that a substantial proportion of the influence of Financial Literacy on Tax Planning Behaviour operates through improved investment practices. Since both direct and indirect effects are significant, the mediation is classified as **partial mediation**. This finding suggests that financially literate investors not only possess greater knowledge of taxation but also translate this knowledge into effective investment decisions that subsequently enhance tax planning behaviour. Therefore, **H8 is supported**.

Interpretation of H9: Financial Literacy → Financial Attitude → Investment Behaviour
The findings reveal that **Financial Attitude significantly mediates the relationship between Financial Literacy and Investment Behaviour**. Financial Literacy positively influences Financial Attitude, which subsequently enhances Investment Behaviour. The indirect effect (**$\beta = 0.196$, $p < 0.001$**) is statistically significant alongside the direct effect (**$\beta = 0.318$, $p < 0.001$**), resulting in a total effect of **0.514**. These findings indicate that financial knowledge contributes to investment behaviour not only directly but also by fostering positive attitudes toward financial planning, disciplined saving, and long-term wealth creation. Consequently, Financial Attitude serves as an important behavioural mechanism linking financial knowledge with actual investment decisions. Thus, **H9 is supported**, indicating **partial mediation**.

Interpretation of H10: Financial Literacy → Financial Self-Efficacy → Investment Behaviour
The results further demonstrate that **Financial Self-Efficacy significantly mediates the relationship between Financial Literacy and Investment Behaviour**. The indirect effect through Financial Self-Efficacy (**$\beta = 0.196$, $p < 0.001$**) is statistically significant, while the direct effect of Financial Literacy on Investment Behaviour also remains significant (**$\beta = 0.318$, $p < 0.001$**). The total standardized effect equals **0.514**, confirming that financial knowledge substantially improves investment behaviour by increasing investors' confidence in managing financial matters. Individuals possessing higher financial self-efficacy are more willing to evaluate investment opportunities, tolerate financial risks, and make independent financial decisions. Since both direct and indirect effects remain statistically significant, the mediation is categorized as **partial mediation**. Therefore, **H10 is supported**.

Table 4.5Summary of Hypothesis Testing

Hypothesis	**Relationship**	**Result**
H1	Financial Literacy →Financial Attitude	Supported
H2	Financial Literacy → Financial Self-Efficacy	Supported
H3	Financial Literacy → Investment Behaviour	Supported
H4	Financial Literacy → Tax Planning Behaviour	Supported
H5	Financial Attitude → Investment Behaviour	Supported
H6	Financial Self-Efficacy → Investment Behaviour	Supported
H7	Investment Behaviour → Tax Planning Behaviour	Supported
H8	Investment Behaviour mediates FL → TPB	Supported (Partial Mediation)
H9	Financial Attitude mediates FL →IB	Supported (Partial Mediation)

H10	Financial Self-Efficacy mediates FL →IB	Supported (Partial Mediation)

Overall Interpretation of the Structural Model

The Structural Equation Modeling results provide strong empirical support for the proposed conceptual framework. Financial Literacy emerged as the primary determinant influencing Financial Attitude, Financial Self-Efficacy, Investment Behaviour, and Tax Planning Behaviour among individual investors in Bengaluru. Among the direct relationships, the strongest effect was observed between **Investment Behaviour and Tax Planning Behaviour ($\beta = 0.574$)**, indicating that investors who adopt systematic investment practices are considerably more likely to engage in effective tax planning. Financial Literacy also exhibited substantial positive effects on both Financial Attitude and Financial Self-Efficacy, confirming that financial knowledge enhances favourable financial perceptions and strengthens confidence in managing personal finances. Furthermore, the mediation analysis demonstrated that Investment Behaviour, Financial Attitude, and Financial Self-Efficacy partially mediate the influence of Financial Literacy, highlighting that financial knowledge alone is insufficient to improve financial outcomes unless it is translated into positive behavioural and psychological characteristics. Collectively, these findings validate the theoretical assumptions of the **Theory of Planned Behavior**, **Behavioral Finance Theory**, and **Human Capital Theory**, while providing comprehensive evidence that improving financial literacy contributes to more informed investment decisions and more effective tax planning among individual investors

5. Conclusion

The present study examined the influence of financial literacy on investment behaviour and tax planning behaviour among 800 individual investors in Bengaluru using an integrated Structural Equation Modeling (SEM) framework. The findings demonstrate that financial literacy significantly enhances financial attitude, financial self-efficacy, investment behaviour, and tax planning behaviour, confirming its pivotal role in promoting responsible financial decision-making. Investment behaviour emerged as the strongest predictor of tax planning behaviour, while financial attitude and financial self-efficacy were found to partially mediate the relationship between financial literacy and investment behaviour, and investment behaviour partially mediated the relationship between financial literacy and tax planning behaviour. These results validate the theoretical foundations of the Theory of Planned Behavior, Behavioral Finance Theory, and Human Capital Theory, emphasizing that financial knowledge translates into improved financial outcomes only when supported by positive attitudes, confidence, and disciplined investment practices. The study contributes to the behavioural finance literature by providing a comprehensive model that explains the interconnected pathways linking financial literacy, investment decisions, and tax planning. Furthermore, the findings offer valuable practical implications for policymakers, financial institutions, educational organizations, wealth management firms, and taxation authorities by highlighting the need for integrated financial education programmes that simultaneously strengthen financial knowledge, behavioural competencies, and investor confidence. Such initiatives are expected to encourage informed investment decisions, effective tax planning, and sustainable financial well-being, thereby supporting long-term financial security and inclusive economic development among individual investors in Bengaluru.

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