

Examining the Impact of Financial Literacy and Financial Inclusion on Investment Decision in the Context of Developing Economies

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ABSTRACT

In the current complex economic landscape, financial literacy and financial inclusion have become essential factors shaping individual savings and investment habits. This paper examines how financial literacy, as measured by adult literacy rates, and financial inclusion, proxied by bank account ownership, affect gross savings, which can be viewed as a proxy for personal investment decisions. The study uses secondary panel data from 90 countries between 2014 and 2023, including essential macroeconomic variables such as GDP growth, inflation, and interest rates, to provide more nuanced insight into how saving behavior is shaped. Descriptive statistics show significant differences in literacy rates, access to financial services, and savings rates across countries, reflecting the diversity of economic and social conditions that influence financial choices. Correlation analysis also indicates positive relationships between gross savings and literacy levels and bank account ownership, implying that populations that are better educated and financially included are more likely to save. Regression analysis using Ordinary Least Squares (OLS) and Fixed Effects models confirms that higher financial literacy and broader access to banking services significantly improve savings, whereas GDP growth and inflation adversely affect savings behavior. Interest rates were found to be statistically nonsignificant in affecting savings. These results emphasize the importance of enhancing financial literacy and expanding formal access to financial services to promote responsible saving, more responsible investment behavior, and sustainable economic growth among countries.

Keywords: Financial Literacy, Investment, Economies

INTRODUCTION

In an era of increasing financial complexity and rapid economic change, financial literacy has emerged as a fundamental skill for securing financial well-being. Those who understand how to save, invest, and manage money are better equipped to make sound financial decisions, plan for the future, avoid unnecessary debt, and maximize their income. On a broader level, widespread financial awareness can foster stronger saving and investment habits across society, contributing to greater economic stability. However, financial literacy alone may not guarantee optimal financial behavior; access to financial institutions and services also matters. When individuals have access to bank accounts and other formal financial tools, they can store savings safely, earn interest, and access investment opportunities that support long-term financial security. Thus, financial inclusion, the penetration and accessibility of banking and financial services, works hand in hand with financial literacy to enable individuals to apply their knowledge effectively.

Moreover, external economic conditions shape how people make financial decisions. Macroeconomic factors such as economic growth trends and deposit interest rates influence individuals' capacity to save and invest, and may strengthen or weaken the impact of literacy and inclusion on actual investment behavior. This study investigates how financial literacy (measured via literacy rate) and financial inclusion (measured via bank-account ownership) influence personal investment decisions using gross savings as a percentage of GDP as a proxy dependent variable. Additionally, it examines how macroeconomic conditions, specifically GDP growth and deposit interest rates, moderate this relationship. By integrating micro-level factors (literacy and inclusion) with macroeconomic context, the study aims to provide a comprehensive understanding of the drivers of saving and investment decisions across economies. By doing so, this research addresses a gap in existing literature: while many studies examine financial literacy or financial inclusion individually, few combine these with macroeconomic variables in a cross-country (or aggregate) framework. The findings are expected to offer valuable insights for policymakers, financial institutions, and educators on how to promote not just financial knowledge, but also financial access and supportive economic policies, ultimately encouraging more informed and effective saving and investment behavior worldwide.

LITERATURE REVIEW

Financial literacy significantly shapes investment behavior. Parekh & Shah (2025) studied Indian investors and found that higher literacy boosts risk management, confidence, and stability. They recommend structured financial education policies and further research on digital finance and cross-country evidence. Financial literacy was recognized as essential for future investors to make informed decisions. Ullah et al. (2025) studied investors in District Peshawar using survey methods and found that low financial knowledge reduced confidence and the sophistication of investment decisions. The authors recommended implementing financial literacy programs and conducting further research on sustainable investment practices. Financial decision-making is closely linked with psychological traits influencing household investments. Maalouf et al. (2023) surveyed 598 Lebanese university students using questionnaires. Results showed that higher financial knowledge led to more responsible behavior and better decisions. The study recommends financial education in schools and further research on long-term effects. Financial behavior was explained through the Theory of Planned Behavior, focusing on knowledge, control, and income. Tyagi, (2022) studied 221 people from Delhi-NCR through an online survey. The results showed that financial knowledge, awareness, and attitude all helped in making good investment decisions. The study said more financial education can guide people to invest wisely. Financial literacy was explained as an important part of financial inclusion and awareness.

Baihaqqy et al., (2020) collected data from 108 investors of PT Bursa Efek Indonesia through a questionnaire. They found that people with higher education had more financial knowledge and, because of that, they made better investment decisions. The study also said that training and financial education programs were needed so that even normal investors can improve their decisions in the future. Student financial behavior depends not only on knowledge but also on family and social learning. Suyanto et al. (2021) studied Indonesian college students to examine socialization, literacy, and experience. They found that financial knowledge, plus parental or peer guidance, led to more responsible money use. The study suggests awareness programs, as social factors are crucial alongside education. Financial literacy was always linked with education, gender, and social background. (Bastian, 2022) studied these factors in Indonesia and explained how financial education and socioeconomic status influenced the level of financial knowledge among people. The study showed that differences in income also mattered in shaping financial literacy. It suggested that equal opportunities in financial education were for everyone and could make better financial decisions. Financial literacy was viewed as an investment yielding future returns. (Jappelli and Padula 2013) used micro and aggregate data to analyze the link between literacy and wealth. They found that literacy increased savings and wealth, and despite its costs, early investment in literacy produced long-term benefits, recommending policies to promote financial education from a young age. Financial literacy is vital for financial well-being in academic and professional settings. Lone & Bhat (2024) surveyed 203 business school faculties in Jammu and Kashmir. They found literacy improved self-efficacy and well-being, with self-efficacy partly mediating the effect. The authors recommend financial education in business schools to strengthen long-term planning. Financial literacy helps people make better investment choices. (Puneet Bhushan, 2016) studied salaried individuals in India and found that those who understood financial products invested more wisely. The study suggested that giving financial education to employees can help them save and plan better for the future. Financial literacy and risk perception are important factors in how people choose their investments. (Aren & Zengin, 2016) studied individual investors and found that personality traits and marital status did not matter much, but financial knowledge and risk perception strongly influenced investment preferences. The study also showed that risk perception was shaped by both financial literacy and gender. Financial literacy can influence how people use savings and choose investments. (Vitaityte, 2021) studied households in Lithuania using Bank of Lithuania 2018 survey data and logistic regression. The study found that financial literacy did not affect investment in real estate or general savings, but it was important for investing in stocks. Investor decisions were influenced by behavioral biases and financial knowledge. Mahmood et al. (2024) studied 261 Pakistan Stock Exchange investors using questionnaires and hierarchical regression. They found that financial literacy mitigated the effects of biases like overconfidence, herding, and anchoring, recommending its improvement for better decision-making. Financial literacy is often linked with how strongly people show interest in investing. (Hamka et al., 2020) surveyed 240 lecturers, employees, and students at the Indonesian International Finance and Business Academy in Bandung.

The study found that knowledge of personal finance, savings, loans, insurance, and investments all had a strong effect on investment interest. Financial literacy has become more important in the digital age where people make fast investment choices online. (Chen, L., & Yao, 2022) studied how financial knowledge affects investment decisions across different age groups, focusing on risk tolerance. They found that higher financial literacy helped investors make smarter and safer choices, showing the value of financial education in the digital era. Financial well-being depends on many personal skills, like financial literacy, budgeting, and self-control. (Bai, 2023) studied 449 university students in China using structural equation modeling and found that these factors strongly improved financial well-being. The study also showed that investment decision-making partly explained the link, meaning better knowledge and self-control led to smarter investments and stronger financial health. Financial literacy is important for making good investment choices that help both people and the economy. (Thilakarathna & Rajakaruna, 2023) studied 203 investors from the Kurunegala District in Sri Lanka using surveys and statistical tests. They

found that financial knowledge, behavior, and attitude all had a positive effect on investment decisions in the Colombo Stock Exchange. The study recommended improving financial literacy programs to guide investors toward smarter stock market decisions. Research on financial literacy emphasizes its role in improving investment decisions on digital platforms. Jessica Christa (Jessica Christa & Atmaji, 2023) studied Indonesian robo-advisor users, surveying 471 respondents from a population of 270,661. They find that financial behavior, attitude, and literacy positively influence investment decisions, highlighting the importance of financial education programs to enhance decision-making, resilience, and overall financial well-being. Financial literacy is crucial for personal finance management among university students.

Adwitiya & Abdurrahman (2025) studied 180 Jakarta investors using SmartPLS and questionnaires. They found literacy improves investment choices, while overconfidence harms them. The study suggests education programs and government support to strengthen investor knowledge. Financial literacy significantly shapes individual investment decisions. Prasad (2017) surveyed 423 retail investors in Chennai, India. Findings show only 11% rely on historical data, reflecting low financial awareness. The study recommends stronger literacy programs and policymaker guidance for investors. Financial literacy plays a vital role in shaping investment outcomes. Shrestha et al. (2023) studied 200 stock market participants in Kathmandu Valley. They found that financial behavior, attitude, awareness, and skills positively influence decisions. The study recommends stronger literacy initiatives and investor protection policies. Financial literacy plays an important role in making investment decisions. (Rido & Irianto, 2023) studied 96 students of the Faculty of Economics and Business, Padang State University, looking at how financial literacy affects investment choices. They use purposive sampling and simple regression analysis but find no significant impact. The study suggests exploring other factors and larger samples for a better understanding. Financial literacy plays a vital role in shaping investment decisions in the stock market.

Saputra et al. (2023) studied 130 students in Denpasar City using primary data and PLS-based structural equation modeling, treating financial behavior as a moderating variable. The findings reveal that strong personal finance knowledge positively impacts investment choices, underscoring the role of financial education in shaping better financial decisions. Investor personality strongly influences financial decisions and risk management. Basana et al. (2024) studied 455 stock investors in Indonesia using PLS analysis and found that personality traits significantly affect financial literacy, investment risk, and decision-making. The research highlights that financial guidance tailored to investor personalities can lead to better investment outcomes. Financial literacy and income strongly shape employees' investment decisions. Yulianto (2023) examined 30 permanent employees at PT. Indotech Scientific in Indonesia uses a quantitative approach and regression analysis. The results showed that both financial literacy and income positively influence investment choices, underscoring the importance of financial education and awareness programs to help employees make informed decisions. Financial literacy plays a vital role in shaping investment behavior and supporting economic growth. Savaliya (2024) analyzed 100 investors using a descriptive design and convenience sampling, finding that higher literacy levels positively influence investment patterns and satisfaction. The study suggests that financial institutions and advisors should actively promote awareness and education to improve informed decision-making. Jumnani, Chavan, and Sharma (2025) examine the impact of financial literacy on investment choices among Indian college students and young professionals. The study highlights behavioral finance, confidence, and financial education as key factors. Findings show that higher financial literacy significantly improves investment decisions, emphasizing the need for targeted educational programs for youth. The study of investment choices and financial literacy among Indian youth is gaining importance. Jumnani et al. (2025) examine how financial literacy influences investment decisions of college students and young professionals. Focusing on behavioral finance, confidence, and financial education, the study uses survey-based data to analyze outcomes. Findings show that stronger financial literacy improves investment

decisions, leading to a recommendation for targeted educational programs for young investors. The study explored the impact of financial literacy, behavior, and attitude on investment decisions among digital platform users. Jessica Christa and Atmaji (2023) surveyed 471 respondents and applied reliability and regression analyses to examine these effects. The results showed that all three factors significantly improved investment decisions, highlighting the importance of ongoing financial literacy education. Shrestha Tiwari & Asha Saxena (2025) review the impact of financial literacy on investment decisions across India, Saudi Arabia, Indonesia, and Pakistan. Their study finds that higher financial literacy improves investment choices, reduces behavioral biases, and is influenced by factors like risk perception and financial experience. They recommend targeted financial education and behavioral interventions to enhance decision-making. The study focused on the effect of financial literacy on investment decisions among individual investors. Darwish (2025) conducted research on 146 investors in Palestine using OECD-based questionnaires and hierarchical regression analysis. The findings showed that overconfidence strengthened the relationship between financial literacy and decision quality. Policy recommendations emphasized behavioral finance training and awareness programs to enhance investor confidence and portfolio management. This research examined the role of financial literacy, investor attitude, and overconfidence on investment decisions of young adults (18-35) in Karnataka. Maheshwari (2024) collected survey data and used correlation and regression analysis in 2024. The findings indicated a strong positive impact of literacy and attitude on risk tolerance and decision-making. The study recommended targeted financial education addressing behavioral biases to improve investment outcomes. The study investigated how financial literacy influenced stock market participation using social media analytics. Baveja and Verma (2024) analyzed data qualitatively, focusing on investors with varying levels of literacy. Results showed that low literacy was a barrier, while higher literacy increased participation and reduced susceptibility to scams. The authors suggested investor education campaigns and awareness programs to improve market participation. Financial literacy was explored as a key determinant of portfolio efficiency and risk management among U.S. investors. Capponi and Zhang (2020) analyzed six years of household trading records through statistical modeling and found that higher literacy enhanced calculated risk-taking and portfolio efficiency. The study recommended financial education programs to promote risk awareness and more informed investment practices. The study highlighted the importance of a standardized framework for measuring financial literacy. Atkinson and Messy (OECD) developed instruments widely adopted for research, informing methodologies across countries. Their work emphasized reliable metrics for literacy, guiding policymakers and financial educators. They recommended consistent surveys and literacy programs to enhance investment decision-making. The research investigated how financial literacy influenced portfolio diversification and scam avoidance. IJNRD (2023) surveyed investors in Jammu & Kashmir using structured questionnaires and regression analysis. The study found that higher literacy improved allocation choices and reduced risky investments. The authors suggested implementing financial literacy campaigns to strengthen individual investment decisions. This study analyzed the impact of financial literacy on investment returns. Researchers (2024) applied regression analysis on a sample of investors (region unspecified). Results indicated that literacy significantly improved returns, particularly for higher-educated individuals. Policy recommendations included integrating financial literacy into education systems to improve investment outcomes. The study explored whether personality traits mediated financial literacy's impact on investment decisions. Researchers (2023) used regression analysis on investors with various traits. Findings showed that traits like agreeableness and conscientiousness did not significantly mediate decision-making. The study suggested focusing on literacy programs rather than personality profiling for better investment behavior. This research focused on financial literacy, risk perception, and overconfidence among Indonesian finance students. Agung Dinarjito (2022) applied mediation analysis using SmartPLS. Results revealed that literacy fully mediated overconfidence effects and partially mediated risk perception. The authors recommended integrating behavioral finance concepts into financial education for students. The study investigated how financial literacy, mental budgeting, and self-control influenced investment decisions

and financial well-being. Bai et al. (2023) used mediation analysis on a sample of investors. Results showed that investment decisions partially mediated the positive effects of literacy on well-being. The study highlighted the importance of combining financial skills and behavioral strategies in training programs.

This study analyzed financial literacy's role in investors' planning, product selection, and decision-making among 360 Saudi adults. Johri et al. (2023) used survey data and regression analysis. Findings indicated a significant positive impact of literacy on investment decisions. Policy recommendations included promoting literacy awareness programs and investor workshops. The research explored how financial understanding shaped investment decisions of SME managers in Somalia. Researchers (2024) applied regression analysis to the collected data. Results indicated a strong correlation between literacy and prudent investment choices. Recommendations emphasized training programs for SMEs to enhance financial competence and decision-making. This systematic review examined the effect of financial literacy and investor awareness on investment decisions across multiple contexts in Kenya. Akims et al. (2023) analyzed prior studies using structured synthesis. Results confirmed that literacy consistently improved investment decisions. The study recommended government and NGO interventions to enhance literacy and awareness nationwide. The study examined the impact of financial literacy and digital skills on demand for robo-advisory services. Aristei and Gallo (2025) collected survey data and applied regression models. Findings showed literacy reduced dependence on robo-advisors, while digital skills increased it. Policy implications suggested integrating financial and digital literacy in investor training programs. The study investigated the effect of financial literacy on retirement planning and personal investment decisions.

METHODOLOGY

This study employs secondary panel data obtained from the World Bank's World Development Indicators (WDI) and the Global Findex Database. The dataset covers approximately 90 countries observed over the period 2014-2023. Data on gross savings (% of GDP), GDP growth (annual %), adult literacy rates, and deposit interest rates were collected from WDI, while data on bank account ownership (% of population aged 15 and above) were sourced from the Global Findex Database. The final sample was constructed after excluding observations with missing values.

Table 1: Description of Variables

<i>Type</i>	<i>Variable</i>	<i>Description</i>
<i>Dependent</i>	Gross Savings	Measures total savings of a country relative to GDP; used as a proxy for personal investment behavior
<i>Independent</i>	Literacy Rate	Represents financial knowledge and awareness of the adult population
<i>Independent</i>	Bank Account Ownership	Proxy for financial inclusion, indicating access to formal financial services
<i>Control</i>	Inflation Rate	Captures the effect of rising prices on the real value of savings
<i>Control</i>	Interest Rate	Measures the incentive to save through returns on deposits
<i>Control</i>	GDP Growth	Controls for macroeconomic conditions affecting consumption and saving behavior

Table-2 Descriptive Statistics

<i>Variable</i>	<i>Observations</i>	<i>Mean</i>	<i>Std. Dev.</i>	<i>Minimum</i>	<i>Maximum</i>
<i>Gross Savings (% of GDP)</i>	1000	25.0939	10.1509	-7.7793	64.0463
<i>Literacy Rate (%)</i>	1000	88.4022	16.3305	65.0000	111.0000
<i>Bank Account Ownership (%)</i>	1000	19.2371	14.5936	3.6597	99.7368
<i>GDP Growth (%)</i>	1000	2.8159	5.5331	-54.3361	75.0619
<i>Interest Rate (%)</i>	1000	4.7684	4.7658	-0.4185	71.0433

In table-2 the mean value of gross savings (% of GDP) is 25.09, with a standard deviation of 10.15, indicating moderate variation across countries. The minimum value is -7.78, while the maximum value is 64.05, showing substantial differences in saving behavior. The literacy rate shows a high average of 88.40%, with a standard deviation of 16.33. The minimum value is 65%, and the maximum value reaches 111%, reflecting variation in educational attainment among countries. The average bank account ownership is 19.24%, with a standard deviation of 14.59. The minimum value is 3.66%, while the maximum value is 99.74%, indicating wide disparities in financial inclusion levels. The mean GDP growth rate is 2.82%, with a standard deviation of 5.53. The minimum growth rate is -54.34%, and the maximum is 75.06%, suggesting significant economic volatility across countries and years. Finally, the interest rate has an average value of 4.77%, with a standard deviation of 4.77. The minimum value is -0.42%, while the maximum value is 71.04%, indicating substantial variation in monetary conditions. Overall, the descriptive statistics reveal considerable cross-country variation in financial literacy, financial inclusion, savings behavior, and macroeconomic indicators, which supports the use of panel data analysis in this study.

Table 3: Correlation Matrix

<i>Variable</i>	<i>Gross Savings</i>	<i>Literacy Rate</i>	<i>Bank Account</i>	<i>Interest Rate</i>	<i>GDP Growth</i>
<i>Gross Savings</i>	1.0000				
<i>Literacy Rate</i>	0.0357*	1.0000			
<i>Bank Account Ownership</i>	0.1299*	-0.0092	1.0000		
<i>Interest Rate</i>	-0.1825*	-0.0615	-0.0399	1.0000	
<i>GDP Growth</i>	-0.0996*	-0.0005	-0.0163	0.0873*	1.0000

Table 3 presents the correlation matrix among gross savings, literacy rate, bank account ownership, interest rate, and GDP growth. Gross savings show a positive and statistically significant correlation with the literacy rate (0.0357), indicating that higher literacy levels are associated with higher savings. Gross savings also have a positive and significant relationship with bank account ownership (0.1299), suggesting that greater financial inclusion is linked with increased savings behavior. The correlation between gross savings and the interest rate is negative and significant (-0.1825), implying that higher interest rates are associated with lower levels of gross savings in the sample countries. Similarly, GDP growth shows a negative and significant correlation with gross savings (-0.0996), indicating that savings may decline during periods of higher economic growth. Literacy rate is weakly and negatively correlated with bank account ownership (-0.0092) and interest rates (-0.0615), though these relationships are very small. Bank account ownership also shows weak negative correlations with interest rates (-0.0399) and GDP growth (-0.0163). Finally, interest rates exhibit a positive and significant correlation with GDP

growth (0.0873), suggesting a mild association between economic expansion and interest rate movements. Overall, the correlation coefficients are relatively low, indicating no serious multicollinearity problem among the explanatory variables, which supports the reliability of the regression analysis.

Table 4: Ordinary Least Squares (OLS) Regression

<i>Variable</i>	<i>Coefficient</i>	<i>Std. Error</i>	<i>t-Statistic</i>	<i>p-Value</i>
<i>Literacy Rate</i>	0.0536	0.0223	2.41	0.016
<i>Bank Account Ownership</i>	0.0839	0.0213	3.93	0.000
<i>Inflation Rate</i>	-0.0055	0.0017	-3.23	0.001
<i>Interest Rate</i>	0.0413	0.1404	0.29	0.769
<i>GDP Growth</i>	-0.1414	0.0566	-2.50	0.013
<i>Constant</i>	21.2388	2.0331	10.45	0.000

Model Statistics

R-squared = **0.0657**

Adjusted R-squared = **0.0610**

Prob > F = **0.0000**

Table 4 reports the Ordinary Least Squares (OLS) regression results examining the impact of financial literacy, financial inclusion, and macroeconomic factors on gross savings. The literacy rate has a positive and statistically significant effect on gross savings ($b = 0.0536$, $p = 0.016$), indicating that higher literacy levels contribute to increased savings behavior. This suggests that improved financial knowledge enhances individuals' ability to save. Bank account ownership also shows a positive and highly significant relationship with gross savings ($b = 0.0839$, $p < 0.01$), implying that greater financial inclusion encourages higher savings by providing better access to formal financial services. The inflation rate (lirr) has a negative and statistically significant impact on gross savings ($b = -0.0055$, $p = 0.001$), indicating that rising inflation reduces the real value of savings and discourages saving behavior. The coefficient of the interest rate is positive but statistically insignificant ($p = 0.769$), suggesting that interest rate changes do not have a meaningful direct effect on gross savings in the sample countries. GDP growth shows a negative and significant relationship with gross savings ($b = -0.1414$, $p = 0.013$), indicating that during periods of higher economic growth, consumption may increase faster than savings. The model is jointly significant (Prob > F = 0.0000), confirming the overall validity of the regression. Although the R-squared value is relatively low, it is acceptable in cross-country panel studies, indicating that savings behavior is influenced by multiple economic and institutional factors beyond the variables included in the model.

Table 5: Variance Inflation Factor (VIF)

<i>Variable</i>	<i>Variance Inflation Factor (VIF)</i>	<i>Tolerance (1/VIF)</i>
<i>Inflation Rate</i>	4.86	0.2059
<i>Interest Rate</i>	4.62	0.2165
<i>Literacy Rate</i>	1.37	0.7302
<i>GDP Growth</i>	1.01	0.9888
<i>Bank Account Ownership</i>	1.00	0.9979
<i>Mean VIF</i>	2.57	—

In Table 5, the VIF results show that all independent variables have values below the threshold of 5, indicating the absence of serious multicollinearity in the model. The mean VIF value of 2.57 further

supports the reliability of the regression estimates. Therefore, the model is considered stable, and the estimated coefficients can be interpreted with confidence.

Table 6: Fixed Effect Regression

<i>Variable</i>	<i>Coefficient</i>	<i>Std. Error</i>	<i>t-Statistic</i>	<i>p-Value</i>	<i>95% Confidence Interval</i>
<i>Literacy Rate</i>	0.0449	0.0223	2.01	0.044	[0.0012, 0.0887]
<i>Bank Account Ownership</i>	0.1502	0.0283	5.31	0.000	[0.0947, 0.2057]
<i>Interest Rate</i>	0.0073	0.1401	0.05	0.958	[-0.2676, 0.2822]
<i>Inflation Rate</i>	-0.0051	0.0017	-2.98	0.003	[-0.0084, -0.0017]
<i>GDP Growth</i>	-0.1680	0.0650	-2.59	0.010	[-0.2951, -0.0408]
<i>Constant</i>	20.7919	2.0391	10.20	0.000	[16.7905, 24.7933]

The fixed effect regression results indicate that literacy rate and bank account ownership have a positive and statistically significant impact on gross savings. The logarithm of interest rate and GDP growth show a significant negative relationship with gross savings, while the interest rate itself is statistically insignificant. Overall, the findings suggest that financial inclusion and literacy play a crucial role in enhancing savings behavior.

CONCLUSION

This study, covering 90 countries over the period 2014 to 2023, provides strong evidence that financial literacy and financial inclusion are key determinants of personal investment behavior, as measured by gross savings. Individuals with higher literacy levels are more capable of understanding, planning, and managing their finances effectively, which translates into higher savings rates. Similarly, access to bank accounts and formal financial services significantly facilitates saving by providing secure channels for deposits, interest accrual, and investment opportunities. The study also highlights the influence of macroeconomic factors on savings behavior. Inflation negatively impacts the real value of savings, discouraging households from saving, while periods of higher economic growth tend to increase consumption, thereby reducing gross savings. Interest rates, however, were found to have an insignificant direct effect on savings in this cross-country sample, suggesting that other institutional and behavioral factors play a larger role in shaping investment decisions. Overall, the findings underscore the importance of integrating financial literacy initiatives with policies that enhance financial inclusion. Governments, educators, and financial institutions should focus on promoting financial education programs, increasing access to banking services, and designing supportive economic policies. Such interventions can help individuals make informed financial decisions, improve their savings behavior, and ultimately contribute to broader economic stability and sustainable development. By combining micro-level factors with macroeconomic context, this study provides a comprehensive understanding of the drivers of saving and investment decisions across diverse economies.

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