

Does financial literacy influence risk-taking propensity? An empirical approach through Spanish undergraduates

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Abstract

This paper examines the relationship between financial literacy and risk-taking propensity in undergraduates, considering its three dimensions: financial knowledge, financial attitude, and financial behaviour. It collects data through a questionnaire answered by 568 undergraduates. While Confirmatory Factor Analysis (CFA) is used to validate the measurement model, Structural Equation Model (SEM) is applied to test a framework comprising five hypotheses. The results indicate that financial knowledge and financial behaviour directly and positively affect risk-taking propensity. This research also confirms a favourable indirect effect of financial attitude on risk-taking propensity through financial behaviour.

Keywords: Financial literacy, financial knowledge, financial behaviour, financial attitude, risk-taking propensity, undergraduates.