



**A STUDY OF THE INFLUENCING FACTORS OF PERSONAL
INVESTMENT DECISION: A CASE OF FINANCIAL
KNOWLEDGE, RISK PREFERENCE AND INVESTMENT SELF-
EFFICACY AMONG YOUNG INVESTORS IN CHINA**

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**AN INDEPENDENT STUDY SUBMITTED IN PARTIAL
FULFILLMENT OF THE REQUIREMENTS FOR THE DEGREE OF
MASTER OF BUSINESS ADMINISTRATION
GRADUATE SCHOOL OF BUSINESS
SIAM UNIVERSITY**

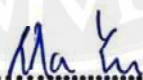
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This Independent Study Has Been Approved as a Partial Fulfillment of the
Requirements for the Degree of Master of Business Administration

Advisor.....
(Dr. MA YU)

Date: 8...../.....1...../.....2016.....

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Date.....20, Oct, 2016.....

Title: A Study of the Influencing Factors of Personal Investment Decision:
A Case of Financial Knowledge, Risk Preference and Investment Self-
Efficacy Among Young Investors in China

Researcher: JIAO QIANQING

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ABSTRACT

In the context of China's rapidly expanding retail investment market, understanding the factors that shape individual investment behavior has become increasingly important. Young and middle-aged investors, in particular, are active participants in digital financial platforms, yet their investment decisions are influenced by varying levels of financial knowledge, psychological tendencies, and behavioral characteristics. This study aimed to examine the impact of financial knowledge, risk preference, and investment self-efficacy on the personal investment decisions of investors in China.

A quantitative research design was employed, and data were collected through an online questionnaire distributed using a random sampling approach. A total of 380 questionnaires were distributed, and 300 valid responses were retained for analysis. The study utilized descriptive statistics, correlation analysis, and multiple regression analysis to evaluate the relationships among the key variables.

The findings reveal that all three factors—financial knowledge, risk preference, and investment self-efficacy—have significant positive effects on personal investment decisions. Among them, investment self-efficacy emerged as the strongest predictor, followed by risk preference and financial knowledge.

This study contributes to the literature by providing empirical evidence from a developing-market context and offers practical implications for policymakers, financial institutions, and individual investors seeking to enhance financial decision-making and promote healthier investment behavior.

Keywords: financial knowledge, risk preference, investment self-efficacy, personal investment decision



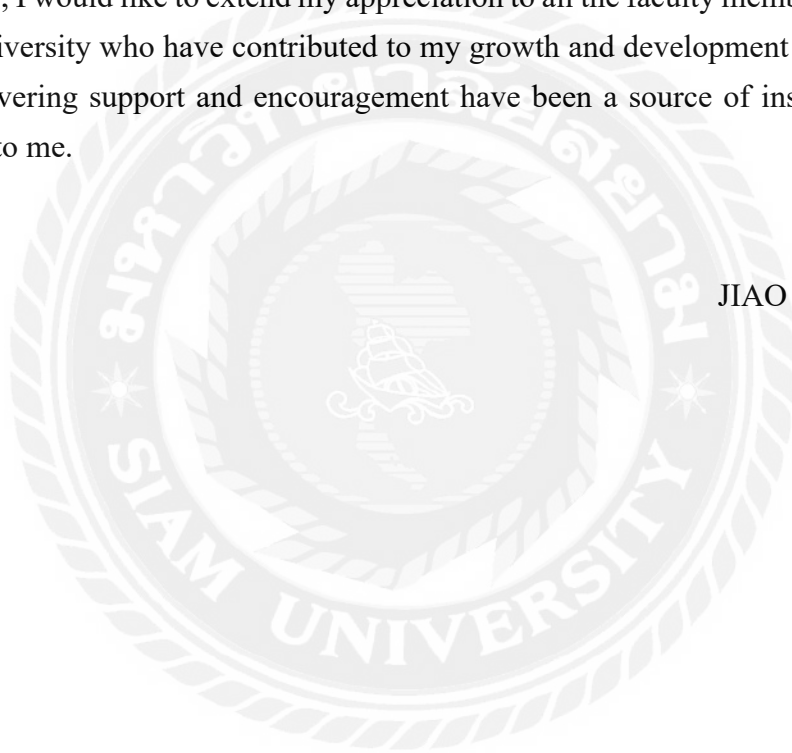
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JIAO QIANQING



DECLARATION

I, JIAO QIANQING, hereby declare that this Independent Study entitled “A Study of the Influencing Factors of Personal Investment Decision: A Case of Financial Knowledge, Risk Preference and Investment Self-Efficacy Among Young Investors in China” is an original work and has never been submitted to any academic institution for a degree.

(JIAO QIANQING)

Dec 15, 2025



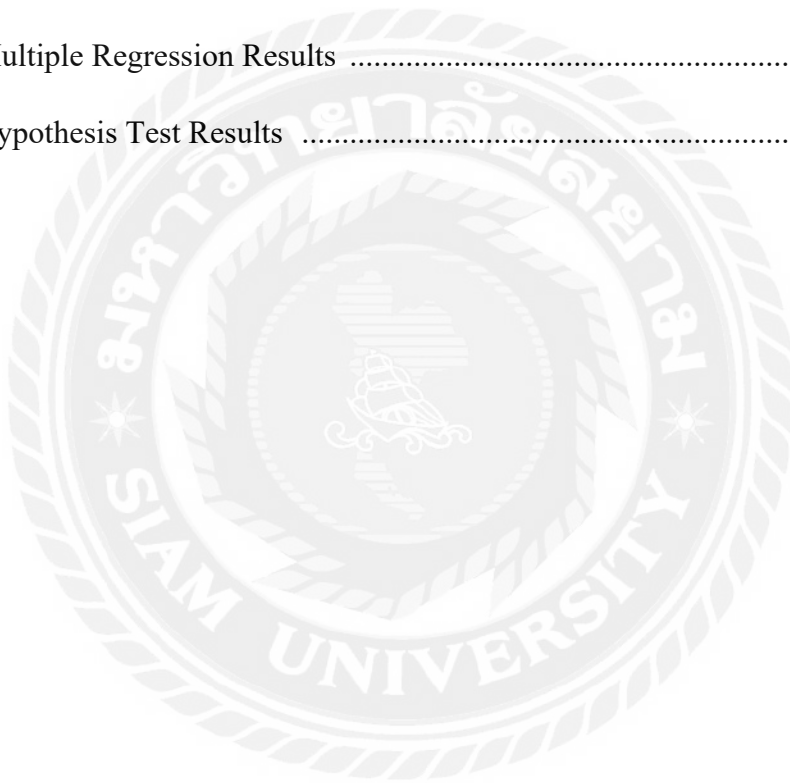
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Chapter 1 Introduction

1.1 Background of the Study

In recent years, China's financial landscape has undergone significant transformation driven by rapid economic development, technological innovation, and the expansion of fintech services. The proliferation of online investment platforms, mobile financial applications, and digital wealth management tools has greatly lowered the threshold for individual participation in financial markets. As a result, financial investment has become increasingly accessible to the general public, especially younger generations who are more inclined to adopt digital financial services (Li et al., 2021).

Young investors in China represent a particularly influential and rapidly growing demographic within the investment ecosystem. With higher levels of digital literacy, openness to financial innovation, and strong interest in wealth accumulation, this group is shaping new patterns of investment participation. Reports show that individuals aged 18 to 35 are becoming one of the most active user groups in securities trading, fund investment, and online wealth management products (Zhang & Guan, 2020). Their investment behaviors are not only influenced by technological accessibility but also by broader socioeconomic shifts, including rising income levels, increased awareness of financial planning, and evolving attitudes toward long-term wealth management.

At the same time, China's financial markets have become more diverse and complex, offering a wide range of products such as mutual funds, exchange-traded funds, insurance-linked investments, and digital assets. While such diversification provides opportunities for wealth growth, it also introduces uncertainties and challenges for individual investors navigating these markets. As young adults increasingly participate in investment activities, understanding what shapes their financial behaviors has become an important area of academic and practical interest (Lusardi & Mitchell, 2014).

Globally, researchers have emphasized the importance of examining how social changes, technological advancements, and financial market developments influence the investment participation of younger generations. In China, where fintech adoption and retail investment participation continue to accelerate, exploring the factors that contribute to young people's investment decisions is both timely and necessary. Such research not only enriches academic understanding of emerging investor groups but also provides valuable insights for financial institutions, educators, and policymakers aiming to support healthy and sustainable financial behavior.

1.2 Questions of the Study

1. To what extent does financial knowledge influence the personal investment decisions of young investors in China?
2. How does risk preference affect the personal investment decisions of young Chinese investors?
3. What is the effect of investment self-efficacy on the personal investment decisions of young investors in China?

1.3 Objectives of the Study

1. To examine the effect of financial knowledge on the personal investment decisions of young investors in China.
2. To examine the effect of risk preference on the personal investment decisions of young Chinese investors.
3. To examine the effect of investment self-efficacy on the personal investment decisions of young investors in China.

1.4 Scope of the Study

This study focused on examining the factors that influence personal investment decisions among young and middle-aged investors in China, specifically targeting individuals aged 22 to 45 who have engaged in investment activities such as stocks, mutual funds, online wealth management products, insurance-related investments, or other financial instruments. The research was geographically limited to respondents residing in mainland China and did not include individuals from Hong Kong, Macao, Taiwan, or other countries. The study adopted a quantitative approach using a structured questionnaire to collect primary data, and the analysis was conducted using descriptive statistics, correlation analysis, and multiple regression techniques.

1.5 Significance of the Study

This study holds both theoretical and practical significance in understanding personal investment decision-making among young and middle-aged investors in China.

From a theoretical perspective, the study contributes to the growing body of literature on individual financial behavior by offering empirical evidence on how various behavioral and cognitive factors influence investment decisions within the context of China's rapidly evolving financial market. Existing research often focuses on general investor populations or single determinants of investment behavior, leaving limited exploration of how multiple factors jointly shape investment decisions among

younger and digitally active groups. By examining this demographic, the study enriches behavioral finance theory and provides further insight into how financial decision-making frameworks apply in a modern, technology-driven investment environment.

From a practical perspective, the study provides valuable insights for policymakers, financial institutions, educators, and digital investment platforms seeking to promote responsible and informed investment practices. Understanding the factors that shape investment decisions can support the development of more effective financial education programs, tailored training for young and middle-aged investors, and investor-protection policies that address behavioral tendencies in financial decision-making. For financial service providers and fintech companies, the results can guide the design of user-centered investment tools, risk assessment systems, and personalized advisory services that better meet the needs of this growing investor segment. Ultimately, the study contributes to fostering healthier investment behavior, reducing financial risk exposure, and improving overall financial well-being among China's emerging investor population.

1.6 Definition of Key Terms

1. Investment Self-Efficacy

Investment self-efficacy refers to an individual's confidence in their ability to successfully engage in investment-related activities, including evaluating financial information, selecting appropriate investment products, and achieving financial goals. Higher levels of investment self-efficacy are associated with stronger investment motivation and more proactive investment behaviors. In this study, investment self-efficacy is considered a psychological factor affecting personal investment decisions.

2. Personal Investment Decision

Personal investment decision refers to an individual's choices and actions related to selecting, managing, and adjusting financial investment products such as stocks, mutual funds, bonds, insurance products, and digital investment instruments. It encompasses behaviors such as evaluating alternatives, assessing risks, allocating financial resources, and making investment commitments. In this study, personal investment decision represents the dependent variable reflecting the extent and quality of investment behaviors among individuals aged 22 to 45 in China.

3. Financial Knowledge

Financial knowledge, often referred to as financial literacy, is the understanding of fundamental financial concepts such as interest rates, inflation, diversification, risk-return relationships, and the characteristics of financial products. It involves the ability

to interpret financial information and apply financial principles to make informed decisions. In this study, financial knowledge is treated as a key influencing factor that may affect individuals' ability to evaluate investment opportunities and make sound financial decisions.

4. Risk Preference

Risk preference refers to an individual's tendency or willingness to accept financial risk when making investment choices. It reflects how comfortable an individual is with uncertainty, potential losses, and variability in investment outcomes. Individuals with high risk preference tend to choose high-risk, high-return investment products, while those with low risk preference prefer safer and more stable financial instruments. In this study, risk preference represents one of the behavioral characteristics influencing investment decision-making.



Chapter 2 Literature Review

2.1 Financial Knowledge

Financial knowledge, commonly referred to as financial literacy, has long been recognized as a fundamental determinant of individual financial behavior and investment decision-making. Existing literature consistently emphasizes that individuals equipped with higher levels of financial knowledge are better able to comprehend financial principles, evaluate investment alternatives, and make decisions that align with their financial goals. Lusardi and Mitchell (2014) argued that financial literacy is essential for understanding basic economic concepts such as inflation, interest compounding, and risk diversification, all of which play crucial roles in shaping informed investment decisions. Likewise, Chen and Volpe (1998) found that individuals with stronger financial knowledge tend to make more accurate financial judgments and exhibit more responsible investment behaviors. As financial markets become more complex and diverse, the ability to process financial information effectively is increasingly vital.

In the context of emerging economies such as China, the importance of financial knowledge has become even more pronounced due to rapid fintech development and the proliferation of digital investment platforms. Recent studies highlight that financial knowledge not only enhances investment participation but also reduces the likelihood of poor financial choices in fast-changing financial environments (Li et al., 2021). Young and middle-aged investors, in particular, benefit significantly from financial literacy because they often rely on online channels for investment information, which requires sufficient financial understanding to avoid misinformation and speculative behavior. Potrich et al. (2020) further demonstrated that financial knowledge positively influences an investor's ability to assess risk–return trade-offs, diversify portfolios, and maintain long-term investment strategies. Moreover, financial knowledge has been shown to improve confidence in financial decision-making, thereby leading to more proactive involvement in investment activities (Xiao et al., 2021). Collectively, these studies underline the critical role of financial knowledge in shaping rational investment behaviors across different demographic groups.

The growing body of evidence suggests that financial knowledge not only directly influences personal investment decision-making but also interacts with psychological and behavioral factors, such as risk tolerance and financial self-efficacy. Nguyen et al. (2019) pointed out that financial literacy enhances an individual's capability to evaluate risky assets, making them more competent and willing to engage in investments with

well-understood risks. As such, individuals with higher financial knowledge tend to construct more diversified portfolios and demonstrate more consistent investment patterns. Given the increasing accessibility of financial markets and the expanding range of investment products available, understanding financial knowledge and its behavioral consequences is essential for both academic research and practical financial education.

2.2 Risk Preference

Risk preference, a central construct in behavioral finance, refers to an individual's willingness to engage in financial activities that involve varying levels of uncertainty and potential loss. It reflects how individuals perceive and tolerate risk when making investment decisions. The foundational work of Kahneman and Tversky (1979) established the theoretical basis for understanding risk preference through Prospect Theory, which demonstrates that individuals evaluate potential gains and losses asymmetrically and often exhibit loss aversion. This theoretical perspective has shaped subsequent research demonstrating that risk preference significantly influences investment behavior. Empirical studies consistently show that investors with higher risk tolerance are more likely to allocate funds to high-risk, high-return assets such as stocks, derivatives, and emerging financial instruments, whereas risk-averse individuals tend to choose safer and more stable investment options such as bonds or savings products (Jansson & Biel, 2020).

Recent research has further highlighted the importance of risk preference in predicting variations in investment participation and portfolio composition. For instance, Grable and Lytton (1999) developed one of the most widely used scales for measuring financial risk tolerance, providing a robust instrument for understanding investor behavioral tendencies. Their findings suggest that demographic characteristics—such as age, gender, and income—also interact with risk preference, shaping how individuals approach financial decision-making. In the context of emerging markets like China, studies indicate that younger investors tend to exhibit higher levels of risk tolerance due to factors such as longer investment horizons, greater exposure to financial technologies, and increasing awareness of diversified investment opportunities (Li et al., 2021). This heightened risk appetite may partially explain the rapid growth of retail investor participation in China's stock and mutual fund markets.

Risk preference also interacts with cognitive and psychological dimensions in shaping investment behavior. Nguyen et al. (2019) found that risk tolerance works jointly with financial knowledge to influence investment decisions, suggesting that

individuals with both higher financial literacy and greater risk tolerance are more confident and more likely to make proactive investment choices. Furthermore, Xiao et al. (2021) showed that risk preference contributes to investors' self-assessment of financial capability, which in turn affects their investment engagement. As fintech platforms continue to expand in China and investment access becomes increasingly democratized, understanding risk preference has become essential for predicting investment decision-making patterns among young and middle-aged investors. Collectively, existing literature underscores that risk preference is a key determinant of investment behavior and remains a critical construct for examining financial decision-making in modern and rapidly evolving financial environments.

2.3 Investment Self-Efficacy

Investment self-efficacy, derived from Bandura's (1997) social cognitive theory, refers to an individual's belief in their ability to successfully perform investment-related tasks such as evaluating financial information, selecting appropriate investment products, and managing investment portfolios. This psychological construct has gained increasing attention in behavioral finance research, as it plays a central role in shaping individuals' financial behaviors and decisions. Xiao et al. (2021) emphasize that investment self-efficacy enhances an individual's confidence in dealing with financial uncertainties, increases persistence in investment activities, and encourages more proactive financial planning. Their study found that young adults with higher financial self-efficacy demonstrate stronger investment engagement, better financial capability, and more positive financial outcomes. This suggests that self-efficacy not only influences investment participation but also contributes to long-term financial well-being.

Prior research has also shown that investment self-efficacy interacts with cognitive factors and external conditions to influence financial behavior. Farrell et al. (2016) reveal that individuals with higher self-efficacy are more likely to gather and process financial information effectively, leading to more informed investment decisions. Moreover, self-efficacy helps individuals cope with the psychological pressures associated with financial risk, thereby reducing anxiety and promoting rational decision-making. In the context of digital financial markets, self-efficacy becomes even more relevant, as investors must navigate complex online platforms, interpret real-time data, and evaluate a wide range of investment products. Higher investment self-efficacy enables individuals to adapt to these challenges and engage confidently in investment activities, even in environments characterized by rapid technological change.

In emerging economies such as China, investment self-efficacy plays a particularly important role due to the increasing popularity of fintech platforms and the growing participation of younger generations in financial markets. Li et al. (2021) reported that self-efficacy contributes significantly to the adoption of fintech services, which in turn facilitates greater access to investment opportunities. As mobile investment applications and digital wealth management tools become more prevalent, users' confidence in their ability to utilize these tools effectively determines how they interact with financial markets. Recent studies have also shown that investment self-efficacy can mediate the relationship between financial knowledge and investment behavior, suggesting that individuals with better financial literacy develop stronger confidence, which ultimately leads to more active and informed investment decisions (Xiao et al., 2021). These findings highlight the importance of investment self-efficacy as a psychological driver that shapes investment intentions, behaviors, and outcomes.

Collectively, existing literature demonstrates that investment self-efficacy is a key factor influencing how individuals interpret financial information, evaluate investment risks, and make financial decisions. As financial markets continue to evolve and investment opportunities expand, understanding the role of self-efficacy is essential for developing more effective financial education programs, designing supportive investment platforms, and promoting healthier financial behaviors among young and middle-aged investors. The growing significance of investment self-efficacy in predicting investment behavior underscores its relevance in both academic research and practical financial management.

2.4 Personal Investment Decision

Personal investment decision-making refers to the cognitive and behavioral processes through which individuals evaluate financial information, select investment products, and allocate resources across various financial instruments. It is influenced by a wide range of internal and external factors, including individual characteristics, psychological traits, financial literacy, risk assessment, and market conditions. Traditional economic theories assume that individuals make investment decisions rationally to maximize expected utility; however, behavioral finance research has demonstrated that investor decisions often deviate from pure rationality due to heuristics, biases, emotions, and imperfect information (Kahneman & Tversky, 1979). These insights have led to a more comprehensive understanding of investment behavior, recognizing that personal investment decisions are shaped by both rational analysis and psychological influences.

Recent empirical studies highlight that personal investment decisions are becoming increasingly complex due to the expansion of financial products and the rise of digital investment platforms. Investors must not only evaluate traditional instruments such as stocks, bonds, and mutual funds but also navigate emerging financial technologies, online wealth management tools, and algorithm-driven investment services (Li et al., 2021). As these tools become more accessible, individual investors—especially younger age groups—are participating more actively in the financial markets. However, the ease of access does not necessarily guarantee sound decision-making. Research shows that many retail investors make investment choices based on limited information, emotional reactions, or social influence, which can result in suboptimal financial outcomes (Baker & Ricciardi, 2014). These findings emphasize the importance of examining how different behavioral and cognitive factors contribute to investment decision quality.

Scholars have identified several consistent predictors of personal investment decision-making, including financial knowledge, risk tolerance, confidence levels, and past investment experiences. Nguyen et al. (2019) found that investment decisions are strongly influenced by an individual's ability to assess risks and potential returns, suggesting that investment choices are partially driven by personal risk perception and risk appetite. Meanwhile, studies also indicate that individuals with greater financial capability are more likely to construct diversified portfolios, adjust their investment strategies in response to market changes, and maintain long-term investment commitments (Potrich et al., 2020). Moreover, Xiao et al. (2021) revealed that psychological factors such as self-efficacy play a crucial role, as individuals who believe they can successfully manage their investments tend to make more deliberate and confident financial decisions.

In the context of China, personal investment decision-making is evolving rapidly alongside the growth of fintech platforms, online trading applications, and digital financial services. These changes have fundamentally altered how individuals access financial information and interact with financial markets. Young and middle-aged investors in particular tend to rely on mobile platforms for investment activities, which has both expanded investment opportunities and introduced new decision-making challenges (Zhang & Guan, 2020). As a result, understanding personal investment decisions within this demographic is essential for promoting financial well-being, reducing decision-making errors, and designing policies or educational programs that support sound investment practices. Collectively, existing research shows that personal investment decisions are shaped by a combination of cognitive abilities, psychological

characteristics, financial market conditions, and the technological environment in which financial decisions are made.

2.5 Financial Literacy Theory

Financial Literacy Theory provides one of the most influential conceptual foundations for understanding how individuals acquire, process, and apply financial knowledge in decision-making contexts. Rooted in the broader theory of human capital, it posits that financial literacy—defined as the ability to understand and effectively use financial concepts—enhances individuals' economic decision-making and financial well-being (Lusardi & Mitchell, 2014). According to this theoretical perspective, financial literacy equips individuals with the cognitive tools needed to interpret financial information, evaluate investment alternatives, and make choices that align with their long-term financial goals. A key assumption of Financial Literacy Theory is that informed individuals act more rationally when navigating financial markets, enabling them to manage risk, avoid financial mistakes, and pursue opportunities for wealth accumulation.

The theory has been widely applied in empirical research examining financial behavior, particularly in the areas of saving, budgeting, retirement planning, and investment decision-making. Numerous studies support the idea that individuals with higher levels of financial literacy are more likely to participate in financial markets, diversify their investment portfolios, and exhibit forward-looking financial planning behavior (Hastings et al., 2013). In addition, financial literacy has been shown to reduce susceptibility to behavioral biases and emotional decision-making, contributing to more consistent and rational financial choices. Financial Literacy Theory further emphasizes that the benefits of financial knowledge are amplified in complex financial environments, where individuals are required to process large amounts of information and evaluate increasingly sophisticated financial products (van Rooij et al., 2011).

Within the context of developing and emerging economies, the theory is particularly relevant as financial markets become more accessible through digital platforms and fintech innovations. Research indicates that financial literacy plays a crucial role in enabling individuals to engage effectively with mobile investment tools and online wealth management products (Li et al., 2021). As financial products diversify and information becomes more abundant—yet often more complex—the ability to interpret financial data becomes indispensable. Financial Literacy Theory thus provides a strong conceptual foundation for understanding why financial knowledge influences key financial behaviors, including personal investment decisions. By

highlighting the importance of knowledge-based competencies, the theory helps explain variations in investment behavior across different demographic groups, especially young and middle-aged adults adapting to fast-changing financial landscapes.

2.6 Prospect Theory

Prospect Theory, proposed by Kahneman and Tversky (1979), is one of the most influential theoretical frameworks in behavioral finance and provides a foundational understanding of how individuals make decisions under conditions of risk and uncertainty. Unlike traditional expected utility theory, which assumes that individuals behave rationally and make choices to maximize utility, Prospect Theory argues that decision-making is shaped by psychological biases and subjective perceptions of gains and losses. Central to the theory is the concept of loss aversion, which posits that individuals experience losses more intensely than equivalent gains, leading them to make conservative or risk-averse decisions when facing potential losses and risk-seeking decisions when confronting potential gains. This asymmetry in evaluating outcomes significantly contributes to deviations from rational economic behavior and helps explain inconsistencies in financial decision-making.

In investment contexts, Prospect Theory provides valuable insights into how investors perceive risk, evaluate probabilities, and react to market fluctuations. Studies applying Prospect Theory have shown that investors often rely on heuristics and emotional responses when making investment decisions, rather than conducting fully rational evaluations of financial information (Barberis, 2013). For example, the value function described by Prospect Theory demonstrates that individuals tend to overweight low-probability events and underweight high-probability ones, which can lead to overreaction to rare but dramatic market events or excessive confidence in unlikely gains. Such biases influence investment choices, portfolio allocation, and trading behavior, particularly among less experienced investors. Empirical research has also revealed that investor behavior shifts depending on whether outcomes are framed as gains or losses; individuals may hold losing stocks longer due to loss aversion or prematurely sell winning stocks to secure perceived gains (Odean, 1998).

Prospect Theory has been widely applied in studies examining retail investor behavior, highlighting its relevance in modern financial markets where individual investors face abundant but often overwhelming market information. Research has demonstrated that the psychological biases described by Prospect Theory play an important role in shaping risk preference, one of the key determinants of investment behavior (Kliger & Kudryavtsev, 2010). Investors who are more loss-averse may adopt

more conservative investment strategies, whereas those who are more tolerant of potential losses may engage in riskier investment activities. This dynamic is particularly evident in volatile or rapidly developing markets such as China, where retail investors often display stronger emotional reactions to short-term market movements (Gao & Lin, 2019). With the rise of digital investment platforms and real-time trading information, the behavioral patterns predicted by Prospect Theory have become even more prominent among young investors.

Overall, Prospect Theory provides a powerful framework for understanding why individual investors often deviate from rational decision-making models and how psychological factors, such as loss aversion, probability distortion, and framing effects, shape investment outcomes. Its application in personal investment research has advanced the field of behavioral finance by explaining systematic biases that influence investor behavior across different financial environments. As individual participation in financial markets continues to expand, Prospect Theory remains essential for interpreting investment decision-making patterns and understanding the underlying drivers of risk-related behaviors among young and middle-aged investors.

2.7 Conceptual Framework

This study's conceptual framework is based on two foundational theories: Financial Literacy Theory, which supports the relationship between financial knowledge and investment decision-making, and Prospect Theory, which explains how risk perceptions shape investment behaviors. Anchored in these theories, the framework proposes that financial knowledge, risk preference, and investment self-efficacy each exert direct effects on personal investment decisions among young and middle-aged investors in China.

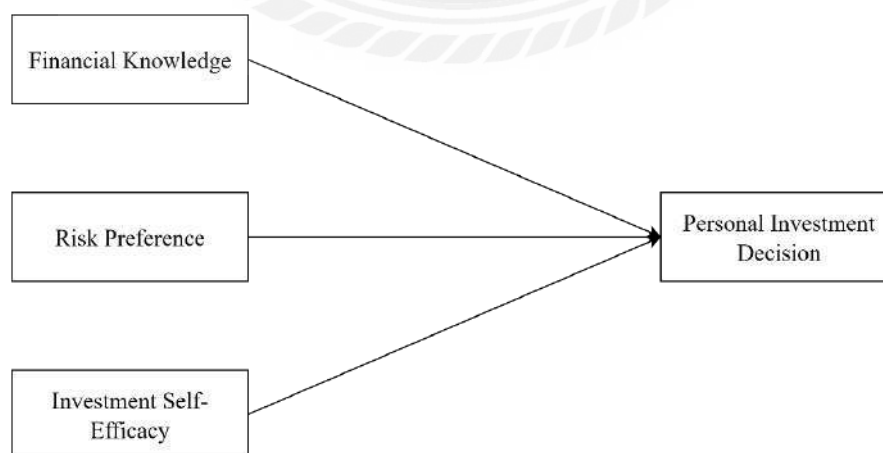


Figure 2.1 Conceptual Framework

Chapter 3 Research Methodology

3.1 Research Design

This study adopted a quantitative research method to examine the factors influencing personal investment decisions among young and middle-aged investors in China. Data were collected through an online questionnaire survey, which enabled efficient access to respondents across different regions. The analytical techniques used in this study include descriptive statistics, correlation analysis, and multiple regression analysis to evaluate the relationships among the variables and to test the proposed research hypotheses.

3.2 Questionnaire Design

The questionnaire used in this study was designed as a structured survey instrument to collect quantitative data from young and middle-aged investors in China. It consists of two major sections: (1) demographic information and (2) measurement items for the variables. The demographic section gathers information on respondents' age, gender, education level, income, and investment experience to describe the characteristics of the sample. The second section includes items measuring the four key constructs of the research model: financial knowledge, risk preference, investment self-efficacy, and personal investment decision. All measurement items were adapted from established and validated scales in prior literature to ensure reliability and content validity.

Each construct was measured using multiple items evaluated on a five-point Likert scale, ranging from 1 = Strongly Disagree to 5 = Strongly Agree. This scale was chosen to capture the degree of respondents' agreement with statements that reflect their financial knowledge, behavioral tendencies, and confidence levels. The financial knowledge scale includes items adapted from Lusardi and Mitchell (2014) and Chen and Volpe (1998). Risk preference items were adapted from Grable and Lytton (1999). Investment self-efficacy items were based on the financial self-efficacy framework proposed by Xiao et al. (2021). Items measuring personal investment decision were adapted from Nguyen et al. (2019) and related behavioral finance research.

Table 3.1 Measurement Items

Variable	Code	Item	Source
Financial Knowledge	FK1	I understand the basic concepts of interest rates and inflation.	Lusardi & Mitchell (2014); Chen &

	FK2	I can explain the risk–return relationship of financial products.	Volpe (1998); Chen & Volpe (1998)
	FK3	I know how to diversify investments to reduce risk.	
	FK4	I understand the differences between stocks, funds, and bonds.	
	FK5	I can interpret basic financial information when evaluating investments.	
	FK6	I am familiar with common financial terms used in investment platforms.	
Risk Preference	RP1	I am willing to take financial risks for the possibility of higher returns.	Grable & Lytton (1999); Jansson & Biel (2020)
	RP2	I prefer investment products with higher risk and higher potential profit.	
	RP3	I am comfortable with short-term losses if long-term gains are possible.	
	RP4	I tend to choose investment options even when their outcomes are uncertain.	
	RP5	I am willing to invest in new or emerging financial products.	
Investment Self-Efficacy	SE1	I am confident in my ability to make good investment decisions.	Xiao et al. (2021)
	SE2	I can analyze investment information effectively.	
	SE3	I am capable of achieving my investment goals.	
	SE4	I can manage my investments even when the market is uncertain.	

	SE5	I can learn new investment skills when necessary.	
	SE6	I feel confident selecting financial products that suit my needs.	
Personal Investment Decision	PID1	I regularly make decisions regarding my personal investments.	Nguyen et al. (2019)
	PID2	I compare different investment products before choosing one.	
	PID3	I adjust my investment portfolio based on market changes.	
	PID4	I actively participate in financial investments such as stocks or funds.	
	PID5	I am willing to allocate part of my income to long-term investment plans.	

3.3 Hypothesis

H1: Financial knowledge has a significant positive influence on the personal investment decisions of young investors in China.

H2: Risk preference has a significant influence on the personal investment decisions of young Chinese investors.

H3: Investment self-efficacy has a significant positive effect on the personal investment decisions of young investors in China.

3.4 Population and Sample

The population of this study consisted of young and middle-aged individual investors in China, specifically those aged 22 to 45 who have participated in personal investment activities such as stocks, mutual funds, online wealth management products, insurance-related investments, or other financial instruments. To obtain a representative sample of this population, the study employed a simple random sampling method, ensuring that each eligible individual within the sampling frame had an equal chance of being selected.

A total of 380 questionnaires were distributed through online survey platforms and investment-related communities. Out of these, 342 responses were received, yielding a

response rate of 90%. After screening for completeness and eligibility according to the inclusion criteria, 300 valid questionnaires were retained for data analysis. This final sample size met the minimum requirement for multiple regression analysis and provides adequate statistical power to examine the relationships among the study variables.

3.5 Data Analysis

The data collected from the 300 valid questionnaires were analyzed using the Statistical Package for the SPSS. A series of statistical techniques were employed to examine the characteristics of the respondents and to test the proposed research hypotheses. The analysis began with descriptive statistics to summarize demographic information and provide an overview of the respondents' investment-related characteristics. This was followed by reliability analysis, using Cronbach's alpha to assess the internal consistency of each measurement scale, and validity analysis to evaluate the appropriateness of the constructs.

Correlation analysis was conducted to examine the relationships among the key variables: financial knowledge, risk preference, investment self-efficacy, and personal investment decisions. To test the hypotheses and determine the strength and direction of the predictive relationships, multiple regression analysis was performed. This method allowed for the assessment of the individual and combined effects of the independent variables on the dependent variable. The results of these analyses were used to evaluate the significance of each factor and to determine whether the proposed hypotheses were supported.

3.6 Reliability and Validity Analysis of the Scale

Reliability and validity analyses were conducted to ensure that the measurement scales used in this study were appropriate and statistically sound. Reliability was assessed using Cronbach's alpha coefficients for each construct. All variables demonstrated alpha values above 0.80, indicating strong internal consistency and confirming that the items within each scale measured the same underlying concept.

Table 3.2 Reliability Analysis

Construct	Number of Items	Cronbach's Alpha
Financial Knowledge	6	0.84
Risk Preference	5	0.82
Investment Self-Efficacy	6	0.89
Personal Investment Decision	5	0.86

Overall Scale	22	0.91
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To evaluate construct validity, the Kaiser–Meyer–Olkin (KMO) Measure of Sampling Adequacy and Bartlett’s Test of Sphericity were employed. A KMO value above 0.80 indicates meritorious sampling adequacy, while a significant Bartlett’s Test ($p < 0.001$) confirms that the correlations among items are sufficiently large for factor analysis. The results show that the overall KMO value was 0.892, and Bartlett’s Test was significant at $\chi^2 = 1853.47$, $p < 0.001$. These findings demonstrate that the data were appropriate for factor analysis and that the measurement items exhibited strong validity.

Table 3.3 KMO and Bartlett's Test^a

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.892
Bartlett's Test of Sphericity	Approx. Chi-Square	1853.47
	df	231
	Sig.	0.000

Chapter 4 Findings and Discussion

4.1 Demographic Characteristics of Respondents

A total of 300 valid questionnaires were collected and analyzed in this study, and the demographic characteristics of the respondents provide important contextual information for understanding the sample composition. The gender distribution shows that 158 respondents (52.7%) were male and 142 (47.3%) were female, indicating a relatively balanced sample with slightly more male participants. This distribution is consistent with the general observation that male investors tend to exhibit higher participation rates in financial markets.

With respect to age, the respondents ranged from 22 to 45 years old, aligning with the target population of young and middle-aged investors in China. Specifically, 25.3% of the respondents were between 22 and 25 years old, 34.0% were aged 26 to 30, 22.7% fell within the 31 to 35 age group, and 18.0% were between 36 and 45 years old. This distribution suggests that the majority of participants were in their early to mid-career stages, a group known for increasing financial independence and active involvement in wealth management decisions.

In terms of educational attainment, the sample was generally well educated. The largest proportion of respondents, 60.7%, held a bachelor's degree, followed by 28.7% with a master's degree and 4.6% with a doctoral degree, while only 6.0% had a high school education or below. This reflects the high educational level commonly associated with individuals who engage in personal investment activities and likely contributes to their financial decision-making capacity.

Regarding monthly income, the respondents varied across different income levels. About 7.3% earned below RMB 3,000, 26.0% earned between RMB 3,000 and 6,000, and the largest group, 41.3%, reported a monthly income between RMB 6,001 and 10,000. Additionally, 25.3% earned above RMB 10,000. This income distribution is typical of urban working adults in China, suggesting that the sample represents individuals with sufficient disposable income to engage in investment activities.

Finally, investment experience among the respondents also varied. A total of 22.7% had less than one year of investment experience, while 48.0% reported having one to three years of experience. Additionally, 19.3% had three to five years of investment experience, and 10.0% had been investing for more than five years. This indicates that although many participants are relatively new to investing, a substantial proportion has accumulated moderate to extensive experience, providing meaningful insights into personal investment decision-making across different stages of investor development.

Overall, the demographic characteristics of the respondents reflect a sample that is educated, financially active, and diverse in terms of income and investment experience. This composition enhances the suitability of the sample for examining the factors influencing personal investment decisions among young and middle-aged investors in China.

Table 4.1 Demographic Characteristics of Respondents

Demographic Variable	Category	Frequency (n)	Percentage (%)
Gender	Male	158	52.7%
	Female	142	47.3%
Age	22–25	76	25.3%
	26–30	102	34.0%
	31–35	68	22.7%
	36–45	54	18.0%
Education Level	High school or below	18	6.0%
	Bachelor's degree	182	60.7%
	Master's degree	86	28.7%
	Doctorate	14	4.6%
Monthly Income (RMB)	Below 3,000	22	7.3%
	3,000–6,000	78	26.0%
	6,001–10,000	124	41.3%
	Above 10,000	76	25.3%
Investment Experience	Less than 1 year	68	22.7%
	1–3 years	144	48.0%
	3–5 years	58	19.3%
	More than 5 years	30	10.0%

4.2 Descriptive Statistics of Variables

Descriptive statistics were calculated to summarize the central tendencies and dispersion of the four main variables in this study: financial knowledge, risk preference, investment self-efficacy, and personal investment decision.

Table 4.2 Descriptive Statistics of Variables

Variable	Mean	SD	Minimum	Maximum
Financial Knowledge	3.62	0.71	1.80	5.00
Risk Preference	3.41	0.76	1.60	5.00
Investment Self-Efficacy	3.78	0.69	1.80	5.00

Personal Investment Decision	3.55	0.73	1.60	5.00
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The results showed that the mean score for Financial Knowledge was 3.62, indicating that respondents generally perceive themselves as having a moderately high level of financial understanding.

For Risk Preference, the mean score was 3.41, demonstrating that most respondents exhibit a moderate willingness to take financial risks.

Investment Self-Efficacy had a mean value of 3.78, the highest among all variables. This suggests that respondents generally feel confident in their ability to make investment-related decisions, interpret financial information, and engage with financial products.

The dependent variable, Personal Investment Decision, recorded a mean score of 3.55, suggesting that respondents tend to make active and informed investment decisions at a moderate level.

4.3 Correlation Analysis

Pearson correlation analysis was conducted to examine the relationships among the four main variables: financial knowledge, risk preference, investment self-efficacy, and personal investment decision. The results indicate that all variables are positively and significantly correlated at the $p < 0.01$ level, demonstrating meaningful associations among the constructs.

Table 4.3 Correlation Analysis Results

Variable	Financial Knowledge	Risk Preference	Investment Self-Efficacy	Personal Investment Decision
Financial Knowledge	1			
Risk Preference	.42**	1		
Investment Self-Efficacy	.47**	.44**	1	
Personal Investment Decision	.38**	.51**	.58**	1
Note: $p < 0.01$ (two-tailed)				

The correlation between Financial Knowledge and Personal Investment Decision was $r = 0.38$, suggesting a moderate positive relationship. This indicates that individuals with higher levels of financial knowledge tend to make more informed and proactive investment decisions. Financial knowledge also correlated moderately with Risk Preference ($r = 0.42$) and Investment Self-Efficacy ($r = 0.47$), implying that individuals who possess better financial understanding are generally more confident and willing to take calculated risks.

Risk Preference showed a positive correlation with Personal Investment Decision ($r = 0.51$), representing one of the strongest relationships in the model. This suggests that individuals with higher risk tolerance are more likely to participate actively in investment activities. Risk preference also demonstrated a positive correlation with investment self-efficacy ($r = 0.44$), indicating that individuals who are more confident in their investment abilities tend to have greater willingness to assume financial risks.

The correlation between Investment Self-Efficacy and Personal Investment Decision was the strongest among the variables ($r = 0.58$). This indicates that individuals who feel confident in their ability to evaluate information and manage investments are significantly more likely to make effective and consistent investment decisions.

Overall, the correlation analysis suggests that financial knowledge, risk preference, and investment self-efficacy are all significantly associated with personal investment decision-making. These results provide preliminary support for the study's hypotheses and justify further testing through regression analysis.

4.4 Multiple Regression Analysis

Multiple regression analysis was conducted to evaluate the predictive effects of financial knowledge, risk preference, and investment self-efficacy on personal investment decision-making. This analysis aimed to test the study's three hypotheses and determine the extent to which the independent variables explain variance in the dependent variable.

Table 4.4 Multiple Regression Analysis Results

Predictor	Unstandardized B	Std. Error	Standardized Beta (β)	t-value	p-value
Financial Knowledge	0.213	0.052	0.21	4.12	< .001
Risk Preference	0.364	0.065	0.29	5.63	< .001
Investment Self-Efficacy	0.487	0.062	0.41	7.86	< .001
R	0.69				
R ²	0.48				
Adjusted R ²	0.47				
F	90.71				
p	< .001				

The regression model was found to be statistically significant, $F = 90.71$, $p < 0.001$, indicating that the combination of financial knowledge, risk preference, and investment self-efficacy meaningfully predicts personal investment decisions.

Among the three predictors, Investment Self-Efficacy demonstrated the strongest positive effect on personal investment decisions ($\beta = 0.41$, $p < 0.001$). This suggests that individuals who feel more confident in their investment abilities are more likely to actively and effectively engage in investment decision-making. Risk Preference was the second strongest predictor ($\beta = 0.29$, $p < 0.001$), indicating that individuals with higher risk tolerance tend to make more proactive investment choices. Financial Knowledge also exerted a significant positive effect ($\beta = 0.21$, $p < 0.001$), showing that greater financial understanding contributes to improved investment decisions, although its influence is comparatively smaller than the other two variables.

These results provide strong support for all three hypotheses and demonstrate that cognitive, behavioral, and psychological factors jointly shape personal investment decision-making among young and middle-aged investors in China.

4.5 Hypothesis Test

The hypotheses proposed in this study were tested using multiple regression analysis to examine the effects of financial knowledge, risk preference, and investment self-efficacy on personal investment decision-making among young and middle-aged investors in China. The results demonstrated that all three predictors had significant positive effects on the dependent variable, thereby providing support for each of the proposed hypotheses.

Table 4.5 Hypothesis Test Results

Hypothesis	Statement	Result
H1	Financial knowledge has a significant positive influence on personal investment decisions.	Supported
H2	Risk preference has a significant influence on personal investment decisions.	Supported
H3	Investment self-efficacy has a significant positive effect on personal investment decisions.	Supported

4.6 Discussion

The results of the regression analysis provide clear support for all three hypotheses proposed in this study.

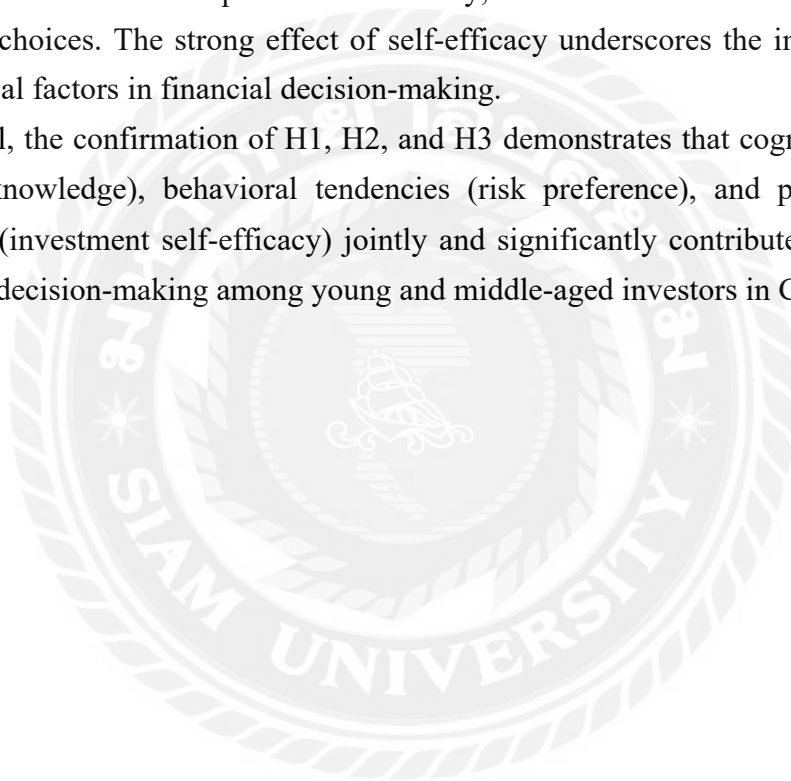
H1 is supported, and its establishment indicates that financial knowledge plays a meaningful role in shaping personal investment decisions. Specifically, individuals with higher financial knowledge are better able to understand financial information,

assess investment opportunities, and make more rational and informed choices, demonstrating the importance of financial capability in investment behavior.

H2 is supported, and its establishment suggests that risk preference significantly influences the extent to which individuals engage in investment activities. Respondents with higher risk tolerance are more willing to accept uncertainty and potential losses in pursuit of higher returns, indicating that risk-taking attitudes are a critical behavioral determinant of investment decision-making.

H3 is supported, and its establishment shows that investment self-efficacy is the strongest predictor of personal investment decisions. This finding highlights that individuals who feel confident in their investment abilities are more likely to take initiative, evaluate financial products effectively, and make consistent and proactive investment choices. The strong effect of self-efficacy underscores the importance of psychological factors in financial decision-making.

Overall, the confirmation of H1, H2, and H3 demonstrates that cognitive factors (financial knowledge), behavioral tendencies (risk preference), and psychological confidence (investment self-efficacy) jointly and significantly contribute to personal investment decision-making among young and middle-aged investors in China.



Chapter 5 Conclusion and Recommendation

5.1 Conclusion

The analysis results demonstrate that financial knowledge significantly enhances personal investment decision-making, confirming that individuals with stronger financial literacy are better equipped to interpret financial information and make informed investment choices. This finding reinforces Financial Literacy Theory and highlights the continuing importance of financial education in supporting sound financial behavior.

The study found that risk preference has a significant and positive influence on investment decisions. Investors with a higher willingness to take risks are more proactive in engaging with investment opportunities and are more likely to participate in financial markets. This supports Prospect Theory by illustrating how individuals' risk attitudes shape their decision-making behavior under uncertainty.

Investment self-efficacy emerged as the strongest predictor of personal investment decisions. Investors who are confident in their abilities tend to make more active, consistent, and rational investment decisions. This emphasizes the critical role of psychological factors in financial contexts.

Overall, the study concludes that personal investment decision-making is shaped jointly by cognitive factors (financial knowledge), behavioral tendencies (risk preference), and psychological attributes (self-efficacy). These findings extend existing research by providing empirical evidence from China's rapidly evolving retail investment environment and by focusing specifically on young and middle-aged investors, a group playing an increasingly important role in the nation's financial markets.

5.2 Recommendation

Based on the findings of this study, several recommendations are proposed for policymakers, financial institutions, and individual investors to enhance personal investment decision-making and promote more effective financial behavior.

1. Recommendations for Policymakers and Regulators

Policymakers should prioritize strengthening financial literacy among the public, particularly for young and middle-aged adults who are increasingly participating in digital financial markets. Government agencies may consider integrating financial education into national education programs, community workshops, and online learning platforms. Additionally, regulators should encourage transparency and standardization

in financial product disclosures to help investors better understand associated risks and returns. Policies that promote ethical financial practices and protect retail investors from fraud and misinformation are also essential for supporting informed decision-making.

2. Recommendations for Financial Institutions

Financial institutions play a key role in shaping investor behavior and should develop targeted educational programs that address investor knowledge gaps. These institutions can provide interactive digital tools, risk assessment applications, and personalized investment guidance to help investors make informed decisions. Given that investment self-efficacy was found to be the strongest predictor of investment behavior, institutions should design services that enhance investor confidence, such as offering simulation platforms, beginner-friendly financial products, and advisory services tailored to varying levels of investment experience. Clear communication about product features and risks can further support responsible and confident investment behavior.

3. Recommendations for Individual Investors

Individual investors are encouraged to actively improve their financial knowledge by engaging in continuous learning through books, online courses, and credible financial education resources. Investors should also take time to evaluate their own risk tolerance to ensure alignment between personal preferences and investment choices. Developing investment self-efficacy is equally important; investors can build confidence by starting with smaller investments, practicing portfolio diversification, and reviewing their investment performance regularly. Seeking advice from reputable financial professionals may further support informed and confident decision-making.

5.3 Further Study

While this study provides valuable insights into the factors influencing personal investment decisions among young and middle-aged investors in China, several areas remain open for future exploration. First, this study focused on three key predictors—financial knowledge, risk preference, and investment self-efficacy. Future research could incorporate additional variables such as financial socialization, behavioral biases (e.g., overconfidence, loss aversion), digital financial literacy, or the influence of social media, which are increasingly relevant in the digital investment era.

Second, further could be conducted to examine how investment decisions evolve over time and whether changes in financial knowledge or self-efficacy lead to behavioral adjustments. This approach would allow researchers to establish causality more clearly and track behavioral patterns across different market conditions.

Third, although the sample size of 300 respondents provides meaningful insights, future research may expand the sample to include investors from different age groups, regions, or socioeconomic backgrounds. Comparative studies between novice and experienced investors or between urban and rural populations could reveal additional factors that shape investment decision-making.

Lastly, this study focused solely on individual investors in China. Cross-cultural or international comparative studies could provide a broader understanding of how cultural norms, regulatory environments, and financial market maturity influence investment behavior. Such research would contribute to a more comprehensive perspective on global investment decision-making.



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Appendix

Section A: Demographic Information

Please select the option that best describes you.

1. **Gender**

- ☐ Male
☐ Female

2. **Age**

- ☐ 22–25
☐ 26–30
☐ 31–35
☐ 36–45

3. **Education Level**

- ☐ High school or below
☐ Bachelor's degree
☐ Master's degree
☐ Doctorate

4. **Monthly Income (RMB)**

- ☐ Below 3,000
☐ 3,000–6,000
☐ 6,001–10,000
☐ Above 10,000

5. **Investment Experience**

- ☐ Less than 1 year
☐ 1–3 years
☐ 3–5 years
☐ More than 5 years

Section B: Measurement Scales

Please indicate your level of agreement with each statement below.

1 = Strongly Disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, 5 = Strongly Agree.

B1. Financial Knowledge

Code	Item	1	2	3	4	5
FK1	I understand the basic concepts of interest rates and inflation.	☐	☐	☐	☐	☐
FK2	I can explain the risk–return relationship of financial products.	☐	☐	☐	☐	☐
FK3	I know how to diversify investments to reduce risk.	☐	☐	☐	☐	☐
FK4	I understand the differences between stocks, funds, and bonds.	☐	☐	☐	☐	☐
FK5	I can interpret basic financial information when evaluating investments.	☐	☐	☐	☐	☐
FK6	I am familiar with common financial terms used in investment platforms.	☐	☐	☐	☐	☐

B2. Risk Preference

Code	Item	1	2	3	4	5
RP1	I am willing to take financial risks for the possibility of higher returns.	☐	☐	☐	☐	☐
RP2	I prefer investment products with higher risk and higher potential profit.	☐	☐	☐	☐	☐
RP3	I am comfortable with short-term losses if long-term gains are possible.	☐	☐	☐	☐	☐
RP4	I tend to choose investment options even when their outcomes are uncertain.	☐	☐	☐	☐	☐
RP5	I am willing to invest in new or emerging financial products.	☐	☐	☐	☐	☐

B3. Investment Self-Efficacy

Code	Item	1	2	3	4	5
SE1	I am confident in my ability to make good investment decisions.	☐	☐	☐	☐	☐
SE2	I can analyze investment information effectively.	☐	☐	☐	☐	☐
SE3	I am capable of achieving my investment goals.	☐	☐	☐	☐	☐
SE4	I can manage my investments even when the market is uncertain.	☐	☐	☐	☐	☐
SE5	I can learn new investment skills when necessary.	☐	☐	☐	☐	☐
SE6	I feel confident selecting financial products that suit my needs.	☐	☐	☐	☐	☐

B4. Personal Investment Decision

Code	Item	1	2	3	4	5
PID1	I regularly make decisions regarding my personal investments.	☐	☐	☐	☐	☐
PID2	I compare different investment products before choosing one.	☐	☐	☐	☐	☐
PID3	I adjust my investment portfolio based on market changes.	☐	☐	☐	☐	☐
PID4	I actively participate in financial investments such as stocks or funds.	☐	☐	☐	☐	☐
PID5	I am willing to allocate part of my income to long-term investment plans.	☐	☐	☐	☐	☐

End of Questionnaire

Thank you for your participation. Your responses will be kept strictly confidential and used solely for academic research purposes.