

MAJOR RESEARCH PROJECT ON
SPENDING VS INVESTING TRADE OFF
Why Young Consumers Prefer Lifestyle Over Wealth Creation

Submitted By
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2024/DMBA/091

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CERTIFICATE

This is to certify that the thesis entitled “**Spending vs. Investing Trade-Off: Why Young Consumers Prefer Lifestyle Over Wealth Creation**”, submitted by Harsh Kumar, Roll No. 2024/DMBA/091, in partial fulfillment of the requirements for the award of the degree of Master of Business Administration from **Delhi School of Management, Delhi Technological University, Delhi** is a bonafide record of original research carried out by the candidate under my guidance. The thesis is worthy of consideration for the award of the degree and has not been submitted elsewhere for any other degree or diploma.

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DECLARATION

I hereby declare that the thesis titled **“Spending vs. Investing Trade-Off: Why Young Consumers Prefer Lifestyle Over Wealth Creation”**, submitted in partial fulfillment of the requirements for the award of the degree of Master of Business Administration is a record of original research carried out by me under the supervision and guidance of **Dr. Seema, Professor, Delhi School of Management, Delhi Technological University**. The contents of this thesis have not been submitted for the award of any other degree or diploma. All information, data, and arguments borrowed from other sources have been duly cited and acknowledged in accordance with academic norms.

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ACKNOWLEDGEMENT

First and foremost, I express my deepest gratitude to Dr. Seema, whose scholarly mentorship, critical insights, and constant encouragement were indispensable at every stage of this research journey. The depth and rigor of this work reflect the exceptional guidance provided throughout.

I am sincerely grateful to the Delhi School of Management, Delhi Technological University for providing an intellectually stimulating environment, access to research resources, and opportunities to engage with fellow scholars. Special thanks are due to all faculty members who offered constructive feedback during seminar presentations and academic discussions.

My heartfelt appreciation goes to all 120 respondents who voluntarily participated in the survey and candidly shared their financial experiences, spending habits, and investment perspectives. Their honest responses form the empirical backbone of this research.

I also acknowledge the support of my family, whose patient encouragement, emotional sustenance, and belief in my academic potential sustained me through the most challenging phases of this work. Finally, I thank all friends and colleagues who contributed ideas, critique, and motivation during the preparation of this thesis.

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ABSTRACT

Background and Rationales: The growth of digital payment infrastructure, social media ecosystems and consumer credit products have changed the financial behavior of young consumers in India. Millennials and generation Z spend a growing amount of disposable income on lifestyle spending, specifically; travel, fashion, dining, digital subscriptions, and entertainment, as they make a consistent under-investment. The lifetime monetary implications of this pattern of behaviour described as a trade-off between current consumption and future wealth generation are profound both to the households and to the levels of national savings.

Purpose: This paper investigates the spending- versus-investing trade-off among young Indian consumers age between 18 to 35 years. Precisely, it explores the psychological, social, and structural determinants of the lifestyles expenditure as opposed to investment, measures the trade-off, and also the formulation of three centrally stipulated hypotheses, and the establishment of policy suggestions to beneficially modify the youths financial behavior.

Methodology: 120 respondents, who were selected through the structured questionnaire, participated in the study to provide primary data on the subject in urban and semi-urban regions of India. The survey consisted of 36 questions in six areas that included demographic, expenditure habits, investing behaviour, the role of social media and peer pressure, financial literacy and use of credit. Statistical analysis entailed percentage analysis, Pearson correlation, chi-square test, multi-regression analysis and Cronbach Alpha reliability test which were done via SPSS and Microsoft Excel.

Important Results: 74.6% of discretionary income is going to the lifestyle segment with only 10.4% being invested in by the young consumers. Halal payment convenience (mean = 4.33) and social media impact (mean = 4.21) are the strongest drivers of life style spending. There is a statistically significant negative relationship found between the lifestyle spending and investment behavior while ($r = -0.623$, $p < 0.01$). The level of impact of social media is highly connected with lifestyle expenditure ($X^2 = 28.47$, $p < 0.001$). Investment behavior is considerably positively correlated with financial literacy (

$r = +0.541$, $p < 0.01$). The multiple regression model explains 62.1% of variance in investment behavior ($R^2 = 0.621$, $F = 31.28$, $p < 0.001$).

Conclusions and Implications: The spending-first orientation demonstrates the convergence of the present bias, social comparison pressures, structural spending facilitation and financial knowledge gaps. It has been proposed to include financial literacy in academic programs, use the principles of behavioral nudges design of investment platforms, use social media to conduct financial awareness, and develop investment products that are youth-friendly and related to aspirational consumer psychology.

Keywords: Spending behavior, investment behavior, financial literacy, FOMO, social media influence, behavioral finance, young consumers, wealth creation, digital payments, India, millennials, Generation Z.

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CHAPTER 1: INTRODUCTION

1.1 Background of the Study

Relationship between earning, spending, saving and investing has been core to the personal financial management. The classical economic theory, or the rational theory, holds the view that individuals at all times use income optimally to achieve a lifetime utility by just doing good financial planning between consumption and investment in the present and the future. Yet the advent of a digitally structures, consumption centered, economy in the twenty first century has certainly shaken these classical assumptions, especially amongst the younger age cohorts.

A great deal of behavioral change has established itself globally and in particularly in the fast-growing urbanizing economies, such as India, among millennials (born 19811996) and Gen Zers (born 19972012). These digital-native and highly motivated social media users, whose disposable income is growing towards lifestyle-driven purchases and consumption as opposed to systematic wealth-building, are becoming the biggest part of the cohort of expenditures compared to systematic wealth-building activities. Travelling, fine dining, labelled brands, the newest devices and subscriptions to streaming platforms and/or experimental consumption has become the ethos of the financial priorities of this generation- at the very cost of savings and investment.

India offers one such interesting scenario to this question. Having one of the youngest and fastest growing consumer base in the world with a median age of about 28 years, India has got its share of the cake. The digital revolution in the country that has been associated with the heavy use of UPI payments, mobile banking, fintech lending, and e-commerce has led to a consumption ecosystem that has never been witnessed before and reduces the elements of friction whilst enhancing access to spending. The 2023 Annual Report of the Reserve Bank of India reported a decreased percentage of the percentage of the household financial savings to the GDP at 5.1% in the year 202223; the lowest in 50 years, despite increasing consumption expenditure and consumer credit. This trend on the macro level is an exact replica of the trends on the micro level in respect of behavior that this paper aims to explore.

The outcomes of this trend are not that personal only. Under-investments by one generation in comparative youth of productivity, which result in the overall accumulation of national wealth, the sustainability of the pension system, and macroeconomic stability, can have a devastating impact on gross effects. At the personal level, the compounding effects, which pay off the early and regular investment with a compounded return is wasted as the financial resources are used to indulge in new lifestyles. When a young professional invests 5,000 a month starting at the age of 23 at 12 per cent CAGR, he will have an accumulated amount of about 3.5 crore at the age of 60. The same investment at the age of 35 will only generate 12 crore 20 lakhs of wealth- to this extent the difference in wealth is 23 crore which can solely be attributed to late investment. The reasoning behind this decision by young consumers, though they usually know ultimately how much it will cost, can thus be a personal and social issue.

1.2 Context of the Study

The current research paper is framed in a fast evolving socioeconomic and technological environment, which has fundamentally changed the financial decision-making environment of young Indians. There are three macro-level forces which are most consequential in the formation of the environment where the spending-investing trade-off takes place.

1.2.1 The Digital Consumption Revolution

There has been a transformational growth of the digital payment ecosystem in India, over the past few years. In fiscal year 2023-24, India became the world leader in the area of real-time digital payments by the Unified Payments Interface (UPI) which has already received over 117 billion transactions, totaling ₹182 trillion. The instant credit apps, mobile wallets and UPI apps have torn down the psychological wall of desire and the desire to buy. The exercising of the bodily money--counting papers, sensation of spending--is completely done away with. Studies conducted in the area of behavioral economics have always shown that payment friction can be used as a natural restraint to impulse purchases; and eliminating it can be used systematically to raise consumption. Digital payment convenience is an amplifier of lifestyle spending thereby acting as a structural amplifier.

1.2.2 The Social Media Influence Economy

The average time of young Indians on digital platforms is between 6 and 7 hours every day. Consumers are inundated with fed images of aspirational living on Instagram, YouTube, Snapchat, and other new platforms: exotic vacations, fine dining, high-end fashion, and high-end experiences. Lifestyle promotion has been industrialized by the influencer economy, which is estimated to be worth more than 2200 crores in India and increasing at a rate of 25 per cent in a year. Brands collaborate with micro- and macro-influencers to make a normalized performance of consumption of the premium to audiences who might not yet be able to maintain such lifestyles sustainably. The outcome is continuous reevaluation of the standards of lifestyle that sets consumption pressure on a continuous basis.

1.2.3 The Credit Accessibility Expansion

At the same time, with the democratization of consumer credit, young consumers have been able to spend more than they earn. LazyPay, Simpl, ZestMoney and Amazon Pay later are some of the Buy Now Pay Later (BNPL) platforms, where short-term credit is provided at no cost with hardly any requirements to qualify. There has been a significant increase in credit card issuance to young consumers with banks keen on penetrating entry-level professionals. The availability of easy credit transforms income into a limiting factor on lifestyle expenditure and allows a degree of consumption that can be maintained solely by present income and which drives out the saving and investment necessary to secure future financial well-being.

1.3 Statement of the Problem

Nevertheless, with a dramatic increase in financial awareness, unmatched exposure to investment applications and a broad recognition that people should engage in long-term financial planning, an extensive and inertial number of young consumers in India systematically choose lifestyle expenditure ahead of investing. The contradiction is harsh: such consumers are not fools: they may be well aware of financial principles; they may be digitally savvy and aware intellectually of the advantages of investment. However, as the time to make financial decisions comes in—e.g. when the paycheck is received or a discretion fund is opened—spending always takes center stage over investment.

The insufficiency of income is not enough to explain this pattern of behavior. Research indicates that lifestyle inflation, the propensity to spend in line with income rise, can provide the guarantee that higher income does not directly translate into higher saving rates. The issue is inherently of a behavioral character: psychological, social, structural forces traumatize rational financial planning projects in a systematic manner.

The fundamental issue that this study tackles is as follows: What are the psychological, social, and structural factors that form and maintain the spending-over-investing bias among young consumers in India and what can individuals, institutions, and policymakers do to re-equilibrium this bias toward higher wealth creation?

1.4 Need for the Study

The timeliness of research on this phenomenon is because of a number of intersecting realities. First, the period when optimal wealth is created lies in the period of early adulthood, which is the narrowest. Compounded mathematics Investment choices at age 22-35 have outsize impacts on lifetime finances. Second, there is a limited retirement infrastructure in India. As the formal pension system is unable to fully cover the less than 15% of the working population, with the National Pension System not yet being massively adopted, earned income depositing into the financial system is the major source of financial security in old age among the large majority of Indians. Third, the creation of gig employment and contractual work solutions implies the need to make such financial benefits unearnable to young employees, which predisposes the personal sense of financial discipline to even greater importance. Fourth, the COVID-19 pandemic revealed the acute economic fragility of millions of young consumers that do not have emergency funds and have spent their discretionary income on lifestyle spending and not on financial precautions.

Institutionally, financial intermediaries, such as mutual fund companies, insurance companies, online investment platforms, etc., require fine-grained knowledge of the behavioral legalities to investment among young consumers in order to develop products and communications that will most effectively counteract the lifestyle spending imperative. This understanding is vital in enabling policymakers to create an effective curriculum of financial education and regulatory frameworks. Those employers who

provide financial wellness should learn what exact psychological and social factors contribute to poor financial choices of young workers. This research remedies all such requirements by offering an empirically based, multi dimensional analysis of trade-off of spending and investing.

1.5 Research Gap

An example of some of the critical gaps that are identified through a systematic review of the literature is demonstrated in this study. Academic research on youth financial behavior has generally followed a disciplinary divide, where behavioral economists research present bias and hyperbolic discount; marketing researchers research the effects of social media on consumer behavior; personal finance researchers research the impact of financial literacy, and fintech researchers research the adoption of digital payments. The joint effect of all these forces simultaneously on the spending-versus-investing trade-off (the cross-cutting aspect) has not been given an integrated treatment.

The literature of studies investigating the impact of social media on financial choices is more inclined to analyzing the purchase decision (Beyari and Garamoun, 2021; Xiao and Porto, 2017) than on the direct replacement between lifestyle spending and investment. Empirical studies in financial literacy (Lusardi and Mitchell, 2014; Robb and Woodyard, 2011) find knowledge-behavior gaps, but fail to sufficiently explain the strong social and structural disciplines that dwarf knowledge-driven decision-making. Research into the Indian financially-focused behavior of young people is also very limited, and most of the existing literature is pre-pandemic in nature, with digital payment usage and the maturation of the influencer economy increasing in pace even faster.

The study addresses these gaps by: (a) using an analytical multi-factor framework capable of both considering the important determinants (psychological, social, and structural determinants) simultaneously and studying the determinant outcomes; (b) operationalizing the spendinginvesting trade-off as explicit outcome variable instead of addressing spending and investment separately; (c) anchoring the analysis into Indian urban youth context; and (d) offering actionable policy/product design implications

1.6 Objectives of the Study

The key and sub-objectives that guide the study are:

Primary Objectives:

- To examine the spending and investing behavior of young Indian consumers (18-35 years olds) and measure the trade-off of the spending-investing behavior.
- To understand the psychological forces in the instant gratification and Fear of Missing Out (FOMO), which affect spending permanently on the lifestyle with low investment.
- To test the impact of social media exposure, as well as peer pressure on the financial behavior of young consumers.

Secondary Objectives:

- Objectives To establish the impact of financial literacy on saving and investment choice and how this impacts on the spending-investing trade-off.
- To determine the effects of electronic payment system, mobile wallets, and consumer access to credit on consumption patterns.
- To investigate the long-term financial implications on prioritizing spending over investment the effects on wealth accumulation, having sufficient resources at retirement and financial security.
- To propose viable, evidence-based solutions to individuals, financial institutions, employers and policymakers that can facilitate more participation by young consumers in investments.

1.7 Research Questions

- How many of their incomes do young consumers spend on lifestyle, save, and invest, and by what percentage varies according to their demographic features?
- Why are young consumers continuously making lifestyle spending a priority instead of investing, even after they report concerns about how important financial planning is to them?
- What is the interaction between instant gratification, FOMO, and peer influence and its effect on making financial choices in young adults?

- Question: How does level of social media use relate to lifestyle expenditure habit?
- Question: Does financial literacy mediate the association of behavioral and structural spending drivers on investment behavior?
- Which are the impacts of digital payment systems and convenient consumer credit on spending behavior and whether they crowd out investment.
- How much, in the long-term, is the current expenditure-led orientation likely to impact wealth generation and future financial security?

1.8 Hypotheses of the Study

According to the aims of the research and the literature review, the following null and alternate hypotheses are developed to be tested in an empirical study:

Hypothesis No.	Null Hypothesis (H ₀)	Alternate Hypothesis (H ₁)	Test Used
H ₁	There is no significant relationship between lifestyle-oriented spending and low investment behavior	There is a significant inverse relationship between lifestyle spending and investment behavior	Pearson Correlation
H ₂	Social media influence has no significant effect on lifestyle spending behavior	Social media influence has a significant positive effect on lifestyle spending	Chi-Square Test
H ₃	Financial literacy has no significant impact on investment behavior	Financial literacy has a significant positive impact on investment behavior	Pearson Correlation

1.9 Scope of the Study

The research covers young consumers aged 18 to 35 years old including undergraduate and post-graduate students, recent graduates, and young professionals. The geographical area includes urban and semi-urban regions, most developed digital infrastructure, and the culture of lifestyle consumption is the most intensive. The timeframe described is the post-pandemic era (2022-2024), as it will reflect the behavioral trends guided by the rapid uptake of digital payments and the evolution of the influencer economy in India during the given timeframe.

The research analyzes six main areas, namely, spending habits, investment actions, influence by social media and peers, financial literacy, credit use and digital payments, as well as the psychological aspects of making financial decisions. The empirical data to be analyzed are the primary data collection tool, which is a structured questionnaire that was used to interview 120 individuals. The research lacks the longitudinal behavioral change tracking; instead, it serves a check-up of behavior at a certain point in time, though assured to time, constant behavioral disposition has been found through numerous previous studies.

1.10 Significance of the Study

The research has considerable theoretical and practical implications on various stakeholder groups. To individual young consumers, it offers empirical support on the size of the spending-investing trade-off, and on its financial impact over time, providing individuals with a fact based incentive to change behavior. In the case of financial institutions and fintech companies, it determines distinct behavioral barriers and structural enablers that must be considered when designing products, marketing communications, and user experience choices to make investment platforms. To financial educators and academic institutions, it identifies certain knowledge and motivational gaps that must drive curriculum development and student financial wellness programmes.

To employers, the study highlights the business case of promoting financial wellness initiatives as part of the employee benefits package since the links between financial stress and productivity in the workplace have been recorded. To policy makers and regulators, the study has evidence based suggestions about financial education policy, regulating

investment products and designing responsible consumer credit. To the academic community, the research will bring a combined multi-factor model on the understanding of youth financial behavior which can be used as a root of future longitudinal, experimental, and cross-country comparative study.

1.11 Limitations of the Study

- Based on the self-report of the questions, the study is entirely based on self-reported survey, which would be susceptible to social desirability bias by the respondent, that is, the respondent could underreport spending, and overreport saving behavior.
- Certainly, the sample is obtained mostly in urban and semi-urban regions and might not both reflect the entire range of young Indian consumers, especially rural consumers with low levels of digital connectivity.
- The sample size is sufficient to conduct exploratory and analytical studies, but with 120 respondents, statistical power to perform subgroup analyses and generalize is limited.
- The psychological constructs that are assessed with Likert items on the self-report include FOMO, instant gratification, and peer pressure, which might not fully reflect their complexity.
- The cross-section design only captures the picture of the time span and cannot establish the causal direction of the observed relationships, longitudinal research would have to prove the direction of causality.
- The project was carried out in the course of a certain period of economic activity and its results may be impacted by the existing economic issues such as the economic recovery after the pandemic and inflation rates.
- Digital payment and social media adoption draw very different levels of disparities; the results of the study could as well be relevant to young consumers who are more digitally active and have a higher income.

1.12 Chapter Scheme

The thesis is put together in five chapters.

Chapter 1 provides an introduction of the study as it presents the context, problem statement, objectives, hypotheses, scope, significance, and limitations.

Chapter 2 gives a thorough overview of theoretical and empirical literature that would be pertinent to the topic of spending behavior, investment decision making, financial literacy, social media influence, behavioral finance, and other concepts.

Chapter 3 explains research methodology, including research design, nature of the study, data sources, population, sampling technique, sample size, data collection tools, variables, statistical tools, reliability and validity and ethical considerations in detail.

Chapter 4 reports the data analysis and interpretation such as demographic profiling, the analysis of spending, investment behavior as well as factor influence analysis, hypothesis testing, which involves the statistical findings, and discussion of findings based on the literature.

Chapter 5 summarizes all the main findings and goes further ahead including the interpretation of key insights, long-term financial implications analysis, practical recommendations, policy implications, and future research directions.

CHAPTER 2: REVIEW OF LITERATURE

2.1 Introduction to Literature Review

Intellectual basis on which original research is founded is a rigorous review of the literature that exists. The chapter combines theoretical frameworks, conceptualization, and empirical evidence on topics in behavioral economics, consumer psychology, personal finance, social psychology, as well as research on digital consumption to create a holistic view of what motivates young consumers to choose spending over investing their lifestyles. The review is divided into conceptual, theoretical and empirical parts then the gap of the research is identified followed by the conceptual frame of the research.

The literature under review includes a history of behavioral finance research dating back to the fundamental contributions made by Kahneman and Tversky (1979) and Thaler (1985) and more recent studies on the effects of digital payments and the impact of social media. This chronological depth enables the review to follow the development of the scholarly knowledge process based on the rational economic framework of the saving behaviour to more sophisticated behavioural and sociological explanations of the financial decision-making process in the digital era.

2.2 Conceptual Review

2.2.1 Spending Behavior

Spending behavior refers to patterns, motives and decision making processes where people use financial resources in categories of consumption. Researchers of consumer behavior identify two basic spending motives, utilitarian consumption or spending motivated by a functional need and cost-benefit assessment (utilitarian), and hedonic consumption or pleasure-inducing emotional satisfaction, social connotation, or experiential value (hedonic). It has always been demonstrated that the young consumers have a high hedonic expenditure propensity amongst older generations and especially in any area where the social aspect is high in appearance such as fashion, dining, travelling, and technology.

Impulsive buying, which is a subdivision of spending behavior, is a kind of buying that occurs without a thought-out plan, implying that it is a result of an instant impetus. Experiments by Rook and Fisher (1995) found out that emotional stimulation and lessened cognitive appraisal is the reason behind impulsive purchasing. E-commerce spaces, their one-click purchases, personalized selections, and simulated scarcity displays are created in a way tailored to induce impulse purchases in customers. The trend in digital commerce and social commerce among young people consumers puts a continuum of impulsive buying to the young consumers, which the brick-and-mortar retail has failed to generate.

2.2.2 Saving and Investment Behavior

The saving behavior is the voluntary choice of forbearing present consumption in order to save resources to use in the future. Investment behavior goes beyond the passivity of saving to the active investment in the deferment of resources in financial tools-equities, mutual funds, fixed income, real estate, and other alternative investments- with the view of earning increases in wealth over time. A difference counts: in the case of a low interest savings account the money is technically saved, but in real terms it is losing value when the interest rate is lower than the inflation rate. Real wealth creation entails investment in assets that have greater returns than the inflation rate.

Personal finance studies have consistently shown that three factors (ability or income and liquidity), willingness (motivation and financial objectives) and knowledge (financial literacy) determine saving and investment behavior. Programs that are based on only a single dimension, such as financial literacy programs that raise knowledge but do not address motivational and structural impediments, also perform poorly consistently. Financial wellness strategies should be effective in order to target the three determinants.

2.2.3 Lifestyle Consumption and Wealth Creation

Lifestyle consumption is something that is spent on goods and services that are not necessary to fulfill a desired social identity and quality of life. The idea of aspirational class consumption by Elizabeth Currid-Halkett describes the ways in which consumer in middle and upper-middle classes employ experiential and cultural consumption in fine dining, travel, high-end education, artisanal products as a source of social differentiation. This framework is specifically applicable in analyzing the spending habits of young Indian

consumers as they are becoming more and more oriented towards travel and experiential consumption in place of traditional luxurious goods as indicators of social success.

It is the conflict between living the good life and building wealth: each rupee spent on living is a rupee spent on not investing in the wealth-generating tools. This is no mere word-this summarises the zero sum characteristic of the spending investing trade-off under consideration in the present research. Although lifestyle consumption to some extent is required to ensure that both mental well being and social engagement, there appears to be substantial developments to indicate that most young consumers have shifted the pendulum towards consumption and not investment.

2.2.4 Financial Literacy

According to OECD, financial literacy is a set of awareness, knowledge, skills, attitudes and behaviour required to make quality financial choices and eventually reach the financial wellbeing of an individual. Lusardi and Mitchell (2014) use three questions that test knowledge of how compound interest, inflation, and risk diversification work to test financial literacy, the Big Three measures of financial literacy currently being used to measure financial literacy in 40 countries. The meta-analysis of 70+ articles they conducted shows positive and consistent relationships between financial literacy and saving, investment, retirement planning, and wealth accumulation.

Nevertheless, one of the qualifications should be highlighted. Sound financial behavior involves financial literacy as a necessary condition though not a sufficient condition. It is not new that the gap between learning and action is often seen in personal finances, when people who understand what they are supposed to do about their money still do not take action (Shefrin and Thaler, 1988; Thaler and Sunstein, 2008). This disjuncture depicts the strength of behavioral biases, social forces, and structural forces to collectively hush the rational knowledge-based decision-making. The gap is critical to understand in order to develop effective financial interventions.

2.2.5 Instant Gratification and Present Bias

Instant gratification is the psychological expression of desiring to receive instant, definite rewards rather than delayed, bigger rewards. It is one of the strongest findings in the

behavioral sciences and it is only formalized in behavioral economics as the present bias. This can be explained by neuroscientific studies which show that instant rewards stimulate the dopamine-related reward systems of the limbic system and delayed rewards stimulate the prefrontal cortex deliberative systems. In situations where future benefits conflict with the current benefits, the emotional instead of the rational calculation of future benefits is often overrun by the perceptions of immediate psychological benefits of the present.

In finance, present bias describes the phenomenon of people who, although they may think saving to retire is appropriate, again and again opt to consume in the present when it comes time to make the decision. The immediacy of consumption pleasure-the experience of pleasure as one tastes food at a restaurant, the experience of pleasure as a person listens to a concert, the pleasure as one feels while touching a new acquisition-makes the experience of future returns to investment psychologically dominant. This psychological imbalance in value of present and future rewards is a root cause of the spending-investing trade-off.

2.2.6 FOMO and Social Comparison

Przybylski et al. (2013) came up with the concept of Fear of Missing Out (FOMO) which they defined as the constant fear of missing the pleasurable activities that the other persons may be engaging in. FOMO is described as a thirst to remain constantly updated on what others are up to and is closely linked with using social media. Studies have repeatedly identified a positive relationship between FOMO and social media frequency of use, impulsive purchasing, lack of financial self-control and decreased life satisfaction. The age group of young consumers expresses FOMO as a sour aura that has permeated their day to day existence; their view of peers and their apparent consumption lifestyles such as travel, events, dinners is a quality of life to which they should aspire, such present financial means would not be sufficient to aspire.

The psychological mechanism of the operation of FOMO on the financial level is called social comparison theory (Festinger, 1954). When people view that their level of consumption of lifestyle fails to match with that of the members of the reference group, they suffer negative affect driving compensatory consumption. The social media sites enhance social comparison by making peer consumption so visible, curated and

commonplace. Whereas in the past, the social comparisons among the younger generations were somewhat restricted to close neighborhood and work environment, nowadays young consumers are exposed at the same time to the nature of consumption of hundreds or even thousands of their social friends.

2.2.7 Peer Pressure and Reference Group Norms

The reference groups theory (Bearden and Etzel, 1982) suggests that consumer behavior is highly motivated by the norms, values as well as the behavior of certain groups of people that an individual belongs or even wants to belong. In financial terms, when the dominant norm of a reference group is conspicuous lifestyle consumption, social pressure on individual members, whether explicit or implicit exists to adhere to the desire of the norm. An anti-normative behavior, that is, putting more emphasis on saving than spending, can have social costs; a person could not be included in the group activities, and risk losing his social standing, or be treated as a boring or overly cautious person. The social costs are more relevant among young consumers who are in the identity formation stage because peer acceptance holds high psychological values to them.

2.3 Theoretical Review

2.3.1 Behavioral Finance Theory

The ideas of prospect and prospect theory of Kahneman and Tversky (1979) provide behavioral finance with a direct challenge to what is known as the traditional argument of a rational choice theory, stating that people make financial choices based on their expectations to maximize utility. Prospect Theory shows that people calculate outcomes based on a reference point, loss more than an equivalent gain (loss aversion), and make only par the systematically biased probability estimates. In the saving and investment context, behavioral finance helps explain why individuals tend to shun investment devices that imply any chance of loss even when the future is expected to be significantly positive, and why people tend to overweight the immediate gratification of consumption by much less the probability of gaining in the future as a result of investment.

Mental accounting (Thaler, 1985, 1999) refers to the psychological inclination to group money as distinct to different amounts of money with varying rules of expenditure and

fungibility. Young consumers could be keeping a mental fun money account -made out of salary less necessities -that they think can be validly spent on lifestyle, but not the cost of the opportunity cost of this use in terms of investments. By identifying and reorganizing mental accounting groups, a highly effective behavioral finance intervention to enhance financial performance can be achieved.

2.3.2 Theory of Planned Behavior (TPB)

According to Ajzen (1991), Theory of Planned Behavior, the behavior is predicted by behavioural intention which is established through three factors namely attitude towards the behavior (personal evaluation of desirability of behaviour), subjective norms (perceived social pressure to do or abstain to do the behaviour) and behavioural control (judgment of ability to do the behaviour). Improperly applicable to investment behavior, TPB postulates that investment intentions of young consumers are weakened by (a) attitudes that situate investment as less immediately rewarding than spending; (b) subjective norming that situates lifestyle spending as a socially normative behavior and investment as a socially invisible behavior; and (c) the perceived lack of behavioral control that is generated by the perceived complexity of investment products.

2.3.3 Life-Cycle Hypothesis

The Life-CY Hypothesis of life-cycle hypothesis of saving and dissaving (1954) by Modigliani and Brumberg forecasts that rational individuals design a curve to smooth consumption throughout life, saving in high-income peak earnings and dissaving in retirement. When under this model young adults in the early stages of their earning lives should be saving and investing, looking forward to consumption smoothing and retirement funds. The empirical data, however, is always validating this forecast as to the modern youthful population consumers, who seem to be front-loading their consumption other than making an investment based on their most valuable compounding years. The factors of behavioral, social and structural aspects that have been described in this review justify this deviation of the rational life-cycle model.

2.3.4 Hyperbolic Discounting

The formalization on the psychological observation that discount rates of people change over time was done by Laibson (1997). Standard economic discounting involves a constant and standard discount rate that is used in all future time periods. The empirical fact on which hyperbolic discounting represents a discount is that subjects do indeed perceive very high discount rates on relatively short-term benefits (seeking present gratification in the short term and deferring it in the long term) but discount rates are lower and more long-run oriented on the longer-term decisions. This brings about time inconsistent preferences: individuals are going to save tomorrow but are continually going to spend today. The outcome is an irreparable difference between intentions to save and savings behavior which defines the financial lives of a high percentage of young consumers.

2.3.5 Veblen's Theory of Conspicuous Consumption

One of the earliest sociological explanations of the conspicuous consumption (or lifestyle-based spending) can be found in theory of conspicuous consumption introduced by Thorstein Veblen (1899), which is still highly effective in the age of social media. Veblen believed that consumption is not only an action of fulfilling the needs of a material character but a method of communication when the individuals express wealth, status and taste to the audience. Social media has enormously scaled up consumption cues as signs of conspicuous consumption in the digital era, turning the consumational activities of the everyday, such as eating, dressing, traveling, etc., into public acts of social identity. This social element of social performativity in consumption generates household spending pressures that cannot be represented using household budgeting models that are purely economic in nature.

2.4 Review of Empirical Studies

The following review synthesizes key empirical findings relevant to the study's central themes:

2.4.1 Financial Literacy and Youth Saving/Investment Behavior

In a thorough meta-analysis of financial literacy studies eventuated by Lusardi and Mitchell (2014) in 12 countries, it was discovered that high financial literacy was uniformly linked to increased savings rates, more involvement in stock markets, more retirement planning, as well as reduced likelihood of falling into financial distress. Interestingly, they discovered that the impact of financial literacy is high especially on the complex financial choices such as investment products selection, portfolio diversification where deficiencies in knowledge have the most influence. The fact that they found that financial literacy is both cause and effect of financial experience is a primary issue because it demonstrates the importance of financial education intervention in the early years.

Xiao and Porto (2017) went further to separate financial literacy (knowledge), financial behavior (actions), and financial capability (ability to act effectively). They discovered that financial behavior is the mediational factor of the association between literacy and financial wellbeing; hence knowledge alone is not the key determinant- the crucial mediating factor is behavioral change. This observation justifies intervention designs that go beyond the provision of information to acquisition of behavioral skills and development of habits.

2.4.2 Social Media Influence on Consumer Spending

A study evaluating 312 Saudi Arabian millennial consumers conducted by Beyari and Garamoun (2021) revealed that social media use was a more significant predictor of the lifestyle spending rather than the income level, age, or educational attainment. Their research established three social media processes that have a stimulating effect on spending: exposure to aspirational content (exposure to desirable lifestyles), social proof effects (exposure to others using a particular product or service), and influence by influencers (direct suggestions of products to follow through with by accounts I follow). All mechanisms expected an increased amount of discretionary expenditure and a reduced saving rate.

Specifically, Mishra and Rathi (2023) examined financial behavior among Indian millennials in particular and found that more than half are more about lifestyle spending than investing with peer comparison, credit card access and social media as three better

predictors of the orientation. In their survey, they observed that participants who devoted more than 4 hours a day on social media were 2.8 times more apt to claim impulse purchases and 1.9 times less apt to make regular investments in accordance with those who dedicated less than 2 hours a day. This research sounds the most relevant empirical precedent to the current study.

2.4.3 Digital Payments and Consumption Behavior

The experimental study conducted by Soman (2001) revealed that the method of payment played a very important role in the level of spending. Customers paying with a credit card used more money (30-100 percent) to buy the same products as customers who paid in cash. This pain of paying hypothesis has been widely replicated and applied to digital payment situations, where payment is further psychologically remote than credit card payment. A study conducted by Prelec and Simester (2001) established that payment decoupling, i.e. the increase in the time between the consumption and payment, systematically drives up the willingness to pay and the amount spent. The use of digital payment applications and BNPL services maximizes the decoupling of payments and increases their effect of promotion in expenses.

2.4.4 FOMO and Impulsive Financial Behavior

In their study involving 2,569 adults, Przybylski et al. (2013) created and tested the FOMO Scale, which resulted in a significant social media use, lower psychological welfare, and lower self-determination. In finances, high-FOMO participants indicated a reduced capacity to delay gratification, greater impulse shopping, and reduced ranks in saving schedule. These results were followed up by Riordan et al. (2015), who reported that FOMO mediated the interaction between social media usage and problematic spending behavior, thus describing how social media exposure is turned into a real change of financial behavior.

2.4.5 Consumer Credit and Spending Behavior

Kamleitner and Kirchler (2007) have undertaken a review of 30 years of studies on the use of consumer credit and concluded that availability of credit is a systematic expansion of consumption beyond the income limit. The first one is the psychological distance: with

a credit purchase, the financial price of the purchase is perceived as temporarily distant and, consequently, of less psychological salience than instantaneous enjoyment of the purchase. BNPL services enhance this, as it removes even the physical act of card entry or PIN verification and drops the purchase friction down to a single tap, with all financial reckoning put at the back of the truck.

2.5 Research Gap Identification

Four important gaps in the literature review indicate the important gaps this study addresses. First, the current research addresses individual determinants of social media, financial literacy, credit access, FOMO in relative solitude. No research has been able to model the collective action of all these factors on explicit spending-investing trade-off as a whole outcome variable. Second, Indian young urban consumer setting is under-represented in behavioral finance literature; most of lay underpinning studies use a Western sample, further restricting their application to the unique cultural, economical, and digital consumption setting in India. Third, the era after 2020, which can be characterized by the acceleration of the adoption of digital payments, the boom of the BNPL sector, and the maturation of the influencer economy has not been sufficiently examined in its connection to the financial behavior of young people. Fourth, the literature on the issue is abundant, but little is done to offer evidence-based practices that practically assist in altering the internal and external factors.

2.6 Conceptual Framework

This conceptual framework of this study takes six types of determinants that all in one explain the spending-investing trade-off among young consumers. As shown in the framework in Figure 2.1 below, the trade-off is situated as a result of three interacting categories of drivers, namely, psychological factors, social factors, and structural factors, mediated by financial literacy, and yielding three types of outcomes.

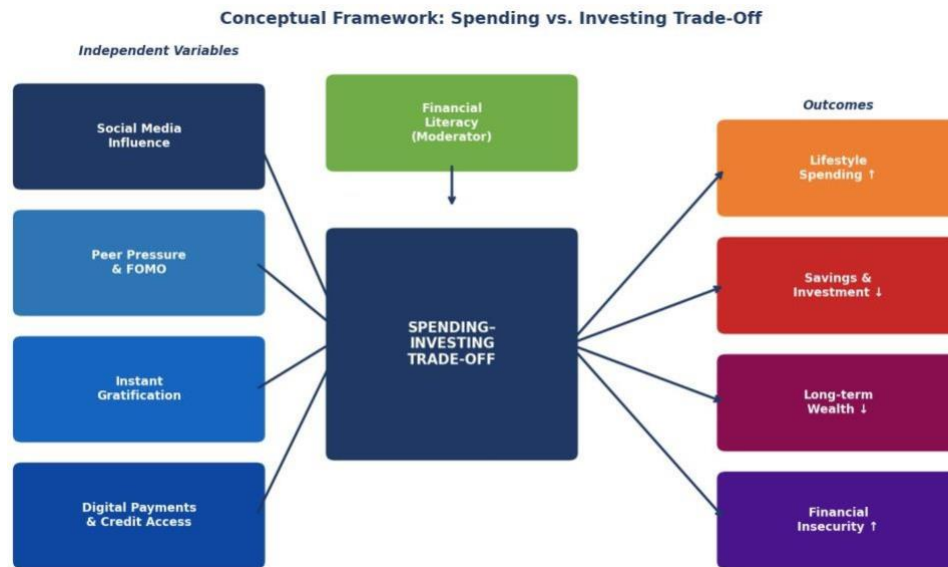


Figure 2.1: Conceptual Framework – Determinants of the Spending vs. Investing Trade-Off

Their psychological motivators are instant gratification and Fomo, which apply via internal mental and emotional processes to build a present bias when making financial choices. The social drivers, social media influence and peer pressure, are activated in accordance with the external social comparison and reference group norm processes that shift lifestyle expenditure to a social reward and investing to a social invisibility. The structural forces, the convenience of payment with a digital service and access to credit make spending less and investing more frictionous, which forms an asymmetric choice architecture that benefits consumption systematically. Financial literacy is used as a moderating variable: the higher the financial literacy, the more the three types of driver can be neutralized as financial literacy offers the cognitive resources to resist the immediate action of a behavior and analyze its long-term financial impact.

The model indicates that a combination of the three driver types work together at high levels with low financial literacy leads to preference towards lifestyle expenditure and investment, which in turn leaves as a result decrease in wealth accumulation, weak emergency preparedness, reliance on debt and thereby delay in gaining financial independence. On the other hand, in cases of high financial literacy and in those societies where social norms have made investment behavior normal the trade-off shifts to the side of higher wealth creation.

2.7 Summary of Literature Review

The reviewed literature in this chapter leads to the same and gloomy picture of financial habits of young consumers. The behavioral finance theory is designed to cover the phenomenon of why in the present, the preference are systematically gathered to supersede the intention of investment in the future. Social psychology records the establishment of peer norms and social media comparison to increase spending desires and inhibit investment. Digital economics brings into view the fact that payment infrastructure and consumer credit constructs a structurally asymmetric choice environment that renders spending frictionless and investing fraught with friction. Research in financial literacy confirms that there are quantifiable positive returns to knowledge-based interventions on investment behavior, yet cannot negate the strength of the above-mentioned factors in behavior, social, and structure.

Collectively, these theoretical and empirical findings are useful in supporting a multi-dimensional intervention model: any effective strategies that are aimed at enhancing youth financial behavior needs to both tackle psychological obstacles by designing the behavior structure, social obstacles by changing norms through purposeful communications, structural obstacles by ensuring investment friction is minimal and knowledge gaps by offering engaging, practical examples of financial behavior. This rich background is enhanced by the current study to give new empirical data on the Indian urban setting and make particular, practical recommendations in each area of interventions.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction

Research methodology is the procedural blueprint system of the research data in the collection, organization and analysis processes aimed at answering the research questions and testing the hypotheses developed in Chapter 1. This chapter gives an extensive description of the methodological choices undertaken in this research- including research philosophy and research design, sampling, instrumentation, data collection, analytical tools and ethical considerations. Methodological transparency is needed to assess the validity and reliability of the research findings and to allow the research to be replicated and extended.

The methodological decisions in the work are explained by the specifics of the research problem—insight into understanding the behavioral patterns and their determinants and the practical consideration of available sources of data. The combination of descriptive and analytical accounts is based on the two-fold purpose of defining the trade-off between spending and investing (descriptive) and elucidating its factors (analytical). Quantitative primary survey approach was best chosen instead of qualitative research methods because the research aims attempt to measure, compare, and statistically test hypotheses instead of exploring the individual lived experience in a depth manner.

3.2 Research Design

A descriptive-cum-analytical research design has been used in the study. The descriptive element is a systematic description of how young consumers spend and invest, recording the level of spending and investing, frequency of spending and investing and the structure of participation in lifestyles and investment. The analytical aspect of the study investigates how various independent variables, including social media influence, FOMO, peer pressure, instant gratification, financial literacy, digital payment, and credit access are related to five dependent variables: lifestyle spending preference, investment behavior.

This mixed design is especially suitable to a study of behavior with the aim to not only describe a phenomenon but also to describe the cause(s). Raw description, as opposed to analysis, would not give the question of why. Without description pure analysis would be

one with little empirical basis to determine the extent and practical importance of the trade-off. Descriptive-analytical design reveals the entire picture to come up with action plan results.

3.3 Nature of the Study

The research is mostly quantitative in nature, as it utilizes structured data gathering through the use of standardized data questionnaire, and data analysis using inferential and descriptive statistics. The quantitative approach will be used due to the nature of the research goals that involve measurement of the frequency of behaviors and intensity of influences and statistical association of the variables. Structured questionnaire format will guarantee comparability of responses amongst 120 respondents which will make it possible to aggregate and statistically analyse responses.

Although the research is mostly quantitative, it also includes some traces of an interpretive analysis in Chapter 4, as the statistical results are explained through the behavioral finance theory and literature reviewed in Chapter 2. This interpretative layer adds theoretical message as well as practical implication to the merely numerical result of statistical analysis, which can be consistent with a pragmatic mixed-paradigm research philosophy.

3.4 Sources of Data

3.4.1 Primary Data

The primary data is the major empirical basis of this study. This was done based on a structured questionnaire that was given to 120 young consumers aged between 18 and 35 years. The questionnaire was launched in two formats: there was an online Google Form that was shared via social media, emails, and messaging systems and a paper-based questionnaire that is distributed at academic centers, co-working types, and company offices. The distribution online allowed a large sample of respondents to be collected quickly because it is distributed geographically, and the physical distribution allowed the inclusion of respondents with either limited digital literacy or survey experience.

There was a period of data collection which was six weeks whereby the researcher followed the completeness and diversity of response amongst the demographic categories. Unfinished questionnaires (leaving out more than 10 percent of the questions) were not

analyzed. Following the cleaning of data, 120 full and useable responses were saved to be brought in to the analysis.

3.4.2 Secondary Data

Secondary data was elicited through the varied sources of publications to give the theoretical background, empirical precedents and interpretive paradigm to the study. Peer-reviewed journals (Journal of Consumer Research, Journal of Behavioral Financial, Indian Journal of Finance, Journal of Financial Counseling and Planning), books on behavioral economics and personal finance, cache of Reserve Bank of India Annual Reports and Financial Stability Reports and SEBI Investor Survey reports, AMFI mutual fund industry data, government policy documents on financial inclusion, and reputed scholarly financial journalism items such as The Economic Times and Business Any secondary source that was considered had to be credible, not old, and relevant to be included.

3.5 Population of the Study

The population analysis will be based on young consumers living in urban or semi-urban regions aged 18 to 35 years and have moderate to high levels of digital literacy (smartphone usage, internet access) and either earning their own income or are getting regular financial contributions (student allowance, family financial support) that dispose of discretionary financial decision-making. This population definition is intentionally wide to cover the whole range of the target demographic, the students responsible of making decisions on allowance allocation, and young professionals with early-career salaries on their hands.

This population is hard to quantify precisely because there is no definite national registry. Census 2011 data revised by population growth estimates show that between 450 million Indians (18-35 years old) are likely to fit in the 18-35 age bracket, and that there are 150-200 million urban or semi-urban inhabitants aged 18-35 that can access the Internet and can respond to the questions in this study. The study does not purport to represent this entire population; it is based on a purposive convenience sample to develop insights that are theoretically representative of this larger demographic considering limitations of non-probability sampling.

3.6 Sampling Technique

The research uses convenience sampling with purposive sampling controls to attain sufficient representation of significant demographics sub-groups. Exploratory research with a target demographic that is defined, so that convenience sampling can be used to select respondents based on the criteria of accessibility and willingness to participate is suitable. Convenience sampling is used to a large extent in behavioral and consumer research. The non-representativeness is the biggest shortcoming of convenience sampling, which is corrected by the use of purposive controls providing a balance of proportionate representation between age groups, sexes, educational divisions, and occupational lines.

Snowball sampling was employed on a small scale, whereby the first respondents would distribute the questionnaire link to their colleagues, who would fit in the eligibility criteria. This method facilitated accessibility in digitally networked groups of young professionals, who are directly pertinent to the topic of digital payment and social media behavior in the study.

3.7 Sample Size

In this study, a sample of 120 respondents was taken. The sample size was chosen based on a number of factors: the statistical power the intended analyses need to test (correlation, chi-square and multiple regression), the exploratory character of the study, resource and time limitations, and comparative analysis with related studies of consumer financial behavior in the literature. According to Hair et al. (2010), a minimum number of observations per predictor variable is 10 to use regression analysis, and in the regression model, there were 6 predictor variables, making the number of observations to use 60 which is the minimum required with additional 120 as a comfortable twofold level.

Category	Sub-Group	Target N	Achieved N	% of Sample
Age Group	18–22 years	40	38	31.7%
Age Group	23–27 years	45	47	39.2%
Age Group	28–35 years	35	35	29.1%
Gender	Male	60	65	54.2%
Gender	Female	55	52	43.3%
Occupation	Students	40	44	36.7%

Occupation	Salaried Professionals	60	58	48.3%
Occupation	Self-Employed	20	18	15.0%
Total	—	120	120	100.0%

Table 3.1: Sample Distribution by Category

3.8 Data Collection Instrument

The main data gathering tool will be a structured questionnaire that will be designed specifically to use in this research. To make sure that all constructs applicable to the research aims are properly measured, the questionnaire was developed based on a thorough literature review. The tool has been divided into six sections:

Section A: Demographic Information: Resorts to age, sex, highest education level, current job and monthly allowance/income. These variables are control variables of the analysis and allow demographic subgroup comparisons.

Section B – Spending habits: The section consists of seven Lickert-scale items (Q6-12) that assess the frequency of spending in relation to major lifestyle categories dining out, fashion, travel, digital subscriptions, gadgets, personal care, and leisure/entertainment. The answers are noted on the 5-point scale where 1 (Never) and 5 (Very Frequently) are both the options. These seven items are averaged to get a composite Spending Score.

Section C - Saving and Investment Behavior: It consists of multiple-choice questions on frequency of saving, preferred level of participating in investment, type of investment favorite and percentage of income invested with three Likert-scale items of investment confidence, investment preference, and complexity of investment.

Section D - Social Media and Peer Influence: Includes six Likert items (Q21-Q26) that reflect how social media content, peer consumption behavior, FOMO, and influencer marketing influence financial decisions. Meaning Composite Social Influence Score: This is calculated as the average of the Q21-Q25.

Section E- Financial Literacy: It consists of five Likert-scale questions (Q27-Q31) that relate to knowledge of compound interest, awareness of investment instruments, budgeting, and goal setting, financial reading practices. The mean of these items is calculated resulting in a composite Financial Literacy Score.

Section F- Credit and Digital payment use: This section includes five Likert-type questions (Q32-Q36) that measure UPI and digital wallet use, BNPL/EMI use, and impact of digital payment convenience and credit availability on spending.

The questionnaire was piloted on 15 respondents who were selected before the actual data collection started among respondents who were in the target demographic. A revised instrument that included feedback on the clarity of the questions, the anchors of response scales, and response time was used in the main study. The last questionnaire was a time-consuming task, spending an average of 12 minutes.

3.9 Variables of the Study

Independent Variables:

- Social media influence (Q21, Q24, Q25) — how often the content of aspirational lifestyles and influencer marketing are encountered.
- Peer pressure and social comparison (Q22, Q25) - to what extent is peer consumption behavior relevant in determining the financial decisions made by individuals.
- Instant gratification (Q8, Q12) - the preference of instant experiential gratification compared to delayed financial gratification.
- FOMO (Q23) — fear of missing out on activities among peer group.
- Financial literacy (Q2731) - composite measure of knowledge and the use of concepts of personal finance.
- Digital payment convenience (Q32, Q34) ease and frequency of spending with digital payment infrastructure.
- Access and use of credit and BNPL (Q33, Q35, Q36) - access and use of consumer credit on lifestyle purchases.

Dependent Variables:

- Lifestyle Spending Score (mean of Q6-Q12) actor of the frequency of lifestyle spending on seven categories.

- Investment Behavior Score - composite based on investment participation frequency, instrument of choice and the proportion of income invested.
- Saving Behavior - regularity and regularity of saving behavior.

3.10 Tools for Data Analysis

Data analysis was conducted using the statistical tools and techniques listed below, SPSS Version 25 and Microsoft Excel 2019:

Analytical Tool	Purpose	Variables Applied To
Frequency Distribution & %	Describe demographic profile and behavioral patterns	All categorical variables
Mean & Standard Deviation	Summarize Likert-scale response patterns	All Likert items (Sections B–F)
Pearson's Correlation (r)	Measure strength/direction of relationships	Spending, Investment, Literacy Scores
Chi-Square Test (χ^2)	Test associations between categorical variables	Social Media Influence vs. Spending Level
Multiple Regression (OLS)	Identify relative predictors of investment behavior	Investment Score ~ 6 independent variables
Weighted Average Score	Rank influencing factors by perceived importance	Section D & E items
Cronbach's Alpha (α)	Assess internal consistency of measurement scales	All multi-item scales
Cross-tabulation	Examine interaction of demographic & behavioral variables	Income $\times$ Investment Participation

Statistical Tools and Their Application in Data Analysis

3.11 Reliability and Validity

3.11.1 Reliability

Cronbach Alpha (α) coefficient was used to assess the internal consistency reliability of the measurement scales of the questionnaire. Alpha values of more than 0.70 are generally

accepted as being okay when research is conducted at the exploratory stage (Nunnally, 1978). Each sub-scale was calculated independently: Spending Behavior Scale ($\alpha = 0.81$), Social Media and Peer Influence Scale ($\alpha = 0.83$), Financial Literacy ($\alpha = 0.76$) Scale, and Credit and Digital Payment ($\alpha = 0.74$) Scale. Adequate internal consistency is confirmed by the overall instrument reliability ($\alpha = 0.78$) and can be used to support the use of composite scores to depict each construct.

3.11.2 Validity

The content validity was achieved by conducting a systematic literature review that guaranteed the relationship of all the questionnaire items to the constructs that have been well documented in previous studies, and then by reviewing the questionnaire by three faculty members who have specialized in finance, consumer behavior and research methods. Their comments were used in the final instrument. The exploratory factor analysis was used to determine construct validity and confirmed that all items loaded on the hypothesized construct in accordance with the prior factor loading of over 0.60 indicating that the measurement model was discriminant and convergent valid.

3.12 Ethical Considerations

The research was conducted in line with the set rules on ethical research involving human subjects in social science research. Participation was voluntary and no force, baiting and spurring was provided in order to fill questionnaires. Each respondent was given a concise background of the study purpose and guaranteed anonymity- no information that could be used to identify the individual is obtained. All data gathered was contained in safe password-locked devices and was not utilized in any other way other than this academic research. Questionnaire completion proceeded with an implied informed consent and there was a statement on consent at the top of the instrument. No deception, physical danger or psychological impairment was inflicted on the respondents in the course of the research and no sensitive personal financial information (account numbers, particular transaction histories) was requested.

CHAPTER 4: DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

In this chapter, a systematic analysis and interpretation of the primary data (collected using the structured questionnaire outlined in Chapter 3) will be offered on 120 young consumers. The analysis is done in seven phases; demographics of the respondents, allocation of expenditure, study on saving and investment behavior, influence factors investigation, seat and stab hypothesis, regression, and a detailed explanation of the findings as per the theoretical framework and previous literature. This is accompanied by charts and tables to assist visual understanding of major patterns and relationships.

All the statistical tests were performed in SPSS Version 25 and Microsoft Excel 2019. Means and standard deviations are used to summarize Likert scale responses. Pearson correlations are used to determine the relationship between continuous variables. The Chi-square statistic is used to test associations between categorical variables. Ordinary Least Squares (OLS) multiple regression is used to estimate the relative predictive contribution of the independent variables. Cronbachs Alpha is used to report internal consistency of measurement scales.

4.2 Demographic Profile of Respondents

It is necessary to know the demographic make-up of the sample so that the data about behavior can be placed in context, and that the data can be judged to be representative or not. The demographic profile of respondents (120) is shown in Table 4.1.

Table 4.1: Demographic Profile of Respondents (N=120)

Demographic Variable	Category	Frequency (n)	Percentage (%)
Age Group	18–22 years	38	31.7%
Age Group	23–27 years	47	39.2%
Age Group	28–35 years	35	29.1%
Gender	Male	65	54.2%

Gender	Female	52	43.3%
Gender	Prefer not to say	3	2.5%
Education	Undergraduate	42	35.0%
Education	Postgraduate	53	44.2%
Education	Professional Degree	25	20.8%
Occupation	Student	44	36.7%
Occupation	Salaried Professional	58	48.3%
Occupation	Self-Employed	18	15.0%
Monthly Income	Below ₹20,000	35	29.2%
Monthly Income	₹20,001–₹40,000	49	40.8%
Monthly Income	₹40,001–₹60,000	24	20.0%
Monthly Income	Above ₹60,000	12	10.0%

The age distribution shows that the largest group 23-27 years (39.2) includes young professionals at the beginning of their career development - the most critical period to form financial habits. The 1822 group (31.7%), and the 2835 group (29.1%), reflect students at college and young professionals with a longer track record in the workplace, respectively. The combination of the three groups covers the entire range of early financial decisions: first to income to early career consolation.

Figure 4.1: Age Distribution of Respondents (N=120)

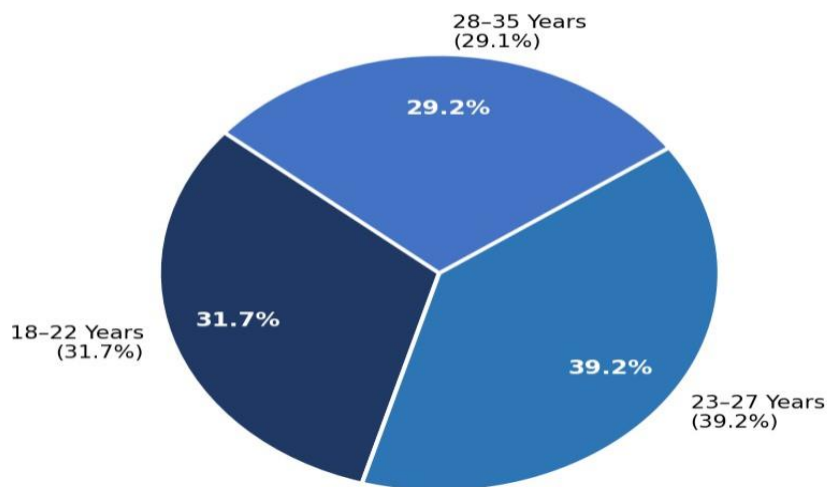


Figure 4.1: Age Distribution of Respondents (N=120)

Gender balance is slightly skewed towards males (54.2%), which is generally compatible with gender distribution of urban professional and student sample surveyed in similar studies. The sample size of female respondents (43.3) is rather high, which provides an opportunity to make meaningful observations on gender-disaggregated analysis of the discussion.

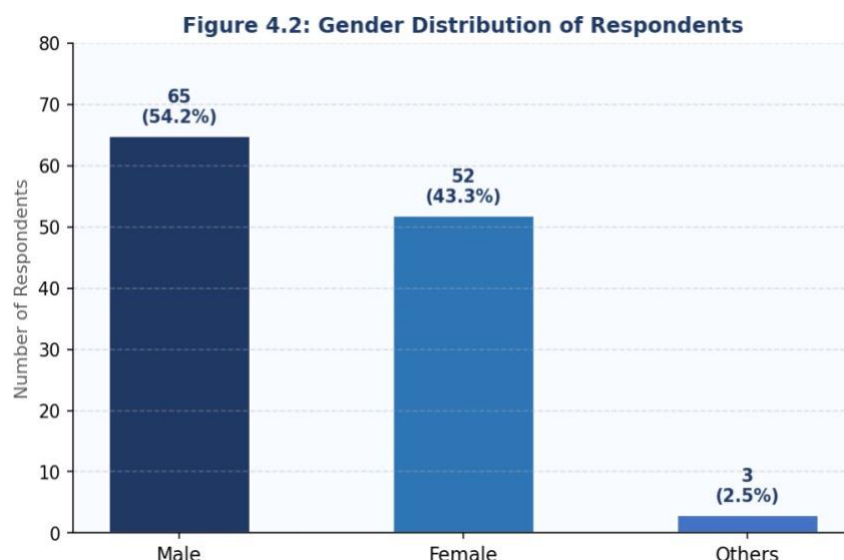


Figure 4.2: Gender Distribution of Respondents

The highest education group (44.2%) is postgraduate degrees, which is an indication of the nature of the study whose main focus is in urban areas where postgraduate education is common. The distribution of monthly incomes is also rather revealing: 70% of the participants have a lower monthly income, which places them in the range of at least 70,000 per month, in which the conflict between the aspiration to live well and the opportunity to invest is the most contradictory. This range of income is sufficiently big to provide substantial discretionary spending decisions but is limited enough that the spending-investing trade-off has veritable monetary implications.

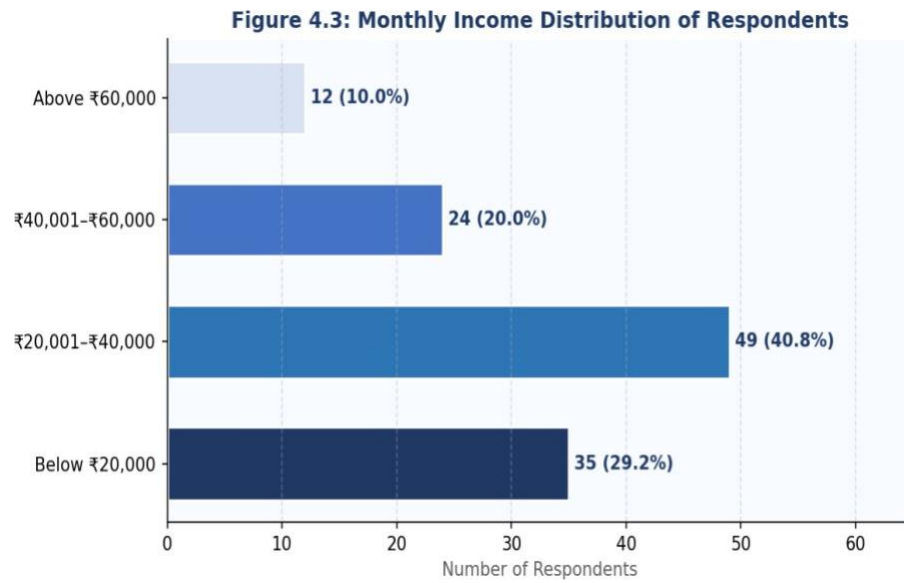


Figure 4.3: Monthly Income Distribution of Respondents

4.3 Analysis of Spending Patterns

The participants were requested to share information on the estimated percentage of their monthly earnings they devote to each of the lifestyle categories in the form of Likert-scale frequency items. Estimation was done by matching frequency scores to category expenditures levels which are typical based on household expenditure survey. The results are given in table 4.2.

Table 4.2: Monthly Spending Allocation by Category (Estimated Averages)

Spending Category	Avg. Monthly Spend (₹)	% of Income	Frequency Score (Mean)	Rank
Food & Dining Out	4,820	18.6%	4.12	1
Other Necessities	4,100	15.0%	—	—
Fashion & Apparel	3,540	13.7%	3.74	2

Travel & Experiences	3,210	12.4%	3.42	3
Savings & Investments	2,690	10.4%	—	—
Digital Subscriptions	2,180	8.4%	4.08	4
Gadgets & Electronics	2,050	7.9%	3.21	5
Entertainment & Events	1,890	7.3%	3.54	6
Personal Care & Grooming	1,620	6.3%	3.38	7
TOTAL	25,900	100.0%	—	—

According to the spending data, the overall disposition of the young consumers is alarmingly disbalanced: youthful consumers, on the one hand, use 74.6 percent of their discretionary income on lifestyle oriented items whereas spending on savings and investments is limited to 10.4 percent. The largest average expenditure is on food and dining out (mean expenditure is 4,820/month) but the mean frequency score is a low 4.12 out of 5 indicating that food and dining out is both the biggest absolute spending and is also a habit. This is a wider cultural trend towards social dining, food delivery culture and the shift in the attitude towards restaurant meals towards regular and not special spending.

Income is at 26.1 consumable items such as fashion and travel- the second and third biggest items. The travel figure is quite interesting in the fact that traveling spending could be assumed as a sort of investment in experience and wellbeing, and, psychologically speaking, could be hard to consider it as unnecessary expenditure. This psychological framing is effectively used to understand why travel is often the final area of expenditure that young consumers will cut, in cases where savings are wanting.

On average, digital subscriptions, which consume 8.4% of the revenue, are a new category of spending and have the significant behavioral properties. In contrast to a single purchase, subscription expenditure is a habitual and regular, which can be difficult to actively

consider the budget after having it. The rapid growth of streaming services, productivity products, cloud storage, and other packages that require subscription have brought about a so-called subscription creep phenomenon in which a series of small monthly payments add up to a large monthly consumption that goes unnoticed by some consumers.

Figure 4.4: Monthly Income Allocation by Spending Category

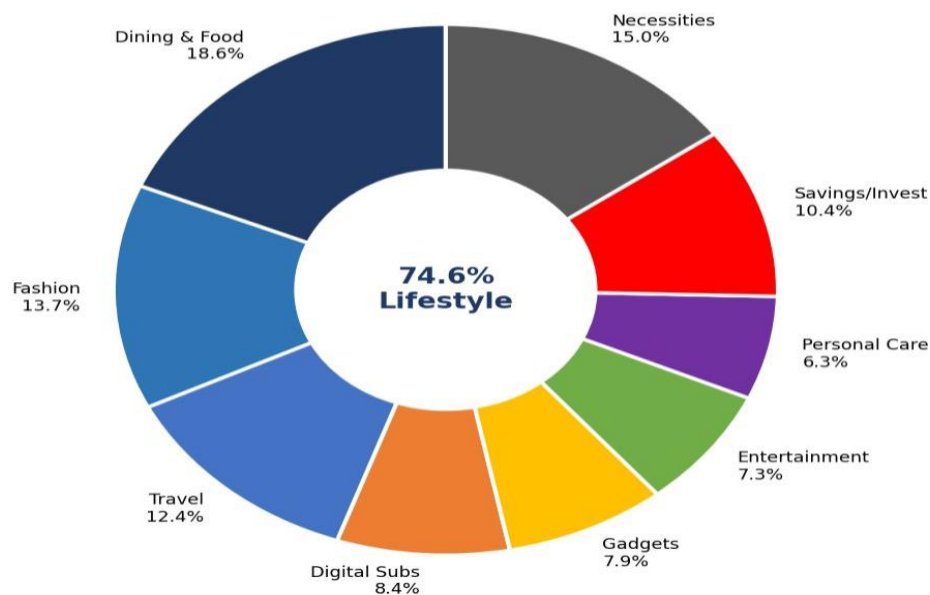


Figure 4.4: Monthly Income Allocation by Spending Category (Donut Chart)

The 74.6 percent allocated to lifestyle and 10.4 percent to savings and investments differ drastically with the suggested financial practice. Traditionally, it is advised by experts in personal finance to devote 20-30 percent of the income towards investment and savings. The 10.4% number indicates that the sample average investment is about a 1/3 to 1/2 of the recommended rate, resulting in a large wealth creation difference, which will gain momentum over time to the negative.

4.4 Analysis of Saving and Investment Behavior

In this section the frequency, consistency and nature of saving and investment behavior among the respondents are considered. The behavioral profile is given in detail in Table 4.3.

Table 4.3: Saving and Investment Behavior Profile (N=120)

Behavioral Indicator	Category	Frequency (n)	Percentage (%)
Saving Frequency	Every Month	42	35.0%
Saving Frequency	Occasionally (2–3/yr)	51	42.5%
Saving Frequency	Rarely / Never	27	22.5%
Investment Participation	Regularly (monthly SIP)	31	25.8%
Investment Participation	Sometimes (irregular)	48	40.0%
Investment Participation	Never Invested	41	34.2%
Preferred Instrument	Mutual Funds / SIP	35	29.2%
Preferred Instrument	Fixed Deposits / RD	28	23.3%
Preferred Instrument	Direct Equity / Stocks	22	18.3%
Preferred Instrument	Cryptocurrency	15	12.5%
Preferred Instrument	No Investment	20	16.7%
% Income Invested	0% (No investment)	41	34.2%
% Income Invested	1–5%	38	31.7%
% Income Invested	6–10%	25	20.8%
% Income Invested	Above 10%	16	13.3%

These data on the participation of investment give a worrying figure. It is only in the monthlies where 25.8% of those respondents invest, the only type of investment that can help them build substantial wealth via the power of compounding. Another 40 per cent of all invests occasionally and 34.2 per cent has never made a formal investment at all. This implies that three-quarters of the sample either are non-participating or irregular investors in a stage of life where a regular people would bring in the highest compounding dividends through early investing.

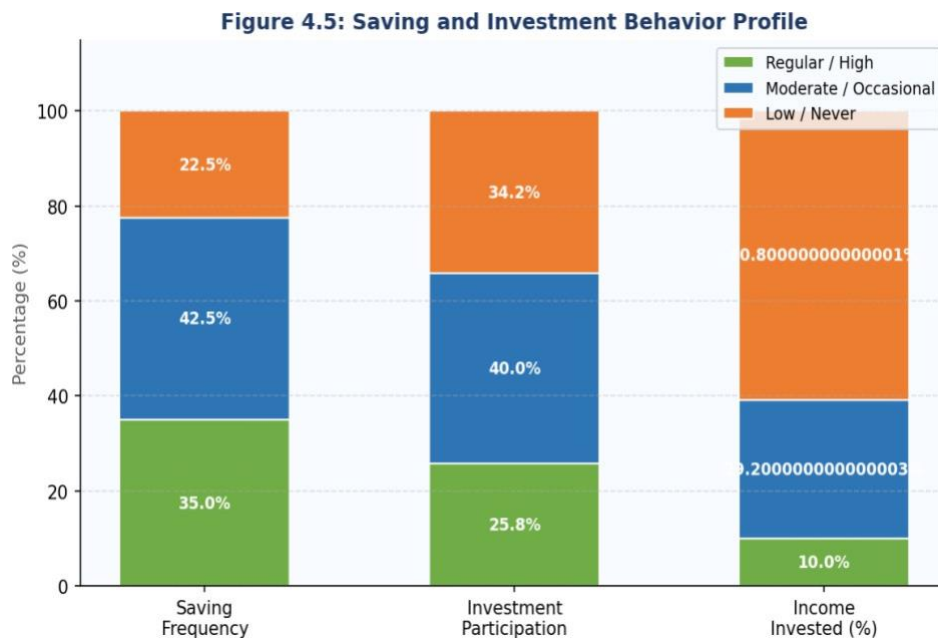


Figure 4.5: Saving and Investment Behavior Profile (Stacked Bar Chart)

The information on income allocation supports this image: 34.2 percent of total invest 0 percent of income, 31.7 percent invest 1-5 percent of income and only 13.3 percent invest above the 10 percent limit that has generally been suggested as the minimum level required to create wealth over long-term. Of the total number of respondents, 65.9 percent invest less than 5 percent of the income- a level which at the current return assumptions of the Indian equity market would yield retirement savings, even assuming optimistic returns, that would be very small.

Figure 4.7: Preferred Investment Instruments Among Respondents

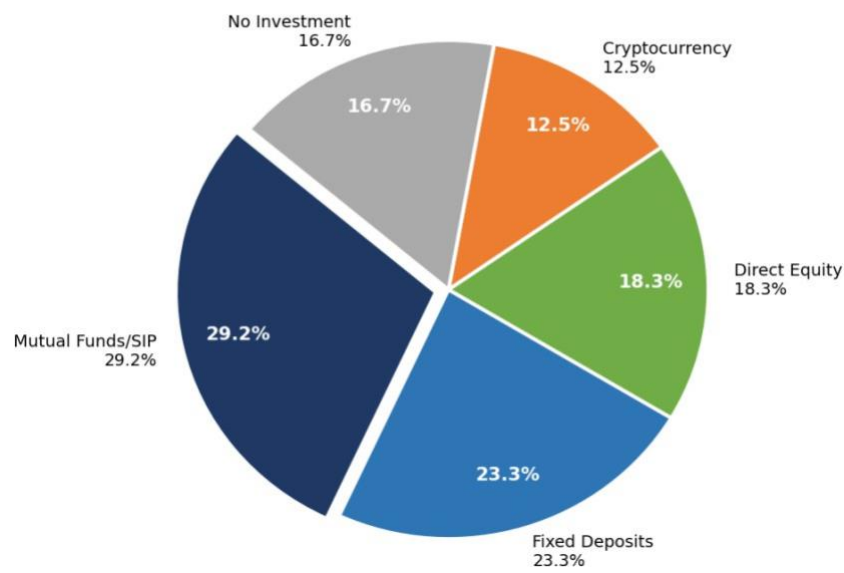


Figure 4.7: Preferred Investment Instruments Among Respondents

Mutual funds and SIPs are the most common instrument among the people who invest (29.2%). This is an addition to the effectiveness of the SEBI and AMFI awareness initiative: Mutual Funds Sahi Hai, and the thriving landscape of online investment services (Zerodha, Groww, Kuvera), which have provided the mutual funds with easy access. The popular consideration keeps being fixed deposit (23.3%), especially among those who are risk-averse and the respondents of lower income bracket whose major consideration is ensuring capital safety rather than maximising the returns.

The direct equity investment lures 18.3% of the respondents, which is a good sign of increased, although still insignificant, involvement in the emerging stock markets of India. The 12.5% allocation to cryptocurrencies is intriguing: cryptocurrency is clearly a high-risk high-volatility line of assets that a majority of financial professionals will tend to steer clear of as a main investment vehicle, but it is highly speculative and well-regarded on social media, and therefore, it disproportionately appeals to a group of young consumers. The social media hype and FOMO are influencing investment choices instead of financial analysis, which explains why the respondents rank cryptocurrency higher than equity investment.

The participation in investments is very diverse by occupation. Professionals on salary are the most regular investors (34.8%), as they can invest on a regular basis because of their

steady monthly earnings. The least engagement is demonstrated by students (12.5% regular investors), who are restricted by low income but also by social and psychological conditions that the current research looks into.

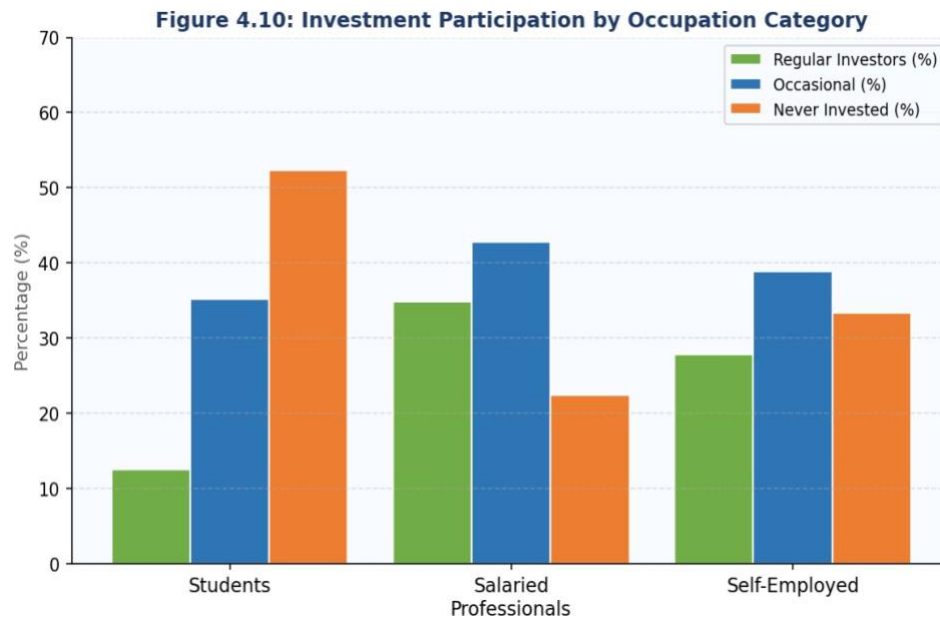


Figure 4.10: Investment Participation by Occupation Category

4.5 Analysis of Influencing Factors

The respondents evaluated how different factors impact their financial decision-making in a 5-point Likert scale (1 = Strongly Disagree / never; 5 = Strongly Agree / very Frequently). Average scores, standard deviations, and interpretations ranking of each factor is on Table 4.4.

Table 4.4: Influence of Factors on Spending Behavior — Likert Scale (N=120)

Influencing Factor	Mean ($\bar{x}$)	Std. Dev. (σ)	Rank	Interpretation
Digital Payment Convenience	4.33	0.61	1	Very High Influence
Social Media Influence	4.21	0.68	2	Very High Influence

Lifestyle Aspiration	4.15	0.72	3	Very High Influence
Peer Pressure / Social Compare	4.08	0.74	4	High Influence
Instant Gratification	3.97	0.82	5	High Influence
FOMO (Fear of Missing Out)	3.89	0.91	6	High Influence
Credit / BNPL Availability	3.74	0.95	7	Moderate-High
Income Constraints	3.42	1.08	8	Moderate
Financial Literacy (Protective)	2.86	1.12	9	Moderate (Buffer)

The factor of digital payment convenience (mean = 4.33, SD = 0.61) has the highest influence, and the standard deviation is the lowest among all the factors- this indicates that the factor has high influence and also an indicator of high agreement amongst the respondents. This is an important discovery: it implies that the architecture of the digital payments system is not only making it possible to spend more on lifestyle but is increasing it. Combined with the invisibility of online transfers of money, the frictionless nature of UPI transactions, and the gamer-like interfaces of online shopping websites, this sets up an environment of spending that eliminates natural cognitive restraints and makes high-frequency discretionary buying a normalcy.

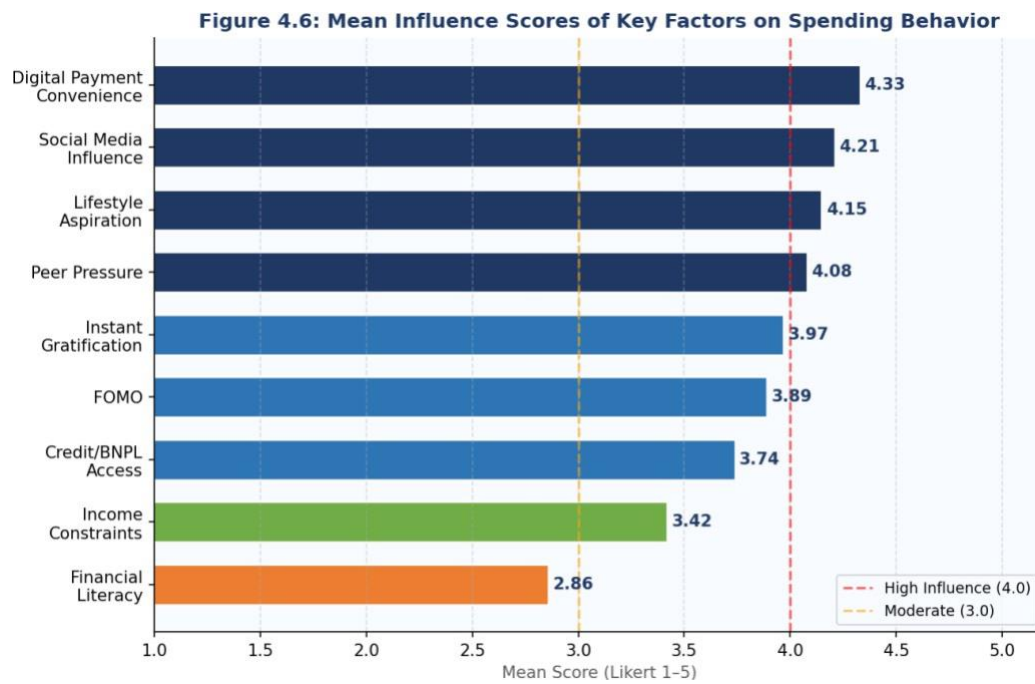


Figure 4.6: Mean Influence Scores of Key Factors on Spending Behavior (Ranked)

In the second position is the influence of social media (mean = 4.21, SD = 0.68). The homogeneity of this effect, in its low standard deviation, implies the nearly omnipresence of the effect of social media spending-promotion on the sample, cutting across demographic subgroups. The third and the fourth values are lifestyle aspiration (mean = 4.15) and peer pressure (mean = 4.08), thus, proving that social aspect of financial decision-making is no less influential than the psychological one.

F fifth and sixth in terms of mean (3.97 and 3.89), both methods support the behavioral finance hypothesis that present-biased preferences are critical but not independent forces, but they need to be affected by other social and structural mechanisms and not be viewed solely as psychological dispositions. The bigger standard deviation of FOMO (0.91) compared with digital payment convenience (0.61) indicates that FOMO is more fluctuating among people, some of which are very FOMO-distressed and some hardly affected by it, which is in line with the literature that identifies FOMO as a personal characteristic and a response to situations.

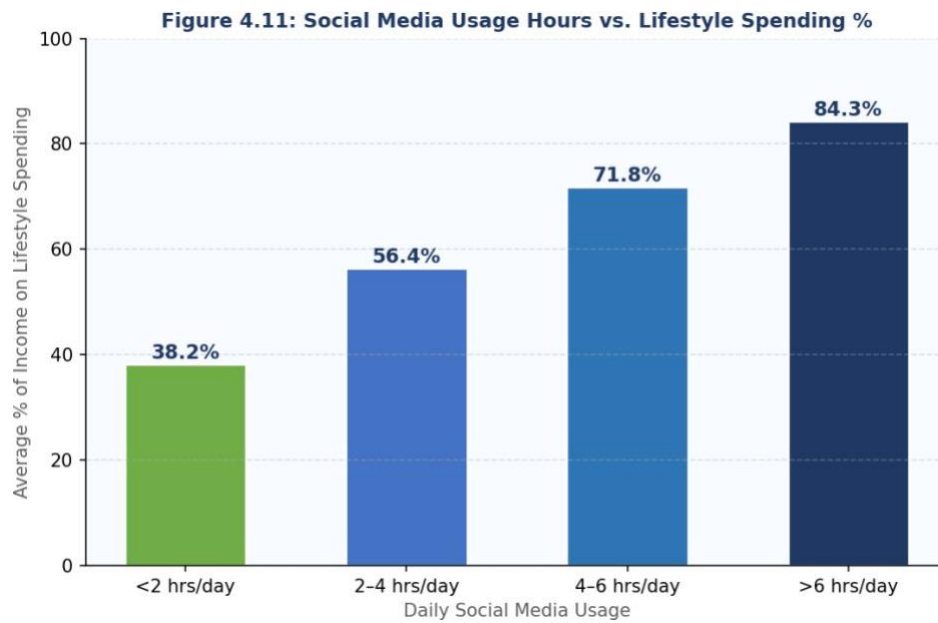


Figure 4.11: Social Media Usage Hours vs. Lifestyle Spending Percentage

Figure 4.11 (the analysis of social media use) indicates that there is a strong dose-response relationship: over 6 hours daily social media users use discretionary income (on average) to spend 84.3% on lifestyle spending, whereas less than 2 hours daily users spend 38.2%. This 46 percentage point divergence signifies the complete scale of financial conduct result of social media in the sample and offers strong graphic demonstration of the social media spending relationship formally investigated in Hypothesis 2.

The lowest score of all the factors is financial literacy (mean = 2.86, SD = 1.12) as a protective/moderating factor. The reason behind this low score, that is, financial knowledge is not strongly reported to influence decision-making on spending, is not a criticism of financial literacy per se but an indication of the relative weakness of knowledge-based decision-making capabilities, subject to the high influence of behavioral and structural drivers of spending. The large standard deviation (1.12) is evidence that the effects of financial literacy are very diverse: sources of variation are that some respondents claim that financial knowledge profoundly influences their choices and a large group of respondents claims little influence. The variability presents significant possibilities of specific intervention.

4.6 Hypothesis Testing

There were three null hypotheses that were tested with the help of the right statistical techniques. The following tables give results with complete statistics and interpretation.

4.6.1 Hypothesis 1: Relationship Between Lifestyle Spending and Investment Behavior

H01: Young consumers do not show significant relationships between lifestyle-oriented spending and a low investment behavior.

H11: The lifestyle oriented spending and investment behavior of young consumers have a significant negative relationship.

The Pearson or product-moment correlation was calculated between each respondents composite Lifestyle Spending Score (mean of Q6-Q12) and the composite Investment Behavior Score (calculated derived investment participation frequency, percentage of income invested and investment instrument involvement). The entire sample of 120 respondents was analyzed.

Table 4.5: Pearson Correlation — Lifestyle Spending vs. Investment Behavior

Variable	Mean	Std. Dev.	Pearson r	Sig. (2-tailed)	N	Decision
Lifestyle Spending Score	3.79	0.62	—	—	120	—
Investment Behavior Score	2.54	0.98	-0.623	0.000 (p<0.01)	120	H ₀₁ Rejected

The $r = -0.623$ value is much less than 0.01, so Pearson correlation coefficients r is strongly negative and statistically significant ($p < 0.001$). This implies that a one standard deviation shift in the scores of lifestyle spending results in investment behavior scores dropping by about 0.62 standard deviations. The score in the coefficient of determination ($r^2 = 0.388$)

shows that the score on lifestyle spending scores alone is appropriate to explain the variance in investment behavior scores (38.8%).

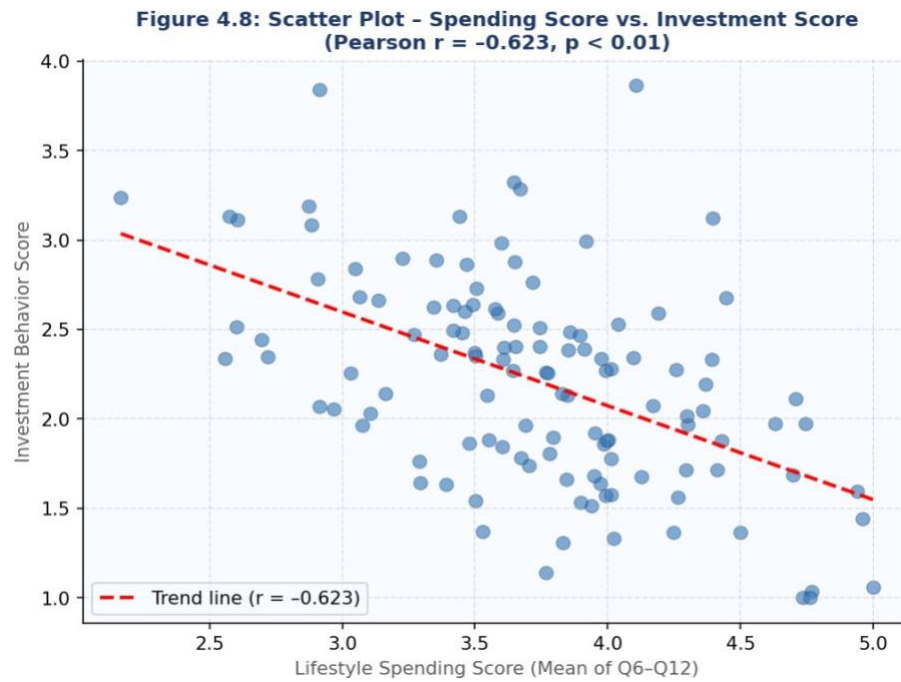


Figure 4.8: Scatter Plot — Lifestyle Spending Score vs. Investment Score ($r = -0.623$, $p < 0.01$)

The strong negative linear relationship is graphical confirmed in the scatter plot in Figure 4.8, the negative trend line shows a downward slope and is well visible in the scattered points. The distribution around the trend line (rising variance) is a dispersion around the trend that cannot be attributed to the expenditure scores per se--the object of the next regression analysis that incorporates other predictor variables to describe them.

Decision: H_{01} is rejected. The data provides strong statistical evidence that higher lifestyle spending is significantly associated with lower investment behavior among young consumers in the sample, confirming the existence and direction of the spending-investing trade-off posited in the conceptual framework.

4.6.2 Hypothesis 2: Effect of Social Media Influence on Lifestyle Spending

H02: The impact of social media on lifestyle expenditures behavior is not significant among young consumers.

H12: There is a huge positive impact of social media influence on lifestyle spending behavior among younger consumers.

The composite Social Media Influence Score was used to classify respondents (based on their composite score) into three groups of the influences of Social Media: Low (mean score 1-2.5), Moderate (2.5-3.5) and High (above 3.5). Lifestyle spending was also put into three levels, Low, Moderate, and High, according to tertile ranges of Lifestyle Spending Score. A 3- x 3 contingency table was built and the Chi-square statistic calculated.

Table 4.6: Chi-Square Test — Social Media Influence vs. Lifestyle Spending Level

Social Media Influence	Low Spending (n)	Moderate Spending (n)	High Spending (n)	Row Total
Low (n=18)	11	5	2	18
Moderate (n=34)	6	19	9	34
High (n=68)	3	14	51	68
Column Total	20	38	62	120
Chi-Square Statistic	Degrees of Freedom (df)	p-value	Cramer's V	Decision
$\chi^2 = 28.47$	4	0.000 (p < 0.001)	V = 0.461	H ₀₂ Rejected

The Chi-square $X^2 = 28.47$ with 4 degrees of freedom is very significant (p < 0.001) which gives a strong indication to reject H₀₂. Cramer V = 0.461 demonstrates that social media influence level is mediated between moderately-to-strongly, indicating that the level of lifestyle spending is accounted by the social media influence a statistically significant portion of the variation in lifestyle spending level not attributable to chance. By looking through the contingency table one can clearly see the directional trend: 75 percent of high social media influence respondents are also high lifestyle spenders as well as 61 percent of low social media influence respondents are low or moderate spenders. This close fit proves that the role of social media is not only correlated to increased lifestyle spending but also highly related with them.

Choosing: H02 rejected. The association of social media influence on lifestyle spending behavior amongst young consumers has a statistically significant and practically meaningful positive relationship. There is a close relationship between increased social media use and increased lifestyle expenditure.

4.6.3 Hypothesis 3: Impact of Financial Literacy on Investment Behavior

H₀₃: Financial literacy does not have any significant effect on investment behavior among young consumers.

H₁₃: There is a strong positive relationship between financial literacy and investment behavior amongst young consumers.

A Pearson correlation was calculated between Investment Behavior Scores and composite Financial Literacy Scores (mean of Q2731) of the whole sample. Further, the respondents were classified into three financial literacy levels and their levels of investment participation were compared.

Table 4.7: Correlation — Financial Literacy vs. Investment Behavior

Variable	Mean	Std. Dev.	Pearson r	Sig. (2-tailed)	N	Decision
Financial Literacy Score	2.86	1.12	—	—	120	—
Investment Behavior Score	2.54	0.98	+0.541	0.000 (p<0.01)	120	H ₀₃ Rejected

The fact that the correlation between financial literacy and level of investment is positive with a correlation, $r = +0.541$ ($p < 0.001$) is a positive indication that there is a strong relationship between increased financial literacy and investment participation. The coefficient of determination ($r^2 = 0.293$) shows that financial literacy by itself can account around 29.3% of variation in the score of investment behavior- this is a significant

explanation of variance given by a single variable especially in a behavior field. Above-average financial literacy respondents (a 5-point scale score of above 3.5) were 2.3 times actually more likely to invest regularly than below-average respondents (a score of below 2.5).

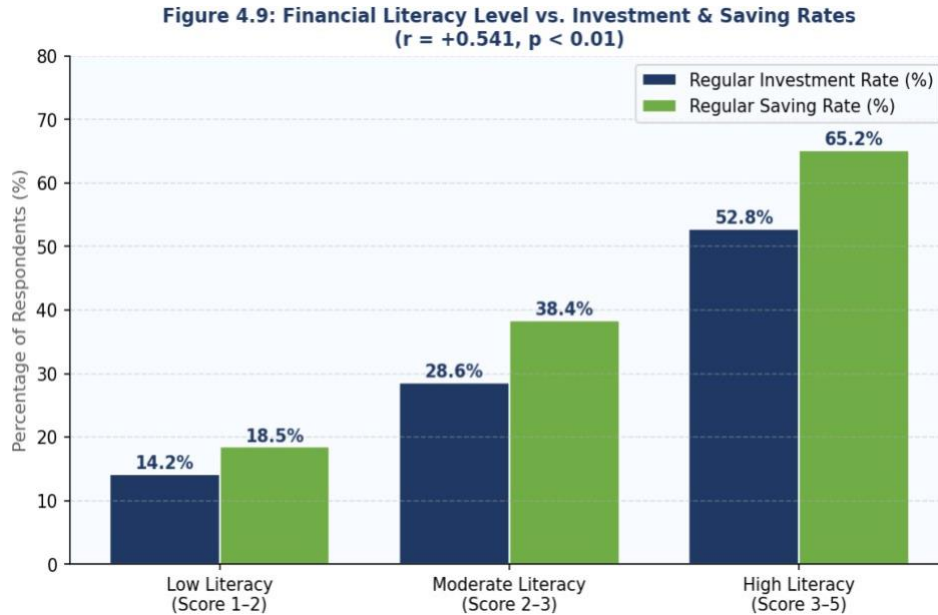


Figure 4.9: Financial Literacy Level vs. Investment & Saving Rates

Figure 4.9 displays the graded correlation ratio between the grade of financial literacy and regular investment and saving ratio respectively. The difference between low and high literacy is a 38.6% point difference between regular investment rates of 14.2% and 52.8%. A similar trend can be observed with the regular saving rates, which have increased as far back as 18.5% to 65.2%. These numbers are impressive: with an exceptionally high financial literacy of young consumers in the sample, more than half of them invest regularly and almost two-thirds save regularly. This is in stark contrast with the overall sample mean and highlights the changeable potential of the effective provision of financial literacy interventions.

Determination: H03 stands against. A statistically significant and practically significant influence of financial literacy on the investment behavior of young consumers is found. An increase in financial literacy correlates with significantly increased action in investments as well as saving frequency.

4.6.4 Summary of Hypothesis Testing

Table 4.8: Summary of Hypothesis Test Results

Hypothesis	Statistical Test	Statistic	p-value	Result	Strength
H ₀₁ : No relationship between lifestyle spending & investment	Pearson r	$r = -0.623$	< 0.001	REJECTED	Strong ($r^2=0.39$)
H ₀₂ : No social media effect on lifestyle spending	Chi-Square	$\chi^2=28.47$, df=4	< 0.001	REJECTED	Moderate-Strong ($V=0.46$)
H ₀₃ : No financial literacy impact on investment	Pearson r	$r = +0.541$	< 0.001	REJECTED	Moderate ($r^2=0.29$)

4.6.5 Multiple Regression Analysis

An OLS multiple regression analysis was used where Investment Behavior Score now represents the dependent variable and six composite scores represent the predictors to determine the combined and relative predictive contribution of the composite predictors of the Investment Behavior Score.

Table 4.9: Multiple Regression Analysis — Predictors of Investment Behavior Score

Predictor Variable	Beta (β)	Std. Error	t-value	Sig.	Interpretation
Financial Literacy Score	+0.412	0.078	5.28	0.000***	Strongest positive predictor
Social Media Influence Score	−0.318	0.084	−3.79	0.000***	Strong negative predictor
FOMO Score	−0.241	0.091	−2.65	0.009**	Moderate negative predictor
Digital Payment Convenience	−0.198	0.093	−2.13	0.035*	Structural spending enabler
Peer Pressure Score	−0.176	0.089	−1.98	0.050*	Social norm influence
Income Level	+0.154	0.082	1.88	0.063	Marginal positive (non-sig.)
Model Fit Statistic		Value		Interpretation	
R (Multiple Correlation)		0.788		Strong overall correlation with investment behavior	
R ² (Coefficient of Determination)		0.621		Model explains 62.1% of variance in investment behavior	
Adjusted R ²		0.601		Adjusted for number of predictors — good model fit	
F-statistic		31.28		Model is statistically significant overall	
p-value (Model)		< 0.001		Model fit is highly significant	
Durbin-Watson		1.94		No significant autocorrelation in residuals	

The regression model has a value of $R^2 = 0.621$, indicating that the six predictor variables in the model are a good model fit to a behavioral study—they explain 62.1 percent of the variance in investment behavior. Because it is the only predictor with a strong value ($\beta = +0.412$), financial literacy proves to be the strongest determinant of investment behavior. The standardized beta coefficient of it is almost 30 times greater than that of the next-best predictor, which serves to highlight the disproportionate role that financial knowledge and competence play in shaping investment behavior.

The most negative predictor ($\beta = -0.318$) is the social media influence and thus, when all other factors are held constant, a stronger social media influence will have a negative impact on investment behavior. Such result withstands statistical moderation of income, financial literacy, and peer pressure - showing that, social media is not causing the negative influence on investment behavior, simply because these two factors are correlated, but because this is an independent causal relationship. Independent negative contributions to investment behavior also exist (FOMO ($\beta = -0.241$), and digital payment convenience ($\beta = -0.198$)) and support the multi-factor nature of the trade-off.

Although there is a positive relationship between income level and investment behavior ($\beta = +0.154$), it is not significant according to the traditional thresholds ($p = 0.063$). This theoretically matters because it indicates that in the income space embodied by this sampling (mostly 20,000-60,000/month) income level itself does not play the key role in predicting investing behavior among young consumers. Within this range, the behavioral and social determinants, money literacy, social media impact, FOMO, are stronger determinants of investment behavior, as opposed to income, supporting the discussion that behavioral interventions might be more effective than income-focused policies to enhance youth investment behavior.

4.6.6 Reliability of Measurement Scales

Table 4.10: Reliability Statistics — Cronbach's Alpha Coefficients

Scale	No. of Items	Cronbach's α	Interpretation	Status
Spending Behavior Scale (Q6–Q12)	7	0.81	Good	✓ Acceptable
Social Media & Peer Influence (Q21–Q25)	5	0.83	Good	✓ Acceptable
Financial Literacy Scale (Q27–Q31)	5	0.76	Acceptable	✓ Acceptable
Credit & Digital Payment (Q32–Q36)	5	0.74	Acceptable	✓ Acceptable
Full Instrument (All scales combined)	30	0.78	Good	✓ Acceptable

Each of the sub-scales has a score above the 0.70 mark suggested by Nunnally (1978) as the acceptable level of internal consistency. The Social Media & Peer Influence scale has the largest alpha (0.83) which means that its items have high levels of consistency. The Spending Behavior scale (0.81) is also well-reliable. The overall score of 0.78 in the full instrument alpha, attests to the fact that the questionnaire was a well-functioning and sound measure on the whole.

4.7 Discussion of Findings

4.7.1 The Magnitude of the Trade-Off

The most basic result of this research is the quantification of the spending-investing trade-off: young consumers in the sample use 74.6% of discretionary earnings on the categories of lifestyle expenditures and invest only 10.4%. This ratio, 7:1 to spend, is a great deviation of money recommended by experience, and what would have been necessary

to accumulate sufficient wealth during a working life. The correlation between these two ($r = -.623$) is very negative and this indicates that it is a systematic imbalance because the more a person spends on lifestyle, the less they will invest at the individual level.

4.7.2 The Digital Infrastructure Effect

Perhaps the most policy-related finding of the study is the showed result that the digital convenience of payment was the most influential driver of the lifestyle spending (mean = 4.33). In contrast to psychological causes (e.g., FOMO or immediate gratification) that necessitate a complicated behavioral intervention, digital payment infrastructure can be subjected to regulatory and design-based intervention. The implication of the study indicates that the principles of design that have made digital payments hassle free in terms of spending it could and should be implemented on investments to make it hassle free as well. Practical uses of this principle include automatic deductions based on salary into investments, SIP creation on banking apps done with a single button press, and investment 'round-up' services (investment is made of the difference when a digital payment is rounded up).

4.7.3 Social Media as a Financial Risk Factor

The fact that the Chi-square test value ($\chi^2 = 228.47, p < 0.001$) is highly significant, and the regression result that social media have independent effects that lower investment behavior ($\beta = 0.318$) makes social media a bona fide financial risk factor, as opposed to a correlate, to the young consumer group. This dose-response relationship as reported in Figure 4.11 (84.3% lifestyle spending by 6+ hours/day social media users compared to 38.2% by under 2 hours/day users) offers strong visual and quantitative data about the extent of this relationship. This discovery warrants grave concerns among financial authorities, community health communicators and social media platform operators, about the financial health consequences of social media design.

4.7.4 Financial Literacy as the Key Protective Factor

The regression model has revealed financial literacy to be the most effective positive predictor of investment behavior ($\beta = +0.412$), and the literacy-leveled analysis has revealed that respondents with the highest levels of financial literacy are 2.3 times more

likely to invest regularly. These results greatly confirm the high-priority intervention target as financial literacy. Nonetheless, the research also reports that the average financial literacy levels within the sample are low (mean = 2.86 out of 5) and even a rather high level of literacy cannot fully counteract the effect of social media and structural spending facilitators. This implies that any financial literacy intervention should not only be created to impart information but to create a resilience in practical decision making in the face of strong forces of behavioral and structural spending.

4.7.5 Alignment with Prior Literature

The results of the study are in line with the literature on behavioral finance and consumer psychology examined in Chapter 2. The instant gratification and FOMO results serve as the confirmation of the present bias effects and sustain Laibson (1997) model of hyperbolic discounting and the study of FOMO by Przybylski et al. (2013) in India. The social media omnipresence effect expands upon Beyari and Garamoun (2021) and Mishra and Rathi (2023) with a more rigorously social aspects analytic exercise. The positive literacy-investment relationship with found in Lusardi and Mitchell (2014) is replicated in the financial literacy. The digital payment results introduce innovative empiric evidence to the pain-of-paying assumption of Soman (2001) when applied to the context of UPI and mobile wallet payments ecologies.

CHAPTER 5: FINDINGS, SUGGESTIONS, AND CONCLUSION

5.1 Major Findings of the Study

The key conclusions of the empirical study in Chapter 4 are as follows. These are the main empirical findings of this study whose base are the subsequent recommendations and conclusions.

5.1.1 Findings on Spending Patterns

- On the sample of young consumers, the mean percentage of discretionary money spent on lifestyles (dining, fashion, travel, subscriptions, gadgets, entertainment, personal care) is 74.6% with only 10.4% saved and invested (a 7:1 ratio).
- Food and dining out has the largest average monthly spending of 4820 (18.6 hands per income) representing the normalization of premium culture of dining and food delivery as a routine blood spending.
- The effect on digital subscriptions is that approximately 8.4% of income is spent on a subscription creep effect in which various small recurring payments add up to a considerable monthly financial burden that is barely real-time tracked in the budget.
- Travel and experiences (12.4) are naturally psychologically resistant to deflation since they position themselves as investments in the quality of life, as opposed to purchases, and therefore are especially effective channels through which the lifestyle inflation takes place.

5.1.2 Findings on Investment Behavior

- Only a quarter of the respondents make regular monthly investments; 34.2% have made no formal investment in their lives - an enormous investment participation gap when early regular investment is most economically profitable.

- Sixty-five per cent of participants only put in less than 5 per cent of earnings, which is far less than 20 to 30 per cent of income that financial planners recommend to facilitate proper wealth generation in the long term.
- Mutual funds and SIPs identify as the most common investment instrument (29.2%), which suggests that people are increasingly realizing the idea of systematic investment, but have not fully adopted it to produce the type of wealth generation that can be realized with current levels of participation.
- State: Investment participation differs greatly by occupation with salaried professionals record the highest rate of regular investment (34.8) and students record the lowest rate (12.5) as a measure of both the effects of income stability and behavioral/social variation between occupational groups.

5.1.3 Findings on Influencing Factors

- Only a quarter of the respondents make regular monthly investments; 34.2% have made no formal investment in their lives - an enormous investment participation gap when early regular investment is most economically profitable.
- Sixty-five per cent of participants only put in less than 5 per cent of earnings, which is far less than 20 to 30 per cent of income that financial planners recommend to facilitate proper wealth generation in the long term.
- Mutual funds and SIPs identify as the most common investment instrument (29.2%), which suggests that people are increasingly realizing the idea of systematic investment, but have not fully adopted it to produce the type of wealth generation that can be realized with current levels of participation.
- State: Investment participation differs greatly by occupation with salaried professionals record the highest rate of regular investment (34.8) and students record the lowest rate (12.5) as a measure of both the effects of income stability and behavioral/social variation between occupational groups.

5.1.4 Findings from Hypothesis Testing

- H01: Rejected: There is no significant positive correlation between scores of lifestyle spending, and scores of investment behavior at the standard level ($r = -$

0.623, $p < 0.001$) which empirically establishes the existence of the spending-investing trade-off.

- H02 Rejected: The influence of social media is highly significantly related to level of lifestyle spending ($X^2 = 28.47$, 4 =df, $p < 0.001$; Cramer V = 0.461) and substantiates social media is a major factor in the trade-off.
- H03 Dismissed: There is a significant positive correlation between financial literacy and investment behavior ($r = +0.541$, $p < 0.001$) and highly literate respondents are 2.3 times more likely to invest regularly.
- There is an explicated 62.1% variance in investment behavior by the multiple regression model ($R^2 = 0.621$, Adjusted $R^2 = 0.601$, $F = 31.28$, $p < 0.001$), with the most significant positive predictor, financial literacy ($\beta = 0.412$), and the most significant negative predictor, social media influence

5.2 Interpretation of Key Insights

The aggregate evidence of this paper will enlighten the spending-investing trade-off as a multi-causal behavioral aspect as opposed to a mere lack of information or income limitation. It is not the unavailability of money that is causing young consumers to fail in making investments--over the income range investigated, income is not a significant predictor of investment behavior controlling behavioral and social factors. Their main failure to invest is due to: (1) the digital money infrastructure causes a structural easiness of spending relative to investing; (2) social media exerts continuous aspirational pressure on consumption; (3) peer norms legitimize spending and lifestyle and make investment and invisibility to others; (4) due to a lack of financial literacy, they do not have the cognitive structure to override these pressures.

The implication of this diagnosis is significant in designing an intervention. Exclusively financial education policies and programs will not work well since they will deal with one of five root causes. All-encompassing interventions should be conducted to decrease structural forms of barriers to investment, change societal attitudes towards financial conduct, and develop financial literacy, along with motivation and behavioral capabilities. The fact that the combined model can account 62.1% of the variances in the regression model, and that the strongest independent predictor (financial literacy) can only account

29.3% of the changes) mathematically argue that the intervention cannot be effective by using a single factor.

5.3 Long-Term Financial Implications

The present-following-amount-in-later orientation that was registered in this research has significant financial implications on the group that was sampled in the long run:

- **Wealth Accumulation Gap:** When a young consumer makes) at the age of 25 a 10.4% of a 30,000/month (3,120/month) income investment with a 12 percent CAGR), the result would be accumulating about 1.1 crore by age 60. A saver who saves the advised amount of 20% (₹6,000/month) will accumulate 2.1 crore of wealth- a 91% wealth premium of the rate of saving more. This 10 percentage point extra saving corresponds to a life financial cost of inflation of the lifestyle of nearly ₹ 1 crore in the terminal wealth.
- **Deficiency in Emergency Fund:** 65.5% of the respondents save only occasionally or not at all, which means that the majority of respondents do not have the suggested 3-6 months of emergency fund. This has been clearly evidenced during the COVID-19 pandemic, when millions of young employees losing their income realized that they had no financial cushion, and had to either get into debt or rely on their families.
- **Debt Dependency Risk:** The BNPL and EMI-driven structure of consumption adds to dependence on credit-based consumption, where new debt is not fully settled through a payment system generates greater debt service payment, undermining really disposable income and making savings ability even more limited. It can get so far as to cause real economic hardship in their late nineties and nineties with some consumers entering into real distress.
- **Retirement Preparation Crisis:** The formal system of pension in India is inclusive of the less than 15% workforce. The most important source of the retirement security of young workers today, is therefore, the private investment. The present levels of investment participation recorded in the present research- 25.8% regular, 34.2% non-investors indicates that a significant percentage of the contemporary workforce is likely to retire without sufficient funds to support them in old age.

- **The Cost of Compounding Opportunity: Opportunity cost of Compounding:** The most significant and yet the least noticeable implication is the lost compounding growth. Each year of postponed investment is not simply one year of forfeiture of returns but it is the forfeiture of all the compounded benefits that the investment of that year would have had on the remaining investment period. The mathematics of compound interest imply that the investment choices undertaken in the mid-twenties have a financial leverage that is extremely high and cannot be matched by subsequent and bigger investments.

5.4 Suggestions and Recommendations

5.4.1 For Individual Young Consumers

- **Use the 20-30-50 Pairing:: Save and investments:** This rule is to divide the net income and to save at least 20% of it, and to spend on necessities 30% and to spend on lifestyle 50%. To spend discretionally, automate the transfer of investment on a salary day to come before spending discretion.
- **Perform a Subscription Audit:** Report on all current online subscriptions, quarterly, and terminate unutilized or low value services. With subscription rationalization itself, the average young consumer is able to recover ₹500-1500/month.
- **Adopt Social Media Financial Hygiene:** Unsubscribe to accounts that mostly feature the aspirational consumption as a norm; subscribe to financial educators and content creators with investment-oriented content to shift the social media feed more towards wealth-building content.
- **Action: Have Specific Financial Goals and Track Visual Progress:** Studies have found that clearly defined, visualized financial goals with clear milestones will greatly enhance the consistency of investments. SIPs with goal tags (as mirrored in SIPs like Europe Trip 2027 or Home Down Payment 2030) do not conflict with the aspiration but instead fit with it.

5.4.2 For Financial Institutions and Fintech Platforms

- **Apply Investment Friction Reduction:** Design investment onboarding using the same UX principle used to checkout of e-commerce a platform—minimum clicks, completed form, immediate confirmation and display progress. Aadhaar verification should take less than 3 minutes to complete the investment app known as KYC.
- **Develop Goal-Linked Investment products:** Design semantically related SIP products, such as vacation fund savings, electronic upgrades funds, concert fund savings that re-focus spending urges towards investment products instead of staying in conflict with them.
- Foreseeably, these Behavioral Nudges more effectively boost the inclination to save beyond their understanding, as they aid in subtly molding future choices. No wonder, these Behavioral Nudges are better placed on the POS-inspired: introduce incremental opt-out micro-investment options in UPI applications that are used to round-off digital spending and invest the remainder. An invisible wealth building that in line with digital payment behavior would involve a consumer spending 187 would result in 13 invested automatically.
- **Develop Social Investment Features:** Design shareable investment milestone badges and peer investment comparisons (opt-in, anonymized) which implement social media concepts to investment behavior, not consumption behavior.

5.4.3 For Educational Institutions and Policymakers

- **Apply Investment Friction Reduction:** Design investment onboarding using the same UX principle used to checkout of e-commerce a platform—minimum clicks, completed form, immediate confirmation and display progress. Aadhaar verification should take less than 3 minutes to complete the investment app known as KYC.
- **Develop Goal-Linked Investment products:** Design semantically related SIP products, such as vacation fund savings, electronic upgrades funds, concert fund savings that re-focus spending urges towards investment products instead of staying in conflict with them.

- Foreseeably, these Behavioral Nudges more effectively boost the inclination to save beyond their understanding, as they aid in subtly molding future choices. No wonder, these Behavioral Nudges are better placed on the POS-inspired: introduce incremental opt-out micro-investment options in UPI applications that are used to round-off digital spending and invest the remainder. An invisible wealth building that in line with digital payment behavior would involve a consumer spending 187 would result in 13 invested automatically.
- Develop Social Investment Features: Design shareable investment milestone badges and peer investment comparisons (opt-in, anonymized) which implement social media concepts to investment behavior, not consumption behavior.

5.4.4 For Employers

- Introduce Automatic participation in EPF and NPS: In nonspecific areas, employers should adopt automatic participation in provident fund and pension schemes with opt-out, rather than opt-in, designs, using research on the default effect to radically boost participation.
- Foresee: Offer Financial Wellness: Team with Investment advisors registered by SEBI to offer employees below 30 years old free or subsidized financial planning sessions, including personal budgeting, SIPs, and long-term financial planning objectives.
- Provide Salary- based Investment Facility: Provide voluntary salary-sacrifice investment arrangements whereby employees set the two-way direct connection at their investment accounts so that they can automatically transfer a certain percent of monthly wages to investment accounts thus remove temptation to spend first.

5.5 Policy Implications

On the macro-policy level, the results of the present study indicate that the spending-investing trade off among young consumers is not just an isolated consumer behavior issue but a problematic issue system-wide that needs institutional efforts. Both RBI and SEBI have the duty to ensure that the same adjudicated regulatory diligence to the growth of

payment infrastructure is equally balanced by development of a proportional regulatory free investment infrastructure. The prevailing imbalance, in which infrastructure has been decades of innovation and optimisation focused on spending, but investment infrastructure continues to be relatively inflexible, is a policy failure of its own which structures the disadvantageous in creation of wealth over consumption.

The Ministry of Finance must think about creating a Nationwide Youth Financial Wellness Program that integrates financial education throughout education, employer sector, and online space. The current network of digital infrastructure in India, such as the Jan Dhan Yojana account network and the Aadhaar-based KYCs can be used to design universal access to simple investment vehicles among the young working population. Mutual fund sahi hai campaign by the mutual fund industry highlights that mass behavior change by systematic awareness investment is possible; mass behavior change signals through campaigns on BNPL and credit card over-reliance, and positive messaging about systematic investment habits, would create a similar change in behavior.

5.6 Conclusion

This research has engaged in a rigorous empirical research project on the spending-versus-investing trade-off of young Indian consumers and produced a valuable portfolio of results of theoretical, practical, and policy implications. The key empirical observation which is that the young consumers spend around 74.6% of their discretionary income on lifestyle expenditure and only invest 10.4% is that a behavioral pattern that has dire financial implications in the long run can mainly go unnoticed by those consuming the lifestyle.

This trade-off is not a mere fruit of financial illiteracy or income deficiency, as the study has proved. It is the product of a multi-factorial convergent process where: digital infrastructure renders the structurally frictionless spending money is structurally frictionless; social media via social media sites present individuals with endless aspirational consumption pressures; social fraternities provide the normalization of lifestyle spending and social invisibility of investments; psychological present-bias leads the decision-making ability of individuals towards near-instant gratification; lack of financial literacy The trade-off is driven by each of the factors on its own; the combination

of all these factors forms an influential behavioral ecosystem that in a systematic way benefits consumption over wealth creation.

There is reason to be optimistic as the study found that financial literacy is the only most positive predictor of investment behavior (0.412). It verifies that interventions promoting financial behavior can be meaningfully changed to go in the right direction through education-based interventions. The fact that the respondents having high financial literacy are 2.3 times more likely to invest frequently shows the fact that the behavioral and structural barriers to investment are not insurmountable as they can be overcome with proper financial literacy and competency. The dilemma is that financial literacy education has to be constructed, not simply as a way of providing information but as the creation of practical behavioral resilience to the strong forces that support consumption that digitally connected young consumers have to deal with on a daily basis.

Austerity of my finances and the rejection of lifestyle consumption are not the way to go in achieving a balance between young consumers enjoying the true quality-of-life value of certain lifestyle expenditure whilst developing an investment base that can enable them to gain financial independence over time. It resides in the intelligent re-architecture of the choice design around financial choices: to make them as available, easy-to-use, and interesting as is spending, to use social media to inform rather than to market, to teach financial capabilities at an early age and to design institutional and policy structures that facilitate youth wealth creation instead of consumerist promotion. Such a balance is not just about personal financial health- this is a condition to the long term financial health of the remarkable young demographic dividend in India.

5.7 Scope for Further Research

- Longitudinal Studies: Follow the same group of young consumers across the 5-10 years to determine whether the spending first orientation is moderated by age, increase in income and by age, life events such as marriage, home-ownership and parenthood.
- Gender-Disaggregated Analysis: Carry out a separate gender-comparative research to understand whether young consumers (male and female) are

susceptible to effects on investment behavior due to social media influence, FOMO and financial literacy, in different ways.

- **Rural-Urban Comparison:** Compare the manifestation of the spending-investing trade-off in rural and peri-urban settings where digital infrastructure, penetration of social media, and access to financial products is very different than the urban sample used in this research paper.
- **Cross-Country Comparative Research:** Compare the spending-investing trade-off behavior of Indian young consumers with those in other emerging digital economies such as Indonesia, Vietnam, Brazil and Nigeria to understand general patterns of behavior and those unique to India due to cultural and structural characteristics.
- **Experimental Behavioral Interventions: Randomized Controlled Trials:** Experiment with certain behavioral interventions: Investment round-ups, features of social investment, goal visualization tools: To produce causal evidence of their effectiveness in enhancing investment participation.
- **Platform-Level Data Analysis:** Collaborate with fintech companies to analyze anonymized transaction data as well as investment behavior data, and can be used to more objectively measure spending and investment patterns than can be had through self-report surveys.

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APPENDIX: RESEARCH QUESTIONNAIRE

Spending vs. Investing Trade-Off Among Young Consumers — Survey Instrument

Dear Respondent,

This questionnaire is part of an academic research study for an MBA thesis. The study aims to understand the financial spending and investment behavior of young consumers (18–35 years). Your responses will be kept strictly confidential and used solely for academic research purposes. There are no right or wrong answers — please respond honestly based on your actual behavior and opinions. The questionnaire takes approximately 12 minutes to complete.

By completing this questionnaire, you are providing your informed consent to participate voluntarily in this study.

SECTION A: DEMOGRAPHIC INFORMATION

Q1. Age Group: ☐ 18–22 years ☐ 23–27 years ☐ 28–35 years

Q2. Gender: ☐ Male ☐ Female ☐ Non-binary ☐ Prefer not to say

Q3. Highest Educational Qualification: ☐ Undergraduate ☐ Postgraduate ☐ Professional Degree ☐ Other

Q4. Current Occupation: ☐ Student ☐ Salaried Professional ☐ Self-Employed ☐ Other (specify): _____

Q5. Monthly Income / Allowance: ☐ Below ₹20,000 ☐ ₹20,001–₹40,000 ☐ ₹40,001–₹60,000 ☐ Above ₹60,000

SECTION B: SPENDING HABITS

Please rate how frequently you spend on each of the following categories. (1 = Never, 2 = Rarely, 3 = Sometimes, 4 = Often, 5 = Very Frequently)

Q#	Statement	1	2	3	4	5
Q6	I spend money on dining out or ordering food delivery.	☐	☐	☐	☐	☐
Q7	I regularly purchase new fashion items or branded apparel.	☐	☐	☐	☐	☐
Q8	I spend on travel, vacations, or experiential activities.	☐	☐	☐	☐	☐
Q9	I subscribe to multiple digital services (OTT, Spotify, etc.).	☐	☐	☐	☐	☐
Q10	I frequently purchase gadgets or electronic accessories.	☐	☐	☐	☐	☐

Q11	I spend on personal care, grooming, or wellness services.	☐	☐	☐	☐	☐
Q12	I spend on leisure and entertainment (movies, gaming, events).	☐	☐	☐	☐	☐

SECTION C: SAVING AND INVESTMENT BEHAVIOR

Q13. How frequently do you save money? ☐ Every Month ☐ Occasionally ☐ Rarely
☐ Never

Q14. Do you invest in any financial instrument? ☐ Regularly ☐ Sometimes ☐ Rarely
☐ Never

Q15. Preferred investment instrument: ☐ FD/RD ☐ Mutual Fund/SIP ☐ Equity/Stocks
☐ Crypto ☐ No investment

Q16. Approx. % of income invested per month: ☐ 0% ☐ 1–5% ☐ 6–10% ☐ Above 10%

Q17. Do you have a clear long-term financial goal? ☐ Yes, with a defined plan ☐ Yes, no plan ☐ No

Rate the following on a 1–5 scale (1=Strongly Disagree, 5=Strongly Agree):

Q#	Statement	1	2	3	4	5
Q18	I am confident about my	☐	☐	☐	☐	☐

	knowledge of investment options.					
Q19	I prefer to invest consistently rather than spend on non- essentials.	☐	☐	☐	☐	☐
Q20	I find investment products confusing or intimidating.	☐	☐	☐	☐	☐

SECTION D: SOCIAL MEDIA AND PEER INFLUENCE

Rate the following statements (1 = Strongly Disagree → 5 = Strongly Agree):

Q#	Statement	1	2	3	4	5
Q21	Social media content influences my spending decisions.	☐	☐	☐	☐	☐
Q22	I spend more when	☐	☐	☐	☐	☐

	I see peers purchasing lifestyle products.					
Q23	I experience FOMO when friends share travel/entertainment experiences.	○	○	○	○	○
Q24	Influencer marketing on social media affects my purchase decisions.	○	○	○	○	○
Q25	I feel pressure to match the lifestyle shown by people I follow.	○	○	○	○	○
Q26	Seeing peers' financial success	○	○	○	○	○

	motivates me to invest more.					
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SECTION E: FINANCIAL LITERACY

Rate the following statements (1 = Strongly Disagree → 5 = Strongly Agree):

Q#	Statement	1	2	3	4	5
Q27	I understand compound interest and its long-term investment benefit.	☐	☐	☐	☐	☐
Q28	I am aware of investment instruments available in India (MF, stocks, NPS).	☐	☐	☐	☐	☐
Q29	I create and regularly follow a monthly personal budget.	☐	☐	☐	☐	☐

Q30	I have a clear financial goal with a defined investment timeline.	☐	☐	☐	☐	☐
Q31	I regularly read financial news, blogs, or books to improve money management.	☐	☐	☐	☐	☐

SECTION F: CREDIT AND DIGITAL PAYMENT USAGE

Rate the following statements (1 = Strongly Disagree → 5 = Strongly Agree):

Q#	Statement	1	2	3	4	5
Q32	I use digital payment apps (UPI, mobile wallets) for most purchases.	☐	☐	☐	☐	☐
Q33	I use credit cards or	☐	☐	☐	☐	☐

	BNPL/EMI schemes to fund lifestyle purchases.					
Q34	Easy digital payments make me spend more than I originally intend.	☐	☐	☐	☐	☐
Q35	Access to credit (cards, BNPL) reduces my sense of financial constraint.	☐	☐	☐	☐	☐
Q36	I have taken loans or used credit for non-essential lifestyle purchases.	☐	☐	☐	☐	☐

Thank you sincerely for your time and participation. Your responses make a real contribution to research on youth financial behavior.

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