

financial literacy and investment behaviour among young adults

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CHAPTER 1: INTRODUCTION

1.1 Background

India is on the verge of a financial revolution. Over 1.4 billion people reside in a country where the middle class is growing in numbers and is increasingly being connected by digital infrastructure, and the issue of financial literacy is as relevant as ever. However, despite advances in technology and economic growth, much of the population living in the city is still financially unprepared and lacking in information services, especially young people.

In general, financial literacy is defined as knowing and being able to use several financial literacy skills, such as personal financial management, budgeting, saving and investing. In India, it involves having knowledge of financial products like mutual funds, stocks, fixed deposits, and newer asset classes such as cryptocurrencies, as well as the trust and expertise needed to leverage these assets for long-term financial objectives.

Financial literacy is an important aspect of the current economic scenario in India. Financial inclusion and financial education have been a priority for the Government of India with various financial inclusion and financial education initiatives undertaken since Jan Dhan Yojana to the National Strategy for Financial Education (NSFE). But survey and research findings have always revealed that there is a disconnect between policy intention and reality. Investor awareness surveys conducted by SEBI, the NCFE's Financial Literacy and Inclusion Survey (FLIS), and the RBI's own surveys indicate that the awareness rate is still far from being proportionate, especially when it comes to the younger age groups and lower-to-middle income groups.

This is also a new challenge in the 21st century: the expansion of informal financial information channels. Social media platforms – YouTube, Instagram, and X/Twitter – have led the creation of a 'finance influencers' that wield the influence to make investment decisions for an entire generation, with millions of followers. These platforms not only spread information but also have the potential to propagate misinformation, oversimplification, and potential conflicts of interest – despite their

promise of democratising financial knowledge. The information presented in this study shows that 62% of people get financial advice from informal channels, including from YouTube Live streamers, friends and family, highlighting the vital need for formal financial education.

Background of this study is the investment boom in India after COVID. In the five-year period from 2020 to 2023, retail investors' participation in the equity market has surged as both NSDL and CDSL saw an almost doubling in the number of retail investors opening demat accounts, with a large portion of them opening up for the first time in the 18-35 age group. This demographic growth was accompanied by opportunity and vulnerability. There were several new investors who were investing without a proper knowledge of the markets, and this was happening due to social media trends and FOMO (fear of missing out), which led to poor investment decisions and losses in the market during corrections.

This is the background of the present study. A study of patterns, barriers and drivers of investment behaviour among young urban adults is no longer an academic exercise, but rather a necessary prerequisite for effective financial education interventions that will be able to turn awareness into action and aspiration into real wealth creation.

1.2 Problem Statement

Despite the number of digital and government backed financial inclusion initiatives, there is a significant portion of young adults in urban India who do not participate in financial investing. The problem of non-investment by young adults in India is rooted in a lack of financial awareness and financial education, and an overreliance upon informal channels to gain financial knowledge.

The survey data helps to reveal the nature of the problem to be addressed:

- 32 out of every 100 young adults in urban India are not financially aware; all of these individuals have low or moderate levels of financial awareness.
- 62% of the individuals surveyed utilize platforms like YouTube and individuals like friends and family to gain financial knowledge about investing, as opposed to only 18% of the individuals who consult financial advisors.

- 0 of the 65 young adults in India who have not completed any form of formal financial training or education have consulted with a financial advisor, as compared to the 35 individuals with financial training who have consulted with an advisor.
- Even among the young adults with the highest income levels (above Rs. 75,000 per month), 37.5% of those individuals do not participate in any form of financial investing.
- However, 97% of the individuals expressed interest in attending a financial literacy workshop to improve their financial knowledge and skills.

Thus, despite the abundance of financial resources and tools available to the young adults in India, the problem that exists is rooted in a lack of financial education, awareness, and knowledge of how to effectively utilize those available financial resources. Thus, while the financial industry and technology companies have created an abundance of financial tools and platforms for the young adults of India to use, they have failed to create an adequate knowledge-based ecosystem to allow those individuals to appropriately take advantage of the available financial resources. The impacts are both personal outcomes of financial decisions that fall short of optimal, and the continuing need for financial advice from informal sources which may be harmful, and the overall macroeconomic cost of less savings invested in productive financial markets.

Also, the correlation between awareness and confidence and between formal training and advisor access was almost perfect, indicating that there is a systemic feedback loop: those with reduced formal training lack confidence, and so do not seek formal training and remain confined to low information, high risk areas of financial decision making. What's needed to break this cycle is targeted educational intervention based on evidence, and this study will be the empirical basis for that.

1.3 Objectives of the Study

1. To determine the existing levels of financial awareness and literacy amongst urban young adults across demographic segments like age, income and gender.
2. Understand the primary sources of financial information respondents use and the importance of informal and formal consumption of information on investment decisions and quality of information
3. To analyse the investment behaviour of the population surveyed i.e., their investment preferences, risk appetites, platforms and financial goals on a demographic basis.

4. To assess the extent to which members of the study populations would like more formal structured financial education and its implications for educators, policymakers, fintechs, and financial services executives looking to close gaps in financial literacy outcomes.

These aims together provide a holistic research context for the descriptive and explanatory aspects of financial literacy and investment behaviour, based on primary data collected from 100 respondents across urban India.

32

1.4 Scope of the Study

This study is delimited in scope to provide analytical depth rather than breadth. The following parameters define the boundaries of the research:

1.4.1 Geographic Scope

The study is limited to Tier 1 city in urban India where respondents have access to digital financial infrastructure. This study does not seek to tap into the financial inclusion of rural and semi-urban populations, as they might have different structural barriers to financial inclusion (infrastructure, language, connectivity), but the results have limited applicability in semi-urban, digitally connected settings.

1.4.2 Demographic Scope

This study focuses on the age group 18-40. This segment is the main consumers of the digital financial system in India and the population likely to be affected by social media financial information. The survey sample of 100 participants comes from across income groups (below Rs. 25,000/month to above Rs 75,000/month audience. It contains investors and non-investors.

1.4.3 Thematic Scope

Financial awareness and literacy, investment behaviour patterns (instruments, platforms and frequency), information source preferences, correlation between information source and decision quality, formal training and access to formal advice, attitudes towards risk and towards financial goals. It does not include behavioural finance constructs like cognitive biases (e.g., loss aversion, anchoring), which would need psychometric tools that are out of the scope of this survey.

1.4.4 Temporal Scope

The data for this study is based on the investments attitudes, behaviours and awareness at the time of survey. These findings are cross sectional in nature and cannot reflect changes in financial behaviour across time. Contextual references to industry trends, however, are based on data and literature from 2018–2024 to place the findings in a temporal context.

1.4.5 Methodological Scope

The survey method of structured questionnaires was applied as a basic data collection technique in the study. However, this method will not cover qualitative depth (e.g., lived experiences, motivational stories) that would be obtained from interviews or focus groups. With 100 respondents, the sample size is suitable for descriptive analysis and bivariate correlation and results of inferential statistical analysis can not be generalised to the larger Indian urban population.

CHAPTER ¹⁶ 2: LITERATURE REVIEW

2.1 Conceptual Foundations of Financial Literacy

Conceptual boundaries of the field of financial literacy are currently poorly defined; its central place in modern economic and behavioral research is undisputed, however. The three-item battery that has dominated the field until recently has been criticized as inappropriate for capturing basic financial sophistication, conflating general numeracy with financial literacy, and lacking validity finance literacy among the financially naive but generally numerate.

It is important to note, however, that the question of causality has not yet been addressed in the literature. Some research recognizes that ¹ financial literacy is a product of the financial participation itself: Several studies have been conducted that have found that financial education can be endogenous to the financial participation, a dynamic that can be difficult for correlational and cross-sectional studies to separate. ³ This is especially true in markets like India, where platforms have driven new banking customers who might have had no prior financial experience, into the marketplace. The conceptual basis of this study is based on a dynamic rather than a static view ¹ of financial literacy that recognizes the financial literacy's relation to confidence, information environment and financial institutions access, and this conceptual basis lays the groundwork for the following thematic discussions.

2.2 Financial Literacy and Investment Behaviour

It is also noted that participation in investment does not just depend on income level from Indian evidence. SEBI Investor Survey data and sub-national academic studies further confirm that awareness is an independent predictor of market participation, even when income is accounted for, thus lending further support to the NCFE's case for the need for financial literacy interventions, in addition to income transfer policies, to reduce the investment participation gap among working-age urban adults. To be sure, however, financial literacy is not a sufficient condition for investment, as it would be an oversimplification to consider it such. Actual behaviour is a product of the interaction between institutional barriers which, for example, can include the requirements for opening an account, the

minimum investments required, and the traditionally constrained geographic access to formal financial advice, and literacy. This picture is only complicated further by the ever increasing body of literature on the fintech ecosystem in India, which suggests that while the barriers to access have been substantially lowered through apps, this hasn't necessarily led to better investment outcomes without an accompanying improvement in financial literacy.

2.3 Financial Literacy, Confidence and Investment Decision-Making

Since Remund (2010) brought confidence as a constitutive dimension of financial literacy itself, it has been a constant focus of scholarly interest between financial literacy and investment behaviour. The basic theory suggested is that while knowledge is not enough to trigger investment activity, people need to have the confidence that they can make investment decisions and assess options well. The dimension of self-efficacy has been translated into financial literacy research as perceived financial competence (investor confidence) according to Bandura's (1997) social cognitive theory.

But there is no correlation that is always predictable between confidence and quality of investment. Drawing from the overconfidence literature, which was first developed by Barber and Odean (2001) and has since been expanded to various national settings, the study shows that investors who are overconfident tend to trade more, diversify less and generate lower risk-adjusted returns. They discovered that over-confident traders did far more portfolio turning than their less confident counterparts, costing them a considerable amount of returns due to transaction fees. The Indian fintech landscape, where commission-free trading has led to a reduction in direct financial transaction costs, could make the risk of overconfidence seem heightened, because the friction cost that previously dampened excessive trading has been taken away, which may have lowered the behavioural cost to investors of having their own miscalibrated confidence. The study of **the financial literacy of investors** in **the** digital investment landscape in India has yet to be thoroughly explored in its interaction between App usage, social media influence, and investor confidence.

2.4 Information Sources, Digital Platforms and Investment Behaviour

One of the fastest changes in the field of behavioural finance literature is the process by which investors get the information necessary for making financial decisions. Traditionally, information asymmetry was perceived as related to the professional skill and the ease of access to financial

institutions: the academic research has been primarily dedicated to the value of brokerage recommendations, analyst reports and financial media. This information ecology has been completely reshaped by social media finance content creators, or 'finfluencers' as they are known. Social media finance content creators, or 'finfluencers' as they are called, have disrupted this information ecology by providing new avenues for financial content to be disseminated beyond any regulatory or professional oversight system.

Holt, Matteo, and Singh (2021) examined how social media investment commentary impacted the investment behaviour of millennials and discovered that when investors follow the investment recommendations of a social media influencer, there are greater risks involved, fewer diversifications, and greater exposure to speculative asset classes like cryptocurrencies and meme stocks. The study is based on the term 'parasocial relationships', which refers to a sense of personal connection that people feel to media figures they have not interacted with in real life, to help them understand why people believe financial information from someone they don't know on social media. Chaffey, Ellis-Chadwick and Mayer (2019) furthered this research and determined that parasocial trust in finance content creators was predictively equal to word-of-mouth trust from a personal acquaintance, thus casting doubt over the quality of the financial decisions people make when exposed to such influence.

The dimension of the digital platform is added to the mix as well. What has made the investment process accessible to everyone in the Indian financial market, more than ever before, is the proliferation of zero commission investment apps like Kite, Grow, Upstox, and Paytm Money. According to the National Stock Exchange, the number of demat accounts opened has increased by 200% from 2020 to 2022 with a disproportionate number of investors below 35 years of age in Tier 1 and Tier 2 cities. Using household level data from India, Badarinza et al (2019) found that peer and social network effects were a strong determinant of the adoption of formal financial instruments, while financial education and/or income did not necessarily drive adoption; Indian investment decisions thus appear to be well embedded within social networks and subject to bandwagon effects that require particular attention in formal financial education programmes.

2.5 Risk Appetite and Investment Preferences

Risk appetite represents one of the most theoretically interesting factors in the investment behaviour literature, but is also one of the most difficult to measure and interpret in survey-based studies, especially. The conventional portfolio theory approach, based on Markowitz's (1952) mean-variance paradigm, sees risk tolerance as a fixed personal trait that drives optimal asset allocation. This has been complicated by behavioural finance. In the 1979 prospect theory, Kahneman and Tversky showed that people make decisions about risk based upon their relationship to a reference point, and that losses feel about twice as big as wins of the same magnitude, which is called loss aversion, and systematically affects risk-taking behaviour differently from what expected utility theory would predict.

Using a large data set from a US broker, Goetzmann and Kumar (2008) observed that retail investors tend to be under-diversified, with their portfolios focused on familiar US stocks and companies of the same country, which they argued was driven by their cognitive availability heuristics and not a true information advantage. According to the SEBI and NCFE, in the Indian context, investors are more inclined to investing in instruments which are relatively familiar to them like fixed deposits, gold, and more recently mutual funds through SIPs, as opposed to investing in less familiar instruments like exchange-traded funds, bonds, or alternative assets. A paradoxical contrast is Bitcoin has gone mainstream among young Indians since 2020 despite the lack of clarity from regulators: This shows that, in the digital era, people can become knowledgeable about an obscure technology in a matter of minutes, if not seconds, and act swiftly to invest in something new, with limited time to develop an understanding of the risks.

2.6 Financial Education and Investor Outcomes

One of the most discussed issues in applied household finance economics was the effectiveness of financial education as a policy tool. However, the results of the synthesis of the results of 201 previous studies by Fernandes, Lynch and Netemeyer (2014) sparked a lot of controversy and were taken by some scholars to indicate that financial education interventions were generally unsuccessful, ¹ explaining only 0.1% of the variance in financial behaviour in developed economy contexts. Fernandes and his colleagues, however, explained that the effect size was much stronger in the developing economy context—where the average level of financial literacy is lower, and where the value of

acquiring a little more knowledge is greater—with important policy implications for the Indian policy context.

More recent and contextually appropriate evidence has been more positive. Using a comprehensive reanalysis of the financial education literature, Kaiser et al. (2022) examined the nature of programme design and its relationship with behavioural impact using meta-regression techniques. They identified programme design characteristics that were robust predictors of behavioural impact: programme design characteristics, specifically, active learning methods, just-in-time delivery, and integration with real financial decisions, were strong predictors of behavioural impact. Francesco et al. found near-zero effect sizes for passive information campaigns and large effect sizes for well-designed interventions, which were integrated in decision-relevant contexts. This methodological lesson is relevant to India as the NCFE's financial literacy work has been conducted through passive information dissemination (leaflets, mass media campaigning, and classroom teaching), and not the interactive, experiential approaches found in the evidence.

The NCFE, SEBI, and RBI have been the major players in the institutional landscape for financial education in India with overlapping initiatives with varying degrees of coordination. Under Companies Act 2013, SEBI has constituted Investor Education and Protection Fund (IEPF) ²⁶ to promote financial literacy programmes in states with a key focus on school and college curricula. The NCFE's own assessment of the NFLAT programme, however, showed only a small increase in financial behaviour scores on the programme, even for students who completed formal financial education curriculum courses, indicating that programme to programme behavioural changes might not be enough for sustained investment participation. The RBI's Project Financial Literacy (PFL), that was launched in 2007 with the establishment of Financial Literacy Centres (FLCs) network and later expanded, has also faced challenges in achieving measurable results on actual investment behaviour of urban youth, but has shown better performance in terms of basic banking and savings behaviour of previously unbanked population.

2.7 Research Gap

While the existing literature robustly establishes the relationships between financial literacy, investment participation, and large-scale information channels, some specific gaps are identifiable that this study addresses:

- Firstly, large scale surveys only offer national or metropolitan-level averages and generally do not include a breakdown of sub-groups and their relationship to investment participation and risk appetite at the sub-group level. The findings from this study, when had at bracket level, indicate that the income-participation relationship is not present for those with the lowest or highest incomes in the sample and that, within groups, the level of awareness is more predictive of non-investment behavior than income level.
- Second, the second-best approach ¹ to the measurement of financial literacy was to assess it as a predictor of the people's status as an investor or a non-investor in Indian studies conducted in the past. This link between awareness level and investor confidence, as a unique psychological variable, has been less studied. The Cramér's V of 0.88 in this study is one of the highest effect size found in the study of Indian retail investor and it suggests that financial awareness is not just a variable of the knowledge but it is the real controlling variable that could drive the willingness to action in financial education program design and evaluation. These gaps establish the necessity and contribution of the present research.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Research Design

The type of research undertaken in this study is quantitative, descriptive and analytical research. A cross-sectional survey methodology is used, in which data is collected from a defined sample at a particular point in time. This design fits the goal of the study as it is aimed at evaluating the current state of financial literacy and investment behaviour, determining the correlation between some key variables and quantifying the need for financial education.

In this part, the descriptive component characterizes the financial awareness, investment status, preferences for information sources, use of platforms, and risk appetite of the sample. Analytical part analyzes the relationship between variables such as: Relation between Monthly income and risk appetite, relation between Investment awareness and Confidence level, relation between Investment horizon and Preferred investment instrument, cross tabulation and frequency analysis.

3.2 Data Collection Instrument

The structured questionnaire consisted of closed questions and was structured into seven thematic sections for the collection of primary data:

1. Demographic Information: Age, gender, income bracket, education qualification, employment status.
2. Investment status: Whether the respondent is investing and if so, in which type of instruments.
3. Financial Awareness and Confidence: Low/Moderate/High (self-reported) and Yes, No, Sometimes (self-reported).
4. Information Sources: Primary source to finance information. (YouTube/Influencers, Friends/Family, Financial Advisors, News Websites, Others)
5. Preference for the platform: Zerodha, Groww, Upstox, Paytm Money, other.

6. Financial Goals and Risk Appetite: Being aware of a specific financial goal and a self-assessment of low/mid/high risk appetite.
7. Financial Education: If the respondent has received formal financial education, consulted with a financial advisor or is open to attend a financial education workshop.

3.3 Sampling Methodology

The study employs a purposive (non-probability) sampling technique, aiming at young urban adult (18-40 years) who have access to digital devices and financial platform. This sampling frame is suitable for the study because the study is focused on urban digitally connected individuals who are potential participants in the formal financial markets.

100 complete responses were obtained and analyzed. ² The final sample of 100 was deemed sufficient for descriptive analysis and bivariate cross-tabulation, following standard practice in exploratory financial literacy studies of this type. consistent with standard practice in exploratory financial literacy studies of this type.

3.4 Variables and Measurement

The study analyses both independent and dependent variables across quantitative and categorical dimensions:

Variable	Measurement Scale
Investment Status (Dependent)	Binary - Investor / Non-Investor
Financial Awareness (Key Independent)	Ordinal - Low / Moderate / High (self-reported)
Confidence Level	Categorical - Yes / Sometimes / No
Formal Training	Binary - Yes / No
Advisor Consultation	Binary - Yes / No
Primary Information Source	Nominal - YouTube / Friends & Family / Advisor / News / Other
Income Bracket	Ordinal - 4 levels from <₹25K to >₹75K/month

Age Group	Ordinal - 4 groups from 21–25 to 36–40
Risk Appetite	Ordinal - Low / Medium / High
Platform Preference	Nominal - Zerodha / Groww / Upstox / Paytm Money / Other
Investment Instrument	Nominal - MF / Stocks-SIP / FD-RD / Crypto / Real Estate
Financial Goal	Binary - Yes / No
Workshop Interest	Categorical - Yes / Maybe / No

Table 3.1: Variable Definitions and Measurement Scales

3.5 Limitations of the Methodology

The following methodological ⁹ limitations should be recognized when interpreting the results of this study:

- Self-Reporting Bias : The study has employed self-reported financial literacy measures, which introduces a potential for response bias. Respondents may have overstated or understated their literacy levels, thus potentially distorting the observed association between investment literacy and confidence. The very-strong Cramer’s V measure for the association between investment awareness and confidence level could have been inflated by such reporting biases or questionnaire design issues, and not necessarily reflect true-world distributions accurately.
- Sample Size Constraints: With only 100 respondents, inferential statistical procedures used in the study are applied cautiously for exploratory purposes and should not be extrapolated to the entire population with statistical confidence. The study results should be interpreted as providing directional insights rather than making definitive population-level claims based on these data.
- Limitations of Purposive sampling: The sample cannot be taken as representative of the total urban youth population, hence it is called Non-Probability Sampling.
- ²¹ Cross-Sectional Design: The study captures information at a single point in time and is not able to follow developments in financial attitudes, awareness and market conditions. Longitudinal follow-up would be needed to evaluate the persistence or evolution of the observed trends.

- Scope of Platform and instruments: The survey covers five digital platforms and five investment instruments. Respondents using niche platforms (e.g., Angel Broking, INDmoney) or instruments (e.g., bonds, ETF, PPF) are not fully taken into account in the analysis. Despite these limitations, the study results are robust in their internal consistency and substantially aligned with larger-scale literature, lending them appropriate analytical credibility within the stated framework.

3.6 Ethical Considerations

This study followed the standard research ethics procedures. There was no coercion to participate, The respondents were briefed on the purpose of the study prior to filling the questionnaire. Before completing out the questionnaire. No personally identifiable information (PII) (Name, contact details, The following data (employer) has been collected. The Responses were treated completely anonymously and confidentially. The Data were securely stored and only used for the study of the academic. There were no incentives to participate which enabled responses to represent true attitudes and not compliance

CHAPTER 4: DATA ANALYSIS AND INTERPRETATION

The data gathered in the above survey is subjected to detailed analysis and interpretation in this chapter. Descriptive and Inferential statistical techniques have been used to examine the investment awareness and preference of the respondents. The findings are reported in tables, charts and narrative interpretations with the use of Chi-Square tests of association and Cramér's V analysis.

4.1 Demographic Profile of Respondents

The composition of the sample in terms of demographic characteristics is used to give context to the investment-related behavior's and attitudes discussed in the following sections.

Table 4.1: Age Group Distribution

Category	Frequency	Percentage
21–25	25	25%
26–30	30	30%
31–35	25	25%
36–40	20	20%
Total	100	100%

Interpretation: Table 4.1 shows that there is a relatively even distribution of the respondents across the four groups, with 30% of the respondents aged between 26-30. This indicates good coverage of early to mid-career professionals in this sample.

Table 4.2: Gender Distribution

Category	Frequency	Percentage
Male	49	49%
Female	36	36%
Other	15	15%
Total	100	100%

Interpretation: The gender distribution shows that males and females were almost equally distributed in the sample (49% and 36% of the sample, respectively). The categories 'Other' enable a more comprehensive view of gender identity. These groups could be of great value in understanding investment behavior if further study is done.

Table 4.3: Monthly Income Distribution

Category	Frequency	Percentage
Less than ₹25,000	20	20%
₹25,000 – ₹50,000	40	40%
₹50,000 – ₹75,000	25	25%
More than ₹75,000	15	15%
Total	100	100%

Interpretation: Most respondents (40%) earn income in the range of ₹25,000 to ₹50,000 per month, indicating a sample with a diverse age profile, mostly at the beginning or middle of their career. A smaller proportion (15%) earns over ₹75,000 a month, suggesting that there is a section with more disposable income for investments.

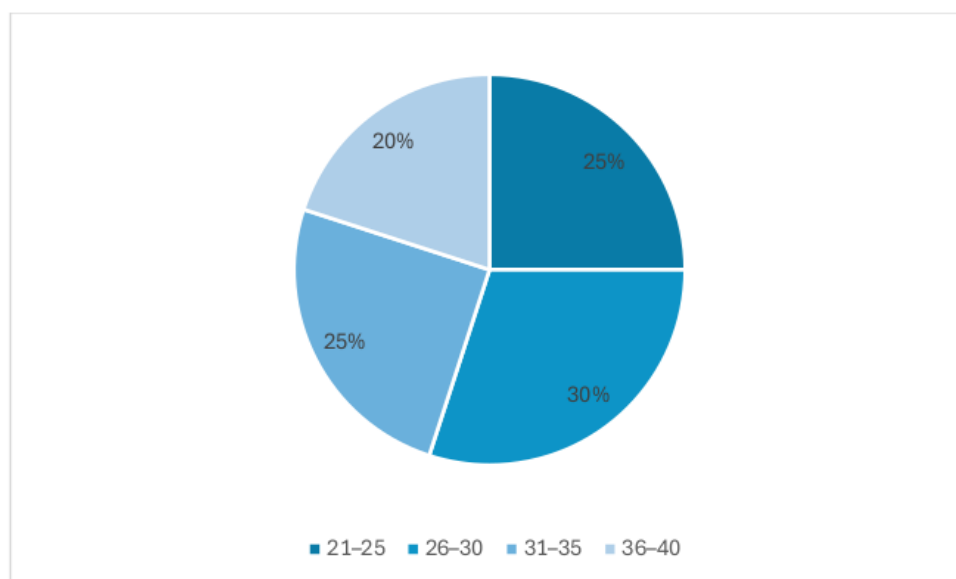


Figure 4.1 — Age Group Distribution

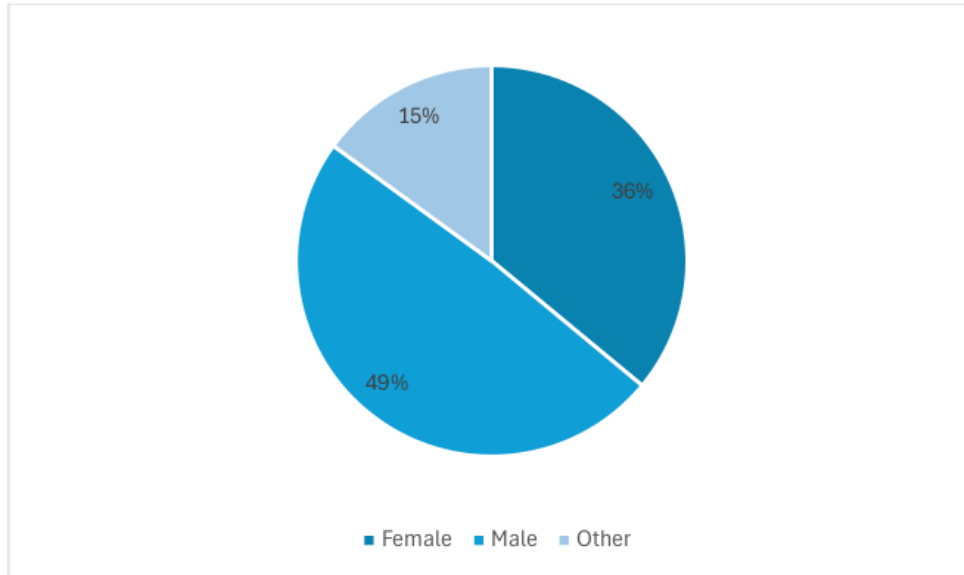


Figure 4.2 — Gender Distribution

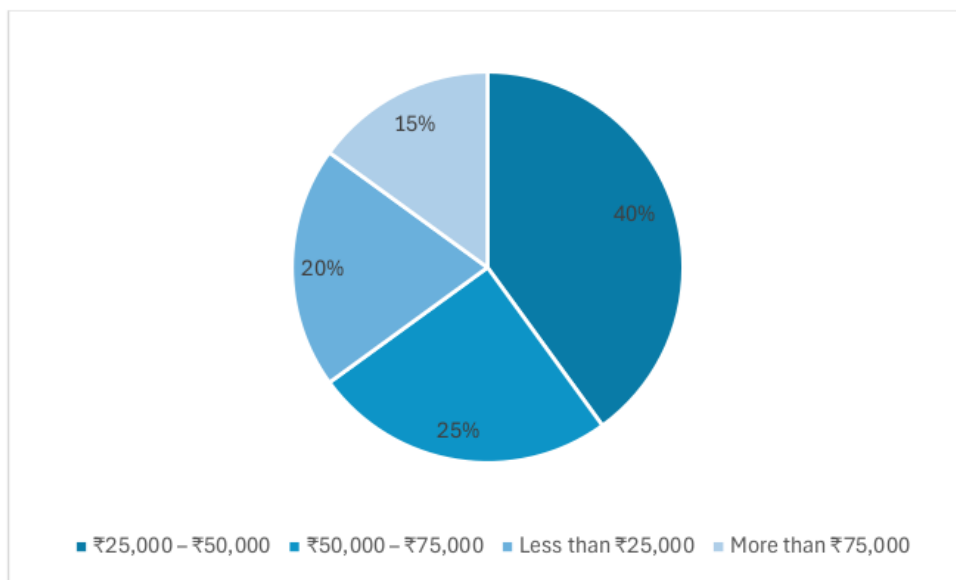


Figure 4.3 — Monthly Income Distribution

4.2 Investment Awareness

To measure investment awareness among the respondents, a score sheet was prepared which was based on correct answers to questions related to financial concepts like inflation, compounding, diversification, etc. ¹² The respondents were categorized into three groups: Low, Moderate and High.

Table 4.4: Level of Investment Awareness

Category	Frequency	Percentage
Low	20	20%
Moderate	50	50%
High	30	30%
Total	100	100%

Interpretation: The data shows that 50% of the respondents have a moderate level of investment awareness, and 20% a low level. This serves as an example of a need for more financial education programs specifically for young professionals. A smaller portion (30%) shows high awareness, indicating some initiative in understanding financial concepts and investment strategies.

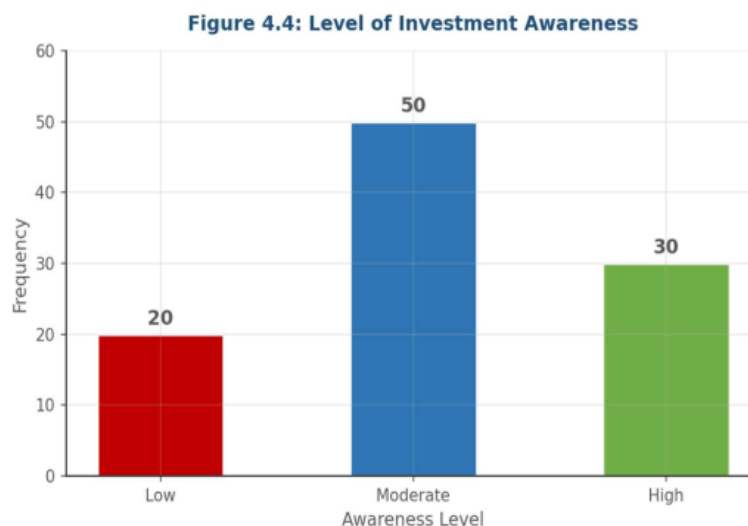


Figure 4.4 — Level of Investment Awareness (Bar Chart)

Key Insight

70% of respondents are in the Low or Moderate awareness tiers - affirming that the majority of young working professionals are still not fully aware of investment basics. This is the main group targeted for financial literacy interventions.

4.3 Investment Preferences

This section focuses on the choice of investment vehicles, risk tolerance and investment time horizon of respondents.

Table 4.5: Preferred Investment Instruments

Category	Frequency	Percentage
Mutual Funds	19	19%
Stocks/SIP	19	19%
FD/RD	19	19%
Crypto	18	18%
Real Estate	17	17%
None	8	8%

Interpretation: The distribution of preferences is fairly flat, with no less than 15% of investors holding each investment instrument. The preferences are divided almost equally between the Mutual Funds, Stocks/SIP, and FD/RD, and Cryptocurrency and Real Estate come in next. The near-even distribution indicates that young investors are exploring a variety of investment options, not just a single one.

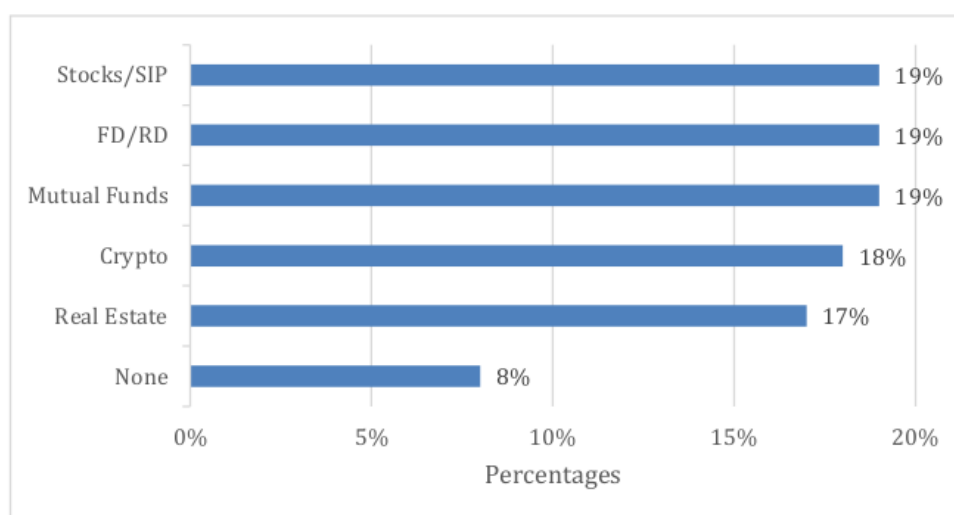


Figure 4.5 — Preferred Investment Instruments (Horizontal Bar Chart)

Table 4.6: Risk Appetite Distribution

Category	Frequency	Percentage
Low	25	25%
Moderate	45	45%
High	30	30%
Total	100	100%

Interpretation: Nearly half of the respondents (45%) possess a moderate risk appetite, with a significant 30% willing to seek high-risk returns, implying a greater willingness to take on risk. A quarter (25%) is low risk taker – meaning they prefer more conservative investing options that preserve capital.

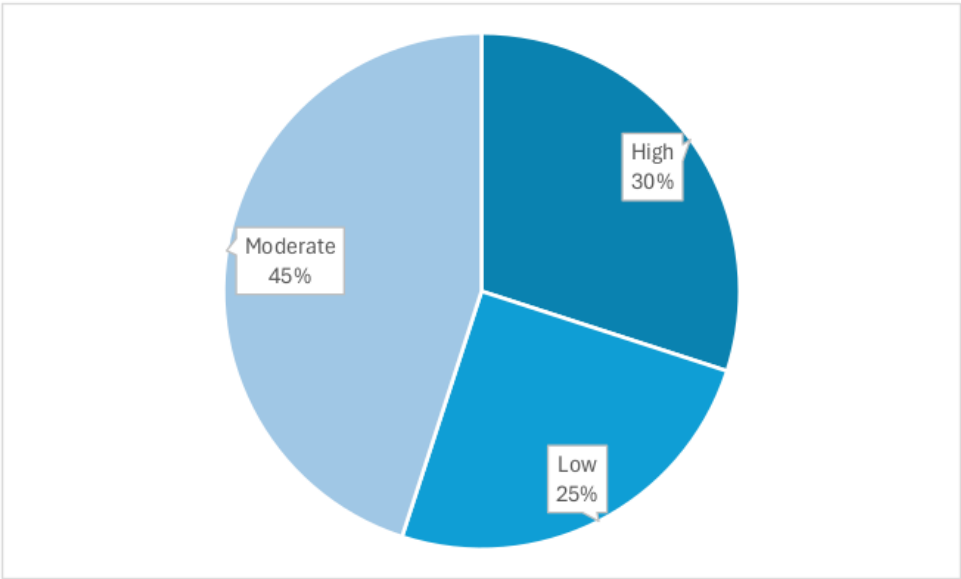


Figure 4.6 — Risk Appetite Distribution (Pie Chart)

Table 4.7: Investment Horizon

Category	Frequency	Percentage
Short Term (< 1 year)	30	30%
Medium Term (1-5 years)	40	40%
Long Term (> 5 years)	30	30%

Interpretation: The most prevalent (40%) investment time horizon is medium-term (1-5 years), which corresponds with goals like education savings and home ownership. Equal proportions: 30% each, favouring short and long term, suggests a variety of financial goals in the sample.

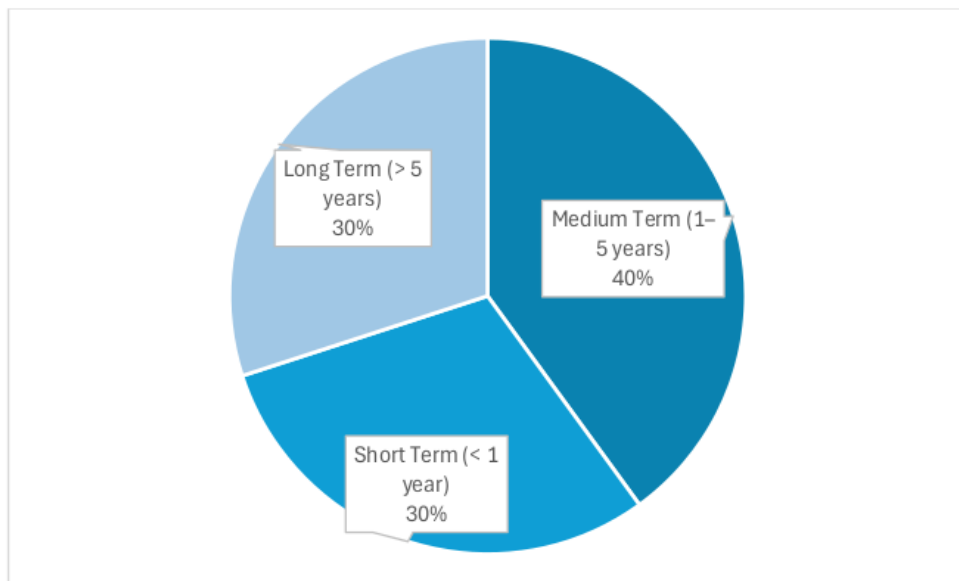


Figure 4.7 — Investment Horizon Distribution (Pie Chart)

4.4 Use of Digital Platforms

Digital investment platforms have revolutionized how young investors invest in the market. In this section, it looks at the platforms that are most widely used and how this could affect the financial literacy ecosystem.

Table 4.8: Digital Platforms Used

Category	Frequency	Percentage
Zerodha	25	25%
Groww	24	24%
Upstox	24	24%
Paytm Money	24	24%
None	3	3%

Interpretation: The popular platforms are Zerodha (25%), Groww (24%) and Upstox (24%) and Paytm Money (24%) indicating preference for user friendly and low cost brokerage services. 3% have had no experience with any digital platform, revealing a group that is either using traditional investment methods or has not yet dabbled in the investment world.

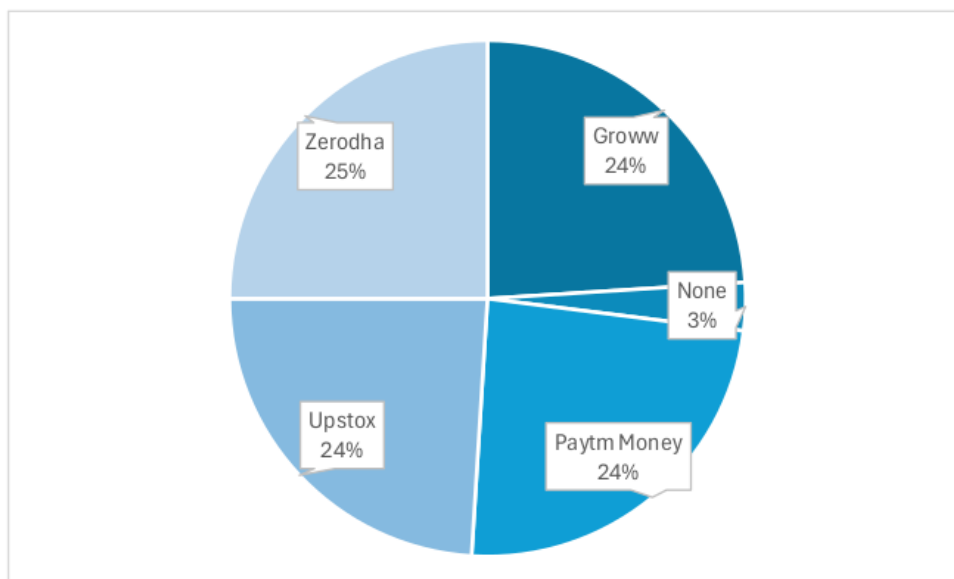


Figure 4.8 — Digital Investment Platforms Used (Pie Chart)

4.5 Financial Literacy and Influence

This section looks into the sources of information for investment, confidence in making investments and openness towards formal financial literacy training.

Table 4.9: Sources of Investment Information

Category	Frequency	Percentage
News Websites / Finance Portals	17	17%
Friends / Family	31	31%
YouTube / Influencers	31	31%
Financial Advisors	18	18%
Social Media	3	3%

Interpretation: The most common sources of investment information are YouTube / influencers (31%) and friends/family (31%) and both of these sources are unregulated sources and is a financial literacy concern. There is, however, a high percentage of News Websites / Finance Portals (17%) which is a regulated channel. Also (18%) seek advice from “qualified Financial Advisors.” Highlights a lack of trust and access.

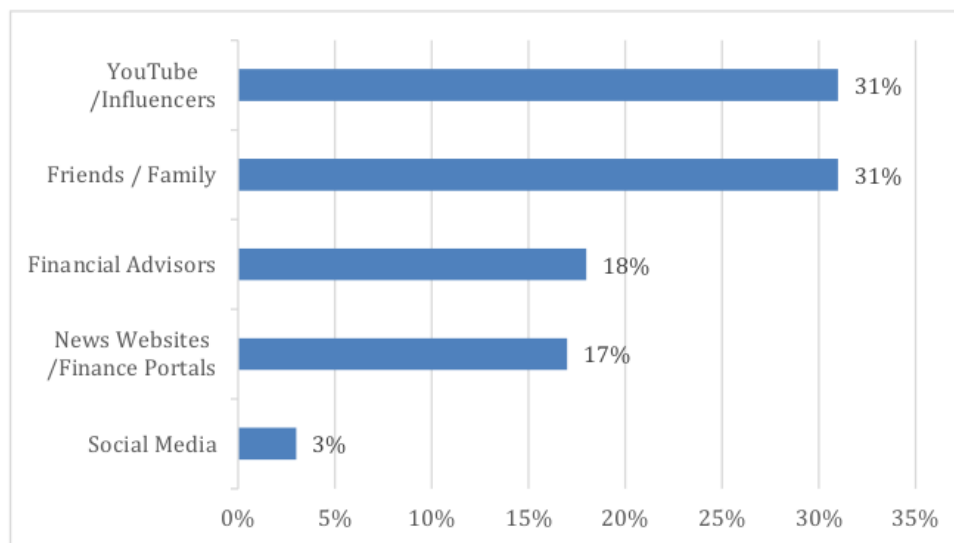


Figure 4.9 — Sources of Investment Information (Horizontal Bar Chart)

Key Insight

62% of respondents use informal or self-directed sources (Youtube/influencers, friends/family) as a source of financial information. This information gap causes the population to be directly affected by misselling, inadequate advice and unchecked content that is especially harmful for first time investors.

Table 4.10: Confidence in Making Investment Decisions

Category	Frequency	Percentage
Yes	40	40%
No	30	30%
Sometimes	30	30%
Total	100	100%

Interpretation: 30% of the respondents are not at all confident in making investment decisions, while 40% are confident of making investment decisions. Additional 30% say they are ‘sometimes’ confident. This highlights the need for campaigns that help to create investor confidence through education and professional support.

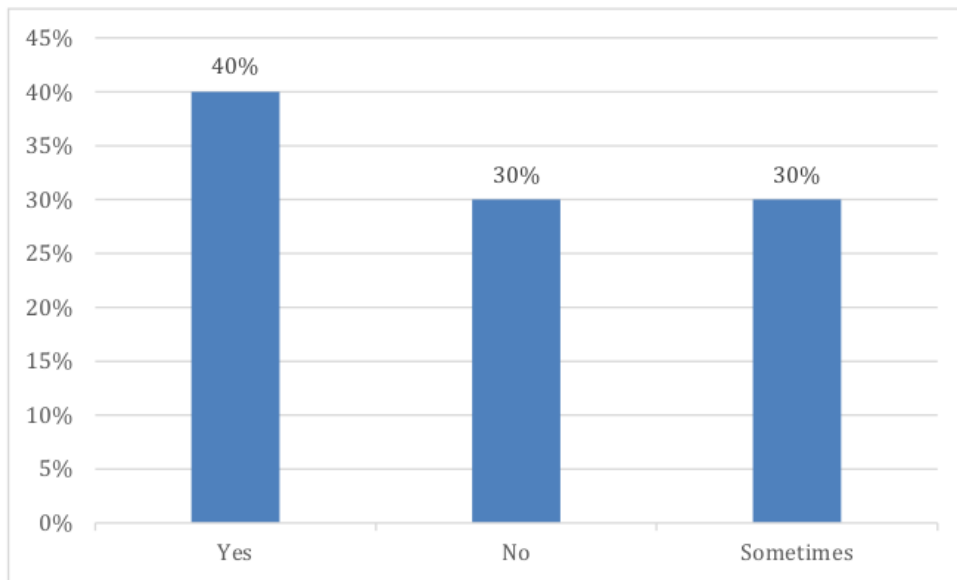


Figure 4.10 — Confidence in Making Investment Decisions (Bar Chart)

Table 4.11: Interest in Financial Literacy Workshops

Category	Frequency	Percentage
Yes	50	50%
No	20	20%
Maybe	30	30%
Total	100	100%

Interpretation: Half of the respondents (50%) are interested in financial literacy workshops, and 30% are not sure. Only 20% declined. Among non-investors, this high demand for financial education is a massive opportunity for action for institutions and policy makers.

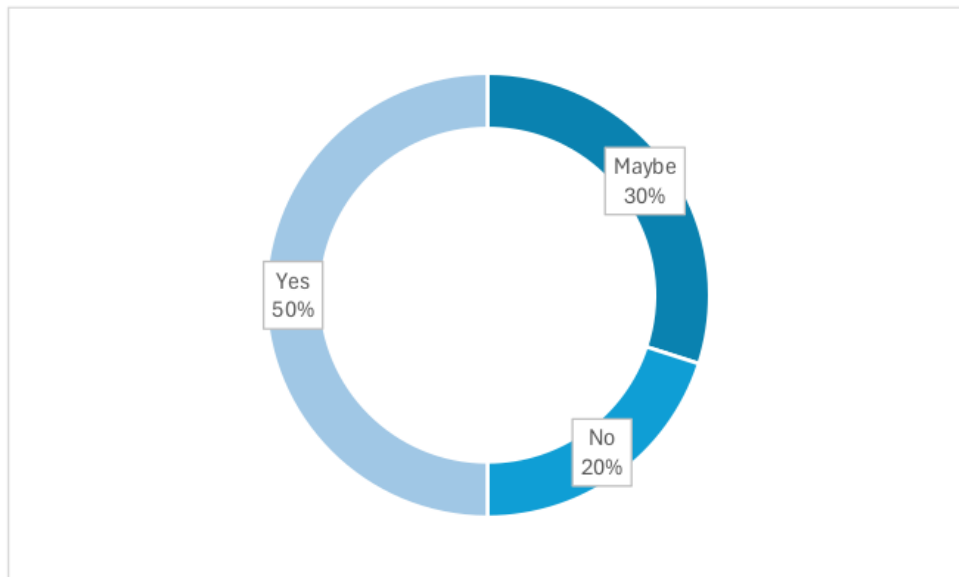


Figure 4.11 — Interest in Financial Literacy Workshops (Donut Chart)

¹² 4.6 Chi-Square Test of Independence

The Chi-Square (χ^2) Test of Independence is a non-parametric statistical test that is ⁴used to determine if there is a significant association between two categorical variables. It works by

comparing the real frequencies in a contingency table with frequencies that would be expected if the two variables were totally independent of one another.

4.6.1 Hypotheses

The following hypotheses are stated for each test:

- The ⁵ null hypothesis (H_0): There is no association between the two variables.
- ¹⁴ Alternative Hypothesis (H_1): The two variables are not independent, meaning there is a statistically significant association between the two variables.

4.6.2 Chi-Square Formula

- The Formula is:

$$\chi^2 = \sum \frac{(O_{ij} - E_{ij})^2}{E_{ij}}$$

- ⁸ Where O_{ij} is the observed frequency in cell (i, j), and E_{ij} is the expected frequency for that cell under the assumption of independence.

4.6.3 Steps of the Chi-Square Test

1) Construct the Contingency Table:

Construct an $r \times c$ table of observed frequencies for both of the categorical variables.

²⁴ 2) Calculate Expected Frequencies:

$E_{ij} = (\text{Row Total} \times \text{Column Total}) / \text{Grand Total}$ for each cell. For the test to be valid, expected frequencies of the events should preferably be ≥ 5 .

⁵ 3) Compute the Chi-Square Statistic:

Fill in the formula in all cells and add up the contributions.

¹¹ 4) Determine Degrees of Freedom:

$df = (r - 1) \times (c - 1)$, where r = number of rows and c = number of columns.

5) **Determine the p-value:**

Compare the calculated value of χ^2 with the value of the chi-square distribution for the given number of degrees of freedom.

6) **Apply the Decision Rule:**

If $p < 0.05$, reject H_0 and conclude that there is a statistically significant association. If $p \geq 0.05$, fail to reject H_0 .

4.7 Cramér's V

Cramér's V is a post-hoc measure of association applied after a statistically significant chi-square result. While the chi-square test determines whether an association exists, it does not quantify how strong that association is. Cramér's V fills this gap by providing a standardised effect size measure ranging from 0 (no association) to 1 (perfect association).

4.7.1 Cramér's V Formula

- The formula is:

$$V = \sqrt{\frac{\chi^2}{n \min(r-1, c-1)}}$$

- Where n = total sample size, and k = Smaller value between: number of rows, number of columns.

4.7.2 Interpretation Scale

The following benchmarks are used to interpret the strength of association based on Cramér's V:

Table 4.12: Cramér's V Interpretation Scale

Cramér's V Value	Strength of Association
0.00 - 0.10	Negligible
0.10 - 0.20	Weak
0.21 - 0.40	Moderate
0.41 - 0.60	Relatively Strong
0.61 - 0.80	Strong
0.81 - 1.00	Very Strong

Cramér's V is symmetric and does not assume a directional relationship between variables. It is applicable only when ¹⁸the chi-square result is statistically significant ($p < 0.05$). Its standardised scale makes it comparable across different table dimensions, which is an advantage over the raw chi-square statistic.

4.8 Test 1: Association Between Monthly Income and Risk Appetite

- H_0 : Monthly income and risk appetite are independent (no association exists).
- H_1 : Monthly income and risk appetite are significantly associated

Table 4.13: Observed Frequency Table - Monthly Income vs Risk Appetite

Monthly Income	High	Low	Moderate	Row Total
Less than ₹25,000	7	10	8	25
₹25,000 – ₹50,000	8	9	9	26
₹50,000 – ₹75,000	11	6	8	25
More than ₹75,000	7	8	9	24
Column Total	33	33	34	100

Table 4.14: Expected frequencies Table

Monthly Income	High Risk	Low Risk	Moderate Risk	Row Total
Less than ₹25,000	8.25	8.25	8.50	25

Monthly Income	High Risk	Low Risk	Moderate Risk	Row Total
₹25,000 – ₹50,000	8.58	8.58	8.84	26
₹50,000 – ₹75,000	8.25	8.25	8.50	25
More than ₹75,000	7.92	7.92	8.16	24

Table 4.15: Chi-Square Result

Statistic	Value
²⁵ Chi-Square (χ^2)	2.4065
Degrees of Freedom (df)	6
p-value	0.8788
Significance Level (α)	0.05
Decision	Fail to Reject H_0
Cramér's V	Not Applicable

Interpretation

- Since $p = 0.8788$ is substantially ⁶ greater than the significance threshold of $\alpha = 0.05$, the null hypothesis is retained. There is no statistically significant association between monthly income and risk appetite in this sample. ¹³ The observed cell frequencies are close to the expected frequencies in each income-risk combination and affirm that the distribution of risk appetite is fairly uniform among the income groups.
- This is a significant result on a behavioural finance backdrop. The classical economic theory says that as income increases so should the capacity — and willingness — to take more risk. But the statistics results from this sample do not corroborate that pattern. This suggests that there are behavioural factors that seem to be more important in determining risk appetite than income, including loss aversion, social influence, financial education, and personality traits. No effect size is reported for this test because there is no significant association in this case, and Cramér's V cannot be used.

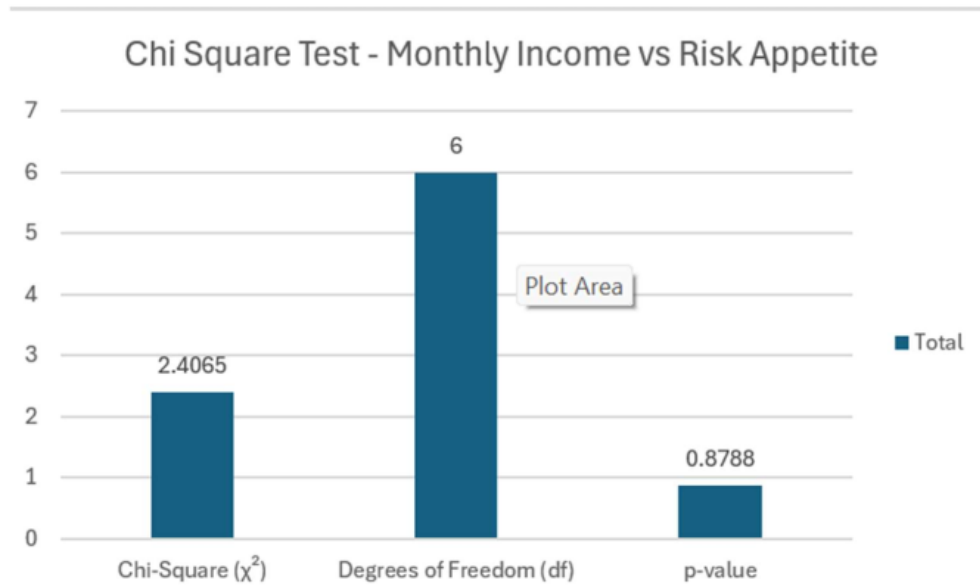


Figure 4.12 — Chi-Square Test: Monthly Income vs Risk Appetite

4.9 Test 2: Investment Awareness vs. Confidence Level

- H_0 : Investment awareness and confidence level are independent (no association exists).
- H_1 : Investment awareness and confidence level are significantly associated.

Table 4.16: Observed Frequency Table

Investment Awareness	No Confidence	Sometimes	Yes (Confident)	Row Total
High	0	3	33	36
Low	32	0	0	32
Moderate	2	27	3	32
Column Total	34	30	36	100

Table 4.17: Expected Frequency Table

Investment Awareness	No Confidence	Sometimes	Yes (Confident)	Row Total
High	12.24	10.80	12.96	36
Low	10.88	9.60	11.52	32
Moderate	10.88	9.60	11.52	32

Table 4.18: Chi-Square Results

Statistic	Value
Chi-Square (χ^2)	156.0652
Degrees of Freedom (df)	4
p-value	< 0.0001
Significance Level (α)	0.05
Decision	Reject H_0 ✓

4.9.1 Cramér's V - Effect Size

The strength of this relationship is measured by Cramér's V, because $p < 0.0001$ indicates that there is a statistically significant association.

$$V = \sqrt{[156.0652 / (100 \times (3 - 1))] = \sqrt{[156.0652 / 200]} = 0.8834$$

Table 4.19: Cramér's V Result

Metric	Value
Cramér's V	0.8834
Strength of Association	Very Strong
Benchmark Range	0.81 – 1.00

Cell-by-Cell Chi-Square Contribution

The following table shows the contribution of each cell to the overall chi square value and which cell combinations contribute to the significant value.

Table 4.20: Cell-by-Cell Chi-Square Contribution

Investment Awareness	No Confidence	Sometimes	Yes (Confident)	Row χ^2 Total
High	12.24	5.63	30.99	48.86
Low	41.00	9.60	11.52	62.12
Moderate	7.25	31.54	6.30	45.09
Column Total	60.49	46.77	48.81	156.07

Interpretation

- The null hypothesis is strongly rejected based on the results of the chi-square test ($\chi^2 = 156.07$, $p\text{-value} < 0.0001$). There is a high statistical significance between investment awareness and the level of confidence. The data indicates that the pattern is almost one to one: 33 of all the respondents who indicated they were aware of their investment, reported having confidence in their investment decision. 32 respondents with low awareness level reported a lack of confidence in all. Twenty-seven of the 32 moderately aware investors said they are sometimes confident.
- This association is very strong, with a Cramer's V of 0.8834. This is a very high effect size for survey data, and suggests that the level of awareness of investment is nearly a deterministic predictor of investor confidence in this sample.
- Implication for policy and practice is one and clear-cut: If there are structured financial literacy programmes, significant improvement in investor confidence is likely. There is a need to focus on awareness building campaigns for regulators, asset management firms and financial advisors, especially targeting low awareness retail investor groups.

4.10 Test 3: Investment Horizon vs. Preferred Investment Instrument

- Note: 8 respondents did not specify an investment instrument of preference, so they are not included. Valid $n = 92$.
- If there is no association, then H_0 is true.
- H_1 : There is a significant relationship between investment horizon and preferred investment instrument.

Table 4.21: Observed Frequency Table

Investment Horizon	Crypto	FD/RD	Mutual Funds	Real Estate	Stocks/SIP	Total
Long Term	8	6	6	7	7	34
Medium Term	6	8	7	7	6	34
Short Term	4	5	6	3	6	24
Total	18	19	19	17	19	92

Table 4.22: Expected Frequency Table

Investment Horizon	Crypto	FD/RD	Mutual Funds	Real Estate	Stocks/SIP	Total
Long Term	6.65	7.02	7.02	6.28	7.02	34
Medium Term	6.65	7.02	7.02	6.28	7.02	34
Short Term	4.70	4.96	4.96	4.43	4.96	24

Table 4.23: Chi-Square Results

Statistic	Value
Chi-Square (χ^2)	2.0903
Degrees of Freedom (df)	8
p-value	0.9781
Significance Level (α)	0.05
Decision	Fail to Reject H_0
Cramér's V	Not Applicable

Interpretation

- The value of $p = 0.9781$ is much greater than the significance level $\alpha = 0.05$, therefore the null hypothesis is not rejected. The preference of investment instrument is not statistically

significantly related to an investor's investment horizon. In each of the combinations of horizons and instruments ¹³ observed frequencies are close to their expected frequencies, showing that the distribution of instrument preference is almost uniform over all combinations of horizons and instruments.

- This is an interesting substantive finding. The one thing that it would be logical to think is that short term investors would prefer either FD/RD or Stocks/SIP and long term investors would turn towards Mutual Funds or Real Estate or Crypto. Lack of such a pattern in this sample might indicate a financial literacy deficit — that is, that respondents are not actively making choices that are systematically related to their desired investment period. Strategic horizon-matching may not necessarily be the most important factor in instrument selection, but may instead be accessibility, familiarity, peer influence, advisor recommendation, or other factors. Because the condition for the computation of Cramér's V is not satisfied, it is not computed.

4.24 Consolidated Summary of Results

Test	Variables	⁹ χ^2 Value	df	p-value	Significant?	Cramér's V
1	Monthly Income vs. Risk Appetite	2.4065	6	0.8788	No	-
2	Investment Awareness vs. Confidence Level	156.0652	4	< 0.0001	Yes	0.8834 (Very Strong)
3	Investment Horizon vs. Investment Instrument	2.0903	8	0.9781	No	-

- The three associations hypothesized in the study only had statistically significant results for Test 2 Investment Awareness vs. Confidence Level. The Cramér's V is 0.8834, which indicates that ⁷ there is a very strong association between the awareness level and investor confidence in this sample.

4.12 Findings & Recommendations

KEY FINDINGS

- **Finding 1** - The data ²⁹ shows that there is no statistical relationship between income per month and risk appetite of retail investors ($\chi^2 = 2.41$, $p = 0.88$). Conventional economic assumption that people are financially risk-tolerant is not valid, as psychological and behavioural factors are more likely to influence risk preferences.
- **Finding 2** - The most significant finding of this study is the strong association found between investment awareness and investment confidence ($\chi^2 = 156.07$, $p < 0.0001$, $V = 0.88$) as stated in Finding 2 - Investment Awareness is a Near-Perfect Predictor of Confidence. The relationship is near to a determinate path: high awareness level leads to confidence, low level leads to lack of confidence, and moderate level leads to sometimes confident. This is true of 92 out of 100 respondents.
- **Finding 3** - ⁶ The results of this study indicate that there is no significant relationship between the investment horizon and the instrument preferred by the participants ($\chi^2 = 2.09$, $p = 0.98$), suggesting that Indian retail investors in this sample may not strategically match their investment horizon with their instrument preference, indicating a potential mismatch in financial planning.

RECOMMENDATIONS

- Regulators (SEBI, RBI) and financial institutions should emphasize on financial literacy programmes as there exists almost a perfect linkage between awareness and investor confidence. Raising awareness will most likely directly increase the confidence and participation of capital markets.
- Risk profiling models employed by investment advisors should take into account more than just income level; they should also include behavioural and psychographic factors. They may be more accurate using instruments that assess personality.

- For investors, it is important that they know which instruments are strategically right for their goal timelines, this should be done through workshops and online financial advisory tools.
- In terms of communication, asset management companies (AMCs) and fintech platforms need to tailor their messaging towards low-awareness and moderate-awareness investors, given the marked differences in their confidence levels and readiness to take decisions.

4.10 LIMITATIONS OF THE STUDY

There are limitations to be noted when examining the results of this statistical analysis:

- The sample size of 100 respondents is adequate for chi-square validity but may not have the statistical power and generalisability of the results to a broader demographic, geographic, and socioeconomic cross-section of the retail investor population in India.
- Self-Reported Data: All answers are self-reported (selfreport bias, especially face-to-face or institution-administered survey settings).
- Test 3 was not applicable to eight respondents (8%), and they were excluded from the analysis. Non-responses may be systematically associated with any variable (e.g., uncertain investors) and this may lead to non-response bias.
- Cross-Sectional Design: The study is conducted at one specific time to obtain investors attitudes and behaviours. To determine causal relationships and the long-term effect of awareness-building efforts on the investor's confidence, longitudinal data would be needed.
- Ordinal Variable Treatment: When the data type is ordinal such as Risk Appetite (Low/Moderate/High), Awareness (Low/Moderate/High), the underlying ordinal nature is lost during chi-square analysis. This extra information could be used in ordinal-specific tests (e.g. Goodman-Kruskal Gamma).
- Limitations include the lack of formal validation of the survey instrument's measurement of constructs that are latent, such as 'confidence level' and 'investment awareness', and this is especially problematic when making more general theoretical inferences.

CHAPTER 5: CONCLUSION

Demographic analysis showed the age group of 26-30 years showed the maximum population (30%) and most of the population were earning between ₹25000-Rs. 50000 per month. There were no income barriers to investment participation as higher income groups were identified among non-investors and low-confidence groups with the understanding that awareness is key, rather than financial ability.

The results showed that 70% of the respondents had low or moderate investment awareness, meaning that ¹⁰ there is a high level of under-preparedness in terms of basic investment concepts, including any understanding of diversification, inflation and compounding. There was very little strategic, horizon oriented decision making, with the investment preference spread across Mutual Funds, Stocks/SIP, FD/RD, Crypto and Real Estate, with no one instrument dominating that investment.

The inferential analysis yielded three key results. First, no statistically significant association was found between monthly income and risk appetite ($\chi^2 = 2.41$, $p = 0.88$), indicating that behavioural and psychological factors outweigh financial capacity in shaping risk preference. Secondly, the association between investment awareness and confidence was extremely strong (¹⁶ $\chi^2 = 156.07$, $p < 0.0001$, Cramer's $V = 0.88$) - the most significant finding of this study, establishing awareness as a near-deterministic predictor of investor confidence. Thirdly, no significant relationship was demonstrated between investment horizon and instrument preference ($\chi^2 = 2.09$, $p = 0.98$), suggesting investors are not aligning their instrument choices with their time horizons a clear gap in strategic financial planning.

Digital platforms are widely used and nearly equally distributed across Zerodha, Grow, Upstox, and Paytm Money. However, 62% of respondents rely on YouTube influencers and friends/family for financial information, while only 18% consult qualified advisors - exposing the majority to unregulated and potentially harmful financial guidance.

There is a high demand for formal financial education: 50% said they were certain and 30% were willing to participate in financial literacy workshops.

Finally, the study concludes that financial literacy and not only income or age or platform access is the knitting point for sound investment behaviour among urban youth in India. Focus on targeted awareness programmes, behavioural risk profiling and credible information ecosystems are vital to making digital access real financial access and long-term wealth creation.

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