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Factors Influencing Investment Decisions Among Youngster: An Empirical Analysis Of Financial Literacy In Bhopal

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ABSTRACT: Financial literacy has emerged as a vital life skill, particularly for young adults who are beginning their financial journeys in an era of rapid market changes, digital platforms, and widespread misinformation. This study investigates the influence of financial literacy on the investment decisions of young investors in Bhopal, India. Using a structured questionnaire administered to 120 respondents aged 18–30, the research analyses levels of awareness, preferred investment avenues, and risk tolerance, employing descriptive statistics and Chi-square tests to assess associations between age and investment behaviour.

The findings reveal that while awareness of investment options is relatively high, actual participation remains modest. Mutual funds and fixed deposits dominate portfolios, reflecting a preference for low- to medium-risk instruments, whereas cryptocurrencies and other volatile assets attract limited interest. Although no statistically significant relationship is found between age and investment behaviour, the results suggest that financial literacy enhances confidence, diversification, and the use of digital investment tools.

The study contributes to commerce literature by providing an empirical snapshot of youth investing in an Indian context and highlights the persistent gap between financial knowledge and investment action. It recommends a twin-track approach: integrating financial education into academic curricula and designing youth-centric financial products that encourage responsible participation in markets.

Keywords - Financial literacy; Investment behaviors; Risk perception; Youth; India; Commerce; Fintech

1. INTRODUCTION

Financial decisions made during an individual's twenties often have long-lasting consequences. Initial experiences such as the first job, the first credit card, or the first systematic investment plan establish trajectories that influence future financial security. Within this context, financial literacy functions as a guiding mechanism. At its core, financial literacy denotes the ability to understand and apply financial concepts. More comprehensively, it encompasses numeracy, knowledge of financial instruments, awareness of risk–return dynamics, and, most importantly, the cultivation of habits that translate knowledge into informed decision-making. For young adults, literacy operates simultaneously as an enabling resource and as a protective mechanism. It facilitates effective utilization of modern financial tools while safeguarding against common pitfalls, including overconfidence, speculative advice circulated on social media, and short-term investment behaviour.

The Indian financial landscape underscores these dynamics. Over the last decade, fintech innovations have significantly expanded access to investment opportunities. Mutual fund accounts can now be created via smartphones within minutes; fractional equity investments are available at low entry points; robo-advisory platforms and influencer-driven content compete for investor attention. Nevertheless, access is not equivalent to capability. In the absence of foundational knowledge—such as the principles of compounding, diversification, cost structures, tax implications, and the patience required to withstand volatility—ease of entry can reinforce impulsive or speculative behaviour. This disjuncture between access and capability constitutes the central problem addressed in this study.

The empirical focus of this paper is Bhopal; a city whose socio-economic and educational profile makes it an illustrative case of urban India. The study is structured around three research questions:

1. What is the level of financial literacy among young adults with respect to personal finance and investment?
2. What investment avenues do they prefer, and how do they perceive associated risks?
3. Does a higher level of financial literacy correlate with observable behavioural differences, such as participation rates, portfolio diversification, or the confident adoption of digital platforms?

To address these questions, a structured questionnaire was administered to 120 respondents aged 18 to 30 years. The data were analyzed using descriptive statistics supplemented with basic tests of association. The discussion situates the findings within the framework of behavioural finance to interpret observed patterns.

The findings reveal that the situation is more nuanced than the binary often portrayed in public discourse, which alternates between enthusiasm for democratized finance and concerns over speculative excesses. The evidence suggests that most young investors in Bhopal are cautious, resource-constrained, and oriented towards traditional, low-risk products such as fixed deposits, recurring deposits, and, increasingly, mutual funds through systematic investment plans (SIPs). While many respondents reported awareness of alternative investment avenues, consistent participation was limited. The persistence of this gap between awareness and action—shaped by income constraints, fear of financial loss, and behavioural inertia—warrants closer examination.

By integrating empirical evidence with conceptual insights from commerce and behavioural finance, the study contributes to multiple stakeholders. For educators, it highlights the need to strengthen curricula on financial capability; for financial institutions, it provides insights into designing youth-oriented products; and for policymakers, it underscores the importance of interventions that bridge the literacy–behaviour gap. Above all, the study seeks to present a nuanced account of young investors—neither hyper-rational actors nor reckless speculators, but pragmatic and cautious individuals navigating digital finance with aspirations as well as constraints.

2. LITERATURE REVIEW

The literature on Financial Literacy and Investment Behaviour draws from economics, psychology, and education. Earlier research often viewed the investor as a rational utility-maximiser, but behavioural finance has since shown that emotions, heuristics, and social contexts play a major role. Financial literacy sits at this intersection: it can help reduce biases, yet it is also influenced by cultural background and personal experience.

Garg (2018) examined the links between financial knowledge, attitudes, and behaviour, showing how literacy initiatives can enable individuals to make more informed financial choices. The study stressed that financial literacy is a cornerstone of overall financial well-being, particularly as economies worldwide aim to strengthen household financial stability.

Hashim (2023) evaluated financial literacy among youth, considering the roles of knowledge, behaviour, attitudes, and family influence. Using data from 181 respondents, the study found that knowledge, behaviour, and family background significantly shaped financial literacy, while attitude had no strong association. Despite limitations such as sample size and data collection challenges, the research underlined the key role of family in shaping financial awareness.

Bulmar (2020) studied the relationship between financial literacy and risk tolerance among academic staff at USAK University. Using multinomial logistic regression, the study concluded that literacy, along with demographic factors such as age, gender, education, and income, significantly influenced risk tolerance. The findings suggest that strengthening financial literacy through targeted educational initiatives can encourage diversification and engagement with a broader range of financial products.

Ramkumar (2018) identified the determinants of young investors' decision-making using data from 100 respondents in Chennai. Factor analysis with Varimax rotation highlighted five key factors shaping investment choices, with a reliability score of 0.802 confirming consistency in the measures used. The research provided insights into the considerations guiding young investors' financial decisions.

Chawla (2022) focused on the influence of parents as key socialization agents, shaping both financial literacy and investment behaviour in youth. The study underscored how family influence extends beyond childhood education to affect long-term financial outcomes.

Azhar (2017) explored the financial attitudes of the younger generation, noting their greater technological adaptability and social dynamism compared with earlier cohorts. The study identified financial literacy, personal interest, and environmental factors as central to investment awareness, while also pointing to the need for more comprehensive research on emerging trends.

Dinar (2024) investigated how financial literacy, self-control, saving behaviour, risk attitudes, and family practices affect investment awareness among Generation Z workers in Indonesia. Based on responses from 262 individuals, the study found that literacy, saving behaviour, risk attitudes, and family socialization had significant effects, whereas self-control and spending patterns were less influential.

Arianti (2018) examined the effects of literacy, behaviour, and income on student investment decisions. Drawing on data from 100 students, the study revealed that literacy alone did not significantly influence behaviour; instead, financial practices and income played stronger roles. This suggests that knowledge must be supported by habits and financial capacity to shape effective investment behaviour.

Jayanth (2015) analyzed financial literacy among young urban Indians, finding an imbalance: while behaviour was relatively strong, knowledge and attitudes lagged behind international peers. The study also noted gender-based differences, with men needing stronger attitudes and women requiring more behavioural support. Family structures were also influential—joint family living reduced literacy, while consultative decision-making enhanced it—emphasizing the value of family engagement in literacy initiatives

Padula (2013) developed an intertemporal model linking financial literacy and wealth accumulation. The model proposed that literacy improves returns on wealth but depreciates if not continuously reinforced. Empirical evidence showed a positive relationship between financial literacy and wealth across the life cycle, highlighting the importance of early financial education for long-term stability.

3. METHODOLOGY

This study employed a **quantitative, cross-sectional research design** to investigate financial literacy, investment behavior, and the role of digital tools among young adults in Bhopal. The target population consisted of individuals aged 18–30 years residing in the city. Data were collected through a **structured online questionnaire**, a mode deliberately chosen for its accessibility and convenience. It was particularly effective for students, who form a significant share of this age group.

The questionnaire was structured into four sections.

1. demographic information
2. financial awareness and literacy
3. investment participation and preferences

4. risk attitudes and the role of digital tool. Items combined multiple-choice items with five-point Likert-scale questions.

Participants were recruited through **simple random sampling** using college networks and youth organizations. A total of **120 valid responses** were obtained. The majority of respondents fell within the 18–24 age band, and the group included both students and early-career professionals. More importantly, income was reported in broad categories rather than precise amounts, ensuring both privacy and comparability across participants.

Once collected, the data were entered into a spreadsheet and then imported into a **statistical software package** for analysis. **Descriptive statistics** were used to highlight overall levels of awareness, participation, and preference. Moreover, to explore relationships between variables, the **Chi-square test of independence** was employed, with particular focus on the link between age group and investment behavior. This choice was appropriate given the categorical nature of the data and the exploratory aim of the study. In addition, **cross-tabulations** were prepared to make patterns more visible and easier to interpret.

To strengthen quality, the survey instrument was **piloted with a small group of students**. Their feedback helped refine question wording and check completion time. Ethical safeguards were also built into the study design. Participants provided **informed consent**, had the right to withdraw at any stage, and their responses were kept strictly anonymous. Beyond basic demographic details, no identifying information was collected.

The study does, however, face several **limitations**. The sample is relatively modest, responses are self-reported, and the focus is confined to a single urban setting. These features inevitably limit the generalizability of the findings. Yet, they do not undermine the study's internal coherence. On the contrary, they highlight the need for further research. Future studies could extend this inquiry by drawing on **larger, multi-city samples** and adopting **longitudinal designs**, thereby capturing how financial behaviors evolve over time.

4. DATA INTERPRETATION

Data interpretation involves analyzing the data and graphically representing it to give a better understanding of the statistical data included in the paper and the questionnaire.

4.1 Primary data

The study is based on primary data collected through a structured questionnaire, with a sample size of 120 respondents. Key insights are as follows:

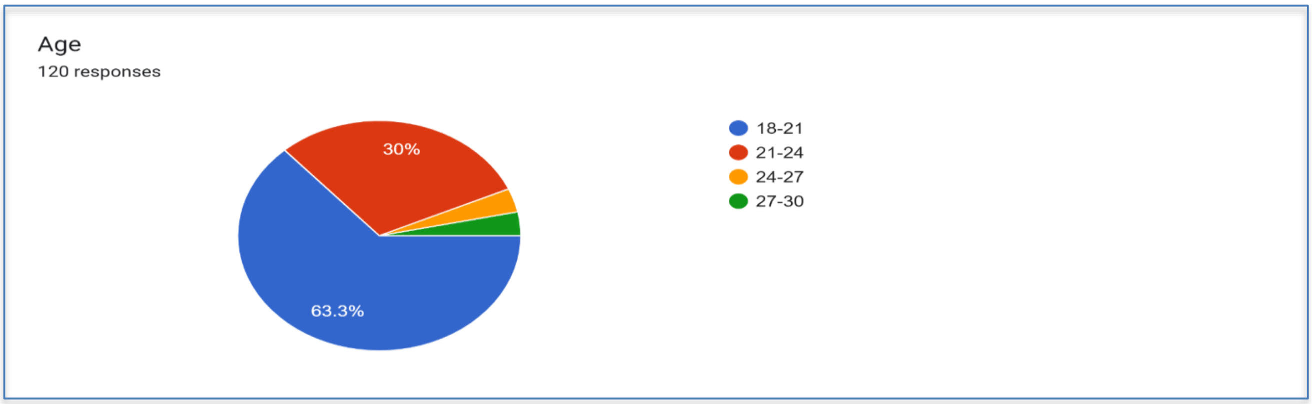

Fig 1.1

1.1 Over 93% of respondents are aged 18–24, indicating a youth-dominated sample, likely students or early-career individuals.

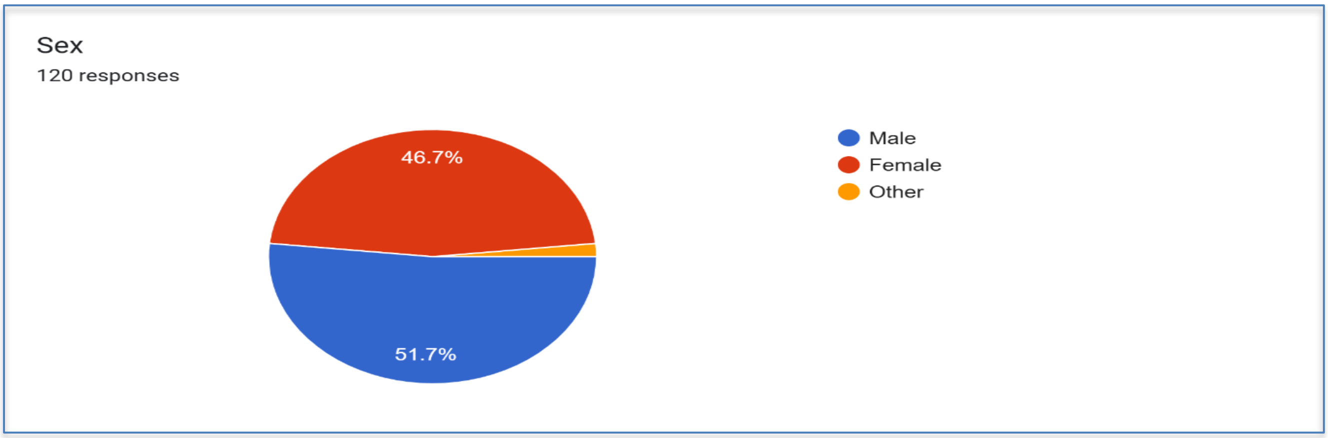

Fig 1.2

1.2 Gender distribution is nearly balanced between males and females, with a small proportion identifying as "Other," ensuring inclusivity

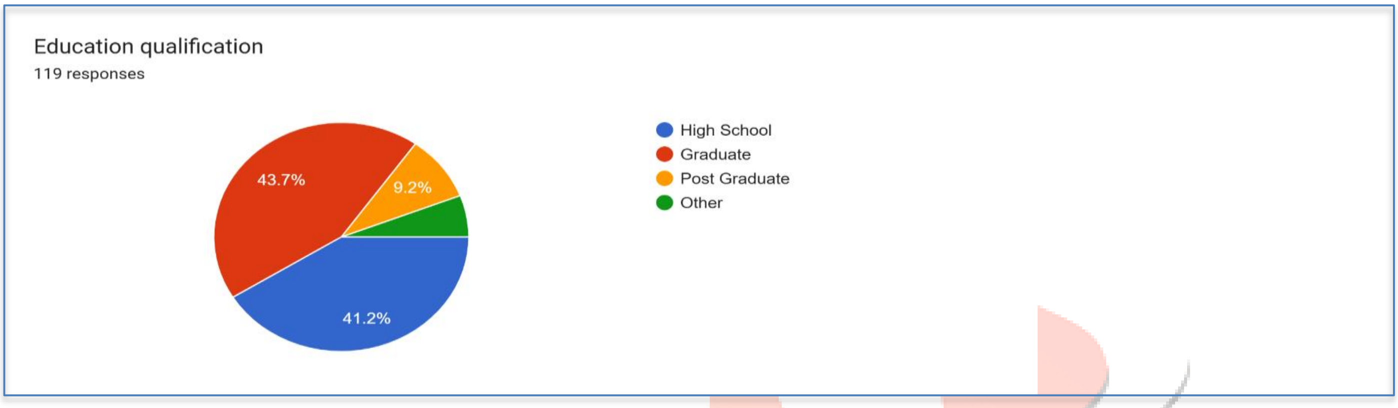

Fig 1.3

1.3 Most respondents hold a high school or undergraduate qualification, with some postgraduate or other educational backgrounds, reflecting a diverse academic mix.

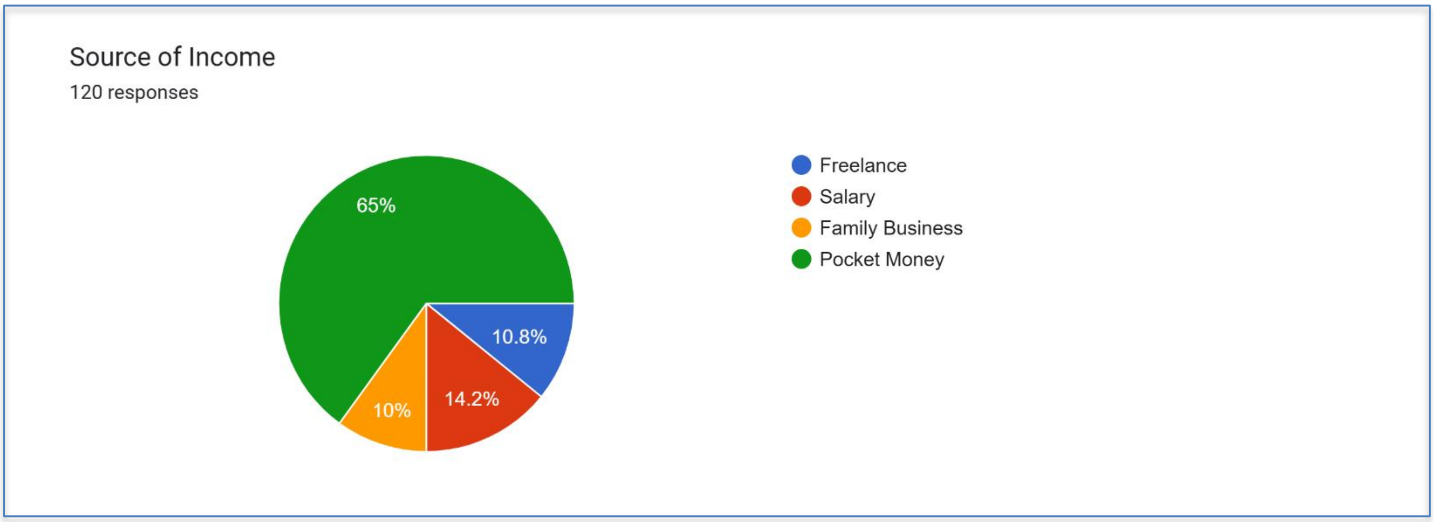

Fig 1.4

1.4 A majority depend financially on pocket money, while a smaller group is self-dependent through jobs, freelance work, or family businesses.

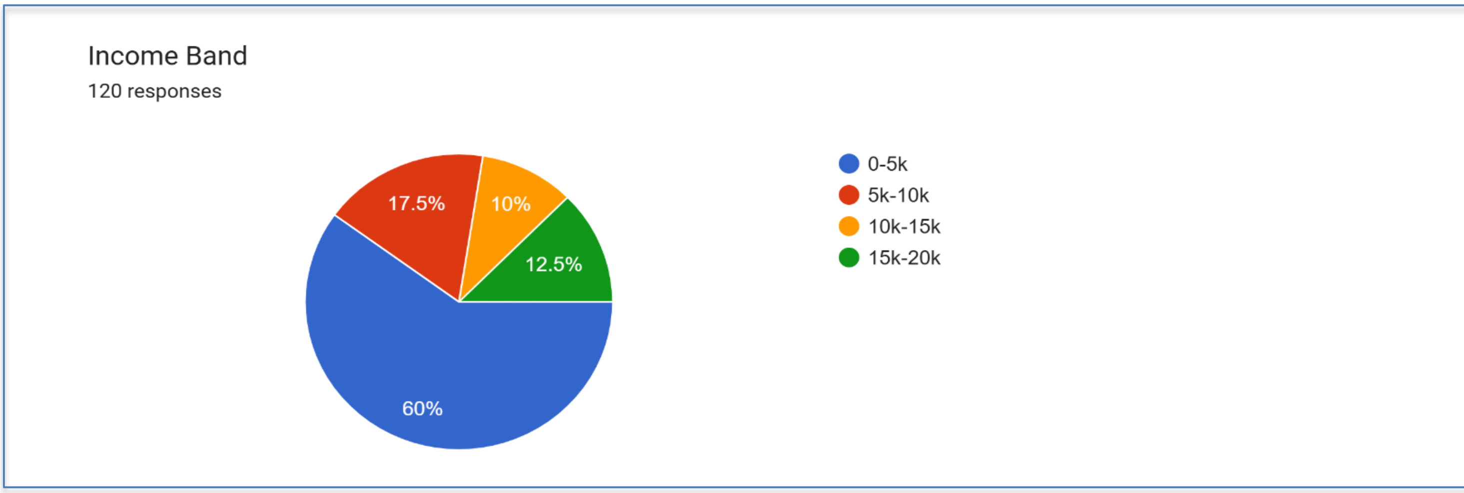

Fig 1.5

1.5 Around 60% fall within the ₹0–5k income range. Only 22.5% earn above ₹10k, indicating limited earning capacity among the group.

Fig 1.6

1.6 Slightly over half have investment experience, while 45% do not, pointing to growing interest but limited participation.

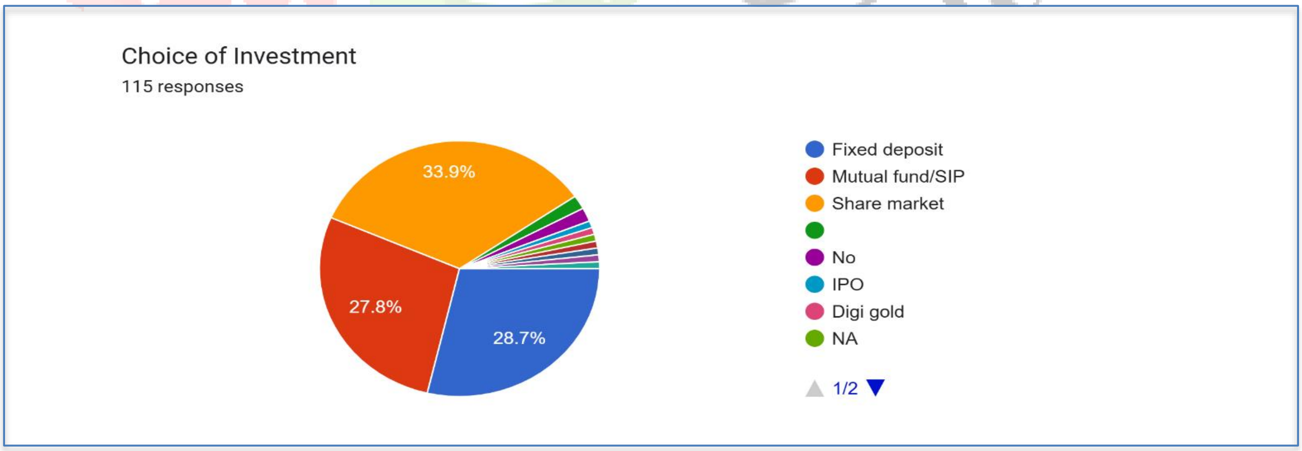

Fig 1.7

1.7 Market-linked options (stocks, mutual funds) are most preferred, though fixed deposits remain popular among risk-averse investors.

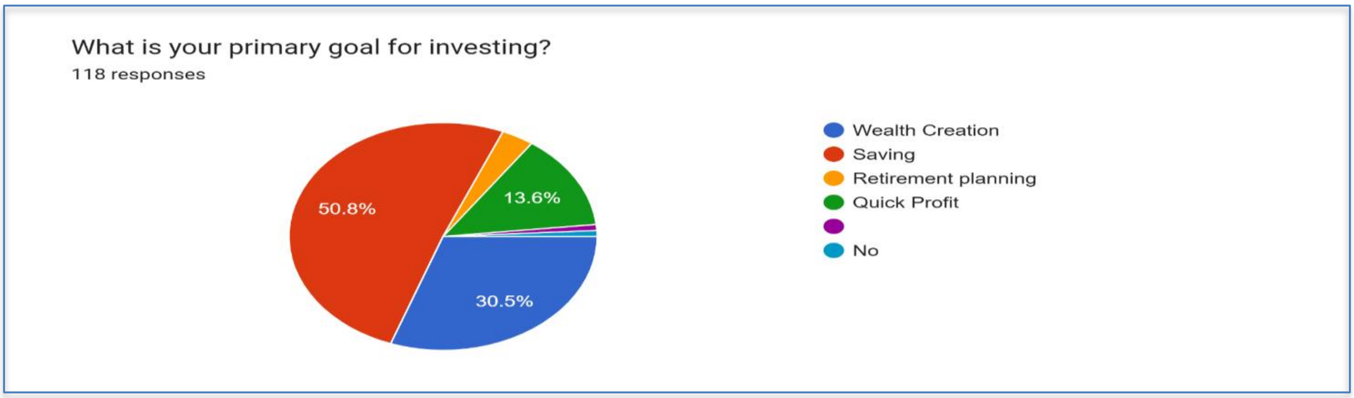

Fig 1.8

1.8 Main investment goals include saving, wealth creation, and retirement planning, with quick profits being a low priority.

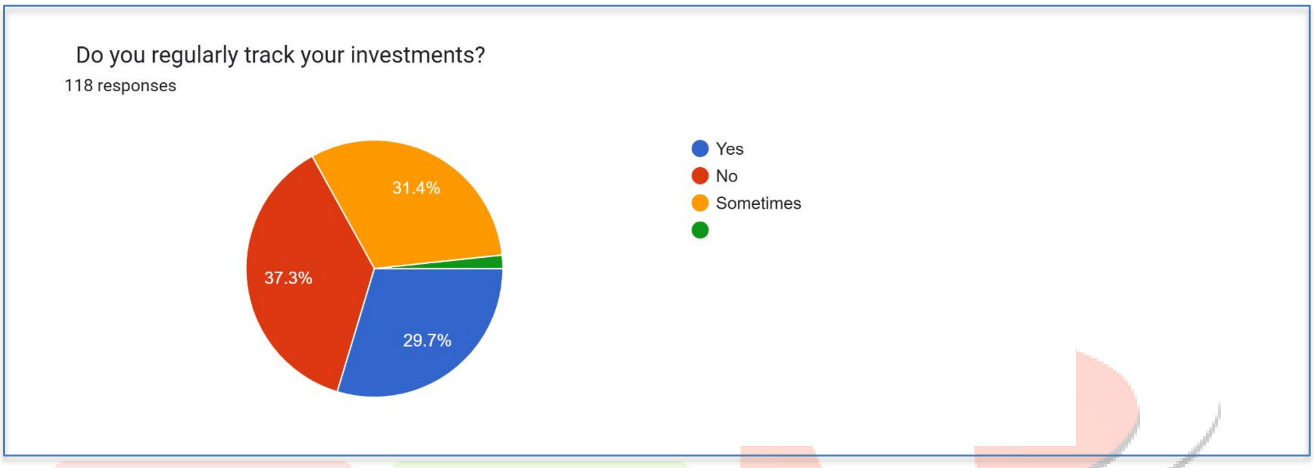

Fig 1.9

1.9 Many respondents do not actively track their investments, indicating weak portfolio management and highlighting the need for greater financial awareness.

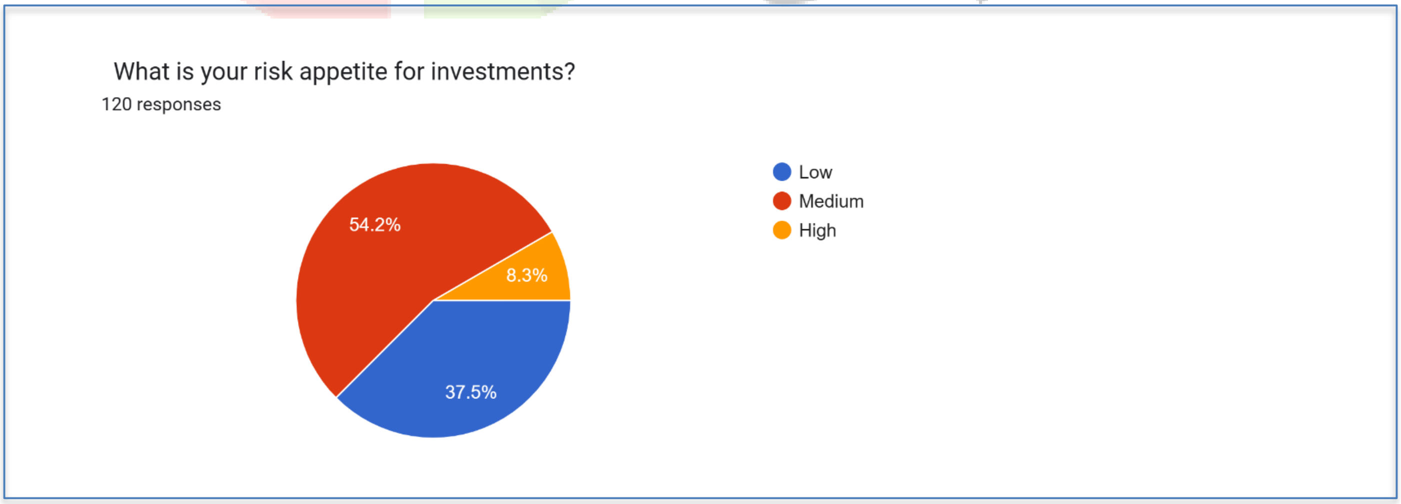

Fig 1.10

1.10 Most prefer low-to-moderate risk options, suggesting a cautious investment mind-set

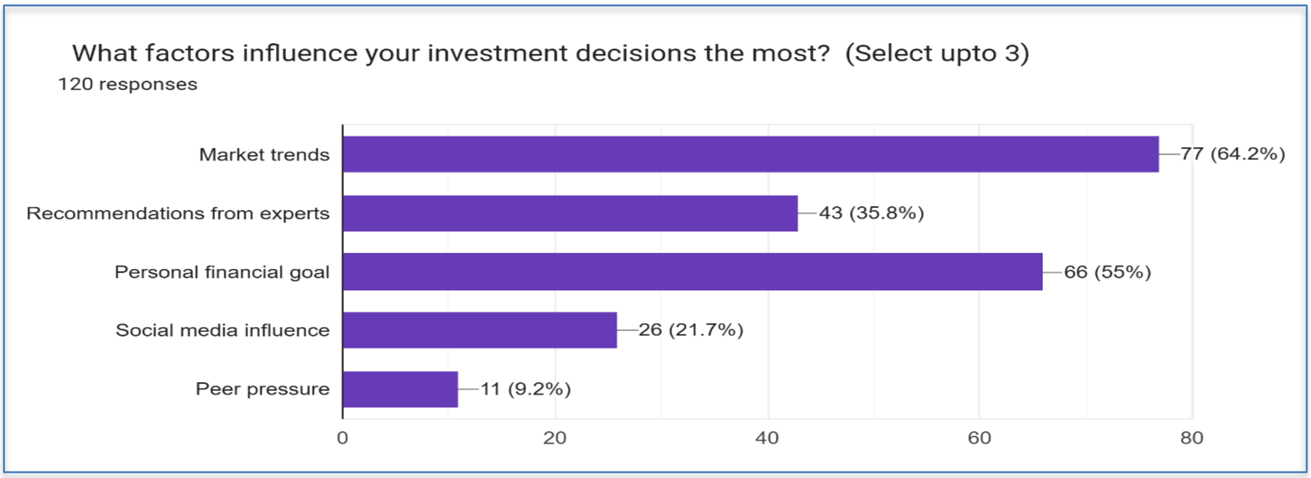

Fig 1.11

1.11 Investment decisions are primarily shaped by market trends and personal goals. Expert advice matters, but social media and peer influence are relatively less impactful.

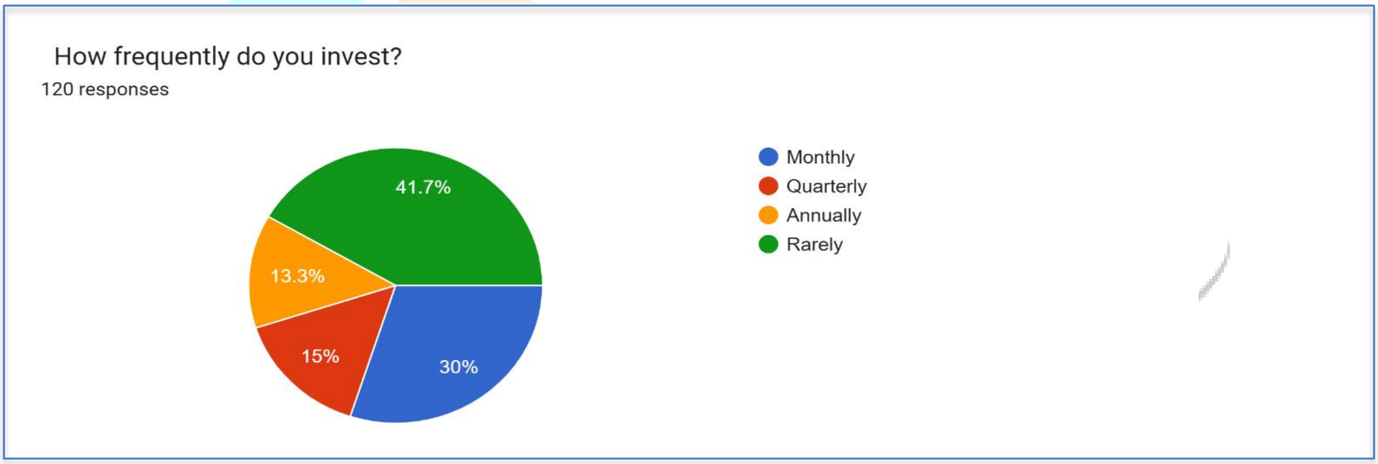

Fig 1.12

1,12 A significant share invests only "rarely," while 30% invest monthly, showing some regularity but also a lack of consistent investment discipline.

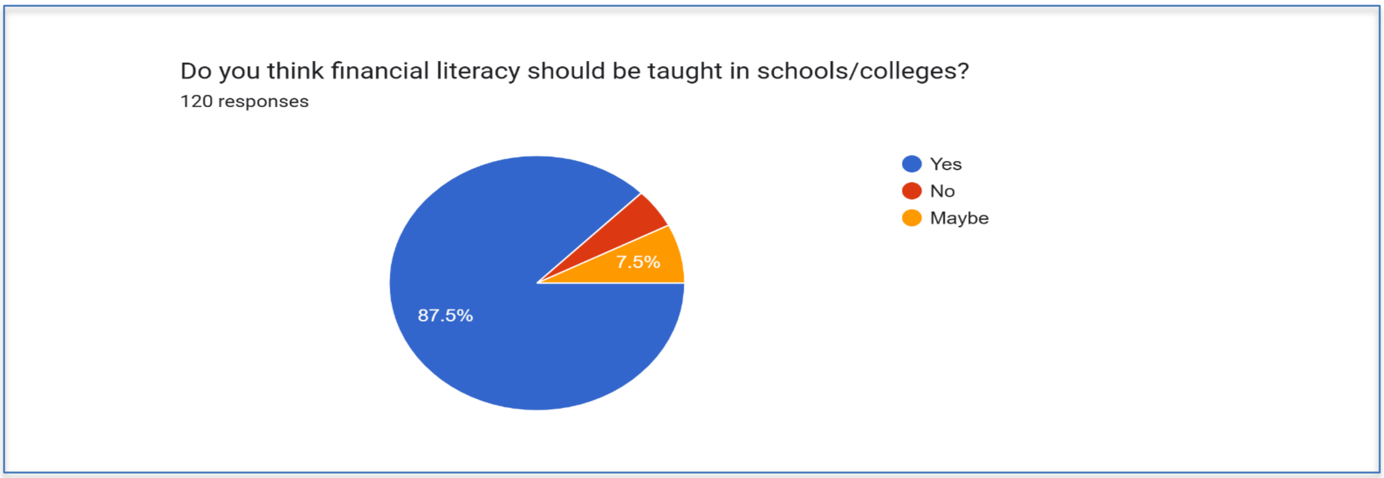

Fig 1.13

1.13 A large majority believe financial literacy should be taught in schools/colleges, reflecting strong support for formal financial education.

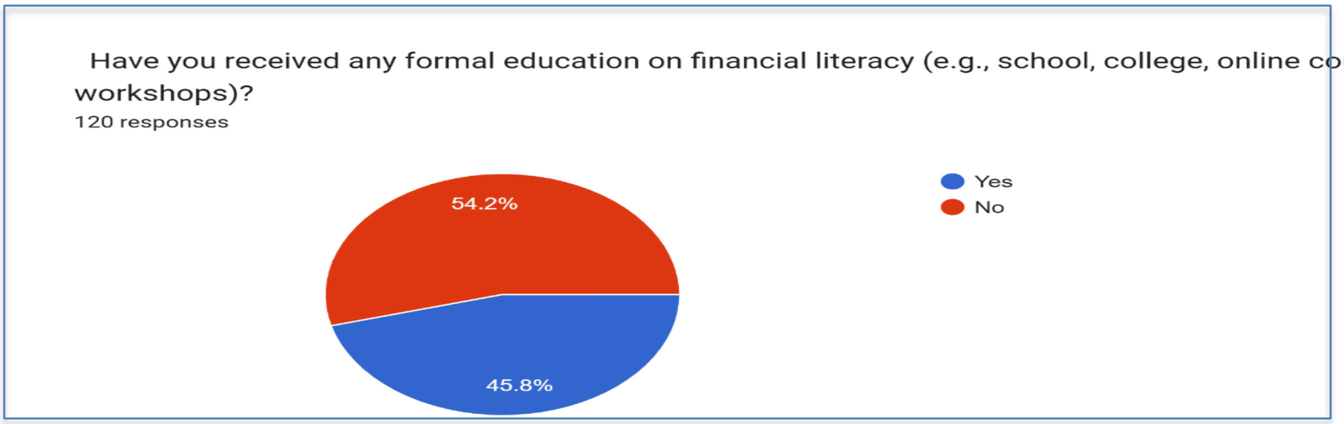

Fig 1.14

1.14 Over half (54.2%) have never received financial literacy training, underscoring the urgent need for structured educational programs in this area.

4.2 TEXT ANALYSIS

Count of- Have you ever made investment?	Column Labels		
Row Labels	no	yes	Grand Total
18-21	35	33	68
21-24	13	21	34
24-27		4	4
27-30	1	3	4
Grand Total	49	61	110

H_0: There is no significant Relationship between age group and whether youngsters have made an investment.

H_1: There is a significant relationship between age group and investment behaviour.

Observed Frequency table

Age/Have you ever made an investment	No	Yes	Grand Total
18-21	35	33	68
21-30	14	28	42
Grand Total	49	61	110

Expected Frequency table

Age/Have you ever made an investment	**No**	**Yes**	**Grand Total**
18-21	30.29090909	37.709	68
21-30	18.70909091	23.291	42
Grand Total	49	61	110
P value	**0.06296366**		

5. RESULT AND DISCUSSION

Descriptive findings suggest that young adults approach investing with caution, yet a degree of engagement is evident. Around seven in ten respondents reported being familiar with common investment avenues such as fixed deposits, recurring deposits, mutual funds, and shares. Despite this familiarity, just over half had actually invested in the past year, revealing a noticeable gap between awareness and action. Mutual funds emerged as the most trusted option, followed closely by fixed deposits. Cryptocurrencies, despite heavy media coverage, were rarely chosen. This pattern indicates a preference for capital preservation and transparency over high-risk, speculative opportunities.

Risk preferences leaned predominantly toward the conservative end. Most respondents reported comfort with low-to-medium risk, while a smaller subset pursued higher returns but with limited diversification—often spanning only one or two asset classes. Financial literacy appeared to influence behavior meaningfully. Those confident in concepts such as compounding and fee impact were not only more likely to adopt systematic investment plans but also more inclined to diversify their portfolios.

To add statistical depth, a Chi-square test of independence was conducted to explore whether age group influenced investment behavior. The resulting p-value of 0.063 suggests no significant association. Age alone, therefore, does not appear to be a strong determinant of investment patterns in this sample. This quantitative insight aligns closely with themes from open-ended responses, highlighting barriers that transcend age.

- **Income volatility:** Irregular cash flows among students and early-career professionals made consistent investing difficult.
- **Fear of loss:** Observing peers experience setbacks reinforced cautious behavior.
- **Decision inertia and information overload:** The abundance of products and sometimes conflicting advice creates hesitation, even among those with financial knowledge.

In short, investing challenges are less about life stage and more about a combination of knowledge, confidence, and financial circumstances.

These insights point to a practical roadmap for supporting young investors. Educational initiatives should move beyond simple definitions and focus on habit-building. For example, pairing a lesson on compounding with a hands-on SIP exercise and a reflection on fees and risk could bridge the knowing-doing gap. Financial institutions can contribute by offering youth-friendly products that default to diversified funds, encouraging emergency savings before investing, and providing clear, plain-language disclosures. Policymakers also play a role; consumer protection measures and public campaigns promoting steady, long-term investing can reinforce prudent financial behavior.

Digital platforms deserve special attention. Apps that encourage constant monitoring or rapid trades risk creating the impression that activity equals progress. Platforms emphasizing long-term goals, consistent contributions, and incremental growth are better suited to the realities and psychology of young investors.

Ultimately, effective investing depends not just on literacy, but also on thoughtfully designed systems, supportive policies, and habit-friendly practices. By addressing both knowledge and behaviour, young adults can be empowered to close the gap between awareness and action, making investing not only accessible but also sustainable and confidence-building

6. SUMMARY AND FINDING

Key Variable	Findings	Interpretation
Awareness of avenues	Approx. 71% report awareness	Knowledge is present but not decisive
Actual participation	Approx. 57% invested in past year	Gap between awareness and action
Preferred products	Mutual funds, fixed deposits	Low-to-medium risk favoured
Risk tolerance	Predominantly conservative	Capital preservation is salient
Age–behaviour link	Chi-square $p \approx 0.063$	Age not decisive; literacy and confidence matter

7. CONCLUSION AND IMPLICATIONS

This study aimed to explore how financial literacy shapes the investment decisions of young adults in an Indian city. The headline is clear: literacy helps, but it is not a magic wand. Young respondents who considered themselves financially literate tended to diversify more and were more likely to adopt systematic, low-cost investment strategies. Yet their participation was constrained by real-world factors: irregular income, fear of loss, and the inertia caused by too many options. Policy responses, therefore, must go beyond education and provide practical scaffolding.

For educators, the implication is to move from awareness campaigns to capability-building programs that include practice. Assignments that require students to set financial goals, simulate budgets, and reflect on trade-offs are likely to instill habits more effectively than lectures alone. Financial institutions, meanwhile, must design products that fit real lives: small-ticket SIPs that survive erratic incomes, clear default options that ensure diversification, and dashboards that highlight progress toward goals rather than daily market noise. Policymakers, for their part, should focus on creating a safe ecosystem: standardized, simple disclosures, strong penalties for mis-selling, and support for community-level financial coaching.

Two limitations are worth noting. The sample is modest and limited to a single city, and all data were self-reported. Future research should follow cohorts over time, experimentally test interventions, and compare results across different cities and income groups.

Despite these limitations, the study provides a grounded snapshot of young investors who are neither reckless traders nor reluctant savers, but careful navigators of a complex financial landscape. They do not need slogans; they need tools, trust, and gentle nudges to turn knowledge into action.

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