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A Study on Financial Literacy and Investment Awareness among Young Investors in India

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ABSTRACT

Today there are so many investment options available in the world such as mutual funds, stocks, fixed deposits, bonds, online platforms, etc. In today's time financial literacy has become a necessity as the young people are getting involved more and more in the investment activities. It is important for young investors to have enough financial literacy so that they can make educated financial decisions. Financial literacy helps individuals to manage their finances effectively, analyze investment opportunities and make future financial plans.

This paper studies the level of financial literacy and investment awareness among young investors of India using secondary data collected from various sources such as research papers, government publications, financial reports, journals and published articles. Objective of study is to find out the financial knowledge of today's youth, knowledge about various investment opportunities, investment preferences, various factors influencing their investment decisions and difficulties faced by them in making investment decisions. Furthermore, this paper examines the significance of financial literacy in encouraging informed investment behaviour and stresses the importance of improving financial education for young investors to enhance their financial well-being and decision-making abilities.

Keywords: Financial Literacy, Investment Awareness, Youth Investors, Financial Education, Investment Behavior

INTRODUCTION

Financial literacy is understanding the basics of handling money including saving, budgeting and investing. As young people today face a broad spectrum of financial products and investment choices, this skill is more and more critical. Learning how to avoid risks and being able to plan for the financial goals, besides one of the biggest benefits of financial literacy is to be able to make the right decisions.

The development of technology in India is really fast and more people are using the internet and digital financial services. The market for investing is now so much easier and accessible. Young investors today have a lot of choices – mutual funds, stocks, fixed deposits, bonds, online investment etc. These alternatives allow for more participation in financial markets. Investment decisions are influenced by one's financial knowledge, risk tolerance, market conditions, and personal financial goals.

The present paper has tried to find out the extent of financial knowledge and investment literacy among young investors of India. It also aims to gauge their financial awareness, their understanding of the different kinds of investment instruments and the key drivers of their investment decisions. Digital platforms, educational resources and financial literacy initiatives have raised awareness and drawn more young people to participate in investment activities. This makes it interesting to study the relationship between financial literacy and investment behaviour as it will help to promote better financial planning and long-term financial well-being for young investors**.**

LITERATURE REVIEW

Lusardi and Mitchell (2014) stated that financial literacy is like having a map to the financial world. This skill helps a person to navigate through saving, investing and other financial decisions." They learned that those who truly understand money are not just investing, but are also managing their money wisely.

Agarwalla, Barua, Jacob and Varma (2015) in their study tried to first determine to what level is the young generation in India financially literate and found that many individuals are not really knowledgeable about the money market. They said it is important to provide knowledge on money so that the young can be helped to make money decisions that are right for them.

Financial knowledge is the basic ingredient of successful investment behavior (Rai, 2018) . "Generally, people who are knowledgeable about financial matters feel more secure about the decision to invest and can even handle financial risks better," the author said.

Bhabha et al. (2019) conducted a study that associated financial literacy with investment decisions. Indeed, their research demonstrated that financially savvy individuals are more likely to diversify their portfolios and have a more long-term perspective on financial planning and wealth creation.

Kumar and Gupta (2021) in their article refer to the increasing role of technology in enhancing financial literacy. Moreover, their research shows that digital financial platforms and online resources have significantly lowered the barriers to accessing financial information, thus promoting young investors' active participation in investment activities.

Sharma (2022) explored the effect of social media and financial content on the internet on the knowledge of investments of an individual. According to his report, young people mostly use digital platforms to seek financial information and in this way their decisions related to investment are heavily swayed.

Patel and Mehta (2023) studied the awareness of investment among Indian youth, and observed that the popularity of investment instruments like mutual funds, stocks, and Systematic Investment Plan (SIP) is increasing. Moreover, the researchers observed that financial literacy and risk-taking propensity are the primary determinants of investment behavior.

Singh and Kaur (2024) indicated the effect of financial Literacy on financial planning and wealth enhancement. According to their study, young investors with financial literacy are more likely to make better investment decisions and protect their financial future in the long term.

All the studies reviewed show that financial literacy and investment awareness are the major determinants of investment behaviour of young investors. Other important factors that influence investment decisions apart from financial education are technological advancement, digital accessibility, risk perception and access to reliable financial information. The findings highlight the growing need to enhance the financial literacy of the young generation to encourage responsible financial planning and sustained financial well-being."

RESEARCH GAP

The previous research work has contributed a lot to reveal the financial literacy, investment awareness and investment behaviour of the individuals at large . The main contributors of these studies, Lusardi and Mitchell (2014), Agarwalla et al. (2015), Rai (2018) and Bhabha et al. (2019) found that financial knowledge plays a very important and determining role in the investment decision and the financial management process. However, the studies by Kumar and Gupta (2021), Sharma (2022), Patel and Mehta (2023) and Singh and Kaur (2024) showed the effect of digital technology, financial literacy, investment preferences and financial planning on the financial behaviour of young investors.

These studies focus on different aspects i.e. financial literacy and investment awareness but most of them take these two topics as separate research areas and mostly neglect the combined aspects of the two. In India, very few studies provide a holistic overview of young investors integrating financial knowledge, awareness of investment products, investment preferences, influencing factors and investment behaviour. Thus the present paper tries to fill such a gap by analyzing the financial literacy and investment awareness of the young investors of India by using secondary data collected from different reliable sources.

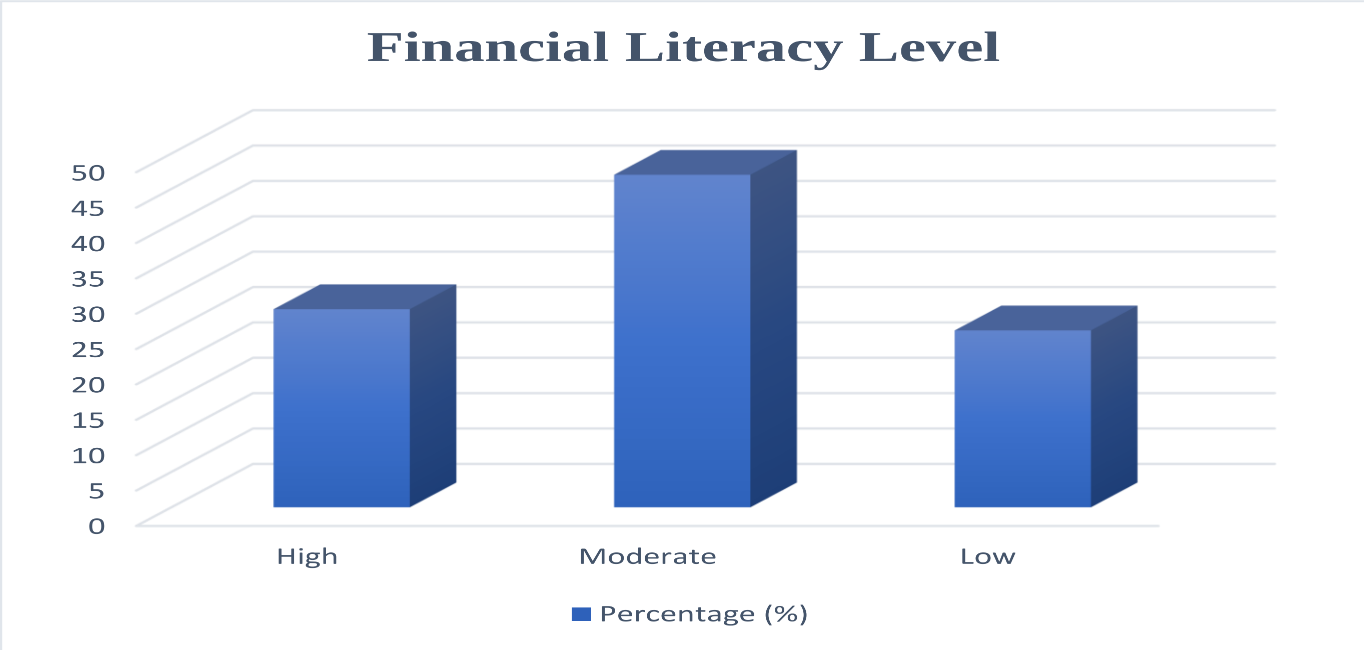
STUDY OBJECTIVE

To determine the level of financial literacy among young investors in India.
To determine the level of knowledge of the young investors about various investment channels.
To study different factors affecting the investment decisions and investment behaviour of youth investors.

The present research work "A Study on Financial Literacy and Investment Awareness Among Young Investors in India, " is a descriptive research and is completely secondary data based study. The objective is to study the level of financial literacy, investment awareness and investment behavior of the young investors of India. Data has been collected from various credible secondary data sources like research journals, government publications, financial reports, RBI publications, SEBI reports, academic articles, financial websites, and other published documents.
The analysis is done by using trend analysis, tables, charts and graphical representation to get insights on the level of financial knowledge, awareness of investment products, investment preferences and factors influencing investment decisions of young investors. This study also analyzes the investment routes of mutual funds, stocks, fixed deposits, bonds and other financial instruments to see how popular they are to young investors. As this study is purely secondary data based, the results are dependent on the availability and reliability of published information. However, the method offers a systematic way of understanding financial literacy and investment awareness of young investors in India and helps in deriving meaningful outcomes.

Table 1: Financial Literacy Level Among Young Investors in India

Financial literacy level	**Percentage**
High	28
Moderate	47
Low	25



Analysis

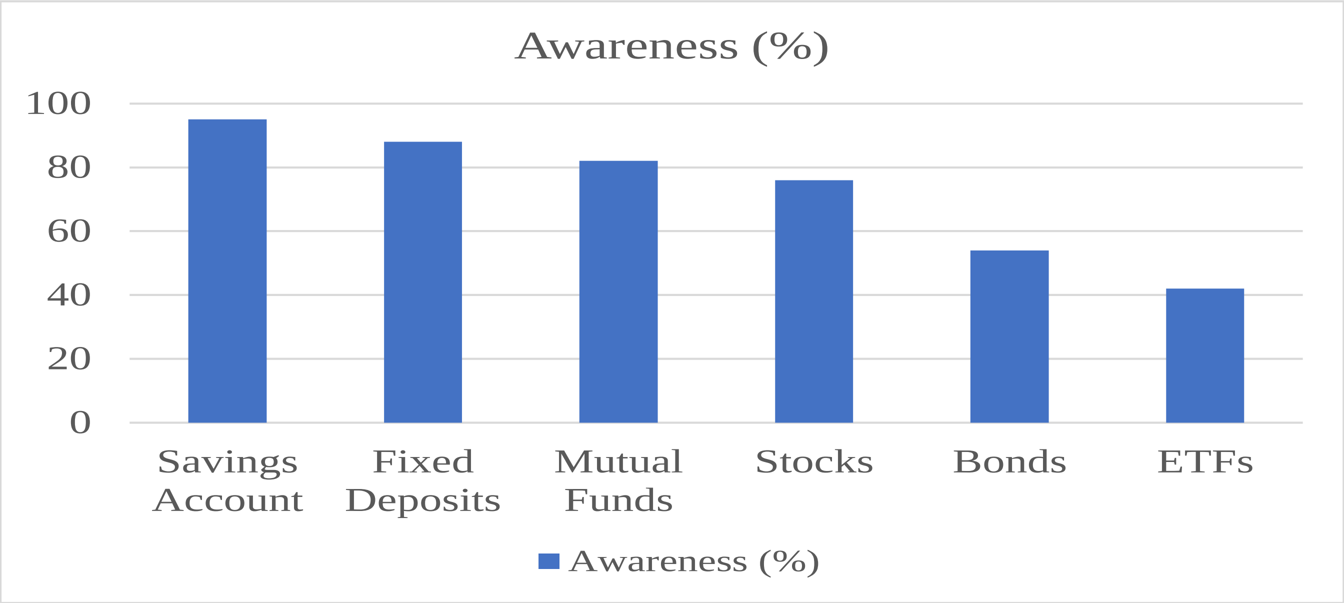
According to the table, most of the young investors in the country have a moderate level of financial literacy. Some of them are really good at understanding financial concepts. But there are still a lot of people who don't know much about finance. This means more people are aware of finance over time, however, there is still a big need for comprehensive financial education

Interpretation

Results indicate that majority of the young investors have only basic knowledge of financial concepts, thus more comprehensive knowledge on topics such as investment planning, risk management and financial decision making may be needed.

Table 2: Awareness of Investment Options by Young Investors

Investment Avenue	**Awareness (%)**
Savings Account	95
Fixed Deposits	88
Mutual Funds	82
Stocks	76
Bonds	54
ETFs	42



Analyses

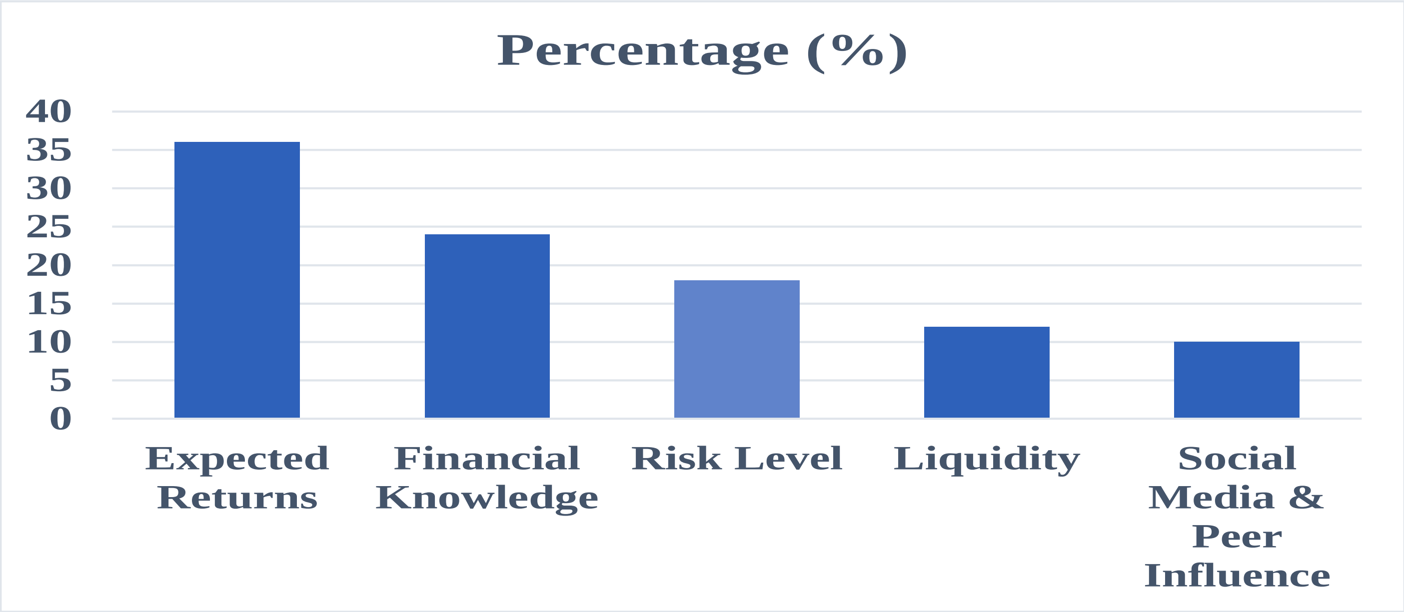
As per the table, young investors have the highest awareness about traditional investment options like savings accounts and fixed deposits. The awareness of mutual funds and stocks is also relatively high, indicating an increasing participation in financial markets." However, awareness of bonds and ETFs is relatively lower.

Interpretation

The findings indicate an increasing consciousness of modern investment opportunities among young investors. However, some financial products are still not widely known, so there is a need for more investor education

Table 3 What factors influence the investment decisions of young investors

Factor	Percentage (%)
Expected Returns	36
Financial Knowledge	24
Risk Level	18
Liquidity	12
Social Media & Peer Influence	10



Analysis

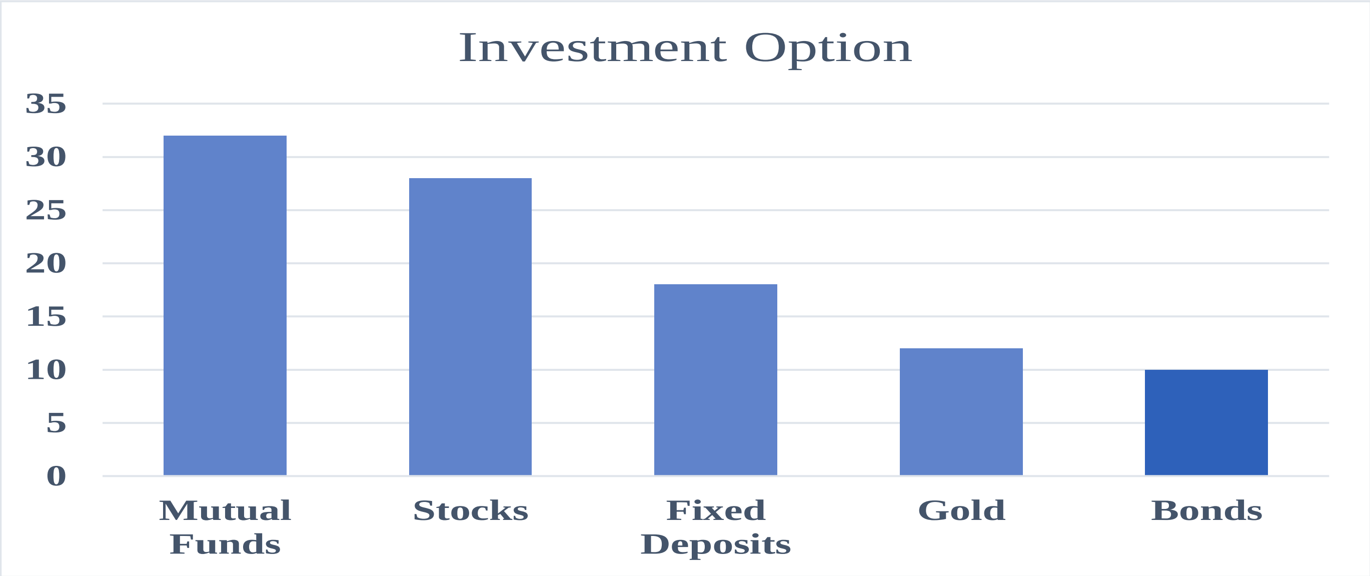
From the above table, it is evident that the expected return is the most important factor in investment decisions of young investors. Investment decisions are also importantly affected by financial knowledge. Investment behaviour is also affected by risk considerations, liquidity and social influence.

Interpretation

The results indicate that the expected returns are the main motivation for young investors, but their investment decisions are also affected by the financial awareness and risks considerations. This points towards the need for financial literacy to encourage informed investment behaviour.

Table 4: Most Popular Ways of Investing among Young People

Investment Option	Percentage (%)
Mutual Funds	32
Stocks	28
Fixed Deposits	18
Gold	12
Bonds	10



Analysis

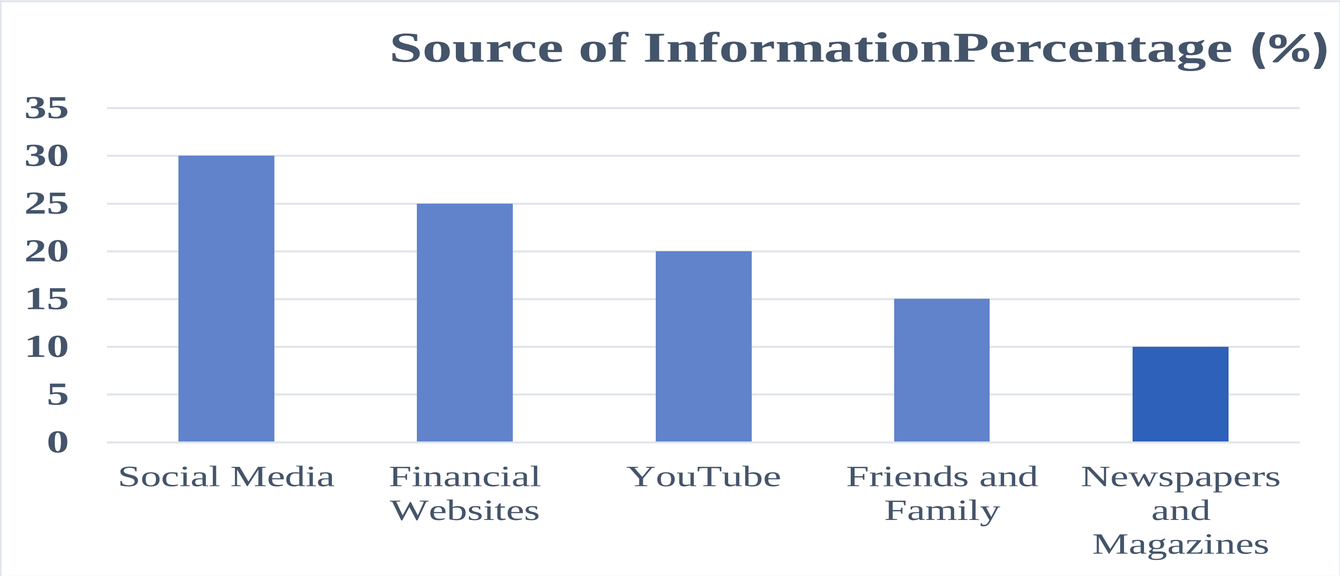
Mutual funds and stocks are the most preferred options for young investors, the table shows. The rising preference for these investment options is a sign of increasing awareness on wealth creation and long-term financial planning. Investment options such as gold and fixed deposits are liked by the conservative investors who still prefer to play it safe.

Interpretation

The findings indicate that the younger investors are slowly shifting towards market-linked investment products, but still prefer traditional investment avenues for safety and stability

Table-5: Sources of Financial Knowledge Among Young Investors

Source of Information	**Percentage (%)**
Social Media	30
Financial Websites	25
YouTube	20
Friends and Family	15
Newspapers and Magazines	10



Analysis

As shown in the table, the main source of financial information for young investors has become digital platforms. Social media, financial websites and YouTube are important for raising awareness of investment opportunities and financial planning.

Interpretation

The growing dependence on digital sources emphasizes the significance of online financial literacy in influencing the investment awareness and financial choices of young individuals.

FINDINGS

1. The study found that most young investors have a moderate level of financial literacy meaning basic understanding of financial concepts and investment strategies.
2. The young investors today are more aware about the various options available for investment like mutual funds, stocks, fixed deposits and bonds.
3. The fact that knowledge of investment opportunities is increasing young investors are actively involved in financial markets.
4. Mutual funds have become one of the most popular investment options among young investors.
5. Stocks are also popular because of their potential to generate long term returns.
6. Digital platforms have emerged as a significant source of financial information and knowledge in relation to investments.
7. Social media, financial websites and online sources play an important role in raising the investment awareness.

SUGGESTIONS

1. Financial education programmes need to be strengthened at schools, colleges and universities to improve financial literacy among young people from an early age.
2. Government agencies, financial institutions and educational bodies should hold regular awareness campaigns to help young investors understand the various options for investment and financial planning strategies.
3. We should disseminate reliable and easy to understand financial information on digital platforms, websites and mobile applications widely to support informed decision making.
4. Young investors should be pushed to analyze investment opportunities critically and make decisions based on solid financial knowledge and not market rumors or social media hype.
5. “As an investor, you should be looking to diversify your investment practices to reduce risk and increase long-term financial stability.
6. Financial institutions need to organize workshops and training programmes to raise awareness on investment products, risk management and wealth creation.
7. Young investors should get more opportunities to learn financial planning skills such as budgeting, saving and goal-based investing.

CONCLUSION

At the end of the day, learning the basics of money management is no longer an option for the younger generation – it’s a survival skill. India’s young people have never had so many opportunities to take charge of their financial destiny, with an explosion of new investment options and easy-to-use digital tools at their fingertips.One thing the data makes crystal clear: When it comes to wealth, knowledge is power. When young investors learn how money works, they get off the hype, they see the risks objectively and they make choices that serve them.Navigating the ups and downs of the market, or overcoming a lack of experience can be daunting, but consistent learning can close that gap. When we invest in financial literacy and provide quality information, we’re not only helping children learn to trade stocks, but providing a generation with the tools to avoid expensive errors, make smarter decisions, and secure their financial futures for life.

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