

# **Investment Behaviour of Youth in India**

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**Abstract:** *How young people handle money is very important for the coming economic health of a country such as India. As access to online services, financial items, and details on the market grows, those young people now have many possibilities to put their money into. Still, how much they really take part, what they favour, and the issues they encounter are very different depending on things like how much they earn, how well they understand finance, what they think about danger, and how their minds work.*

*This research is to look at how Indian young people invest, using first-hand information taken from a set questionnaire. The study looks at the ways young people use digital investment, how they put away their money, how much danger they will take, what makes them want to invest, and what issues young investors have. From the answers of more than ninety people who took part, the results show that, although young people want to invest, their choices are held back by small incomes, being afraid of danger, and not knowing enough about finance. The study ends by giving advice on how to make financial understanding, belief in oneself, and taking part in investment for all Indian young people better*

**Keywords:** How young people handle money is very important for the coming economic health of a country such as India. As access to online services, financial items, and details on the market grows, those young people now have many possibilities to put their money into

## **I. INTRODUCTION**

How people behave when it comes to investment – that is, how they put their money into savings and investments – depends on what they want to achieve financially, how much risk they're willing to take, and the state of the economy. In India, the young make up a very large part of the population, so their financial behaviour is very important to the country's economic growth over the years. Though young people now have more chances to invest than those who came before them, as a result of quick developments in digital technology, the growth of financial technology companies, and simple access to financial markets, many are still not sure about, or do not regularly, invest, because of not very much money coming in, not knowing enough, and being worried about losing money

## **II. STATEMENT OF THE PROBLEM**

Young people in India have more ways to invest than ever before because the country's financial markets and investment options are growing. But a lot of young people still don't know much about money and aren't sure which investments to make. Risk tolerance, financial knowledge, and personal goals are some of the things that affect their investment choices. So, it's important to learn about how young people in India invest so that we can understand their preferences, knowledge, and choices when it comes to investments.

### **Objective Of the Study**

- To analyze the investment behavior of youth in India with respect to their financial knowledge, investment preferences, and risk tolerance.
- To find out what affects young people's investment choices, like their family, friends, financial advisors, and digital platforms.



### **III. LITERATURE REVIEW**

Literature review is an essential base that provides an important foundation for any research conducted in the academic arena. This is because it provides an in-depth understanding of existing knowledge related to the research topic. In respect to the research conducted in the current study on investment behavior in youth in India, it has an important role in assessing existing research, theories, and findings related to investor behavior, financial literacy, and youth participation in financial markets. It has also helped in identifying existing trends and patterns in existing research, hence establishing the need for the current research. Investment behavior is a multifaceted concept that is affected by economic, psychological, social, and technological factors. Researchers have studied and examined different facets of investor behavior in recent years, including perception of risk, savings, financial decisions, and demographic factors like age, income, education, and gender. Youth investors form an important segment that differs significantly from existing investors due to low income, low experience, high technology usage, and dynamic financial goals. This review aims at establishing an understanding of how these factors affect investment behavior in youth in India.

In the Indian context, the investment behavior of people has always been rather conservative and risk-averse, preferring secure investment options like fixed deposits, saving schemes, and gold. Several research studies have indicated that the investment behavior of people is influenced by their culture and families. However, due to the economic reforms and the opening of the financial market in India, the Indian investment environment has undergone significant changes. The youth of the present day are exposed to market-linked investments like mutual funds and stocks. Hence, it is essential to explore the recent literature that reflects the new changes in the Indian investment environment. Financial literacy is an important aspect of the literature on youth investment behavior. Several research studies have emphasized that the youth of the present day are aware of the various investment opportunities. However, they lack the financial knowledge that is essential to make the right investment decisions. This has led to rather erratic investment behavior. The literature on the subject has been discussed.

Previous research has highlighted that youth investment behavior is influenced by variables including financial literacy, income level, risk tolerance, and socio-cultural factors.

Previous research on Indian investors indicates that younger individuals favor risk-free or moderately risky investments, including fixed deposits, mutual funds, and gold.

Prior research has indicated that fear of loss and insufficient knowledge are significant impediments for investors.

Some studies have shown that the internet has made it easier for young investors to buy investment products, but they still don't feel sure about it.

Earlier research has demonstrated that financial literacy enhances long-term investment decision-making.

The current literature indicates that emphasis should be placed on investor behavior rather than product available.

### **III. RESEARCH METHODOLOGY**

The term "research methodology" refers to a systematic and scientific way of gathering, analyzing, and interpreting data in order to reach research goals. To make sure that research data is reliable, valid, and accurate, the research methodology must be clearly defined. This chapter examines various research design methodologies employed to gather data on youth investment behavior in India. The sources of data, sampling methods, data collection instruments, variables, and analysis techniques are shown.

#### **3.1 Research Design**

The research design employed in the current study is descriptive in nature. This is because the research seeks to delineate and examine the prevailing investment behaviors, preferences, attitudes, and perceptions of youth in India. Descriptive research is employed in studies aimed at examining the characteristics of a population without altering or manipulating any variables. The research seeks to comprehend the investment behaviors of youth in India, including their preferences, attitudes towards investment, and the challenges faced during the investment process.



The research design would facilitate the comprehension of trends in youth investment behaviors derived from the real-time survey responses. It would also help to look at how different demographic factors, like age and gender, affect how young people invest.

### 3.2 Nature of the Study

The current investigation into the Investment Behavior of Youth in India is analytical, descriptive, and empirical in essence. It aims to analyze, interpret, and comprehend the financial attitudes, risk perceptions, investment preferences, and behavioral patterns of youth concerning investment decisions.

### 3.3 Sources of Data

The study will utilize both primary and secondary data sources to deliver a thorough analysis of the topic

#### 3.3.1 Primary Data :

A structured questionnaire format made just for the research was used to collect primary data. The questionnaire included closed-ended questions to collect quantitative data on several parameters, including demographic factors, financial literacy, investment options, risk tolerance, motivational factors, utilization of digital platforms, income distribution, and investment challenges. These questionnaires were given to young people both online and in person.

#### 3.3.2 Secondary Data :

The study utilized a range of textbooks, academic journals, research papers, financial magazines, government publications, websites, financial institution reports, and additional sources as secondary data. These aided in comprehending diverse theoretical dimensions of the subject

## IV. DATA ANALYSIS AND DISCUSSIONS

**Table 1 : Gender Distribution of Respondents**

Gender	Number of Respondents	Percentage
Male	47	51.1%
Female	45	48.9%
<b>Total</b>	<b>92</b>	<b>100%</b>

The gender distribution of the respondents can be considered balanced. The number of male respondents slightly outweighs the number of female respondents. While the percentage of male respondents is 51.1%, the percentage of female respondents is 48.9%. It can be noted that the study has taken into account the perspectives of both genders.

**Table 2 : Age Distribution of Respondents**

Age Group	Number of Respondents	Percentage
18–20	39	42.9%
21–25	27	29.7%
26–30	9	9.9%
30–35	16	17.6%
<b>Total</b>	<b>91</b>	<b>100%</b>

Majority of the people who participated in the survey are between 18 and 20 years of age (42.9%). This indicates that most of the people are probably students or young adults in their early stages of their profession. The next highest number of people are between 21 and 25 years of age (29.7%). This indicates that a significant number of slightly older young adults are also part of the people who participated in the survey.



Few people are between 30 and 35 years of age (17.6%), and the least number of people are between 26 and 30 years of age (9.9%). The majority of the people in the survey are young adults below the age of 25.

**Table 3 : Knowledge of Financial Products**

Knowledge Level	Frequency	Percentage (%)
Very High	14	15.4
Moderate	32	35.2
Basic	38	41.8
No Knowledge	7	7.7
<b>Total</b>	<b>91</b>	<b>100</b>

The results are in. They tell us that a lot of people about 41.8% of them know a little bit about financial products like stocks and mutual funds and insurance. Then there are some people, 35.2%, who know a bit more they have moderate knowledge. Some people, 15.4% really know what they are doing with products they have very high knowledge.

There are also people, 7.7%, who do not know anything about financial products. This means that most people know something, about products but a lot of them could still use some help to understand financial products better.

**Table 4 : Preferred Investment Options of Respondents**

Investment Option	Frequency	Percentage (%)
Fixed Deposits / Recurring Deposits	20	22.2
Gold / Precious Metals	20	22.2
Mutual Funds	19	21.1
Stocks / Equities	18	20.0
Cryptocurrencies	5	5.6
Real Estate	8	8.9
<b>Total</b>	<b>90</b>	<b>100</b>

People like to put their money in Fixed Deposits and Recurring Deposits this is what we found out (22.2%). A lot of people also like to invest in Gold and Precious Metals (22.2%). Mutual funds are popular too (21.1%). So are stocks and equities (20%). It seems people are getting more interested in investing in the market. On the hand not that many people like to invest in real estate (8.9%) it is only liked by a small number of people. The thing that people like the least is cryptocurrencies (5.6%), Fixed Deposits and Gold are liked a lot more, than cryptocurrencies.

**Table 5 : Risk Tolerance of Respondents in Investments**

Risk Level	Frequency	Percentage (%)
High (willing to accept volatility for higher returns)	13	14.3
Moderate (balanced approach)	48	52.7
Low (prefer safety and guaranteed returns)	25	27.5
None (avoid risk completely)	5	5.5
<b>Total</b>	<b>91</b>	<b>100</b>

The majority of people (52.7%), like to take a level of risk when investing. This shows they want to balance being safe and getting returns.

- 27.5% Of people prefer low-risk investments. They focus on being safe and getting guaranteed returns. Most of these people want to make sure their money is safe.
- 14.3% Of people are willing to take high risks. They do this for the chance of getting returns.
- 5.5% of people want to avoid risk completely when investing.



**Table 6 : Primary Motivation for Investing**

Motivation for Investment	Frequency	Percentage (%)
Wealth Creation	25	27.5
Financial Independence	35	38.5
Retirement Planning	9	9.9
Short-term Goals (travel, gadgets, lifestyle)	15	16.5
Family/Traditional Influence	7	7.7
<b>Total</b>	<b>91</b>	<b>100</b>

People invest for reasons. Financial independence is the reason for about 38.5% of people. They want to be free to do what they want with their money. About 27.5% of people invest to make money over time. Some people, 16.5% of peoples invest to achieve short term goals like travelling or buying things that make their life better. Retirement planning is important, to 9.9% of people. About 7.7% of people invest because their family or traditional practices influence them. Financial independence and wealth creation are the reasons people invest.

**Table 7 : Factors Influencing Investment Decisions**

Factors	Frequency	Percentage (%)
Family Guidance	22	23.9
Friends / Peers	18	19.6
Social Media Trends	11	12.0
Financial Advisors / Experts	19	20.7
Self Research	22	23.9
<b>Total</b>	<b>92</b>	<b>100</b>

The table shows that the two most important things that affect young people's investment decisions are family guidance (23.9%) and self-research (23.9%). 20.7% of respondents say that financial advisors have an effect on them, while 19.6% say that friends and peers do. At 12%, social media trends have the least effect. This shows that young investors mostly depend on reliable personal sources and their own research when deciding where to put their money.

**Table 8 : Use of Digital Platforms for Investing**

Usage Level	Frequency	Percentage (%)
Yes, Regularly	24	26.1
Occasionally	32	34.8
Rarely	25	27.2
Never	11	12.0
<b>Total</b>	<b>92</b>	<b>100</b>

The biggest group, 34.8%, said they sometimes use digital platforms to invest, as shown in the table. 26.1% use them often, and 27.2% use them only sometimes. Only 12% of people never use digital platforms. This means that most young people know about digital investment platforms, but many only use them now and then instead of all the time.

**Table 9: Percentage of Income Allocated to Investments**

Income Allocation	Frequency	Percentage (%)
Less than 10%	22	23.9
10 – 25%	43	46.7
25 – 50%	21	22.8



More than 50%	6	6.6
<b>Total</b>	<b>92</b>	<b>100</b>

The table shows that the most common way people invest is by putting 10–25% of their income into investments. 23.9% put less than 10% of their money into investments, and 22.8% put between 25% and 50% of their income into investments. Just 6.6% put more than half of their money into investments. This shows that most young people would rather put a small amount of their money into investment.

**Table 10 : Challenges Faced in Investing**

Challenges	Frequency	Percentage (%)
Lack of Knowledge	16	17.6
Fear of Risk	34	37.4
Limited Income	21	23.1
Peer Pressure / Trends	15	16.5
Complexity of Financial Products	5	5.5
<b>Total</b>	<b>91</b>	<b>100</b>

The table shows that the biggest problem young people have is being afraid of taking risks (37.4%). 23.1% of people said they had limited income, and 17.6% said they didn't know enough. Peer pressure or trends affect 16.5% of people, while the complexity of financial products only affects 5.5%. This shows that the main thing that keeps a lot of young people from investing is fear of losing money.

**CHI SQUARE ANALYSIS**

Variable / Chart	Chi-Square ( $\chi^2$ )	df	p-value	Decision
Financial Knowledge	28.25	3	0.000003	Reject $H_0$
Preferred Investment Option	14.93	5	0.0106	Reject $H_0$
Risk Tolerance	46.27	3	<0.000001	Reject $H_0$
Motivation for Investing	30.15	4	0.000004	Reject $H_0$
Factors Influencing Investment	4.40	4	0.354	Accept $H_0$
Use of Digital Platforms	9.99	3	0.0186	Reject $H_0$
Income Allocated to Investment	30.17	3	<0.000001	Reject $H_0$
Challenges Faced in Investing	24.54	4	0.00006	Reject $H_0$

The Chi-Square test results demonstrate that various factors, including financial knowledge, investment preferences, risk tolerance, digital platform usage, income allocation, and investment challenges, significantly impact the investment behavior of youth in India ( $p < 0.05$ ). Nonetheless, variables affecting investment choices, such as family, friends, and advisors, do not exhibit a significant difference ( $p > 0.05$ ). The analysis shows that young people in India are more likely to invest if they are financially aware and make smart investment choices.



### V. OVERALL CHI SQUARE TEST ANALYSIS RESULT

Test	Value
Chi-Square Statistic	188.70
Degrees of Freedom	29

The Chi-Square statistic value (188.70) with 29 degrees of freedom shows that the variables studied have a strong link to how young people in India invest.

The Chi-Square test was utilized to analyze the correlation between various factors and the investment behavior of youth in India. The Chi-Square statistic of 188.70 with 29 degrees of freedom shows that the variables in the study are linked to how people invest. Thus, the findings indicate that elements such as financial literacy, investment inclinations, risk appetite, and income distribution affect the investment choices of young individuals

### VI. SUMMARY OF FINDINGS

The results of the Chi-Square test indicate a significant correlation among financial knowledge, investment preferences, risk tolerance, and motivation concerning the investment behavior of youth in India. The analysis shows that differences in financial literacy and preferred investment options have a big impact on how young people decide where to put their money.

The results also show that young people are more likely to invest if they are willing to take risks and have personal goals like becoming financially independent and building wealth. Overall, the Chi-Square results show that a number of things affect how young people in India invest.

### VII. CONCLUSIONS

The research on the investment behavior of Indian youth seeks to comprehend their financial literacy, preferred investment avenues, risk tolerance, and underlying motivations for investing. The study's survey results indicate that most of the participants possess fundamental to intermediate financial knowledge. Most of the people who answered the survey prefer safe and traditional investments like gold and fixed deposits. Some of them are also interested in stocks and mutual funds.

The study found that the majority of the respondents are willing to take moderate levels of risk, although they are not willing to invest in very risky or totally risk-free investments. The majority of the respondents are motivated to invest in the market in order to attain financial independence and wealth in the long run.

**Ethical clearance** - Not required

**Source of fundings** - Self

**Conflict of Interest** – None

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