

Financial Literacy and Investment Choices Among Young Adults: An Empirical Analysis in Bangalore

Prof. Savitha M G

School of Management and commerce

Sapthagiri NPS University

MOHD ADNAN

School of Management and commerce

Sapthagiri NPS University

1. ABSTRACT

In this study the authors have taken financial literacy of young adults of Bangalore and their investment decisions. Today, knowledge of money is essential and having it managed will also contribute to sustain one's life. The study adopts descriptive research design; the population is determined by the use of a structured questionnaire from which a total of 150 young adults (population) data will be collected. Statisticians used analytical tools such as percentage analysis, mean, standard deviation and Chi-square test to analyze the data.

The study results indicate that majority of the young adults lack awareness of personal finance and they would like to see an investment opportunity that has lower risks or simply do not wish to invest at all such as in a Fixed Deposit. The study reveals there is strong association between investment decisions and financial literacy. The overall participation in the advanced type of investment (mutual funds and SIPs) is still not high as some respondents who got a higher financial literacy score had invested in such schemes. The researchers found that being more financially knowledgeable and digitally literate, young adults were able to more effectively plan and undertake long term investment and financing.

Keywords: Investment Decisions, Financial Awareness, Digital Finance and Financial Literacy are short and cost-effective.

2. INTRODUCTION

Being able to read and track your own finances and to make decisions that are financially appropriate is referred to as financial literacy and is rapidly emerging as an essential life skill. It may aid you in comprehending monetary products, monetary dangers and financial investment options. Such changes in Financial market put individuals responsibility more in their financial planning. This has brought a great attention to the role of financial literacy amongst the academics, politicians and schools.

Past research shows that the degree of financial literacy can help improve financial behaviour and financial well-being. Thomas and Mathew (2021), concluded that, high level of financial education assists individuals in the adoption of their regular savings and investment plans. Similarly, Sharma and Thomas (2022) found that financial awareness results in reduction of financial uncertainty and decision making of young adults. But there is no scarcity of investing opportunities—and even risk management for young people to become aware of or understand.

The fast development of digital financial services has also impacted young adults' investment behaviour. Online trading applications, new financial technology or “fintech” platforms and other on-line payment systems have been making financial products more attainable. Singh and Kaur (2022) and Yadav and Pathak (2023) highlighted that the

behavioural dimensions such as peer pressure and exposure to social media, overconfidence etc have a significant influence on the investment decision. Dasgupta however, said that synchronicity of both the digital accessibility with financial platforms and financial literacy, however, does not mean that invariably well-informed investment decisions would be taken.

Finance Literacy as well also helps to increase financial inclusion and finance participation in investment. Recent study conducted by Gaur et al. (2025), Patel (2025), Fernandes et al., (2025) reveal that literate investors are likely to have diversified investment options and have their financial statements for the long term. Exploring this connection in Bangalore is apt because being a significant financial and technological hub, it has a considerable pool of young techno-savvy professionals and students, who are using digital financial services.

Therefore, the present study is an effort to analyse the correlation of financial literacy and the investment decision of the youth of Bangalore.

3. LITERATURE REVIEW

The importance of financial literacy as a factor leading to investment behaviour among young adults has been widely recognized. From an empirical point of view studies have established that financing knowledge would drive investors' participation in the financial markets and structured investments. Thomas and Mathew (2021) validated the fact financial literacy helps developing the financial discipline and increase the tendency to create long-term wealth. Similarly, Sharma and Thomas (2022) mentioned that awareness of the financial domain was a risk determinant of financial investing options.

Investment world not only consists of financial knowledge, but also there are behavioral and psychological factors at play. Singh and Kaur (2022) reported that peer pressurization and financial awareness of oneself play a huge impact on investing decisions of the youths. Similarly, biases like overconfidence and herd behaviour, which are of behavioral nature, also affect investment pattern, especially among youth investors, as reported by Mehta and Rao (2023).

Also, technological change has transformed the decision-making process for financial decisions. Nowadays, investment options are easily available through the use of digital banking and fintech platforms. Dasgupta (2024) stated that investment via digital platforms facilitates the investment process and enables to boost participation. But, Patel (2025) said that there is a lack of financial know-how, which can lead to wrong investment decisions even if equipped with digital solutions. Fernandes et al. (2025) found that a combination of financial education and digital tools, such as educational websites, simulators, and virtual environments, can positively impact financial decision-making and aid in promoting portfolio diversification.

Although awareness of importance of financial education has grown, still there are financial education deficiencies among young investors. In the study by Kumar & Bansal (2024), some awareness of finance and investing among the millennials & gen Z investors was identified but there is a lack of awareness regarding the high category of investment. Anish (2025) further spoke about the role of Rakesh IAS in helping youth get involved in investments through the structured financial education programmes.

The Reserve Bank of India (2022), Securities and Exchange Board of India (2023) and the National Centre for Financial Education (2023-2024) have all raised the importance of financial education initiatives. Such institutions suggest implementation of financial education to promote awareness of good financial habits and planning for the long run.

4. RESEARCH GAP

Previous studies have demonstrated the important role of financial literacy in financial behaviour and the investment decision. Few studies, however, have directly studied financial literacy and investment decision making of young people in Bangalore. Moreover, there have been limited studies of the impact of financial literacy in the digital era on the investment behavior of youths. As there is a large population of young businessmen, students into financial activities in

Bangalore, it is relevant to study this relationship. The purpose of this study, therefore, is to try to bridge this gap by exploring the issues of financial literacy and investment decisions of Bangalore youths. In addition to this, there is limited research on financial awareness via digital channels and how this impacts their investments and decision making among young adults in Bangalore, an exponentially growing city.

5. RESEARCH OBJECTIVES

Since this is an empirical study, the objective is to understand about the financial literacy status of young adults in Bangalore and the impact of financial literacy on their investment decision making. The study would explore the frequency of investing through the use of the digital financial services and gain insight into the impact of education and occupation on involvement in investment and financial information in investment decision making of young adults.

6. HYPOTHESES

Alternate Hypothesis (H_1): There is a significant relationship between financial literacy and investment decision making of youth.

H_2 (Alternative Hypothesis): Financial literacy is significantly related with investment decisions making of middle adults.

Alternate Hypothesis (H_α): There is a significant effect of the use of digital finance on the frequency of investing in young adults.

H_{12} : Usage of digital financial products has a significant effect on the frequency of investment for youth.

The Null Hypothesis ($H_{\alpha 3}$): The education level of young adults is no impact on their investment decisions.

Alternative hypothesis: H_{13} Education level has a significant effect on investment decision of youths.

H_{14} (Alternative Hypothesis): There is significant difference between employment status with young adults' investment participation.

Alternative Hypothesis: H_{14} which states that there is an investment participation of young adults which is significant by employment status.

7. RESEARCH METHODOLOGY

The study adopted descriptive type of research and also adopted analytical type of research to understand the association between financial literacy and investment decisions of the young adults of Bangalore. Understanding the level of existing financial literacy and investment pattern are fulfilled by Descriptive research design and Analytical design examines the relationship between variables (Sharma & Thomas, 2022). This can be done so as to find the relationship between Financial Knowledge and Investment decisions in practical condition.

The study was of empirical type, and it is basically a quantitative type of study since it rests on the one fact of Primary data abstracted from the respondents. Structured questionnaire was employed and served as the key instrument for the data collection that cover Demographic profile, Awareness of financial literacy, Use of digital financial platform and the making of investment decisions. Previous research has highlighted the importance of the structured questionnaires to acquire the standardized information for behavioral study and financial study (Thomas & Mathew, 2021; Singh & Kaur, 2022).

The study targeted adult youth population in Bangalore that has many online digital financial transactions as well as investment opportunities. Convenience sampling technique was used to determining the sample size ($n=150$) in this

study due to accessibility and time constraint. There are earlier studies that were typically focused on the financial behaviour and financial literacy of the urban population that has similar sampling approach (Kumar & Bansal, 2024). The respondents were regarded as the units of analysis.

To capture the most current awareness trends with financial literacy and investing practices, the reporting period was set to 2025. The data obtained was carefully organized, processed and statistically evaluated. Descriptive statistics like percentage analysis were used to describe the demographic characteristics, investment decisions and financial literacy of the respondents. To understand the average values and the variability of the selected variables mean and standard deviation were used.

Chi square test of independence was employed to apply the test for relationship between financial literacy and investment decisions. It is a statistical method and is frequently used to study the relationship between two categorical variables, and to confirm research hypotheses (Patel, 2025). The p values obtained from the test of the hypothesis were set at 0.05 level of significance and the significance levels (p values) obtained that is less than 0.05 signified that Financial Literacy is statistically significant correlated to Investment Decisions.

Careful Data Collection and questionnaire design has been undertaken which has ensured the reliability and consistency of the data collected. However, there are several weaknesses about the research which will limit the generalizability of the findings such as convenience sampling method, small sample size. Although these problems exist, the study has provided valuable insights on the role of financial literacy in influencing the investing habits of young people in Bangalore. The research is also intended to give practical suggestion on financial behaviour of the youths and help them for making a good financial decision.

8. DATA ANALYSIS AND INTERPRETATION

The main data obtained from the respondents in the age frame of young adults of Bangalore City whose number is 150 is analysed and interpreted in this chapter. The data was gathered from conducting a structured questionnaire and analysed using the percentage analysis, Mean and SD, chi-square test of independence, Weighted mean analysis and Rank analysis.

This chapter is aimed to explore level of financial literacy, investment decisions, problems faced by and influencing factors affecting the youth.

8.1. Level of Financial Literacy Among Young Adult Respondents

The respondents for the survey were a group of 150 youngsters in Bangalore on the topic Financial Literacy.

Financial Literacy Category	Number of Respondents	Percentage (%)
Basic literacy	90	60.00%
Moderate literacy	28	18.67%
Advanced literacy	32	21.33%
Total	150	100%

Analysis and Interpretation

The survey findings showed that 18.67% of the people who took the survey have a moderate level of financial literacy, 21.33% have high financial literacy, and 60% have basic financial literacy. That such a level of financial illiteracy exists amongst young people shows an urgent need to improve financial education and financial literacy.

8.2. Investment Choices Among Young Adults

So what was it about young adults (n = 150) of Bangalore that didn't make them like some of their options about investing in?

Investment Option	Number of Respondents	Percentage (%)
Do not invest	48	32.00%
Fixed deposits	42	28.00%
SIPs	20	13.33%
Cryptocurrency	20	13.33%
Mutual funds	19	12.67%
Other	1	0.67%
Total	150	100%

Source: Primary Data (2025)

Analysis and Interpretation

The results indicate that 32 per cent of the interviewees are not investing in any of the solutions, and 28 per cent of them choose a fixed deposits solution. Even lesser amount of investing in mutual funds or cryptocurrencies companies or in a systematic investment plan (SIP). This means that young people aren't diversifying their investment portfolio, and would be more likely to return to successful methods.

8.3 Relationship Between Financial Literacy and Investment Choices Among Young Adults

Financial Literacy and Investment decisions (n = 150) Contingency Table of comparison of:

Financial Literacy	No Investment	Fixed Deposits	Mutual/SIP	Cryptocurrency	Other	Total
Basic	35	30	15	8	2	90
Moderate	8	8	8	3	1	28
Advanced	5	4	16	9	0	32
Total	48	42	39	20	3	150

Chi-square Test Result

Chi-square value (χ^2) = 26.84

Degrees of freedom = 8

p-value < 0.05

Statistical Tool Used

The Chi-square test of independence was used because of the nature of the study at stake which seeks to find the relationship between financial literacy and investing decisions of the youth.

Analysis and Interpretation

The less financial literate respondents are more inclined to invest in fixed deposits, other kinds of non-investment products, while the more financial literacy they have is more inclined to diversified products such as Bitcoin and Mutual funds. The obtained p value is < 0.05 which is significant indicating that there is significant relationship between invest decision and financial literacy.

8.4. Digital Financial Literacy and Investment Choices

Digital Financial Usage Level	Regular Investment	Occasional Investment	No Investment	Total	Percentage (%)
High Usage	32	18	6	56	37.3%
Moderate Usage	21	24	15	60	40.0%
Low Usage	6	10	18	34	22.7%
Total	59	52	39	150	100%

Source: Primary Data (2025)

Statistical Tool Used

Chi-square test of independence was used to test and determine if significant correlation exists between young people's use digital financial service and investment or not.

Chi-square Test Result

Chi-square value (χ^2) = 24.27

Degrees of freedom = 4

p-value < 0.05

Analysis and Interpretation

Those who use the digital financial services more often are more likely to undertake regular investment, and those who use the services less often, are more likely to be undertaking none. The chi square test showed that the level of investment engagement of young people is significantly affected by their investment awareness that is measured by the digital component.

8.5 Financial Literacy Level Using Mean and Standard Deviation

Table 8.5: Mean and Standard Deviation (Financial Literacy) (n = 150)

Statistic	Value
Mean	1.61
Standard Deviation	0.82

Coding Used

Basic Literacy = 1

Moderate Literacy = 2

Advanced Literacy = 3

Analysis and Interpretation

The overall financial literacy score is tending towards the basic financial literacy rank with a mean score of 1.61 and with a minor standard deviation of 0.82. From the observation, we can infer that the young people of Bangalore lack awareness on personal finance.

8.6 Education Level and Investment Choices Among Young Adults

There were 150 respondents who were of different education levels and different investment behaviors.

Education Level	Regular Investment	Occasional Investment	No Investment	Total
Undergraduate	20	28	22	70
Postgraduate	24	16	8	48
Professional Course	10	6	4	20
Others	5	2	5	12
Total	59	52	39	150

Statistical Tool Used

To find out if there is any effect of education level for young individuals on its investment involvement we performed: Chi-square test of independence.

Chi-square Test Result

Chi-square value (χ^2) = 18.92

Degrees of freedom = 6

p-value < 0.05

Analysis and Interpretation

Overall, those with a graduate or professional, have more regularly invested in their money compared to the people with bachelor's degree. The p value is < 0.05 therefore, means that the education level greatly influences investment decision making. It appears there is a positive correlation between education and financial decision-making.

8.7 Employment Status and Investment Participation Among Young Adults

150 Gainful Employment and Involvement in Investments

Employment Status	Regular Investment	Occasional Investment	No Investment	Total
Student	12	25	30	67
Employed	32	18	6	56
Self-employed	10	5	2	17
Unemployed	5	4	1	10
Total	59	52	39	150

Statistical Tool Used

To know the association of job with the involvement in investments chi square value was applied.

Hypotheses

H₁₄: There is a significant association between employment of the youth and youths' investment involvement.

The null hypothesis is rejected, confirming that H₁₄ is accepted: The level of employment significantly affects the investment involving of young people.

Chi-square Test Result

Chi-square value (χ^2) = 21.47

Degrees of freedom = 6

p-value < 0.05

Analysis and Interpretation

The results indicated a positive and significant association between employment and regular investment as well as a negative and significant association between the student group and not investing. The results of chi-square test show that work position is had a significant impact on the investment involvement.

8.8 Factors Influencing Investment Decisions (Weighted Mean Analysis)

Factors	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Weighted Mean
Financial Knowledge	48	42	25	20	15	3.59
Peer Influence	32	40	28	30	20	3.23
Risk Tolerance	40	35	30	25	20	3.33
Social Media	25	30	35	32	28	2.94

Statistical Tool Used

Weighted mean analysis showed the variables which had a dominant impact on the investment decision.

Analysis and Interpretation

In order to determine what variables, impact young people' investing choices, weighted mean analysis was used. The results came out to be the top 3 factors being: Financial awareness, Risk tolerance and Peer influence. The score for social media is the lowest. Based on these findings, financial literacy of young people is the most important factor accounting for the amount of investment.

8.9 Investment Challenges Faced by Young Adults (Rank Analysis)

Challenges	Score	Rank
Lack of Guidance	120	1
Lack of Financial Knowledge	110	2
Fear of Loss	98	3
Market Volatility	85	4

Statistical Tool Used

Rank analysis was used to identify the most salient investment concerns on the part of the respondents.

Analysis and Interpretation

Through the rank analysis, we were able to identify the significant factors that influenced young people's good decisions with respect to investing. The number one response was a lack of direction followed by an ignorance of the money issue and an irrational fear of losing money. The fourth factor of the market was volatility. This means that investment is the serious issue to youth due to their lack of awareness on investment and they receive no supports to them either.

Based on the results of the analysis of Financial Literacy on Weights of Financial benefits achieved by the individuals is as follows:

8.10 Benefits of Financial Literacy (Weighted Mean Analysis)

Benefits	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree	Weighted Mean
Better Money Management	50	40	25	20	15	3.60
Informed Investment Decisions	48	38	30	20	14	3.57
Reduced Financial Risk	40	35	30	25	20	3.33
Long-term Financial Security	52	36	28	20	14	3.61

Statistical Tool Used

Weighted mean was used to determine the perception of the value of financial literacy.

Analysis and Interpretation

For this, expressed views of the youths with respect to the benefits of financial education were determined by adopting the technique of weighted mean. Long term financial stability prevailed, and solid money management and investments weren't far behind. These results show that people think young individuals need to be financially literate in order to be financially stable.

9. FINDINGS AND DISCUSSION

1. Managing Money – Skill to competency

Findings reveal that majority of the respondents who took part in the survey are financially literate. In the financial markets, and in investment planning, young people are deficient, as about 60% of young people are in the basic reading phase.

2. Decisions on Investments

Results indicate that lot of people are not willing to invest in the market at all or that, if they do invest, it is more a safer one like fixed deposit. This is why many youths are reluctant to get into the money investment business.

3. Financial education: investment decision will be evaluated.

Financial literacy is significantly related with investment decision as indicated by chi square test. But those who know more about personal finance tend to buy a bunch of investments, like a bitcoin, and a mutual fund.

4. The use of financial tools online.

The data also reveals that those who use a greater number of financial services digitally, are more likely to invest. This has a huge implication that this digitally financially educated youth is a pre-requisite for this community to open itself to receive investment activity in the community.

5. The importance of the role of work and education.

The more highly-educated and more secure the respondents, the more likely they were to have invested regularly, the research discovered. There appears to be a correlation between level of education and income when it comes to financial decisions.

9.2 Discussion

The study's results show that young people's investing behavior is heavily influenced by their level of financial literacy. Higher level of interest in different financial products and greater trust of investment decisions reflect greater financial literacy. But many of the respondents' tendency to choose more secure investment options also indicate a low level of financial literacy and risk-taking ability. As seen in the results, the connection between not participating in investments and exclusion can be with education, job, and digital money. The results indicate that a need exists for more financial education and awareness creation, assisting youth in Bangalore to make investment decisions.

10. CONCLUSION AND SUGGESTIONS

10.1 Suggestions

The programs of financial education must be introduced in school and in business industries, to educate the youth in finance. An investor should be well-versed with the functioning of mutual funds and how he can make the most of SIPs. People can make better use of digital platforms and make better financial choices if their digital financial literacy is improved. Promoting financial discipline and long-term financial stability may also be achieved by encouraging young folks to start investing at an early age.

10.2 Limitations of the Study

As the number of respondents was small (150), the results may not apply to other parts of Bangalore. When using convenience sampling, there is the potential for a sample bias. Since these are from the respondent's information, the findings may not represent how people invest their money. Additionally, the duration for the study was limited, as were the financial resources.

10.3 Conclusion

The survey revealed that though Bangalore's young population are tech-savvy they have a relatively low level of financial literacy. A difference of such magnitude encourages people not to use the market – or at least to take a playing ride. By increasing people's literacy rates, a more diverse and active market involvement will be achieved. Financial education can be useful to give younger people greater financial literacy for better investment participation and their long-term financial security.

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