© MAY 2026 | IRE Journals | Volume 9 Issue 11 | ISSN: 2456-8880
DOI: https://doi.org/10.64388/IREV9I11-1717639

Financial Literacy and Investment Trends Among Young Investors: A Secondary Data Analysis

VICKY KUMR[1], ANJITA KHANDELWAL[2]
[1]*Student, MBA, Jagannath University, Jaipur*
[2]*Assistant Professor, Faculty of Management Studies, Jagannath University, Jaipur*

Abstract- This study examines the financial literacy levels and investment trends among young investors in India, particularly millennials and Generation Z aged between 18 and 35 years. Using secondary data sourced from published reports, academic journals, SEBI publications, NSE/BSE statistics, AMFI data, and reputable financial databases, this paper analyzes the evolving investment landscape post-COVID-19. The findings reveal a significant rise in retail participation in equity markets, a surge in mutual fund SIP investments, and increasing engagement with digital platforms and fintech applications. However, the analysis also highlights persistent gaps in financial literacy, particularly regarding risk management, diversification strategies, and long-term financial planning. The study concludes with recommendations for educational institutions, regulatory bodies, and policymakers to bridge the financial literacy gap and foster sustainable investment behavior among India's youth.

Keywords: Financial Literacy, Young Investors, Investment Trends, Mutual Funds, Equity Markets, Fintech, SEBI, Millennials, Gen Z, Secondary Data Analysis

I. INTRODUCTION

Financial literacy which is the ability to understand and effectively apply various financial skillshas emerged as a critical determinant of individual economic well-being and national financial stability. In developing economies like India, the importance of cultivating financially informed citizens cannot be overstated, especially as the country witnesses a demographic dividend with a majority of its population falling in the 18–35 age bracket.

The post-COVID-19 era has dramatically reshaped the investment landscape in India. Lockdowns, increased screen time, the proliferation of mobile trading platforms, and heightened awareness about financial security triggered an unprecedented wave of first-time investors entering the capital markets. According to SEBI (2023), the number of demat accounts in India crossed 110 million by the end of FY 2022–23, with a substantial proportion being opened by individuals below 35 years of age.

Despite this surge, concerns remain about whether this increased market participation is backed by adequate financial knowledge. Studies have repeatedly shown that poor financial literacy leads to suboptimal investment decisions, susceptibility to fraud, and inadequate retirement planning. This paper undertakes a comprehensive secondary data analysis to assess the intersection of financial literacy and investment behavior among young investors in India, identifying trends, gaps, and opportunities for intervention.

Objectives of the Study:

(i) To analyze the current financial literacy levels among young investors in India.
(ii) To examine the investment trends and asset preferences of the millennial and Gen Z population.
(iii) To identify the role of digital platforms and fin-tech in shaping investment behavior.
(iv) To highlight gaps between financial literacy and actual investment practices.
(v) To suggest policy measures and educational interventions for improving financial literacy.

II. LITERATURE REVIEW

The relationship between financial literacy and investment behavior has been extensively studied in both developed and developing economies. Lusardi and Mitchell (2014) established that financial literacy is positively correlated with wealth accumulation, retirement planning, and sound borrowing practices. Their foundational work on "big three" financial literacy questions covering compound interest, inflation, and diversification has been widely adapted across global studies.

In the Indian context, Agarwal and Mazumder (2013) found that cognitive ability and financial literacy significantly influence financial decision-making. Similarly, Atkinson and Messy (2012), in an OECD report, noted that financial literacy scores among developing nations remain considerably lower than those in advanced economies, necessitating targeted policy interventions.

With regard to young investors, Volpe, Chen, and Liu (2006) documented that college students exhibit poor financial literacy despite having theoretical exposure to basic finance concepts. More recently, Klapper and Lusardi (2020) noted that even as global access to financial markets expands, financial literacy has not kept pace, creating a dangerous gap particularly among younger demographics.

Indian studies conducted post-2020 reveal a paradox: while young investors are entering markets in record numbers, their investment decisions are often influenced by social media tips, peer behavior, and speculative motivations rather than fundamental analysis (Gupta & Sharma, 2021). Chandra (2022) found that digital natives prefer equity-based instruments, cryptocurrencies, and new-age investment apps, often underestimating associated risks.

Research by SEBI-NCFE (2020) on the National Financial Literacy and Inclusion Survey (NCFE-FLIS) revealed that overall financial literacy in India stands at approximately 27%, with urban youth performing better but still falling short of an acceptable benchmark. These findings underscore the urgency of structured financial education and regulation-driven awareness programs.

III. RESEARCH METHODOLOGY

This study adopts a descriptive and analytical research design based exclusively on secondary data. The research does not involve primary data collection, surveys, or field experiments. Instead, it systematically aggregates, interprets, and synthesizes data from credible secondary sources.

3.1 Research Design

The study employs a qualitative-cum-quantitative approach. Trends and patterns are analyzed through descriptive statistics, while qualitative insights are drawn from policy documents, research papers, and institutional reports.

3.2 Sources of Secondary Data

The following secondary data sources have been utilized:

(i) SEBI Annual Reports (2019–2023) and Investor Survey Reports
(ii) Association of Mutual Funds in India (AMFI) monthly and annual SIP data
(iii) National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) statistics
(iv) Reserve Bank of India (RBI) reports on household savings and financial behavior
(v) NCFE-FLIS (National Centre for Financial Education-Financial Literacy and Inclusion Survey)
(vi) Published academic journals including the Journal of Financial Economics, Indian Journal of Finance, and SSRN working papers
(vii) Financial databases and reports from KPMG, EY, and Deloitte on Indian fintech and investment trends

3.3 Period of Study

The study primarily focuses on the period from 2018 to 2023, capturing pre-COVID, during-COVID, and post-COVID investment behaviour among India's youth.

3.4 Limitations

Being based solely on secondary data, this study is subject to the limitations of the original data sources, including potential biases in self-reported survey data, geographical limitations of certain studies, and the possibility of outdated information in older reports. No causal inferences are drawn; findings are interpretive and trend-based.

© MAY 2026 | IRE Journals | Volume 9 Issue 11 | ISSN: 2456-8880
DOI: https://doi.org/10.64388/IREV9I11-1717639

IV. DATA ANALYSIS & RESULTS

4.1 Financial Literacy Levels Among Young Investors

The NCFE-FLIS (2020) report indicates that the overall financial literacy rate in India stands at 27.18%, with urban respondents scoring higher (33.2%) compared to rural respondents (22.1%). Among the 18–35 age group, the literacy rate is marginally higher at approximately 31%, attributed to greater exposure to formal education and digital information.

However, when measured on specific dimensions such as financial behaviour, financial attitude, and financial knowledge there is some significant deficiencies emerge. Only 38% of young respondents demonstrated an understanding of compound interest, 42% understood inflation's impact on savings, and a mere 29% had knowledge of basic portfolio diversification principles. These statistics highlight that surface-level awareness does not translate into comprehensive financial competence.

4.2 Investment Trends and Asset Preferences

Secondary data from SEBI (2023) reveals that the number of unique mutual fund investors in India crossed 38.4 million in FY 2022-23, with SIP (Systematic Investment Plan) accounts exceeding 65 million. The monthly SIP inflow reached a record Rs. 16,928 crore in March 2023 (AMFI, 2023), with a significant proportion attributed to investors below the age of 35.

In equity markets, NSE data (2023) shows that 45% of new demat account registrations in FY 2022–23 were from first-time investors in the 18–30 age group. The shift toward direct equity investment, facilitated by commission-free trading apps such as Zerodha, Groww, and Upstox, reflects a growing appetite for market participation among digital natives.

Asset allocation data further reveals that young investors predominantly prefer equities (58%), followed by mutual funds (24%), fixed deposits (11%), gold (5%), and other instruments (2%). The comparatively low allocation to debt instruments and fixed-income securities suggests a higher risk appetite but also potential underestimation of downside risk.

4.3 Role of Digital Platforms and Fintech

The proliferation of mobile-based investment platforms has been a game changer for young investors. According to a KPMG-NASSCOM report (2022), India's fintech industry has grown at a CAGR of over 22% between 2018 and 2022, driven by increased smart-phone penetration, affordable internet access under the Digital India initiative, and the Unified Payments Interface (UPI) ecosystem.

Platforms such as Groww, Zerodha, Coin, and INDmoney have democratized access to capital markets by offering zero-commission equity trading, simplified mutual fund investments, and robo-advisory services. A survey by Deloitte India (2022) found that 72% of young investors between 22 and 30 years prefer mobile apps over traditional brokers for investment purposes. Social media platforms, particularly YouTube, Instagram, and Twitter (now X), also play a significant role, with over 60% of young investors reporting that they rely on influencers or social media content for investment advice.

While fintech has undoubtedly lowered barriers to entry, it has also introduced concerns about information overload, misinformation, and impulsive trading driven by algorithmic nudges and gamification elements.

4.4 Gap Between Financial Literacy and Investment Behavior

A critical finding of this analysis is the disconnect between stated investment knowledge and actual financial behavior. While many young investors demonstrate awareness of products like SIPs, equities, and ETFs, their investment decisions often reflect behavioral biases such as herd mentality, overconfidence, loss aversion, and recency bias.

Gupta & Sharma (2021) found that approximately 64% of first-time investors in India made their initial investment based on peer recommendations rather than independent financial research. Furthermore, Chandra (2022) documented that the average holding period for equity positions among investors below 30 years has declined from 18 months in 2015 to less

© MAY 2026 | IRE Journals | Volume 9 Issue 11 | ISSN: 2456-8880
DOI: https://doi.org/10.64388/IREV9I11-1717639

than 6 months by 2022, indicating a shift toward speculative short-term trading rather than long-term wealth creation.

The growing interest in crypto currencies and high-risk instruments among Gen Z investors further compounds this concern. RBI data and independent surveys suggest that nearly 19% of young investors aged 18–25 have exposure to crypto currency assets, often without a clear understanding of regulatory frameworks, volatility, or associated risks.

V. DISCUSSION

The findings of this study illuminate a multifaceted reality: while India's youth are increasingly engaging with financial markets, the depth of their financial literacy remains insufficient to support sustainable, informed investment behavior. The democratization of investing through fin-tech has created an illusion of accessibility and competence, masking fundamental gaps in financial knowledge and risk comprehension.

The surge in SIP registrations is encouraging and reflects a positive shift toward disciplined investing. However, high attrition rates in SIP accounts where investors frequently discontinue SIPs during market downturns underscore the absence of long-term financial planning discipline. AMFI data suggests that SIP discontinuation rates spiked by 38% during the market correction of mid-2022, disproportionately affecting first-time investors.

The influence of social media and financial influencers ("fin-fluencers") presents a double-edged sword. While such platforms have raised awareness and democratized financial dialogue, they have also contributed to misinformation, unregulated investment advice, and speculative behavior. SEBI's 2023 consultation paper on regulating fin-fluencers reflects the regulator's recognition of this growing challenge.

Furthermore, the gender dimension of financial literacy warrants attention. Secondary data consistently indicates that female participation in capital markets, while growing, remains disproportionately low. SEBI's investor surveys reveal that women account for only 22% of total demat account holders, despite constituting nearly 48% of the population. Addressing gender disparities in financial literacy is critical for inclusive economic growth.

These findings collectively suggest that market participation alone is not a sufficient indicator of financial empowerment. Structural interventions in financial education, regulatory oversight of digital financial advice, and behavioral nudges toward long-term investment thinking are essential prerequisites for translating market access into genuine financial well-being.

VI. CONCLUSION

This study, based on comprehensive secondary data analysis, establishes that financial literacy among young Indian investors, while improving, remains significantly below the threshold required for informed and sustainable investment decision-making. The paradox of rising market participation amid low financial literacy presents both a challenge and an opportunity for policymakers, educators, and financial institutions.

The exponential growth in demat accounts, SIP registrations, and fin-tech adoption reflects a generational shift in the relationship between India's youth and financial markets. However, behavioral biases, overreliance on social media, and a preference for speculative short-term gains pose systemic risks to individual financial health and broader market stability.

To address these challenges, the following recommendations are proposed:

(i) Financial literacy should be integrated as a compulsory subject in undergraduate and postgraduate curricula across all disciplines, not limited to commerce and management streams.
(ii) SEBI and NCFE should scale up investor education campaigns with a specific focus on digital platforms, gamified learning modules, and vernacular content to reach Tier 2 and Tier 3 cities.
(iii) A regulatory framework for financial influencers on social media should be

expedited to curb misinformation and protect retail investors.

(iv) Financial institutions and brokerage platforms should incorporate behavioral nudges such as mandatory cooling-off periods for high-risk trades and risk profiling tools to encourage more prudent investment behavior.

(v) Gender-inclusive financial literacy programs should be prioritized to increase female participation in capital markets.

In conclusion, financial literacy is not merely an individual competency but a public good that undergirds economic resilience and growth. Bridging the literacy-investment gap will be instrumental in ensuring that India's demographic dividend translates into lasting financial prosperity.

REFERENCES

[1] Agarwal, S., &Mazumder, B. (2013). Cognitive abilities and household financial decision making. American Economic Journal: Applied Economics, 5(1), 193–219.

[2] AMFI. (2023). SIP Data and Mutual Fund Statistics – FY 2022–23. Association of Mutual Funds in India. Retrieved from https://www.amfiindia.com

[3] Atkinson, A., & Messy, F. (2012). Measuring financial literacy: Results of the OECD/International Network on Financial Education (INFE) Pilot Study. OECD Working Papers on Finance, Insurance and Private Pensions, No. 15.

[4] Chandra, A. (2022). Investment behavior and behavioral biases among young retail investors in India. Indian Journal of Finance, 16(4), 45–62.

[5] Deloitte India. (2022). The Future of Investing: A Report on Young Investor Behavior in India. Deloitte Touche Tohmatsu India LLP.

[6] Gupta, R., & Sharma, P. (2021). Peer influence and first-time investing: Evidence from India's post-COVID retail investor boom. SSRN Working Paper. https://doi.org/10.2139/ssrn.3856702

[7] Klapper, L., & Lusardi, A. (2020). Financial literacy and financial resilience: Evidence from around the world. Financial Management, 49(3), 589–614.

[8] KPMG-NASSCOM. (2022). India Fintech Report 2022: Growth, Trends and Future Outlook. KPMG India and NASSCOM.

[9] Lusardi, A., & Mitchell, O. S. (2014). The economic importance of financial literacy: Theory and evidence. Journal of Economic Literature, 52(1), 5–44.

[10] NCFE. (2020). National Financial Literacy and Inclusion Survey (NCFE-FLIS). National Centre for Financial Education. Mumbai: NCFE.

[11] NSE India. (2023). NSE Market Statistics and Investor Demographics Report FY 2022–23. National Stock Exchange of India. Retrieved from https://www.nseindia.com

[12] RBI. (2023). Report on Household Finance: Financial Behavior and Investment Patterns. Reserve Bank of India. Retrieved from https://www.rbi.org.in

[13] SEBI. (2023). Annual Report 2022–23. Securities and Exchange Board of India. Retrieved from https://www.sebi.gov.in

[14] SEBI. (2023). Consultation Paper on Association of SEBI Registered Intermediaries/Regulated Entities with Finfluencers. Securities and Exchange Board of India.

[15] Volpe, R. P., Chen, H., & Liu, S. (2006). An analysis of the importance of personal finance topics and the level of knowledge possessed by working adults. Financial Services Review, 15(1), 81–98.