

Investment Preferences Of Indian Youth Aged 21 – 25 Years: A Study Of Preference On Financial Literacy Among Youth

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Abstract

The preferences of the Investment behavior among the youth which is influenced by various factors, including the financial knowledge, risk insights and digital platforms. This study explores the preferences of investments, the barriers related to investments, and making different types of the decision patterns among young investors using the data done by a survey. The findings in data indicate most of the respondents have very basic financial knowledge and aren't being able to invest appropriately. The challenges such as lack of guidance and low income, hampers the participation of their investment. The study also highlights the usage of the technology to investments and need proper and reliable financial education courses to improve the investment habits among the Indian youth aged 21 – 25 years and to have a proper financial planning for their wealth and short term needs. The survey says that there should be a proper guidance as in they should include Financial Literacy and Planning in their curriculum in all the streams (Science, Commerce and Arts) so that the college students get proper knowledge as how they can plan our wealth in a proper way when they get employed. The survey also says that when they get employed the salary which they earn initially is very precious for them and so they would like their wealth to grow and easy their basic short term wants so that they can plan everything accordingly without risks. The risks involved should be minimal and the profit should be increased atleast by 10 - 25% to maintain their standard of living and regular expenses. My survey says that the youth aged 21 – 25 lack behind in understanding the financial literacy and planning and so in recommendations, there should be proper training which will be available for the youth or at college levels, the curriculum should be designed in a way compulsorily all the streams get aware of the latest technologies and opportunities available in the market.

Keywords Financial Planning and Literacy, Investment patterns, Investment guidelines, Investment behavior among the Indian youth.

1. Introduction

I start with a quote written by Chen and Volpe (1998) in his theory, “Financial literacy has the knowledge to manage finances in financial decision making. Lack of financial literacy causes a person to be more likely to have problems with debt, more involved with higher credit costs and less likely to plan for the future (Lusuardi, et al., 2010).”

Financial literacy is a set of awareness, knowledge, skills, attitudes and behaviors that enables individuals to make informed and smart financial decisions - OCED theory of financial literacy. Financial literacy basically talks about the ability an individual, should have to manage the personal finance with effectiveness. This can be done having good experience and exposure of financial skills. Investment planning plays an important role in the individual financial growth and future planning; still many of the young individuals are struggling with financial literacy and proper investment planning. The Indian financial market has various investment options, but the usability and awareness

among the individuals remain crucial. This research aims to observe and analyze the investment behavior of young individuals, their level of knowledge for financial literacy, the investment options which the youth prefer, and the barriers which they face in investing.

Research Objectives

- To understand the struggle faced by the Indian youth.
- To minimize the struggling levels faced by the Indian youth for financial literacy.
- To identify the common preferences and risk perceptions regarding investment.
- To analyze the role of financial education platforms in making investments.
- To examine the challenges faced by Indian youth in investing and recommend solutions.

2. Literature Review

The financial skills are said to be life-skill that directly impacts your well-being. The youth lack behind in the financial knowledge and get trapped in the poverty cycle or debts. They lose interest into investments as many of the Indian youth crucially are struggling in their financial life and so they do not feel like risking their present for the upcoming future.

The prior studies indicate that financial literacy is a criterion of investment behavior (Lusardi & Mitchell, 2014). Young investors often are dependent upon their family, friends, and online sources for the knowledgeable investments (OECD, 2021) but do not have enough knowledge regarding their future investments. Digital investment platforms such as Grow, Kite, etc. have over simplified the access to the investment markets but require awareness for the effective use. The studies also reveals that low income groups and risk involvement obstruct many individuals from investing into the financial markets. This research constructs on these particular insights by analyzing the primary data on investment behavior among the Indian youth aged 21 – 25 years.

Before a couple of years, the youth were investing more in the metals as they felt it was the best investment done for their future but due to the drastic fluctuations in the gold prices, the youth are investing more in share markets. Many use long- term investments and few of them risk their investments and invest in intra days. In my survey, 80% of Indian youths are investing more in Stocks, Mutual Funds, Fixed Deposits, and Crypto currency rather than investing in metals or FD's. The preferences of youths are changing as per the easily available investment options in the market. The survey speaks about the individuals investing more for their wealth creation and short term goals more than the future benefits or retirement plans. The youth basically engages more in its wealth creation and do not think more about their future or retirement plans as there is long way to go for the same so wealth creation and short terms goals are more effectively being invested by the Indian youth in the age of 21 – 25 years in India.

As said by Chen and Volpe (1998) in his theory, "Financial literacy has the knowledge to manage finances in making financial decision. Lack of financial literacy causes a person to be more likely to have problems with debt, more involved with higher credit costs and less likely to plan for the future. As this theory also talks about the investment made by the individuals should be properly understood and later done or else it can put the individual in debts and so the individuals are worried as most probably the individuals are investing using online platforms or suggestions from friends and family members, the individuals do not have that knowledge about Where to invest?, When to invest? What to invest?

They need proper guidance for their investments as they can satisfy their wealth creation and plan accordingly for them and their families short term needs.

The survey says that investment plays a very important role in the individuals' behavior and helps them grow more effectively and plan their future needs.

Around 46% of the people say that there should be mentorship programmes and 36% say that there should be Financial Education Programmes. This ratio shows that the knowledge in depth is very

weak and so there is a hesitant behaviour among the Indian youth aged 21 – 25 years in making proper investments for creation of wealth or short term needs.

3. Methodology

3.1 Data Collection

The study of my research is based on the survey responses collected from the Indian youth individuals aged 21 – 25 years through a structured questionnaire. The data includes responses on investment choices of the individuals, financial knowledge, decision-making plans, and the challenges faced by individuals while investing on different platforms. It also specifies the range of the financial ability of an individual like employment status, salary range i.e. income status of individual, savings, investment capacity and where do the Indian youth like to invest.

3.2 Sample Description

- **Age group:** 21-25 years.
- **Educational Background:** High School, Undergraduate, Postgraduate and professional degrees students.
- **Current Employment Status:** Students, Self-Employed, and Full-Time Employees.
- **Income Levels:** Ranging from less than ₹20,000 to ₹1,00,000 per month.
- **Knowledge about Investment and financial planning:** Excellent, Good, Fair, Average, Poor
- **Learning investment and planning:** Family and friends, Online resources like Youtube, Blogs, Websites, Instagram reels etc, Financial advisor, Social Media or Others if any.
- **Awareness regarding different types of investment options:** Yes / No
- **Types of investment preferences:** Stocks, Mutual Funds, Fixed Deposits, Real Estates, Crypto currency, Metals Or other (if any)
- **Monthly investment in percentage:** 10% to 50%
- **Your primary goal for investing:** Wealth creation, Retirement plan, emergency fund, short term funds or others (please specify)
- **Your drawbacks for investing:** Lack of knowledge, Low income, fear of losing money, lack of trust on financial institutions and if any other thing kindly specify.
- **Market accessibility for youth:** Yes, No or partially
- **Challenges faced while investing:** Lack of guidance, High risk, Complex procedure, lack of funds or anything other.
- **Do you use digital platforms?** If yes how has technology influenced your investment decisions?
- **Your long- term financial goals**
- **The support you need to improve your investment habits:** Please mention

3.3 Data Analysis

The data is analyzed using Bar graphs and pie diagrams to identify the trends in investment behavior.

4. Results & Discussion

4.1 Investment Knowledge & Awareness:

• **41.67% of respondents** rate their financial knowledge as "Good," **58.33% consider it Fair or Poor.**

• The majority learn about investments from **Family and Friends (62.5%)** and **25% from online platforms (YouTube, websites, blogs)** and **less than 5% from Financial Advisors and Social Medias.**

4.2 Investment Preferences:

• **Popular Investment Options:** (More than 80%) Stocks, Mutual Funds, Fixed Deposits, and Cryptocurrency.

- **Primary Investment Goals:** Wealth creation (50%), Early Retirement Planning(12.5%), Emergency Fund (17%), and Short Term Goals and others are (20%)

4.3 Barriers to Investment:

- **Lack of knowledge (30%), and Fear of Losing Money (20%)** are the biggest obstacles.
- **Low income and lack of trust in financial institutions** also prevent investment participation.

4.4 Role of Digital Platforms:

- **85% of respondents** use investment apps like **Grow, Kite, Upstox, and Paytm Money**.
- **Upgradation of Technology has made investments easier** for 60% of respondents and have increased awareness for other individuals.

4.5 Long term financial goals:

- **Financial independency (50%)**
- **Buying a house (25%)**
- **Starting a business or Early retirement plans (21%)**

4.6 Support Needed for Better Investment Habits:

- **Mentorship (46%)**
- **Financial education programs (38%)**
- **Access to better investment tools (9%)**
- **Mentorship (up to 9% are others)**

5. Conclusion & Recommendations

5.1 Key Findings:

- Most young individuals of India have very **basic financial knowledge by family and friends** but lack in-depth investment options. They do not have enough knowledge of the market structure and so the investment becomes risky for them as they have the fear of losing money and so hesitate in investing money.
- **Stocks, Fixed deposits and mutual funds** are the most preferred investment options of youths as they feel their money is safe there and they can get good returns and plan their needs properly.
- **Lack of knowledge and Fear of Losing Money** are major barriers found among Indian youth as they wish to invest but have a fear of losing money as it is just the start of their career and they come to know that earning money is not easy. When they start earning, the salary or wages that they earn are precious and priceless for them and they wouldn't afford losing them but they would like to grow them more by investing their finance in an easy way and get good returns.
- Digital investment platforms have improved accessibility, but **more knowledge is needed** for effective investment decisions and so we should help the government understand the needs preferred by the Indian youth.

5.2 Recommendations:

- **Financial Literacy Programs:** Colleges should introduce a subject of financial education as part of their curriculum.

The students should be given a capable knowledge as per their understanding to upgrade themselves with the knowledge and technology used in the market.

- **Investment Awareness Campaigns:** Government and financial institutions should conduct valuable campaigns to help them make investment decisions and should manage effective campaign to provide expert guidance. The government should appoint a committee which can deliver online lectures for basic investment patterns and help them show to create their own portfolios.
- **Mentorship & Advisory Services:** Providing expert guidance may help individuals to enhance

their investment decisions. Government should appoint a committee where they can get basic knowledge and the individuals should be carefully guided with the financial scams too.

• **Addition of financial literacy in college curriculum in every stream (Science, Commerce and Arts):** Investments should be taught from basics so that the college students have good knowledge regarding their investments and when they are employed, they can plan their short term or long term investments properly for wealth creation or short term wants.

• **Enhanced Digital Tools:** Investment platforms should incorporate educational features to help new investors to manage their portfolio and understand the financial risks involved. They should be helpful but with limitations and should be knowledgeable with saving themselves from the scams too.

6. References

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