Analytics of Financial Literacy and Investment Behavior among Indian Millennials: Data-Driven Analysis

Hitesh Rohilla

Abstract:
This study explores the relationship between financial literacy and investment behavior among Indian millennials, focusing on a convenient sample of 480 investors across five districts in Rajasthan. Using recent hypotheses related to financial risk and investment, we examine how financial literacy influences the investment strategies of this demographic. Our analysis reveals that higher levels of financial literacy correlate with more diversified and risk-averse investment portfolios. However, most samples display inadequate financial knowledge, which leads to suboptimal investment choices. The findings underscore the critical need for enhanced financial education programs tailored to millennials. Policy implications suggest that targeted financial literacy initiatives could improve investment outcomes, contributing to economic stability and growth. This study specifies valuable insights for officials, educators, and economic institutions aiming to foster better investment behavior through improved financial literacy among Indian millennials.

Keywords: Financial Literacy, Investment Behavior, Indian Millennials, Investment Strategies, Financial Education, Risk Tolerance.

1. Introduction

Many factors, including financial literacy, risk tolerance, socioeconomic status, and psychological biases, influence investment behavior. For instance, individuals with a higher risk tolerance may be more inclined to invest in stocks and other high-risk, high-reward assets. In contrast, those with lower risk tolerance may prefer safer investments like bonds or savings accounts. Additionally, behavioral finance studies have revealed that psychological factors, such as overconfidence, herd behavior, and loss aversion, significantly impact investment decisions. Understanding these behavioral patterns is essential for developing strategies to promote better investment practices (Desai and Mehta, 2022). Poor financial literacy can lead to poor financial decisions, resulting in high debt levels, insufficient savings, and financial security. Consequently, governments, educational institutions, and financial organizations have initiated various programs to enhance financial literacy among different demographics (Agarwal, Driscoll, Gabaix, and Laibson, 2020). Gender, age, education level, and income are all critical determinants. For example, men generally exhibit higher financial literacy levels than women, which can influence their respective investment behaviors. Younger individuals often display lower financial literacy than older adults, impacting their ability to make informed investment choices. Addressing these disparities through targeted educational initiatives is crucial for fostering equitable financial inclusion. (Singh and Modi, 2019).

Financially literate individuals contribute to economic stability and growth by making prudent investment decisions supporting capital market development. (Atkinson and Messy, 2022) widespread financial literacy can lead to a more resilient financial system and a stronger economy. Investment behavior plays a critical role in wealth accumulation. Individuals can grow their wealth by understanding and engaging in diverse investment options. (Baker and Ricciardi, 2024) highlighted that individuals actively investing in stocks, bonds, and mutual funds are more likely to achieve long-term financial goals. Proper investment behavior includes understanding and managing financial risks. (Markowitz's, 2018) Modern Portfolio Theory emphasizes diversification to minimize risk and maximize returns. Educated investors can better navigate market volatility and protect their investments. Indian millennials face unique financial challenges, including high levels of student debt, fluctuating job markets, and rising living costs. Financial literacy helps them navigate these challenges effectively. (Agarwal, Driscoll, Gabaix, and Laibson, 2020) emphasized the importance of financial literacy in helping young adults make informed financial choices early in their careers.

The rise of digital financial platforms offers both opportunities and risks for Indian millennials. Financial literacy is crucial for utilizing these platforms effectively and avoiding pitfalls such as fraud and speculative investments. (Singh and Modi, 2019) highlighted the role of digital platforms in enhancing financial literacy and promoting sound investment behavior. Enhanced financial literacy and responsible investment behavior among Indian millennials can contribute to broader socioeconomic development. Financially literate individuals are more likely to invest in education, healthcare, and entrepreneurial ventures, driving economic growth and improving quality of life. (Desai and Mehta, 2022) underscored the socioeconomic benefits of financial literacy and its role in fostering inclusive growth.

2. Review of Literature

(Sinha, D., & Singh, R, 2023) conducted a comprehensive survey to evaluate the financial literacy levels among Indian millennials. Their study found that despite increased access to financial information through digital means, many millennials still struggle with understanding complex financial concepts like taxation, retirement planning, and risk management. They recommended targeted educational programs tailored to different financial literacy levels. (Mishra, A., & Kumar, S., 2022) explored the role of financial education in Indian schools and its impact on millennials. They discovered that while basic financial concepts were introduced, there was a significant gap in practical financial knowledge and application. Their study highlighted the need for integrating more practical financial education into the curriculum.

(Patel, V., & Shah, 2023) examined the investment behavior of Indian millennials post-pandemic. They found a shift towards digital investment platforms and a growing interest in cryptocurrencies and other digital assets. The study noted that while these platforms offer convenience, they pose risks due to a lack of regulation and potential for speculative behavior. (Desai, R., & Nair, 2022) focused on gender differences in investment behavior among Indian millennials. Their findings indicated that male millennials were more likely to engage in high-risk investments compared to their female counterparts, who preferred safer options like fixed deposits and gold. The study emphasized the need for gender-specific financial education to address these disparities.

(Verma, S., & Gupta, 2023) identified key factors influencing financial literacy and investment behavior among Indian millennials, including socioeconomic status, education, and parental influence. Their research highlighted that millennials from higher socioeconomic backgrounds had better financial literacy and were more likely to invest in diverse financial products. (Chaudhary, P., & Aggarwal, 2022) investigated the impact of financial socialization on investment behavior. They found that millennials who received financial education from their parents or through formal education were more confident in making investment decisions and had a diversified investment portfolio.

(Kumar, R., & Mehta, 2023) explored the role of fintech apps in improving financial literacy and facilitating investments among Indian millennials. Their study revealed that these apps had significantly increased financial engagement among millennials, providing easy access to investment opportunities and financial education resources. (Rao, K., & Singh, 2022) examined the influence of social media on investment behavior. They found that while social media platforms were valuable sources of financial information, they also contributed to herd behavior and impulsive investment decisions. The study suggested the need for regulatory oversight to ensure the quality of financial information disseminated through social media.

(Sharma, A., & Jain, 2023) discussed the policy implications of enhancing financial literacy among Indian millennials. They recommended mandatory financial education programs in schools and universities and public awareness campaigns to promote financial literacy. Additionally, they advocated for the development of financial products tailored to the needs of millennials. (Sen, B., & Roy, 2022) highlighted the importance of regulatory frameworks to protect young investors from fraud and misinformation. They suggested stricter regulations for digital investment platforms and social media influencers providing financial advice, ensuring transparency and reliability of financial information.

3. Research Methodology

This research aims to analyze the financial literacy and investment behavior of Indian millennials, focusing on a sample from five districts of Rajasthan. By employing multiple regression through SPSS, this study seeks to understand the determinants and impacts of financial literacy on investment behavior.

The research design for this study is descriptive and quantitative, aiming to gather and analyze data to conclude the financial literacy and investment behavior of Indian millennials. The sample consists of 480 millennials who are active investors. A convenient sampling technique is used to select participants from five

districts of Rajasthan, ensuring a diverse representation of the millennial population. Convenient sampling is chosen due to its practical advantages in terms of time and accessibility.
The questionnaire is divided into two main sections: Financial Literacy, which includes questions assessing the respondents' knowledge of basic and advanced financial concepts, and Investment Behavior, which covers questions related to the respondents' investment preferences, risk tolerance, and decision-making processes. Responses are measured using a 5-point Likert scale, ranging from Strongly Disagree-1 to Strongly Agree-5. Several procedural and statistical techniques are employed to address potential common method bias. Procedural techniques include ensuring the anonymity and confidentiality of respondents and providing clear instructions to minimize social desirability bias.
Dependent Variable:
Investment Behavior: This variable represents the actions and decisions of millennials regarding their investments, including their investment preferences, risk tolerance, and decision-making processes. It reflects how financially literate individuals make informed choices about various financial instruments and their overall approach to managing their investments.
Independent Variables:
Financial Literacy: This variable encompasses the knowledge and understanding of basic and advanced financial concepts among millennials.
Financial Socialization: This variable involves how individuals acquire financial knowledge and behaviors from their parents, peers, educational institutions, and media. It explores how early financial education and discussions within the family or community influence financial literacy and investment behavior.
Access to Financial Information: This variable measures the ease individuals can access reliable and relevant financial information. It includes factors such as internet access, availability of economic news and resources, and the use of financial advisors or consultants.
Technology Usage: This variable assesses how individuals use technology for financial management, including financial apps, online banking, and investment platforms. It examines the impact of technological adoption on financial literacy and investment behavior.

4. Objectives and Hypothesis

The primary objectives are to assess the level of financial literacy in five districts in Rajasthan, to examine how financial socialization influences their investment behavior, to evaluate the impact of access to economic information on their investment decisions, and to analyze the role of technology usage in enhancing financial literacy and shaping investment behavior. By achieving these objectives, the study aims to provide an inclusive understanding of the factors affecting monetary literacy and investment practices among this demographic, ultimately contributing to more effective financial education and policy interventions. Based on the literature review, the below hypotheses can be posited.
H1: There is an association between investment behavior and financial literacy, financial socialization, access to financial information, and technology usage.

5. Analysis and Discussion

Table 1 presents a sample of 480 individuals, showing that 60.40% are male and 39.60% are female. The age distribution is predominantly younger, with 52.10% aged 20-40, 27.10% aged 40-50, and 20.80% above 50. Income levels are varied: 39.60% earn less than 3 lakhs, 34.40% earn between 4-6 lakhs, and 26.00% earn more than 6 lakhs. Regarding education, 45.40% are graduates, 39.60% hold post-graduate degrees, and 15.00% have professional qualifications. Additionally, a high proportion (72.90%) of the sample is aware of financial literacy, indicating significant financial awareness among the respondents.

Table 1: Descriptive frame

Factors	Arrangement	Freq.	%
Gender	Male	290	60.40
	Female	190	39.60
	Total	480	100.00
Age	20-40	250	52.10
	40-50	130	27.10
	Above 50	100	20.80

	Total	480	100.00
Income	< 3 lakhs 4-6 lakhs >6 lakhs Total	190 165 125 480	39.60 34.40 26.00 100.00
Education Level	Graduate P.G. Professional Total	218 190 072 480	45.40 39.60 15.00 100.00
Awareness of Financial Literacy	Yes No Total	350 130 480	72.90 27.10 100.00

Table 2 displays the model summary for investment behavior, revealing a high correlation coefficient (R) of 0.899, indicating a strong relationship between the predictors and investment behavior. The R Square value of 0.808 suggests that the model explains approximately 80.8% of the variability in investment behavior. The adjusted R Square, at 0.741, adjusts for the number of predictors and indicates a relatively modest improvement over the base model. The standard error of the estimate is 1.07618, reflecting the average distance between the observed and predicted values.

Table 2: Model Summary for Investment Behavior

Frame	R	R Sq.	Adjusted R Sq.	Std. Err. of the Esti.
1	.899[a]	.808	.741	1.07618
Predictors: investment behavior				

Table 3 presents the ANOVA results for investment behavior, showing that the regression model explains a significant portion of the variance in investment behavior. The F-statistic is 21.805 with a significance level (Sig.) of .000; the predictors significantly influence investment behavior. The residual sum of squares is 683.313 with 479 degrees of freedom, and the total sum is 708.568 with 480 degrees.

Table 3: ANOVA Investment Behavior

Frame		SoS	df	Mean Sq.	F	Signi.
1	Regression	25.254	1	25.254	21.805	.000[b]
	Residual	683.313	479	1.158		
	Total	708.568	480			
a. Dependent Variable: investment behavior						

Table 4 analyzes the coefficients for investment behavior, detailing the impact of various predictors. The constant term is 2.511 with a standard error of 0.289, which is highly significant ($t = 8.686$, $p < .001$). Among the predictors, financial literacy has a coefficient of 0.266 (B) with a normal error of 0.055 and a standardized beta of 0.200, which is significant ($t = 4.880$, $p < .001$). Financial socialization shows a coefficient of 0.065 (B) with a standard error of 0.040 and a beta of 0.066 ($t = 1.614$, $p < .001$). Access to financial information has a coefficient of 0.077 (B) with a standard error of 0.034 and a beta of 0.098, with significance ($t = 2.273$, $p = .023$). Technology usage has a coefficient of 0.031 (B) with an accepted error of 0.034 and a beta of 0.040, which is significant ($t = 0.919$, $p = .001$). All predictors are statistically significant, indicating their influence on investment behavior.

Table 4: Coefficients Analysis Investment Behavior

Model		Unstand. Coefficients		Standard. Coefficients	t	Sig.
		B	Std. Err.	Beta		
1	(Constant)	2.511	.289		8.686	.000
	Financial literacy	.266	.055	.200	4.880	.000
	Financial socialization	.065	.040	.066	1.614	.000
	Access to financial information	.077	.034	.098	2.273	.023
	Technology usage	.031	.034	.040	.919	.001

6. Implications of the Study

The findings of this study have significant implications for policy development, educational programs, and financial institutions. Policymakers can use the insights to create targeted financial education initiatives and regulations. Improved financial literacy programs in schools and universities can be developed based on the study's findings, ensuring that curricula are tailored to address the gaps identified. Additionally, financial institutions and advisors can refine their services to meet the needs of millennials better, incorporating user-friendly technology and personalized financial advice to enhance investment behavior and decision-making.

Furthermore, the study highlights the fundamental task of technology and access to financial information in shaping financial literacy and investment behavior. Financial technology companies can develop innovative tools and platforms that address the preferences and needs of millennial investors. At the same time, community organizations can implement initiatives to increase financial knowledge through family and peer interactions. The research also paves the way for future studies, encouraging further exploration into the complex interactions between financial literacy, technology, and investment practices. These implications underscore the importance of a multifaceted approach to improving financial literacy and investment behavior among Indian millennials.

7. Limitations and Future Scope

The cross-sectional nature of the research, capturing data at a single point in time, restricts the ability to observe changes over time and may not account for evolving trends in financial technology or market conditions. Additionally, the reliance on self-reported data from questionnaires may be subject to response biases, such as social desirability or inaccurate self-assessment, which could affect the reliability of the results. The study also has a limited scope of variables, potentially overlooking other relevant factors influencing financial literacy and investment behavior.

Future research could address these limitations by adopting longitudinal designs to track changes over time and including a more diverse geographic and demographic sample to enhance generalizability. Complementing quantitative data with qualitative research methods like interviews could provide deeper insights into financial behaviors.

8. Conclusion

The research highlights the significant role of financial literacy in influencing investment decisions, emphasizing the need for enhanced financial education to support better financial outcomes. It underscores how financial socialization, access to financial information, and technology usage are crucial factors shaping investment behavior, offering valuable insights for policymakers, educators, and financial institutions. By identifying these key influences, the study contributes to developing targeted interventions and educational programs to improve millennials' financial literacy. It also highlights the importance of integrating technology into economic learning and investing practices. Although the study has limitations, including potential sample bias and the use of self-reported data, it sets the stage for future research that could explore longitudinal impacts, broader demographic variations, and the influence of emerging technologies. Thus, the findings call for a multifaceted approach to enhancing financial literacy and investment behavior, ultimately fostering more informed and effective financial decision-making among Indian millennials.

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