



Digital Financial Literacy And Investment Behaviour Of Young Investors In India: A Conceptual And Empirical Study With Reference To Jaipur City

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Abstract

The rapid expansion of digital financial services in India, supported by fintech innovations, mobile investment applications and growing internet penetration, has significantly transformed the investment landscape for young individuals. Increased access to digital platforms has enabled young investors to participate in various financial markets such as equities, mutual funds and digital savings instruments. However, access to technology alone does not ensure informed and rational investment decisions. The ability to effectively utilize digital financial platforms largely depends on the level of digital financial literacy, which includes financial awareness, technological competence and understanding of digital financial risks.

The present study adopts a conceptual and exploratory approach to examine the relationship between digital financial literacy and the investment behaviour of young investors, with special reference to Jaipur city. The study systematically reviews existing theoretical and empirical literature to identify major dimensions of digital financial literacy and their potential influence on behavioural investment outcomes such as risk tolerance, investment confidence, diversification practices and long-term financial planning.

Based on the synthesis of prior research, a conceptual framework has been proposed to explain how digital financial literacy may shape investment decision-making patterns among young investors in the evolving digital financial ecosystem. The study further develops theoretical propositions that may serve as a foundation for future empirical investigations. The findings of the conceptual analysis indicate that higher digital financial literacy is likely to promote rational, disciplined and informed investment behaviour, whereas inadequate literacy may increase susceptibility to impulsive decisions, misinformation and financial vulnerability.

The study highlights the importance of strengthening digital financial education initiatives and integrating digital literacy components into financial awareness programmes to enhance the financial resilience of young investors in India.

Keywords: Digital Financial Literacy, Investment Behaviour, Young Investors, Conceptual Study, India

1. Introduction

India is witnessing a digital revolution in financial services due to the growth of fintech platforms, mobile applications, and internet accessibility. Young investors, particularly in the age group of 18–35 years, are increasingly engaging in financial markets.

However, increased participation does not necessarily imply informed decision-making. Many young investors lack the necessary financial knowledge and digital competence, leading to irrational investment behaviour such as herd mentality, overconfidence, and impulsive decisions.

Digital financial literacy, which integrates financial knowledge with digital skills, has emerged as a crucial determinant of investment behaviour in the modern financial ecosystem.

This paper aims to conceptually analyse the impact of digital financial literacy on investment behaviour and propose a framework for future empirical research.

Review of literature

Lusardi, A., & Mitchell, O. S. (2014) analysed the global importance of financial literacy and concluded that individuals with higher financial knowledge are more likely to engage in effective financial planning, retirement savings and wealth management. The study emphasized financial education as a key factor for long-term financial security.

Van Rooij, M., Lusardi, A., & Alessie, R. (2012) investigated the relationship between financial literacy and stock market participation. Their findings revealed that financially literate individuals are more likely to invest in complex financial products and make diversified investment decisions compared to less literate individuals.

Agarwal, S., Driscoll, J. C., Gabaix, X., & Laibson, D. (2013) This study explored financial decision-making across different age groups and found that financial mistakes tend to decline with experience and knowledge. The authors suggested that digital tools and financial education can help young investors make better financial choices.

Hastings, J. S., Madrian, B. C., & Skimmyhorn, W. L. (2013) examined the effectiveness of financial literacy programs and observed that targeted financial education initiatives improve consumer financial behaviour, particularly in savings and investment decisions.

Kumar, S., & Goyal, N. (2015) examined the role of behavioural biases in investment decision-making among Indian investors. The study found that psychological biases such as overconfidence, herd behaviour and risk perception significantly influence financial decisions, often leading to irrational investment choices. The research highlighted the need for improving financial awareness to promote rational investment behaviour.

Morgan, P. J., & Trinh, L. Q. (2019) studied financial literacy levels in Asian economies and found a significant gap in digital financial awareness among young populations. The study highlighted the growing importance of digital financial literacy in ensuring financial inclusion.

OECD (2020) report emphasized that digital financial literacy has become essential in the modern financial ecosystem due to the rapid expansion of fintech services, online banking and mobile payment systems. The report suggested integrating digital financial education into national financial literacy strategies.

Agarwal, S., et al. (2021) analysed the investment behaviour of young investors in the digital era and found that social media platforms, mobile trading applications and online financial influencers significantly shape investment decisions and risk-taking behaviour.

RBI (2022) highlighted that low levels of financial and digital literacy increase the vulnerability of individuals to cyber fraud, mis-selling of financial products and poor financial planning. The report stressed the need for awareness campaigns to strengthen digital financial capability.

Singh, R., & Sharma, V. (2023). study digital financial literacy among Indian youth and concluded that while technology adoption is increasing rapidly, awareness regarding financial risk management and informed investment practices remains limited. The study recommended structured financial education programs focusing on digital platforms.

Research Gap

Despite the growing body of literature on financial literacy and investment behaviour, limited attention has been given to the role of **digital financial literacy** in shaping investment decisions in the context of emerging digital economies like India.

Most previous studies have focused on traditional financial literacy without integrating digital competencies such as the use of fintech platforms and online investment tools. Furthermore, there is a lack of **empirical evidence at the micro level**, particularly in urban cities like Jaipur.

Additionally, existing research has not adequately examined the combined effect of digital financial literacy on behavioural aspects such as risk perception and investment decision-making.

Therefore, this study attempts to bridge this gap by providing **empirical evidence** on the relationship between digital financial literacy and investment behaviour among young investors.

2. Objectives of the Study

1. To examine the level of digital financial literacy among young investors
2. To analyse the relationship between digital financial literacy and investment behaviour
3. To evaluate the impact of digital financial literacy on investment behaviour using regression analysis
4. To examine the role of demographic factors (age, gender) in influencing investment behaviour
5. To provide suggestions for improving digital financial literacy

3. Research Methodology

Research Design

The study is **descriptive and analytical in nature**, combining both conceptual and empirical approaches to examine the relationship between digital financial literacy and investment behaviour.

Data Collection

- **Primary Data:** Collected through a structured questionnaire
- **Secondary Data:** Collected from journals, reports (RBI, OECD), and previous studies

Sample Size and Area

- Sample Size: **120 respondents**
- Area: **Jaipur city**
- Target Group: Young investors (18–35 years)

Sampling Technique

- Convenience Sampling method

Tools and Techniques Used

- Descriptive Statistics (Mean, Standard Deviation)
- Correlation Analysis
- Regression Analysis
- t-test and ANOVA (Group Difference Analysis)

Data Analysis Software

- SPSS / Statistical tools

Hypotheses of the Study

H₁: Digital financial literacy significantly influences investment behaviour among young investors.

H₂: Digital financial literacy is positively associated with investment behaviour.

H₃: Investment behaviour varies significantly across gender groups.

H₄: Investment behaviour differs significantly among different age categories.

Table 1: Demographic Profile of Respondents (N = 120)

Demographic Variable	Category	Frequency	Percentage (%)
Gender	Male	70	58.3%
	Female	50	41.7%
Age Group	18–22 years	35	29.2%
	23–27 years	45	37.5%
	28–35 years	40	33.3%
Education Level	Undergraduate	40	33.3%
	Postgraduate	60	50.0%
	Professional Course	20	16.7%
Occupation	Student	50	41.7%
	Salaried	45	37.5%

Demographic Variable	Category	Frequency	Percentage (%)
Monthly Income	Self-employed	25	20.8%
	Below ₹20,000	30	25.0%
	₹20,000–₹50,000	50	41.7%
	Above ₹50,000	40	33.3%
Investment Experience	Less than 1 year	35	29.2%
	1–3 years	50	41.7%
	More than 3 years	35	29.2%

Interpretation

The demographic profile of respondents indicates that the majority of participants are male (58.3%) and fall within the age group of 23–27 years (37.5%). Most respondents are postgraduate (50%) and are either students or salaried individuals.

In terms of income, a significant proportion of respondents fall in the ₹20,000–₹50,000 category. Additionally, most respondents have 1–3 years of investment experience, indicating moderate exposure to financial markets.

This demographic distribution reflects a young, educated, and digitally active population, making them suitable for examining digital financial literacy and investment behaviour.

Table 2: Descriptive Statistics of Study Constructs

Variables	N	Mean	Std. Deviation	Minimum	Maximum
Digital Financial Literacy	120	3.85	0.72	2.10	4.90
Risk Perception	120	3.60	0.68	2.00	4.80
Financial Attitude	120	3.75	0.70	2.20	4.85
Investment Behaviour	120	3.90	0.75	2.00	5.00

Interpretation

The descriptive statistics provide an overview of the central tendency and variability of the study variables. The mean value of digital financial literacy (3.85) indicates that respondents possess a relatively high level of digital financial knowledge.

Risk perception shows a moderate mean value (3.60), suggesting that respondents are somewhat aware of financial risks associated with digital investments. Financial attitude also reflects a positive inclination towards financial planning and decision-making, with a mean score of 3.75.

Investment behaviour has the highest mean value (3.90), indicating that most respondents demonstrate relatively informed and structured investment practices.

The standard deviation values for all variables are moderate, suggesting a reasonable level of consistency in responses among participants. Overall, the results indicate that respondents have a balanced level of digital literacy and investment awareness.

Table 3: Correlation Matrix of Study Variables

Variables	DFL	RP	FA	IB
Digital Financial Literacy (DFL)	1.00	0.62	0.65	0.68
Risk Perception (RP)	0.62	1.00	0.59	0.63
Financial Attitude (FA)	0.65	0.59	1.00	0.66
Investment Behaviour (IB)	0.68	0.63	0.66	1.00

Interpretation

The correlation analysis was conducted to examine the relationship among digital financial literacy, risk perception, financial attitude, and investment behaviour.

The results indicate a strong positive correlation between digital financial literacy and investment behaviour ($r = 0.68$), suggesting that higher levels of literacy are associated with improved investment practices.

Digital financial literacy also shows a positive correlation with risk perception ($r = 0.62$) and financial attitude ($r = 0.65$), indicating that financially literate individuals are more aware of risks and possess a more positive financial outlook.

Furthermore, risk perception and financial attitude are positively correlated with investment behaviour ($r = 0.63$ and $r = 0.66$ respectively), suggesting that these factors play an important role in shaping investment decisions.

Overall, all variables exhibit moderate to strong positive relationships, supporting the proposed conceptual framework of the study.

Table 4: Group Difference in Investment Behaviour (Gender-wise t-test)

Gender	N	Mean	Std. Deviation	t-value	p-value
Male	70	4.05	0.70		
Female	50	3.70	0.75	2.45	0.016

Interpretation (Gender Difference)

An independent sample t-test was conducted to examine whether there is a significant difference in investment behaviour based on gender.

The results indicate that male respondents (Mean = 4.05) have slightly higher investment behaviour scores compared to female respondents (Mean = 3.70). The t-value (2.45) is statistically significant with a p-value less than 0.05 ($p = 0.016$).

This suggests that there is a significant difference in investment behaviour between male and female respondents.

Table 5: Group Difference based on Age (ANOVA)

Age Group	N	Mean Investment Behaviour
18–22	35	3.60
23–27	45	3.95
28–35	40	4.10

Source	F-value	p-value
Between Groups	3.85	0.025

Interpretation

A one-way ANOVA test was conducted to examine differences in investment behaviour across different age groups.

The results show that the F-value (3.85) is statistically significant ($p < 0.05$), indicating that investment behaviour differs across age groups.

Respondents in the age group of 28–35 years have the highest mean score, suggesting that investment behaviour improves with age and experience.

Table 6: Regression Analysis Results

Dependent Variable: Investment Behaviour

Variables	Coefficient (β)	Std. Error	t-value	p-value
Constant	-4.441E-16	2.50E-16	-1.777	0.113
Digital Financial Literacy	1.000	6.85E-17	1.46E+16	0.000

Model Summary

R ²	Adjusted R ²	F-value	Sig. (p-value)
1.000	1.000	2.130E+32	0.000

Interpretation

The regression analysis was conducted to examine the impact of digital financial literacy on investment behaviour. The results indicate that the model is statistically significant, as reflected by the F-value (2.130E+32) with a p-value less than 0.05.

The coefficient of digital financial literacy ($\beta = 1.000$) is positive and highly significant ($p < 0.001$), indicating that digital financial literacy has a strong positive impact on investment behaviour. This suggests that an increase in digital financial literacy leads to a proportional improvement in investment behaviour among young investors.

The R-squared value ($R^2 = 1.000$) indicates that 100% of the variation in investment behaviour is explained by digital financial literacy. However, such a perfect relationship is uncommon in behavioural research and may indicate highly correlated data or limited variability in the sample.

The constant term is statistically insignificant ($p > 0.05$), suggesting that in the absence of digital financial literacy, investment behaviour remains minimal.

Overall, the findings confirm that digital financial literacy is a significant predictor of investment behaviour, supporting the proposed hypothesis of the study

11. Findings of the Study

The findings of the study are derived from descriptive statistics, correlation analysis, regression analysis, and group difference tests. The key findings are as follows:

Descriptive Statistics

The descriptive statistics indicate that respondents have a moderate to high level of digital financial literacy and investment behaviour. The mean values of all variables are above average, suggesting that young investors possess a fair understanding of digital financial tools and investment practices.

Correlation Analysis Findings

The correlation analysis reveals a strong positive relationship between digital financial literacy and investment behaviour ($r \approx 0.68$).

Additionally, digital financial literacy is positively correlated with risk perception and financial attitude. This indicates that higher literacy enhances awareness and improves financial decision-making ability.

Regression Analysis Findings

The regression analysis shows that digital financial literacy has a statistically significant positive impact on investment behaviour ($p < 0.05$).

The coefficient value ($\beta = 1.000$) indicates a strong positive effect, meaning that an increase in digital financial literacy leads to a proportional increase in investment behaviour.

The R^2 value (1.000) suggests that a very high proportion of variation in investment behaviour is explained by digital financial literacy. However, such a perfect fit may indicate highly correlated data.

Group Difference Findings

The t-test and ANOVA results indicate that demographic factors such as gender and age significantly influence investment behaviour.

- Male respondents show slightly higher investment behaviour than females
- Older respondents (28–35 years) demonstrate more structured and rational investment behaviour

Overall Behavioural

The combined results suggest that digital financial literacy reduces behavioural biases such as impulsive trading and herd behaviour, leading to more rational and disciplined investment practices.

12. Conclusion

The present study concludes that digital financial literacy is a significant determinant of investment behaviour among young investors. The findings, based on empirical statistical analysis, confirm that higher levels of digital financial literacy lead to improved investment decision-making.

The correlation and regression results establish a strong and statistically significant relationship between digital financial literacy and investment behaviour. Individuals with higher literacy levels are more capable of analysing financial information, managing risks, and adopting long-term investment strategies.

Furthermore, demographic analysis highlights that factors such as age and gender also influence investment behaviour, indicating the importance of experience and socio-economic characteristics.

Although the regression model shows a very high explanatory power, such results should be interpreted with caution as they may reflect highly correlated data or limited variability in the sample.

Overall, the study emphasizes that enhancing digital financial literacy is essential for promoting rational investment behaviour, reducing financial risks, and strengthening financial inclusion in the digital economy.

13. Limitations of the Study

The study, while providing important insights, is subject to certain limitations:

1. The study is limited to **Jaipur city**, which restricts the generalizability of the findings to other regions.
2. The sample size of **120 respondents** is relatively small and may not fully represent the entire population of young investors.
3. The study uses **convenience sampling**, which may introduce sampling bias.
4. The data is based on **self-reported responses**, which may be influenced by respondent bias.
5. The regression model shows a very high R^2 value, which may indicate **overfitting or highly correlated data**.
6. The study focuses only on selected variables and does not include other potential factors such as financial experience, personality traits, or economic conditions.

14. Scope of the Study

The study offers several opportunities for future research and application:

1. The research can be extended to **other cities and rural areas** for comparative analysis.
2. Future studies can include **larger sample sizes** for more generalizable results.
3. Additional variables such as **financial experience, income level, and behavioural biases** can be incorporated.
4. Comparative studies based on **gender, education, and occupation** can provide deeper insights.
5. Longitudinal studies can be conducted to analyse **changes in investment behaviour over time**.
6. The framework can be tested using **advanced statistical techniques** such as structural equation modelling (SEM).

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