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Investment Avenues Redefined for Indian Youth

[1]Poorvi T. Tiwari, [2]Dr. Hariom J. Puniyani

[1]Research Scholar, Department of Commerce, Hislop College, Rashtrasant Tukadoji Maharaj Nagpur University

poorvitiwari2018@gmail.com

[2]Research Supervisor, Professor & Head, Department of Commerce, Hislop College Nagpur, Rashtrasant Tukadoji Maharaj Nagpur University

hariompuniyani80@gmail.com

Abstract: The changing nature of Indian financial environment has posed a challenge to the investment behaviour of young people who form a very important source of investors in the country. The paper under analysis investigates the way in which investment opportunities have been rediscovered among young people in India under the condition of digitalisation, financial innovation and shifting expectations about risks and returns. The primary data were collected using a structured questionnaire, as there was the adoption of a descriptive research design, and a total of 384 respondents between the ages of 18 and 35 years participated in the study. The analysis involved use of descriptive statistical analysis to analyze participation of investment, portfolio composition, purpose of investment, riskiness, impact of digital and awareness of emerging tools of investment. The results illustrate the fact that there was much active involvement of youth in investment activities, where diversified and market-linked investment pathways were taken with high preference towards long-term wealth generation. Digital media were identified as having a key influencing effect on the investment choices made and moderate to high risk tolerance described most of the respondents. Nonetheless, the financial awareness and risk perception differences are still present, which means that specific financial literacy programs should be employed. The research provides empirical evidence about investment behaviour of the youths in India and provides practical suggestion to policy makers, financial institutions as well as educators aiming to impact informed and sustainable investment behaviour towards the youths.

Keywords: Investment avenues, investment behaviour, financial literacy, digital finance, risk perception, etc.

Introduction

The demographic base of India concentrates the young generation into the core of economic transformation, as the population (18-35 years) which is an excellent portion of the working and investing people, is at his/her prime working age. This segment is also turning into a major household savings contributor, capital market investor, and the long-term wealth creator. The macro-financial reforms, financial infrastructure of finance, financial innovation, and shifting socio-economic aspiration have influenced the definition of the investment environment Indian youth has been working in over the past decade. The conventional investment options, like bank savings, government provident systems and gold which were always considered as safe and stable is now being supplemented by instruments that are linked to markets such as equities, mutual funds, exchange-traded funds and other forms of digital assets (Basu and Gupta, 2019).

Increased fintech ecosystems, and the internet portals of investing have greatly lowered the informational asymmetry, and the transaction costs, such that young investors, with minimal capital requirements, are able to access diverse portfolios. The develop rise of application-based mobile trade, systematic investment directives,

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and discretionary advisory services has transformed the nature of investment behaviour by enhancing ease, openness, and prompt decision-making (Kaur & Vohra, 2019). Efforts by the government to be financially inclusive and digitally empowered have only made the youth easier to engage in formal financial markets, which have enhanced the connection between generating income and investment planning (Garg & Singh, 2018).

However, in spite of the enhanced access and participation, the decision to invest among the youth in India is still heterogeneous and its decision is dependent on several factors including financial literacy, risk perception, income stability, peer influence, and media exposure. Although younger investors have a higher risk-taking threshold and higher returns expectations compared to older generations do, they also fall prey to behavioural biases and fruitful speculations especially to digitally advertised documents (Raut, 2020). The interactions between the economic, technological and behavioural aspect to analyse how the Investment avenues have been redefined in the eyes of the Indian youth therefore requires an holistic analysis. This paper will be placed in this changing environment and will aim at making a contribution to the energy of empirical research in the field of youth investment behaviour in India.

Literature Review

Available body of literature in investment behaviour emphasises the importance of financial literacy as a key factor affecting an individual to engage in the organized financial markets. Lusardi and Mitchell (2014) defined that financially literate people tend to adhere more to long-term financial planning and invested in the diversified assets. Agarwal et al. (2020) discovered that the more young people are financially aware in the Indian context, the more they are likely to participate in mutual funds and equity markets, implying that financial knowledge is positively related to the preference of instruments linked to the market.

A number of reports record a discernible migration of the investment behaviors of the individual youth within India towards growth opportunities as opposed to traditional savings instruments, by the youth. According to Raut (2020), the downward movements of the real returns of fixed-income instruments have made young investors turn to alternative investment options with higher yields including equity and mutual funds. Likewise, Bhat and Bhat (2021) noted that systematic investment plans are gaining favour among the salaried youth who found them affordable, have fewer risk problems, and invest structure in a disciplined manner. The shift of this is an expression of a broader attitudinal change of capital preservation to wealth accumulation.

Digitalisation has become a new reality presenting investment avenues in new form. Kaur and Vohra (2019) emphasized that trading platforms in the online market have greatly improved the participation of the market making the process of investing easier and more accessible to financial information. Chaudhary and Mishra (2021) also observed that interfaces based on fintech affect the frequency of investment and experimentation in a portfolio among young investors. Nevertheless, it is also noted in the literature that the ease of access can also amplify the short-term trading behaviour and risk to volatility, especially in difficult traders.

The behavioural finance research materials offer insight into making investment decisions by the youth. According to Barberis and Thaler (2003) the investor behaviour is shaped by psychological biases including overconfidence, herding and loss aversion. Empirical research in India suggests that peer connection and the social media platforms have a significant impact on investment decisions, which frequently lead to herd behaviour in equities and new digital investments (Kumar and Bansal, 2022). This can be seen in the case of the Indian young population taking an increasing interest in cryptocurrencies as an example of a phenomenon that was supported by both technological familiarity and pin-pointing speculative motives regardless of their regulatory uncertainty (Sharma and Gupta, 2022).

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The socio-demographic factors have been analyzed as well. Results revealed by Jain and Mandot (2018) show that the income level and employment stability are highly influential on risk appetite, and more portfolio diversification is observed among youth with higher income levels. According to gender-based findings, young women tend to exhibit relatively greater risk aversion and the tendency to rush towards secure investment opportunities, making it necessary to apply specific interventions of financial education (Bhandari and Deavesh, 2020).

In spite of the presence of the sufficient information in existing literature, considerable gaps remain. The literature takes time to evaluate individual investment instruments independently, and there is little comparative evaluation of the traditional and emerging avenues done within one framework. Also, there is a lack of empirical studies that combine financial literacy, digital influence, and behavioural factors among youth of India in particular. Filling such gaps, the current study purports to provide a holistic study on the redefining of investment avenues among the Indian youth, as per the required structural, technological as well as behavioural changes.

Research Gap

An analysis of the research literature suggests that, although various investigations have been based on the topic, there has been little research based on empirical evidence on Indian youth as a new and unique segment of Indian investors as a behavioural phenomenon in studies on investment behaviour. The majority of the research works find it more convenient to study separate investment tools, including equities, mutual funds, or digital assets, in isolation without providing a comparative analysis of both popular and new investment channels. Further, studies tend to discuss financial literacy, risk perception, or behaviour bias on a very limited scale and without sufficient conciseness and consistency in bringing together these variables into one analytical framework. Relative lack of region-specific and demographic-oriented research that captures the impact of digital platform, peer-related, and media exposure on their youth investment decisions in the Indian case are also limited. There is hence a vast research gap in grasping the contribution of structural changes, technological and behavioural changes that have the cumulative effect of redefining investment alternatives amongst the youth in India.

Objectives of the Study

The main aim of this research was to review the changing opportunities of investments among Indian young people and to understand what affects their investment decision making process. In particular, the purpose of the study was to determine the preferences of young investors to traditional and modern investment instruments, the impact of financial literacy levels and risk perception and income levels on their investment preferences and examined the impact of digital platforms and social interactions on investment behaviour. The study was also aimed at pinpointing new trends and issues in the youth investment patterns which also led to provision of empirical evidence which can be used by the policy makers and financial institutions as well as educators to tailor the financial inclusion and investor education programs.

Methodology

The research design applied in the study was descriptive research design in order to investigate the choices of findings and decision making behaviour of Indian youth in systematic manner. The structured questionnaire was a primary data collection tool, which targeted the demographics profile of respondents concerning knowledge and awareness of different investment avenues, risk perception, investment financial literacy, and other investment choice determinants. The questionnaire had both closed-ended and Likert-scale statements so that quantifiable and reliable responses can be obtained. The population to be studied was that of the youths between the ages of 18 and 35 years and to enhance statistical adequacy and representativeness 384 respondents were decided on the standard sample size determination methods. A combination of ease of access and willingness to take part was the convenience sampling method with the respondents being chosen based on the needs of sufficient diversity in terms of age, gender, level of education, and income. The gathered data were coded, tabulated, and analysed with the help of the correct descriptive and inferential statistical tools in order to make the appropriate conclusions.

Results and Discussion

The information obtained (384 respondents) was coded and analysed with the help of the simple statistical methods like percentages, averaging scores, and ranking methods. There is the analysis of the demographic profile of the respondents, investment Vehicles of choice and investment decision factors among the Indian youth.

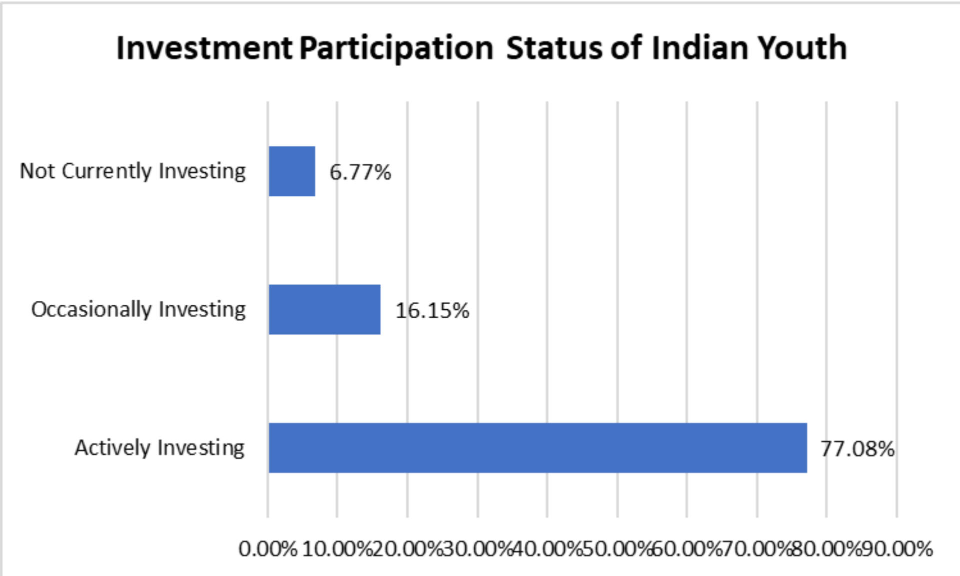

Fig. 1 participation status

This table shows that the investment activities among the youths in India are high with 77.08% of them actively participating in investing in investment activities and 16.15% intermittently. This implies a heightened financial consciousness and occupation of an investment channel. The small number of non investors (6.77) shows that exclusion has been reduced in ways that can be largely attributed to accessibility to digital and easy to invest in products.

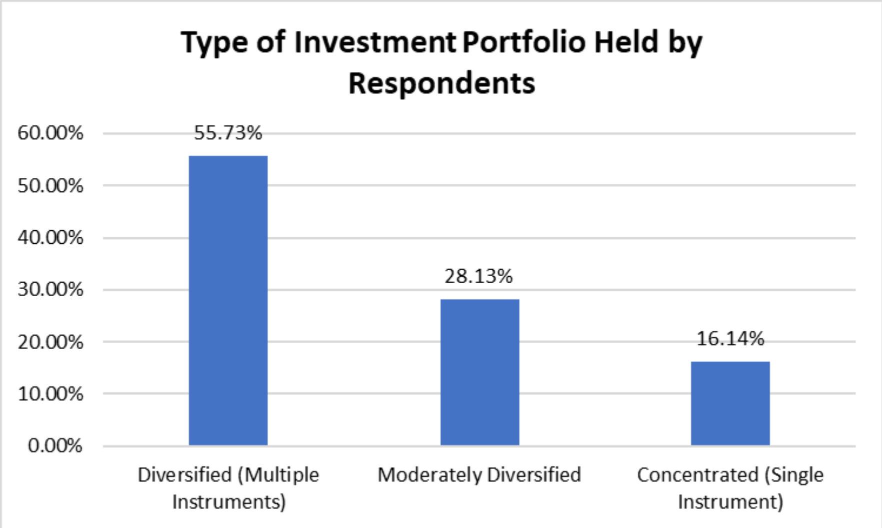

Fig. 2 Portfolio

Increasing levels of maturity and awareness of risk management by young investors have led to more than half of the respondents (55.73%) having diversified portfolios. The proportion of moderately diversified portfolios is 28.13, which is showing slow diversification with increment in income and experience. The percentage of the respondents who depend on a single source of investment is lower (16.14) and this indicates that the respondents are relatively more exposed to risk.

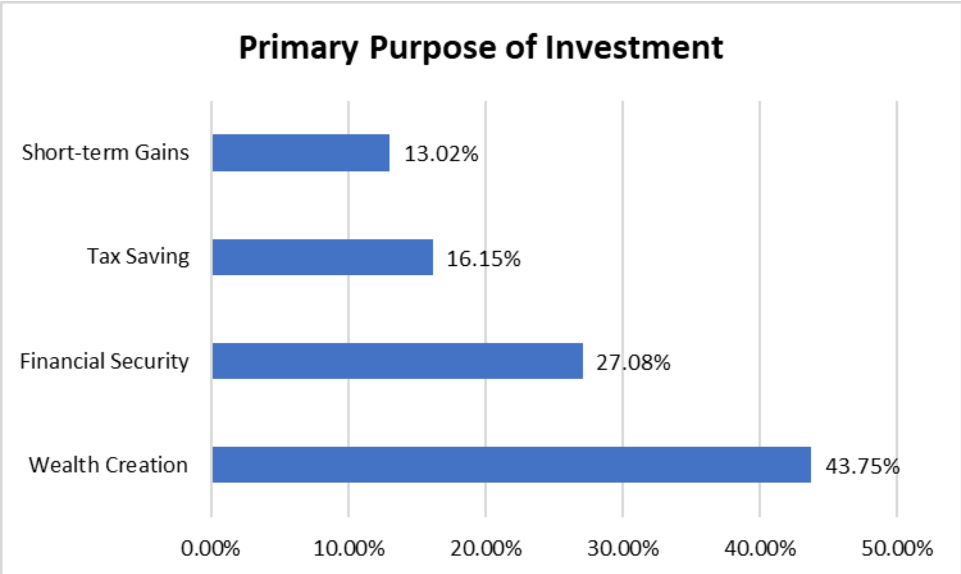

Fig. 3 Purpose

The creation of wealth was the sharpest investment goal (43.75%), which indicates the growth-oriented Indian youth. The second is financial security, which shows a balance between the expectations of the returns and the reduction of risks. Tax saving intentions although valid, are peripheral, and short run speculative goals are relatively fewer indicating a progressive transition to long run financial planning.

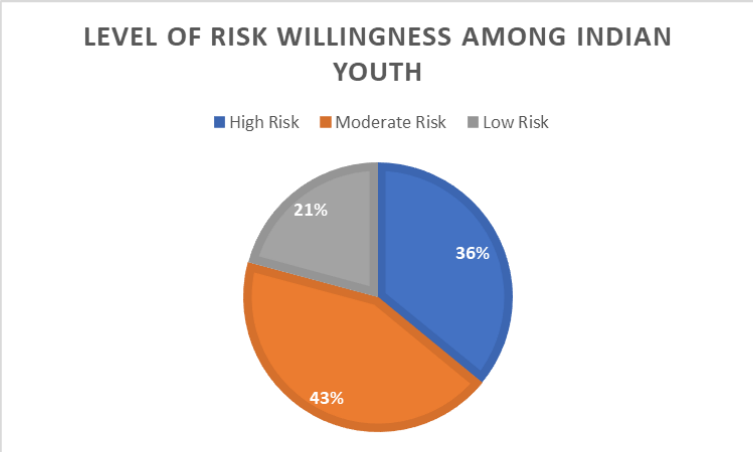

Fig. 4 Risk Willingness

The statistics show that most of the technologists have moderate to high risk tolerance which occupies 79.17 percent of the sample. This observation highlights the changing investment behavior of the young Indians whose perception of risk as a fact in the wealth creation process is becoming a pleasant part of it instead of an aversion. There is however a significant number of risk sensitive individuals who are risk averse making the stable investment instruments still relevant.

The analysis shows clearly that Indian young people are becoming more active, more knowledgeable, and are influenced digitally more with a high level of orientation that is based on the creation of wealth and portfolio diversification. The presence of moderate to high risk tolerance, the usage of digital platforms, and increased awareness of new investment opportunities is all telling of a new investment landscape. However, the differences in awareness and risk appetite demonstrate that the financial literacy programmes remain relevant to engage in the changing investment markets in a sustainable and inclusive way.

Discussion

According to the findings of the study, the avenues of investment that are being redefined by Indian youths are marked by an increment in the rate of participation, diversification of portfolio, change in the direction of more growth-oriented investment goals. This influx of active investors and inclination to diversified portfolios is the expression of growing financial awareness and the greater availability of various investment tools, and many of them are facilitated by digital platforms. The presence of the powerful force of the fintech app and remote advising services predicts the radical role of technology in decision-making in the field of investment, which will allow young people to avoid the traditional obstacle of the lack of capital in investments and information asymmetry. Also, the emphasis on wealth creation as the major investment goal, and moderate to high risk-taking behaviour, are in line with the current behavioural finance research that proposes a positive relationship between younger age group cohorts and risk-taking behaviour and the long-term duration of investment. Nevertheless, the low-risk tolerance and limited awareness of new instruments of respondents point to the existence of the unresolved financial literacy gap and the uneven distribution of financial literacy. In general the findings indicate that, although the young Indian population is gradually turning towards liberalized forms of investments, there is still a need to regularly provide support to the policies and specific programs of financial education in order to develop well-informed, moderate and robust investment practices.

Conclusion

The researcher concludes that there has been a significant shift in the investment options of the Indian youths, which has been the result of digitalisation, availability of finances and the shift in economic aspirations. The youths of India are not imprisoned on just the standard savings products but most of them are engaging in diversified and market oriented investment products with definite emphasis on long term wealth creation. The results indicate that the risk tolerance is moderate to high and there is a rising dependency to the online platform and the culture of systematic and informed investing has started to emerge. Nevertheless, this study also shows differences in the level of awareness and risk perception, which means that the transformation of investment opportunities is paradoxical within various spheres of the youth. All these insights would confirm that the modern-day investment environment in India amongst young people is vibrant, opportunity oriented and gradually closer to the current financial ecosystem.

Recommendations

According to the research, one of the recommendations in this study would be to enhance financial literacy programs that are specifically designed to address the demands of the young people, focusing on risk management, portfolio diversification, and planning of their financial future. To address the knowledge gaps regarding the new forms of investment, policymakers and financial institutions needs to market systematic investor education programme on academic institutions and electronic platforms. Transparency among Fintech firms and market intermediaries, as well as simplified and bias free advisory tools should be used to make informed decisions. On another note, regulatory bodies ought to have in place sound investor protection measures especially on digitally marketed and high-risk investment platforms to protect young investors and give them sustainable capital markets turnover in the investment markets.

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