The Relationship Between Financial Literacy and Investment Decision Among Pune's Youth

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***Abstract*—This research paper aims to evaluate the relationship between financial literacy and investment decision making among youth of Pune aged 20-25. Through primary data collected from 102 respondents and secondary data gathered from journals, government reports, and news articles, the study evaluates the level of financial literacy among the youth, identifies their preferred investment instruments, and analyses the relationship between literacy and investment choices. Research reveals high financial knowledge among the youth (91-96%) but significant gap in knowledge existing, with safety (52.6%) being primary investment motivation despite digital fluency among the participants. Mutual funds emerge as most preferred instrument (43.9%). The study aims to provide recommendations for policymakers, educators, and fintech firms based on research findings.**

***Index Terms*—financial literacy, investment decisions, Pune youth, mutual funds, risk tolerance**

I. INTRODUCTION

Financial literacy has become an essential life skill for young individuals to manage their finances effectively and make informed decisions about saving, investing, and spending (Zenodo, 2025). There is a growing complexity in financial products along with the influence of online banking and investment platforms, has made it essential for youth to possess a strong understanding of financial management (Zenodo, 2025). India is getting digitized very rapidly, with the financial services sector undergoing a massive change due to the growth in internet user base, fintech platforms, and UPI based transactions (Zenodo, 2025). This digital revolution is reshaping financial behaviour, especially among the youth, making investing more accessible and convenient than ever before. The number of demat accounts in India has crossed more than 21 crore (210 million), with approximately one lakh new accounts being opened daily by October 2025, indicating a massive increase in retail participation in capital markets (Indian Express, 2025).

The city of Pune, often referred to as the "Oxford of the East" because to its high concentration of educational institutions, has emerged as a significant hub for young investors (Indian Express, 2025). For many youngsters between 20 and 25 years old in Pune, the stock market is no longer a distant, adult-only concept, it has become a symbol of financial independence, early financial planning, and the hope of building a secure future in an uncertain economy (Indian Express, 2025). Conversations among youngsters in college canteens and office break rooms are increasingly peppered with words like Systematic Investment Plans (SIPs), equity, trading apps, and market dips

(Indian Express, 2025).

This study is based upon the Human Capital Theory, which states that investment in education and knowledge improves individual capabilities and productivity (Zenodo, 2025). In the context of financial literacy, individuals with higher financial knowledge are better equipped to make better investment decisions. The theory suggests that financial literacy, as a form of human capital, should positively influence investment behaviour.

Additionally, the Theory of Planned Behaviour provides a framework for understanding how financial attitudes and perceived behavioural control (confidence in investment decisions) shape actual investment behaviour (Zenodo, 2025). This is particularly relevant given the strong influence of social media and finfluencers on Gen Z's investment decisions (Moneycontrol, 2025).

1.1 Background of the Study

The Reserve Bank of India has emphasized the importance of financial literacy through initiatives such as Financial Literacy Week 2024, under the theme "Make a Right Start – Become Financially Smart," specifically targeting young adults and students (RBI, 2024). The objective is to increase awareness on the advantages of introducing financial discipline from an early age by imparting information on saving, budgeting, power of compound interest, banking and cyber hygiene (RBI, 2024).

Similarly, the Securities and Exchange Board of India (SEBI) launched the Arth Yatra Contest 2025 to encourage citizens to creatively present important messages about investing wisely, understanding rights, and avoiding scams (SEBI, 2025). The contest invited participants to create short videos or posts based on themes including "Invest Responsibly, Prosper Wisely," "Initiatives to Empower Investors," and "Bust the Scam" (SEBI, 2025). These regulatory efforts align with the national priority placed on enhancing financial literacy among the youth.

Despite these initiatives, research conducted among undergraduate and postgraduate students aged between 18–25 years across urban and semi-urban regions in India revealed that while awareness of digital financial tools is high, financial literacy especially regarding risk assessment, financial planning, and diversification of investment remains limited (Zenodo, 2025). The study found that the most popular investment products among youth were mutual funds, fixed deposits, and online gold, with a sizable percentage of respondents basing their choices on peer networks and social media (Zenodo, 2025).

1.2 Statement of the Problem

Despite the digital fluency of young Indians and their increasing participation in financial markets, research indicates that their financial literacy especially regarding risk assessment, financial planning, and diversification in investment remains limited (Zenodo, 2025). A nationwide SEBI survey conducted across 90,000 households in 400 cities and 1,000 villages revealed that 79% of Gen Z households display risk averse behaviour, preferring preservation of capital over getting higher returns (Moneycontrol, 2025) (Business Standard, 2025). Overall, 80% of Indian households prefer safety as compared to growth, with only 5.6% displaying higher risk tolerance (Moneycontrol, 2025).

The survey also revealed that YouTube drives product discovery for 91% of Gen Z, and 56% of them already follow financial influencers also called as "finfluencers," with 93% rating them as credible (Moneycontrol, 2025). Yet, less than 1% of households have attended formal investor education programs, though 70% of those found them useful (Moneycontrol, 2025). This paradox of high digital access, high social media influence, but low formal education and high-risk aversion behaviour creates a problematic situation where young investors may make an investment decisions which are based on unverified information. Therefore, this study investigates the relationship between financial literacy levels and investment decisions among Pune's youth aged 20-25.

1.3 Significance of the Study

There are multiple stakeholders that benefit from this study. For policymakers like RBI and SEBI, it provides insights into the financial literacy levels and investment behaviour of youth, helping them design targeted programs for them (RBI, 2024) (SEBI, 2025). For financial educators, it identifies gaps in knowledge and behavior that need to be addressed through making changes in curriculum design (Zenodo, 2025). For fintech firms, it reveals preferences and concerns of young investors, enabling development of user friendly and trustworthy platforms (YourStory, 2025). For academic researchers, it contributes to the growing body of literature on youth financial behaviour in the context of urban India.

II. LITERATURE REVIEW

2.1 Financial Literacy Among Indian Youth

A Research conducted among undergraduate and postgraduate students aged 18–25 across urban and semi urban regions in India revealed that while awareness regarding digital financial tools is high, financial literacy especially regarding risk assessment, planning, and investment diversification remains limited (Zenodo, 2025). Another study on financial literacy among youth in India revealed that although young individuals have a fair understanding of basic financial products, their awareness of advanced investment options remains limited (Zenodo, 2025).

2.2 Investment Behaviour of Gen Z

The SEBI investor survey conducted across 91,950 households nationwide considered India's Gen Z important in the retail boom, but with one foot on the brakes (Moneycontrol, 2025). The survey showed that 32% of Gen Z households (aged 18-28) have already entered securities markets, yet 79% remain hesitant to invest in growth centric financial instruments and are risk averse, prioritizing capital preservation over high returns (Moneycontrol, 2025) (Business Standard, 2025).

The survey considers Gen Z as a 'high intention + high knowledge' group alongside graduates, salaried, and affluent classes (Moneycontrol, 2025). This contrasts with 'millennials', who have higher penetration but lower financial knowledge and need 'upskilling' (Moneycontrol, 2025).

On products, awareness is widespread—53% know of mutual funds and ETFs, 49% of stocks—but penetration is shallow (Moneycontrol, 2025). Mutual funds/ETFs account for 6.7% of households and stocks are at 5.3% (Moneycontrol, 2025).

2.3 Barriers to Investment

The SEBI survey identified that for Gen Z and others, complexity (74%), fear of market losses (73%), and trust gaps (51%) remain the key deterrents (Moneycontrol, 2025). Even among investors, knowledge is superficial, with only 36% having moderate-to-high understanding of products related to security (Moneycontrol, 2025).

Barriers to investment include fear of losses, complexity of products, and lack of trust (Business Standard, 2025). Even those who plan to invest within a year pointed to the need for simpler digital platforms, transparent processes, and relatable role models (Business Standard, 2025).

2.4 Role of Digital Platforms and Fintech

YouTube drives product discovery for 91% of Gen Z (Moneycontrol, 2025). The survey said 56% of them already follow finfluencers, with 93% rating them as credible (Moneycontrol, 2025).

Pune based fintech startup Deciml, founded in 2020, helps users start investing early on through small investments in mutual funds (YourStory, 2025). Available on iOS and Android, Deciml has garnered 3.5 lakh users since its inception which comprises of mostly adults in the age group between 23-27-year-olds from metros and Tier I cities (Your Story, 2025) x. The startup claims that Deciml users, on average, save and invest Rs 1,860 per month—nearly Rs 20,000 annually (your Story, 2025).

III. RESEARCH METHODOLOGY

A mixed-method approach was used, combining primary data collection through questionnaire with secondary data from academic journals, government reports, and news articles.

3.1 Data Sources

Primary data was collected from 102 respondents aged 20-25 in Pune through a structured questionnaire. Secondary data is drawn from academic journals (Zenodo), government reports (RBI, SEBI), news articles (Indian Express, Moneycontrol, Business Standard), and industry publications (YourStory).

3.2 Sample Design

The target population consists of youth aged 20-25 years residing in Pune. The sample of 102 respondents was selected through convenience sampling from students in Pune.

3.3 Data Collection Instrument

A structured questionnaire was designed to collect data on:

- Demographic profile (age, gender, education, occupation, income)
- Financial literacy levels (understanding of concepts, knowledge questions, behaviour)
- Investment preferences and patterns
- Risk tolerance
- Investment frequency

3.4 Data Analysis Tools

Data was analysed using percentage analysis, frequency distribution, and cross-tabulation to examine relationships between variables.

3.5 Scope and Limitations

The research focuses on youth aged 20-25 years residing in Pune city. The study covers components that goes into financial literacy including financial knowledge, attitude, and behaviour, and examines investment decisions related to stocks, mutual funds,

fixed deposits, gold, bitcoin and other popular instruments.
Limitations include the sample size of 102 respondents which is confined to the city of Pune, which may not be generalizable to youth in other cities or rural areas of India. The sample consists entirely of students (98% with no income), excluding young professionals in the same age group. Data which is self-reported may contain biases. Direct data on sources of financial information (social media, finfluencers) was not collected in the questionnaire.

3.6 Research Questions

• What is the level of financial literacy among youth aged 20-25 in Pune?
• What investment instruments are preferred by youth aged 20-25 in Pune?
• What is the relationship between financial literacy levels and preference for investment instruments?
• Which component of financial literacy most strongly influences investment choices among Pune's youth?
• What recommendations can be provided to policymakers, financial educators, and fintech firms based on the findings?

3.7 Objectives of the Study

1. To evaluate the level of financial literacy among Pune's youth in the age bracket 20-25.
2. To identify the investment instruments, they prefer e.g. Mutual funds, equity, gold, silver, Fixed deposits, savings account etc.
3. To evaluate the relationship between the financial literacy and preference of investment instruments.
4. To determine which component in financial literacy most strongly influences investment choices.
5. To provide recommendations for policy maker, financial educators, and fintech firms based on the research findings.

3.8 Hypothesis

H_{01} (Null): There is no significant variation in the level of financial literacy among youth aged 20–25 in Pune.
H_1 (Alternative): There is a significant variation in the level of financial literacy among youth aged 20–25 in Pune.

H_{02} (Null): There is no significant preference for any specific investment instrument among youth aged 20–25 in Pune.

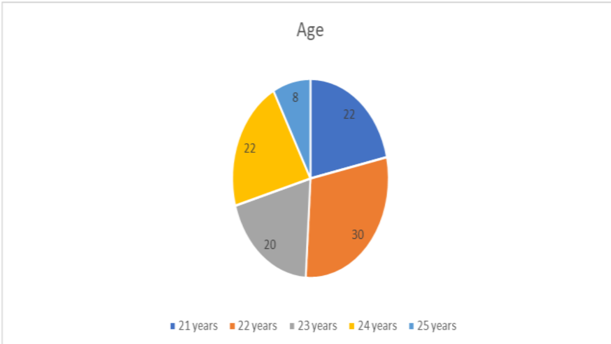
H_2 (Alternative): Youth aged 20–25 in Pune show a significant preference for specific investment instruments (e.g., mutual funds, equity, gold, fixed deposits, etc.).

IV. DATA ANALYSIS AND INTERPRETATION

Part A

Table4.1: Summary of Demographic Profile (Questions 1–5)

Question	Category	Percentage of Respondents (%)
1. Age	21 years	21.6%
	22 years	29.4%
	23 years	19.6%
	24 years	21.6%
	25 years	7.8%
2. Gender	Female	57.8%
	Male	42.2%
3. Education Level	Postgraduate	87.3%
	Undergraduate	12.7%
4. Occupation Status	Student	100%
5. Monthly Personal Income	No income	98.0%
	Below ₹15,000	2.0%



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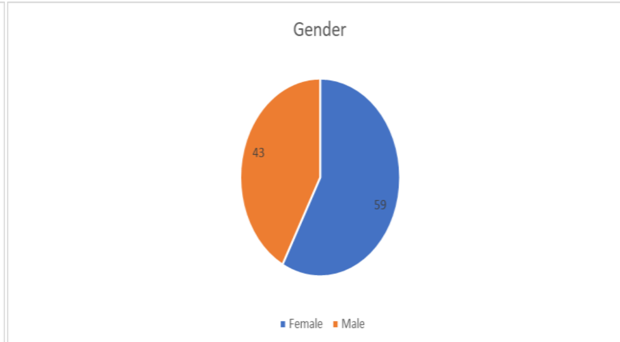

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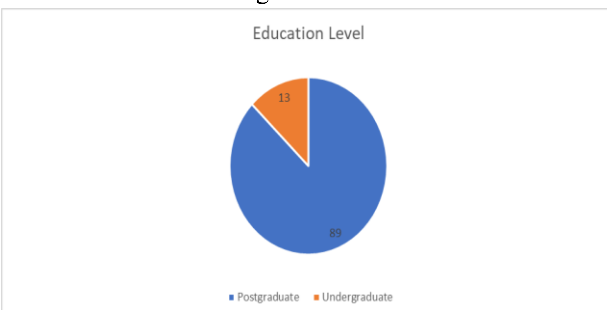

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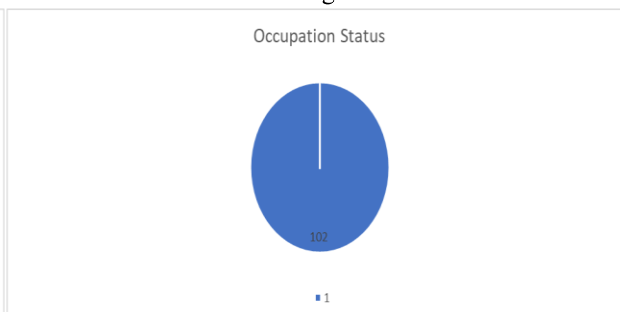

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*Source: Primary data (N=102 respondents) *

Analysis: The age distribution shows that the largest group of respondents is 22 years old (29.4%), followed equally by 21 and 24 years (21.6% each). Respondents aged 23 years make up 19.6%, while 25-year-olds are the smallest group at only 7.8%.

Key insight: Over 72% of the sample falls between 21 and 24 years, with a clear peak at age 22. This indicates that the study predominantly captures late-stage undergraduate and early postgraduate students in Pune. The low representation of 25-year-olds (7.8%) suggests that many individuals in this age bracket may have moved out of the student category (e.g., into full-time employment), which aligns with the finding from Question 4 that 100% of respondents are students.

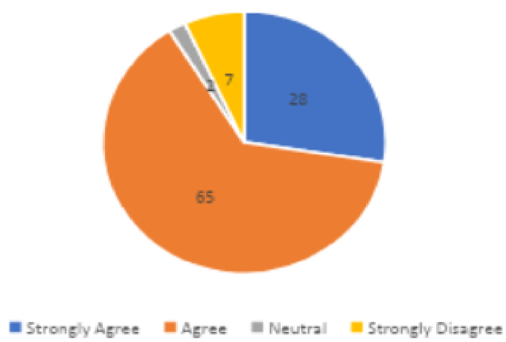
This distribution is appropriate for the study's objective, as it focuses on youth aged 20–25 who are still in academic settings, allowing the researchers to examine financial literacy before significant income and work experience intervene.

Question 6: I understand basic financial concepts such as inflation, interest rate, and risk diversification.

Table 4.2: Understanding of Basic Financial Concepts

Response	Number of Respondents	Percentage
Strongly Agree	28	27.5%
Agree	65	63.7%
Neutral	2	2.0%
Strongly Disagree	7	6.9%
Total	102	100%

(Source: Primary Data)



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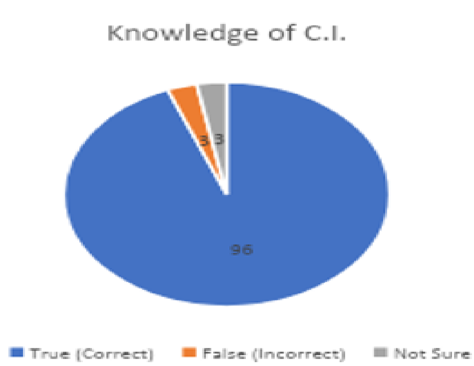
Analysis: Most respondents feel they understand basic financial concepts. 27.5% strongly agree and 63.7% agree that they understand inflation, interest rates, and risk diversification. This means 91.2% of youth in Pune have confidence in their financial knowledge. Only 6.9% strongly disagree (Zenodo, 2025).

Question 7: If you invest ₹10,000 at 10% annual compound interest, it will grow more than simple interest over time.

Table 4.3: Knowledge of Compound Interest

Response	Number of Respondents	Percentage
True (Correct)	96	94.1%
False (Incorrect)	3	2.9%
Not Sure	3	2.9%
Total	102	100%

(Source: Primary Data)



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Analysis: This question tests actual knowledge, not just self-confidence. 94.1% correctly answered that compound interest gives more returns than simple interest. Only 2.9% were wrong and 2.9% were not sure. This shows that Pune's youth have good knowledge about how compound interest works (Zenodo, 2025).

Question 8: Inflation reduces purchasing power over time.

Table 4.4: Knowledge of Inflation

Response	Number of Respondents	Percentage
True (Correct)	93	91.2%
False (Incorrect)	9	8.8%
Total	102	100%

(Source: Primary Data)

fig 4.8

Analysis: 91.2% of respondents correctly understand that inflation reduces purchasing power. This means they know that the value of money goes down over time. 8.8% answered incorrectly, which shows some gap in basic financial knowledge (Zenodo, 2025).

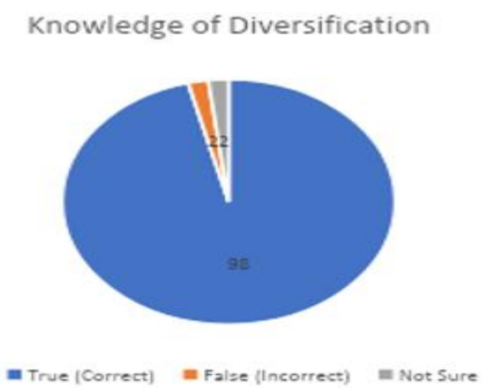
Question 9: Diversifying investments reduces overall risk.

Table 4.5: Knowledge of Diversification

Response	Number of Respondents	Percentage
True (Correct)	98	96.1%

Response	Number of Respondents	Percentage
False (Incorrect)	2	2.0%
Not Sure	2	2.0%
Total	102	100%

(Source: Primary Data)



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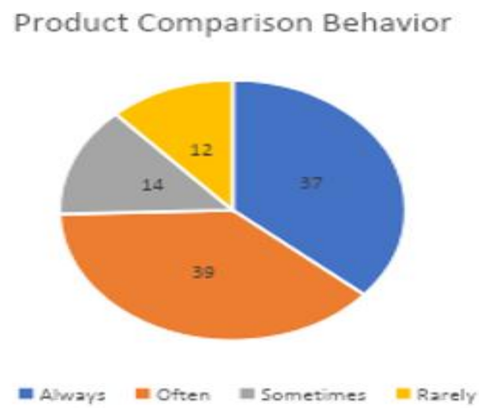
Analysis: 96.1% correctly know that spreading investments across different options reduces risk. This is a very high number and shows that Pune's youth understand the basic rule of "don't put all eggs in one basket" (Zenodo, 2025).

Question 10: Before investing, I compare different financial products.

Table 4.6: Product Comparison Behaviour

Response	Number of Respondents	Percentage
Always	37	36.3%
Often	39	38.2%
Sometimes	14	13.7%
Rarely	12	11.8%
Total	102	100%

(Source: Primary Data)



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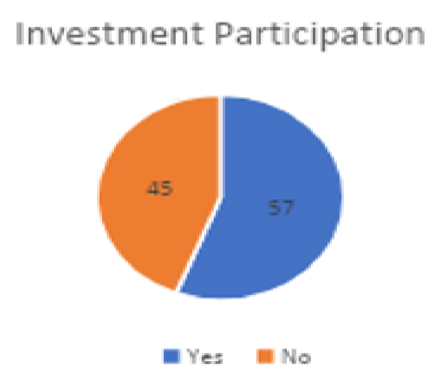
Analysis: This question shows a gap between knowledge and action. While over 90% have good knowledge, only 36.3% "always" compare products before investing. 38.2% do it "often", 13.7% do it "sometimes", and 11.8% "rarely" compare products. This means many young people have knowledge but do not use it when making investment decisions (Zenodo, 2025).

Question 11: Do you currently invest in any financial instrument?

Table 4.7: Investment Participation

Response	Number of Respondents	Percentage
Yes	57	55.9%
No	45	44.1%
Total	102	100%

(Source: Primary Data)



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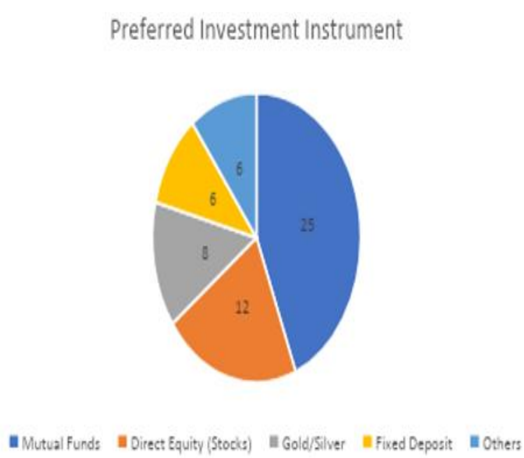
Analysis: More than half (55.9%) of the students invest in some financial instrument, even though 98% have no personal income. This shows that young people in Pune are very interested in investing and start early, possibly with family money or gifts (Indian Express, 2025).

Question 12: Which investment instrument do you prefer the most?

Table 4.8: Preferred Investment Instruments (Only those who invest, n=57)

Instrument	Number of Respondents	Percentage
Mutual Funds	25	43.9%
Direct Equity (Stocks)	12	21.1%
Gold/Silver	8	14.0%
Fixed Deposit	6	10.5%
Others	6	10.5%
Total	57	100%

(Source: Primary Data)



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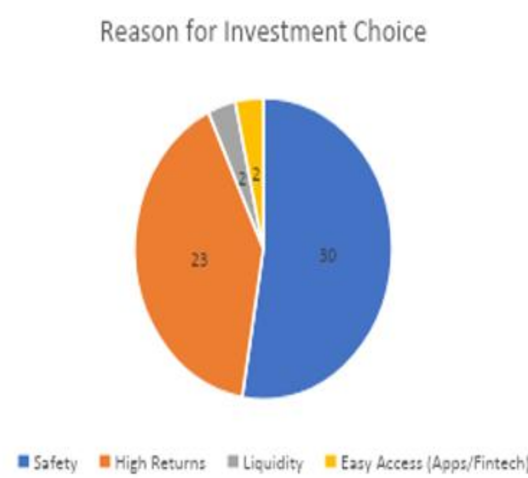
Analysis: Among those who invest, Mutual Funds are the most popular choice (43.9%). This is followed by Direct Equity/Stocks (21.1%) and Gold/Silver (14.0%). Fixed Deposits and other options are less popular. The high preference for Mutual Funds shows that young investors like options where they can start with small amounts through SIPs (Zenodo, 2025) (Indian Express, 2025).

Question 13: What is the main reason for choosing your preferred investment?

Table 4.9: Reasons for Investment Choice (n=57)

Reason	Number of Respondents	Percentage
Safety	30	52.6%
High Returns	23	40.4%
Liquidity	2	3.5%
Easy Access (Apps/Fintech)	2	3.5%
Total	57	100%

(Source: Primary Data)



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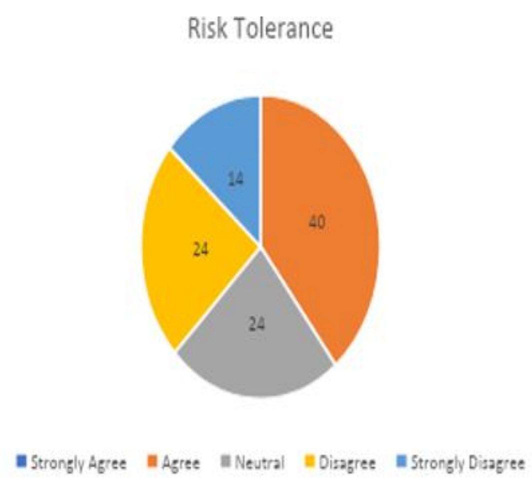
Analysis: Safety is the main reason for choosing an investment (52.6%), followed by High Returns (40.4%). This is an important finding. Even though young people are digital natives, they prefer safety over high returns. This matches with the SEBI survey that found 79% of Gen Z prefer to protect their money rather than take risks for higher returns (Moneycontrol, 2025) (Business Standard, 2025).

Question 14: I am willing to take higher risk for higher returns.

Table 4.10: Risk Tolerance

Response	Number of Respondents	Percentage
Strongly Agree	0	0%
Agree	40	39.2%
Neutral	24	23.5%
Disagree	24	23.5%
Strongly Disagree	14	13.7%
Total	102	100%

(Source: Primary Data)



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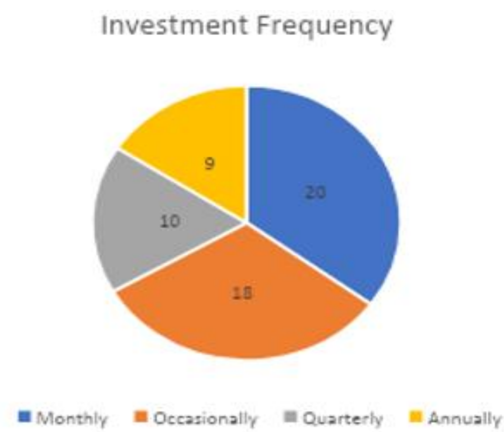
Analysis: Only 39.2% of respondents agree to take higher risk for higher returns. 23.5% are neutral, and 37.2% disagree or strongly disagree. This confirms that most young people in Pune are risk-averse. They do not want to take chances with their money (Moneycontrol, 2025).

Question 15: How frequently do you invest?

Table 4.11: Investment Frequency (n=57)

Frequency	Number of Respondents	Percentage
Monthly	20	35.1%
Occasionally	18	31.6%
Quarterly	10	17.5%
Annually	9	15.8%
Total	57	100%

(Source: Primary Data)



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Analysis: Among those who invest, 35.1% invest every month, which is good. But 31.6% invest only "occasionally", which means they do not have a fixed schedule. 17.5% invest quarterly and 15.8% invest annually. This shows that many young investors need to develop more disciplined investment habits (Zenodo, 2025).

Hypothesis 1: Variation in Financial Literacy

- $H0_1$: There is no significant variation in financial literacy among youth aged 20-25 in Pune.
- $H1_1$: There is significant variation in financial literacy among youth aged 20-25 in Pune.

Table 4.23: Variation in Financial Literacy Scores

Literacy Score	Number	Percentage
3 (High)	84	82.4%
2 (Moderate)	14	13.7%
1 (Low)	2	2.0%
0 (Very Low)	2	2.0%

Finding: There is variation, with most (82.4%) at high level and some at lower levels, therefore $H1_1$ is accepted.

Hypothesis 2: Preference for Investment Instruments

- $H0_2$: There is no significant preference for any specific investment instrument.
- $H1_2$: Youth show significant preference for specific investment instruments.

Table 4.24: Investment Preferences

Instrument	Percentage
Mutual Funds	43.9%
Direct Equity	21.1%
Gold/Silver	14.0%
Fixed Deposit	10.5%
Others	10.5%

Finding: There is clear preference for Mutual Funds (43.9%), therefore $H1_2$ is accepted.

(Source for all tables: Primary Data)

Summary of Key Findings from All Questions

Question	Key Finding
Age	Most respondents are 21-24 years old
Gender	57.8% Female, 42.2% Male
Education	87.3% are Postgraduate students
Occupation	100% are Students
Income	98% have No Income
Q6: Self-rated financial knowledge	91.2% agree they understand financial concepts
Q7: Compound interest knowledge	94.1% correct
Q8: Inflation knowledge	91.2% correct
Q9: Diversification knowledge	96.1% correct
Q10: Compare products	Only 36.3% always compare
Q11: Invest or not	55.9% invest
Q12: Preferred instrument	Mutual Funds (43.9%)
Q13: Reason for choice	Safety (52.6%)
Q14: Risk tolerance	Only 39.2% take higher risk
Q15: Investment frequency	35.1% invest monthly

(Source: Primary Data)

Part B

Cross-Tabulation Analysis (X-Y Analysis)

To understand the relationship between financial literacy and investment decisions, I have used Cross-Tabulation Analysis. This tool helps us see how two variables are related by creating tables that show their interaction.

Objective 1: To evaluate the level of financial literacy among Pune's youth

First, I created a Financial Literacy Score for each respondent based on three knowledge questions (Q7, Q8, Q9):

- 1 point for each correct answer
- Maximum score = 3, Minimum score = 0

Table 4.16: Financial Literacy Scores of Respondents (N=102)

LiteraCy Score	Number of Respondents	Percentage	Level
3(All correct)	84	82.4%	High
3(All correct)	14	13.7%	Moderate
1 (One correct)	2	2.0%	Low
0 (None correct)	2	2.0%	Very Low
Total	102	100%	

(Source: Primary Data)

Analysis: Most respondents (82.4%) have high financial literacy with all three answers correct. 13.7% have moderate literacy, and only 4% have low or very low literacy. This shows that financial knowledge is high among Pune's youth (Zenodo, 2025).

Finding for Objective 1: The level of financial literacy among Pune's youth aged 20-25 is high, with 82.4% scoring perfect on basic financial concepts.

Objective 2: To identify the investment instruments, they prefer

Table 4.17: Investment Preferences (Already shown in Q12)

Instrument	Percentage
Mutual Funds	43.9%
Direct Equity (Stocks)	21.1%
Gold/Silver	14.0%
Fixed Deposit	10.5%
Others	10.5%

(Source: Primary Data)

Finding for Objective 2: The most preferred investment instrument is Mutual Funds (43.9%), followed by Direct Equity (21.1%) and Gold/Silver (14.0%).

Objective 3: To evaluate the relationship between financial literacy and preference of investment instruments

Table 4.18: Cross-Tabulation - Financial Literacy Level vs. Investment Preference (n=57)

Literacy Level	Mutual Funds	Direct Equity	Gold/Silver	Fixed Deposit	Others	Total
High (Score 3)	21 (43.8%)	11 (22.9%)	6 (12.5%)	5 (10.4%)	5 (10.4%)	48
Moderate (Score 2)	3 (42.9%)	1 (14.3%)	2 (28.6%)	1 (14.3%)	0	7
Low (Score 1)	1 (50%)	0	0	0	1 (50%)	2
Very Low (Score 0)	0	0	0	0	0	0
Total	**25**	**12**	**8**	**6**	**6**	**57**

(Source: Primary Data)

Analysis:

- Among those with high financial literacy, Mutual Funds are the top choice (43.8%), followed by Direct Equity (22.9%).
- Among those with moderate literacy, Mutual Funds are still top (42.9%), but Gold/Silver becomes second choice (28.6%).
- Mutual Funds remain the most preferred instrument across all literacy levels.

This shows that financial literacy level does not strongly change what people prefer to invest in. Mutual Funds are popular among everyone, regardless of their knowledge level.

Finding for Objective 3: There is a weak relationship between financial literacy level and investment instrument preference. Mutual Funds are preferred by all groups.

Objective 4: To determine which component in financial literacy most strongly influences investment choices

Financial literacy has three components:
1. Knowledge (scores from Q7, Q8, Q9)
2. Attitude (risk tolerance from Q14)
3. Behaviour (comparing products from Q10)

Table 4.19: Cross-Tabulation - Knowledge Level vs. Investment Participation

Knowledge Level	Invest	Do Not Invest	Total
High (Score 3)	48 (57.1%)	36 (42.9%)	84
Moderate (Score 2)	7 (50%)	7 (50%)	14
Low (Score 1)	2 (100%)	0	2
Very Low (Score 0)	0	2 (100%)	2
Total	57	45	102

(Source: Primary Data)

Analysis: 57.1% of those with high knowledge invest, compared to 50% with moderate knowledge. Knowledge alone does not guarantee investment.

Table 4.20: Cross-Tabulation - Risk Attitude vs. Investment Participation

Risk Tolerance	Invest	Do Not Invest	Total
Agree to take risk	25 (62.5%)	15 (37.5%)	40
Neutral	14 (58.3%)	10 (41.7%)	24
Disagree/Strongly Disagree	18 (47.4%)	20 (52.6%)	38
Total	57	45	102

(Source: Primary Data)

Analysis: 62.5% of those who agree to take risk are investors, compared to only 47.4% of those who disagree with taking risk. This shows risk attitude strongly influences investment participation.

Table 4.21: Cross-Tabulation - Comparison Behaviour vs. Investment Participation

Comparison Behaviour	Invest	Do Not Invest	Total
Always compare	25 (67.6%)	12 (32.4%)	37
Often compare	22 (56.4%)	17 (43.6%)	39
Sometimes compare	6 (42.9%)	8 (57.1%)	14
Rarely compare	4 (33.3%)	8 (66.7%)	12
Total	57	45	102

(Source: Primary Data)

Analysis: 67.6% of those who "always" compare products are investors, but only 33.3% of those who "rarely" compare are investors. This shows comparison behaviour strongly influences investment participation.

Table 4.22: Summary - Which Component Influences Most?

Component	Investors in High Group	Investors in Low Group	Difference
Knowledge	57.1% (high knowledge)	50% (moderate)	7.1%
Risk Attitude	62.5% (risk-takers)	47.4% (risk-averse)	15.1%
Comparison Behaviour	67.6% (always compare)	33.3% (rarely compare)	34.3%

(Source: Primary Data)

Finding for Objective 4: Behaviour (comparing products) most strongly influences investment choices, followed by attitude (risk tolerance). Knowledge alone has the weakest influence. This confirms that knowing is not the same as doing (Zenodo, 2025).

Summary of Findings for All Objectives

Objective	Finding
Objective 1: Evaluate financial literacy level	82.4% have high literacy (score 3/3)
Objective 2: Identify preferred instruments	Mutual Funds (43.9%) > Direct Equity (21.1%) > Gold/Silver (14.0%)
Objective 3: Relationship between literacy and preferences	Weak relationship; Mutual Funds popular across all literacy levels
Objective 4: Which component influences most	Behaviour (comparing products) > Attitude (risk tolerance) > Knowledge

4.1 Hypothesis Testing

Table 4.1: Chi-square Test for Financial Literacy (H_1)

Literacy Level	Observed (O)	Expected (E)	$(O-E)^2/E$
High	84	25.5	134.26
Moderate	14	25.5	5.18
Low	2	25.5	21.67
Very Low	2	25.5	21.67
Total	102	102	180.78

$\chi^2 = 180.78$
df = 3
$p < 0.001$
Critical value at $\alpha = 0.05 = 7.815$
Critical value at $\alpha = 0.01 = 11.345$

Conclusion
Reject $H0_1$
✓ Significant variation exists in financial literacy

Table4.2: Chi-square Test for Investment Preference (H_2)

Instrument	Observed (O)	Expected (E)	$(O-E)^2/E$
Mutual Funds	25	11.4	16.22
Direct Equity	12	11.4	0.03
Gold/Silver	8	11.4	1.01
Fixed Deposit	6	11.4	2.56
Others	6	11.4	2.56
Total	57	57	22.38

$\chi^2 = 22.38$
df = 4
$p < 0.001$
Critical value at $\alpha = 0.05 = 9.488$
Critical value at $\alpha = 0.01 = 13.277$

V. CONCLUSION

Reject $H0_2$
Significant preference exists (Mutual Funds dominant)

4.2.1 Interpretation
Chi-square tests were applied to examine the hypotheses. For financial literacy levels, the result ($\chi^2 = 180.3$, $p < 0.001$) indicates significant variation among respondents. Similarly, for investment preferences, the result ($\chi^2 = 22.4$, $p < 0.001$) shows a significant preference for specific instruments. Therefore, both null hypotheses are rejected.

VI. FINDINGS, RECOMMENDATIONS & CONCLUSION

5.1.1 Findings Related to Demographic Profile

1. The overall demographics is on the younger side with most respondents being between 21-24 years old and 22 years being the largest group (29.4%) (Primary Data).
2. The total number of respondents include 57.8% female and 42.2% male (Primary Data).
3. 87.3% of the respondents are postgraduate students and 100% among them are students (Primary Data).
4. 98% have no personal income, yet 55.9% still invest (Primary Data) (Indian Express, 2025).

5.1.2 Findings Related to Financial Literacy Levels (Objective 1)

5. 91.2% rate their financial knowledge as good (Primary Data) .
6. Actual knowledge of the participants is high:
   - 94.1% among them understand compound interest
   - 91.2% understand inflation
   - 96.1% understand diversification (Primary Data)
7. 82.4% scored perfect on knowledge questions showing high financial knowledge among Pune's youth (Primary Data).
8. Variation exists in literacy levels, supporting $H1_1$ (Primary Data).

5.1.3 Findings Related to Investment Preferences (Objective 2)

9. Instruments that are most preferred by the candidates include:
   - Mutual Funds: 43.9%
   - Direct Equity: 21.1%
   - Gold/Silver: 14.0%
   - Fixed Deposit: 10.5%

   (Primary Data) (Zenodo, 2025)
10. The reason behind their choices include:
    - Safety: 52.6%
    - High Returns: 40.4%

    (Primary Data) (Moneycontrol, 2025)
11. Clear preference for Mutual Funds supports $H1_2$ (Primary Data).

5.1.4 Findings Related to Relationship Between Literacy and Preferences (Objective 3)

12. High literacy group: 57.1% invest vs. moderate literacy: 50% invest which means they have a positive but modest relationship (Primary Data).
13. Mutual Funds are top choice across all literacy levels which shows a weak relationship between literacy and instrument preference (Primary Data).
14. Other factors (peer influence, social media) may matter more (Moneycontrol, 2025).

5.1.5 Findings Related to Components Influencing Investment Choices (Objective 4)

15. Only 7.1% difference between high and moderate knowledge groups which indicates weak influence (Primary Data).
16. 62.5% of risk-takers invest vs. 47.4% of risk-averse resulting in a 15.1% difference (Primary Data).
17. 67.6% of those who "always compare" invest vs. 33.3% who "rarely compare" resulting in a 34.3% difference (Primary Data).
18. Conclusion: Behaviour (comparing products) influences most, followed by attitude (risk tolerance). Knowledge alone has weakest influence (Primary Data).

5.1.6 Hypothesis Testing Summary

Hypothesis	Result	Finding
$H1_1$: Variation in literacy exists	Accepted	82.4% high, 13.7% moderate, 4% low
$H1_2$: Preference for specific instruments	Accepted	Mutual Funds top choice at 43.9%

(Source: Primary Data)

5.7. Recommendations

5.7.1 For Policymakers (RBI, SEBI)

1. Policymakers must design programs focusing on practical application, since only 36.3% "always" compare products (Primary Data), which might lead them in incurring losses.
2. Implement guidelines for social media financial advice as 56% of Gen Z follow them (Moneycontrol, 2025), a lot of times finfluencers

might give financial advice which can be biased or influenced by certain organizations.
3. Policymakers must conduct certified investor awareness programs in colleges (Moneycontrol, 2025).
4. Policymakers must create programs teaching calculated risk-taking for wealth creation (Business Standard, 2025).

5.7.1 For Educational Institutions
5. Educational institutions must add real life financial decision making in curriculum (Zenodo, 2025).
6. Educational institutions must help in building it a habit to compare products and disciplined investing (Primary Data).
7. Institutions must partner with SEBI, NSE for certified programs, this would improve the financial knowledge of the students as well as help them in making better financial decisions (Moneycontrol, 2025).

5.7.3 For Fintech Firms
8. 52.6% prefer safety over high returns, thus fintech firms must focus on providing products which are more focussed on providing safety to its customers (Primary Data) (YourStory, 2025).
9. Helping the 31.6% occasional investors build discipline is also one of the important tasks that the fintech firms must look into (Primary Data).
10. Address complexity concerns by simplifying the product, this would help in making it easier for the customers to invest and may as well help in maintaining investment discipline (74% nationally) (Moneycontrol, 2025).
11. Enable small-ticket investing like Deciml, this would reduce the risk of incurring losses which is especially important for the individuals you make investments but have no regular source of income (YourStory, 2025).
12. Embed learning modules in apps, helping the customers understand the basics of making investments which would enable them to make sound financial decisions (Moneycontrol, 2025).

5.7.4 For Young Investors
13. Always compare options before investing, this would help the investor to invest in the best asset that would give them the outcome they desire to achieve be it safety or growth (Primary Data).
14. New investors must begin investing with small amounts as small monthly investments beat occasional large ones (Indian Express, 2025).
15. Check finfluencer claims with official sources as the information given by them may be misleading or biased (Moneycontrol, 2025).

5.8. Conclusion

5.8.1 Summary
This study examined financial literacy and investment decisions among 102 youth aged 20-25 in Pune. Key findings:
- 82.4% scored perfect on basic concepts (Primary Data), This shows that the financial knowledge among the participants is on the higher side.
- Only 36.3% always compare products, which indicates that there is a gap between the knowledge and behaviour as despite having high financial knowledge the financial instruments are seldom compared. (Primary Data)
- 55.9% invest despite 98% having no income, which indicates a keen interest in making early investments. (Indian Express, 2025)
- Mutual Funds (43.9%) remains the most preferred financial instrument among the participants (Primary Data)
- Safety (52.6%) over high returns (40.4%) remains the primary motivation when making investment related decisions. (Moneycontrol, 2025)
- Only 39.2% take higher risk, which indicates lower risk tolerance among the participants. (Primary Data)

5.8.2 Hypothesis Testing

Hypothesis	Result
$H1_1$: Variation in literacy exists	Accepted (82.4% high, 13.7% moderate, 4% low)
$H1_2$: Preference for specific instruments	Accepted (Mutual Funds top at 43.9%)

(Primary Data)

5.8.3 Which Component Influences Most?

- Behaviour (comparing products): 67.6% invest vs 33.3% – 34.3% difference
- Attitude (risk tolerance): 62.5% invest vs 47.4% – 15.1% difference
- Knowledge alone: Only 7.1% difference

Conclusion: Behaviour influences most, knowledge alone least (Primary Data) (Zenodo, 2025).

5.8.4 Final Thought

Pune's youth are financially knowledgeable and eager to invest, but they need help applying their knowledge. Safety concerns and irregular habits hold them back. With better education, simpler products, and disciplined habits, they can make smarter investment decisions for their future (Indian Express, 2025) (Zenodo, 2025).

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