



## A STUDY ON INVESTMENT BEHAVIOUR OF YOUNG INVESTORS

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### ABSTRACT

India's financial landscape has undergone a quiet but significant transformation young people have started investing in large numbers, driven by smartphone-based platforms and an explosion of social media finance content. This study examines the investment behaviour of young investors in Bengaluru city, exploring their awareness levels, preferred instruments, motivations, risk perception, digital platform usage, and barriers to more active participation. Primary data was collected from 59 respondents aged 18 to 26 through a structured questionnaire and analysed using descriptive statistics and cross-tabulation. Key findings reveal that 81.4% of respondents are aware of investment options and 76.3% are currently investing; mutual funds and fixed deposits are the most preferred instruments; Zerodha and Groww dominate the digital investment landscape; and wealth creation is the primary investment goal. However, moderate-to-low risk tolerance is pervasive, only 15.3% invest with a long-term horizon, and fear of risk along with lack of knowledge remain the foremost barriers. Critically, social media is the dominant source of investment education for this cohort a finding with serious implications for decision quality. The study concludes that digital access has outpaced financial literacy, and that structured education, in-platform learning tools, and mentorship programs are urgently needed to help young investors move from awareness to informed, consistent action.

**Keywords:** *Investment Behaviour, Young Investors, Financial Literacy, Risk Tolerance, Digital Investment Platforms, Bengaluru, Behavioural Finance*

### 1. INTRODUCTION

Ask any group of college students in Bengaluru today whether they have a Zerodha or Groww account, and a surprising number will say yes. Something has genuinely changed in how India's young generation relates to money and to investing. Where earlier generations largely left financial matters to parents or waited until they had stable jobs and savings, today's 20 somethings are exploring SIPs,



mutual funds, and equity accounts while still completing their postgraduate degrees. This shift is remarkable and it raises an equally important question: are they doing it well?

The structural reasons for this change are not hard to identify. Smartphone-based investment platforms have removed virtually every barrier that once kept first-time investors away. Opening a demat account used to require visiting a broker and waiting days; today it takes ten minutes on a phone. Apps like Zerodha, Groww, and Upstox have made investing accessible and even intuitive. Add to this the flood of personal finance content on Instagram, YouTube, and WhatsApp groups, and you have a generation introduced to investing far earlier and more casually than any before it.

But accessibility is one thing; quality of decision-making is another entirely. Just because young investors can invest easily does not mean they are investing wisely. Are their choices grounded in genuine financial understanding? Do they have realistic goals and the patience to hold through market cycles? Or are many simply following what is trending in their social media feeds? These questions have real consequences for individual financial security and for the stability of the markets this generation is increasingly shaping.

Bengaluru was chosen as the study setting deliberately. As India's technology and startup capital, the city houses a large concentration of young professionals, premier-institution students, and a startup culture that has normalised conversations about equity, early financial independence, and portfolio building. The city's demographic profile young, educated, digitally connected, and exposed to financial culture in ways that most Indian cities are not makes it an ideal context for the questions this study asks. The findings from this setting carry implications that extend well beyond city limits.

Despite growing academic interest in Indian investor behaviour, most existing research has focused on salaried professionals, retirees, or the general urban retail investor not specifically on the 18 to 26 cohort as a distinct and rapidly growing segment. The role of digital investment platforms in shaping this generation has also remained underexplored. The present study addresses these gaps by focusing exclusively on young investors in Bengaluru, incorporating detailed analysis of digital platform preferences, and examining how knowledge sources, risk tolerance, and investment behaviour relate to each other within a single integrated framework.

## 1.1 Objectives of the Study

(i) To assess awareness of investment options among young investors.



- (ii) To identify preferred investment instruments and the reasons behind these preferences.
- (iii) To examine the motivations driving investment decisions.
- (iv) To analyse risk tolerance and preferred investment time horizons.
- (v) To evaluate the role of digital platforms in facilitating investment activity.
- (vi) To identify the key barriers preventing more active and informed investing.

## 2. LITERATURE REVIEW

Lusardi and Mitchell (2014), in their landmark study on financial literacy, demonstrated that individuals who understand core financial concepts are significantly more likely to invest in equities, diversify effectively, and build wealth over time. Critically, they found that knowledge gaps are most pronounced among younger people making financial education for this demographic not a peripheral concern but an urgent priority. Guiso and Paiella (2008) extended the analysis to risk tolerance, showing that risk aversion is shaped less by age than by current financial circumstances. A young person on a modest income with no emergency fund may rationally avoid equities not out of ignorance, but out of genuine economic vulnerability.

Barber and Odean (2000) offered a sobering counterpoint to investment enthusiasm: their research showed that overconfident investors who trade frequently actually earn significantly less than those who hold patiently. Younger investors are particularly susceptible to emotional trading, reacting to market news rather than staying a disciplined course. Sahi, Arora and Dhameja (2013) brought this into the Indian context, finding that psychological biases herding, overconfidence, and over-reliance on peer information strongly shape domestic investor behaviour. Their observation that many Indian investors act on social network signals rather than independent analysis is directly relevant to a study where over a third of respondents name social media as their primary investment education source.

Rooij, Lusardi and Alessie (2011) confirmed that limited financial literacy dramatically reduces stock market participation, pushing investors toward conservative instruments regardless of their age or time horizon. Kahneman and Tversky's (1979) Prospect Theory provides the most elegant explanation for why this conservatism persists: the psychological pain of a loss is roughly twice as intense as the pleasure of an equivalent gain. Young investors who theoretically should be taking more risk



consistently choose safety because the emotional cost of downside is more vivid and immediate than the abstract benefit of long-term compounding. SEBI's (2019) Investor Survey confirmed that young Indians are entering capital markets at scale but often without adequate understanding of risk, diversification, or the long-term nature of equity investing a pattern the present study directly examines.

## 2.1 Theoretical Framework

Three frameworks collectively anchor this study. The Theory of Planned Behaviour (Ajzen, 1991) explains investment decisions as the product of three interacting forces: personal attitude toward investing, subjective norms (what peers and family do and endorse), and perceived behavioural control (confidence in one's ability to manage investments). This framework captures the powerful social dimension of investing that purely economic models miss. Prospect Theory (Kahneman & Tversky, 1979) addresses loss aversion explaining why young investors choose fixed deposits over equities even when the rational long-term case for equities is clear. Financial Literacy Theory (Lusardi & Mitchell, 2014) grounds the study's most important policy implication: that knowledge is genuinely transformative, and that closing the financial literacy gap is the single most effective lever available to policymakers, educators, and platforms.

## 3. METHODOLOGY

This study adopts a descriptive research design. The goal was not to establish causal relationships but to map the current state of investment behaviour among young people in Bengaluru in a structured and systematic way. The approach is primarily quantitative, drawing on structured survey responses, with an open-ended question providing supplementary qualitative texture.

### 3.1 Sample and Data Collection

A structured questionnaire of 25 close-ended questions, divided into four sections demographic information, investment awareness and participation, investment behaviour and preferences, and perceived barriers and attitudes was distributed digitally via Google Forms. The target population comprised young individuals aged 18 to 26 in Bengaluru, including students, employed individuals, and self-employed persons. Convenience sampling yielded 59 valid, complete responses. All data was exported to Microsoft Excel for frequency counts, percentage distributions, and cross-tabulation analysis.



### 3.2 Research Hypotheses

H1: There is a significant relationship between investment awareness and active investment participation.

H2: There is a significant relationship between monthly income level and monthly investment amount.

H3: There is a significant relationship between the source of investment knowledge and the level of risk tolerance.

## 4. DATA ANALYSIS AND RESULTS

The analysis relies on frequency distributions, percentage comparisons, and cross-tabulation. Findings are presented thematically across seven dimensions: demographic profile, awareness and participation, knowledge sources, preferred instruments, objectives and horizons, risk behaviour, digital platforms, and barriers.

### 4.1 Demographic Profile

Table 1 summarises the key demographic characteristics of the 59 respondents. The sample is young, highly educated, and skews female a distribution that reflects both the convenience sampling approach and a genuinely encouraging trend of growing female engagement with personal finance.

**Table 1: Demographic Profile of Respondents**

Variable	Dominant Category	% of Respondents
Age Group	20–23 years	45.8%
Gender	Female	66.1%
Educational Level	Postgraduate	50.8%
Occupation	Employed	40.7%
Monthly Income	Rs 10,000 – Rs 25,000	37.3%

*Source: Primary Data*

### 4.2 Investment Awareness and Participation

A strong 81.4% of respondents are aware of investment options, and 76.3% are currently investing three in four young respondents are active market participants. The hypothesis testing for H1 is straightforwardly supported: of those who are aware, 93.8% currently invest, versus only 36.4% of those with limited awareness. This 57-percentage-point gap confirms that awareness is not a soft



indicator it directly and consistently translates into investment action. Most respondents (40.7%) have been investing for one to three years, suggesting that the pandemic-era digital investment boom was the entry point for a significant share of this cohort.

### **4.3 Sources of Investment Knowledge**

Social media is the dominant source of investment education, cited by 37.3% of respondents more than double the share attributing their knowledge to formal financial advisors or educational courses (each around 13–17%). This is one of the most concerning findings of the study. Social media is fast and accessible but lacks the accountability, structure, and context-sensitivity of quality financial education. Respondents who learned through formal channels showed noticeably higher risk tolerance and investment confidence in the data, partially supporting H3 and suggesting that the quality of the information source genuinely shapes the quality of investment behaviour.

### **4.4 Preferred Investment Instruments**

Table 2 presents respondents' preferred instruments, with multiple selections allowed.

**Table 2: Preferred Investment Instruments**

Investment Instrument	No. of Mentions	% of Respondents
Mutual Funds	28	47%
Fixed Deposits	28	47%
Stocks / Equities	20	34%
Gold	17	29%
Cryptocurrency	8	14%
Real Estate	5	8%

*Source: Primary Data*



Mutual funds and fixed deposits tie at the top, each cited by 47% of respondents. This pairing reveals a cohort that wants to grow money but is not yet comfortable with pure market exposure mutual funds offer managed growth, fixed deposits offer safety. Stocks (34%) and gold (29%) follow as secondary preferences. Cryptocurrency and real estate barely register, consistent with the low risk tolerance profile of the sample. The preference for SIP-friendly mutual funds is reinforced by platform design: apps like Groww have made mutual fund investing almost as simple as making a payment.

#### **4.5 Investment Objectives and Time Horizons**

Wealth creation is the dominant objective (40.7%), followed by savings for the future (32.2%), retirement planning (18.6%), and short-term gains (just 8.5%) a healthy distribution that confirms most respondents are not chasing quick profits. However, the time horizon data tells a more uncomfortable story: 49.2% prefer medium-term investing of one to five years, and only 15.3% are committed to more than five years. This creates a real tension. Wealth creation through market investments is fundamentally a long-term game the power of compounding demands patience over decades, not years. Young investors who exit positions within five years forfeit precisely the exponential phase of compounding returns that their age and time horizon uniquely make available to them.

#### **4.6 Risk Tolerance and Behaviour During Downturns**

Table 3 presents the risk tolerance levels reported by respondents.

**Table 3: Risk Tolerance Levels**

<b>Risk Tolerance Level</b>	<b>No. of Respondents</b>	<b>Percentage (%)</b>
Low	21	35.6%
Moderate	29	49.2%
High	9	15.3%



Total	59	100%
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*Source: Primary Data*

Nearly half the sample (49.2%) sits in moderate risk tolerance territory, which is broadly appropriate for a blended portfolio. More striking is that 35.6% report low risk tolerance more than one in three young investors consciously avoiding risk at the life stage when they arguably have the most capacity to absorb it. Only 15.3% describe themselves as high risk tolerance investors. This conservatism is mirrored in downturn behaviour: 50.8% would hold their positions (rational), 30.5% would sell during a market dip (a panic-driven response that typically locks in losses), and only 18.6% would invest more when prices fall the most financially sound of the three strategies, yet the least commonly chosen.

#### 4.7 Digital Platforms

Mobile apps are the preferred investment channel for 52.5% of respondents, followed by banks (30.5%) and traditional brokers (16.9%). An impressive 83.1% of respondents actively use an online investment application. Among app users, Zerodha leads at 61%, followed by Groww (49%), Upstox (35%), and Paytm Money (20%). The shift to mobile-first investing is essentially complete for this generation. Any financial education initiative that aims to reach young investors must meet them on these platforms not in classrooms or bank branches.

#### 4.8 Barriers to Investing

Table 4 captures the barriers respondents identified as obstacles to more active or confident investing.



**Table 4: Barriers to Investing**

Barrier	No. of Mentions	% of Respondents
Lack of Knowledge	29	49%
Fear of Risk	28	47%
No Guidance	18	31%
Lack of Funds	10	17%

*Source: Primary Data (Multiple Responses Allowed)*

Lack of knowledge (49%) and fear of risk (47%) are nearly equally cited as the primary barriers, and they are deeply intertwined people who do not understand how markets work are naturally afraid of them. Together they point to a single, addressable root cause: inadequate financial literacy. One in three respondents also cites the absence of guidance as a barrier, suggesting that access to a trusted advisor or mentor not just information is what many young investors actually need. Notably, lack of funds is the least cited barrier at 17%, confirming that the obstacles are primarily psychological and educational, not financial. H2 is supported: higher income brackets consistently correspond to higher monthly investment amounts, but the willingness to invest exists even at low income levels when knowledge and confidence are present.

## 5. DISCUSSION

The findings describe a young investor community in Bengaluru that is enthusiastic, digitally equipped, and broadly aware but conservative in risk-taking, short-sighted in time horizons, and heavily reliant on informal information sources. This is not a failure of the generation; it is a reflection of an environment where the infrastructure for investing has arrived well ahead of the education needed to use it wisely.

The heavy reliance on social media for investment knowledge is the most significant systemic concern the study surfaces. As Sahi et al. (2013) identified, Indian investors lean on social networks rather than rigorous analysis and smartphones have only amplified this tendency. Social media is not inherently poor as a financial education medium, but without structure, accountability, or regulatory oversight, it produces inconsistent and often misleading guidance. The contrast in the data is telling: respondents who learned through formal channels show meaningfully higher risk tolerance and decision-making confidence than those who learned through feeds and peer groups. Quality of information source matters enormously.



The conservatism in risk tolerance needs to be understood through both an emotional and a practical lens. Prospect Theory (Kahneman & Tversky, 1979) explains the emotional dimension: loss aversion is a universal human bias that makes the pain of loss feel twice as intense as the pleasure of equivalent gain. But Guiso and Paiella (2008) offer an equally valid practical explanation a young person earning Rs 18,000 a month with no financial buffer who puts money into equities is not being irrational; they are responding appropriately to genuine economic vulnerability. Building basic financial security emergency funds, stable savings may be a prerequisite to genuinely unlocking risk-taking capacity in this demographic.

The time horizon mismatch is perhaps the most consequential finding. Young investors who say they want to build wealth but plan to exit positions within one to five years are undermining their own goals. The mathematics of compounding reward patience above all else the greatest gains accumulate in the final years of a long holding period, precisely the years that short-horizon investors never reach. Communicating this clearly and concretely not just as a principle but as a vivid illustration of what consistent long-term investing actually produces could be among the highest-value financial education interventions available. The 84.7% willingness to learn more is the most optimistic data point in the entire study: this generation is not resistant to education. The appetite is there; the delivery mechanism is what is missing.

From a managerial standpoint, the findings carry several immediate implications for financial institutions and investment platforms. The data makes clear that mobile-first investment experiences are not optional for reaching this cohort they are the only viable channel. Beyond access, however, platforms have an untapped opportunity to function as financial educators. Features such as contextual learning prompts, risk profiling wizards, goal-based portfolio suggestions, and in-app financial literacy modules could significantly improve the quality of decisions being made by millions of young investors. The dominance of social influence in shaping investment choices cited by 51% of respondents as a key decision factor also points to an opportunity for community-based investment features: forums, peer portfolios, and social proof mechanisms that channel the existing social instinct toward more informed collective behaviour rather than uninformed herd-following.

## 6. CONCLUSION

This study examined investment behaviour among 59 young investors in Bengaluru through a structured questionnaire and descriptive analysis. The picture that emerges is of a generation genuinely



engaged with investing aware, digitally capable, and motivated by long-term goals but held back by knowledge gaps, risk fear, and a short-term orientation that contradicts their own stated ambitions. Three out of four respondents are currently investing; nearly all want to learn more. The infrastructure is in place. What is missing is the education to use it well.

The study's recommendations centre on five interventions. First, universities and financial institutions should develop structured, practical financial literacy programs for young adults covering instrument evaluation, risk-return trade-offs, and the mathematics of long-term compounding in ways that are concrete and personally relevant. Second, investment platforms like Zerodha and Groww should embed contextual learning directly into the investment experience guided explanations, in-app scenarios, and literacy tools that improve decision quality without requiring users to seek external education. Third, SIPs should be actively promoted as the default entry point for new investors, offering participation at low amounts with the discipline of regularity built in. Fourth, personal finance should be formally incorporated into academic curricula across disciplines not just commerce and management programs. Fifth, peer mentorship programs connecting first-time investors with more experienced ones can address the 31% who cite lack of guidance as their primary barrier, reducing fear through real-world exposure rather than abstract instruction.

Future research should expand the sample size and improve representativeness through random sampling. Longitudinal designs tracking the same cohort over five to ten years would reveal how investment behaviour evolves alongside income growth and life transitions. Comparative studies across Indian cities Bengaluru, Mumbai, Hyderabad would add important regional texture. And as social media becomes the de facto financial education channel for this generation, rigorous study of the quality and behavioural impact of that content is both overdue and urgently needed. The young investors of Bengaluru do not need to be convinced to care about their financial futures they already do. What they need is better knowledge, better guidance, and investment platforms willing to meet them where they are.

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