

Financial Literacy and Investment Decision-Making: A Study of Equity Investment Behaviour Among Young Professionals

Mr. Raj Kishor Mishra¹, Navin Ahlawat^{*2}

1SRM Institute of Science and Technology , Delhi NCR Campus Ghaziabad.

Email id :- rajkishp@srmist.edu.in

2Professor, SRM Institute of Science and Technology , Delhi NCR Campus Ghaziabad.

Email Id :- navins@srmist.edu.in

corresponding author - Navin Ahlawat

corresponding author Email id - navins@srmist.edu.in

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ABSTRACT:

Financial literacy is becoming more critical in an era where digital platforms have become more accessible and have introduced new products, biases and social media recommendations to the investor. This paper explores the issue of financial literacy and equity investment behavior of the young professionals in India using an integrative evidence-based design. It combines the theories from household finance, behavioural finance and financial literacy and gives a descriptive analysis of the published findings of the Securities and Exchange Board of India (SEBI) Investor Survey 2025. The evidence shows that there is a significant awareness-participation disconnect as 63% of Indian households are aware of at least one securities-market product while merely 9.5% invest in securities and 8.5% report having a demat account. Only about one-third of investors have high or moderate levels of securities-market knowledge. Increased engagement in markets is seen among more highly educated and salaried households, with Gen Z and Millennials outperforming older generations in current and future engagement in the market. Concurrently, peers, financial influencers and online community are key information sources. This paper proposes a conceptual framework that shows direct and indirect links between objective and subjective financial literacy and equity behaviour via risk tolerance, investment attitude, behavioural biases and information quality. It suggests specific education at the workplace and online on diversification, risk-return relationships, costs, leverage, verification and discipline in the long-term. The paper does not make any individual-level causal claims (as this cannot be done in published SEBI aggregates) and includes hypotheses for future primary-data testing.

Keywords: financial literacy, equity investment, young professionals, stock market participation, behavioural finance, India

Introduction

Over the last few years, India's financial landscape has undergone an incredible transformation due to mobile internet, e-KYC, app-based trading services, low-cost trading, systematic investment plans and a greater awareness of capital markets. In household-finance research, much of the participation cost

of these changes has eliminated the traditional participation costs identified in the literature, such as the search costs, account-opening frictions, and access barriers (Campbell, 2006; Haliassos & Bertaut, 1995). But increased convenience does not necessarily lead to improved investment choices. A young professional might be able to get into the market at a younger age, and frequently this is done on

digital platforms and apps that are easy to use, but can hide the risk, valuation, diversification and cost of frequent trades. Access and capability are key concepts in financial-literacy research (Huston, 2010; Lusardi & Mitchell, 2014; Remund, 2010).

Financial literacy can be defined as the knowledge and capacity to grasp concepts like inflation, compounding, diversification, risk and return balance, fees, and implications of debt and leverage, and use this knowledge for making decisions. A large literature has established that financial literacy is associated with a variety of outcomes related to retirement planning, household wealth, financial management, and stock market participation (Allgood & Walstad, 2016; Klapper et al., 2013; Lusardi & Mitchell, 2007, 2011; van Rooij et al., 2011b). But there is not only the mechanical relationship. Subjective confidence can be different from objective knowledge and can lead to an increase in trading intensity or in the risk of behavioural errors being made when the level of confidence is high with insufficient knowledge (Baker et al., 2019; Bannier & Schwarz, 2018). The question here is not, of course, whether knowledge is important in itself, but how literacy is related to attitude, perceived risk, social influence, digital information, and behavioural biases.

We have a need to focus on the young professionals group as their decisions carry long-term consequences, compounded by the years. Additionally, they constitute a group with increasing disposable income, high smartphone ownership, a better knowledge of digital financial services, and access to peers and online financial content. Education and motivation have been found to boost young adults' stock ownership, with interest and engagement being key factors in the outcome (Dong et al., 2023). Financial socialization, media, peers, financial self efficacy, risk tolerance and financial literacy also play an important role in financial management behavior of young professionals as per Indian research (Goyal et al., 2023). These characteristics, along with others, make young professionals a valuable

cohort to examine the intersection of informed investing and digitally-based speculation.

The Indian context however, has an interesting awareness-participation gap as well. According to SEBI Investor Survey 2025, 63% of households know about at least one securities-market product, while 9.5% of the households have securities-market products investments and 8.5% of households report having a demat account (Securities and Exchange Board of India [SEBI], 2026). According to the same report, just 36% of investors are classified as high or moderate in their level of securities-market knowledge. Salaried households and individuals with higher levels of education are much more likely to be securities-market penetrators, however, and Gen Z and Millennials make up the majority of prospective investors. The financial knowledge and financial decision processes are becoming increasingly important for the further development of retail participation which can be expected from these patterns.

The present paper thus focuses on four questions. The first question concerns the links between financial literacy and the participation in the equity market and the quality of equity investment, from a theoretical point of view. First, how is financial literacy theoretically and empirically related to equity-market participation and investment quality? Second, what psychological and social processes can reinforce or detract from this connection between the young professionals? Third, what do the recent nationally representative Indian data suggest for the opportunity and risk profile of younger and salaried market participants? Fourth, how should financial education look if its aim is not only to get people financially included but also better-informed in their financial decision-making? The paper makes two contributions. First, it brings together the classic evidence from household finance and behavioural finance, and second, it distinguishes between awareness and knowledge as well as involvement and participation and introduces a testable framework that can be applied in the primary survey of young professionals in India.

2. Literature Review

This course covers the concepts and principles related to financial literacy and applied financial capability.

Financial literacy has been conceptualized in a variety of related ways. Remund (2010) stresses financial literacy, financial communication, financial numeracy, financial decision making ability and financial planning confidence. A distinction between financial knowledge and financial literacy is made by Huston (2010) who suggests that financial literacy has an application aspect; individuals need to be able to apply their financial knowledge to real decisions. Lusardi and Mitchell (2014) also discuss financial literacy as an economically relevant form of human capital, which has the potential for influencing saving and portfolio choice, borrowing and retirement. This applied aspect is particularly pertinent in the context of equity investing, as the knowledge of diversification reducing idiosyncratic risk is not the same as actually creating a diversified portfolio and keeping it diversified during volatile markets.

Evidence has been remarkably consistent that there is a lack of financial literacy. Lusardi, Mitchell and Curto (2010) highlight key gaps for youths and Lusardi and Mitchell (2008) find gender differences in planning and financial knowledge. Similarly, Almenberg and Dreber (2015) argue that financial literacy accounts for gender gap in accessing the stock market, while Bannier and Neubert (2016) find that financial literacy and risk-taking work together to account for the gender gap in financial risk-taking. Bannier and Schwarz (2018) also demonstrate that these two measures of literacy and confidence are not correlated with financial wealth, and therefore, do not support the view that the former should be equated with the latter.

The behavioural aspects of literacy are also complex. Meanwhile, both perceived financial literacy and actual financial literacy have been established as having a relationship with financial behaviours, as noted by Allgood and Walstad (2016), and the downstream effects of financial

education can be smaller than presumed and do diminish over time as noted by Fernandes, Lynch, and Netemeyer (2014). These results suggest that a simple 'hit-and-run' approach to financial education is not likely to work. Financial learning can be more effective when it is in a timely fashion, focussed on decision, and related to actual financial decisions. Klapper, Lusardi and Panos (2013) demonstrate the impact of financial education on financial outcomes in times of economic difficulty, and Klapper and Lusardi (2020) are able to connect financial education with financial resilience by country. The implication for young professionals is that literacy should enable people to participate and to be resilient, that is, understand when they are losing money, to not sell, and to have appropriate asset allocation.

2.2 Financial Literacy and Stock-Market Participation

Many households have little or no equity even though the long-run return premium on risky assets has been observed in the stock-market-participation literature. This is a participation puzzle, as described by Haliassos and Bertaut (1995), and participation constraints are important and central issues in household finance, as Campbell (2006) stresses. Calvet, Campbell and Sodini (2007) provide an estimation of the welfare costs of household investment errors while Calvet et al (2009a, 2009b) demonstrate that there is financial sophistication and that investment mistakes can be substantial, as active portfolio rebalancing has a measurable cost. Christelis, Jappelli and Padula (2010) link cognitive skills to portfolio choice, thereby pointing to a link between cognitive capacities and participation.

In this literature, one of the strongest explanatory variables is financial literacy: The higher a household's level of financial literacy the more likely it is to be in the stock market, according to van Rooij, Lusardi, and Alessie (2011b). Using the stock-market participation data of the Indian retail investors, Sivaramakrishnan, Srivastava, and Rastogi (2017) demonstrate that both objective and subjective financial literacy are

important in explaining stock-market participation, but objective measures of financial literacy are more directly associated with actual stock-market participation. In the same way, Raut (2020) makes a relationship between Financial Literacy and past behaviour with investment decision making process of individual investors in India. Akhtar and Das (2019) build on the theory of planned behaviour in the context of the Indian stock-market and demonstrate that attitudes, and related behavioural antecedents, play a role in investment intention. The findings of these studies indicate that the influence of financial literacy is both in the cognitive aspect and motivation.

The social context is another factor that is important to consider. Two studies by Hong, Kubik and Stein (2004) and by Brown, Ivković, Smith, and Weisbenner (2008) demonstrate social interaction's effect on stock-market participation and community effects on participation decisions, respectively. Guiso, Sapienza and Zingales (2008) have shown that the trust of the community is significant for its willingness to join the stock market. A more recent view from the information channel is that of Hermansson, Jonsson and Liu (2022) who find that exposure to media enhances stock ownership and that financial literacy amplifies the impact of learning from the media. These results are highly applicable to a digital world with a large volume of investment information often of varying quality.

Motivation is the key to participation, but education can impact participation. Dong, Eugster and Nilsson (2023) conclude that business-school education leads to higher levels of stock ownership by young adults, especially among those with accounting- or finance-related interests. This implies that being exposed to concepts is not enough; the education needs to be relevant, have a degree of interest and provide opportunities for the learning to be put into practice. The Indian findings with regards to young professionals also reveal that financial socialization from parents, peers, media, self-efficacy and self-risk tolerance are correlated with

personal financial management behaviour (Goyal et al., 2023). Thus, for an emerging investor, one possible sequence of events is that exposure and education lead to knowledge, which then affects the perceived competence and risk assessment, which in turn affects intention, which affects market access, and, consequently, actual participation.

Describe the behavioural biases, risk tolerance and trading decisions.

Systematic psychological bias is also involved in equity investment decisions. Prospect theory holds that people compare gains and losses to a reference point, and are more likely to react to losses than to gains of similar size (Kahneman & Tversky, 1979). The disposition effect is observed in investors, with gains being realized faster than losses, as described by Shefrin and Statman (1985) and Odean (1998). De Bondt and Thaler (1985) offer early evidence that supports the idea of overreaction, while Barberis, Shleifer, and Vishny (1998) and Daniel, Hirshleifer, and Subrahmanyam (1998) present models that allow for investor sentiment, conservatism, and investor overconfidence to lead to underreaction and overreaction. The mental accounting and loss aversion are related to asset returns, as discussed by Barberis and Huang (2001).

Self-directed digital investing is a place where overconfidence is particularly important. Barber and Odean (2000) demonstrate that excessive trading is a bad strategy for individual investors, Barber and Odean (2001) relate overconfidence to differences in trading behavior between men and women, and Barber and Odean (2002) explore the impact of the Internet on investor behavior. Barber, Lee, Liu and Odean (2009) record some of the losses an individual investor can suffer due to trading. Likewise, overconfidence or sensation seeking is linked to increased trading volume by Glaser and Weber (2007), Statman, Thorley and Vorkink (2006) and Grinblatt and Keloharju (2009). Some investors have preferences similar to gamblers when choosing stocks as demonstrated by Kumar (2009). In aggregate this literature cautions that a state of financial confidence may be useful if it is

based on knowledge, but it may be detrimental if it is characterized as an overconfidence.

A second link is the concept of risk tolerance between literacy and behaviour. Grable (2000) has found that financial risk tolerance relates to demographic and financial variables, and Dohmen et al. (2011) have found that risk attitudes can be assessed, and can predict behavior in various domains. Guiso and Paiella (2008) show that risk aversion varies with wealth and background risk. In a direct link between financial literacy and risk perception and investment choice, Aren and Zengin (2016) find that greater understanding of financial literacy is associated with lower savings rates for households and higher rates for assets. The capacity to bear risk may be greater for young professionals than for older ones, but that doesn't necessarily mean the willingness. A well-informed professional can hold equity for long term investing and still have emergency liquidity; a less informed investor, who has a high degree of confidence, could hold concentrated or leveraged positions which are outside of the investor's real capacity to handle risk.

Diversification is also influenced by behavioural biases. Naive diversification is reported by Benartzi and Thaler (2001), who provide evidence that investors diversify without a consideration of the risk exposure of their choices. Grinblatt and Keloharju (2001) demonstrate that investors' attributes and historical investment results impact investment decisions. Baker, Kumar, Goyal and Gaur (2019) discover that financial literacy and demographic factors are associated with investor behavioural biases. Kumar and Goyal (2015) find that biases like overconfidence, anchoring, herding and disposition effects are pervasive in the investment decision making process. It suggests that factual questions should not be the only basis on which to assess financial literacy: Decision processes should also be measured by how investors think, act, and react to make decisions, using diversified, goal-consistent, and evidence-based decision processes.

Financial Socialization, Advice and Digital Information (2.4)

Financial guidance and socialization may have a dampening effect on investment mistakes or a magnifying one. However, financial literacy has been linked with demand for financial advice, which does not mean that providing advice is synonymous with making investors capable of doing so (Calcagno and Monticone 2015). Stolper and Walter (2017) summarise the relationship between financial literacy, financial advice and financial behaviour, and outline that the three are not the same. Non-cognitive features are also shown to be important, as in Gathergood (2012) who finds that self-control and financial literacy together are related to an outcome of financial problem. The study conducted by Sohn et al. (2012) shows that financial socialization agents, financial experiences and money attitudes are related to youth financial literacy. These are important for young professionals who may be learning about investing through their work colleagues, family, social-media influencers, financial applications, and their studies.

Trust and information quality are core as investors don't usually have the time to independently verify all the information claims they make. Guiso et al. (2008) demonstrate how low trust levels can deter participation but too high or wrong trust can also lead to a lack of quality advice. This conflict is reflected in the letter of the moment for investors from SEBI. Investors reported that they use the information from their friends, family, and colleagues, with 59% using it, followed by information from financial influencers, with 56%. Smaller percentages of investors reported using information from professional advisers and from market analysis reports or company analysis reports (SEBI, 2026). However, a lack in literacy can hinder participation because media learning is only helpful if it is coupled with literacy (Hermansson et al., 2022), which means that investors with poor literacy skills might not be able to identify sound analysis from persuasive materials.

From the literature, it is therefore concluded that there is a multi-dimensional model. Direct effects of financial literacy on participation are through reducing information-processing costs and increasing product familiarity. It has an indirect impact on behavior through the impact on risk perception, diversification, planning and confidence. Social influence and digital information can enhance learning, and can exacerbate herding and speculative behaviour. Behavioural biases can reduce the impact of the transfer of knowledge to a disciplined choice. The framework helps to understand why investors with the same income and access to various types of investments can make vastly different investment choices, and why young professionals aren't one size fits all. There may be significant differences in equity allocation due to education, income stability, family obligations, risk capacity, prior experience in the markets and sources of information.

The research gap, objectives, and research questions are presented in 2.5.

Despite the body of financial-literacy literature, four gaps warrant the targeted research of equity behaviour among young professionals. First, much of the evidence that underlies financial literacy focuses on financial literacy as a predictor of general household outcomes like retirement planning, wealth, debt management, or the presence of stock holdings. Some of these studies highlight the significance of literacy without necessarily separating out the quality of the equity decisions after entering the market. A young professional might be considered a stock-market participant if he or she has a very concentrated portfolio, trades too frequently, has overly high leverage, or follows untested tips from others. Participation should therefore be included in the dependent variable as should be decision quality. This paper seeks to fill this void by outlining the concept of equity behaviour in terms of participation, allocation, diversification, turnover, horizon, leverage, verification and rebalancing.

Secondly, there is a correlation between objective knowledge and subjective confidence, which is often not identical, but still related. Both

perceived and actual literacy are important (Allgood, Walstad 2016) and literacy and confidence are distinct (Bannier, Schwarz 2018). Research in behavioural finance suggests that confidence can turn into overconfidence, which leads to an over-trading behaviour (Barber & Odean, 2001; Glaser & Weber, 2007). Therefore, a model involving both objective and subjective literacy would be better for digitally-assisted retail investing than a single self-assessment measurement of literacy. The present framework explicitly considers a mismatch between knowledge and confidence as a possible indicator of overconfidence.

Third, we have had a change in information environment. While the past studies focused on the stock-participation process with fixed information costs and social interactions, the present ones are dealing with algorithmically presented videos, influencer videos, online communities, live notifications, and research tools in the apps. Hermansson et al. (2022) have found that learning channels and literacy are related, and SEBI (2026) reports the significant influence of peers and financial influencers among the investors in India. However, there are relatively few models of young-professional equity behaviour that include both literacy and source quality, social influence and equity behaviour bias in the same model. The proposed framework considers information quality as a contextual moderator, and rather than more information necessarily leading to better decisions.

Fourth, the Indian evidence indicates a disconnect between awareness, knowledge and participation which simply cannot be directly captured in the nationally-reported aggregates of these elements as they relate to salaried young adults. The results of the SEBI survey indicate that young professionals are crucial for investor education, as they are highly penetrated and have strong participation or intent among Gen Z and Millennials. In the published tables, age and occupation are reported separately, however. The present paper, therefore, presents the national evidence to set the empirical context, and makes

no ecological causal claims and proposes a respondent-level design for future testing.

The study aims to achieve five objectives: (1) to assess the conceptual link between financial literacy and equity investment behaviour; (2) to explore the mediating role of risk tolerance, investment attitudes, social influence and behavioural biases; (3) to describe the recent trend of equity investment behaviour among younger investors and salaried investors; (4) to formulate testable hypotheses and operational framework for a primary survey of young professionals; and (5) to develop an operational framework for a future primary survey titled 'Financial Literacy and Investment Decision Making: The Mediating Role of Investment Attitudes, Behavioural Biases, Social Interaction

and Risk Tolerance among Young Professionals in India'. Based on these goals, four research questions are proposed: How strong should the relationship between financial literacy and equity participation be? How strong should the relationship between financial literacy and decision quality be? How strong should the relationship between equity participation and decision quality be? How strong should the relationship between financial literacy and participation in equity be? How does literacy work? What can be expected from the current investing pattern of young professionals as emerging investors? What are the most effective and appropriate education and policy actions that are likely to translate to informed, resilient participation?

Table 1. Selected Empirical Literature and Relevance to the Present Study

Study	Key constructs	Main finding	Relevance
van Rooij et al. (2011b)	Financial literacy; stock ownership	Higher financial literacy is associated with greater stock-market participation.	Foundational evidence for H1.
Sivaramakrishnan et al. (2017)	Objective/subjective literacy; attitude; participation	Both forms of literacy influence intention; objective literacy is especially relevant to actual behaviour in India.	Supports separate objective and subjective measures.
Akhtar & Das (2019)	TPB constructs; investment intention	Attitudinal factors help predict intention to invest in Indian stock markets.	Supports attitude/perceived-control pathway.
Raut (2020)	Financial literacy; past behaviour	Literacy and prior behaviour influence individual investment decision-making.	Supports behavioural persistence and H1.
Goyal et al. (2023)	Socialization; psychology; literacy; young professionals	Financial socialization, self-efficacy and risk tolerance are related to financial management behaviour.	Direct relevance to Indian young professionals.
Dong et al. (2023)	Business education; motivation; stock ownership	Business education increases young adults' stock ownership, particularly among motivated students.	Supports targeted rather than generic education.
Hermansson et al. (2022)	Learning channels; literacy; stock participation	Media learning and financial literacy jointly influence stock-market participation.	Supports information-quality moderation.

Baker et al. (2019)	Literacy; demographics; behavioural biases	Financial literacy and demographic variables are related to investor biases.	Supports H5.
Barber & Odean (2000)	Trading intensity; investor performance	High trading activity can reduce individual-investor performance.	Decision quality should include turnover, not only participation.
Bannier & Neubert (2016)	Literacy; risk tolerance; gender	Financial literacy and risk tolerance jointly shape financial risk-taking.	Supports H3 and heterogeneity.
Calcagno & Monticone (2015)	Literacy; financial advice	Financial literacy influences demand for financial advice.	Advice complements rather than fully replaces literacy.
Klapper & Lusardi (2020)	Financial literacy; resilience	Literacy is associated with financial resilience across countries.	Links literacy to downside preparedness.

3. Conceptual Framework and Hypotheses

The conceptual model builds on the human-capital reasoning, theory of planned behaviour, and behavioural finance. Financial literacy is viewed as a human capital that can be instrumental in making decisions: the learning and use of financial knowledge can lower the fixed cognitive costs of entering markets and assessing alternatives (Lusardi & Mitchell, 2014; van Rooij et al., 2011b). The theory of planned behaviour extrapolates that knowledge might not produce the act, as attitudes, perceived behavioral control and social norms form the intention and act. The relevance of these mechanisms of attitude was corroborated by Indian evidence on intention to invest (Akhtar & Das, 2019; Sivaramakrishnan et al., 2017). Now, behavioural finance helps answer the question why even the well-educated investors may make sub-optimal decisions due to mental accounting,

overconfidence, loss aversion, and herding (Barberis & Huang, 2001; Kahneman & Tversky, 1979; Kumar & Goyal, 2015).

It is proposed that financial literacy is positively associated with equity investment behaviour, which is broadened to include participation, an appropriate allocation, diversification, long-term orientation and disciplined monitoring. There are some partial mediators, such as investment attitude and risk tolerance, which literacy could make more understandable but which do not necessarily reduce risk aversion. Behavioural biases are inhibitors – overconfidence can lead to stock turnover, loss aversion can lead to delayed loss realization or panic selling, and herding can focus attention on ‘hot stocks’. The contextual moderator is digital and social information quality. Literacy can be enhanced by good information, and by bad information. The model is summarised in figure 1.

Conceptual Model of Financial Literacy and Equity Investment Decision-Making

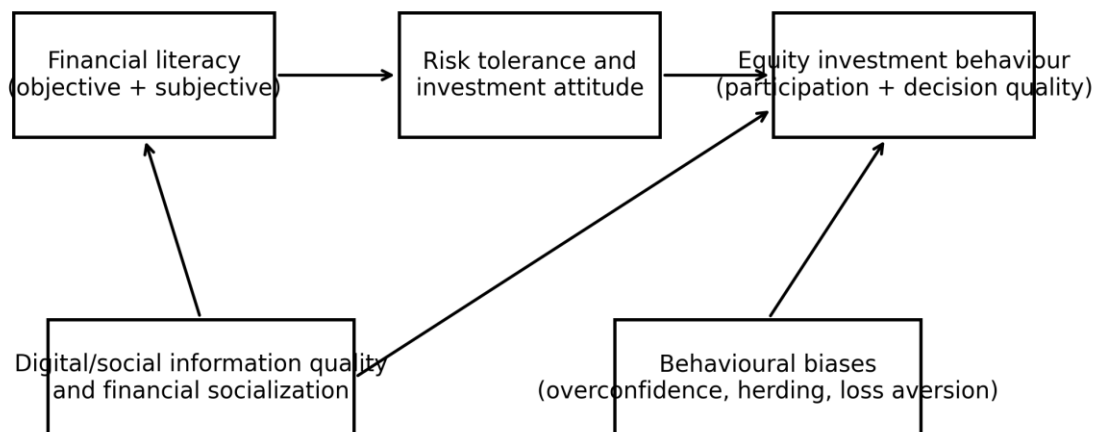


Figure 1. Conceptual framework linking financial literacy to equity investment behaviour.

Note. Developed by the author from financial-literacy, planned-behaviour, and behavioural-finance literature.

Table 2. Hypotheses for Primary-Data Validation

Hypothesis	Statement
H1	Objective financial literacy is positively associated with equity participation and disciplined equity investment behaviour.
H2	Subjective financial literacy is positively associated with participation, but confidence that exceeds objective knowledge is associated with excessive trading.
H3	Financial risk tolerance partially mediates the relationship between financial literacy and equity investment behaviour.
H4	Investment attitude and perceived behavioural control mediate the relationship between financial literacy and investment intention/behaviour.
H5	Behavioural biases (overconfidence, herding, loss aversion, disposition effect) weaken the positive association between literacy and decision quality.
H6	High-quality, verifiable information strengthens, while unverified social recommendations weaken, the literacy-decision-quality relationship.
H7	Financial education and constructive financial socialization are positively associated with objective financial literacy.
H8	The positive relationship between literacy and equity participation is stronger when investors have stable disposable income and adequate emergency reserves.

4. Methodology

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Table 3. Suggested Operationalization for a Future Young-Professional Survey

Construct	Illustrative indicators	Measurement approach
Objective financial literacy	Correct answers on inflation, compounding, diversification, risk-return, fees, market mechanics	Knowledge score / index
Subjective financial literacy	Self-rated financial knowledge and investing confidence	Likert scale
Risk tolerance	Comfort with volatility and uncertain returns, adjusted for financial capacity	Validated risk-tolerance scale
Investment attitude	Evaluation of equities as useful, suitable and worthwhile for long-term goals	TPB-based Likert scale
Behavioural biases	Overconfidence, herding, loss aversion, disposition, anchoring	Multi-item bias scales
Information quality	Use and verification of regulated/professional sources vs unverified social recommendations	Source-use and verification index
Equity investment behaviour	Participation, allocation, diversification, turnover, leverage, horizon, rebalancing	Composite behaviour-quality index

5.

Results of the Secondary Evidence Analysis

The first one is the size of the awareness-participation gap. According to the SEBI report (2026), 9.5% of Indian households are invested

in securities-market products, and 8.5% of the households have a demat account. The participation/demat ratio (based on awareness) is about 15.1%, while the demat/participation ratio

is about 13.5%. These statistics are not single transition rates, they are also an indication that awareness is not the same as informed participation. This distinction is reinforced by the knowledge evidence: just over 36% of investors are considered to have high or moderate securities-market knowledge, suggesting that investors may participate in the securities market before gaining more in-depth knowledge.

The second is regarding the intersection of professional employment and education and market participation. Securities-market penetration for salaried households is 23% while the national average is 9.5%. This is approximately twice the national rate. There is also relatively high participation among the self-employed and business households, with 17% and 15%, respectively. There are also significant educational gradients: 27% of postgraduates report participation; 19% of graduates report participation; 8% of those with some college but who never graduated actually participate; and 3% of those educated only until tenth standard actually participate. These patterns are consistent with the hypothesis that the combination of income stability, education and financial ability all lower market barriers.

The third is related to age cohorts. The overall securities-market participation among the Gen Z, Millennials, Gen X, and Silver Generation is 9%, 11%, 8%, and 6%, respectively. Approximately 5% (Gen Z); 6% (Millennials); 4% (Gen X); and 3% (Silver Generation) of participants in the study are directly involved in the stock/shares of their companies. Millennials are also the most likely to participate in mutual funds/ETFs. The generational pattern is shown in figure 2. The values do not point to a particular generation of employed professionals, but suggest that the younger group is as engaged, if not more engaged, than the older groups.

The evidence in the forward direction is even stronger. Within households planning to invest, Gen Z makes up 56%, Millennials 35%, Gen X 8% and Silver Generation 1% (SEBI, 2026). So Gen Z and Millennials make up 91% of the

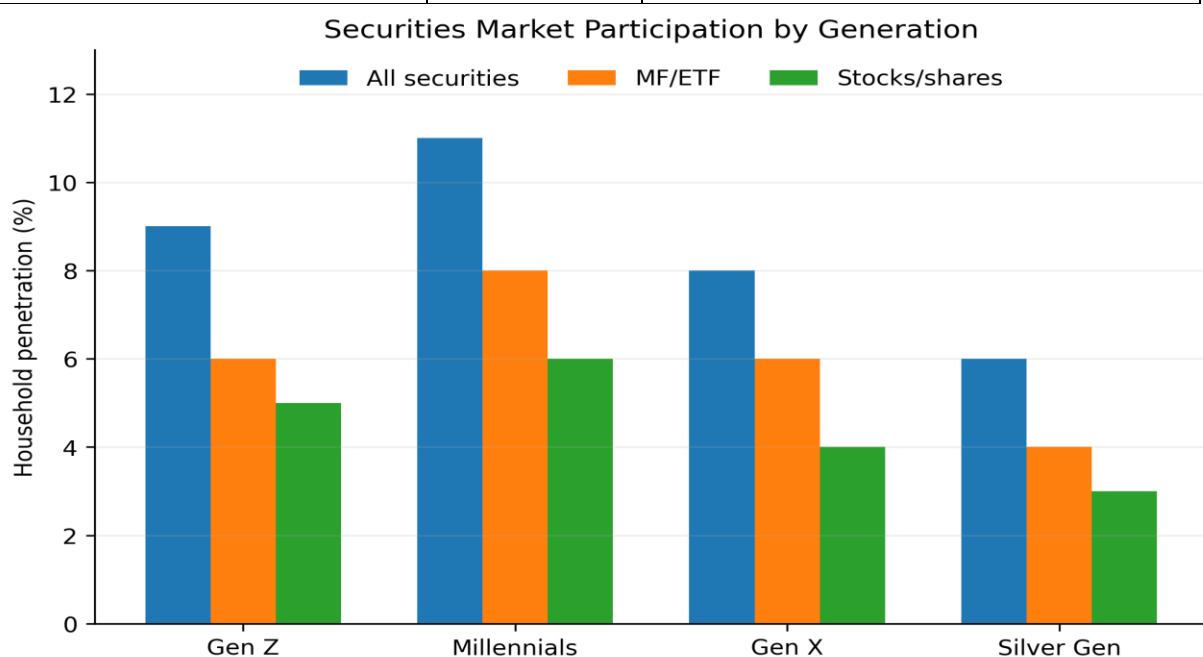
intenders. This is not to say that 91% of all youth plan to invest, but that it is a huge segment of youth who are turning into potential investors. The discovery is very relevant to investor education because it is likely that the next generation of participators in the market will be digital and have been surrounded by fast and socially shared information.

The fourth result is the structure of information acquisition. Fifty-nine percent of investors receive information from friends, family and colleagues, 56 percent from financial influencers, and 34 percent from online investment communities. About a quarter are using financial news and blogs, one-quarter are using financial professionals, one-quarter are using market/company analysis reports, and one-fifth are using formal educational resources or official market websites. The hierarchy points out the importance of informal and digital sources, rather than formal professional sources. There is also a strong credibility and influence given to influencers, according to SEBI. The financial-literacy challenge, then, is not that young investors have a lack of information consumption, but that they lack the ability to assess (investigate) information incentives, evidence quality, suitability, and risk disclosures.

The descriptive results are consistent, although do not prove, with the proposed model when combined. Participation is higher among those with higher education and among those who are salaried. Younger cohorts are the ones who are more likely to intend to invest; and social and digital sources are the dominant information sources. Meanwhile, a small percentage of investors have high or moderate knowledge. As a result, there is a policy challenge: As market access and interest grow, so does demonstrated knowledge. The right objective is not just to maximize the number of demat accounts, but to boost the investor base having an understanding of the concepts of diversification, time horizon, volatility of investments, fees, leverage, fraud risk, and the distinction between investing and short-term speculation.

Table 4. Key SEBI Investor Survey 2025 Indicators Used in the Analysis

Indicator	Reported value	Interpretation for the present study
Awareness of at least one securities product	63%	Broad awareness is not equivalent to participation.
Households investing in securities products	9.5%	About 15.1% participation-to-awareness ratio (derived aggregate).
Households with demat accounts	8.5%	Digital access remains much lower than awareness.
Investors with high/moderate knowledge	~36%	Many active investors still have limited securities-market knowledge.
Salaried household penetration	23%	About 2.42× the national participation rate.
Graduate / postgraduate penetration	19% / 27%	Strong education gradient in participation.
Gen Z / Millennial stock-share participation	5% / 6%	Younger cohorts show comparatively strong direct-equity participation.
Gen Z + Millennials among intending investors	91% (56% + 35%)	Prospective investor pool is overwhelmingly young.
Peers as information source	59%	Informal social learning is highly influential.
Financial influencers as information source	56%	Digital source-evaluation skills are critical.

**Figure 2. Securities-market participation by generation.**

Note. Values are household penetration percentages reported in SEBI Investor Survey 2025. The report defines Gen Z as ages 18–28 and Millennials as ages 29–44.

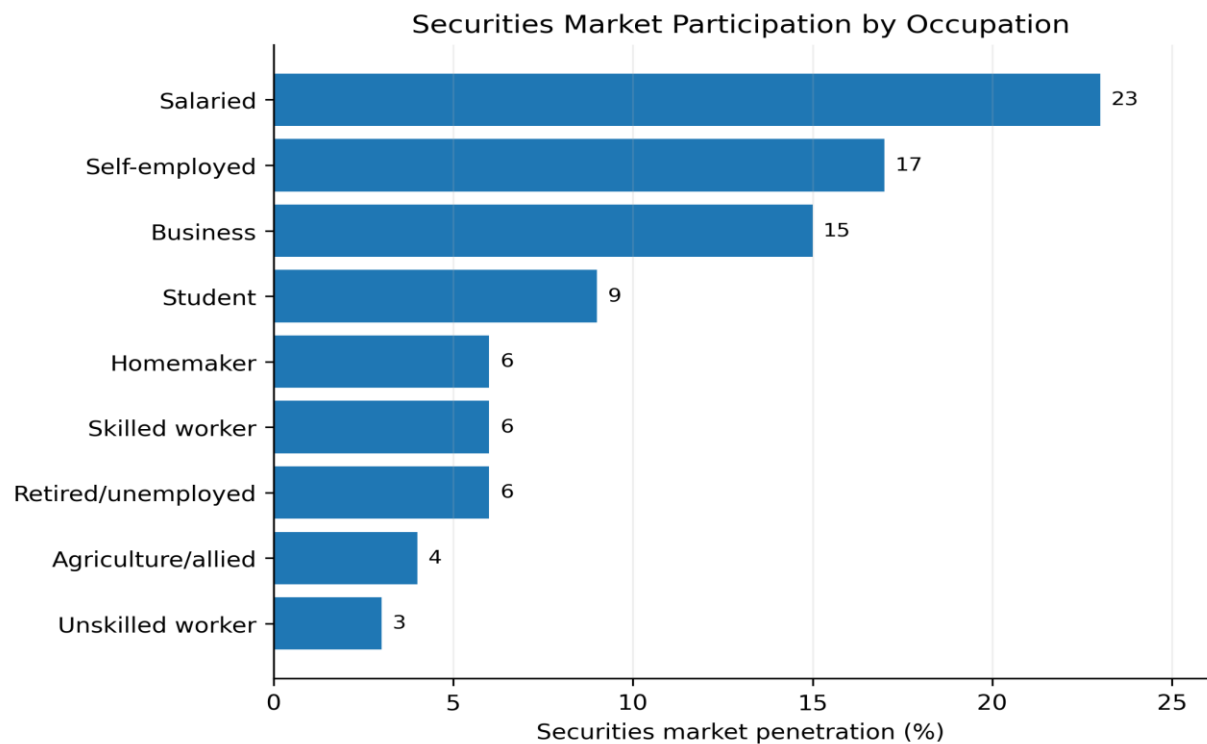


Figure 3. Securities-market participation by occupation.

Note. Values are household penetration percentages reported in SEBI Investor Survey 2025. Salaried households show 23% penetration versus a 9.5% national average.

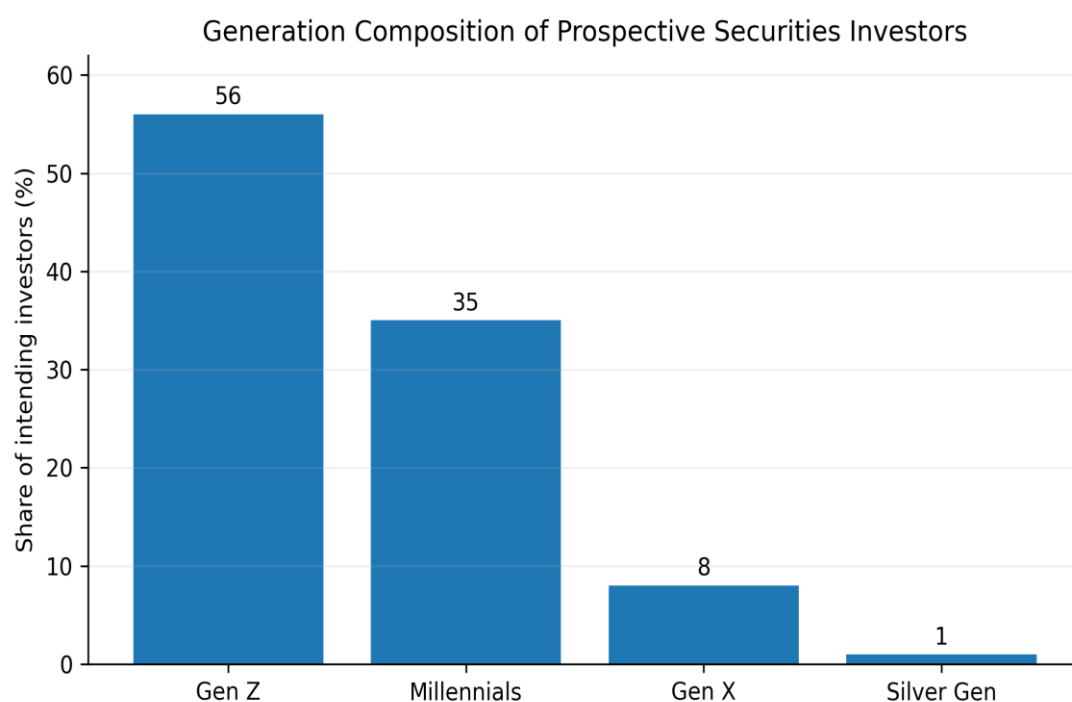


Figure 4. Generation composition of intending securities-market investors.

Note. Shares are the composition of the intender pool, not the percentage of each generation intending to invest. Source: SEBI Investor Survey 2025.

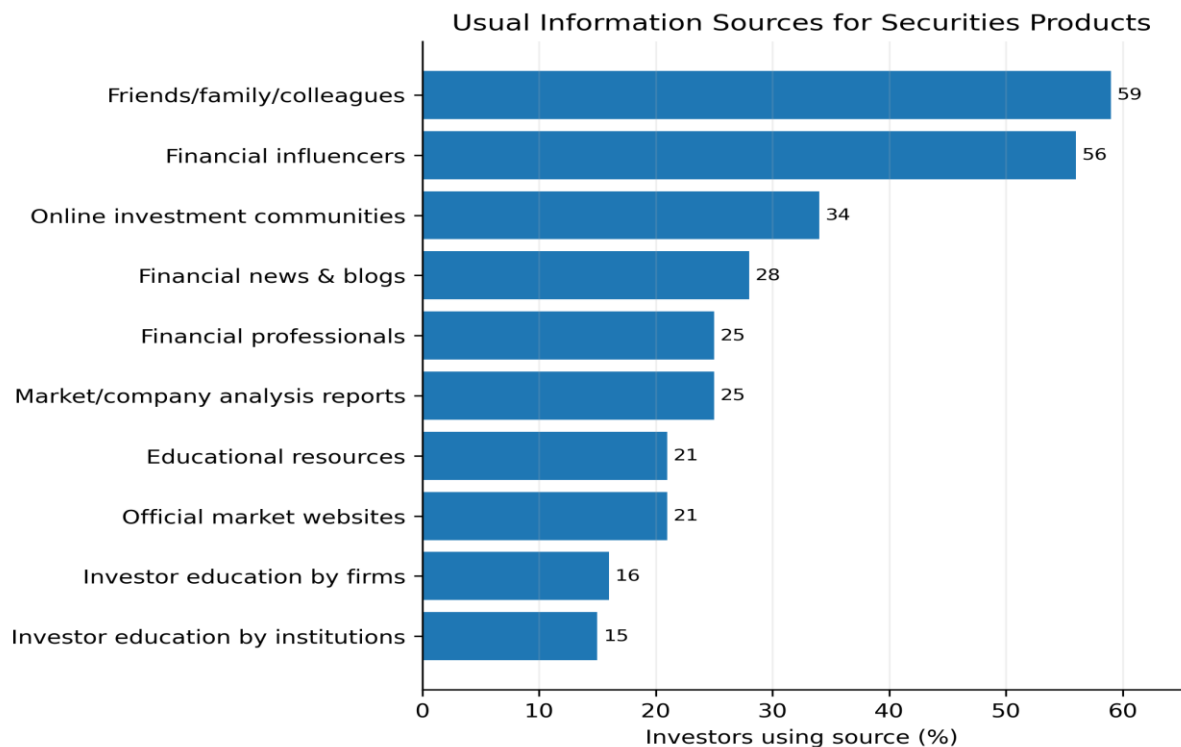


Figure 5. Usual information sources for securities-market products.

Note. Percentages refer to investors reporting each source; multiple responses are possible. Source: SEBI Investor Survey 2025.

6

. Discussion

The results need to be interpreted by the division of the quantity of participation and decision quality. First, fixed-participation costs, second, information costs, and third, cognitive constraints (Campbell, 2006; Haliassos & Bertaut, 1995) stand out in traditional household-finance models. Many of these barriers have been reduced by digital financial infrastructure, particularly for salaried, educated, urban and younger. The increase in securities-market penetration for salaried households and the prevalence of Gen Z and Millennials in the group of potential investors align with this decline in access costs. Nevertheless, the percentage of investors with high or moderate knowledge was also low, suggesting that participation costs in terms of technology may have decreased at a rate faster than the participation costs in terms of cognition.

This is also consistent with financial-literacy research: van Rooij et al. (2011b) find that literacy is associated with market entry decisions and Sivaramakrishnan et al. (2017) find that objective literacy has a particularly strong link to market behaviour in India. While the SEBI evidence doesn't directly measure this relationship, the apparent high level of awareness and low level of knowledge and confidence, combined with low risk tolerance, hint at a likely mechanism: people have heard that there are market products, but they don't believe they have enough knowledge, confidence, or risk tolerance to participate. Others might be involved in a more straightforward digital platform, without a well-developed conceptual base. Different interventions are needed for both groups. A range of support and education, including foundational literacy and trust-building, may be required for those who do not participate, and

portfolio, risk and behaviour based education for active but low-knowledge investors.

There's an additional layer of importance on social and social digital information. Reducing information costs through social interaction can be an acceptable way to promote investment and normalizing it (Brown et al., 2008; Hong et al., 2004), and media learning can enhance participation in combination with financial literacy (Hermansson et al., 2022). But the same network effects can foster herding or intensify influential, but less-than-comprehensive advice. Young professionals may be particularly affected by their peers in the workplace as they may have similar financial situations, tax obligations, and career phases. So the information from peers can seem very relevant even if the risk preferences, liabilities, goals or time horizons are very different. Fundamental financial education should now include a 'suitability filter', and the investor needs to ask if a recommendation is suitable for their particular cash-flow requirements, emergency funds, concentration risk and investment time horizon.

Errors cannot be eliminated by knowledge alone – that is the nature of behavioural finance. Loss aversion can magnify these losses when the market declines (Kahneman & Tversky, 1979); psychological reasons might cause investors to hang on to losing portfolios (Odean, 1998; Shefrin & Statman, 1985); and overconfidence could increase turnover (Barber & Odean, 2000, 2001; Glaser & Weber, 2007; Statman et al., 2006). These biases can be more easily expressed on a digital platform due to the closer proximity of price alert, real-time profit and loss, zero-commission or low commission interface, and frictionless order entry to emotion. A literate investor is not immune to being biased, but he or she should be able to put some of the rules into practice that can curb impulsive behaviour (diversification, rebalancing, position limits, predetermined time horizons).

But, risk tolerance should also be distinguished from risk capacity. Whereas it is assumed that young professionals have longer time horizons, they will likely have fewer job securities, liabilities,

family obligations, emergency savings, and short-term goals. Grable (2000), Dohmen et al. (2011) and Guiso and Paiella (2008) demonstrate that risk attitudes are influenced by personal and economic characteristics. Improving literacy can improve the risk interpretation without boosting risk appetite. Indeed, increased knowledge may sometimes diminish speculative exposure by accentuating downside scenarios. This explains why the sole measure of the effectiveness of a high-quality financial-literacy intervention is not an increase in the amount of money participants invest in stocks. It should be judged on the following: Allocations become more suitable, more diversified, more goal-consistent and more resilient.

The findings also substantiate the financial education at work as a vehicle for delivery. There is a high rate of participation in salaried households, and young professionals can access work communication systems, benefit platforms and peer networks multiple times. Employers can thus provide financial education right at the point of decision: first salary, tax filing, allocation of bonuses, saving for retirement, insurance, and major life changes. Fernandes et al. (2014) warn, however, against presuming there is a significant and enduring behavioural impact of generic education. Workplace programs should be brief, regular and scheduled to coincide with decisions, not one program a year. Topics to be included in modules might be related to the risk associated with inadequate emergency funds, comparing costs of debt to stocks and bonds, compounding, inflation, diversification, equity versus fixed income investments, transaction costs, leverage, tax considerations, fraud prevention, or assessing claims from social media.

Digital education needs to be as intentional. According to data from SEBI, social media and mobile channels are chosen platforms for investor education while Gen Z are definitely more inclined towards video. This means that the space of digital should not be given over to promotional content by regulators, exchanges, employers, universities, and responsible financial institutions. Calculators, checklists, primary

sources and risk warnings can be useful adjuncts to short-forms that convey meaningful concepts. The objective should be 'just-in-time literacy' – when an investor comes across a product or strategy, he or she should receive education on how the product or strategy will generate returns, what can go wrong, what costs are involved, how liquidity works and how the product or strategy fits into a diversified plan.

There is also a need to address gender gap and confidence gap. Almenberg & Dreber (2015), Bannier & Neubert (2016), and Barber & Odean (2001) show that there are systematic gender differences in financial knowledge, risk taking, and overconfidence. These findings should not be seen as 'traits'. Rather, they propose that interventions need to be able to differentiate low confidence from low capability, and overconfidence from real expertise. Financial education for less confident investors should help them become competent without inducing them to take on inappropriate risks, and for the more confident investors: to test their assumptions, to compare results after costs and to employ decision checklists.

The hypotheses presented in the paper are therefore still viable and can be tested, but cannot be separated or adjudicated by the data presented in the current paper. Future primary research would benefit from obtaining the respondent-level measures and estimating a structural model

(or hierarchical regression). Objective literacy and subjective literacy have to be entered separately and a knowledge-confidence mismatch score may indicate overconfidence. Some factors such as risk tolerance, investment attitude, financial self-efficacy, social influences, quality of information sources, and behavioural biases may be included as mediators or moderators. Participation and quality indicators should be used to measure equity behaviour, and not the assumption that "the more you trade, the better you invest. If portfolio data can be accessed, some outcomes can be diversification, turnover, concentration, drawdown behaviour and risk adjusted performance.

The policy message is that financial literacy serves two main functions: it protects investors and it is a participation mechanism. The capacity for households to select securities with confidence provides a benefit to market development, which can become a vulnerability if they participate in markets with poor understanding, such as those for scams, leverage, and speculation. The data from the SEBI indicates that there is not simply an information gap in the country, as a majority of households are aware of securities products, but a lack of understanding among many active investors as well. It has a problem converting its capability – from awareness to knowledge, knowledge to appropriate action, and action to resilient long-term behaviour.

Table 5. Practical Implications for Young Professionals and Investor-Education Stakeholders

Stakeholder	Recommended action
Young professionals	Use goal-based asset allocation; maintain emergency reserves; diversify; limit leverage; track costs and turnover; verify recommendations.
Employers	Offer recurring workplace financial-wellness modules timed to salary, bonus, tax, retirement, and benefit decisions.
Regulators/exchanges	Prioritize just-in-time digital education, influencer verification, risk warnings, calculators, and fraud-prevention education.
Financial platforms	Embed suitability prompts, diversification indicators, cost disclosures, cooling-off friction for leveraged/high-risk products, and educational links.
Universities/professional bodies	Integrate applied investing, behavioural finance, and source-evaluation skills into early-career financial education.

7. Conclusion

The paper explored the financial literacy determinants of equity investment decision making among young professionals, by synthesising existing theory and current empirical evidence from the Indian securities market. The literature indicates that financial literacy is linked to financial planning, wealth creation, financial resilience, and investment in the stock market, but this effect is mediated by self-confidence, attitude, risk tolerance, social influence, and behavioural biases. In the Indian context, these mechanisms are particularly relevant since with ease of access to the market the quality of information is not uniform.

The Investor Survey 2025 by SEBI gives us a clear empirical background. Securities product awareness is significantly higher than product participation and very few investors can be described as having high or moderate knowledge of the securities market; households that are salaried or highly educated participate at a significantly higher rate; and Gen Z and Millennials make up the bulk of the prospective-investor population. Investment learning is heavily reliant on informal and digital channels of information such as peers and financial influencers. These patterns embody a perspective on financial literacy as an applied skill or capability, not just awareness.

So it's best to teach young professionals about the economy through practice and action. It should impart the knowledge of how to gauge their risk capacity, diversify, manage costs, check for information, differentiate between investing and speculating, analyze leverage, and sustain discipline through volatility. These skills can be further strengthened in a meaningful way by repeated interventions at decision points, rather than an annual awareness campaign.

The major drawback is that the SEBI results that are publicly reported are cumulative and do not capture a subsample of respondents that meet an age range criterion and a professional-employment criterion. The present study makes no causal estimates, and does not accept hypotheses. Future research should directly survey young professionals conducting tests of the proposed eight hypothesis model with validated financial-literacy, risk-tolerance, and behaviour-bias measures, as well as investment-behaviour measures. This type of work would allow us to differentiate between informed involvement and the convenient involvement and give us a solid proof base for investor education in India's growing retail equity market.

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