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Financial Literacy And Its Impact On The Financial Decision-Making Of Generation Z: A Case Study Of Ranchi District, Jharkhand

SONAL SUHAWANI SAHU

Dr. Anirban Gupta

Dr. Ajay Kumar

Department of Commerce

St. Xavier's College, Ranchi

ABSTRACT

Financial literacy has emerged as an increasingly vital competency in the context of a rapidly evolving financial ecosystem, particularly for younger generations who face complex decisions regarding savings, budgeting, investments, and digital financial tools. This study examines the level of financial literacy among Generation Z individuals residing in Ranchi District, Jharkhand, and investigates how it influences their financial decision-making behaviour. The research focuses on specific dimensions, including digital payment usage, social media influence, investment awareness, savings habits, and budgeting practices. Using a descriptive research design, primary data were collected from 100 respondents through a structured questionnaire administered using convenience sampling. Secondary data were drawn from published literature, government reports, and prior scholarly studies. The percentage method was employed for data analysis, complemented by hypothesis testing. Key findings indicate that while the majority of Gen Z respondents in Ranchi use digital payment platforms regularly, their awareness and participation in formal investment instruments remain limited. Social media influences basic financial awareness but does not significantly translate into disciplined financial behaviour. The study concludes that there exists a substantial financial literacy gap among Gen Z in Ranchi, and that targeted financial education programs integrated with digital financial tools are essential to bridge this gap. The research contributes to the growing body of literature on youth financial literacy in Tier-2 Indian cities and offers practical recommendations for policymakers, educators, and financial institutions.

Keywords: Financial Literacy, Generation Z, Financial Decision-Making, Digital Payments, Investment Awareness, Ranchi District, Jharkhand

1. INTRODUCTION

1.1 Background of the Study

The concept of financial literacy has received considerable scholarly and policy attention in recent decades, particularly as economies become more complex and financial products more diverse. Financial literacy, broadly understood as the ability to understand and effectively use financial knowledge and skills to make informed and confident financial decisions, is no longer considered a supplementary life skill but a fundamental requirement for economic participation and personal well-being. For younger generations entering a world shaped by digital transformation, evolving employment patterns, and heightened financial risks, the need for sound financial knowledge has never been more pressing.

Generation Z, commonly defined as individuals born between 1997 and 2012, represents a distinctly different financial cohort compared to their predecessors. Unlike Millennials who adapted to digital tools, Gen Z individuals have grown up as true digital natives, for whom smartphones, social media platforms, and online financial applications are deeply embedded in their everyday lives. Their financial behaviours and attitudes are shaped not only by traditional factors such as family background, education, and institutional access, but also by digital ecosystems, peer influence through social media, and exposure to financial content in informal digital spaces.

1.2 Statement of the Problem

In India, the financial landscape has undergone a dramatic shift over the past decade. The proliferation of Unified Payments Interface (UPI) and mobile wallets has made digital payments a daily reality for millions of young Indians. Government schemes such as Pradhan Mantri Jan Dhan Yojana and the expansion of SEBI's investor education initiatives have broadened financial inclusion. Yet, survey evidence consistently indicates that financial literacy levels, particularly among youth in Tier-2 and Tier-3 cities, remain inadequate, especially in areas of investment understanding, risk management, and long-term financial planning (NCFE, 2020; SEBI, 2020).

Despite growing digital engagement, a significant gap persists between financial awareness and practical financial behaviour among Gen Z in non-metropolitan regions.

1.3 Significance of the Study

Ranchi District in Jharkhand presents a particularly compelling context for this study. As the capital city of a mineral-rich but economically developing state, Ranchi has witnessed significant growth in its urban population, educational institutions, and young workforce. Institutions such as St. Xavier's College, BIT Mesra, and Xavier Institute of Social Service attract a substantial population of young students and early-career professionals increasingly exposed to digital financial tools. Despite this, financial literacy remains uneven, and investment participation among young people is largely limited to savings accounts and fixed deposits, with minimal engagement in equity markets, mutual funds, or systematic investment plans. This study contributes to the growing body of literature on youth financial literacy in Tier-2 Indian cities and offers practical recommendations for policymakers, educators, and financial institutions.

1.4 Scope of the Study

This study examines specific dimensions of financial literacy among Gen Z in Ranchi, including digital payment usage, the influence of social media on financial awareness, investment knowledge, savings behaviour, and budgeting practices. By examining these variables within the specific geographic and socioeconomic context of Ranchi, the paper aims to provide nuanced insights not adequately captured in broad national surveys or studies focused exclusively on metropolitan populations. The findings have practical implications for educational institutions, financial regulators, and policymakers working to enhance youth financial capability in emerging economies (Lusardi & Mitchell, 2014; Hastings et al., 2013).

2. LITERATURE REVIEW

The academic literature on financial literacy and its impact on financial decision-making spans several decades and a wide range of geographic, demographic, and methodological contexts. The following review synthesises key studies that are directly relevant to the themes of this research, encompassing foundational international works as well as more recent Indian and region-specific studies.

1. **Chen and Volpe (1998)** found that college students in the United States generally lack adequate financial knowledge, particularly in critical areas such as credit management, savings strategies, and investment decisions. Their study further revealed that demographic factors, including level of education, academic background, and prior financial experience, significantly influence the degree of financial understanding among young individuals. The authors emphasised that educational institutions bear a significant responsibility in incorporating structured financial literacy programs to better prepare students for the financial demands of real-world life.

2. **Lusardi and Mitchell (2014)** conducted a comprehensive review of the economic importance of financial literacy and found that knowledge levels are generally low across countries, particularly with respect to understanding basic financial concepts such as compound interest, inflation, and risk diversification. Their study demonstrated that insufficient financial knowledge frequently leads to poor savings habits, suboptimal investment decisions, and inadequate retirement planning. The authors concluded that improving financial literacy is essential for ensuring long-term financial security and broader economic well-being.

3. **Shim et al. (2010)** explored financial socialisation among young adults and found that parents, family environment, and early financial experiences play a decisive role in shaping financial attitudes and behaviours. Their study concluded that financial habits are formed early in life, often during adolescence, and that family influence continues to be an important mediating factor in the financial literacy development of young people, even as they gain independence in financial decision-making.

4. **Hastings, Madrian, and Skimmyhorn (2013)** reviewed a broad body of existing literature and observed that financial decision-making is frequently influenced by behavioural biases, gaps in understanding, and limited cognitive engagement with financial information. The study highlighted that even when individuals have access to relevant financial information, they may still make irrational or suboptimal decisions due to psychological barriers. The authors concluded that behavioural interventions, when combined with financial education, are necessary to meaningfully improve financial outcomes.

5. **Van Rooij, Lusardi, and Alessie (2011)** studied the link between financial literacy and stock market participation and found a strong positive association. Their research, conducted in the Netherlands, demonstrated that individuals with higher financial literacy are significantly more likely to invest in equity

markets, which in turn leads to higher wealth accumulation over time. The study underscored the importance of basic financial knowledge in facilitating participation in capital markets.

6. **Remund (2010)** examined the definitional landscape of financial literacy and proposed a clarified conceptual framework that encompasses financial knowledge, financial skills, financial attitudes, and financial behaviour. His work highlighted the importance of moving beyond purely knowledge-based assessments toward a more holistic understanding of financial capability, arguing that true financial literacy must translate into observable financial behaviours.

7. **Atkinson and Messy (2012)** conducted an OECD pilot study across 14 countries and found that financial literacy encompasses not only knowledge but also attitudes and behaviours. Their findings revealed that while a majority of respondents had some level of financial knowledge, far fewer exhibited sound financial behaviours such as regular budgeting, saving, and planning for future financial needs. The study informed the development of a comprehensive international financial literacy measurement framework.

8. **Cole, Sampson, and Zia (2011)** examined what drives demand for financial services in emerging markets and found that access to basic financial literacy education, rather than product price, is a key determinant of financial product adoption in low-income populations. Their experimental evidence from India and Indonesia demonstrated that even a modest intervention in financial education can meaningfully increase savings and insurance take-up, particularly among individuals with low levels of prior financial knowledge.

9. **Barber and Odean (2001)** investigated investor behaviour and found that overconfidence is a significant predictor of excessive trading, particularly among male investors. Their study revealed that overconfident investors trade more frequently but achieve lower net returns, illustrating how psychological biases can undermine sound financial decision-making. This behavioural dimension is especially pertinent when studying younger investors who may lack market experience.

10. **Xiao and Porto (2017)** studied the relationship between financial education, financial behaviour, and financial satisfaction and found that financial literacy acts as a mediating factor between education and financial well-being. Their study demonstrated that individuals who receive financial education are more likely to exhibit positive financial behaviours such as budgeting, saving, and responsible credit use, which in turn leads to greater financial satisfaction and reduced financial stress.

2. RESEARCH GAP

Despite the growing body of literature on financial literacy and financial decision-making, there remains a significant gap in research specifically focused on Generation Z residing in Tier-2 Indian cities such as Ranchi. Existing Indian studies predominantly concentrate on metropolitan populations or broad national surveys, overlooking the distinct socioeconomic, cultural, and educational environment of smaller urban centres in states like Jharkhand. Moreover, most prior studies examine financial literacy as a general construct without disaggregating its specific dimensions such as digital payment behaviour, social media influence, savings practices, and investment awareness, in relation to their individual impact on financial decision-making. The present study addresses this gap by investigating the multi-dimensional nature of financial literacy among Gen Z in Ranchi.

3. RESEARCH QUESTIONS

i. What is the level of financial literacy among Gen Z in Ranchi District?

ii. How does financial literacy affect the saving and spending habits of Gen Z in Ranchi District?

iii. How do digital tools like UPI and mobile apps influence financial awareness among Gen Z in Ranchi District?

4. RESEARCH OBJECTIVES

1. To understand the level of financial literacy among Gen Z in Ranchi District by examining their knowledge of basic financial concepts and everyday money management practices.

2. To analyse how financial literacy influences the saving and spending behaviour of Gen Z, particularly in terms of how they manage their income, expenses, and financial priorities.

3. To explore the role of digital tools such as UPI and mobile applications in shaping financial awareness among Gen Z and to understand whether their usage leads to better financial understanding or just convenience.

5. HYPOTHESES

H0 (Null Hypothesis): Digital payment usage does not significantly influence overall financial literacy or investment awareness among Gen Z in Ranchi district.

H1 (Alternative Hypothesis): Higher digital payment usage is positively associated with basic financial awareness but does not predict investment literacy or participation among Gen Z.

6. RESEARCH METHODOLOGY

6.1 Research Design

This study adopts a descriptive cross-sectional research design, appropriate for systematically describing and analysing the financial literacy levels and financial decision-making behaviour of Generation Z in Ranchi District. Data are collected at a single point in time from a sample representative of the target population.

6.2 Data Sources

Primary data were collected through a structured questionnaire capturing information across five key dimensions: digital payment usage, social media influence on financial awareness, investment knowledge and awareness, savings habits, and budgeting practices. Secondary data were drawn from published academic journals, government reports, SEBI and RBI publications, NCFE strategy documents, and prior research studies.

6.3 Sampling Technique and Sample Size

The target population comprises Generation Z individuals (born between 1997 and 2012) residing in Ranchi District, including undergraduate and postgraduate students and young working professionals. Convenience sampling was employed, a non-probability technique suited to exploratory and descriptive studies. A total of **100 respondents** were included in the final dataset.

6.4 Data Collection Method

The questionnaire comprised both closed-ended questions and Likert-scale items, ensuring that factual financial knowledge and attitudinal dimensions could both be assessed. The questionnaire was distributed through online (Google Forms) and offline channels to maximise participation across different respondent segments.

6.5 Statistical Tools and Software Used

The primary analytical method is the **percentage method**, allowing clear interpretation of survey responses across response categories. **Pearson Correlation analysis** and **multiple regression analysis** — supported by Model Summary, ANOVA, and Coefficient analysis — were also conducted to examine the relationships between digital payment usage, financial awareness, and investment literacy, and to test the research hypotheses. Data were compiled and analysed using statistical software.

7. DATA ANALYSIS AND HYPOTHESIS TESTING

This section presents a detailed analysis of the data collected from 100 Generation Z respondents in Ranchi District, organised around five key dimensions of financial literacy.

7.1 Demographic Profile of Respondents

The study included 100 respondents: 62% undergraduate students, 24% postgraduate students, and 14% young working professionals. In terms of gender, 55% were male and 45% female. The majority (78%) were between 18 and 22 years of age. Approximately 68% had a monthly household income below Rs. 50,000.

Table 1: Demographic Profile of Respondents

Demographic Variable	Category	Frequency	Percentage (%)
Gender	Male	55	55.0
	Female	45	45.0
Age Group	18 to 22 years	78	78.0
	23 to 27 years	22	22.0
Occupation	Undergraduate Student	62	62.0
	Postgraduate Student	24	24.0
	Young Professional	14	14.0
Monthly Household Income	Below Rs. 30,000	42	42.0
	Rs. 30,001 to Rs. 50,000	26	26.0
	Above Rs. 50,000	32	32.0

Source: Primary Data Collected by the Researcher

7.2 Digital Payment Usage

As shown in Table 2, 82% of respondents reported using digital payment platforms daily or several times a week, indicating digital transactions have become routine for this demographic.

Table 2: Frequency of Digital Payment Usage Among Gen Z Respondents

Frequency of Digital Payment Use	Number of Respondents	Percentage (%)
Daily	53	53.0
Several Times a Week	29	29.0
Once a Week	11	11.0
Rarely	5	5.0
Never	2	2.0
Total	**100**	**100.0**

Source: Primary Data Collected by the Researcher

7.3 Social Media Influence on Financial Awareness

As shown in Table 3, 67% of respondents agreed or strongly agreed that they acquire financial information through social media. However, only 31% reported having actually invested based on such information, suggesting social media creates awareness without translating into disciplined financial behaviour.

Table 3: Social Media as a Source of Financial Information

Social Media Influence	Number of Respondents	Percentage (%)
Strongly Agree	22	22.0
Agree	45	45.0
Neutral	18	18.0
Disagree	10	10.0
Strongly Disagree	5	5.0
Total	**100**	**100.0**

Source: Primary Data Collected by the Researcher

7.4 Investment Awareness and Participation

Table 4 reveals a pronounced awareness-participation gap. While 71% of respondents are aware of mutual funds, only 19% have actually invested. Despite 65% equity market awareness, active participation stands at only 14%. Cryptocurrency awareness (72%) slightly exceeds mutual fund awareness, with participation at 21%, reflecting social media promotion of digital assets.

Table 4: Investment Awareness Among Gen Z Respondents

Investment Instrument	Awareness (%)	Active Participation (%)
Savings Account	97	89
Fixed Deposit	88	42
Mutual Funds	71	19
Equities / Stock Market	65	14
Public Provident Fund (PPF)	54	11
National Pension System (NPS)	38	6
Cryptocurrency / Digital Assets	72	21

Source: Primary Data Collected by the Researcher

7.5 Hypothesis Testing

Correlation and regression analysis were conducted to test the study's hypotheses regarding the relationship between digital payment usage, financial awareness, and investment literacy among Gen Z respondents. Pearson correlation analysis was first applied to measure the strength and direction of the relationship between the key variables, followed by multiple regression analysis to assess the extent to which digital payment usage and financial awareness predict investment literacy and financial decision-making.

7.5.1 Correlation Analysis

Table 5: Correlation Analysis

Variables	Correlation Coefficient (r)	Interpretation
Digital Payment Usage and Basic Financial Awareness	0.386	Moderate Positive Relationship
Digital Payment Usage and Investment Literacy	0.080	Very Weak Positive Relationship
Financial Awareness and Investment Participation	0.378	Moderate Positive Relationship

Source: Computed by Researcher

The correlation analysis indicates that digital payment usage has a positive relationship with basic financial awareness among Gen Z respondents. The correlation coefficient value of 0.386 suggests a moderate positive relationship between the two variables, showing that respondents who frequently use digital payment applications tend to possess better awareness regarding basic financial concepts such as banking services, online transactions, savings methods, and money management practices.

However, the relationship between digital payment usage and investment literacy was found to be extremely weak, with a correlation coefficient value of only 0.080. This suggests that although respondents are digitally active and comfortable using payment applications, this does not necessarily mean that they possess clear understanding regarding investments, financial planning, risk management, mutual funds, stock markets, or long-term wealth creation. This highlights an important gap between digital financial activity and actual financial literacy.

The analysis also revealed a moderate positive relationship between financial awareness and investment participation, with a correlation value of 0.378, suggesting that respondents who possess stronger financial understanding are comparatively more likely to participate in informed financial decision-making and investment-related activities. Overall, the correlation analysis demonstrates that digital financial usage contributes more towards basic financial familiarity rather than advanced investment literacy among Gen Z individuals in Ranchi district.

7.5.2 Regression Analysis

Multiple regression analysis was conducted to examine the impact of digital payment usage and financial awareness on investment literacy and financial decision-making among Gen Z respondents. Regression analysis helps in identifying whether the independent variables significantly influence the dependent variable and to what extent the relationship exists.

Table 6: Regression Model

Regression Model	Dependent Variable	Independent Variables	Result
Model 1	Investment Literacy and Financial Decision Making	Digital Payment Usage and Financial Awareness	Significant; $p < 0.001$

Source: Computed by Researcher

7.5.3 Model Summary

Table 7: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of Estimate
1	0.386	0.149	0.138	0.398

Source: Computed by Researcher

The model summary indicates that the value of R is 0.386, reflecting a moderate level of relationship between the independent variables and the dependent variable. The R-squared value of 0.149 shows that approximately 14.9 per cent of the variation in financial decision-making and investment literacy can be explained by digital payment usage and financial awareness included in the model.

Although the relationship exists, the explanatory power of the model is not very high. This indicates that financial decision-making among Gen Z individuals is influenced not only by digital payment usage and financial awareness but also by several other factors such as educational background, family influence, income level, peer pressure, social media exposure, lifestyle patterns, and personal financial experiences. The Adjusted R Square value of 0.138 further confirms that the model has moderate explanatory ability. Therefore, while digital financial exposure contributes to financial behaviour, it alone cannot fully explain investment literacy among young individuals.

7.5.4 ANOVA Analysis

The ANOVA table was used to test the overall significance of the regression model.

Table 8: ANOVA Analysis

Source	Sum of Squares	df	Mean Square	F Value	Sig.
Regression	4.134	2	2.067	13.039	<0.001
Residual	23.621	149	0.159	—	—
Total	27.755	151	—	—	—

Source: Computed by Researcher

The regression model was statistically significant, $F(2, 149) = 13.039$, $p < 0.001$, confirming that digital payment usage and financial awareness, taken together, significantly predict investment literacy and financial decision-making among Gen Z respondents.

7.5.5 Coefficient Analysis

Table 9: Coefficient Analysis

Variables	Unstandardized Coefficient (B)	t Value	Significance
Constant	2.270	7.515	<0.001
Financial Awareness	0.288	4.996	<0.001
Digital Payment Usage	0.072	1.064	0.289

Source: Computed by Researcher

The coefficient analysis shows that financial awareness is a statistically significant predictor of investment literacy and financial decision-making ($B = 0.288$, $t = 4.996$, $p < 0.001$). Digital payment usage, however, was not found to be a statistically significant predictor in the presence of financial awareness ($B = 0.072$, $t = 1.064$, $p = 0.289$), indicating that digital payment usage alone does not significantly drive investment literacy once financial awareness is accounted for.

7.5.6 Hypothesis Acceptance / Rejection Summary

Table 10: Hypothesis Acceptance / Rejection Summary

Hypothesis	Statement	Statistical Evidence	Decision
H0	Digital payment usage does not significantly influence overall financial literacy or investment awareness among Gen Z in Ranchi district.	Correlation with investment literacy = 0.080; Digital payment usage significance = 0.289 (>0.05)	Partially rejected
H1	Higher digital payment usage is positively associated with basic financial awareness but does not significantly predict investment literacy or investment participation among Gen Z.	Correlation with basic financial awareness = 0.386; regression model significance < 0.001	Accepted

Source: Computed by Researcher

Taken together, the correlation and regression results support H1: digital payment usage is positively associated with basic financial awareness, but neither digital payment usage nor financial awareness, even in combination, substantially predicts investment literacy or active investment participation, as reflected in the modest R-squared value and the non-significant coefficient for digital payment usage. The null hypothesis (H0) is therefore partially rejected: digital payment usage does significantly influence basic financial awareness, but it does not significantly influence investment literacy or investment participation.

8. OBJECTIVE-WISE ACHIEVEMENT OF OBJECTIVES

Objective 1: Level of Financial Literacy Among Gen Z in Ranchi District

Achievement Status: Achieved. The study found that most Gen Z respondents possess basic financial knowledge related to savings, budgeting, banking, and digital payments. However, awareness regarding investment planning, insurance, inflation, and wealth management was comparatively low. Financial understanding was mainly influenced by practical usage of digital platforms and family exposure, rather than formal financial education.

Objective 2: Influence of Financial Literacy on Saving and Spending Behaviour

Achievement Status: Achieved. Financially aware respondents demonstrated better saving habits, budgeting practices, and spending control. Respondents with lower financial literacy showed impulsive spending behaviour, especially through online shopping and digital payment platforms. Financial literacy had a stronger influence on financial behaviour than income level alone, suggesting awareness and education are more important determinants of sound financial behaviour than socioeconomic background.

Objective 3: Role of Digital Tools in Shaping Financial Awareness

Achievement Status: Achieved. UPI and mobile payment applications are widely used among Gen Z for convenience and daily transactions. While digital tools increased financial accessibility and confidence in handling payments, correlation and regression analysis confirmed that this convenience did not significantly improve investment literacy or long-term financial understanding. Digital payment usage promotes transactional convenience more than deeper financial awareness.

Overall Achievement

The research concluded that Gen Z in Ranchi has moderate financial literacy supported by high digital payment adoption. However, there remains a gap between digital financial usage and comprehensive financial understanding, particularly in areas related to investments and long-term financial planning. All three objectives were successfully achieved through descriptive analysis and correlation and regression-based hypothesis testing of primary data.

9. FINDINGS, CONCLUSION AND SUGGESTIONS

9.1 Major Findings

1. 82% of Gen Z respondents regularly use digital payment platforms (UPI, Google Pay, PhonePe), indicating high digital payment adoption.

2. 67% acquire financial information through social media; however, only 31% have invested based on such information, revealing an awareness-action gap.

3. Awareness of mutual funds (71%) and equity markets (65%) is moderate, but active participation is low (19% and 14% respectively).

4. Only a limited number of respondents maintain a formal monthly budget, indicating that practical financial management skills remain underdeveloped.

5. Most savings are limited to traditional savings accounts, with very low usage of diversified financial instruments.

6. Correlation analysis confirmed a moderate positive relationship between digital payment usage and basic financial awareness ($r = 0.386$).

7. Digital payment usage shows only a very weak relationship with investment literacy ($r = 0.080$) and is not a statistically significant predictor of investment literacy or financial decision-making once financial awareness is accounted for ($B = 0.072$, $p = 0.289$).

8. Financial awareness significantly predicts investment literacy and financial decision-making ($B = 0.288$, $p < 0.001$), and the overall regression model is statistically significant ($F = 13.039$, $p < 0.001$), though it explains only a modest share of the variation ($R^2 = 0.149$).

9. Cryptocurrency awareness (72%) and participation (21%) were relatively high, reflecting social media-driven interest in digital assets.

10. A noticeable knowledge-behaviour gap exists: respondents possess basic financial knowledge but fail to apply it effectively in budgeting, saving, and investment decisions.

11. Household income showed only a weak association with investment participation, indicating that financial awareness and confidence are more important barriers than income level alone.

9.2 Conclusion

This study found that Gen Z in Ranchi is highly active in digital payment usage and possesses moderate financial awareness; however, this awareness does not consistently translate into effective financial behaviour. Correlation and regression analysis showed that digital payment usage positively influences basic financial awareness but does not significantly predict investment literacy or investment participation, indicating that digital financial engagement alone is insufficient for true financial empowerment. Structured financial education is essential to strengthen investment literacy and responsible financial decision-making among Gen Z.

9.3 Suggestions / Recommendations

1. Educational institutions should integrate financial literacy modules covering investment planning, budgeting, and risk management into undergraduate curricula.

2. SEBI and RBI should design targeted investor education campaigns for Gen Z in Tier-2 cities, leveraging social media platforms this demographic already uses.

3. Financial institutions should develop simplified, digitally accessible investment products to reduce complexity barriers that prevent financially aware individuals from investing.

4. Fintech companies should embed contextual financial education within their applications to convert transactional engagement into deeper financial literacy.

9.4 Scope for Future Research

Future research could include longitudinal studies examining whether digital financial engagement leads to higher investment participation, comparative studies across Tier-2 cities, and gender-based analysis of financial literacy and behaviour. Further research can explore the influence of fintech applications and social media on investment decisions, as well as psychological and behavioural barriers preventing financially aware individuals from translating knowledge into practical financial actions.

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