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Financial Awareness and its impact on investment Behaviour in India

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Abstract

Financial awareness now serves as the main factor which determines how people invest something in India's modern financial system. The present study examines the impact of financial awareness on investment behaviour using a descriptive and analytical research design which depends entirely on secondary data. The researcher obtained data from credible sources which included RBI SEBI AMFI NSE reports and other official institutional documents. The study examines essential financial awareness elements which include financial inclusion and digital financial literacy and investor education programs together with investment behavior metrics that track demat account establishment and mutual fund holdings and systematic investment plan (SIP) participation. The results show that financial awareness improvements lead to more retail investors who join capital markets. The research demonstrates how organized financial education programs together with digital financial services development create pathways for people to adopt diversified investment approaches and systematic investment methods. The research provides policy implications for strengthening financial literacy frameworks and enhancing responsible investment participation in India.

Keywords: *Financial Awareness, Financial Literacy, Investment Behaviour, Retail Participation, Financial Inclusion, Capital Markets*

Introduction

The current financial situation needs people to understand money management because it determines their ability to manage personal finances and it affects national economic stability. People need financial knowledge because investment products and digital financial platforms and market fluctuations create multiple investment options. Financial awareness includes understanding savings, investment options, risk-return relationships, inflation, diversification, and financial planning. This knowledge enables individuals to evaluate financial products effectively and choose investments which match their risk tolerance and long-term financial objectives.Digital progress and financial inclusion programs and capital market development have increased financial awareness in India. The government programs which support digital payment systems and financial access have resulted in more people using formal financial services. The increasing popularity of mutual funds and systematic investment plans (SIPs) and equity markets demonstrates how people are moving away from traditional savings methods toward investment options. Financial awareness plays a crucial role in guiding rational and responsible investment behaviour.

Investment behaviour shows how people spend their money in different financial products according to their risk tolerance and investment period and their need for portfolio diversification. People make investment choices because of their demographic and psychological characteristics but financial awareness remains the main factor which helps people with financial knowledge better evaluate risks while making investment decisions. People in India continue to have different levels of financial understanding despite the increasing use of fintech platforms and digital trading systems.
Research Gap:The majority of current research about financial literacy and investment behaviour uses primary research data from particular locations that study specific groups of people. The national research using secondary data for financial awareness and investment behaviour study needs more comprehensive studies. The research has identified only a few studies which connect national financial awareness levels to total investment trends in India.

Review of Literature

Bhushan (2014) studied how salaried workers make investment decisions and discovered that most people knew about traditional financial products which included bank deposits and insurance but they did not know about contemporary financial products.

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People who had low financial knowledge made safe investment choices. **Suresh (2021)** examined how financial literacy together with psychological biases affects how people make investment choices by using structural equation modeling. The research found that people with higher financial knowledge make more logical choices while people who rely on mental shortcuts make less logical investment choices. **Basha et al. (2022)** studied IT professionals in India and reported that safety, liquidity, and returns were key determinants of investment decisions. Their investment choices were mainly shaped by two factors which included their financial literacy and ability to handle investment risks. **Shrestha et al. (2023)** showed that financial awareness together with financial attitude and behaviour and financial skills have a strong impact on personal investment choices. Better financial literacy results in people making better investment choices. **Kumar et al. (2023)** studied how people make financial decisions through their behavioural and psychological patterns. The research demonstrated that digital financial literacy together with financial capability development leads to different investment patterns. **Singh (2023)** demonstrated that psychological factors drive market behavior because behavioral finance helps to explain why people make irrational investment choices. **Naghera et al. (2024)** found that financial literacy depends on three main factors which include financial knowledge, financial behavior, and financial attitude according to their research which showed how these factors help people make wise investment choices. **Joghee et al. (2025)** studied how working women make investment decisions and discovered that financial literacy together with risk perception and digital financial access affects their investment decisions. **Parsai and Chandok (2025)** demonstrated that people with higher financial literacy develop better confidence levels which lead them to make more diverse investments while they found that age and education have crucial effects on this relationship. The researchers discovered that financial literacy directly affects investors' ability to maintain balanced investment portfolios according to Aggarwal and **Srivastava (2026)** because financially educated investors prefer to use systematic methods for their investments.

Objectives of the Study

1. To investigate the current financial awareness level in India and its development from past to present.
2. The study will analyze how Indians invest their money through their investment patterns.
3. The study will determine if there exists a link between financial awareness and people who invest their money
4. To evaluate how better financial literacy and digital financial access lead to changes in investment patterns.
5. To develop policy recommendations which will enhance financial awareness and help people make better investment choices.

Research Methodology

The study selected their research design for the current study because they needed to analyze existing secondary data sources. The study aims to examine the relationship between financial awareness and investment behaviour in India.

Sources of Data

The study collected its data from trustworthy secondary sources which include Reserve Bank of India (RBI) reports and Securities and Exchange Board of India (SEBI) publications and Association of Mutual Funds in India (AMFI) reports and National Stock Exchange (NSE) statistics and OECD financial literacy reports and Government publications and peer-reviewed journal articles.

Conceptual Framework

The present study is based on the assumption that financial awareness influences investment behaviour. Financial awareness enables people to comprehend financial products and assess risks and create their investment choices.

Financial awareness consists of:

- Financial knowledge
- Financial inclusion
- Digital financial literacy
- Awareness of financial products

The investment behaviour of individuals consists of:

- Participation in equity markets
- Mutual fund investments
- Systematic Investment Plans (SIPs)
- Diversification of portfolio
- Risk-taking ability

The relations between these two concepts can be expressed through the following relationship: Financial Awareness → Investment Behaviour

Hypotheses

The study establishes its hypotheses through the framework of the conceptual model.

H0: There is no significant impact of financial literacy on investment behavior in India.

H1: Financial awareness has significant impact on investment behavior in India.

H2: Improvement in e-financial literacy has a significant positive effect on retail investment inclusion**.**

H3: Financial inclusion growth is positively associated with increased investment activities.

Data Analysis and Interpretation

The analysis of secondary data indicates a significant improvement in financial awareness levels in India. This improvement manifests through three indicators which include increased financial inclusion and digital banking penetration and structured investor education initiatives. The expansion of bank account ownership and digital payment transactions together with financial literacy campaigns has helped more people understand financial products and investment opportunities. The public has started to use market-linked investment instruments after gaining better knowledge about risk-return trade-offs and various financial products. The number of retail investors who participate in capital markets has increased throughout this period.

The substantial growth in demat accounts shows that investors now have better confidence and stock market access. The data about mutual fund folios together with Systematic Investment Plan (SIP) contributions demonstrates that investors follow a consistent pattern of making long-term disciplined investments. The increasing use of digital financial platforms has made investment processes easier which allows more people from various demographic backgrounds to take part in investing activities. The analysis of financial awareness indicators together with investment participation trends shows that both indicators have increased simultaneously. Financial literacy initiatives and digital financial services expansion led to higher retail investment activities. The pattern shows that financial awareness positively impacts investment behavior when examined at the macroeconomic level. The secondary data analysis indicates that financial awareness improvements lead to higher retail investment activity and diverse portfolio choices.

Comparative Analysis of Financial Awareness and Investment Behaviour

Financial awareness studies together with investment behaviour research utilized national secondary indicators as their primary measurement tool for their comparative study. The study compared financial awareness indicators which included financial inclusion and digital financial literacy and investor education initiatives with investment behaviour indicators which included demat account growth and mutual fund participation and SIP contributions and retail investor expansion.

The analysis shows that both financial awareness measures and investment participation indicators demonstrate simultaneous upward movement. The development of financial literacy programs together with the growth of digital financial services and the implementation of financial inclusion initiatives leads to higher rates of retail involvement in both equity markets and mutual fund investments. The research demonstrates that people who understand finance better will make more systematic investments and diversified investment choices.

Table: Comparative Analysis of Financial Awareness and Investment Behaviour

Sl. No.	Financial Awareness Indicator	Observed Trend	Investment Behaviour Indicator	Observed Trend	Inference
1	Financial Inclusion (Bank Account Penetration)	Increasing	Demat Account Growth	Increasing	Improved financial access supports equity market participation
2	Digital Financial Literacy	Increasing	Online Trading Activity	Increasing	Digital awareness enhances ease of investment
3	Investor Education Programs	Expanding	Mutual Fund Folios	Increasing	Awareness promotes diversified investment
4	Awareness of Risk-Return Concepts	Improving	SIP Contributions	Increasing	Better understanding encourages disciplined investing
5	Digital Financial Services Adoption	Rising	Retail Investor Participation	Rising	Technological awareness strengthens market engagement

Discussion

The present study examined the relationship between financial awareness and investment behaviour in India using secondary data indicators. The analysis shows that when people improve their financial awareness skills for bettering their financial markets understanding they will invest more through retail channels. The combination of financial inclusion programs and digital financial services and investor education initiatives has resulted in higher market participation through equity and mutual fund investments. The findings are consistent with previous studies that emphasize the importance of financial literacy in shaping rational investment decisions. Earlier research has demonstrated that financially educated people will create diversified investment portfolios and maintain regular investment patterns while they stay away from situations that require high level risk taking. The macro-level trends observed in this study prove that financial awareness functions as a behavioral factor at micro level and as a structural element that drives investment growth.

The increasing use of digital financial services has created easier ways for people to start their investment journeys. People who achieve better digital skills will develop increased interest in using investment platforms while they create their financial plans. The research shows that financial knowledge creates a pathway which leads people to make smart investment choices through diverse investment methods.

Findings

1. Financial awareness indicators such as financial inclusion and digital literacy have shown consistent improvement.
2. Retail investor participation, reflected through demat account growth and mutual fund folios, has increased significantly.
3. There is a parallel upward trend between financial awareness measures and investment participation indicators.
4. Growth in SIP contributions indicates a shift toward systematic and long-term investment behaviour.

5. Digital financial expansion has strengthened access to investment platforms and supported broader market engagement.
6. The overall analysis suggests a positive association between financial awareness and investment behaviour in India.

Suggestions

1. Financial literacy programs need improvement at schools and colleges through enhanced educational programs for students.
2. 2.The educational outreach programs for investors should reach rural and semi-urban areas according to government and regulatory bodies.
3. Financial institutions must develop their financial products to be simple and understandable which will help build trust with investors.
4. People should develop digital financial literacy skills because this knowledge enables them to invest online safely while making informed decisions.
5. 5.The government needs to conduct nationwide financial literacy assessments on regular intervals to track progress and identify areas that need improvement.
6. The special awareness programs should include development programs for underrepresented groups which will help them access investment opportunities.

Conclusion

The current research demonstrates that financial knowledge development influences investment decision making processes in India. The analysis of secondary data shows that financial literacy improvements and financial inclusion growth and digital financial access improvements lead to higher retail investor activity in capital markets which is shown by increased demat accounts and mutual fund folios and systematic investment plans. The financial awareness increases together with the investment participation rates which shows that people gain financial expertise to make better investment choices. Financial education programs need stronger development through improved educational programs while digital financial empowerment should be expanded to create responsible investment practices which will help India develop sustainable financial markets.

Future research should include behavioral finance components which will help understand how psychological elements impact financial literacy during investment decision making.

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Conflicts of interest

The authors declare that there are no conflicts of interest regarding the publication of this paper

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