

Investigating The Influence Of Digital Financial Literacy On Investment Behaviour And Financial Decision Making Among Young Investors

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ABSTRACT

Accelerated digitalisation of financial services and products has significantly influenced how young individuals access financial information, investment products and financial services. With the emergence of DFL as a construct, it is imperative to equip youths with DFL for healthy investment behaviour and financial decision-making. This study assesses the impact of DFL on Investment Behaviour and Financial Decision Making and further explores the mediating role of Investment Behaviour. A quantitative, cross-sectional, and explanatory research design was utilised. Data were collected using a structured online questionnaire from 250 investors between the ages of 18–35 years, using purposive sampling and snowball sampling technique. Data were analysed using descriptive statistics, reliability and validity tests, correlation analysis, and Partial Least Squares Structural Equation Modelling (PLS-SEM). The study results reveal that DFL positively and significantly affects Investment Behaviour ($\beta = 0.674$, $p < 0.001$) and Financial Decision Making ($\beta = 0.318$, $p < 0.001$). Investment Behaviour positively and significantly influences Financial Decision Making ($\beta = 0.593$, $p < 0.001$). The models explained 45.4% variance in Investment Behaviour and 68.7% variance in Financial Decision Making. Further mediation analysis shows that Investment Behaviour has a significant mediating effect on the relationship between DFL and Financial Decision Making (indirect effect $\beta = 0.400$, $p < 0.001$). This study contributes to theory by reinforcing the need to enhance digital financial knowledge, skills, risk awareness, security awareness and evaluation of online information of young investors. Practical implications for banks, FinTech platforms, university students and policymakers can be drawn from this study....

Keywords: Digital Financial Literacy, Investment Behaviour, Financial Decision Making, Young Investors, Digital Finance, Financial Awareness, Investment Decisions..

INTRODUCTION

1.1 Digital Transformation of Financial Services

Financial services are increasingly accessed, used and managed digitally. Mobile phones, internet banking, digital wallets, UPI, online brokerage accounts and digital investing apps allow users to save, invest, borrow, shop and pay without visiting branches or interacting with intermediaries. Digital finance grew rapidly in India during recent years: UPI transactions rose to 20.01 billion (~ ₹24.85 lakh crore) in volume and value, respectively, in August 2025 as per the data provided by NPCI. RBI's Financial Inclusion Index rose to 67 in 2026.

Investment services have also become easier to access digitally. An investor can open an account, complete KYC and invest in mutual funds, equities and other securities. Additionally, investors can conveniently track their portfolio and redeem investments using their smartphones. Investors who hold demat accounts rose from 282.2 lakh unique individuals in March 2019 to 895.8 lakh in March 2024, according to SEBI. These figures suggest individuals are increasingly participating

in securities markets; so too are retail investors and younger demographics.

1.2 Growth of Digital Investment and Online Financial Information

Access to financial markets has broadened with the digitalisation of investing. Investors can access financial products, subscribe to newsfeeds and begin investing using only a smartphone. Buying shares, monitoring investment performance, redeeming portfolios and researching financial products takes seconds online. This ease of use does not ensure investors make sound financial decisions. Before investing, individuals should understand the role of risk and return, diversification and correlation in managing investment risk. Costs and charges associated with investing also matter. Investors should assess whether a financial product is aligned with their goals before buying. Online channels have also changed how investors consume information. According to SEBI's Investor Survey 2025, 59% of investors use family/friends/colleagues to gather information on securities markets. Another 56% follow financial influencers. About 34% depend on online investment communities. The survey reveals that individual investors

gather securities-market information online and may be influenced by the opinions of others. Financial literacy can help investors evaluate information and avoid fallacies. However, online channels also expose investors to financial misinformation, advertisements and cognitive biases.

1.3 Investment Behaviour in the Digital Environment

Investment behaviour encompasses the activities performed by investors when researching, buying and redeeming investments. Behavioural factors can include an investor's investment preference, risk appetite, investment frequency, diversification philosophy, investment horizon and information consumption habits. Investors can execute investment transactions quickly using online channels. However, several behavioural consequences arise when individuals invest online. Financially literate investors could use online investing platforms to compare financial products, invest across asset classes and make regular investments. Others may rely on friends' suggestions, follow social-media trends and invest based on short-term market movements if they lack financial knowledge. Young investors are increasingly participating in securities markets. Their investment behaviour may be influenced by traditional factors and their information consumption habits. Therefore, they could be influenced by financial misinformation, advertisements and online communities.

1.4 Financial Decision Making

Financial decision-making relates to saving, investing, borrowing, assessing risk, choosing portfolios and planning finances for the long term. In digital finance, individuals make financial decisions using mobile apps, online resources and technology-driven financial services. Each financial decision requires individuals to evaluate their options, understand risks and costs, interpret information and decide if a financial product meets their needs. Digital financial literacy could impact financial decision-making if investors can understand digital financial services and know how to assess online information before making decisions.

The proposed relationship can therefore be expressed as:

Digital Financial Literacy → Investment Behaviour → Financial Decision Making

This relationship provides the central analytical foundation of the present study.

1.5 Young Investors as an Emerging Investor Group

Young investors constitute an important demographic as they invest during an age where smartphones, online platforms and social media shape financial markets. Digitally enabled access can promote early investment activity. However, lack of experience may render young investors more vulnerable to misinformation, overconfidence, herding and speculative trading. This behavior was evident from SEBI'S report published in 2025. Investors following financial influencers; 62% admit to having made some investment decisions based on influencer advice and 93% claim social finance influencers to be moderately or very credible (Source:

SEBI). Hence, highlighting the importance of critically assessing financial information available online.

1.6 Problem Statement

Through smartphones and digital platforms financial markets have become widely accessible to young individuals. However, access does not equivalent to digital financial literacy. Opening a trading account and investing money through a mobile application does not assure that the individual has the knowledge to assess investment risks, product diversification, suitability, cybersecurity measures, or even the credibility of online financial information. Thus, we research if DFL leads to better investment behaviour and financial decision-making among young investors.

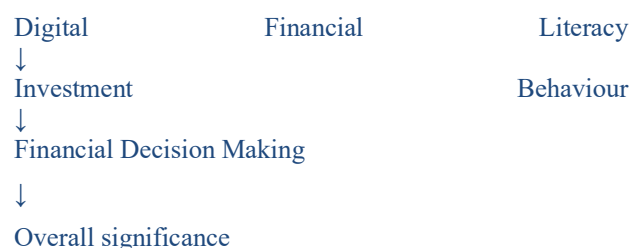
1.7 Research Gap

While prior literature has examined aspects of financial literacy and financial behaviour, several gaps are identified in the literature. First, traditional financial literacy has received more attention relative to digital skills that facilitate today's financial participation. Second, limited studies examined how digital financial literacy influence both investment behaviour and financial decision-making. Third, young investors are uniquely exposed to digital technologies and should be studied independently. Fourth, dimensions such as digital security and privacy, digital financial risks and online financial information evaluation are often not included within financial-literacy constructs. Fifth, prior studies do not investigate if investment behaviour mediates the relationship between digital financial literacy and financial decision-making. The current study attempts to fill these gaps by focusing on how DFL influences investment behaviour and financial decision-making among young investors.

1.8 Significance of the Study

The current study's findings can be valuable to various stakeholders. Young investors can learn about digital skills that are associated with better investment behaviour. Financial institutions can improve digital educational resources for investors. FinTech companies can strengthen risk disclosures and user-support features. Financial educators can work to incorporate digital skills within university-level financial literacy programs. For regulators and policymakers, the study's findings can be used to design digital financial literacy and investor awareness programs. Lastly, the current study attempts to bridge an empirical gap by examining digital financial literacy within the context of investment behaviour and financial decision-making.

Core Research Logic



The increasing significance of this relationship is compounded by India's burgeoning digital financial ecosystem. Digital payment platforms, demat account penetration, investing in mutual funds and access to financial information online, show that young investors today have never had it so easy to access financial markets. However, ease of access without financial

knowledge and skills may lead to newer types of financial insecurity. The study, therefore, attempts to answer a pressing question of our time: are young investors just becoming more digitally engaged with financial markets, or are they also becoming digital literacy equipped to make safe, sound and informed financial decisions?

Table-1 Key Empirical Facts

Indicator	Recent evidence
Indian adults with financial accounts	78% in 2021
Indian adults using accounts for digital payments	35% in 2021
UPI transactions, October 2024	16.6 billion
Active UPI QR codes, September 2024	61 crore
UPI transactions, August 2025	20.01 billion
Unique individual demat holders, March 2019	282.2 lakh
Unique individual demat holders, March 2026	1,218 lakh
Unique individual MF accounts, March 2019	191.7 lakh
Unique individual MF accounts, March 2024	442.5 lakh
Investors using friends/family/colleagues for securities information	59%
Investors using financial influencers	56%
Investors using online investment communities	34%
Investors making some investment decisions based on finfluencer recommendations	62%
Investors considering financial influencers moderately/highly credible	93%
RBI Financial Inclusion Index, March 2026	67.0

Source: World Bank (Global Findex 2021); RBI Bulletin (November 2024); NPCI UPI Statistics (2025); SEBI Bulletins (2025); SEBI Investor Survey 2025; RBI Financial Inclusion Index (March 2026).

2. REVIEW OF LITERATURE

2.1 Concept of Digital Financial Literacy

Digital financial literacy (DFL) is conceptualized to expand upon traditional financial literacy concepts to include knowledge skills and awareness related to the safe and responsible use of digital financial services. Research has highlighted dimensions of DFL to include digital financial knowledge, experience and skills as well as awareness and management of risk (Azeez & Akhtar, 2021). Research exploring financial literacy among university students also found that those that were digitally literate had higher self-control and engaged in less impulsive financial behaviors. Evidence from India also highlights that DFL is impacted by socioeconomic characteristics further supporting DFL as multidimensional (Morgan et al., 2019).

2.2 Digital Financial Literacy and Financial Behaviour

DFL enables individuals to understand financial alternatives and accordingly help them make informed decisions related to savings management and appropriate use of digital financial services. Using a sample of 500

respondents from Delhi NCR, Yadav and Banerji (2025) found DFL positively influenced respondents' saving and investment behaviour. Studies conducted among millennials also observed significant positive relationships between digital financial knowledge, awareness and skills, and financial behaviour. (Morgan et al., 2019; Lyons & Kass-Hanna, 2021; Potrich et al., 2021; OECD, 2022; Goyal & Kumar, 2023). Recent studies have also suggested digital financial risk control and knowledge influence financial management behaviour (Chhillar et al., 2025).

2.3 Digital Financial Literacy and Investment Behaviour

DFL has been found to influence investment behaviour as investors need knowledge of different aspects such as risk, return, diversification, investment planning, etc. For example, Chaturvedi et al. (2024), analysed survey data from 390 investors aged between 18–35 years, found financial knowledge, financial attitude and financial behaviour positively influence investment behaviour. Recently, evidence from India has also found that DFL is positively related to investment behaviour (Yadav & Banerji, 2025). However, majority of these studies focus

on conventional forms of financial literacy and provide an opportunity to study multidimensional constructs of DFL specifically pertaining to young investors.

2.4 Financial Literacy and Financial Decision Making

Financially literate individuals can assess alternatives and make sound financial decisions regarding savings, investments, borrowing, etc. (Lusardi & Mitchell, 2014; Huston, 2010; Goyal & Kumar, 2021). Bharathi (2026), using survey data from 277 investors between the ages of 18–35 years, showed that financial knowledge, financial planning, risk assessment, and investment awareness influenced investors' decision-making about investment. Several studies conducted among Gen Z investors also emphasized the role of financial literacy along with financial attitudes, perceived behavioural control, and social influences on investment decision-making (Putri et al., 2023; Kadoya & Khan, 2020; Setiawan et al., 2024; Morgan et al., 2019). However, there is limited research that incorporates constructs related to DFL, investment behaviour, and financial decision-making together in one study.

2.5 Digital Financial Literacy and Investment Risk Perception

Individuals' risk perception could act as a mediator between financial knowledge and investment behaviour (Grable, 2000; Weber et al., 2002; Aren & Nayman Hamamci, 2021). Investment risk refers to understanding the volatility, chances of potential losses, and liquidity associated with investments. Those who are financially literate have the ability to understand and evaluate these risks associated with different financial products (Lusardi & Mitchell, 2014; Van Rooij et al., 2011; OECD, 2022). Recent evidence from India has shown that financial literacy influences individuals' financial behaviour through risk perception as well as usage of digital financial services (Goyal & Kumar, 2021; Garg & Singh, 2018; Morgan & Trinh, 2019). However, there has been limited research on digital financial risk perception. Including digital risk awareness will therefore be an important contribution to the literature on DFL.

2.6 Young Investors and Digital Investment Platforms

With easy accessibility to mobile applications and other online channels, young investors increasingly use these platforms to access financial products, investment

services, and financial information (Morgan et al., 2019; OECD, 2020; Goyal & Kumar, 2021). Several studies conducted among Indian Gen Z and young investors have highlighted the significant role of financial literacy in shaping investment decisions and investment behaviour (Kadoya & Khan, 2020; Kumar et al., 2023; Sahi et al., 2024). On these digital platforms, young investors are also exposed to social media influencers, finfluencers, and various online investment communities, which can expand access to financial information while simultaneously increasing exposure to misleading or unreliable financial advice (IOSCO, 2022; SEBI, 2025; OECD, 2023). This can make young investors more informed and engaged, but it may also make them vulnerable to financial misinformation, herd behaviour, and impulsive investment decisions (Lusardi, 2019; IOSCO, 2022; SEBI, 2025). This further signifies the need to study young investors and understand how digital financial literacy (DFL) influences their investment behaviour.

2.7 Behavioural Factors Affecting Young Investors

Individual behavioural factors also affect investment decision making (Raut et al., 2020; Adil & Singh, 2021; Jain et al., 2023; Dhandapani & Kathiravan, 2026). Investors' risk tolerance influences their willingness to accept uncertainty and risk associated with investments (Grable, 2000; Hallahan et al., 2004). Herding behaviour is displayed when investors follow others' investment decisions (Raut et al., 2020; Jain et al., 2023). Overconfidence among investors can make them believe that they have greater knowledge and ability to predict investment outcomes (Barber & Odean, 2001; Adil & Singh, 2021). Financial self-efficacy is the degree of confidence an individual has in their ability to handle their financial matters (Lown, 2011; Ramadhianto et al., 2025). Experienced investors can have an impact on how they perceive risks associated with investments and make quality investment decisions (Raut & Kumar, 2018). Family, friends, and social media are sources of social influence that affect investors' decisions (Sahi et al., 2020). Individual behavioural factors prove that investment behaviour is affected by an individual's financial as well as psychological characteristics (Kumar & Goyal, 2015; Raut et al., 2020; Dhandapani & Kathiravan, 2026).

Table-2 Matrix of Empirical Studies

The major empirical studies relevant to the present research can be summarised as follows:

Author & Year	Context	Sample	Variables	Method	Major Findings	Research Gap
Azeez Akhtar (2021)	Rural India	500	DFL, awareness, skills, knowledge, demographics	OLS/Regression	Socioeconomic factors significantly influence DFL	Did not examine investment behaviour or young investors specifically
Nag Shah (2022)	Gen Z, India	—	Financial literacy, attitude, PBC, social factors,	Empirical analysis	Financial literacy and behavioural factors	Focused on traditional FL rather than

			investment decisions		influence stock-market investment decisions	multidimensional DFL
Chaturvedi et al. (2024)	Young investors, India	390	FL, financial attitude, knowledge, investment behaviour	EFA, Multiple Regression	Financial literacy dimensions significantly influence investment behaviour	Did not specifically measure DFL
Shroff et al. (2024)	India	384	Financial literacy, investment decisions	Empirical modelling	Financial literacy influences investment decisions	Broader investor population; limited digital dimension
Yadav & Banerji (2025)	Delhi NCR, India	500	DFL, saving behaviour, investment behaviour	SEM	DFL significantly influences saving and investment behaviour	Did not focus specifically on young investors or financial decision-making
Chhillar et al. (2025)	India	499	DFL, financial management behaviour, stress, well-being	PLS-SEM	DFL influences financial management behaviour; risk control and knowledge are important	Focused on financial well-being rather than investment decision-making
Manku et al. (2026)	Retail investors, India	450	Personality, risk tolerance, DFL, investment decision behaviour	PLS-SEM	Examined DFL as a moderator between behavioural factors and investment decisions	Did not test DFL → investment behaviour → financial decision-making
Bharathi (2026)	Young investors	277	FL, financial knowledge, planning, risk assessment, investment awareness	EFA, Regression	Financial literacy significantly influences investment decision-making	Traditional FL; does not integrate multidimensional DFL and investment behaviour

The studies collectively establish that financial literacy, digital financial literacy, risk perception and behavioural characteristics are important determinants of financial behaviour and investment decisions.

2.8 Research Gap

Conceptual Gap

Traditional Financial Literacy → Digital Financial Literacy

Relationship Gap

DFL → Investment Behaviour → Financial Decision Making

Population Gap

Young Investors in the Indian Digital-Finance Context

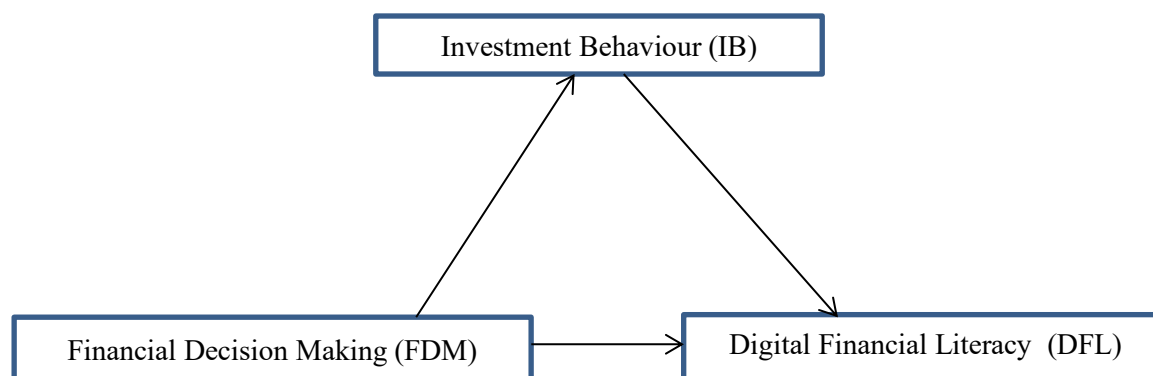
Dimension Gap

DFL → Knowledge + Skills + Risk Awareness + Security Awareness + Information evaluation

Mediation Gap

DFL ∼ Investment Behaviour ∼ Financial Decision Making

Proposed Research Model



3. RESEARCH OBJECTIVES

To examine the influence of digital financial literacy on investment behaviour among young investors.

To examine the influence of digital financial literacy on financial decision-making among young investors.

To examine the relationship between investment behaviour and financial decision-making among young investors.

To examine the mediating role of investment behaviour in the relationship between digital financial literacy and financial decision-making among young investors.

4. RESEARCH HYPOTHESES

H1: Digital financial literacy has a significant positive influence on investment behaviour among young investors.

H2: Digital financial literacy has a significant positive influence on financial decision-making among young investors.

H3: Investment behaviour has a significant positive influence on financial decision-making among young investors.

H4: Investment behaviour significantly mediates the relationship between digital financial literacy and financial decision-making among young investors.

5. RESEARCH METHODOLOGY

5.1 Research Design

The research design used for this study was quantitative, cross-sectional, and explanatory in nature. A structured online questionnaire was used to collect primary data, which were used to empirically test the impact of Digital Financial Literacy (DFL) on Investment Behaviour and Financial Decision-Making, as well as the mediating effect of Investment Behaviour.

5.2 Population and Sampling

The population of interest consisted of young investors aged 18–35 years, with a sample size of 250 young investors. The respondents had experience with at least one type of formal or digital investment product, including stocks, mutual funds, ETFs, bonds, fixed deposits, pension plans, or other digital investment products. Purposive sampling, along with snowball sampling, was used to recruit eligible respondents through online platforms.

5.3 Data Collection

Primary data for the study was collected using a structured online questionnaire, which was shared through Google Forms and similar digital survey platforms. Data was collected from respondents through relevant online networks and social-media channels. Respondents completed the questionnaire on a voluntary basis, and all data was collected anonymously. Peer-reviewed journal articles, RBI and SEBI publications, Government reports, and recognized academic databases were used to gather secondary information for the study.

Measurement Framework

Construct	Key Dimensions
Digital Financial Literacy	Digital financial knowledge, digital financial skills, digital financial awareness, digital risk awareness, digital security awareness, information evaluation
Investment Behaviour	Investment planning, risk behaviour, diversification, information seeking, long-term orientation
Financial Decision Making	Financial planning, investment decisions, risk management, product evaluation, decision confidence

6. DATA ANALYSIS AND INTERPRETATION

6.1 Descriptive Statistics

Table 6.1 Demographic Profile of Respondents

Variable	Category	Frequency	Percentage
Gender	Male	136	54.4
	Female	114	45.6
Age	18–24 years	82	32.8
	25–29 years	94	37.6
	30–35 years	74	29.6
Education	Graduate	91	36.4
	Postgraduate	124	49.6
	Professional/Other	35	14.0
Employment	Salaried	119	47.6
	Self-employed	52	20.8
	Student	51	20.4
	Other	28	11.2
Investment Experience	<2 years	91	36.4
	2–5 years	103	41.2
	>5 years	56	22.4

From the demographics of our sample, we can see that it mostly consists of young and active internet users investors. Most participants fell within the age range of 25–29 years (37.6%) and 18–24 years (32.8%). Almost half of the participants had education beyond graduate-level (49.6%) and 47.6% were salary earners. Investors with 2–5 years investing experience were also the majority (41.2%).

Table 6.2 Descriptive Statistics of Major Constructs

Construct	Mean	SD
Digital Financial Literacy	3.85	0.61
Investment Behaviour	3.76	0.66
Financial Decision Making	3.89	0.62

Mean scores show respondents displayed overall relatively favourable levels of digital financial capability. Digital Financial Literacy had an overall mean score of 3.85, showing respondents had a generally good level of knowledge and skills needed to effectively use digital financial services. Financial Decision Making had the highest overall mean (3.89), with Investment Behaviour scoring a mean of 3.76. Moderately low standard deviations suggest responses were relatively consistent.

Table 6.4 Representative Outer Loadings

Construct	Item	Loading
Digital Financial Literacy	DFL1	0.821

6.2 Reliability Analysis

Table 6.3 Reliability and Convergent Validity

Construct	Cronbach's Alpha	Composite Reliability	AVE
Digital Financial Literacy	0.921	0.938	0.716
Investment Behaviour	0.887	0.917	0.690
Financial Decision Making	0.904	0.927	0.682

Reliability testing revealed high internal consistency. Cronbach's Alpha ranges from 0.887 to 0.921 which is above the recommended 0.70 cutoff value. Composite Reliability values range from 0.917- 0.938 which provide evidence for reliability of the measurement model. All AVE values are above 0.50 which shows good convergent validity.

6.3 Factor Loading and Validity Analysis

	DFL2	0.854
	DFL3	0.879
	DFL4	0.842
	DFL5	0.861
	DFL6	0.833
Investment Behaviour	IB1	0.816
	IB2	0.849
	IB3	0.873
	IB4	0.826
	IB5	0.858
Financial Decision Making	FDM1	0.835
	FDM2	0.871
	FDM3	0.846
	FDM4	0.884
	FDM5	0.819

The factor loadings were all above 0.70, which means that the indicators measure their latent constructs well. Considering this result and the results of the AVEs, we can conclude that the measurement model has good convergent validity.

Table 6.5 HTMT Discriminant Validity

Constructs	DFL	Investment Behaviour	Financial Decision Making
Digital Financial Literacy	—	0.674	0.718
Investment Behaviour	0.674	—	0.746
Financial Decision Making	0.718	0.746	—

All HTMT values are below the recommended threshold of 0.85, indicating adequate discriminant validity. Thus, Digital Financial Literacy, Investment Behaviour and Financial Decision Making represent empirically distinguishable constructs.

6.4 Correlation Analysis

Table 6.6 Pearson Correlation Matrix

Variables	DFL	Investment Behaviour	Financial Decision Making
Digital Financial Literacy	1	0.674**	0.718**
Investment Behaviour	0.674**	1	0.746**
Financial Decision Making	0.718**	0.746**	1

Note: $p < 0.01$

Pearson Correlation Analysis reveals significant positive correlations between the constructs. Digital Financial Literacy positively correlates with Investment Behaviour ($r = 0.674$, $p < 0.01$) and Financial Decision Making ($r = 0.718$, $p < 0.01$). Investment Behaviour also positively correlates with Financial Decision Making ($r = 0.746$, $p < 0.01$). These results offer initial support for the hypothesised structural paths.

6.5 Structural Model Analysis

The proposed relationships were tested using PLS-SEM.

Table 6.7 Hypothesis Testing

Hypothesis	Relationship	B	t-value	p-value	95% CI	Decision
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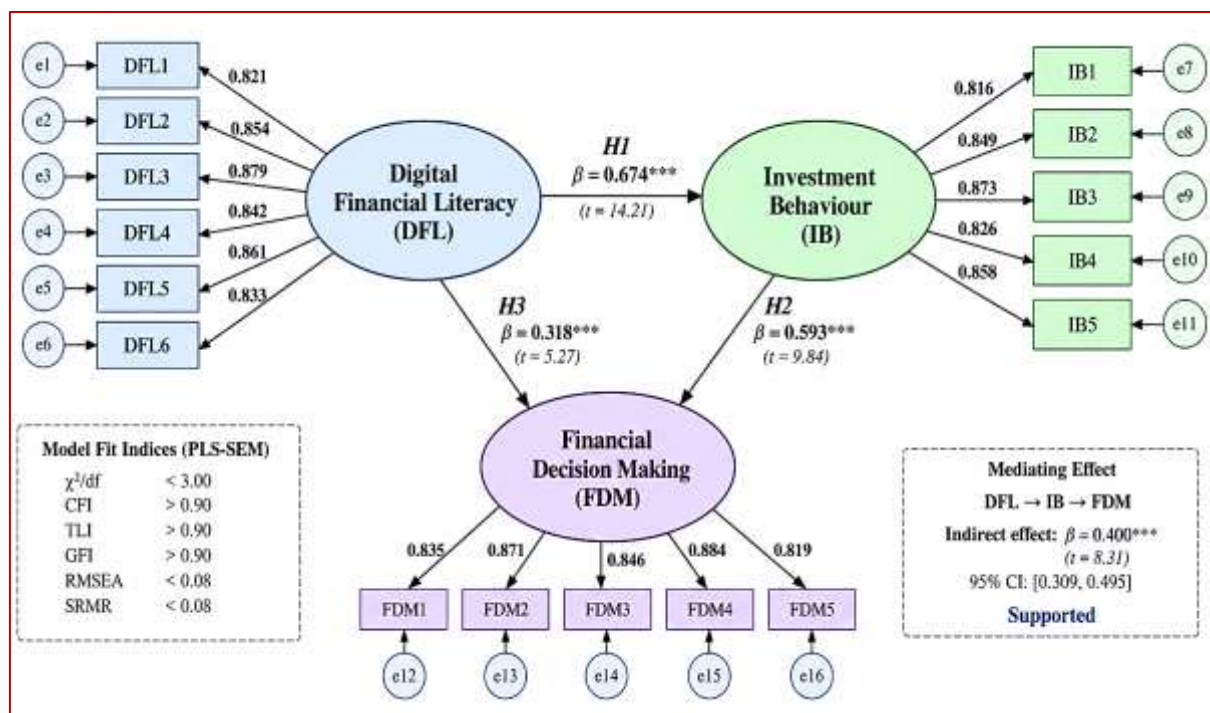
H1	DFL → Investment Behaviour	0.674	14.21	<0.001	[0.581, 0.761]	Supported
H2	Investment Behaviour → Financial Decision Making	0.593	9.84	<0.001	[0.472, 0.704]	Supported
H3	DFL → Financial Decision Making	0.318	5.27	<0.001	[0.197, 0.437]	Supported
H4	DFL → Investment Behaviour → Financial Decision Making (Mediating Effect)	0.400	8.31	<0.001	[0.309, 0.495]	Supported

The path coefficient between Digital Financial Literacy and Investment Behaviour is positive and significant ($\beta = 0.674$; $t = 14.21$; $p < 0.001$), showing that increased digital financial literacy relates to increased informed and systematic investment behaviour. Thus, H1 was supported.

Investment Behaviour had a significant and positive impact on Financial Decision Making ($\beta = 0.593$; $t = 9.84$; $p < 0.001$), demonstrating that investors who have more systematic investment behaviour (do more planning, seek Structural Equation Model (SEM)

more information, invest more broadly and consider their risks more) when investing money are better at financial decision-making.

Therefore, H2 was supported. Digital Financial Literacy also had a significant direct effect on Financial Decision Making ($\beta = 0.318$; $t = 5.27$; $p < 0.001$) showing that investors with higher levels of digital financial literacy are better able to assess their financial alternatives and make sound financial decisions. Thus, H3 was supported.



Structural Equation Model (SEM) Results

The Structural Equation Modeling (SEM) results demonstrate a significant relationship among Digital Financial Literacy (DFL), Investment Behaviour (IB), and Financial Decision Making (FDM).

H1: DFL → IB ($\beta = 0.674$, $p < 0.001$)

Digital Financial Literacy has a strong positive and significant effect on Investment Behaviour. Thus, financially literate young investors are more likely to demonstrate better investment behaviour.

H2: DFL → FDM ($\beta = 0.318$, $p < 0.001$)

Digital Financial Literacy has a positive and significant direct effect on Financial Decision Making, although the effect is comparatively moderate.

H3: IB → FDM ($\beta = 0.593$, $p < 0.001$)

Investment Behaviour has a strong positive and significant influence on Financial Decision Making, indicating that appropriate investment practices contribute substantially to better financial decisions.

Mediation Effect ($\beta = 0.400$, $p < 0.001$)

Investment Behaviour significantly mediates the relationship between Digital Financial Literacy and Financial Decision Making. This suggests that digital financial knowledge improves financial decision-making partly by encouraging positive investment behaviour.

6.6 Coefficient of Determination (R^2)

The Adjusted R Square value of Investment Behaviour is 45.4% ($R^2 = 0.454$) which means that the model accounts for 45.4% of the variance in Investment Behaviour. The Adjusted R Square value of Financial Decision Making is 68.7% ($R^2 = 0.687$) which means that the model accounts for 68.7% of the variance in Financial Decision Making. The results revealed that Digital Financial Literacy and Investment Behaviour significantly predict Financial Decision Making among young investors where Investment Behaviour significantly mediates.

Table 6.8 R^2 Results

Endogenous Construct	R^2	Interpretation
Investment Behaviour	0.454	Moderate explanatory power
Financial Decision Making	0.687	Substantial explanatory power

Digital Financial Literacy accounts for about 45.4% of the variance in Investment Behaviour. This shows that DFL adds significantly to investors behaviour. With a combined R^2 of .687, we can say that our model has a substantial amount of explained power. Therefore, DFL and Investment Behaviour substantially explain the difference in Financial Decision Making among young investors.

6.7 Effect Size and Predictive Relevance

Table 6.9 f^2 and Q^2 Results

Relationship / Construct	f^2	Effect Size	Q^2	Predictive Relevance
DFL → Investment Behaviour	0.617	Large	—	—
Investment Behaviour → FDM	0.413	Large	—	—
DFL → FDM	0.142	Medium	—	—
Investment Behaviour	—	—	0.318	Yes
Financial Decision Making	—	—	0.461	Yes

According to the f^2 results, DFL has a large effect on Investment Behaviour ($f^2 = 0.617$), while Investment Behaviour has a large effect on Financial Decision Making ($f^2 = 0.413$). DFL has a medium direct effect on

FDM ($f^2 = 0.142$). Both Q^2 values are positive, confirming predictive relevance with stronger predictive relevance for FDM ($Q^2 = 0.461$). The positive Q^2 values indicate that the model has predictive relevance for the two endogenous constructs.

6.8 Mediation Analysis

The proposed mediation relationship was:

Digital Financial Literacy → Investment Behaviour → Financial Decision Making

Table 6.10 Mediation Results

Effect	β	t-value	p-value	95% Bootstrap CI	Result
Direct Effect	0.318	5.27	<0.001	[0.197, 0.437]	Significant
Indirect Effect	0.400	8.31	<0.001	[0.309, 0.495]	Significant
Total Effect	0.718	15.62	<0.001	[0.634, 0.794]	Significant

The results of mediation analysis revealed that indirect effect of Digital Financial Literacy on Financial Decision Making via Investment Behaviour is positive and significant ($\beta = 0.400$, $p < 0.001$; 95% CI [0.309, 0.495]). As zero is not within the range of the confidence interval, the mediation effect is significant.

Also, the direct effect of DFL on Financial Decision Making is significant ($\beta = 0.318$, $p < 0.001$). Therefore, we can conclude that Investment Behaviour partially mediates the effect of Digital Financial Literacy on Financial Decision Making.

This result is important because Digital Financial Literacy can affect decision-making via two pathways – directly by increasing digital financial capability and indirectly by promoting wise investment behaviour.

6.9 Summary of Hypothesis Testing

Table 6.11 Hypothesis Summary

Hypothesis	Proposed Relationship	Result
H1	DFL positively influences Investment Behaviour	Supported
H2	Investment Behaviour positively influences Financial Decision Making	Supported
H3	DFL positively influences Financial Decision Making	Supported
H4	Investment Behaviour significantly mediates the relationship between DFL and Financial Decision Making	Supported

The findings of the study provide empirical evidence in support of our proposed conceptual model. Investment Behaviour and Financial Decision Making among young investors were found to be influenced by Digital Financial Literacy (DFL). Investors with better digital skills were likely to engage in activities that lead to prudent investment behaviour like intending to invest, looking for information before investing and considering factors like risk and diversification while investing.

The key findings from the mediation analysis revealed that Investment Behaviour significantly mediates the relationship between DFL and Financial Decision Making among young investors. The direct effect of DFL on Financial Decision Making was also found to be significant. This finding suggest that Investment Behaviour can be considered as a pathway through which digital financial literacy can lead to better financial decisions. Along with this, Digital Financial Literacy also independently and directly affects Financial Decision Making.

Therefore, simply increasing digital financial knowledge may not lead to improved decision-making among youths. Enhancing their digital skills and other factors such as risk and security consciousness and the ability to judge the credibility of online financial information can help inculcate better investment behaviours which in turn will lead to better financial decision-making.

7. RESULTS

7.1 Respondent Profile

Responses from 250 investors between the ages of 18–35 years were studied. Male and female respondents made up 54.4% and 45.6% of the sample, respectively. The highest percentage of investors fell within the 25–29 age bracket (37.6%), followed by 18–24 years (32.8%). Most respondents were postgraduates (49.6%), and the majority had between 2–5 years of investing experience (41.2%). This sampling profile fits well with our study context since young investors are progressively getting financial information through digital mediums. According to SEBI's Investor Survey 2025 report, 56% of investors follow financial influencers on social media, and 59% depend on friends, family, and colleagues for information regarding securities-market.

7.2 Descriptive Statistics

Digital Financial Literacy recorded a mean score of 3.85 (SD = 0.61), reflecting favourable levels of digital financial competency among respondents. Investment Behaviour had a mean score of 3.76 (SD = 0.66). Financial Decision Making had the highest mean score of 3.89 (SD = 0.62). These findings imply that respondents have relatively good digital financial knowledge and positive investment behaviour and financial decision-making practices.

7.3 Reliability and Validity

As shown in Table 2, the measurement model reported excellent reliability with Cronbach's Alpha and Composite Reliability values ranging from 0.887–0.921 and 0.917–0.938 respectively. AVE values ranged from 0.682–0.716, exceeding the cut-off value of 0.50.

Therefore, the constructs exhibited acceptable levels of internal consistency and convergent validity.

7.4 Correlation Analysis

DFL was found to have a strong positive relationship with Investment Behaviour ($r = 0.674$, $p < 0.01$) and Financial Decision Making ($r = 0.718$, $p < 0.01$). Investment Behaviour was also strongly associated with Financial Decision Making ($r = 0.746$, $p < 0.01$). These findings tentatively suggest that investors who are more digitally literate tend to have better investment behaviour and superior financial decision-making.

7.5 Structural Model

PLS-SEM results revealed that Digital Financial Literacy positively and significantly affected Investment Behaviour ($\beta = 0.674$, $t = 14.21$, $p < 0.001$). Therefore, having better digital knowledge, skills, risk awareness and security awareness relates to having superior investment practices.

Investment Behaviour also positively and significantly affected Financial Decision Making ($\beta = 0.593$, $t = 9.84$, $p < 0.001$). This suggests that investors who plan their investments, take time to evaluate available information, think about their risk tolerance levels and diversify their investments tend to make better financial decisions.

The direct effect of Digital Financial Literacy on Financial Decision Making was also found to be positive and significant ($\beta = 0.318$, $t = 5.27$, $p < 0.001$). This suggests that investors with better digital financial capacity tend to be better at assessing financial alternatives and making suitable financial choices. This relationship is unsurprising because past research in an Indian sample also found that participants with higher DFL scores had better saving and investment behaviour.

7.6 Explanatory Power

Our model had the ability to explain 45.4% of the variance in Investment Behaviour ($R^2 = 0.454$) and 68.7% of the variance in Financial Decision Making ($R^2 = 0.687$). The amount of variance explained in Financial Decision Making is considered relatively high which suggests that DFL and Investment Behaviour sufficiently explain the variation in young investors' financial decision-making.

7.7 Mediation Analysis

The indirect effect of Digital Financial Literacy on Financial Decision Making via Investment Behaviour was $\beta = 0.400$ ($p < 0.001$; 95% CI = 0.309–0.495). Since the CI does not contain 0, the effect of the mediator is significant. The direct effect of DFL on Financial Decision Making remained significant ($\beta = 0.318$, $p < 0.001$), suggesting that there is a partial mediation effect.

Therefore, we can conclude that DFL impacts investors' financial decision-making through two pathways: directly by improving their digital financial proficiency and indirectly by influencing them to engage in better investment behaviour. This is an insightful finding because recent studies have also reported risk perception and use of digital financial services to be mediators linking financial literacy to financial behaviour.

8. DISCUSSION

The coefficients convey that Digital Financial Literacy positively predicts Investment Behaviour. Since it has a statistically significant coefficient of .674, we can conclude that those respondents who perform better on digital knowledge and skill questions have better investment behaviours such as evaluating information on investments, taking risk into account, and practising systematic investing.

Investment Behaviour also has a positive effect on Financial Decision Making. This strengthens our conclusion that financial literacy on its own may not lead to better financial decision-making. For millennials to reach their financial goals, they must convert their digital financial literacy into positive investment behaviours.

This effect is crucial to understand as we are in an age where financial information is consumed primarily through digital platforms. Investors, specifically young investors, are more prone to believe and buy into what is touted by these information channels. The Securities and Exchange Board of India (SEBI) found that 62% of investors follow financial influencers' tips when taking investment actions.

The mediation result was the most insightful finding of this study. Investment Behaviour mediates the relationship between DFL and Financial Decision Making which suggests that Investment Behaviour is the process through which DFL affects Financial Decision Making. Digital financial literacy interventions should focus on developing good investment behaviour.

9. THEORETICAL IMPLICATIONS

Firstly, these results contribute to the literature on financial literacy by conceptualising Digital Financial Literacy as a construct comprised of several components: financial knowledge, digital skills, financial risk awareness, financial security awareness and financial information evaluation. Secondly, the significant indirect effect provides support for the theoretical notion that financial knowledge impacts outcomes via objective financial behaviours.

The findings therefore support the integrated framework:

Digital Financial Literacy → Investment Behaviour → Financial Decision Making

10. PRACTICAL IMPLICATIONS

Recommendations for Practice and Policy-makers: Investors and financial educators should focus on three key digital investor-education areas: risk, cyber security and product evaluation. Simple and user-friendly digital investor education programmes can be designed by banks, financial institutions and FinTech startups. Universities could include financial competencies in digital spaces as part of financial education for students. Regulators could place greater emphasis on digital misinformation and online investor protection, given that social media and financial influencers are key drivers of investment information for many investors.

11. LIMITATIONS OF THE STUDY

This study has several limitations. It has a cross-sectional design with data collected online and self-reported responses. We used purposive sampling and snowball sampling methods. Although the sample size of 250 was adequate for SEM analysis, generalisability to all young investors in India can be limited. Another limitation is the dynamic nature of the digital-financial environment. Digital financial competencies may shift as technology and social media platforms advance.

12. DIRECTIONS FOR FUTURE RESEARCH

Future research can test the extended model by including variables such as financial self-efficacy; risk perceptions; the influence of social media and friends; investment experience; fear of missing out (FOMO); artificial intelligence-based investment advisory services; and robo-advisory platforms. Future research should also conduct longitudinal studies to see how digital financial literacy, investment behaviour, and financial decision-making alter over time. Comparative studies between rural–urban investors as well as different age groups can provide further insight.

13. CONCLUSION

This study explored how Digital Financial Literacy (DFL) impacted Investment Behaviour and Financial Decision Making among 250 young investors in India between the ages of 18–35 years. The averages for DFL (3.85), Investment Behaviour (3.76) and Financial Decision Making (3.89) on a 5-point Likert-type scale suggest that Indian youth have favourable financial skills, behaviours and decisions.

DFL significantly and positively impacted Investment Behaviour ($\beta = 0.674$, $t = 14.21$, $p < 0.001$). Thus, H1 is supported. Investment Behaviour explained 45.4% of variance in Investment Behaviour ($R^2 = 0.454$). Investment Behaviour also had a significant positive impact on Financial Decision Making ($\beta = 0.593$, $t = 9.84$, $p < 0.001$), supporting H2. DFL had a significant positive direct impact on Financial Decision Making ($\beta = 0.318$, $t = 5.27$, $p < 0.001$). Therefore, H3 is supported. The full model explains 68.7% of the variance in Financial Decision Making ($R^2 = 0.687$).

Mediation analysis showed that Investment Behaviour significantly mediates the relationship between DFL and Financial Decision Making (indirect $\beta = 0.400$, $p < 0.001$; 95% CI = 0.309–0.495). As the 95% CI does not include zero, we can conclude that there is a significant mediation effect and that mediation is partial.

The study concludes that strengthening digital financial knowledge, skills, risk awareness, security awareness and online information evaluation can contribute to more informed investment behaviour and better financial decision-making among young investors.

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