



Financial Literacy and Its Effect on Investment Behavior Among Gen Z in India

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Abstract : Financial literacy is increasingly important for Generation Z because young adults are entering a financial environment shaped by digital investment platforms, social-media finance content and accessible financial products. This paper examines the relationship between financial literacy and investment behavior among Gen Z in India, with attention to investment attitude, perceived behavioral control, social influence and digital financial literacy. Nag and Shah (2022), using 401 valid responses across five Indian states, reported a positive relationship between financial literacy and investment intention, with financial literacy showing the strongest reported direct effect ($\beta = 0.435$). More recent research also indicates that social-media engagement and fear of missing out can influence Gen Z investment behavior, while higher digital financial literacy may reduce vulnerability to FOMO-driven decisions. The paper proposes a primary-survey framework for measuring financial knowledge, risk tolerance, social-media exposure and investment behavior. It also considers how AI-enabled financial education can support responsible decision-making.

IndexTerms - Financial literacy; Gen Z; investment behavior; India; fintech; AI; behavioral finance.

1. Introduction

Generation Z is becoming an increasingly important participant in financial markets. Mobile investment applications, mutual-fund platforms and social-media content have reduced some traditional barriers to investing. At the same time, easier access can expose young investors to misinformation, herd behavior and short-term speculation.

Financial literacy includes the knowledge and skills needed to understand saving, investing, risk, return, inflation, diversification and compounding. Indian research provides evidence that financial literacy is associated with investment intention among Gen Z. Nag and Shah (2022) studied 401 respondents from five Indian states and found financial literacy to have a strong positive relationship with investment intention.

The issue is particularly relevant to Management and Business AI because financial decisions are increasingly mediated by algorithms, recommendation systems and personalized digital information. A digitally capable investor must therefore understand both financial concepts and the limitations of algorithmic advice.

2. Literature Review

Nag and Shah (2022) incorporated financial literacy, investment attitude, perceived behavioral control, social factors and subjective norms into a model of Gen Z investment intention. Their results suggest that financial literacy affects investment intention directly and through related psychological factors.

Maheshwari (2026) examined 291 Gen Z respondents in Chennai and found that social-media engagement and FOMO were associated with investment behavior, while digital financial literacy weakened the FOMO-to-behavior relationship. This suggests that financial literacy may serve as a protective capability as well as a source of knowledge.

The literature supports a multidimensional model in which knowledge, risk tolerance, social influence, experience and digital exposure interact. AI adds another layer because young investors can receive automated explanations and recommendations.

3. Research Objectives and Methodology

The objectives are to examine the relationship between financial literacy and investment behavior, identify the roles of risk tolerance and social-media exposure, and explore how AI tools could support financial education.

A proposed survey could target 250–400 Indian Gen Z respondents. Variables would include objective financial knowledge, subjective financial confidence, digital financial literacy, risk tolerance, investment experience, social-media exposure and investment behavior. Questions can cover inflation, compounding, diversification and risk.

Descriptive statistics, correlation and multiple regression can test relationships. A structural-equation model could be used if the sample size and measurement quality are adequate. AI can classify open-ended responses or identify patterns, but model outputs should be validated statistically.

4. Discussion

Existing evidence indicates that financial literacy is positively related to investment intention, but literacy operates alongside attitudes, perceived control and social influence. Social media can make financial education accessible while also increasing exposure to sensational or incomplete information.

AI-based education could personalize explanations, generate simulations and identify knowledge gaps. However, AI should be treated as decision support rather than an unquestionable financial adviser.

5. Business and AI Implications

Fintech companies can use AI to personalize financial-literacy programs and create risk-awareness simulations. Educational institutions can use adaptive quizzes to identify areas of weakness. Responsible systems should explain uncertainty and avoid presenting predictions as guarantees.

6. Conclusion

Financial literacy is an important component of informed investment behavior among Gen Z. Further primary research can examine how financial knowledge interacts with risk tolerance, social media and AI use. For a Management and Business AI student, the topic demonstrates how behavioral finance, data analytics and responsible technology intersect.

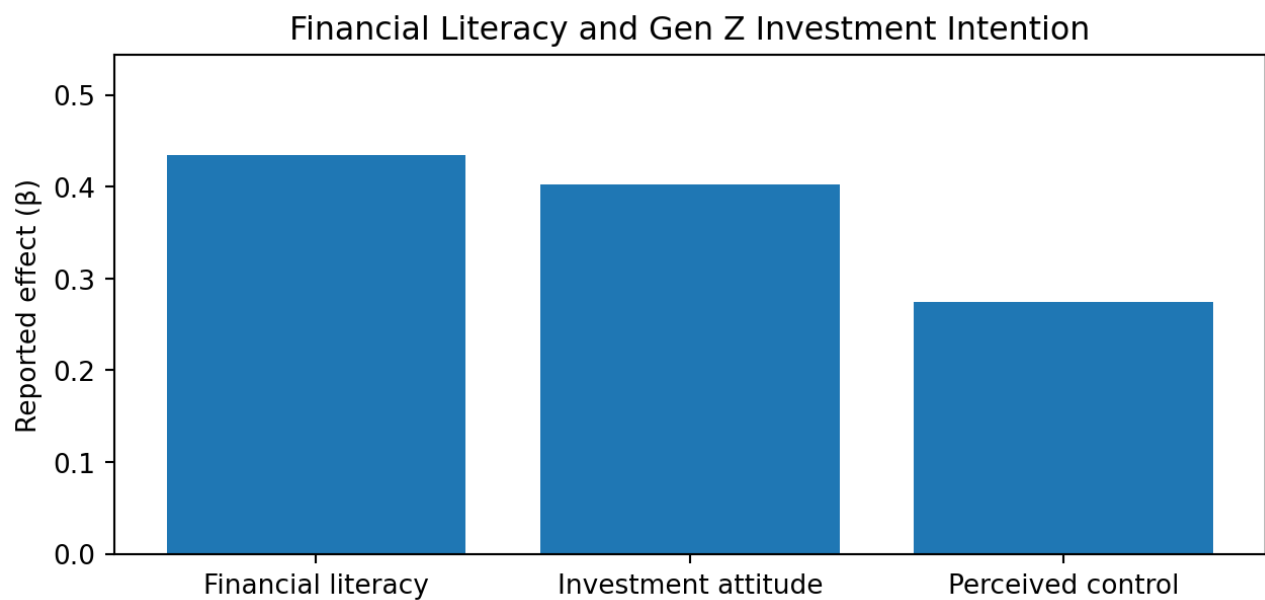
Research Figure

Source-based figure using published Indian Gen Z research.

References

- Nag, A. K., & Shah, J. (2022). An empirical study on the impact of Gen Z investors' financial literacy to invest in the Indian stock market. *Indian Journal of Finance*, 16(10), 43–59.
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Research Figure



Source: Nag & Shah (2022), 401 Indian Gen Z respondents.

Figure note: This is the figure embedded in the original research-paper document. The source describes the figures as source-based/illustrative conceptual material rather than primary-survey results.