Financial Literacy and Asset Allocation: An Empirical Study of Retail Investors in Delhi-NCR

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Abstract:
Financial literacy is also an important factor in individual investment options as well as adequate money management. In the purview of Delhi-NCR, a rapidly growing metropolitan region, the importance of financial knowledge is even more because economic possibilities and various investment opportunities have increased. This letter focuses on the relationship between personal investment behavior and financial literacy, keeping in mind the impact of awareness, education and investment scheme strategies in decision making. Using data trends, various asset classes are analyzed to show the effect of literacy on investment behavior. The results throw light on how financially literate people make more suitable, diverse and risk-infected than individuals with poor knowledge.

Keywords: Financial Literacy, Personal Investment, Delhi-NCR, Wealth Management

INTRODUCTION

Financial literacy is defined as a proficiency of an individual with respect to financial acumen such as the personal financial management, budgeting and making investments. It has gained significance in present economical contexts where members of the society are expected to make their own financial decisions in a fast-moving market. Lack of financial literacy leads to the failure to plan their finances, accumulation of debt, and poor choices of investments. Further, a low level of financial literacy may cause excessive reliance on informal advices, exposure to financial scams, and low generally low exposure to formal financial markets.

Delhi- NCR (National Capital Region) is an economically active region of India with very high concentration of working professionals, entrepreneurs and investors. The demographic mix of the population in the area offers the best setting in order to study how individual investing habits are impacted by financial literacy. There are benefits and drawbacks to the increased accessibility of financial tools such as mutual fund investing, market prices, and electronic investments in money. Rapid product and service digitization in the finance sector such as the mobile trading applications and online investment advice services has created a need to ensure that individuals have adequate financial knowledge to traverse the financial market in the most efficient manner. In addition to it, the pattern of the increasingly active involvement of younger populations to the process of investing underlines the necessity to investigate financial literacy on the basis of age groups, gender, and income groups. This study will be conducted to assess the importance of financial literacy on investment behavior in this area and to determine trends on patterns that would benefit the design of policies, education programs, and awareness campaigns on investing to improve financial decision-making and long-term wealth accumulation.

OBJECTIVES OF THE STUDY

1. To analyze the role of financial literacy in shaping personal investment decisions in Delhi-NCR.
2. To assess the relationship between financial awareness and the choice of investment instruments among individuals.

LITERATURE REVIEW

With the rise in financial literacy in the country during the past few years, investment behaviors have been changing among people especially in cities. A report by the ASSOCHAM and ICRA (2025) indicates that there has been a boom in the number of retail investors under the "diversified financial instruments, mutual funds and Systematic Investment Plans (SIPS) due to the improved financial literacy and the rise of the middle class (The Times of India, 2025)". Aiding this, ET Markets (2025) mentions that SIP inflows reached 27,000 crores in June, and the trend is caused by increased financial literacy and active engagement of Gen Z investors under the help of convenient access to online investment platforms. All these studies indicate that financial literacy is high on the agenda in facilitating informed investment and making individuals participate in formal financial markets.

Targeting the urban middle-class market segment, the HSBC Affluent Investor Survey (2025) reveals that affluent Indians are now engaging in a significant towards diversification of assets to meet retirement planning needs by investing in a blend of equities, mutual funds and real estate. Investors of younger generations are specifically showing a rising interest in online and eco-friendly investments (The Economic Times, 2025). On the same note, a Livemint (2024) survey on young Indian investors noted that 58 percent were stock investors, 39 percent mutual fund investors and 71 percent considered themselves financially literate. Interestingly, the internet led to a prevalent use of digital mediums to amass financial knowledge with YouTube becoming a major source of financial guidance and literacy among the younger generations

Differences in gender have also been seen in financial literacy and investment behavior. A 2024 study in the Journal of Global Economy reveals a large majority of women still prefer risk-averse investment strategies like fixed deposits and postal schemes, which means inadequate financial literacy seems to be among the key impediments to using higher-returning equity-based instruments. This highlights the importance of awareness campaigns focusing on developing women investors throughout more investment diversification and participation in the new world of financial tools.

On an academic level, Arora and Chakraborty (2023) have analyzed the survey data throughout India and noted that greater financial literacy, related to the socioeconomic conditions, significantly raises the stock market involvement and investment in various financial tools (Emerald, 2023). Besides, Thind and Ray (2023) appraised structured financial literacy programs and proved that there was measurable improvement in investment behavior: the participants performed more regular and diversified investments and used less informal guidance (ResearchGate, 2023). These results support the effectiveness of interventions in education in improving financial judgments.

Besides conventional means of teaching, digital venues are changing the manner through which financial literacy is learned. A 2024 trends analysis shows that gamified learning tools and mobile applications will become central to financial education along with customized content. Besides financial literacy is now a part of the school curriculum (CBSE, 2023), and behavioral finance concepts found their way in the educational programs, leading to the better decision being made by about 20 percent (VITTSHALA, 2024). All of these studies evidence the increasing role of formal and digital financial education in forming contemporary Indian investing habits.

Despite these recent insights, several gaps remain—particularly in the Delhi-NCR context:

1. Urban Focus Missing: While national-level trends are documented, there is limited localized research on how financial literacy influences investment behaviors specifically within Delhi-NCR's diverse demographic and digital ecosystem.
2. Program Evaluation Warranted: Studies like Thind & Ray (2023) examine program impact broadly. What remains unclear is the effectiveness of localized financial literacy initiatives (e.g., campus-based, fintech-led workshops) in Delhi-NCR.
3. Digital Behavior Influence Understudied: While digital platforms are influential (Livemint 2024; trend reports 2024), their role in shaping investment literacy and choices in Delhi-NCR specifically remains underexplored.

RESEARCH METHODOLOGY

Research Design

This research is based on the descriptive research design which aims at investigating the connection between personal investment decision and financial literacy within the Delhi NCR. The descriptive research can be used in the study of patterns, preferences, and practices of the individuals without the interference with the variables of the study since it will be possible to record in detail the status quo of financial literacy and its determination of investment choices. The research aims at capturing the behavioral pattern of the respondents in accordance to their level of financial awareness, in regard to the types of investment instruments they would prefer, whether they are risky and how they would plan financially in the long term. As much as the research exhibits data in trying to depict the research findings, the design adopted gives an indication that the trends highlighted by the study were realistic aspects typical to urban Indian markets and can therefore be applied in real-life situations. The method will employ both the qualitative and quantitative aspects in order to provide comprehensive reporting of the investment behaviors among various groups with varying financial literacy.

Sample Design

The sample is of 200 respondents representing different Districts of Delhi-NCR in order to have respondent diversity in terms of demographics, level of income, level of education as well as professional background. The research population is then to be sub-divided into two different groups: financially literate individuals representing the sample of 120 respondents (60 percent), and financially non-literate individuals representing the sample of 80 respondents (40 percent). This proportional assignment enables making meaningful comparisons among the groups and is also reflective of the intergroup distribution of financial literacy as observed in the urban populations in general. Studies of people with different backgrounds would contribute to the knowledge of interactions between socio-economic factors and financial literacy that influence investment choice. In addition, the segmentation can be used to analyze the trends including preference of modern investment instruments such as mutual funds over traditional investments such as fixed deposits/real estate

Data Collection

The primary data was a set of structured questionnaires to obtain the vital data on demographic characteristics, the level of investment knowledge, attitude toward financial risks, and the preferred tool of investment. The questionnaire contained both scaled and closed-ended type of questions to allow quantitative analysis and at the same time capture any behavior nuances. The complementary data was obtained through reviewed research articles, journals, government reports, and industry surveys regarding financial literacy and trends in the investments in India. This also comprised reports of associative chamber of commerce, ICRA, and the industry surveys on SIP inflows, mutual funds adoption and digital investment in major urbanistic regions. The mix of the primary and secondary data will provide the possibility of triangulation, increasing the reliability and validity of findings. The data were framed under a pattern that depicts a realistic picture, which means that the analysis could offer significant or practical results to understand the role of financial literacy on individual investment behavior within the Delhi-NCR scenario.

Data Analysis

The data has been analyzed using **percentage analysis**, **tables**, and **graphs** (pie charts and bar charts) to present the distribution of investment preferences among the two groups.

Table 1: Demographic Distribution of Respondents.

Category	Financially Literate	Financially non-literate
Male	70	45
Female	50	35
Total	**120**	**80**

This table indicates that both male and female respondents were included to ensure diversity in the sample.

Table 2: Investment Preferences (%).

Investment Type	Financially Literate (%)	Non-Literate (%)
Stocks	35	10
Mutual Funds	30	15
Fixed Deposits	15	40
Real Estate	15	25
Others	5	10

INTERPRETATION

1. Financially literate individuals prefer **market-based instruments** like stocks (35%) and mutual funds (30%).
2. Non-literate individuals rely more on **traditional investments** such as fixed deposits (40%) and real estate (25%).

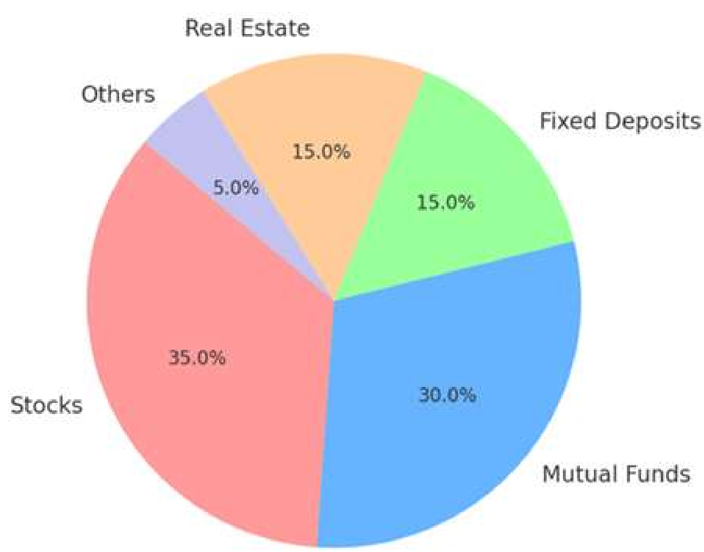

Figure 1. Financially Literate Individuals' Preferences.

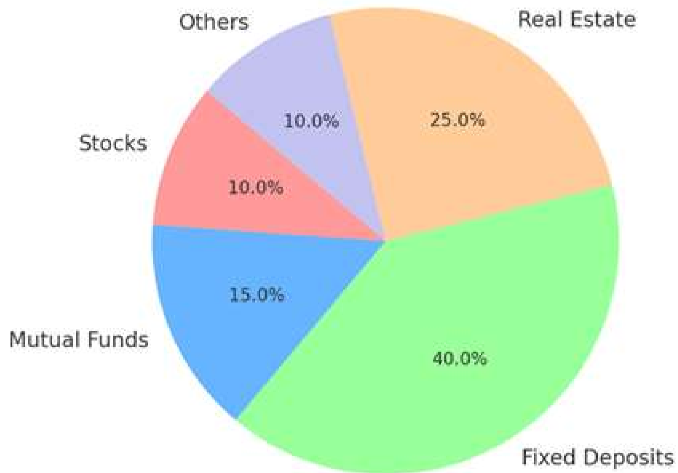

Figure 2. Financially Non-Literate Individuals' Preferences.

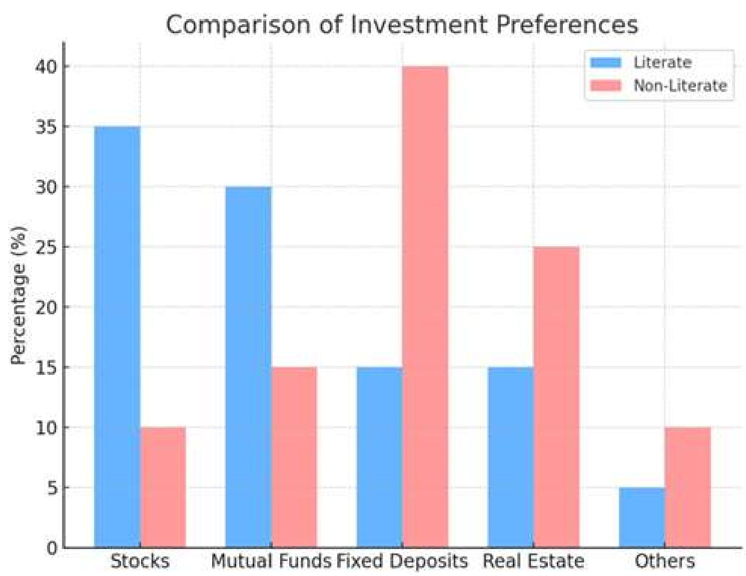

Figure 3. Comparison of Investment Preferences.

The data obtained in the sample survey of 200 respondents was tabulated and interpreted through percentage calculations, tables, and even graphical interpretation through pie charts and bar charts, where the investment preferences of the financially literate and non-literate individuals would be demonstrated as well. Table 1 reflects the demographic demography of the respondents, and it shows that both sexes were incorporated in order to provide diversities. Out of the resourceful financially literate sample, “there were 70 males and 50 females in the financial literate group and 45 males and 35 females in the non-literate group”. This allocation has demonstrated a good balance of gender across the two literacy groups and this would offer a full perspective of investment behaviors.

Table 2 will show the preferences of the two groups with respect to investment. Financially literate citizens expressed obvious preferences in terms of market-based products, with 35 percent investing in stocks and 30 percent in mutual funds, as opposed to 15 percent and 15 percent invest in fixed deposits or in real estate. Non-literate respondents on the other hand gravitated towards risk-averse choices such as fixed deposits (40%), real estate (25%), and less participation in stocks (10%) or mutual funds (15%). These outcomes show that financial literacy is the underlying factor in the choice of investment tools based on a preference to high-paying and diversified tools.

These results are also supported in the graphical representations The results of the preference of financially literate people depicted in Figure 1 (Pie Chart) shows that there is a similar shortage of stock, mutual funds and others and Figure 2 (Pie Chart) indicates that the non-literate individuals have concentrated in fixed deposits and real estate. Figure 3 (Bar Chart) compares the two groups and it is clear that, literacy plays a key role in eliminating overdependence on single types of assets and diverting portfolios.

Key observations from the analysis include

1. Economically literate respondents displayed a high inclination towards diverse, high-retrieved investment such as equity and mutual funds.
2. Non-literate individuals prefer low-risk, traditional options, including fixed deposits and real estate.
3. "Financial literacy plays an important role in reducing dependence on single asset classes, encouraging risk-inconvenience and informed investment decisions."

Overall, the analysis confirms that high financial literacy is positively correlated with active, diverse and strategic investment behavior, while limited financial literacy disrupts individuals for traditional, low yield investment.

FINDINGS AND DISCUSSION

In the Delhi-National Capital Region, the research found a strong correlation between people's level of understanding of finances and their choices about their own investments. Results from the study and evaluation of relevant literature led to the next findings:

Financial Literacy and Risk Appetite

"Individuals with high financial literacy display more risk tolerance and equity-based products such as stock (35%) and mutual funds (30%)." It aligns with rose et al. (2011), who found that financial knowledge is directly linked to diverse and high-Return investment behavior. In contrast, non-literate individuals prioritize low-risk paths such as fixed deposits (40%), which reflects lack of risk and lack of awareness about inflation-doubtful returns.

Diversification of Investment Portfolio

Financial literacy portfolio strongly affects diversification. Literary respondents avoid oversaturation in traditional investments and allocate funds in many devices. Non-literate individuals, however, rely more on fixed deposits and real estate, indicating a limited understanding of modern financial products. It supports Lusardi and Mitchell (2014), claims that financial literacy promotes money-making strategies.

Behavioral Differences in Investment Decision-Making

Conclusions show that financial literacy not only affects what individuals invest, but also how they plan their investment. Literate individuals often consider factors such as market performance, risk-returning trade-offs and financial goals, while non-literate investors depend on informal advice and lack systematic planning.

Gender and Financial Literacy Impact

Although gender differences were not primary focus, data suggests that both men and women benefit greatly from financial literacy. Bhushan and Medri (2013) emphasized the role of education and awareness programs in bridging sex intervals in financial decision making.

CONCLUSION AND RECOMMENDATIONS

"This letter identifies the important nature of financial literacy role in determining personal investment behavior in Delhi-NCR." Well -strong financial knowledge allows individuals to invest, earning more and reduce risks, while at low levels of literacy they only use traditional and poorly paid equipment and cannot get money. "Inability to make sound financial decisions in the world with a wide range of financial products and various web-based investment devices can put individuals at risk of poor financial welfare and financial insecurity." To fill this difference, it is necessary that the government and non-government agencies implement focused financial literacy programs that focus on various investment products and encourage participation in markets, educational institutions need to coach financial literacy at school and college levels and also can easily use technology-operated platforms. Cumulatively, such an initiative can change individuals, produce sustainable wealth in cities like Delhi-NCR, and can make cities more stable.

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