

Article

Impact of financial literacy on capital market participation of generation Y investors in rajasthan

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Article History

Received: 02 July, 2026

Revised: 19 July, 2026

Accepted: 03 Aug, 2026

Published: 14 Aug, 2026

Abstract

The study investigates the relationship between financial literacy and capital market participation of the investors belonging to Generation Y in Rajasthan. Indian retail investors are now having access to capital market products on an increased scale due to the growing adoption of demat accounts, systematic investment plans (SIPs), mutual funds, and digital trading platforms. But making access to these increases does not guarantee that investment decisions are made with sufficient knowledge. A descriptive-cum-analytical and cross-sectional research design was used to collect primary data from 400 respondents belonging to Gen Y, born between 1981-1996 using a structured questionnaire. The urban and semi-urban areas of Rajasthan were selected from the population using stratified sampling techniques. Financial literacy was evaluated using three components of financial literacy that are in line with the OECD/INFE framework, namely financial knowledge, financial attitude and financial behaviour. Demat account ownership and investment frequency, investment experience and the amount invested monthly, portfolio diversification were the indicators used to measure the participation of capital market. Descriptive statistics, Cronbach alpha, Pearson correlation, multiple regression, independent-samples t-test, one-way ANOVA and chi-square analysis were used to analyse the data. The results indicate that there was a strong and positive relationship between financial literacy and capital market activities. The financial attitude was the strongest predictor of participation followed by financial knowledge and financial behaviour. Financial literacy also controlled the significance of age and educational stream as correlates of participation, while gender and income remained significant. The study provides evidence for the role of financial literacy in facilitating informed participation in retail investment in Rajasthan, which is specific to the region.

Keywords: *Financial literacy; capital market participation; Generation Y; investment behaviour; retail investors; Rajasthan.*

1 INTRODUCTION

Financial education is now a key element of financial well-being of households. It is the knowledge, skills, attitudes and behaviours needed to make informed financial decisions and attain financial well-being (Atkinson & Messy, 2012). Individuals with financial literacy have a much better ability to assess the various aspects of saving, borrowing, insurance, retirement, and investing. Financial literacy is one

part of human capital that is linked to financial planning and financial outcomes that are related to financial investments, according to Lusardi and Mitchell (2014).

Over the past ten years, there has been significant retail participation in the Indian capital market. The growing number of demat accounts, mutual fund SIPs, online brokerage platforms and mobile trading apps has reduced transaction expenses and increased the availability of investment products. Digital platforms are becoming a popular and commonplace

way for young and middle investors to invest in equity shares, mutual funds, exchange-traded funds, initial public offerings, and other instruments related to the market. However, simply having a good opportunity to invest in the market does not necessarily mean that they know the basics of risk and return, diversification, inflation, and wealth building. Poor financial knowledge could lead investors to suffer from behavioural biases, herd mentality, misinformation and product selection errors (Sivaramakrishnan, Srivastava, & Rastogi, 2017).

Millennials are also known as Generation Y, who were born between 1981 and 1996. The generation that has lived through liberalisation of their economy, the speedy digitalisation, the growing use of financial technology and the broader access to investment information. Young investors are more likely to have access to online investment platforms as well as financial information, compared to previous generations. Simultaneously, their investment choices could be swayed by social media, peer groups, financial influencers, and fleeting market narratives. The financial literacy is therefore important to explore if there is a relationship between financial literacy and increased active and knowledgeable engagement in capital markets.

This study is relevant in the context of Rajasthan. The state has had a history of favoring real and tangible assets, particularly gold, land, homes, and fixed deposits. Concurrently, urbanisation and increasing income levels as well as access to digital devices and financial market awareness have broadened the range of financial investment opportunities in which a market link can be realised. Mutual funds, SIPs, equity trading, and online trading have seen a surge in popularity in urban areas like Jaipur, Jodhpur, Udaipur, Kota, Ajmer, Bikaner, etc. A study of Gen Y investors in Rajasthan can thus offer valuable insights into the correlation between financial knowledge, financial attitudes and financial behaviour and participation in financial markets in an evolving investment landscape.

The present study aims to examine the relationship between financial literacy and capital market participation of 'GEN Y' investors in Rajasthan. It also analyses the relative impact of financial knowledge, financial attitude, and financial behaviour on participation and takes into account certain socio-demographic factors. The study does not infer causality, it is a cross-sectional survey design which evaluates statistical association.

2 LITERATURE REVIEW

Financial literacy has now progressed from a one-dimensional concept of factual knowledge to a multi-dimensional concept that incorporates knowledge, skills, attitudes and behaviours. According to the OECD/INFE framework, financial literacy is the set of knowledge, skills, attitudes and behaviors necessary to make responsible financial decisions and reach financial well-being (Atkinson & Messy, 2012). This approach is commonly applied in survey research as it acknowledges that knowledge itself does not necessarily lead to sound financial practices.

Using an Indian context, Bhushan and Medury (2013) found that gender, occupation, income and education level are different determinants of financial literacy. The results indicate that those with professional qualifications and postgraduate education seem to exhibit greater levels of financial literacy than those with less education. The authors Agarwalla, Barua, Jacob and Varma (2015) also observed significant differences in the financial literacy of young working adults in urban areas of India, especially in terms of financial behaviour.

Financial literacy has been found to be positively related to investment behaviour in recent studies conducted in India. Kumar and Paliwar (2025) investigated individual investors in the stock market of India and found that the financially literate investors were more likely to be active, to have a sound understanding of the risk-return trade-off and to make informed investment decisions. Their research highlighted the role of financial knowledge in decreasing reliance on informal financial information, and on speculative financial behaviors.

Bala and Jayanti (2025) explored the financial literacy and its effect on the investment decisions of the youth in the age group 18-30 years of India. They had a sample of 400 respondents and observed that there is a positive correlation between financial literacy and the use of formal financial markets, portfolio diversification, and systematic investment plans. They found that financially literate youth were 2.5 times more likely to invest in the market-linked products like mutual funds and equities.

According to Makkar (2026), financial education is a significant factor influencing economic empowerment in India. It was noted that financially illiterate households are less able to access formal financial services, plan for future objectives, and to avoid getting into over-indebtedness. Makkar highlighted the importance of financial education for inclusive growth and minimizing the risk of falling victim to financial fraud.

Agarwal, Pahwa and Rawal (2026) studied the financial literacy, fintech awareness and risky financial investment among Indian households. They discovered that although fintech platforms have helped to expand access to investment products, households with little financial literacy were more likely to make sub-optimal or risky investment decisions. They emphasized the importance of investor education along with financial inclusion through digital channels.

In his doctoral study on financial literacy and investment choice in the context of investors in the city of Delhi, Narula (2015) observed that financial literacy had a significant impact on personal investment. Investors with better financial knowledge and financial planning habits had higher likelihood to hold diversified portfolios and long-term investment strategies.

Nag and Shah (2022) studied the relationship between financial literacy and intention to invest among Gen Z investors in the Indian stock market, revealing a positive correlation between financial literacy and the intention to invest as well as financial participation. As per their study, even though the

younger people are tech-savvy investors, they may not have a proper understanding of the core financial principles.

Seranmadevi and James (2025) conducted study on the financial literacy and intention of equity investment among planters in India and found that financial literacy along with personality factors like conscientiousness and openness influenced the equity investment intention. Their findings emphasized the interaction between financial education and psychological traits to influence the investment habits.

The authors of a recent working paper on “Digital financial literacy and inclusive growth”, Ghosh and Mohapatra (2026), found that a better ability to use digital payment systems, online investment platforms and formal credit was associated with digital financial literacy and inclusive growth. Their research indicated that digital financial education could be a valuable addition to the conventional financial education in the context of inclusive financial inclusion.

Arif, Taha, and Alvi (2025) analysed financial well-being of Gen Y and revealed that financial awareness, skills and experience along with financial capability and self-control were positively related to financial well-being. Their research found that financial literacy is associated with investment behavior and also to indicators of overall financial health Yadav et al. (2024), Yadav et al. (2022).

In this study, Sharma, Bansal, Aziz and Propheto (2026) examined the role of social capital, social interaction and financial literacy in determining access to finance for Indian SMEs. They discovered that financial education, alongside robust social networks and better access to formal financial services and credit, boosted access to financial services. Their results indicate that financial literacy could potentially influence other important aspects of financial behavior.

Khaerunnisa, Rustam and Rustan (2024) examined the effects of financial literacy, financial efficacy, and

demographic characteristics on investment choices in the capital market. Financial literacy and financial efficacy were found to be important factors affecting investment decisions, with mixed impacts from demographic factors like age and income.

The literature supporting the relationship between financial literacy and stock market participation has been consistently positive in the international literature. Van Rooij, Lusardi and Alessie (2011) reported that financially literate households were more likely to have financial assets and less likely to rely solely on the informal channels of financial advice. Guiso and Jappelli (2005) explained low degree of stock market participation by informational constraints and a lack of financial sophistication.

In an empirical study of financial literacy in a number of countries, Lusardi and Mitchell (2014) had found that financial literacy is strongly correlated with saving, retirement planning, wealth accumulation, and investment choice. Thomas and Spataro (2018) concluded that financial literacy, considered as a human capital, was positively related to the participation in the stock market in Europe even after taking into account the education level and income. A lack of financial knowledge can limit the formal financial services used in emerging economies, as noted by Cole, Sampson and Zia (2011).

Generation Y investors are a crucial part of the retail investor base due to their relatively long time horizons, rising disposable income, and a broad array of digital tools at their disposal. Rahman and Gan (2020) determined that financial literacy, risk perception and social influence had a shared influence on investment decision-making among Gen Y investors. While there is a larger percentage of Millennials who have been exposed to financial information online than previous generations, this does not necessarily lead to the development of financial knowledge or investment habits among them.

Hence, the literature indicates that financial literacy could be one of the key factors related to capital market participation. But there is a scarcity of

evidence directly pertaining to the Gen Y investors in the state of Rajasthan. The present study fills this context-specific gap.

3 OBJECTIVES OF THE STUDY

1. To assess the level of financial literacy among Gen Y investors in Rajasthan.
2. To examine the extent and pattern of capital market participation among Gen Y investors in Rajasthan.
3. To analyse the association between financial literacy and capital market participation among Gen Y investors in Rajasthan.
4. To examine whether gender and income are associated with differences in capital market participation.
5. To determine the relative contribution of financial knowledge, financial attitude, and financial behaviour in predicting capital market participation.

4 RESEARCH HYPOTHESES

H01: There is no statistically significant association between financial literacy and capital market participation among Gen Y investors in Rajasthan.

H02: There is no statistically significant difference in capital market participation between male and female Gen Y investors in Rajasthan.

H03: There is no statistically significant difference in capital market participation across income groups of Gen Y investors in Rajasthan.

H04: Financial knowledge, financial attitude, and financial behaviour do not significantly predict capital market participation among Gen Y investors in Rajasthan.

5 RESEARCH METHODOLOGY

5.1 Research design

The study employs descriptive-cum-Analytical Research Design and Quantitative survey approach for Cross Sectional study. The design is suitable for

reporting on an existing state of financial literacy and participation in capital markets and for describing statistical relationships between the study variables at a certain point in time.

5.2 Study area and population

The study was performed in Rajasthan, in urban and semi-urban areas. In order to pick the main survey centre, the town of Jaipur, capital of the state, was selected as the primary survey centre due to its importance as a commercial, administrative and financial hub. Other urban areas were represented to enhance Gen Y investor representation across the state.

The selected population was Gen Y (1981-1996) residing in Rajasthan with awareness/ exposure/ experience in taking financial saving and investment decisions. The samples consisted of respondents, regardless of whether they were active capital market participants or not, since the study aimed to compare between the active and inactive market participants and to investigate the factors associated with participation in the capital market.

5.3 Sample and sampling procedure

Using Cochran's formula, the sample size was calculated at 95% confidence level with a 5% margin of error in a large population. The minimum sample size estimated was 384 respondents. 412 questionnaires were collected due to the incomplete questionnaires to increase the coverage of the final sample and also to enhance the representativeness of the final sample. On screening the questionnaires were found complete and consistent, and 400 of them were taken for further analysis.

A stratified sampling design was used. The survey area was divided into the urban and semi-urban categories, while the respondents were located in the residential localities, workplaces, professional networks, market areas, brokerage and investment advisory contact points as well as by distributing the survey online. To ensure the respondents belonged to the Gen Y birth cohort and living in Rajasthan,

screening questions were used. Capital market participants and non-participants were included in the final sample.

5.4 Instrument and measures

Data collection was done by using a structured questionnaire. The questionnaire consisted of 4 sections.

- Socio-demographic profile (Section A). Here information was gathered regarding gender, age, marital status, occupation, educational stream, monthly household income and place of residence.
- Section B: Financial literacy. The OECD/INFE Financial Literacy toolkit and previous research conducted in India (Agarwalla et al., 2015; Bhushan & Medury, 2013) were adapted for measuring financial literacy in this study. This measure comprised three components, financial knowledge, financial attitude and financial behaviour.
- Capital market participation. Capital market participation (Section C). Participation was determined based on the following criteria: demat account ownership, investment activity or trading activity in the past 12 months, investment experience, frequency of investment, average monthly investment amount and number of capital market instruments held.
- Product awareness and information sources (Section D). This section measured awareness of investing in mutual funds, SIPs, direct equity, IPO, ETFs, bonds and derivatives, and the sources of information to invest.
- Financial knowledge was measured by five questions related to calculation of interest, inflation, risk-return relationship, diversification and time value of money. The financial attitude was measured by five statements with five-point Likert scale ranging from strongly disagree (1) to strongly agree (5). Financial behaviours were assessed with five items that were derived from the budgeting, saving, record-keeping, and regular financial planning.

The financial literacy index was the average of the standardised scores of the three dimensions. The capital market participation index was derived by normalising the investment frequency, investment experience, investment amount, number of capital

market products held, and relevant participation indices. The higher the score on each index, the higher the score on the corresponding construct. The survey was pre-tested with 30 respondents prior to the survey and some minor wording changes were made to clarify the meaning.

6 DATA ANALYSIS

IBM SPSS Statistics version 26 was used for analysis. The characteristics of the respondents, their level of financial literacy and participation patterns were summarized using frequencies, percentages, means and standard deviations. Multi-item scales were internally consistent, with Cronbach's alpha computed.

A correlation was conducted between the financial literacy index and the capital market participation index using the product-moment correlation by Pearson. Financial knowledge, financial attitude, financial behaviour, income, gender, age and educational stream were investigated in the contribution to the participation index by multiple linear regression. One-way ANOVA was used to compare participation scores across income groups and independent-samples t-test was used to compare participation scores by gender. The association of the categorical level of financial literacy and participation was tested using chi-square analysis. Speaking of statistical significance, it was considered at the 5% level.

7 RESULT AND INTERPRETATION

Table 1. Socio-demographic profile of respondents (N = 400)

Variable	Category	Frequency	Percentage
Gender	Male	224	56.0
	Female	176	44.0
Age group	30–33 years	142	35.5
	34–37 years	104	26.0
	38–41 years	89	22.3
	42–45 years	65	16.2
Education	Postgraduate	231	57.8
	M.Phil./Ph.D.	104	26.0
	Professional qualification	65	16.2
Occupation	Salaried employment	196	49.0
	Self-employed/business	92	23.0
	Professional services	64	16.0
	Other occupations	48	12.0
Monthly household income	Up to INR 50,000	121	30.3
	INR 50,001–100,000	185	46.3
	Above INR 100,000	94	23.4

Source: Primary survey data, 2026.

Table 1 shows that 56.0% of respondents were male and 44.0% were female. A majority of respondents (61.5%) were between 30 and 37 years of age, while all respondents fell within the selected Gen Y age

range. Most respondents had postgraduate or higher qualifications, and nearly half belonged to the middle-income group with monthly household income between INR 50,001 and INR 100,000.

Table 2. Reliability statistics of the research instrument

Scale	Number of items	Cronbach's alpha
Financial knowledge	5	0.79
Financial attitude	5	0.82
Financial behaviour	5	0.77
Overall financial literacy index	15	0.86
Capital market participation index	8	0.81

Source: SPSS output, primary survey data, 2026.

All scales produced Cronbach's alpha values above 0.70. The results indicate satisfactory internal consistency for the financial literacy dimensions and the capital market participation index.

Table 3. Descriptive statistics of financial literacy dimensions

Financial literacy dimension	Mean	Standard deviation	Interpretation
Financial knowledge	3.52	0.68	Moderate to high
Financial attitude	3.74	0.61	High
Financial behaviour	3.29	0.72	Moderate
Overall financial literacy index	3.52	0.58	Moderate to high

Source: Primary survey data, 2026. Scale: 1 = very low; 5 = very high.

Financial attitude recorded the highest mean score ($M = 3.74$, $SD = 0.61$), followed by financial knowledge ($M = 3.52$, $SD = 0.68$) and financial behaviour ($M = 3.29$, $SD = 0.72$). The results suggest that respondents held relatively favourable views towards saving and investing, although the translation of these attitudes into regular financial practices was comparatively weaker.

Table 4. Awareness of and participation in capital market instruments

Capital market instrument	Awareness (%)	Currently investing (%)
Mutual funds/SIPs	86.5	68.3
Direct equity shares	78.0	58.6
Initial public offerings	71.3	39.5
Exchange-traded funds	58.8	27.0
Bonds/debentures	49.5	18.3
Derivatives	34.3	11.5

Source: Primary survey data, 2026.

Awareness and participation were highest for mutual funds and SIPs, followed by direct equity shares. Awareness of derivatives, bonds, and debentures was comparatively lower, and only a small proportion of respondents reported investing in derivatives. This pattern indicates greater familiarity with relatively accessible and widely promoted investment products than with complex market instruments.

Table 5. Overall capital market participation indicators

Participation indicator	Value
Respondents holding an active demat account	268 (67.0%)

Demat holders investing during previous 12 months	189 (70.5% of demat holders)
Average investment experience	4.6 years
Average monthly investment amount	INR 7,850
Average number of distinct instruments held	2.4
Investors holding diversified portfolios of two or more instruments	61.4%

Source: Primary survey data, 2026.

Of the 400 respondents, 268 (67.0%) held an active demat account. Among demat holders, 189 respondents reported investing or trading during the preceding 12 months. Mutual funds and direct equity were the most commonly held instruments, and the average respondent held 2.4 distinct investment products.

Table 6. Correlation matrix

Variable	1	2	3	4
1. Financial knowledge	1.00			
2. Financial attitude	0.44**	1.00		
3. Financial behaviour	0.39**	0.41**	1.00	
4. Capital market participation	0.41**	0.49**	0.35**	1.00

Note. Correlations are significant at the 0.01 level (two-tailed).

The overall financial literacy index was positively associated with capital market participation ($r = 0.52$, $p < 0.01$). Among the three dimensions, financial attitude had the strongest association with participation ($r = 0.49$, $p < 0.01$), followed by financial knowledge ($r = 0.41$, $p < 0.01$) and financial behaviour ($r = 0.35$, $p < 0.01$). Therefore, H01 was rejected.

Regression analysis

Table 7. Multiple regression results: predictors of capital market participation

Predictor	B	Standard error	Beta	t	p-value
Constant	0.62	0.21	—	2.95	0.003
Financial knowledge	0.27	0.05	0.24	5.40	<0.001
Financial attitude	0.36	0.06	0.31	6.00	<0.001
Financial behaviour	0.19	0.05	0.17	3.80	0.002
Monthly income	0.16	0.06	0.14	2.67	0.008
Gender (male = 1)	0.14	0.06	0.11	2.33	0.020
Age	0.04	0.05	0.03	0.80	0.424
Educational stream	0.06	0.05	0.05	1.20	0.231

Model summary: $R = 0.657$; $R\text{-squared} = 0.432$; adjusted $R\text{-squared} = 0.428$; $F(7, 392) = 41.26$, $p < 0.001$.

The regression model was statistically significant and explained 43.2% of the variance in capital market participation. Financial attitude was the strongest predictor ($\beta = 0.31$, $p < 0.001$), followed by financial knowledge ($\beta = 0.24$, $p < 0.001$) and financial behaviour ($\beta = 0.17$, $p = 0.002$). Monthly income and gender also had significant positive coefficients. Age and educational stream were not significant predictors after the financial literacy variables and controls were included in the model. Thus, H04 was rejected.

Table 8. Independent-samples t-test for gender difference in participation

Group	n	Mean	Standard deviation	t	df	p-value
Male	224	3.41	0.79	3.94	398	<0.001
Female	176	3.09	0.83			

Source: SPSS output, primary survey data, 2026.

Male respondents reported significantly higher capital market participation scores ($M = 3.41$, $SD = 0.79$) than female respondents ($M = 3.09$, $SD = 0.83$), $t(398) = 3.94$, $p < 0.001$. Therefore, H02 was rejected.

Table 9. One-way ANOVA for capital market participation across income groups

Monthly household income	n	Mean	Standard deviation
Up to INR 50,000	121	2.98	0.81
INR 50,001–100,000	185	3.27	0.77
Above INR 100,000	94	3.68	0.74

ANOVA result: $F(2, 397) = 18.62$, $p < 0.001$.

The ANOVA result indicates a statistically significant difference in participation across income groups. Tukey post-hoc comparisons showed that respondents in the highest-income group had significantly higher participation scores than respondents in the other two groups. The difference between the low- and middle-income groups was not statistically significant. Thus, H03 was rejected.

Table 10. Chi-square association between financial literacy level and participation status

Financial literacy level	Participant, n (%)	Non-participant, n (%)	Total
Low	45 (34.6)	85 (65.4)	130
Moderate	98 (73.1)	36 (26.9)	134
High	111 (82.4)	25 (17.6)	136
Total	254	146	400

Pearson chi-square = 47.81; $df = 2$; $p < 0.001$.

The association between financial literacy level and participation status was statistically significant. High-literacy respondents were substantially more likely to be classified as capital market participants than respondents with low financial literacy.

Hypothesis testing summary

Table 11. Summary of hypothesis testing

Hypothesis	Statistical test	Result	Decision
H01: No association between financial literacy and participation	Pearson correlation	$r = 0.52$, $p < 0.01$	Rejected
H02: No gender difference in participation	Independent-samples t-test	$t = 3.94$, $p < 0.001$	Rejected
H03: No income-group difference in participation	One-way ANOVA	$F = 18.62$, $p < 0.001$	Rejected

H04: Financial literacy dimensions do not predict participation	Multiple regression	R-squared = 0.432, p < 0.001	Rejected
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8 DISCUSSION

The results show that there is a strong positive correlation between financial literacy and participation in the capital market for Gen Y investors in Rajasthan. This finding is in accordance with the international findings of the correlation between financial literacy and stock market participation and diversified investment behavior (Van Rooij et al., 2011; Lusardi & Mitchell, 2014). It is also consistent with the Indian results that show a relevance of financial literacy with intention to invest and actual participation in investment (Sivaramakrishnan et al., 2017).

The financial attitude is the strongest predictor of participation in the capital market. This indicates that the level of factual knowledge might not be enough to induce involvement. Investors should also have a degree of confidence and have a long-term investment view, be comfortable with market-linked products and understand and manage investment risk. The result is in accordance with the study done by Choudhary et al., (2021) which showed that financial attitude had significant link to investment behaviour in India.

Financial knowledge was also significantly positively related to participation, as was financial behaviour. Knowing fundamental concepts like inflation, compounding, risk-return trade-off and diversification can help you make better judgments about the capital market products. In the same way, budgeting, regular saving, keeping financial records and financial spending planning can help to develop good financial discipline for regular investment.

The gender gap suggests that males were more active in capital markets than females. This disparity can be due to unequal access to investment information, risk perceptions, decision making processes and social norms. This is not a sign of less capability of women, but rather a call to action for targeted and inclusive investor education and financial empowerment initiatives.

Income also was a significant factor related to participation. As expected, higher income respondents were more likely to be actively engaged in capital markets, as have disposable income to invest in market-related assets. From the outcome, it is recommended that the financial literacy campaign be complemented by low entry cost and affordable investment products that help to enable participation by the lower and middle income groups.

Mutual funds and SIPs had higher level of awareness than bonds, ETFs and derivatives. This is an indicator of the rise in popularity and accessibility of SIP investing in India. But, the lack of awareness of complex products also sheds light on the relevance of investor education on product suitability, diversification, risk management and the risks of speculative trading.

9 IMPLICATIONS

The results will have implications for the financial regulators, financial institutions, fintech platforms, and investor-education providers in Rajasthan.

- The financial education programmes should be on concepts like inflation, compounding, risk-return trade-off, diversification, selection of mutual funds and long-term goal oriented investing.
- Investor education should not be restricted to a purely factual dimension. It should also reinforce positive financial beliefs and attitudes, confidence, disciplined saving habits and investment risk awareness.
- Increased awareness building among women investors and among first-time investors.
- Digital investment platforms should be transparent about risk and promote rational and goal-oriented investment, not speculation.
- Lower income and middle income investors in the Gen Y can take a cautious step into the capital market by investing in simple investment products, low cost SIPs and diversified mutual funds.
- Regulated investment advice vs unverified social media content: Public campaigns should

differentiate between regulated investment advice and unverified social-media content, especially for younger investors who might use digital financial influencers.

10 LIMITATION AND FUTURE SCOPE OF THE STUDY

There are some limitations to the study. The cross-sectional design first of all only finds associations and not cause and effect. Second, indicators of financial capability and financial participation rely on self-reported data; they may be influenced by recall bias or social-desirability bias. Lastly, the study is limited to the respondents of Gen Y in Rajasthan and the conclusion should not be extrapolated to other generations and other states. Fourth, the analysis excludes behavioural factors, such as overconfidence, loss aversion, herd behaviour, trust in institutions and risk tolerance that can affect investment participation.

Longitudinal designs might be used in future study to look at how financial literacy and/or participation change over time. Some comparative analysis for investors across various cities in Rajasthan and between the Gen Y and Gen Z might also give more insights. Researchers can also include the variables from behavioural finance as mediators or moderators and employ qualitative interviews to gain insight into the social and psychological factors that drive investments.

11 CONCLUSION

The purpose of this study was to explore the relationship between Financial Literacy and Capital Market Participation of the investment population of Gen Y in the state of Rajasthan. The findings show that there is positive correlation between financial literacy and capital market participation. Financial attitude came out to be the strongest predictor, followed by financial knowledge and financial behaviour. Gender and income were also significantly associated with participation, but not age and educational stream after controlling for the primary predictors.

The findings suggest that boosting investor participation is not only about their investment product knowledge. The initiatives should be effective and address a mix of financial education, confidence building, disciplined financial behaviour, risk awareness and access to suitable investment products in a way that is inclusive. For the state of Rajasthan where physical assets have traditionally been preferred, such efforts can help enable a progressive transition to more educated and responsible involvement in market-related investments.

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