



A Study on Factors Influencing Investment Behavior Among Young Investors at HDFC

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Abstract—Investment behavior among young individuals has emerged as a critical area of financial research, particularly as millennials and Gen-Z begin to participate actively in capital markets. This study investigates the key factors influencing investment decision-making among young investors holding accounts with HDFC Securities and HDFC Bank, Hyderabad. Primary data was collected through a structured questionnaire administered to 100 respondents aged 18–35 years. Secondary data was sourced from HDFC annual reports, SEBI publications, and academic journals. The study examines demographic variables, risk tolerance, financial literacy, awareness of investment avenues, and behavioral biases as determinants of investment behavior. Findings reveal that financial literacy, peer influence, digital platform accessibility, and risk perception are the most significant factors. Young investors predominantly prefer equity mutual funds, followed by fixed deposits and stock markets. Suggestions focus on improving financial education, expanding digital advisory tools, and customizing investment products for youth segments.

Keywords: Investment behavior, young investors, HDFC, financial literacy, risk tolerance, behavioral finance, equity markets, mutual funds, portfolio diversification, digital investing.

1. INTRODUCTION

The financial landscape of India has undergone significant transformation over the past decade. Rapid digitalization, the proliferation of fintech platforms, and enhanced market access have drawn an increasing number of young individuals into investment markets. Young investors, generally defined as those between 18 and 35 years of age, represent a demographic that is technologically adept, aspirationally driven, and increasingly financially aware yet often vulnerable to behavioral biases and knowledge gaps.

HDFC Bank Limited, established in 1994, is India's largest private sector bank with a widespread retail and wealth management network. HDFC Securities, its investment

arm, serves millions of retail investors across equity, debt, and mutual fund platforms. With over 88 million customers and a growing digital presence, HDFC provides an ideal institutional context for studying investment behavior among younger demographics.

Investment decisions are rarely purely rational. Behavioral finance research reveals that cognitive biases, heuristics, social influences, and emotional factors substantially shape how individuals allocate their financial resources. For young investors, these factors are amplified by limited experience, peer pressure, social media influence, and the temptation of speculative returns. Understanding these dimensions is essential for financial institutions, regulators, and policymakers



seeking to promote healthy investment habits.

This paper studies the specific factors—demographic, psychological, financial, and social—that influence investment behavior among young investors interacting with HDFC. The study aims to provide actionable insights for designing better advisory services, financial literacy programs, and investment products tailored to youth.

2. OBJECTIVES OF THE STUDY

- To identify the key factors influencing investment behavior among young investors at HDFC.
- To analyze the preferred investment avenues among young investors aged 18–35 years.
- To assess the role of financial literacy and risk tolerance in shaping investment decisions.
- To examine the influence of demographic variables (age, gender, income, education) on investment patterns.
- To evaluate the impact of behavioral biases and peer influence on investment choices.
- To suggest appropriate strategies for HDFC to improve investment outreach and advisory services for youth.

3. LITERATURE REVIEW

[1] Shiller (2000) pioneered research on irrational exuberance and behavioral finance, demonstrating that investor sentiment and psychological factors substantially deviate equity prices from fundamental values. His work established the theoretical foundation for studying behavioral influences on investment decisions.

[2] Kahneman and Tversky (1979) developed Prospect Theory, showing that investors experience losses more intensely than equivalent gains—a phenomenon known as loss aversion. This asymmetric

risk perception profoundly shapes portfolio allocation decisions, particularly among novice young investors.

[3] Lusardi and Mitchell (2014) demonstrated through cross-country surveys that financial literacy is a robust predictor of investment participation, portfolio diversification, and long-term wealth accumulation. Their findings underscore the need for structured financial education initiatives targeting youth.

[4] Barber and Odean (2001) found that overconfident investors—particularly young males—trade excessively, leading to below-average net returns. They identified overconfidence as a key behavioral bias affecting trading frequency and investment performance.

[5] Kumar and Goyal (2015) studied Indian retail investors and found that social interaction, especially peer group behavior and family influence, significantly impacts investment decisions. Their work highlighted the role of informal information networks in Indian investment contexts.

[6] Sehgal and Tripathi (2009) analyzed herding behavior among Indian equity investors and found evidence of significant herd formation during periods of market volatility. Young investors were found disproportionately prone to herding due to limited independent analytical capability.

[7] Annamalah (2013) studied Malaysian young investors and found that financial knowledge, perceived market returns, and access to information technology were the primary determinants of investment intent among youth, with digital access being a particularly strong predictor.

[8] SEBI Investor Survey (2022) revealed that only 27% of Indian retail investors possess adequate financial literacy. Younger investors (18–30 years) showed higher digital platform adoption but lower understanding of risk diversification principles, emphasizing the financial literacy gap.



4. RESEARCH METHODOLOGY

This study adopts a mixed-method research approach combining quantitative survey data with qualitative secondary analysis. The methodology is designed to capture both measurable behavioral patterns and contextual understanding of investment behavior among young HDFC investors.

4.1 Research Design

A descriptive research design was employed. Descriptive methodology was used to systematically profile the investment behavior, preferences, and influencing factors among the sampled respondents. The study covers respondents associated with HDFC Bank and HDFC Securities branches in Hyderabad, Telangana, during the period April 2023 to March 2024.

4.2 Data Sources

Primary Data: A structured questionnaire was administered to 100 young investors (aged 18–35 years) using HDFC Bank or HDFC Securities services in Hyderabad. The instrument comprised 30 closed-ended questions covering demographic profile, investment objectives, product preferences, risk tolerance, financial literacy, and behavioral biases. The questionnaire was distributed both in-person at HDFC branches and digitally via online platforms.

Secondary Data: Secondary data was drawn from HDFC Bank Annual Reports (2021–2024), HDFC Securities research publications, SEBI Investor Surveys (2020 and 2022), RBI Monetary Policy Reports, NSE and BSE statistical yearbooks, academic journals, and peer-reviewed conference proceedings.

4.3 Sample Size

Purposive and convenience sampling was used to select 100 respondents from Hyderabad satisfying the age criterion of 18–35 years with at least one active investment product with HDFC. The sample was stratified to ensure representation across gender (Male 58%, Female 42%), educational qualification, income bracket,

and investment experience (less than 1 year, 1–3 years, above 3 years). All responses were kept confidential and data collected anonymously.

4.4 Tools for Analysis

- Percentage analysis and frequency distribution to summarize demographic and preference data.
- Weighted average scoring for ranking investment avenues and influencing factors.
- Chi-square test to determine association between demographic variables and investment preferences.
- Likert scale scoring (1–5) to measure attitudes toward risk, financial literacy perception, and behavioral biases.
- ANOVA to test significant differences in investment amount by income group and education level.

5. DATA ANALYSIS AND INTERPRETATION

5.1 Demographic Profile of Respondents

Table I presents the demographic profile of the 100 respondents surveyed. The majority of respondents (47%) fall in the 22–26 age group, representing recent graduates and early-career professionals. Male respondents constitute 58% of the sample. A significant portion (63%) hold postgraduate qualifications, and 52% fall in the ₹3–6 lakh annual income bracket.

Characteristic	Category	Respondents	Percentage
Age Group	18–21 years	18	18%
	22–26 years	47	47%
	27–31 years	25	25%
	32–35 years	10	10%



Gender	Male	58	58%
	Female	42	42%
Education	Undergraduate	22	22%
	Postgraduate	63	63%
	Professional	15	15%
Income (p.a.)	Below ₹3 Lakh	20	20%
	₹3–6 Lakh	52	52%
	₹6–10 Lakh	21	21%
	Above ₹10 Lakh	7	7%

Table I: Demographic Profile of Respondents (n=100)

5.2 Preferred Investment Avenues

Respondents were asked to rank their most frequently used investment products. Equity Mutual Funds emerged as the most preferred avenue (38%), followed by Fixed Deposits (22%) and direct Stock Market investments (18%). The relatively lower adoption of insurance-linked investment products reflects the younger demographic's preference for liquidity and growth-oriented instruments.

Investment Avenue	Respondents	Percentage	Rank
Equity Mutual Funds	38	38%	1
Fixed Deposits	22	22%	2
Stock Market (Direct)	18	18%	3

Digital Gold / ETFs	10	10%	4
Public Provident Fund	7	7%	5
Insurance-linked Products	5	5%	6

Table II: Preferred Investment Avenues (n=100)

5.3 Factors Influencing Investment Decisions

Respondents rated 10 factors on a 5-point Likert scale (1 = Least Influential, 5 = Most Influential). Financial literacy and digital platform convenience recorded the highest mean scores of 4.52 and 4.38 respectively, confirming their central role in young investor behavior. Peer influence and social media scored higher than traditional factors such as broker advice and bank recommendations.

Factor	Mean Score	Rank
Financial Literacy	4.52	1
Digital Platform Convenience	4.38	2
Peer / Social Influence	4.21	3
Risk Tolerance Level	4.07	4
Expected Returns	3.98	5
Brand Reputation (HDFC)	3.76	6
Family Advice	3.54	7
Tax Benefits	3.41	8
Broker / Advisor Guidance	3.18	9
Market News & Social Media	3.05	10



Table III: Factors Influencing Investment Decisions (Likert Score)

5.4 Risk Tolerance Classification

Risk tolerance was assessed through a composite 8-item scale. Results show that 44% of respondents are moderate risk-takers, while 28% classify as aggressive, reflecting the inherently higher risk appetite of young investors with longer investment horizons and lower financial obligations. Only 11% were classified as conservative, predominantly female respondents in the 32–35 age group.

Risk Category	Respo ndent s	%	Avg. Portfolio in Equity
Conservative	11	11 %	< 20%
Moderate	44	44 %	20%– 50%
Aggressive	28	28 %	50%– 75%
Very Aggressive	17	17 %	> 75%

Table IV: Risk Tolerance Profile of Young Investors

5.5 Behavioral Biases Observed

Respondents were evaluated for common behavioral biases through scenario-based questions. Overconfidence and herding behavior were the most prevalent biases, consistent with prior research on young retail investors in emerging markets. The data indicates that 64% of respondents had changed an investment decision based on peer or social media activity in the past 12 months.

Behavioral Bias	Respondent s Affected	Percenta ge
Overconfide	52	52%

nce		
Herding Behavior	49	49%
Loss Aversion	38	38%
Anchoring Bias	31	31%
Confirmatio n Bias	27	27%
Disposition Effect	22	22%

Table V: Prevalence of Behavioral Biases (n=100)

5.6 Financial Literacy Assessment

Respondents completed a 10-item financial literacy quiz covering basic concepts including compound interest, mutual fund risk, inflation, diversification, and SIP mechanics. Results indicate that 41% possess adequate financial literacy, while 34% have moderate literacy, and 25% demonstrate inadequate financial knowledge despite active market participation.

Literacy Level	Score Range	Respondents	Percentage
Adequate (High)	8–10 / 10	41	41%
Moderate	5–7 / 10	34	34%
Inadequate (Low)	< 5 / 10	25	25%

Table VI: Financial Literacy Distribution Among Respondents

5.7 Chi-Square Test: Gender vs. Investment Preference

A chi-square test was performed to determine whether investment product preference is statistically associated with gender. The calculated chi-square value ($\chi^2 = 11.84$) exceeds the critical value at 5%



significance level (χ^2 critical = 9.49, df = 4), indicating a statistically significant association. Male respondents showed significantly higher preference for direct equity, whereas female respondents preferred mutual funds and fixed deposits.

Test Parameter	Value
Calculated χ^2	11.84
Degrees of Freedom	4
Level of Significance	5% (0.05)
Critical Value (χ^2)	9.49
Result	Ho Rejected – Significant

Table VII: Chi-Square Test – Gender vs. Investment Preference

6. FINDINGS AND SUGGESTIONS

6.1 Key Findings

Primary Findings:

- Financial literacy is the most significant determinant of investment behavior, with a mean Likert score of 4.52; respondents with high literacy scores invest in a broader range of instruments and demonstrate better portfolio diversification.
- Digital platform convenience ranks second (4.38), reflecting the dominance of mobile-first investment behavior; 76% of respondents exclusively use HDFC's mobile application or HDFC Securities online platform for investment transactions.
- Equity Mutual Funds are the most preferred investment avenue (38%), driven by SIP accessibility, tax benefits under ELSS, and perceived professional fund management.
- Peer and social influence (4.21) ranks above family advice (3.54) and professional broker guidance (3.18),

indicating a paradigm shift toward digitally mediated social networks as primary information sources for investment decisions.

- Risk tolerance is strongly correlated with age and income; respondents aged 22–26 with postgraduate qualifications and income of ₹3–6 lakh annually demonstrate the highest propensity for equity exposure.
- Overconfidence bias affects 52% and herding behavior 49% of respondents; 64% admitted altering investment decisions based on social media content or peer suggestions in the preceding year.
- 25% of respondents exhibit inadequate financial literacy despite active investment participation, creating systemic risk of uninformed decision-making and potential financial losses.
- Gender significantly influences investment preference ($\chi^2 = 11.84 > 9.49$ critical value); male investors favor direct equity while female investors prefer capital-preservation instruments such as fixed deposits and debt mutual funds.

Investment Frequency and Amount:

- 67% of respondents invest monthly through SIP mode, indicating growing acceptance of disciplined systematic investing.
- Average monthly investment amount ranges from ₹2,000 to ₹8,000 for the dominant income bracket (₹3–6 lakh p.a.), with a mean SIP amount of ₹3,840.
- Only 18% of respondents maintain an emergency fund alongside investment portfolios, reflecting insufficient financial planning beyond market-linked products.

6.2 Suggestions

- HDFC should design and integrate a Financial Wellness Module within its mobile banking application, offering



personalized quizzes, investment simulators, and real-time portfolio performance explainers to improve financial literacy among users with low literacy scores.

- Given peer influence's dominant role, HDFC Securities should develop a community investment platform featuring verified expert content, curated investment discussions, and gamified learning elements to redirect social media influence toward credible information channels.
- Risk profiling should be made mandatory at account opening and updated semi-annually through adaptive digital assessments, with automatic product recommendations aligned to updated risk scores.
- Customize SIP products with micro-investment options starting from ₹100 to enable participation from students and early earners in the 18–21 age bracket who currently show the lowest investment activity.
- Conduct targeted financial literacy campaigns through college partnerships, digital influencer collaborations, and HDFC branch youth investment workshops to address the 25% low-literacy segment.
- Deploy AI-driven behavioral nudge systems on HDFC platforms that detect herding and panic-selling patterns, issuing personalized alerts and educational content at the moment of behavioral bias to improve investment outcomes.

7. CONCLUSION

This study comprehensively examined the factors influencing investment behavior among young investors (aged 18–35) at HDFC, encompassing demographic, psychological, informational, and social dimensions. Analysis of 100 respondents reveals that financial literacy, digital platform accessibility, and peer influence

constitute the dominant triad of factors shaping investment decisions among this cohort.

Young investors exhibit a clear preference for equity mutual funds and digital investment channels, driven by convenience and aspirational return expectations. However, the prevalence of overconfidence (52%) and herding behavior (49%), combined with inadequate financial literacy in 25% of respondents, signals systemic behavioral vulnerabilities that can translate into suboptimal portfolio performance and financial distress.

Gender remains a statistically significant determinant of investment product preference, with male investors demonstrating higher equity orientation and female investors favoring capital-preservation instruments. Risk tolerance levels are primarily driven by age, income, and educational attainment, reinforcing life-stage theories of investment behavior.

For HDFC, the findings present both a challenge and an opportunity: the growing base of young digital investors requires targeted financial literacy initiatives, behaviorally intelligent product design, and AI-powered advisory tools to translate investment participation into long-term financial well-being. By embedding education into the digital investment journey and harnessing the positive aspects of social influence, HDFC can position itself as the trusted financial partner for India's next generation of investors.

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