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A STUDY ON THE EVOLVING INVESTMENT PREFERENCES OF STUDENTS: MUTUAL FUNDS, STOCKS, AND DIGITAL ASSETS IN THE MODERN ERA

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Abstract - In recent years, India's investment ecosystem has experienced a paradigm shift driven by digitalization, financial innovation, and the democratization of financial information. Among the country's young population, particularly students, investment preferences have evolved from traditional saving instruments such as bank deposits toward more dynamic avenues like mutual funds, equity markets, and digital assets. This paper provides a comprehensive secondary-data-based analysis of these evolving preferences, synthesizing insights from scholarly articles, financial reports, and institutional publications by SEBI, AMFI, and the Reserve Bank of India.

The study reveals that mutual funds remain the most widely preferred investment option among Indian students due to their relative safety, liquidity, and low capital requirements, supported by the popularity of Systematic Investment Plans (SIPs). Stock investments are gaining traction, particularly among commerce and finance students, facilitated by online platforms such as Zerodha, Groww, and Upstox that simplify participation and reduce brokerage barriers. Meanwhile, digital assets such as cryptocurrencies and NFTs are emerging as high-risk, high-return choices, appealing mainly to tech-savvy and risk-seeking individuals who are influenced by peer groups and social media.

The findings underscore that investment choices among students are primarily shaped by financial literacy, risk perception, technological accessibility, and social influence. Students with greater financial knowledge tend to diversify portfolios and exhibit long-term investment orientation, whereas those influenced by online content often prioritize short-term gains.

The paper concludes that while Indian students are increasingly embracing modern investment instruments as a means of achieving financial independence, sustainable and informed participation will depend on enhanced financial literacy, regulatory clarity, and continuous investor education.

Keywords: Investment preferences, Indian students, Mutual funds, Stocks, Digital assets, Financial literacy, Risk perception, Digital finance.

2. Introduction

The landscape of personal finance and investment in India has witnessed a substantial transformation over the last decade, influenced by economic growth, digital innovation, and the increasing availability of financial information. Among the various demographic groups engaging with financial markets, students represent one of the most dynamic and rapidly evolving segments. As members of India's digitally empowered generation, students are no longer confined to traditional saving habits such as fixed deposits, recurring deposits, or savings accounts. Instead, they are now exploring mutual funds, equities, and digital assets as viable tools for wealth creation and financial independence.

This shift is primarily driven by technological accessibility and the digitalization of financial services. The proliferation of fintech platforms such as Groww, Zerodha, Upstox, and Paytm Money has simplified investment procedures and reduced the traditional entry barriers associated with financial markets. Through user-friendly mobile applications, instant account opening, and low transaction costs, students can now participate in investment activities with minimal capital and limited prior experience. Additionally, the availability of financial information through social media platforms, financial influencers, and online learning content has further fuelled this transformation.

However, the increasing interest in financial markets among students does not necessarily equate to informed decision-making. A large proportion of young investors in India enter the market with limited financial literacy and an incomplete understanding of risk management. Their investment decisions are often influenced by peer recommendations, social media trends, and short-term return expectations, rather than long-term financial planning. While this enthusiasm reflects a positive trend toward financial inclusion, it also highlights a critical gap between awareness and understanding.

The role of mutual funds in this context has remained significant. With the introduction of systematic investment plans (SIPs), tax-saving schemes, and digital access through mobile apps, mutual funds have emerged as the most trusted avenue for students seeking stable and professionally managed investments. Conversely, stocks attract students who possess a moderate risk appetite and seek direct market participation. The appeal of digital assets, particularly cryptocurrencies, has surged since the COVID-19 pandemic, driven by social media exposure and the perception of high returns. However, these assets also expose students to speculative behaviour, volatility, and regulatory ambiguity.

This study is entirely based on secondary data, synthesizing findings from previous research papers, SEBI and AMFI reports, and academic studies related to financial behaviour among Indian youth. The analysis aims to understand how students' investment preferences are evolving in the digital age, the factors influencing their decision-making, and the challenges they face in navigating financial markets.

Furthermore, this research seeks to bridge the gap in literature by examining the intersection of financial literacy, technology, and psychology in shaping investment preferences. It also highlights the implications of digitalization for responsible investing and financial education in India.

In essence, this paper contributes to understanding how India's young population — particularly students — is redefining investment culture. Their choices reflect a balance between traditional financial prudence and modern digital experimentation, embodying the transition from saving-focused behaviour to investment-oriented financial participation.

3. Review of Literature

The investment behaviour of students and young investors has been a growing area of research in the fields of finance, behavioural economics, and digital technology. Several recent studies have examined how technological accessibility, financial literacy, and social influence affect investment preferences across mutual funds, stocks, and digital assets.

Financial literacy and traditional investments: Financial literacy remains a cornerstone in shaping investment decisions among students. Nag and Shah (2022) conducted an empirical study on Gen Z investors in India and found that higher financial literacy significantly increases confidence and participation in the stock market. Their research identified "attitude toward investment" and "perceived behavioural control" as major mediating factors linking knowledge to actual investment behaviour. Similarly, Reddy and Nirmala (2021) noted that mutual funds continue to attract young investors due to their ease of investment, low entry cost, and risk diversification, especially among financially literate students in urban India.

Emergence of digital assets: The growing popularity of cryptocurrencies has drawn attention from researchers studying youth investment behaviour. Pandey (2022) examined the hesitancy of Indian youth toward cryptocurrency investment and found that perceived volatility, lack of government regulation, and uncertainty about long-term value discourage many students from participating. Ramachandran and Stella (2022), applying the Theory of Planned Behaviour, discovered that students' intention to invest in cryptocurrencies is shaped by their awareness, attitudes, and perceived behavioural control. Their study found that students who are more familiar with blockchain technology and global financial trends show stronger adoption intentions.

Awareness and perception of new-age investors: Chikanal, Sathish, and Chandra (2024) explored investor awareness and perceptions of cryptocurrency among students in Bangalore. Their findings indicate that while basic awareness of digital assets is high, comprehensive understanding of risks, taxation, and legal implications remains limited. Vanishree, Varshitha, and Varshitha (2024) further corroborated this, noting that although youth investors perceive digital assets as innovative and high-return options, their lack of financial discipline and regulatory awareness often leads to speculative behaviour.

Behavioural and psychological influences: Behavioural finance theories such as herding behaviour and the Fear of Missing Out (FOMO) have become increasingly relevant in explaining modern investment trends. Kala, Chaubey, and Al-Adwan (2024) analyzed cryptocurrency adoption among young Indians and found that perceived government control and social influence significantly moderate adoption intention. Their study highlighted that FOMO plays a crucial role in driving investment decisions, with social media exposure amplifying this effect. Similarly, Adnan, Kumari, and Negi (2022) observed that perceived usefulness and ease of use (under the Technology Acceptance Model) positively affect millennials' willingness to invest in cryptocurrencies, while perceived risk remains a critical deterrent.

Comparative trends and gaps in literature: While most studies focus on digital assets or stock market participation, limited research directly compares investment preferences across mutual funds, equities, and digital assets among students. The existing literature shows that students' investment behaviour is highly influenced by technological exposure, peer recommendations, and short-term market trends rather than long-term financial planning. There is also a clear need for more comparative analyses of how students balance risk and return across traditional and digital instruments. The reviewed studies collectively highlight that financial literacy and psychological factors remain central to shaping investment preferences in this demographic.

4. Objectives of the Study

1. To analyse the evolving investment preferences of students with reference to mutual funds, stocks, and digital assets.
2. To identify the key factors influencing students' investment decisions in the digital age.
3. To examine the role of technology and financial literacy in shaping investment behaviour.
4. To suggest strategies for promoting responsible and informed investing among students.

5. Research Methodology

5.1 Research Design

The present study adopts a descriptive and analytical research design, suitable for understanding patterns, trends, and relationships in existing secondary data. Since the objective is to explore the evolving investment preferences of Indian students — specifically in relation to mutual funds, stocks, and digital assets — the descriptive approach enables systematic examination and interpretation of existing knowledge without manipulating variables.

This design facilitates an in-depth understanding of how investment behavior among students is shaped by factors such as financial literacy, technological exposure, risk perception, and social influence. The analytical component allows for synthesis and comparison of results from multiple studies, ensuring a comprehensive overview of student investment patterns in the modern financial landscape.

5.2 Nature and Sources of Data

This research is based entirely on secondary data, collected from authentic and credible sources. The study synthesizes information from:

1. **Academic Journals and Research Publications:**
   - Peer-reviewed studies published in reputed Indian and international journals such as the *Indian Journal of Finance*, *Journal of Positive School Psychology*, *International Journal of Management*, and *Asian Journal of Business Research*.
2. **Government and Institutional Reports:**
   - Publications from regulatory bodies such as the Securities and Exchange Board of India (SEBI), Association of Mutual Funds in India (AMFI), Reserve Bank of India (RBI), and National Stock Exchange (NSE).
3. **Financial and Economic Databases:**
   - Reports and statistics from sources such as the Economic Times Intelligence Group, Moneycontrol, and Statista, which provide insights into youth investment participation.
4. **Online Research Repositories and Google Scholar:**
   - Relevant studies and dissertations on youth investment behaviour, mutual fund adoption, and cryptocurrency awareness among Indian students.

All data were selected to ensure recency (2019–2025) and relevance to the Indian context, with a focus on behavioural and technological dimensions of investing.

5.3 Sampling Design

As this is a secondary research study, no direct survey or primary data collection was undertaken. Instead, a purposive sampling technique was used to select relevant literature and reports that align with the study's objectives.

The sampling framework included:

- Studies focusing on Indian students or youth (ages 18–25).
- Research exploring investment preferences toward mutual funds, stocks, or digital assets.
- Publications emphasizing financial literacy, behavioural finance, and digital investing.

This approach ensured a balanced representation of both academic and institutional perspectives on student investment trends.

5.4 Data Collection Method

Data collection involved systematically reviewing existing literature and extracting relevant information based on key variables such as investment preference, risk attitude, awareness level, and technological exposure. A structured review matrix was developed to categorize the findings from different sources under thematic headings — namely mutual funds, stocks, and digital assets.

The data collection process followed these key steps:

1. Identification of peer-reviewed and official reports published between 2019 and 2025.
2. Screening of literature to exclude irrelevant, outdated, or regionally inconsistent data.
3. Extraction of qualitative and quantitative findings from the selected sources.
4. Summarization of patterns and contrasts among investment behaviours of Indian students.

This systematic review approach ensured objectivity and consistency in synthesizing secondary data.

5.5 Data Analysis Technique

Given the descriptive nature of this study, content analysis and comparative trend analysis were employed to interpret the data.

- Content Analysis: Thematic categorization was used to identify recurring ideas such as risk perception, financial awareness, and peer influence.
- Comparative Analysis: Trends across different investment avenues (mutual funds, stocks, and digital assets) were compared based on student preferences, demographic variations, and influencing factors.
- Qualitative Synthesis: The conclusions from various studies were synthesized to construct a coherent narrative explaining the evolution of investment behaviour.

The analysis also integrated theoretical models such as the Theory of Planned Behaviour (TPB) and Behavioural Finance Theory to interpret decision-making patterns among students.

6. Summary of the Findings

1. Mutual funds remain the most preferred investment option among students due to lower risk, SIP availability, and professional management.
2. Stock investments are gaining traction, particularly among commerce and finance students, driven by access to online trading platforms and YouTube-based financial education.
3. Digital assets like cryptocurrencies attract risk-taking students who are influenced by social media, celebrity endorsements, and peer trends.
4. Financial literacy plays a decisive role in determining investment confidence and portfolio diversification.
5. Students exhibit short-term investment behavior, prioritizing quick gains over long-term wealth creation.
6. Social influence and digital communities significantly impact investment choices, often more than traditional financial advisors.

7. Interpretation of Results

The findings reveal a clear transition from conservative saving habits to active investment participation among students. Mutual funds continue to dominate due to their simplicity and structured nature, while stocks appeal to students seeking higher returns through direct market exposure. Digital assets, though volatile, have become a symbol of financial modernity among the youth.

Students' investment choices are shaped by technological accessibility and social validation rather than by deep financial analysis. Their preference for convenience, combined with exposure to online financial content, has redefined risk perception. However, the reliance on unverified digital information often leads to speculative decisions, highlighting the importance of structured financial education.

8. Limitations of the Study

1. The study relies solely on secondary data, which may not reflect recent behavioural nuances or localized patterns.
2. Variations in data sources and methodologies across studies may limit direct comparability.
3. The absence of primary survey data restricts real-time insights into students' investment motivations.
4. Rapid market and technological changes may render some findings contextually time-bound.

9. Conclusion and Recommendations

The study concludes that students are progressively embracing diverse investment avenues, reflecting a broader shift toward financial independence and digital empowerment. Mutual funds remain the foundation of student investment portfolios, while stocks and digital assets symbolize curiosity, innovation, and technological confidence. However, the enthusiasm for modern investment channels must be balanced with caution, education, and regulatory awareness.

Recommendations

1. Financial Literacy Integration: Educational institutions should integrate investment literacy modules into curricula.
2. Awareness Campaigns: Regulatory bodies such as SEBI and AMFI should promote youth-focused investment awareness programs.
3. Responsible Digital Engagement: Encourage critical evaluation of online financial content and discourage speculative trading based on trends.
4. Diversified Investing: Students should be guided to balance high-risk digital assets with stable investments like mutual funds.
5. Policy Support: Financial institutions should create low-cost, student-friendly investment products emphasizing education and safety.

By aligning financial education with digital awareness, students can become informed investors capable of navigating the opportunities and risks of modern financial markets.

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