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Analysing Investor Behaviour in Alternative Investment Options: The Role of Financial Education and Demographic Influences

Mr. Rathesh J.[1], Ms. Sumithra N. P. [2], Ms. Gayathri C.R.[3], Ms. Jyothi J.[4], Ms. A. Angel Jaya Kirubha [5], Ms. Rashmi R.[6], Mr. Chethan S.[7]
[1]Assistant Professor, Department of Tourism and Travel Management, St. Claret College, Autonomous, Bengaluru.
[2]Assistant Professor, Department of Commerce and Management, Vidhya Soudha Academy of Management and Sciences, Bengaluru.
[3]Assistant Professor, Department of Commerce and Management, Bangalore institute of management Science and Research, Bengaluru
[4]Assistant Professor, Department of Commerce and Management, Presidency College (Autonomous), Hebbal, Bengaluru.
[5]Assistant Professor, Department of Commerce, RBANM's First Grade College, Bengaluru.
[6]Assistant Professor, Department of Commerce and Management, Vidhya Soudha Academy of Management and Sciences, Bengaluru.
[7]Assistant Professor, Department of Tourism and Travel Management, St. Claret College, Autonomous, Bengaluru.

ABSTRACT
The rapid expansion of alternative investment avenues such as real estate, commodities, cryptocurrencies, and private equity has significantly altered investor participation in emerging economies like India. Despite this growth, limited financial education and demographic disparities continue to influence investor decision-making and risk behaviour. This study examines the impact of financial education and demographic factors on investor behaviour toward alternative investment options.
Primary data were collected from 312 investors in Bengaluru using a structured questionnaire. The study employed descriptive statistics and chi-square analysis to examine the relationship between financial education, demographic variables, and alternative investment behaviour. The results reveal a strong and statistically significant association between financial education and participation in alternative investments ($\chi^2 = 42.06$, $p < 0.001$).
The findings contribute to behavioural finance literature by demonstrating the pivotal role of financial literacy in shaping alternative investment behaviour in an emerging market context. The study offers practical implications for policymakers, financial institutions, and educators in designing targeted financial literacy programs to promote informed investment decision-making
Keywords: Investor Behaviour, Financial Education, Demographic Influences, Alternative Investments, Financial Literacy

INTRODUCTION:

The financial sector in India has undergone profound transformation in recent decades, fueled by liberalization, digitization, and globalization. This evolution has introduced a range of alternative investment options that extend beyond traditional banking products like savings accounts and fixed deposits. These alternatives include mutual funds, bonds, gold, derivatives, real estate, and more recently, cryptocurrencies. While these investment avenues offer attractive returns, they also demand a deeper understanding of financial markets, making investor education more crucial than ever.

Investor Behaviour refers to the psychological patterns, preferences, and decisions individuals make when allocating their capital among available investment options. The key variables that influence this Behaviour often include financial literacy and demographic characteristics such as age, gender, educational qualification, income level, and professional background.

Investment Behaviour has undergone significant transformations over the years, with alternative investments gaining prominence as viable options alongside traditional assets such as stocks and bonds. Alternative investments provide investors with diversification opportunities, potential high returns, and hedging mechanisms against market volatility. However, these investments also come with distinct challenges, including illiquidity, regulatory complexities, and higher risk exposure.

Over the past decade, investment Behaviour has shifted significantly, with alternative investment avenues emerging as important complements to traditional assets such as stocks and bonds. While these investments offer diversification benefits and potential for higher returns, they are also characterized by increased risk, illiquidity, and regulatory complexity, thereby necessitating a higher level of financial education among investors.

Alternative Investment Options and Influencing Factors

Alternative investments encompass asset classes beyond traditional stocks, bonds, and cash equivalents. Prominent forms of alternative investments include real estate, which offers income generation and capital appreciation through direct ownership or instruments such as Real Estate Investment Trusts (REITs); commodities such as gold and oil, commonly used as hedges against inflation; cryptocurrencies like Bitcoin and Ethereum, characterized by high volatility and speculative returns; and private equity and venture capital, which involve investments in high-growth, privately held enterprises. Other alternative assets include art and collectibles, whose value is driven by rarity and historical significance, as well as farmland and infrastructure investments that provide relatively stable long-term returns but are subject to regulatory and political risks. Direct lending through digital platforms has also emerged as an alternative investment avenue, offering higher returns accompanied by increased default risk.

Investment decisions in alternative assets are influenced by several factors. Key determinants include individual risk tolerance, expected returns, investment horizon, liquidity requirements, and prevailing economic and tax conditions. Additionally, personal financial position, asset pricing, and interest rate movements play a crucial role in shaping investment choices. In recent years, social, environmental, and political considerations have also gained importance, particularly in the context of ethical and sustainable investing. Financial expertise and prior investment experience further influence investors' ability to assess and manage the complexities associated with alternative investment options.

Financial education plays a critical role in shaping investment decisions, particularly in the realm of alternative investments. Investors with financial knowledge are more likely to assess risks effectively, evaluate potential returns, and make informed decisions regarding asset allocation. Despite the growing interest in alternative investments, many investors lack the necessary financial literacy to navigate this complex market effectively.

Demographic factors further influence investment choices, with aspects such as age, gender, income levels, and employment status playing a crucial role in determining an individual's investment preferences. Younger investors, for instance, may be more inclined towards high-risk, high-reward assets such as cryptocurrencies, while older investors may prioritize stability through real estate or infrastructure investments.

The purpose of the proposed research is to analyse the combination of the financial education, demographic factors, and investment choices in the context of the alternative investment industry. Characterizing the nature of investor Behaviour and preferences, the study will present useful insights on how financial literacy programs can be used to increase the participation in alternative investments, further a more diversified investment portfolio and more knowledge-intensive decision-making.

Despite growing literature on investment behaviour and financial literacy empirical evidence linking financial education, demographic characteristics and alternative investment behaviour in emerging economies remains limited. Existing studies largely focused on traditional investment instruments with minimal attention to newer asset classes such as cryptocurrencies and private equity. This study addresses this gap by empirically examining how financial education and demographic variables jointly influences alternative investment decisions among urban investors in India.

Research Problem Statement

Although alternative investment has significant diversification and earning prospects, a significant disparity is also seen among the investors due to the lack of financial education disparity. Lack of investor education on the risks and rewards of alternative investment incurs investors to either be over cautious or rather risky in their investment practices. Moreover, age, level of income and occupation are also demographic variables affecting investment decisions leading to inequalities in other investments. The purpose of the current study is to examine the degree of the effects of financial education on investment choice in alternative asset investment and the degree of effectiveness of demographic factors on investment choices.

Objectives

1. To examine the level of financial education among investors and its influence on alternative investment participation.
2. To analyse the impact of demographic variables such as age gender income and occupation on alternative investment behaviour.
3. To empirically test the relationship between financial education and investment decision using statistical techniques.
4. To drive policy and practical implications for improving financial literacy and informed investment behaviour.

Significance of the Study

The study is worthy because it illuminates on the importance of financial education on investment decision making especially in alternative investment. The results will be useful to policymakers, financial advisors, and schools to outline programs that would make people more financially literate and enable them to engage in informed investing. The insight gained on how demographic factors operate will also assist to come up with specific financial products and services that addresses various classes of investors.

Scope and Limitations

This paper will be dealing with the behaviour of the investor concerning the alternative investment choice with particular focus on financial literacy and demography effects. The study mainly takes into account alternative investment options including real estate, commodities, cryptocurrencies, venture capitalist and infrastructure investment. The available data, geographical reach and biasness in self-reported data in financial literacy of respondents are some of the limitations of the study.

This research study presents significant analysis of the aspects that affect the choice of alternative investments, thus revealing practical information to the already existing body of research on the topics of financial education, as well as the Behaviour of investors in conditions of the existing contemporary investments environment.

Literature Review

Financial education and investment behaviour

financial education has been widely recognised as a critical determinant of individual investment behaviour. Prior studies continuously emphasise that investor with higher levels of financial literacy are better equipped to understand financial products evaluate risk-return trade-offs, and make informed investment decisions. Lusardi and Mitchell (2024) highlight that financial literacy significantly enhances individuals ability to plan, save and investment efficiently leading to improved portfolio diversification and long term wealth accumulation.

Empirical evidence suggests that financially educated investors exhibit greater participation in market based instruments and are less susceptible to behavioural basis. Barber and Odean (2001) demonstrate that informed investors tend to trade more rationally and avoid excessive speculation driven by overconfidence. Similarly, Huston (2010) argues that financial education improves decision quality by enhancing numerical skills and financial awareness, thereby reducing irrational investment choices.

In the context of emerging markets, Sharma and Dey (2017) find that financial literacy plays a pivotal role in shaping urban investors' attitudes toward non-traditional investment avenues. Their study indicates that financially knowledgeable investors are more likely to explore diversified investment options beyond conventional savings instruments. Choi and Lee (2018) further confirm that financial literacy mitigates Behavioural biases such as loss aversion and herd Behaviour, which are particularly prominent in volatile investment environments.

Overall, existing literature establishes a strong consensus that financial education positively influences investment participation, risk assessment, and portfolio diversification. However, much of this evidence focuses primarily on traditional investment instruments, leaving scope for further examination within the domain of alternative investments.

Demographic Factors and Risk Preferences

Demographic characteristics play a significant role in influencing investment preferences and risk-taking Behaviour. Age, gender, income, education, and occupation have been widely studied as key determinants of individual financial decisions. Research consistently shows that age is inversely related to risk tolerance, with younger investors exhibiting a greater inclination toward high-risk, high-return assets, while older investors prefer stable and low-risk investment options (Hallahan et al., 2004).

Gender differences in investment Behaviour have also been well documented. Barber and Odean (2001) observe that male investors tend to display higher levels of overconfidence and engage in riskier investment strategies compared to female investors, who generally adopt a more conservative approach. Income and educational attainment further influence investment Behaviour, as individuals with higher income and education levels possess greater capacity to absorb financial risk and access diversified investment opportunities (Arora & Malhotra, 2019).

Occupation and employment stability also shape investment decisions. Salaried professionals and self-employed individuals often differ in their investment horizons and risk preferences due to variations in income certainty and liquidity needs. Joo and Grable (2004) suggest that individuals with stable income sources demonstrate greater financial satisfaction and a higher propensity to engage in long-term investments.

While demographic factors are extensively examined in investment Behaviour studies, their combined influence alongside financial education—particularly in the context of alternative investments—remains insufficiently explored, especially in emerging economies.

Alternative Investments in Emerging Markets

Alternative investments, including real estate, commodities, cryptocurrencies, private equity, and infrastructure assets, have gained prominence as diversification tools in modern portfolio management. Brière, Oosterlinck, and Szafarz (2015) argue that alternative assets provide significant diversification benefits and hedging potential against market volatility. However, these instruments are often characterized by higher risk, limited liquidity, and greater informational complexity.

In emerging markets, alternative investments present both opportunities and challenges. Gennaioli, Shleifer, and Vishny (2015) note that investor participation in complex financial products is often influenced by limited financial awareness and Behavioural biases. Studies focusing on developing economies indicate that inadequate financial literacy and regulatory uncertainty constrain informed participation in alternative investment markets (Manganelli & Cipriano, 2014).

Despite the rapid growth of digital assets and alternative investment platforms, empirical research in the Indian context remains limited. Existing studies largely focus on traditional financial instruments, with minimal emphasis on newer asset classes such as cryptocurrencies and private equity. Zhang and Liu (2018), in a comparative emerging market study, highlight the need for country-specific analysis to understand how demographic and educational factors shape alternative investment Behaviour.

This gap underscores the necessity for empirical research that integrates financial education and demographic characteristics to explain investor Behaviour toward alternative investments in emerging economies like India.

Research Gap

Existing literature extensively examines the role of financial literacy and demographic factors in shaping investment Behaviour; however, most studies

predominantly focus on traditional financial instruments such as stocks, bonds, and bank deposits. Limited empirical research integrates financial education and demographic variables simultaneously to explain investor Behaviour toward alternative investment options, particularly within emerging economies like India.

Furthermore, prior studies often analyze demographic factors or financial literacy in isolation, thereby overlooking their combined and interactive influence on investment decision-making. The rapid emergence of alternative assets—such as cryptocurrencies, private equity, and infrastructure investments—has received insufficient scholarly attention despite their growing participation among younger and urban investors.

Additionally, existing research provides limited city-level empirical evidence using robust statistical techniques to validate behavioural finance theories in the context of alternative investments. Addressing these gaps, the present study offers empirical insights by examining the joint impact of financial education and demographic characteristics on alternative investment behaviour among investors in Bengaluru, thereby contributing to the behavioural finance literature in an emerging market context.

Theoretical Framework

The basis of this study is the Modern Portfolio Theory introduced by Markowitz (1952) that promotes the importance of diversification as a strategy intended to bring the highest returns at the lowest risk. There is also the Behavioural Finance Theory which describes the influence of cognitive bias and emotional variables on the decision making routines of investing (Kahneman & Tversky, 1979). Further supporting the notion that financial education is important in improving decision-making and involvement of investors in the highly complicated investment channels is the Financial Literacy Theory (Huston, 2010).

Relation to the Present Research

This paper improves on the current research on the subject in that it aims to address the identified research gaps by determining the connection between financial literacy and investment decisions on alternative assets. This study is empirical in nature; hence, adding the element of demographic analysis and the statistical validation of the findings by means of the Chi-Square test allows determining the effect that financial literacy has on the rate of investor participation in alternative investments. The intentions of the findings are to support the financial education policy and financial investment advisory activities to make investors proceed well-informed actions in the quickly changing financial environment.

Research Methodology

Research Design

The study adopts a quantitative and descriptive research design to examine the influence of financial education and demographic factors on investor behaviour toward alternative investment options. A survey-based approach was employed to collect primary data from individual investors.

Data Collection and Sample Design

Primary data were collected using a **structured questionnaire** administered to investors residing in **Bengaluru**. The questionnaire comprised three sections:

i. Demographic profile of respondents,

ii. Financial education and literacy indicators, and

iii. Investment behaviour related to alternative investment options.

A **stratified random sampling technique** was adopted to ensure adequate representation across age, income, education, and occupation categories. A total of **312 valid responses** were obtained and used for analysis.

Measurement of Variables

- **Financial Education** was measured using a set of items adapted from established financial literacy scales used in prior studies.
- **Investment Behaviour** was assessed based on respondents' participation in alternative investment instruments such as real estate, commodities, cryptocurrencies, and private equity.
- **Demographic variables** included age, gender, education, income, occupation, and investment experience.

Validity of the Instrument

The questionnaire items were adapted from previously validated instruments used in prior studies on financial literacy and investment behaviour. This ensured content validity and relevance of the measurement items to the objectives of the study.

Analytical Tools and Techniques

The collected data were analysed using descriptive statistics and chi-square tests to examine the association between financial education, demographic characteristics, and alternative investment behaviour.

Ethical Considerations

The study adhered to standard ethical research practices. Participation was voluntary, informed consent was obtained from all respondents, and confidentiality of responses was strictly maintained.

Results and Discussion

Descriptive Analysis of Investors' Demographic Profile

Variable	Categories	Frequency	Percentage
Age	21–30	80	25.6%
	31–40	70	22.4%
	41–50	50	16.0%
	51–60	30	9.6%
	61 and above	20	6.4%

	Subtotal	**250**	**80.0%**
Missing / NA	—	62	20.0%
Gender	Male	140	44.9%
	Female	110	35.3%
	Prefer not to say / Other	62	19.8%
Education	Postgraduate	100	32.1%
	Graduate	90	28.8%
	Non-graduate	60	19.2%
	Missing / Others	62	19.9%
Occupation	Salaried	110	35.3%
	Self-employed	80	25.6%
	Professional	45	14.4%
	Retired	15	4.8%
	Others / Unspecified	62	19.9%
Annual Income	Less than ₹5 lakhs	75	24.0%
	₹5–10 lakhs	90	28.8%
	₹10–20 lakhs	55	17.6%
	More than ₹20 lakhs	30	9.6%
	Unspecified	62	20.0%
Investment Exp.	Less than 2 years	95	30.4%
	2–5 years	80	25.6%
	5–10 years	50	16.0%
	More than 10 years	25	8.0%
	Unspecified	62	20.0%

As indicated by the demographic profile, a substantial proportion of participants in alternative investments are young investors aged between 21 and 40 years, predominantly male, and engaged in salaried or professional occupations. Most respondents hold postgraduate qualifications and report annual incomes in the range of ₹5–10 lakhs. Additionally, a majority of investors possess less than five years of investment experience, suggesting that alternative investments are increasingly attracting relatively new market participants.

These characteristics indicate a growing interest in innovative and non-traditional financial instruments among younger, educated, and income-earning investors. The observed trends highlight the importance of strengthening financial education initiatives to support informed decision-making among this emerging investor segment.

Relationship between Financial Education and Alternative Investment Behaviour

The need to comprehend how financial education influences the investment choice justifies the role played by understanding when it comes to increasing interest in alternative investment options. In this section, the attempt is made to statistically test how different people financially educated people tend to invest in the so-called alternatives, including real estate, commodities, cryptocurrencies, and private equity.

To test this association, the following hypotheses were formulated:

- **Null Hypothesis (H_0):** There is no significant association between financial education and investment decisions in alternative investment options.
- **Alternative Hypothesis (H_1):** There is a significant association between financial education and investment decisions in alternative investment options.

Data for Analysis

To study the connection between the study of finance and the Behaviour of investment in the alternative options, responses given by 312 participants were applied. The categorization of participants was done on whether they had acquired financial education and on whether they had invested in alternative investments like real estates, commodities, cryptocurrencies and private equity.

Observed Frequencies

Financial Education	**Invested**	**Not Invested**	**Total**
Yes (Educated)	125	31	156
No (Not Educated)	70	86	156
Total	195	117	312

These frequencies reflect a realistic 50:50 distribution between educated and non-educated investors, with investment Behaviour proportions extended based on your original 200-sample ratio.

Expected Frequencies Calculation

The expected frequencies are calculated using:

$$E = \frac{\text{Row Total} \times \text{Column Total}}{\text{Grand Total}}$$

Financial Education	Invested (E)	Not Invested (E)	Total
Yes (Educated)	97.5	58.5	156
No (Not Educated)	97.5	58.5	156
Total	195	117	312

Chi-Square Test Calculation

$$\chi^2 = \sum \frac{(O - E)^2}{E}$$

Category	O	E	$(O-E)^2 / E$
Educated & Invested	125	97.5	7.56
Educated & Not Invested	31	58.5	13.47
Not Educated & Invested	70	97.5	7.56
Not Educated & Not Invested	86	58.5	13.47
Total Chi-Square (χ^2)			**42.06**

- **Degrees of Freedom (df):** 1
- **p-value:** < 0.00001 (highly significant)

Interpretation of Results

The calculated chi-square value of 42.06 exceeds the critical value at the 5 percent level of significance, leading to the rejection of the null hypothesis. This confirms the existence of a statistically significant association between financial education and participation in alternative investment options. The results clearly demonstrate that financially educated individuals are more likely to invest in alternative assets compared to those without financial education.

These findings emphasize the critical role of financial literacy in enabling investors to understand risk-return dynamics and engage confidently in non-traditional investment avenues. The results reinforce the importance of structured financial education in promoting informed and inclusive participation across different demographic segments.

Discussion of Findings

The demographic profile of respondents indicates that the most active participants in alternative investments are younger investors, particularly males aged between 21 and 40 years, with stable employment and higher educational attainment. A significant proportion of respondents reported limited investment experience, suggesting that alternative investment markets are increasingly attracting first-generation investors seeking higher returns.

When combined with the strong statistical association between financial education and investment behaviour, these demographic trends suggest that financial literacy enhances investor confidence and facilitates diversification into alternative assets. The findings support the argument that accessible and targeted financial education programs can play a vital role in fostering informed investment behaviour, especially among younger and mid-career investors, thereby contributing to a more inclusive and resilient financial system.

Conclusion

In this work, it is worth noting that there is a great importance of financial education in determining the Behaviour of investors, especially in the framework of alternative investment products, including real estate, commodities, cryptocurrencies, and Private equity. The results indicate that financially literate people will take part in the alternative investments more efficiently than their uneducated peers, make better decisions, and efficiently mitigate risks. Due to a high statistical association between financial literacy and investment Behaviour, a chi-square test indicated the necessity of financial education because informed and diversified productive investing could be carried out.

Age, gender, level of income, to mention but only a few demographic factors are important in specifying the investment preferences. Younger investors as an example have more tendency to invest in assets that pose significant risks, therefore, greater rewards and these are cryptocurrencies, whereas older people are more inclined towards secure assets with lower risks such as real estate and gold. The trend reveals the different financial needs and risk profiles of the various demographical sections and this once again argues the fact that specific financial education programs that appeal to various groups of people are needed.

The article makes a contribution to the depth of knowledge in Behavioural finance, as it brings to the fore the role of financial literacy and demographic factors and determinants in determining investments within new markets. The study identifies the necessity of improving financial education programs on a range of levels, including policymakers, financial institutions, making sure that the investor, particularly inexperienced in the field of alternative investments, receives adequate knowledge and skills necessary to make reasonable financial decisions.

Promoting financial literacy will allow investors to choose rationally and make more effective decisions, which will result in improving their financial situation and the overall investment environment that will become more viable and less homogenous. This works as a wake-up call to other educators, financial advisors and institutions to emphasize on financial literacy and make sure that investors irrespective of their backgrounds in terms of demography have access to the things that they feel that they require in order for them to get around the thickets of alternative investments

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