

## Financial Literacy and Investment Diversification among Young Investors

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### ABSTRACT

Financial literacy has become an essential determinant of investment behaviour as financial markets increasingly shift toward digital platforms and self-directed investing. Young investors now have unprecedented access to investment opportunities through online brokerage services, mobile trading applications, robo-advisors, and financial technology (FinTech) platforms. However, greater accessibility does not necessarily translate into sound investment decisions. Limited financial knowledge, behavioural biases, inadequate risk assessment, and overreliance on social media often lead young investors to construct poorly diversified portfolios that are highly vulnerable to market volatility. Investment diversification remains one of the most effective risk management strategies because it reduces unsystematic risk while improving long-term portfolio stability. Nevertheless, numerous empirical studies indicate that many young investors continue to exhibit concentrated investment patterns despite widespread availability of financial information. This study critically examines the relationship between financial literacy and investment diversification through a qualitative review of contemporary literature in finance, behavioural economics, and investment management. The analysis evaluates how financial knowledge influences asset allocation, portfolio diversification, risk tolerance, investment confidence, and long-term wealth creation. It further investigates the impact of behavioural biases, digital investment platforms, financial education, and regulatory initiatives on investment decisions among young investors. The findings indicate that higher financial literacy consistently promotes diversified investment strategies, rational decision-making, and greater financial resilience. Conversely, inadequate financial literacy contributes to excessive risk-taking, speculative trading, and concentrated portfolios. The study concludes that improving financial education, strengthening investor awareness programmes, and promoting evidence-based investment practices are essential for encouraging sustainable wealth creation and financial stability among young investors.

**Keywords:** Financial Literacy, Investment Diversification, Young Investors, Portfolio Management, Behavioural Finance, Risk Management, FinTech, Financial Education, Wealth Creation.....

### INTRODUCTION:

The increasing democratization of financial markets has fundamentally transformed investment participation across the world. Digital brokerage platforms, mobile investment applications, robo-advisory services, and financial technology innovations have substantially reduced barriers to market entry, enabling millions of young individuals to participate directly in equity, mutual fund, exchange-traded fund (ETF), cryptocurrency, and fixed-income investments [1], [2]. Unlike previous generations that relied heavily on professional financial advisors, contemporary investors frequently make investment decisions independently using information obtained from digital platforms, social media, online communities, and financial influencers.

While technological innovation has expanded investment accessibility, it has simultaneously increased the complexity of financial decision-making. Modern financial markets offer a wide variety of investment instruments characterized by different levels of risk, return, liquidity, taxation, and volatility. Consequently, successful investment decisions increasingly depend upon financial literacy, which encompasses the knowledge, skills, and confidence required to understand financial products, evaluate investment opportunities, manage risk, and make informed long-term financial decisions [3]. Numerous international studies have demonstrated that financially literate individuals exhibit stronger saving behaviour, better retirement planning, higher investment participation, and more effective portfolio management than individuals possessing limited financial knowledge [4], [5].

Investment diversification represents one of the most fundamental principles of portfolio management. Modern Portfolio Theory, introduced by Harry Markowitz, demonstrates that investors can reduce unsystematic risk by allocating capital across multiple asset classes rather than concentrating investments in a limited number of securities [6]. Diversification enables investors to improve the risk-return characteristics of their portfolios because losses experienced within one investment category may be partially offset by gains in others. Despite extensive academic evidence supporting diversification, empirical research consistently indicates that many retail investors continue to maintain under-diversified portfolios due to behavioural biases, familiarity preferences, overconfidence, and inadequate financial literacy [7].

Young investors present a particularly interesting population for examining investment behaviour because they possess relatively long investment horizons while simultaneously demonstrating greater willingness to adopt emerging financial technologies. Their investment decisions are increasingly influenced by mobile trading platforms, social media discussions, online investment communities, financial influencers, and algorithm-driven investment recommendations [8]. Although these technological developments improve financial accessibility, they also expose inexperienced investors to misinformation, speculative trading behaviour, excessive portfolio concentration, and herd behaviour, particularly during periods of heightened market volatility.

Behavioural finance provides additional insights into investment decision-making by challenging the traditional assumption that investors always behave rationally. Psychological biases such as overconfidence, confirmation bias, loss aversion, familiarity bias, anchoring, and herd behaviour frequently influence portfolio construction and investment diversification decisions [9]. Young investors, especially those with limited investment experience, may overestimate their financial knowledge or rely excessively on social validation when selecting investments. Such behavioural tendencies often reduce portfolio diversification and increase exposure to avoidable financial risk.

The rapid expansion of financial technology has also transformed financial education. Interactive investment platforms, artificial intelligence-based advisory systems, educational mobile applications, and digital financial literacy programmes have significantly increased opportunities for investor learning. Governments, central banks, securities regulators, and international organizations such as the OECD and World Bank increasingly recognize financial literacy as a critical component of financial inclusion and long-term economic stability [10]. Consequently, understanding the relationship between financial literacy and investment diversification has become increasingly important for policymakers, educational institutions, financial service providers, and investment professionals.

This study critically examines how financial literacy influences investment diversification among young investors by integrating perspectives from investment

management, behavioural finance, financial education, and digital finance. The study evaluates the role of financial knowledge in portfolio construction, risk management, and long-term wealth creation while identifying contemporary challenges associated with investment decision-making in rapidly evolving digital financial markets.

### Research Objectives

To examine the relationship between financial literacy and investment diversification among young investors.

To evaluate the influence of financial knowledge on portfolio construction and risk management.

To analyse the impact of behavioural biases on diversification decisions.

To investigate the role of digital investment platforms and financial technology in shaping investment behaviour.

To recommend strategies for improving financial literacy and promoting sustainable investment practices.

## II. LITERATURE REVIEW

### 2.1 Financial Literacy and Investment Decision-Making

Financial literacy has become one of the most significant determinants of household financial well-being and investment performance in modern financial markets. It extends beyond basic financial knowledge to include the ability to understand risk-return relationships, inflation, diversification, interest rates, taxation, and long-term financial planning [11], [12]. Lusardi and Mitchell argue that financially literate individuals consistently make superior financial decisions because they possess the knowledge required to evaluate investment alternatives and manage financial risk effectively [13]. Numerous cross-country studies further demonstrate that financial literacy positively influences savings behaviour, retirement planning, investment participation, and wealth accumulation [14], [15].

Among young investors, financial literacy has gained increasing importance because digital investment platforms have significantly reduced entry barriers into financial markets. While technological innovation enables greater market participation, it also requires investors to independently evaluate increasingly complex financial products. Studies indicate that financially literate investors are more likely to compare investment alternatives systematically, assess portfolio risk objectively, and avoid speculative investment behaviour [16]. Conversely, inadequate financial knowledge frequently results in irrational investment decisions, excessive trading activity, and poor portfolio performance [17].

Research also demonstrates that financial literacy improves investor confidence without necessarily increasing excessive risk-taking. Investors possessing stronger financial knowledge tend to make decisions based on long-term financial objectives rather than short-term market fluctuations or emotional reactions. Consequently, financial literacy contributes not only to

investment participation but also to more disciplined portfolio management and sustainable wealth creation [18].

## 2.2 Modern Portfolio Theory and Investment Diversification

Investment diversification remains one of the most fundamental principles of portfolio management. Markowitz's Modern Portfolio Theory (MPT) established that investors can reduce portfolio risk by combining assets with imperfectly correlated returns rather than concentrating investments in a single security or asset class [19]. Diversification minimizes unsystematic risk while maintaining opportunities for long-term capital appreciation, making it a central strategy within both institutional and individual investment management.

Subsequent developments within portfolio theory expanded this framework by incorporating behavioural finance, international diversification, exchange-traded funds (ETFs), and alternative investments. Contemporary diversified portfolios frequently combine equities, fixed-income securities, mutual funds, real estate investment trusts (REITs), commodities, exchange-traded funds, and other financial instruments to improve overall risk-adjusted performance [20], [21].

Despite extensive academic evidence supporting diversification, empirical research consistently indicates that retail investors frequently maintain concentrated portfolios. Familiarity bias, home-country bias, employer stock ownership, and excessive confidence often encourage investors to allocate disproportionate amounts of capital to a limited number of assets [22]. Young investors appear particularly susceptible to these tendencies because limited investment experience frequently increases reliance on familiar brands, trending stocks, or highly publicized investment opportunities.

## 2.3 Behavioural Biases Influencing Young Investors

Behavioural finance challenges the traditional assumption that investors always behave rationally by demonstrating how psychological factors systematically influence financial decision-making. Young investors are particularly vulnerable to behavioural biases because they often possess limited market experience while simultaneously operating within highly dynamic digital investment environments [23].

Overconfidence represents one of the most frequently studied behavioural biases. Investors frequently overestimate their financial knowledge and stock-selection abilities, resulting in excessive trading, inadequate diversification, and lower long-term portfolio performance [24]. Similarly, herd behaviour encourages investors to imitate the decisions of peers, financial influencers, or online investment communities without conducting independent financial analysis. Such behaviour frequently contributes to speculative investment bubbles and increased portfolio volatility [25].

Loss aversion further influences diversification decisions because investors generally perceive financial losses more

intensely than equivalent gains. Consequently, investors may retain poorly performing assets for extended periods while prematurely selling profitable investments. Confirmation bias and anchoring similarly reduce investment objectivity by encouraging investors to selectively interpret financial information that supports existing beliefs while ignoring contradictory evidence [26]. These behavioural tendencies collectively reduce diversification efficiency and weaken long-term investment performance.

## 2.4 Financial Technology, Digital Investment Platforms, and Investor Education

Financial technology has fundamentally transformed retail investing by increasing accessibility, reducing transaction costs, and expanding financial education opportunities. Mobile investment applications, robo-advisors, algorithmic portfolio management systems, and digital brokerage platforms enable young investors to participate in financial markets with relatively small investment amounts [27]. These innovations have democratized investing while simultaneously increasing the importance of independent financial decision-making.

Digital investment platforms increasingly integrate educational resources including portfolio simulators, market analytics, investment tutorials, and risk assessment tools that improve investor knowledge and confidence. Artificial intelligence-based robo-advisors further assist investors by recommending diversified portfolios based on financial objectives, investment horizons, and risk tolerance [28]. Research suggests that such technologies improve diversification, particularly among novice investors who lack professional financial advice.

However, digital investing also introduces new behavioural challenges. Social media discussions, online investment forums, influencer recommendations, and real-time trading applications often encourage speculative trading, short-term market timing, and excessive portfolio turnover. Studies conducted following the rapid growth of commission-free trading platforms indicate that digital convenience occasionally promotes impulsive investment behaviour rather than disciplined long-term portfolio management [29].

## 2.5 Research Gap

Although extensive literature has examined financial literacy, investment behaviour, portfolio diversification, and behavioural finance independently, comparatively fewer studies integrate these concepts within the context of young investors operating in increasingly digital financial environments. Existing research primarily evaluates investment participation or financial knowledge without comprehensively examining how financial literacy simultaneously influences diversification strategies, behavioural biases, digital investment behaviour, and long-term wealth creation.

Furthermore, limited attention has been given to the interaction between financial education, FinTech platforms, social media-driven investment behaviour, and

portfolio diversification among Generation Z and young millennial investors. As digital investment ecosystems continue to evolve through artificial intelligence, robo-advisory services, and algorithmic investment recommendations, understanding how financial literacy shapes investment diversification has become increasingly important.

Accordingly, this study addresses these research gaps by integrating investment management, behavioural finance, financial education, and digital finance into a unified analytical framework. The study contributes to contemporary finance literature by demonstrating that financial literacy is not merely an educational outcome but a strategic determinant of portfolio diversification, investment resilience, and sustainable wealth creation among young investors.

### III. RESEARCH FRAMEWORK AND METHODOLOGICAL APPROACH

#### 3.1 Research Framework

Rather than adopting a conventional empirical design, this study develops a conceptual analytical framework to examine how financial literacy influences investment diversification among young investors. The framework integrates theories from financial literacy, behavioural finance, portfolio management, and digital finance to explain the mechanisms through which financial knowledge affects investment behaviour. The proposed framework assumes that financial literacy serves as the primary independent factor influencing investment decisions, while behavioural biases, technological accessibility, and investor confidence act as mediating variables that ultimately determine the quality of portfolio diversification.

The framework also recognizes that investment decisions are increasingly influenced by digital financial ecosystems, where online brokerage platforms, robo-advisors, financial applications, and social media investment communities simultaneously provide investment opportunities and behavioural stimuli. Consequently, portfolio diversification is interpreted not merely as an investment outcome but as a behavioural consequence of financial capability, information quality, and psychological decision-making.

#### 3.2 Conceptual Analytical Model

The conceptual model adopted in this study follows a sequential investment decision process consisting of four interconnected stages. Initially, financial literacy determines an investor's ability to interpret financial information and evaluate investment opportunities. This knowledge subsequently influences risk perception, investment confidence, and awareness of portfolio diversification principles. During the third stage, behavioural influences—including overconfidence, herd behaviour, loss aversion, and familiarity bias—either strengthen or weaken rational investment decision-making. Finally, these interacting factors collectively determine portfolio construction, asset allocation, and long-term investment diversification.

Unlike traditional financial models that assume investors behave rationally, this framework recognizes that

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investment decisions emerge through continuous interaction between financial knowledge and behavioural psychology within digital financial markets.

#### 3.3 Literature Selection Strategy

The literature reviewed in this study was selected through a structured thematic screening process emphasizing academic quality, theoretical relevance, and contemporary applicability. Peer-reviewed articles were identified from internationally recognized databases including **Scopus**, **Web of Science**, **ScienceDirect**, **SpringerLink**, **Emerald Insight**, **Taylor & Francis Online**, **Wiley Online Library**, and **Google Scholar**. Foundational publications relating to portfolio theory, behavioural finance, and financial literacy were retained regardless of publication year because of their continuing theoretical significance, whereas empirical studies primarily focused on literature published between **2018 and 2025** to capture recent developments in digital investing, FinTech adoption, and young investor behaviour.

Priority was given to highly cited research examining financial literacy, portfolio diversification, behavioural finance, investor psychology, and technology-enabled investment platforms. Reports published by the **OECD**, **World Bank**, **CFA Institute**, and international financial regulators were incorporated to strengthen the policy perspective of the analysis.

#### 3.4 Analytical Strategy

Instead of statistically aggregating previous findings, this research applies **thematic synthesis** to compare theoretical arguments and empirical evidence across the selected literature. The analysis identifies recurring relationships between financial literacy and investment diversification while evaluating how behavioural finance theories explain deviations from rational investment behaviour.

The synthesis is organized around five analytical themes: financial knowledge, portfolio diversification, behavioural biases, digital investment platforms, and investor education. Relationships among these themes are examined comparatively to identify areas of scholarly agreement, conflicting evidence, and emerging research trends. This analytical approach enables the study to move beyond simple literature description by developing an integrated explanation of how financial literacy influences portfolio construction among young investors.

#### 3.5 Research Quality and Trustworthiness

The credibility of the study was strengthened through triangulation of evidence obtained from multiple disciplines, including finance, economics, behavioural psychology, investment management, and financial education. The inclusion of highly cited academic literature together with publications issued by internationally recognized financial institutions enhanced the reliability of the analytical findings.

To minimize interpretative bias, evidence supporting different theoretical perspectives was critically compared before drawing conclusions. Rather than favouring individual studies, the analysis emphasizes recurring

patterns consistently observed across multiple investigations and international contexts. This approach improves analytical robustness while providing a comprehensive understanding of the relationship between financial literacy and investment diversification among young investors.

#### IV. FINDINGS AND CRITICAL ANALYSIS

The synthesis of the reviewed literature demonstrates a strong positive relationship between financial literacy and investment diversification among young investors. Across different economic settings, financially knowledgeable individuals consistently exhibit superior portfolio construction practices, greater risk awareness, and more disciplined long-term investment behaviour [2]. Rather than concentrating investments in a limited number of securities, financially literate investors allocate capital across multiple asset classes based on expected returns, risk tolerance, investment horizon, and market conditions. The evidence therefore suggests that financial literacy functions as a strategic capability that enhances portfolio quality while reducing unnecessary exposure to unsystematic risk.

One of the most consistent findings concerns the influence of financial knowledge on investment confidence. Young investors possessing adequate understanding of inflation, compound interest, asset valuation, portfolio diversification, and market volatility demonstrate greater confidence when evaluating investment alternatives. However, this confidence differs substantially from behavioural overconfidence. Financial literacy encourages informed confidence based on analytical reasoning, whereas behavioural overconfidence often leads investors to overestimate their forecasting abilities and engage in excessive speculative trading. The reviewed studies therefore distinguish between knowledge-based confidence and psychologically driven overconfidence, with only the former contributing positively to long-term portfolio performance.

The analysis further reveals that investment diversification is directly associated with investors' understanding of risk-return trade-offs. Young investors with higher financial literacy recognize that diversification reduces portfolio-specific risk without necessarily sacrificing expected returns. Consequently, they are more likely to invest across equities, mutual funds, exchange-traded funds (ETFs), fixed-income securities, and other financial instruments rather than allocating disproportionate resources to a single investment category [12]. In contrast, financially inexperienced investors frequently construct concentrated portfolios influenced by familiarity bias, recent market trends, or recommendations obtained through social media platforms.

Behavioural finance provides additional explanation for these investment patterns. The literature consistently demonstrates that cognitive biases frequently weaken rational portfolio diversification despite investors possessing access to abundant financial information. Overconfidence encourages excessive trading and concentrated investments in perceived "winning" stocks, while herd behaviour motivates investors to imitate

popular market trends without conducting independent financial analysis. Similarly, loss aversion causes investors to retain underperforming assets longer than economically justified, reducing portfolio efficiency and limiting opportunities for strategic asset reallocation. These findings suggest that financial literacy alone is insufficient unless accompanied by behavioural awareness capable of mitigating psychological biases.

The emergence of digital investment platforms has significantly influenced diversification behaviour among young investors. Mobile trading applications, commission-free brokerage services, robo-advisors, and AI-supported portfolio management systems have substantially reduced market participation costs while increasing access to diversified investment products. Several studies report that investors utilizing robo-advisory services generally maintain more diversified portfolios because automated portfolio recommendations incorporate principles of Modern Portfolio Theory and systematic risk management [12]. Nevertheless, unrestricted digital accessibility has simultaneously encouraged high-frequency trading, speculative investing, and excessive dependence on short-term market information among inexperienced investors.

**Table 1 . Major Findings from the Literature Analysis**

Analytical Dimension	Major Findings	Investment Implication
Financial Literacy	Improves financial knowledge, analytical capability, and investment planning	Better portfolio construction
Portfolio Diversification	Reduces unsystematic risk through multi-asset allocation	Greater portfolio stability
Behavioural Biases	Overconfidence, herd behaviour, and loss aversion reduce diversification efficiency	Increased investment risk
Digital Investment Platforms	Improve accessibility and portfolio management while encouraging speculative behaviour	Mixed influence on investment quality
Financial Education	Strengthens informed decision-making and long-term wealth accumulation	Sustainable investment behaviour

Another important finding concerns the role of financial education in promoting long-term investment resilience. Formal financial education programmes delivered

through universities, financial institutions, securities regulators, and digital learning platforms significantly improve investors' understanding of diversification principles, retirement planning, taxation, and investment risk. Individuals participating in structured financial education demonstrate greater willingness to adopt long-term investment strategies rather than engaging in speculative short-term trading. These observations support the argument that financial literacy should be considered a lifelong capability rather than a one-time educational outcome.

The analysis also highlights growing disparities in investment behaviour arising from unequal access to financial education. Young professionals with formal education in finance, economics, or business generally display stronger diversification practices than individuals without comparable educational exposure. However, recent FinTech innovations have begun reducing these disparities by providing accessible investment education, automated portfolio guidance, and simplified investment tools through digital platforms. The increasing availability of educational resources therefore has considerable potential to improve investment decision-making among first-time investors.

Finally, the reviewed literature suggests that financial literacy contributes not only to improved investment performance but also to broader economic stability. Diversified investment behaviour reduces individual financial vulnerability during periods of market volatility while supporting more stable capital market participation. Investors possessing stronger financial capability are generally less likely to panic during market downturns, more likely to maintain disciplined asset allocation strategies, and better prepared to achieve long-term financial objectives. Consequently, improving financial literacy should be regarded as both an individual financial objective and a public policy priority supporting sustainable economic development.

Overall, the findings indicate that investment diversification among young investors is determined by the interaction of financial knowledge, behavioural psychology, technological accessibility, and educational opportunities. While digital financial innovation has expanded market participation considerably, sustainable investment success ultimately depends upon developing financially literate investors capable of constructing diversified portfolios, managing behavioural biases, and making informed long-term investment decisions.

## **V. POLICY IMPLICATIONS AND DISCUSSION**

The findings demonstrate that financial literacy has evolved beyond a personal financial competency into a strategic factor influencing capital market participation, household wealth creation, and financial stability. As digital investment platforms continue to democratize financial markets, young investors increasingly make independent investment decisions without professional financial advice. Consequently, financial literacy determines not only whether individuals participate in financial markets but also whether they construct diversified portfolios capable of managing investment risk effectively.

One important implication of this study is that investment diversification should be viewed as a behavioural outcome of financial capability rather than merely a technical portfolio management strategy. Investors possessing stronger financial knowledge demonstrate greater understanding of asset allocation, risk-return optimization, and long-term investment planning. They are therefore less likely to concentrate investments in fashionable securities or speculative assets despite increasing exposure to digital investment trends. This observation reinforces the importance of integrating financial education into broader economic development strategies rather than limiting it to financial services alone.

The analysis further indicates that behavioural finance remains highly relevant within contemporary investment environments. Although digital technologies provide unprecedented access to financial information, psychological biases continue to influence investment decisions. Overconfidence, herd behaviour, recency bias, and loss aversion frequently distort rational portfolio allocation despite widespread availability of financial data. Therefore, financial education programmes should extend beyond teaching investment products to include behavioural awareness, enabling investors to recognize and mitigate cognitive biases that negatively affect portfolio diversification.

The growing influence of FinTech presents both opportunities and challenges. Robo-advisors, artificial intelligence-based investment platforms, and digital portfolio management systems simplify diversification by recommending asset allocations aligned with investor objectives and risk tolerance. However, commission-free trading platforms, real-time market notifications, and social media-driven investment communities may simultaneously encourage speculative behaviour and excessive portfolio turnover. Financial institutions should therefore integrate investor education, risk disclosure, and behavioural guidance into digital investment platforms to promote informed decision-making rather than frequent trading activity.

From a policy perspective, governments and financial regulators should recognize financial literacy as a public policy priority. National financial education strategies developed by central banks, securities regulators, educational institutions, and financial service providers can substantially improve long-term investment behaviour. Introducing structured financial literacy programmes at university level would enable young adults to understand portfolio diversification, retirement planning, inflation, taxation, and responsible investing before entering financial markets. Such initiatives would strengthen investor protection while improving overall financial inclusion.

The study also suggests that financial institutions should redesign investor communication strategies by emphasizing long-term wealth creation instead of short-term market performance. Transparent investment communication, simplified portfolio risk explanations, diversified investment products, and educational advisory services can improve investor confidence while reducing behavioural investment errors. Consequently, sustainable

financial markets require collaboration among regulators, educational institutions, investment firms, and FinTech companies to promote financially informed investment participation.

Overall, the discussion highlights that financial literacy, behavioural awareness, and technological innovation should be viewed as complementary elements of responsible investing. Long-term investment success depends not only on access to financial markets but also on investors' ability to interpret information critically, manage psychological biases, and construct diversified portfolios consistent with their financial objectives.

## VI. CONCLUSION

The rapid digitalization of financial markets has significantly expanded investment opportunities for young investors while simultaneously increasing the complexity of financial decision-making. This study examined the relationship between financial literacy and investment diversification by integrating perspectives from portfolio management, behavioural finance, financial education, and digital investment ecosystems. The findings demonstrate that financial literacy positively influences investment behaviour by improving risk assessment, strengthening portfolio diversification, and encouraging long-term financial planning.

The study further establishes that diversified portfolios remain one of the most effective mechanisms for reducing unsystematic investment risk and improving long-term portfolio stability. However, many young investors continue to exhibit concentrated investment patterns because behavioural biases, speculative trading behaviour, and limited financial knowledge frequently override rational investment principles. Consequently, financial literacy should be considered an essential prerequisite for sustainable investment decision-making rather than simply an educational achievement.

The increasing adoption of FinTech platforms, robo-advisors, and artificial intelligence has enhanced financial accessibility while introducing new behavioural challenges associated with digital investing. Therefore, successful investment participation requires an integrated approach combining financial education, behavioural awareness, technological innovation, and effective regulatory oversight.

In conclusion, strengthening financial literacy among young investors contributes not only to improved portfolio diversification but also to broader economic resilience, investor protection, and sustainable wealth creation. Policymakers, educational institutions, financial service providers, and regulatory authorities should therefore collaborate to develop comprehensive financial education initiatives capable of supporting responsible investment behaviour within increasingly digital financial markets.

## VII. FUTURE RESEARCH

Future research should empirically investigate the relationship between financial literacy, investment diversification, and portfolio performance across different demographic groups using primary survey data and longitudinal financial datasets. *Comparative international*

studies would further improve understanding of how cultural, economic, and regulatory differences influence diversification behaviour among young investors.

Additional investigation is required into the impact of emerging technologies—including artificial intelligence, robo-advisory services, blockchain-based investment platforms, and decentralized finance (DeFi)—on portfolio construction and investor decision-making. Future studies should also examine how social media investment communities, financial influencers, and algorithm-driven investment recommendations affect long-term diversification strategies. Interdisciplinary research combining finance, behavioural economics, psychology, and financial technology can provide valuable insights for developing more effective investor education programmes and evidence-based financial policies that support sustainable wealth creation.

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