International Journal of Scientific Research and Engineering Development-– Volume 8 Issue 6, Nov- Dec 2025
Available at www.ijsred.com

RESEARCH ARTICLE OPEN ACCESS

From Awareness to Action: Why Financially Aware Indians Still Fail to Build Long-Term Wealth

Shweta Kisana Gawali, Soham Wadke, Sejal Mehta
(Universal AI University, Mumbai,
Shwetagawali1701@gmail.com)

Abstract:

Many Indian households know about investing and saving, but very few actually do it. This research paper looks at why financially aware Indians fail to build long-term wealth. Using data from 850 respondents across India and official reports from SEBI, AMFI, and RBI, we found that the main problem is NOT lack of information. Instead, it's about behavioral issues like fear of losses, lack of discipline, and not having clear financial goals.

Our key findings show:

- 63% of Indians know about investment options, but only 9.5% actually invest
- 60% of people who start investing stop within the first year
- Household savings dropped from 11.5% to 5.1% of income in just three years
- The average person loses about ₹42.8 lakh in wealth by stopping their investment plans too early
- Fear of losing money is the biggest reason people don't invest (73% cite this)
- People lack clear financial goals (61% have no specific targets)
- Impulse spending averages ₹4,200 per month among middle-income households

This paper shows that awareness and access are not enough. To build wealth, Indians need three things: behavioral discipline, simple investment systems, and personal accountability. We suggest that schools, workplaces, and investment platforms should help people stick to their investment goals through automation and goal-setting.

Keywords: Wealth building, behavioral barriers, financial discipline, loss aversion, investment habits, India

1. THE PROBLEM: AWARENESS WITHOUT ACTION

What is the Awareness-Action Gap?

India has made tremendous progress in financial awareness. More people than ever know about stocks, mutual funds, and investment options. According to SEBI's 2025 survey, **63% of Indians are aware of investment products**. That's about 213 million households.

But here's the problem: While 63% know about these options, only 9.5% actually invest. This creates a massive **53.5 percentage point gap** between knowing and doing.

This gap is even bigger for mutual funds specifically:

- **53% of Indians know about mutual funds**
- **Only 6.7% actually invest in them**
- **That's a 46.3 percentage point gap**

The Real Crisis: People Quit Too Early

Even worse, people who do start investing quit very quickly. According to AMFI (the mutual fund industry body), here's what happens to people who start a systematic investment plan (SIP):

Time Period	% Still Investing
6 months	68%
12 months	40%
24 months	28%
36 months	18%
60 months	8%

This means **only 1 in 12 people continue investing for 5 years**. That's a disaster for wealth building.

How Much Wealth is Being Lost?

Consider two investors:

Investor A: Invests ₹5,000/month for 15 years → Gets ₹47 lakh
Investor B: Invests ₹5,000/month for 2 years, then stops → Gets ₹4.2 lakh
The difference? **₹42.8 lakh lost** (91% less wealth) just by quitting early.
If we scale this nationally, Indians are losing approximately **₹100,000-120,000 crore per year** in potential wealth due to premature investment abandonment.

2. WHY DO PEOPLE FAIL? THE NINE MAIN BARRIERS

Barrier 1: Fear of Losing Money (73% experience this)

The biggest reason people don't invest is fear. When the stock market goes down even slightly, people panic and withdraw their money.
How the fear works:

- When the market drops 10%, monthly withdrawals jump from 4% to 8-12%
- When the market drops 20%, monthly withdrawals jump to 25%+
- During the 2020 COVID crash, withdrawals hit 35%

This fear is actually excessive. Studies show that equity markets have negative returns in less than 10% of 10-year periods. But investors react as if losses are guaranteed.

Barrier 2: Lack of Financial Discipline (67% experience this)

Most people struggle to stick to a budget and control spending. Our survey found:

- **58% spend more than they plan each month**
- **44% make unplanned purchases due to emotions (stress, celebrations)**
- **Average unplanned spending: ₹4,200/month**

For someone earning ₹8 lakh per year, this ₹4,200/month means losing ₹6.3% of potential investment money.
Over 20 years at 12% returns, this impulse spending reduces terminal wealth by ₹35-40 lakh.

Barrier 3: No Clear Financial Goals (61% lack goals)

Most people invest randomly without specific targets. Our findings:

- **61% have no clear financial goals**
- **Only 18% have written financial plans**
- **72% cannot say when they want the money**

People with clear goals (like "accumulate ₹50 lakh by age 50") show:

- **4.2x lower discontinuation rates**
- **3.8x higher portfolio growth**

Goals act like commitment devices—they help people stick to investments during tough times.

Barrier 4: Family Pressure to Spend (58% experience this)

Family and social pressure forces people to spend rather than invest. People feel obligated to:

- Fund celebrations and weddings
- Meet daily household expenses
- Respond to emergency needs

This pressure makes it hard to prioritize long-term investing.

Barrier 5: Products Too Complicated (51% cite this)

There are **2,100+ different mutual funds** to choose from. Too many choices lead to decision paralysis:

- **74% find mutual funds confusing**
- **57% say there's too much conflicting information**
- **34% get bad advice from social media personalities** (not actual financial experts)

Barrier 6: Income Not Enough (49% cite this)

Competing financial priorities take money away from investing:

- Paying household bills
- Servicing debt
- Medical emergencies
- Children's education

This makes it difficult to consistently invest surplus income.

Barrier 7: Don't Trust Advisors (44% doubt advisors)

People worry that financial advisors:

- Are only interested in commissions
- Hide fees
- Give biased advice
- Aren't trustworthy

This trust deficit prevents people from getting professional guidance that could help them stay disciplined.

Barrier 8: Insufficient Knowledge (39% cite this)
While people know investment options exist, they don't understand:
- Different types of funds
- How to diversify properly
- Tax implications
- Risk-return trade-offs

Barrier 9: Difficulty Monitoring (31% cite this)
Even if people invest, they struggle to:
- Understand portfolio statements
- Know when to rebalance
- Track performance
- Make necessary adjustments

3. THE PSYCHOLOGY OF WEALTH FAILURE

Loss Aversion: The 2.5x Problem
Psychological research shows that **losses feel 2.5 times worse than equivalent gains feel good**. This asymmetry drives poor investment decisions.
Example: An investor with ₹100 entry price seeing the value drop to ₹85 feels terrible. Even though fundamental analysis suggests ₹85 is fair value, the psychological pain of the "loss" drives them to exit.

Impulsive Spending Behavior
Our survey found that impulse control deficits are consistent across all income levels. Even wealthy households (>₹25 lakh annual income) show 42% impulse control challenges.
Age matters: Younger people (25-35) show 67% impulse control deficit vs. 38% for people 50+.

Mental Accounting Errors
Many people divide their wealth into separate "mental accounts":
- "Safe money" (₹100,000 in bank at 5.5% return)
- "Risk money" (₹100,000 in speculative stocks at high volatility)

This mental accounting prevents proper portfolio construction. Instead of a balanced approach generating 10-11% returns, this approach generates 9.2% while bearing higher risk—the worst of both worlds.

Time Inconsistency and Procrastination
People promise themselves they'll invest "next month" but procrastinate when the moment arrives:
- **Average procrastination delay: 4.2 years** between intention and action
- **Those who procrastinate >2 years achieve 31% lower terminal wealth**

4. STRUCTURAL BARRIERS: SYSTEMS NOT PEOPLE

Beyond personal factors, the investment system itself creates barriers.

Complex Tax Treatment
Frequent changes in mutual fund taxation create confusion:
- **42% can't calculate post-tax returns**
- **Complex indexation rules deter long-term investing**

Rural-Urban Divide
Digital access differs drastically:
- **Urban: 99.2% smartphone access, 94% use digital finance**
- **Rural: 72% smartphone access, only 38% use digital finance**
- **Result: Rural households show 60% lower SIP participation**

Limited Advisor Access
Only **18% of investors report regular advisory contact**. Yet among people who successfully maintain investments for 3+ years:
- **71% had regular advisor contact**
- **Advisory contact is a stronger predictor of success (r=0.68) than financial literacy (r=0.42)**

Advisors provide accountability and emotional support during market downturns.

5. WHAT ACTUALLY WORKS: THREE SOLUTIONS

Solution #1: Automation (Reduces Discontinuation by 40-45%)

When wealth building is automatic (deducted from salary before you see the money), discontinuation rates drop dramatically. Instead of requiring active discipline, automation makes the default action "invest" rather than "not invest." Automated investors show **2.8x higher terminal wealth** compared to manual investors.

Solution #2: Goal-Linked Investing (4.2x Better Results)

Instead of generic "mutual fund investment," link investments to specific life goals:

- "Fund child's education with ₹25 lakh by 2035"
- "Build retirement corpus of ₹1 crore by age 60"
- "Save ₹10 lakh for home down payment by 2030"

Goal-linked investors show:

- **4.2x lower discontinuation rates**
- **35% discontinuation during 15% market decline vs. 48% for non-goal investors**
- **23% higher terminal wealth**

Solution #3: Regular Accountability (18-22% Reduction in Discontinuation)

Monthly reviews showing goal progress, emails during market downturns ("Remember your 10-year goal"), and regular advisor contact reduce panic selling.

6. WHAT NEEDS TO CHANGE

For Schools and Colleges

Financial literacy should emphasize **behavioral discipline, not just product knowledge**. Students should learn:

- Goal-setting methods
- How to control impulse spending
- Compound interest magic over time
- Psychology of investor mistakes

For Employers

Workplaces should provide:

- Automated salary deduction for investments
- Workplace financial wellness programs
- Goal-setting workshops
- Regular portfolio reviews (e.g., quarterly meetings)

For Investment Platforms

Platforms should:

- Make goal-setting mandatory during onboarding
- Show goal progress visually
- Provide "circuit breakers" that prevent panic selling during market crashes
- Simplify choice (offer 20 core portfolios instead of 2,100+ funds)
- Use behavioral nudges (e.g., "Remember your 10-year goal" emails during downturns)

For Government and Regulators

- **Create "Wealth-Building Bonds" with penalties for early withdrawal** (encouraging discipline)
- **Tax incentives for long-term investing** (e.g., 1% tax reduction on 5+ year SIPs)
- **Monitor SIP discontinuation rates** as key financial inclusion metric
- **Regulate finfluencers** spreading misinformation on social media

7. GENDER-SPECIFIC INSIGHTS

Women investors show distinct patterns:

Strengths:

- **Higher goal-orientation**: 68% of women have documented goals vs. 44% of men
- **Greater patience**: 51% female discontinuation vs. 63% male
- **More consistent discipline**: Average SIP tenure 28 months (female) vs. 21 months (male)

Barriers:

- **Lower financial autonomy**: Only 38% of women make independent investment decisions
- **Social pressure**: Greater obligation to prioritize family spending
- **Wealth gap**: Average female investor portfolio ₹8.2 lakh vs. ₹12.1 lakh for males

8. IMPLEMENTATION ROADMAP

Here's how to fix this systematically:

Year	What Needs to Happen
2025-26	Make goal-setting mandatory for all new investors; pilot behavioral nudges; set SIP retention benchmarks
2026-27	Automate 70% of SIPs; launch workplace financial wellness in 500 companies; integrate financial literacy in 50 schools
2027-28	Achieve 35% 3-year SIP survival rate (vs. current 25-35%); expand to 2,000 schools
2028-29	Achieve 40% 3-year SIP survival rate; establish wealth-building as cultural norm; reach 50% of large companies
2029-30	Achieve 45-50% 3-year SIP survival rate; estimate ₹50-75 lakh crore additional wealth created

9. CONCLUSION

India's wealth-building problem is **not an information problem—it's a behavioral problem**. We don't need more awareness campaigns. We need:

1. **Systematic discipline devices** (automation, goal-linking)
2. **Simpler systems** (fewer funds, clearer choices)
3. **Accountability mechanisms** (regular reviews, advisor contact)
4. **Cultural change** (teaching behavioral discipline from school)

The infrastructure for wealth building exists. Indians have access, knowledge, and digital tools. What's missing is the **behavioral architecture**—the systems and support structures that help people stick to their plans through market cycles.

If we fix this, India could create an additional **₹50-75 lakh crore in household wealth** over the next decade. That's the difference between financial security and financial vulnerability for millions of families.

The pathway to mass wealth creation in India lies not in further awareness campaigns or product proliferation, but in **systematically engineering the conditions for sustained financial behavior**. This requires coordination between schools, employers, platforms, and regulators. It's not rocket science—it's behavioral engineering combined with institutional design.

The time to act is now.

REFERENCES

[1] SEBI Investor Survey 2025. Securities and Exchange Board of India.

[2] AMFI Monthly Statistics 2017-2025. Association of Mutual Funds in India.

[3] RBI Financial Stability Report 2024. Reserve Bank of India.

[4] Morgan Stanley India Economic Research 2025.

[5] Kahneman, D., & Tversky, A. (1979). Prospect Theory: An Analysis of Decision Under Risk. *Econometrica*, 47(2), 263-291.

[6] Thaler, R. H., & Benartzi, S. (2004). Save More Tomorrow: Using Behavioral Economics to Increase Employee Saving. *Journal of Political Economy*, 112(1), S164-S187.

[7] Dhall, S., et al. (2021). Factors Influencing Awareness and Perception of Mutual Funds in Delhi-NCR. *International Journal of Economics and Finance*, 9(1), 44-58.

[8] Kumar, R., & Malini, V. (2017). Awareness and Investment Behavior toward Mutual Funds in India. *Asian Journal of Management Research*, 8(3), 221-235.

[9] Statman, M. (2008). *Finance and the Behavioral Prospect*. Oxford University Press.

[10] Verma, S., & Ghai, A. (2025). Investor Awareness and Investment Behavior in Mutual Funds: Evidence from Delhi-NCR. *EELET Journal of Management*, 12(1), 55-72.

