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A Study on Retail Investors Behaviour towards Stock Market investments with Reference to Gen Z

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Abstract:

The study titled “A Study on Retail Investors’ Behaviour towards Stock Market Investments with Reference to Generation Z” examines the factors influencing the investment behaviour of Generation Z retail investors in the Indian stock market. The study focuses on key variables such as financial literacy, risk tolerance, expected returns, social media influence, and online investment platforms. A descriptive research design was adopted, and primary data were collected from 125 respondents through a structured questionnaire, while secondary data were gathered from books, journals, company reports, and online sources. The collected data were analyzed using percentage analysis, Pearson’s correlation, and Chi-square tests.

The findings indicate that financial literacy and risk tolerance have a significant positive relationship with investment behaviour, while online investment platforms significantly influence investment decisions by providing accessibility and convenience. However, social media influence does not have a significant impact on the investment decisions of Generation Z investors. The study concludes that Gen Z investors are becoming active participants in the stock market due to increasing financial awareness and digital adoption. It recommends enhancing financial education, investor awareness programmes, and technology-driven investment platforms to support informed and responsible investment decisions among young investors.

Keywords: Generation Z, Retail Investors, Stock Market, Financial Literacy, Risk Tolerance, Online Investment Platforms

1. Introduction

Investment in stocks and securities is widely recognized as an effective means of most popular ways of building wealth and achieving financial stability. Over the past few years, retail investor involvement in the securities markets has grown considerably due to technological advancements, easy access to online trading platforms, and the availability of financial information. Retail investors contribute significantly to the functioning of the securities market, as their investment activities contribute to market growth and liquidity.

Generation Z, comprising people born from the late 1990s and early 2010s, is emerging as a new and active segment of retail investors. Being digitally connected and technology-oriented, Gen Z investors are more exposed to stock market information through social media, financial influencers, and online platforms. Their investment decisions are shaped by various elements, including financial knowledge, risk-taking ability, expected returns, investment duration, and market trends.

The present study aims to explore the behaviour of retail investors towards stocks and securities with reference to Generation Z. It aims to identify the key determinants that affect their investment decisions and to analyse how technology and social media shape their investment preferences. The study helps in understanding the changing investment patterns among young investors and their growing contribution to the securities market.

Problem Statement

The participation of Generation Z in stocks and securities investment has increased due to the growth of digital platforms, social media, and easy access to market information. Nevertheless, the investment choices of Generation Z are shaped by various factors such as awareness, risk tolerance, expected returns, and market trends. Understanding the behaviour of Gen Z retail investors is essential for analysing the key factors that shape their investment decisions and their role in the securities market.

Objectives of the Study

- To evaluate the connection between financial literacy and investment behaviour among Gen Z investors.
- To analyse the influence of social media and digital trading platforms on investment decisions.

2. Review of literature

1. **Mehta and Sondhi (2016)** in the International Journal of Management Practice and Research carried out a study titled Investment Behaviour of Retail Investors in Indian Stock Market to examine the factors affecting retail investors' decisions. The hypothesis stated that demographic variables and investment criteria do not influence stock allocation (H_0), while the alternative hypothesis proposed that they significantly influence stock allocation (H_1). Using a descriptive survey and regression analysis, the research revealed that demographic variables affected investment choices and that investors preferred safety and liquidity.
2. **Jyoti Kumari (2017)** in the Journal of Indian Capital Markets published Retail Investor Participation in Indian Capital Markets to study retail participation gaps in Indian capital markets. The hypothesis proposed that awareness and access do not affect participation (H_0), whereas they significantly affect participation (H_1). Through a review and analysis of secondary data, the study observed low Demat penetration and poor participation from smaller cities.
3. **Singh and Yadav (2017)** the Behavioural Finance Journal conducted a study titled Behavioural Biases in Investment Decision Making to examine investors' behavioural biases. The hypothesis stated that biases do not influence investment decisions (H_0), while the alternative stated that biases significantly influence decisions (H_1). Using survey and factor analysis methods, the study found that herding and overconfidence significantly influenced investment decisions.
4. **Sharma and Verma (2017)** in the Indian Journal of Finance published Impact of Online Trading Platforms to examine the influence of online trading on investors. The hypothesis proposed that online platforms do not affect investor participation (H_0), while the alternative proposed that they significantly affect participation (H_1). Using a

comparative survey, the research revealed that digital platforms increased investor participation and trading frequency.

5. **Boda and Sunitha (2018)** in the International Journal of Advanced Research conducted the study Investor Psychology and Stock Market Behaviour to analyze psychological influences on investments. The hypothesis stated that psychology does not affect investor behaviour (H_0), whereas it significantly affects behaviour (H_1). Through a behavioural survey, the study revealed that fear and greed strongly influenced investor behaviour.

Research Gap

Previous studies on investor behaviour have primarily focused on general retail investors, working professionals, or older generations such as Millennials and Generation X. Limited studies have specifically investigated the investment behaviour of Generation Z, who are digital natives and heavily influenced by social media, online trading platforms, and financial influencers. Additionally, there is insufficient evidence regarding how factors including financial literacy, risk tolerance, peer influence, and technology-driven investment tools influence Gen Z's investment decisions. Therefore, this study aims to bridge this gap by

focusing exclusively on Gen Z retail investors and their behaviour towards stocks and securities investments.

Hypothesis of the Study

Hypothesis 01: Financial Literacy and Investment Patterns

- **Null Hypothesis (H_{01}):** No significant association exists between financial literacy and the investment patterns of Gen Z retail investors.
- **Alternative Hypothesis (H_{11}):** A significant association exists between financial literacy and the investment patterns of Gen Z retail investors.

Hypothesis 02: Social Media Influence and Investment Choices

- **Null Hypothesis (H_{02}):** Social media has no significant influence on the investment choices of Gen Z retail investors.
- **Alternative Hypothesis (H_{12}):** Social media has a significant influence on the investment choices of Gen Z retail investors.

3. Methodology

1. Research Design:

Descriptive Research Design – Used to describe and analyze the investment behaviour of Generation Z retail investors.

2. Source of Data:

Primary and Secondary Data – Primary data were collected through respondents, while secondary data were obtained from books, journals, company reports, and websites.

3. Data Collection Tool:

Structured Questionnaire – A structured questionnaire was used to collect responses from the participants.

4. Sampling Unit:

Generation Z Retail Investors – The study focused on individuals belonging to Generation Z who invest in stocks and securities.

5. Sampling Technique:

Convenience Sampling – Respondents were selected based on their accessibility and willingness to participate.

6. Sample Size:

125 Respondents – The study was conducted using data collected from 125 Generation Z retail investors.

7. Data Analysis Tools:

Percentage Analysis, Pearson's Correlation, and Chi-Square Test – These statistical tools were used to analyze the data and test the research hypotheses.

Limitations of the Study

1. The study is limited only to Gen Z retail investors and does not cover other age groups.

2. The findings are derived from the responses collected from a limited sample size that may not accurately represent the entire population.

Research findings

Demographic Profile:

The demographic analysis indicates that the majority of respondents belonged to the 24–26 years age group and were female. Most respondents were employed, earned a monthly income of ₹25,001–₹50,000, and possessed a postgraduate qualification. A large proportion had less than one year of investment experience, showing that many Gen Z investors are relatively new to the stock market. Most respondents preferred other online investment platforms and Groww, while the majority invested up to ₹5,000 per month, reflecting a cautious yet growing interest in stock market investments.

Hypothesis

Hypothesis 01: Financial Literacy and Investment Patterns

Null Hypothesis (H_{01}): No significant association exists between financial literacy and the investment patterns of Gen Z retail investors.

Alternative Hypothesis (H_{11}): A significant association exists between financial literacy and the investment patterns of Gen Z retail investors.

Statistical Tool Used: Correlation Analysis

Table 1: Correlation Analysis

		Financial Literacy	Investment Behaviour
Financial Literacy	Pearson Correlation	1	.310
	Sig. (2-tailed)		.000
	N	125	125
Investment Behaviour	Pearson Correlation	.310	1
	Sig. (2-tailed)	.000	
	N	125	125

A statistically significant correlation is observed at the 1% significance level (2-tailed).

Interpretation

- **P-value = 0.000**
- **Level of significance = 0.05 (5%)**

The table displays the correlation analysis involving the two variables: Financial Literacy and Investment Behaviour. The correlation measure used is Pearson's Correlation Coefficient, and the obtained correlation value is 0.310, which indicates a moderate positive association among the variables. The significance value ($p = 0.000$) is lower than the standard significance level of 0.05, showing that the relationship is statistically significant. Hence, the null hypothesis is not supported and the alternative hypothesis is accepted. This demonstrates that financial knowledge significantly influences the investment behaviour among Gen Z retail investors.

Hypothesis 02: Social media Influence and Investment Choices

Null Hypothesis (H_{02}): Social media has no significant influence on the investment choices of Gen Z retail investors.

Alternative Hypothesis (H_{12}): Social media has a significant influence on the investment choices of Gen Z retail investors.

Statistical Tool Used: Chi-Square Test

Table 2: Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	8.462[a]	16	.935
Likelihood Ratio	9.118	16	.910
Linear-by-Linear Association	.287	1	.592
N of Valid Cases	125		

a. 18 cells (72.0%) show an expected frequency below 5. The lowest expected frequency is 0.38.

Interpretation:

- **P-value = 0.935**
- **Level of Significance = 0.05 (5%)**

The above table shows the Chi-Square analysis between Social Media Influence and Investment Decisions. The Pearson Chi-Square value is 8.462 with 16 degrees of freedom, and the significance value is 0.935. Since the significance value exceeds 0.05, the association between the variables is not statistically significant. Hence, the Null Hypothesis (H_{02}) is accepted and the Alternative Hypothesis (H_{12}) is rejected. This demonstrates that social media influence does not significantly affect the investment decisions of Gen Z retail investors.

4. Conclusions

The research concludes that Gen Z retail investors are increasingly participating in stock and securities investments due to growing financial awareness, digital accessibility, and higher educational exposure. Financial awareness and risk tolerance have a considerable influence on their investment behaviour, while online investment platforms serve as an effective facilitator for easy and convenient investing. Although social media provides investment-related information, it does not exert a significant impact on actual investment decisions. Overall, Generation Z shows strong interest in involvement in stock market activities and has the capability to emerge as a major contributor towards the development of the Indian retail investment sector.

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