RISK TOLERANCE AND INVESTMENT PREFERENCES AMONG GEN Z INVESTORS

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ABSTRACT

As digital natives, Generation Z (Gen Z) investors are reshaping the financial landscape with their unique attitudes toward technology, risk, and sustainability. Their investment behavior is influenced by social trends, online platforms, and evolving financial tools. The study examines the investment preferences, risk tolerance, and awareness levels among Generation Z (Gen Z) investors, focusing on demographic factors influencing their financial behaviours. A survey of 100 investors aged 18–27 was conducted to access their choices across various investment instruments including shares, cryptocurrencies, Systematic Investment Plans (SIPs), fixed deposits, and gold. The Percentage Analysis, Chi-square, and ANOVA were used in this study. The findings reveal that Gen Z investors exhibit a moderate risk tolerance, with a significant gender-based preference for shares and bonds. However, no substantial differences were found in preferences for other investment instruments across genders.

KEYWORDS *Gen Z Investors, Risk Tolerance, Investment Instruments, Financial Education.*

INTRODUCTION

Gen Z investors are digital natives who were born in the late 1990s and early 2000s and are influenced by social media, market trends, and the swift growth of technology. Generation Z has evolved into a sizable new investing generation driven by economic uncertainty and digital technologies. Their investment choices are heavily influenced by their risk tolerance, or their willingness to accept monetary losses in exchange for potential benefits. Many Gen Z investors face difficulties because of their inexperience and lack of understanding, despite their enthusiasm. This generation has entered financial markets with varying risk tolerance level and investment preferences. They frequently adhere to digital assets, innovation and sustainability. Developing successful financial strategies requires an understanding of their investment options and risk tolerance. This study examines Gen Z Investors risk tolerance and investment preferences, providing insights into how their values and proficiency to technology influence financing patterns. Unlike previous generations, they favour mobile-based finance platforms, value-driven investing, and often seek insights through online communities rather than traditional advisors. The study assesses their awareness on market's wide range of investing alternatives.

OBJECTIVES

1. To analyse the impact of demographic factors on Risk Tolerance and Investment Preferences Among Gen Z
2. Investors.
3. To investigate the level of awareness among Gen Z Investors on different types of Investment options.
4. To examine the risk tolerance level among Gen Z Investors.
5. To identify the preferred type of Investment instruments among Gen Z Investors.

STATEMENT OF PROBLEM

Gen Z investors tend to have diverse investment behaviours, ranging from high-risk choices like cryptocurrency to more cautious approaches, creating a challenge in understanding their true risk tolerance. Quite a few investors tend to appear bold, while others express financial anxiety and a preference for safer options. These inconsistencies raise questions; whether investors are genuinely risk-tolerant or simply influenced by trends of social media? and the role of demographic factors in shaping their investment decisions. Traditional theories fall short in explaining these patterns and Generation behaviour. This study aims to explore how demographics impact risk tolerance and preferences, and to assess Gen Z's awareness of investment options for more informed financial strategies.

REVIEW OF LITERATURE

Savithri & Rajakumari (2024) explored 393 Gen Z and Gen X investors using a mixed method approach. The data was collected via surveys and analysed statistically. The framework highlighted that Gen Z investors prefer high – risky assets, whereas Gen X prefers stable investments. Correlation, Regression and Moderation analysis was utilised to analyse the data collected through survey. Technological development plays an important role in shaping the investment preferences among Gen X and Gen Z investors. Gen Z showed a preference for ESG trends with green and ethical investments. The study recommends financial institutions to provide customized offerings based on generational needs. The study comes to the conclusion that Generation Z and Generation X in India make extremely exhibit different investment preferences due to factors such as technological advancement, financial awareness and risk tolerance levels

Tubastuvi et al. (2024) employed purposive sampling technique among 120 Gen Z investors in Banyumas, Indonesia. The data was collected using a Likert scale questionnaire. The study revealed that risk tolerance, financial behaviour, and financial literacy were significant factors that influence investment preferences which were analysed using Smart PLS software and Partial Least Squares Structural Equation Modeling (PLS-SEM). Investment decisions were not significantly influenced by financial expertise, suggesting that Gen Z does not rely on past financial dealings in their decision-making. The results highlight the value of financial education in assisting Gen Z make their investing decisions. Yusup & Gunawan (2024) surveyed 410 Gen Z individuals in Surabaya, Indonesia to examine their investment preferences. The Logistic regression analysis was utilised to analyse the data. The study revealed that there exist a positive relationship between financial interest and high-risk investment choices. The result suggest that fostering financial interest would encourage Gen Z to engage more in high–risk investments. According to the study, financial interest has an immense effect on Gen Z's high-risk investing choices, while financial expertise has no direct consequence. The impact of financial interest is enhanced by risk tolerance, but not by financial literacy. The authors come to the conclusion that increasing participation and curiosity is more beneficial than relying only on financial understanding

Dugar & Madhavan (2023) conducted a study on Gen Z investors in India with sample size being 500. The study concluded that saving behaviours varies significantly across age, gender, and family income. Gen Z investors primarily invest their capital into long-term assets like gold, mutual funds, equities shares, and fixed deposits, however they are becoming more interested in trading cryptocurrencies. The analysis was conducted using statistical tools such as SPSS. They concentrate plenty of their investing choices on factors such as rate of return, long-term gains, and past

performance. According to the study, Gen Z in India are growing more financially independent with time, relying more on their personal income and possessing a wider range of investment options. It leads to a conclusion that the willingness of Gen Z to learn and their technological expertise encourages them to make more informed decisions. Pašiušienė et al. (2023) conducted a study on Gen Z investment patterns in an University with a focus to find their attitude towards green financing and sustainability. The survey-based approach was utilised and applied statistical inference tools with a 95% confidence level. Findings reveal that there exists a significant gap between actual investment practice and environment awareness. In an effort to promote more harmonious investing options, the authors suggested including sustainability education into the curriculum. According to the study, although Gen Z students exhibit a high level of environmental consciousness and logical support for green investments, many are cautious to make actual financial commitments, preferring to support theories rather than take concrete action.

LIMITATION OF THE STUDY

The study focuses only on a specific age group within Gen Z, which may overlook variations across the broader generational spectrum. It does not account for external market conditions or economic factors that could influence investment decisions. The analysis is limited to a few selected investment instruments, which may not capture the full range of Gen Z's financial behavior. The study is restricted only to Chennai city.

RESEARCH METHODOLOGY

This study used a mixed-methods approach by utilizing both primary and secondary data sources. By framing a Structured Questionnaire consist of Part 1 – Demographic Profile, Part 2 – Level of awareness, Part 3 – Level of Risk tolerance and Part 4 – Preferred investment options. The data were collected through Google Form survey from a sample of 100 respondents. The survey focused on investment instruments like Shares & Bonds, Cryptocurrency, Fixed deposit, Mutual funds & SIP and Gold to understand how they affect Gen Z investors decisions. SPSS was used to analyse the data. The data was summarised using descriptive statistics. The demographic profile of the respondents was analysed using Percentages Analysis and for further analysis on risk tolerance and preferred type of investment; techniques such as Chi-square and ANOVA were used.

ANALYSIS AND INTERPRETATION

PERCENTAGE ANALYSIS ON DEMOGRAPHICS

TABLE1: PERCENTAGE ANALYSIS

PROFILE(PREDSOMINANTFACTORS)		PERCENTAGE
Gender	Male	58
Age	24-27	40
EducationalQualification	Professional	55
Occupation	Employed	43
AnnualIncome	Rs.5,00,001-10,00,000	32
Investment Experience	1-3Years	37

Source: Primary Data

The data indicate that Gen Z investors represent a well-educated group, with the majority being male (58%) and professionally qualified (55%). A significant number are between the ages of 24 - 27 (41%), and 43% are employed at the moment, which suggests their financial stability. The Annual Household income distribution reveals that 30% of the population earn between Rs. 5,00,001 – 10,00,000 per year. Individuals have an investment experience period of 1-3 Years (37%). An increasing interest in various investing alternatives and a modest risk tolerance are suggested by these traits.

CHI - SQUARE ANALYSIS

H0: There is no significant relationship between occupation and risk tolerance among Gen Z investors.

H1: There is a significant relationship occupation and risk tolerance among Gen Z investors.

TABLE2: CROSS TABULATION

		Risk Tolerance					
		Strongly Disagree	**Disagree**	**Neutral**	**Agree**	**Strongly Agree**	**Total**
OCCUPATION	**Student**	3	4	7	10	4	28
	Self Employed	2	5	4	2	4	17
	Employed	3	8	1	7	24	43
	Home Maker	2	2	2	4	2	12
Total		10	19	14	23	34	100

Source: Computed Data

TABLE3:CHI SQUARE TEST

Source: Computed Data

	Value	df	Asymp.Sig. (2-sided)
Pearson Chi-Square	25.229a	12	.014
Likelihood Ratio	26.861	12	.008
Linear-by-Linear Association	1.396	1	.237
N of Valid Cases	100		

Since occupation and risk tolerance among Gen Z investors have a strong association, the null hypothesis is rejected based on the results of the Chi-Square test (p = 0.014). Employed individuals are more likely to select "Strongly Agree" than members of other groups, indicating a larger risk tolerance. Responses are more cautious or balanced from homemakers, students, and self-employed individuals. These results imply that occupation has a significant influence on how Gen Z investors see and manage investment risk.

ANOVA TEST

H0: There is no significant gender difference in preference towards different type of investment instruments among Gen Z investors.

H1: There is a significant gender difference in preference towards different type of investment instruments among Gen Z investors.

TABLE 4: ANOVA TABLE

	Sum of Squares	**df**	**Mean Square**	**F**	**Sig.**
Between Groups	3.799	1	3.799	0.532	0.468
Within Groups	699.991	98	7.143		
Total	703.79	99			

Source: Computed Data

The ANOVA analysis indicates that there is no significant difference among male and female respondents for overall investment preferences, as demonstrated by the p-value of 0.468. Instead of gender, personality traits contribute to the majority of the diversity in investment choices as reflected. This implies that genderneutral investment preferences are prevalent. Therefore, the null hypothesis is accepted, confirming that the respondent's overall tendency towards investment behaviour is not significantly impacted by gender.

SUGGESTIONS

More investment education programs should be organised to address gender-based differences in investment preferences. The aim of awareness efforts must be to improve Gen Z's understanding of the risk levels inherent to different investment options. Investment information should be promoted via digital platforms and social media in a way that is fascinating and easy for Generation Z to comprehend. The demands of Gen Z investors should be met by customizing investment strategies according to demographic variables including age, income level, and employment status. To attract new investors in this age range, financial service providers require to develop user-friendly investment instruments

CONCLUSION

The survey provides various valuable insights into the investment alternatives and risk tolerance levels among Gen Z investors. The results show that, despite Gen Z's generally exhibit moderate risk tolerance and increasing knowledge on different investing options, gender has a reasonable impact on their preferences, especially when it comes to shares. For other instruments, such as gold, fixed deposits, SIP and cryptocurrencies there is no apparent gender disparities were noticed. Investors from Generation Z are a financially secure and well-educated demographic with a range of risk tolerance and investment experience. Although Gen Z investors are becoming more interested in a variety of investing opportunities, more financial education is still required to fill the risk awareness gaps. Their investing journeys can be more effectively supported by digital tools and customized investment strategies based on their demographic profiles. According to this study, Gen Z investors show a growing understanding of different investment alternatives and a moderate risk tolerance.

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