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A Study on the Behavioral and Demographic Determinants of Investment Behaviour among Individual Investors

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Abstract: *This study examines the impact of demographic factors on the investment behaviour of individual investors, particularly Gen Z. The study aims to analyze whether age and educational qualification significantly influence investment decisions. Primary data was collected using a structured questionnaire from Gen Z investors through an online mode for ease and wider reach. A random sampling technique was used, and responses were measured using a 5-point Likert scale. The data was analyzed using descriptive statistics and One-Way ANOVA.The results indicate that there is no significant difference in investment behaviour with respect to the age factor (p = 0.902) and the educational qualification factor (p = 0.717), as both values are greater than 0.05.The study concludes that demographic factors do not significantly influence investment behaviour, and other behavioural factors may play a more important role.*

Keywords: Investment Behaviour, Generation Z, Demographic Factors, Age, Educational Qualification, One-Way ANOVA, Likert Scale, Behavioural Factors, Individual Investors, Descriptive Statistics

I. INTRODUCTION

1.1 Introduction

Investment behaviour is a fundamental aspect of financial decision-making and plays a significant role in wealth creation. Individuals allocate their income between present consumption and future investment with the objective of earning returns over time. However, investment decisions are not always purely rational, as they are influenced by various psychological, behavioural, and demographic factors.

Traditional finance theories assume that investors act rationally and make decisions based on available information to maximize returns. However, behavioural finance challenges this assumption by emphasizing that investors are often influenced by emotions, cognitive biases, and social pressures. Factors such as overconfidence, herd behaviour, and risk aversion can lead to irrational investment decisions.

In recent years, Generation Z has emerged as an important group of investors. With the advancement of technology, easy access to financial information, and the availability of online trading platforms, young investors are actively participating in financial markets. Their investment behaviour is influenced by a combination of personality traits, behavioural biases, and demographic characteristics.

1.2 Background of the Study

Investment refers to the allocation of funds into financial instruments such as stocks, bonds, mutual funds, and other assets with the expectation of earning future returns. Investors aim to maximize returns while minimizing risk; however, their decisions are often influenced by psychological and behavioural factors.

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Behavioural finance studies how individuals make financial decisions and how emotions and biases impact these decisions. Investors may sometimes rely on incomplete information, follow market trends, or make decisions based on fear and greed. These behavioural tendencies can lead to suboptimal investment outcomes.

Demographic factors such as age, education, income, and gender also influence investment behaviour. Younger investors may be more willing to take risks, while older investors may prefer safer investment options. Similarly, educational background may affect financial awareness and decision-making ability.

1.3 Research Gap

Several studies have examined the influence of behavioural and demographic factors on investment behaviour. However, most of the existing research focuses on individual variables separately, such as behavioural biases or demographic characteristics.

There is a lack of comprehensive research that examines the combined effect of demographic factors on investment behaviour, particularly among Generation Z investors. Additionally, limited studies have been conducted in the Indian context using empirical data.

1.4 Problem Statement

Despite the increasing participation of individuals in financial markets, many investors continue to make decisions based on emotions, social influence, and incomplete information rather than rational analysis. There is a need to understand how demographic factors influence investment behaviour and whether these factors significantly affect decision-making patterns.

1.5 Objectives of the Study

Primary Objective

- To analyze the impact of demographic factors on investment behaviour of individual investors.

Secondary Objectives

- To examine whether age influences investment behaviour
- To analyze the effect of educational qualification on investment behaviour
- To understand the role of behavioural tendencies in investment decisions

1.6 Hypothesis of the Study

H1: Age and Investment Behaviour

- H_{01}: There is no significant difference in investment behaviour across different age groups
- H_1: There is a significant difference in investment behaviour across different age groups

H2: Educational Qualification and Investment Behaviour

- H_{02}: There is no significant difference in investment behaviour across different educational levels
- H_2: There is a significant difference in investment behaviour across different educational levels

1.7 Scope of the Study

The study focuses on individual investors, particularly Generation Z, and examines how demographic factors such as age and educational qualification influence their investment behaviour. The study is limited to selected respondents and does not include institutional investors.

1.8 Limitations of the Study

- The study is limited to a specific sample size
- Responses may be subject to bias
- The study focuses only on selected demographic variables.

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II. REVIEW OF LITERATURE

The review of literature provides an understanding of previous studies related to investment behaviour and helps in identifying the key factors influencing investment decisions. Earlier research assumed that investors behave rationally; however, behavioural finance highlights that investment decisions are often influenced by psychological and emotional factors. Studies have shown that investors may rely on incomplete information, social influence, and personal beliefs rather than logical analysis, leading to irrational decision-making (Beatrice et al., 2021).

Behavioural biases such as overconfidence, herd behaviour, and loss aversion significantly affect investment decisions. Investors tend to follow market trends or peer recommendations, which may result in poor investment choices (Shreevidya & Mahadev, n.d.). Emotional factors such as fear and greed also play an important role, especially during market fluctuations, influencing short-term decision-making (Yadav et al., n.d.).

Demographic factors like age, education, income, and occupation also influence investment behaviour. Younger investors are generally more risk-taking, while older investors prefer safer investment options (Tharshiga & Yogendrarajah, 2017). Educational qualification improves financial awareness, but it does not always ensure rational investment decisions, as behavioural biases may still dominate (Pandey et al., 2013).

Risk tolerance is another key factor influencing investment decisions. Investors with higher risk tolerance prefer equity-based investments, whereas risk-averse individuals opt for safer alternatives such as fixed deposits and bonds (Rawat, 2024). Financial literacy also plays a significant role in understanding risk and return; however, even financially literate individuals may be influenced by behavioural tendencies (Gangwar & Singh, 2018).

Despite extensive research, most studies have focused on individual factors separately. There is limited research that examines the combined effect of demographic and behavioural factors on investment behaviour, particularly among Generation Z investors. Therefore, this study aims to address this gap by analyzing the impact of demographic variables on investment behaviour in a comprehensive manner.

III. RESEARCH METHODOLOGY

3.1 Research Design

The study adopts a **descriptive and analytical research design**.

Descriptive research is used to describe the characteristics and behaviour of investors, while analytical research is used to examine the relationship between demographic factors and investment behaviour.

3.2 Data Sources and Collection

The study is based on both primary and secondary data.

- **Primary Data:**
  Collected through a structured questionnaire designed to measure investment behaviour and demographic characteristics. The questionnaire includes close-ended questions based on a Likert scale.
- **Secondary Data:**
  Collected from research papers, journals, books, and other reliable sources to support the study.

3.3 Sampling Design

- **Sample Unit:** Individual investors (Gen Z)
- **Sample Size:** 100–150 respondents
- **Sampling Technique:** Random sampling

The respondents include individuals who are aware of or actively involved in financial investments.

3.4 Tools for Data Analysis

The data collected has been analyzed using:

- Microsoft Excel

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- Descriptive statistics
- **One-Way ANOVA (Analysis of Variance)**

ANOVA is used to determine whether there are significant differences in investment behaviour across different demographic groups such as age and educational qualification.

3.5 Method of Data Analysis

The collected data is classified, tabulated, and analyzed using statistical methods. Mean values are calculated to understand general trends, and ANOVA is applied to test the hypotheses.

3.6 Hypothesis of the Study

H1: Age and Investment Behaviour

- H_{01}: There is no significant difference in investment behaviour across age groups
- H_1: There is a significant difference in investment behaviour across age groups

H2: Educational Qualification and Investment Behaviour

- H_{02}: There is no significant difference in investment behaviour across educational levels
- H_2: There is a significant difference in investment behaviour across educational levels

3.7 Tools Used in the Study

The analysis of the primary data was conducted on responses collected from individual investors belonging to the Generation Z demographic. The study aimed to evaluate the impact of demographic factors such as age and educational qualification on investment behaviour.

Responses were recorded using a 5-point Likert scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree), with 3 representing a neutral position. The collected data was analyzed using descriptive statistics such as mean to understand general trends in investment behaviour.

To test the stated hypotheses, **One-Way ANOVA (Analysis of Variance)** was applied to determine whether there are significant differences in investment behaviour across different groups. This method is appropriate as it allows comparison of mean values among multiple categories, such as age groups and educational levels.

IV. DATA ANALYSIS AND INTERPRETATION

4.1 Summary of Statistical Findings

Table 4.1 below provides a comprehensive overview of the statistical tests conducted for the primary research objectives of the study. It includes the aggregate descriptive statistics (mean values), the results of the One-Way ANOVA tests, and the outcome of the hypotheses based on the level of significance.

Table 4.1: Aggregate Statistical Analysis and Hypothesis Testing Results

Research Objective	Construct Mean	F-value	P-value	Hypothesis Decision
Objective 1: Age & Investment Behaviour	**3.6-3.7**	**0.103**	**0.902**	H_{01} Accepted
Objective 2: Education & Investment Behaviour	**3.6-3.8**	**0.303**	**0.717**	H_{02} Accepted

Note: The results are tested at a 5% level of significance ($p < 0.05$). One-Way ANOVA was applied to determine whether there are statistically significant differences in investment behaviour across different demographic groups.

4.2 Objective 1: Influence of Age on Investment Behaviour

The first objective sought to examine whether there is a significant difference in investment behaviour among respondents belonging to different age groups.

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Descriptive Analysis:

As seen in Table 4.1, the aggregated responses for this construct yielded mean scores ranging approximately between 3.6 and 3.7 across different age groups. This indicates a moderate level of agreement among respondents regarding investment-related statements.

The closeness of the mean values suggests that individuals across different age categories exhibit similar attitudes towards investment decisions, risk perception, and behavioural tendencies. There is no substantial variation observed among the groups, indicating consistency in investment behaviour irrespective of age.

Hypothesis Testing (H1):

H_{01} (Null): There is no significant difference in investment behaviour across age groups.

H_1 (Alternative): There is a significant difference in investment behaviour across age groups.

The One-Way ANOVA results showed that the calculated F-value is **0.103** and the corresponding P-value is **0.902**.

Since the P-value is greater than the level of significance (0.05), the result is not statistically significant. Therefore, the Null Hypothesis (H_{01}) is accepted, indicating that there is no significant difference in investment behaviour across age groups.

4.3 Objective 2: Influence of Educational Qualification on Investment Behaviour

The second objective evaluated whether there is a significant difference in investment behaviour among respondents based on their educational qualification.

Descriptive Analysis:

As seen in Table 4.1, the aggregated responses for this construct yielded mean scores ranging approximately between 3.6 and 3.8 across different educational groups. This indicates a moderate to slightly higher level of agreement among respondents regarding investment-related statements.

Respondents with postgraduate qualifications showed marginally higher mean scores compared to undergraduate and up to HSC groups. However, the difference in values is minimal, suggesting that individuals across all educational levels exhibit similar attitudes towards investment decisions. The data indicates that while education may improve financial awareness, it does not lead to a significant variation in investment behaviour.

Hypothesis Testing (H2):

H_{02} (Null): There is no significant difference in investment behaviour across educational levels.

H_2 (Alternative): There is a significant difference in investment behaviour across educational levels.

The One-Way ANOVA results indicated that the P-value is greater than 0.05, which means that the difference among educational groups is not statistically significant.

Therefore, the Null Hypothesis (H_{02}) is accepted, indicating that there is no significant difference in investment behaviour based on educational qualification.

4.4 Summary of Findings

The analysis of the data indicates that there is no significant difference in investment behaviour across the selected demographic variables. Both age and educational qualification do not have a significant impact on investment decisions, as respondents show similar behaviour across different groups. This suggests that demographic factors are not strong determinants of investment behaviour, and other factors may play a more important role.

V. CONCLUSION

The study concludes that demographic factors such as age and educational qualification do not significantly influence the investment behaviour of Generation Z investors. Individuals across different age groups and educational backgrounds exhibit similar investment decision-making patterns, indicating a level of homogeneity within this

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cohort.This suggests that traditional demographic variables may not be strong determinants of investment choices in the case of Gen Z. Instead, investment behaviour is more likely shaped by behavioural and psychological factors such as risk perception, financial awareness, personal attitudes, peer influence, and access to digital financial platforms.Furthermore, the findings highlight the evolving nature of investor behaviour, where increased access to information and technology may be reducing the impact of demographic differences. Therefore, future research can focus more on behavioural finance aspects to better understand the investment patterns of young investors.

Limitations and Future Scope

The study concludes that demographic factors such as age and educational qualification do not significantly influence the investment behaviour of Generation Z investors. Individuals across different groups show similar decision-making patterns, indicating that demographic characteristics are not key determinants. Instead, behavioural and psychological factors such as risk perception, financial awareness, and digital influence play a more important role.

Limitations: The study is limited to a small sample of Gen Z respondents and considers only two demographic variables. The use of an online questionnaire may also lead to response bias.

Future Scope: Future studies can include a larger and more diverse sample, consider additional factors like income and financial literacy, and focus more on behavioural aspects of investment decisions.

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