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Factors Affecting Share Traders' Investment Decisions: Investigating the Psychological, Social, and Economic Factors That Influence Share Traders' Investment Choices and Risk Tolerance

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Abstract:-

➢ ***Deep Dive into Share Trader Decision-Making: A Psychological, Social, and Economic Exploration***

This research delves into the intricate world of share trader decision-making, specifically focusing on the interplay between psychology, social dynamics, and economic factors. It aims to shed light on how these multifaceted influences shape investment choices and risk tolerance, particularly among the burgeoning generation of young adult traders (Gen Z).

➢ ***Beyond Rationality: the Behavioral Dimension***

Investment decisions are often depicted as exercises in cold, calculated logic. However, the field of behavioral finance challenges this notion, highlighting the significant role of psychological biases. This study builds upon this established knowledge by exploring how these psychological factors, along with social and economic considerations, converge to influence trading decisions and risk tolerance within the Gen Z demographic.

➢ ***Methodology: Unveiling the Underlying Factors***

To gather valuable insights, the study will employ a survey methodology utilizing a five-point Likert scale questionnaire. Disseminated through social media platforms, the survey aims to capture data from a broad range of participants.

The primary target audience will be Gen Z respondents (aged 18-21), with a subset of participants from older generations included for comparative analysis. The questionnaire will be meticulously crafted to assess psychological factors (e.g., overconfidence, fear of missing out), social influences (e.g., peer pressure, online communities), economic considerations (e.g., market trends, interest rates), and risk tolerance.

➢ ***Hypotheses: A Framework for Understanding***

The study proposes a set of four core hypotheses to guide the investigation:

- **Psychological Influence: Psychological factors, such as overconfidence or anchoring bias, significantly impact share traders' investment decisions.**
- **Social Dynamics in Play: Social factors, including group dynamics and the influence of online communities, exert a substantial influence on share traders' decisions.**
- **Economic Considerations as a Guidepost: Economic factors, encompassing market trends, interest rates, and company performance, provide valuable guidance for share traders' decision-making processes.**
- **The Moderating Effect of Initial Trades: Initial trade decisions act as a moderator, influencing the relationship between the aforementioned factors and an individual's risk tolerance.**

➢ ***Data Analysis: Unveiling the Relationships***

The collected data will be meticulously analyzed using structural equation modeling (SEM) software like SPSS AMOS. This powerful technique allows researchers to delve deeper by evaluating:

- **Confirmatory Factor Analysis: This analysis technique assesses the strength and validity of the relationships between the observed variables (survey questions) and the underlying latent variables (psychological factors, social factors, etc.). It essentially confirms that the survey questions are effectively capturing the intended constructs.**
- **Path Coefficients: Path coefficients quantify the direct effects of each factor (psychological, social, economic) on risk tolerance. Additionally, the analysis will explore whether initial trade decisions moderate these effects, meaning they influence the strength of the relationship between the factors and risk tolerance.**

➢ ***Expected Outcomes: Illuminating the Path Forward***

This research aspires to achieve the following key outcomes:

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- **Demystifying Decision-Making: Identify the relative influence of psychological, social, and economic factors on Gen Z share traders' decisions.**
- **Understanding Risk Tolerance: Elucidate how these factors interact and contribute to the development of risk tolerance among young adult investors.**
- **Empowering Traders: Equip individual traders with valuable insights to bolster their decision-making processes and risk management strategies.**
- **Informing Financial Literacy: Provide insights for policymakers and educators to design financial literacy programs and regulations that cater to the specific needs and preferences of young adult investors.**

➢ ***Acknowledging Limitations: A Call for Further Exploration***

The study acknowledges inherent limitations, such as the potential for self-reported bias in survey responses. Additionally, the initial focus on a specific age group (Gen Z) within a limited geographical area (India) necessitates further research to explore potential cultural and demographic variations in financial decision-making.

This research serves as a springboard for future investigations, paving the way for a more comprehensive understanding of the nuanced interplay between psychological, social, and economic factors in shaping financial decision-making across diverse demographics and cultural contexts.

Keywords:- *Share Trading Decisions, Investment Decisions, Behavioral Finance**,** Psychological Factors, Social Factors), Economic Factors, Risk Tolerance**,** Gen Z Traders, Retail Traders, Rational Decision Making, Behavioral Biases, Financial Literacy, Hypothesis Testing, Structural Equation Modeling (SEM), Confirmatory Factor Analysis.*

I. INTRODUCTION

When talking about investment, decision making plays a crucial role. But the process of decision-making is always under-explored both theoretically as well as empirically (Preda & Muradoglu, 2019). Investment decisions need not to be rational, there are studies which have linked various behavioral biases to investment decision-making (Kimeu et al., 2016 and Nga & Ken Yien, 2013). The best way to make the financial investment decisions is being rational, but there are lots of limitations of being rational, there are various behavioral factors which would cause biases in the minds of the people at the time of decision making. This study aims to find the various behavioral factors such as psychological, social and economic factors, and their contribution towards the investment decision making process. Whenever financial decision making is considered various analytical approaches are taught to be followed, but in general there are various casual and retail traders, who follow a more mental and behavioral approach for the trade decisions and risk tolerance. Hence, such behavioral aspects prove to be a valid tool to analyze the decisions made by traders. It has seen that there is very less importance given to these factors for analyzing trade decisions. Hence, this study would likely provide a deep insight into casual and retail trading, with the use of the viable measures. This study uses the insights from the Gen Z specifically, who are mostly the casual and amateur traders in the market. Hence, this study focuses mainly on the Gen Z or short term traders in the market. This paper uses a relativity approach to understand the relationship, in a better way.

The major reason for such biased investment decisions made by individuals is due to the limitations in the investment knowledge of people, especially investors (Rahman & Gan, 2020). The non-rational investment decisions are always connected to the behavioral aspects of the traders and always the social aspect of the same is ignored (Welch, 2000 and Daniel et al., 2002). Social factors also play an important role in the financial decisions of the individuals. Social factors either traditional or virtual proves to have an influence on the decision making of the people in generic perspective. Hence, it is crucial to consider social factors for analyzing the behavior of the traders. It might also be true that the financial decision is also a social process, just like other decisions taking place in the organizations (Sutter, 2009 and Charness et al., 2010). There are several researchers, who believe that the economic activities and human perceptions are the social activities, which act as the drivers of behavioral finance (Muradoglu & Harvey, 2012, Davis et al., 2015 and Kimeu et al., 2016).

In a number of studies the psychological influence on the share trading behavior was analyzed, but the role of the psychological factors are mostly under considered (Witteloostuijn & Muehlfeld, 2008). The major reason for the less availability of the articles based on the psychological aspect of share trading decisions is mainly due to the limited availability of the data about their share trading decisions (Muhammad Zubair et al., 2017). The psychological factor consists of numerous variables which are hard to take into account in the articles, hence some amount of sampling in the variables is needed to ensure the efficiency and optimum working of the article. The normative assumption in the market is based on the fact that the individuals take trade decisions based on the rational mindset, but that is not the case there are numerous factors other than the rational behavior which is involved in the decision making.

This research paper uses the five scale questionnaire model to understand the behavior of the sample population, which majorly consists of the Gen Z or young generation traders. This particular article uses most of the qualitative and behavioral aspects to understand the relationships, which poses a challenge in collecting and analyzing the data. And this article also uses the most important and ignored aspect of trading behavior traits to understand the trading pattern of the share traders’. Previous studies documenting descriptive model clearly indicates that a considerable portion of the trading population doesn’t possess adequate knowledge about the financial markets (Guiso and Jappelli, 2006), lack financial literacy (Lusardi & Mitchell, 2007) and the decisions are based on the behavioral biases (Kahneman et al., 1991). Often, due to this lack of information the traders use their psychological aspects and various behavioral traits

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to make irrational decisions at the time of trading (Campbell, 2006; Polkovnichenko, 2005). There are numerous papers which show trading decisions based on different characters, but very few approaches have been made towards trade decisions through behavioral aspects (van Witteloostuijn & Muehlfeld, 2008). Hence the current study tries to approach basically more with a traders mental state towards the share trading decision making. Behavioral aspect doesn't only narrow down to the trade decisions but also had a deep root in financial decision making even before. (Argyris, 1952) defines the budgeting and its impact on the peoples' mindset and their production patterns. Due to the large scope of participants in the market there is always a room for the stock to underperform due to lack of information or delayed information (Edelen & Kadlec, 2012). Most of the articles speak about the financial decision making based on the market or agency perspective, when knowing the social contribution towards the trade decision making in an individual perspective often very less importance is given. The trade decisions of the individuals not only depend on these factors but also with other beyond the control factors such as economic factors, which include GDP, Purchasing Power of a person, Inflation rates, Government Fiscal policies, etc., (Rahman & Gan, 2020).

(Chen & Volpe, 1998) states that financial decision making is influenced by financial knowledge and financial behavior. Hence it is very important to understand financial knowledge and financial behavior. Hence taking all these factors into account is very important to understand the decision making pattern of the individual traders, so our study is a combination of psychological, social and economic factors and their influence in the trade decisions of the share traders and their risk tolerance capacity. With the established decision relationships this paper tries to understand the biases that the traders possess while making trading decisions. There are few papers which tried to include these factors to establish the relationship with the trade decisions, but dealt with Gen X and Gen Y generation. Hence this paper mainly draws the data from Gen Z as there is a drastic change in the mindset of Gen Z with other generations. The findings shall help the individual traders to control their mindset and other behavioral factors, while making trade decisions and allow them to identify the deviating factors or hindrances to adopt rational decision making and would help them to overcome those factors. The paper would also help the government to run awareness programmes and would help to plan or would lay a framework for the objectives of financial literacy. The outcome of the research is to enhance the knowledge of financial decision making, possessed by the individual share traders. There are certain developments also present in this paper, which could potentially help the future research enthusiasts to improvise on the model and the relationships.

II. LITERATURE REVIEW

The mainstream finance theory (Fama, 1970; Fama, 1991) assumes that the financial decisions are based on the individual and rational factors based on the utility theory proposed by (Von Neumann & Morgenstern, 1953; Arrow, 1965). But in reality, there is a gap between the proposed utility theory and the actual decisions made, which is advocated to be affected by the bias and the individual decision making capacity (Tversky & Kahneman, 1974; Kahneman & Tversky, 1979). The ideal rational decision making process is challenged by two factors namely, the social and cognitive factors (Preda & Muradoglu, 2019). (Shefrin, 2000; Shleifer, 2002; Warneryd, 2001) states that the behavioral decisions made by the traders are influenced by both internal and external factors.

A. Psychological Factors:

In the behavioral finance literature, a number of literatures used the psychological variables to understand the trade behavior of the individuals. (Barber & Odean, 2001) advocated that the overconfidence leads to higher trading volumes. The study took gender as a variable, where the male tends to have more overconfidence than the female and because of the aforesaid overconfidence and the trade volume relationship, the male tends to trade more. In a study based on the Finnish equity trading data, (Grinblatt & Keloharju, 2009), which used the psychological factor, namely sensation seeking, which is associated with the higher trading frequency. One of the sub-disciplines of psychology is personality psychology, which is argued to be one of the key determinants of human behavior (Muhammad Zubair et al., 2017). There are very few studies that used personality as an affecting factor for the behavioral finance, one among those (Pompian & Longo, 2004) used Myers-Briggs Type Indicator for assessing personality of individual investors and found that people with certain personality types fall for the cognitive biases. (Durand et al., 2008) found that there is a positive correlation between the negative emotion and the trade frequency, which lies in line with that the neurotic investors tend to trade more to reduce the emotional imbalances through external stimuli. (Loibl & Hira, 2009) argues that the psychological characteristics such as the self confidence and the risk tolerance may cause differences in the information acquiring strategies for investment decisions. (Frechette et al., 2014) described that the personality of a trader influences right from the information collection and extends till the decision making process. (Abreu & Mendes, 2012) who analyzed the trade behavior in the Portuguese market, showed that there is a strong positive correlation between the self confidence and the trading frequency of an individual. They found that the confident investors tend to ignore the cost factor than a rational investor, who invests only if the benefit derived from the investment is more than the cost of the information. A primitive type of confidence is overconfidence. Overconfidence often refers to a biased way of looking at certain things (Rahman & Gan, 2020). (Odean, 1998) investigated trade behavior based on the emotional and cognitive senses. The confidence and the emotions of the traders are based on their previous trades, where the profit brings in confidence and the losses makes them regret. (Dittrich et al., 2001) studied how overconfidence plays a vital role in the investment decisions. The trade decisions mostly lack accuracy when taken with overconfidence. (Kemper & Lazarus, 1992) explains that anxiety and threat is influenced by long term uncertainties. Anxiety is positively related to the information availability to a trader (Rahman & Gan, 2020). According to (Caplin & Leahy, 2001) uncertain

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future causes increased anxiety among the traders and makes the price reducing product more attractive to the trader. Studies (van Winden et al., 2011; Gambetti & Giusberti, 2012) show that the anxiety has a negative correlation towards the individual trade decisions. Some rational traders try to control their emotions while making trading decisions. (Snyder, 1974) tries to understand the extent to which the traders tend to control or modify their behavioral and emotional aspect while trading. The article also states that higher the self monitoring, the higher the knowledge will be for the traders in the market. Aligning with the above review of literature, the following hypothesis could be suggested,

H1. Psychological factors faced by the share traders influence their trade decisions.

B. Social Factors:

When the availability of information in a market is opaque in nature, traders tend to gather more information as possible by the means of financial broker, peer advises and direct information from other sources at the time of trading (Muhammad Zubair et al., 2017). "Difference of opinion model" by (Miller, 1977) claims that the investor has a divergent opinion about the expected possibility of returns and forecast of the future returns derived from the financial securities, which highly contribute towards the share trading decisions. This difference of opinion is mainly due to the availability of a variety of private information and their different interpretation towards the commonly available information (Harris & Raviv, 1993; Kandel & Pearson, 1995). Traders with more information tend to alter their portfolios frequently, which in default allows them to have higher trade volumes (Peress, 2004; Abreu & Mendes, 2012; Barlevy & Veronesi, 2000; Holthausen & Verrecchia, 1990). These statements establish a strong relationship between the information availability and the share trading behavior. Social groups in the form workplace, peers and any other online social media forms also play a vital role in the interaction process of the share traders with the information. The share traders tend to imitate the trading pattern with the help of the social interactions (Ricciardi , 2008; Prechter, 2001; DellaVigna, 2009). Researches on risk aversion of financial investment behavior during uncertainties (Dorn & Huberman, 2005) through financial literacy (Van Rooij et al., 2011) and the subjective beliefs such as trusts on others (Guiso et al., 2008) and the political ideology of the individuals (Kaustia & Torstila, 2011). The investment decisions of social acquaintances (Brown et al., 2008; Hong et al., 2004; Hvide & Ostberg, 2015) also affect investor behavior. The trade decisions are not always taken in a void manner, but within a social context, characterized among others by hierarchies and other group structures (Simon et al., 2014; Friedland, 2012). The traders work with a web of work relationships with superiors, co-workers and subordinates. Based on these factors decisional processes cannot be separated from the group dynamics. Based on the above discussion, we propose the following hypothesis for our study.

H2. Social Factors and Group Dynamics have a significant impact on the share traders' decisions.

C. Economic Factors:

(Potter, 1971) suggests six factors such as dividends, rapid growth, investment for saving purposes, quick profits through trading, professional investment management and long term growth have an effect on the investors' investment decisions. (Baker & Haslem, 1973) argues that the future anticipations about the economy, interest to be earned from the investments determine the investors' trade behavior in the market. In contradiction (Lee & Tweedie, 1976) argues that the general public finds it difficult to understand the corporates' financial statements. (Lewellen et al., 1977) advocates that the investors derive major information from the fundamental or technical analysis, which reflects the economic conditions in the market. (Fisher & Statman, 1997) states that not only the returns and economic conditions affect the trade decisions but also various other factors as well. Various studies shows the traders' behavior in the sophisticated markets such as in Hong Kong (Lui & Mole, 1998; Wong & Cheung, 1999), The UK (Taylor & Allen, 1992; Collison et al., 1996) and the US (Frankel & Froot, 1990; Carter & Van Aucken, 1990) reveal that these traders rely more on the fundamental and technical analysis for information and give less weightage for the portfolio analysis. Various studies suggest that the traders use various market strategies for different markets through alternative time zones based on their economic progresses (Lui & Mole, 1998). Few studies have made comparison between the trade decisions made by traders in the less developed countries with that of more sophisticated economies (Dimitrios et al., 2007). (Nassar & Rutherford, 1996; Naser & Nuseibeh, 2003) discusses that the traders majorly use the information from the corporate financial statements, rather than using any information from any intermediary agencies. Based on the above discussion, subsequent hypothesis could be proposed,

H3. Economic factors help the share traders in their decision making.

The review of literature on the social patterns of the traders behavior in the market reveals that social factors play a major role in the information acquisition process of the traders. The imitative nature found within the traders, when socially interacted with different forms of social groups in the society. The link between the trade decisions made and the group dynamics are highly determinable. The literature review on the psychological aspect of the share traders delineates the effect of various psychological traits towards the traders' decisions. The literature also revealed the correlation between different psychological traits such as confidence, anxiety, emotion and negative emotions and their impact in the share traders' decisions. The causes of all these emotions and their impact on the overall share traders' decisions in relation to the market. The overall psychological patterns also have a considerable influence over the risk tolerance capacity of the share traders as well. The literature review on the economic factors and their effect on the share traders' decisions involves that the share traders' take the financial statement published by the corporate themselves to a major extent. The literature also discusses the sophistication given by the various countries' financial markets and their influence over the share traders' decisions. The review also

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reveals that, the way of interpreting the financial data by the share traders' differs based on the countries' market they trade in and the facilities provided by the same. The studies also reveal the major economic information that the share traders look for at the time of making trade decisions. Hence, taking all these reviews into account, this paper attempts to examine the relationship between these factors in relation to the share traders' decisions.

- *H1a. The psychological factors have a negative impact on the share traders' risk tolerance capacity.*
- *H2a. The social factors and group dynamics significantly influence the share traders' risk tolerance capacity.*
- *H3a. The economic factors affect the share traders' risk tolerance.*
- *H4a. The initial trade decisions made by the share traders have a moderating effect on the share traders' risk tolerance.*

III. RESEARCH METHODOLOGY

The former literature review shows that the factors such as psychological, social and economic factors affect the share traders' trade decisions in the market separately, it is very crucial to understand these factors affect in toto aligned with the share trading decisions. Understanding the trade pattern of the young adults is important because they are the ones who would dominate the market in the mere future. The questionnaire was collected between the age groups 18 - 59, in which around 65% fall in the 18 - 21 age category, who are amateur or initial traders. The structured questionnaire of 24 important questions was used to collect the behavioral pattern of the respondents. The questionnaire consisted of demographic details and various trade decisions affecting factors categorized under psychological, social and economy. And the sample size pertained only within the Indian subcontinent.

A. Research Instrument:

A five-point Likert scale of Strongly Disagree (1) to Strongly Agree (5) was used to understand the traders' extent of the behavior with respect to the variables discussed. The study used to measure the three psychological factors used in (Muhammad Zubair et al., 2017), five economic factors used in (Dimitrios et al., 2007) and three social and group factors used in (Preda & Muradoglu, 2019). Various studies were used to comprehend each independent variable and its effect on the dependent variables.

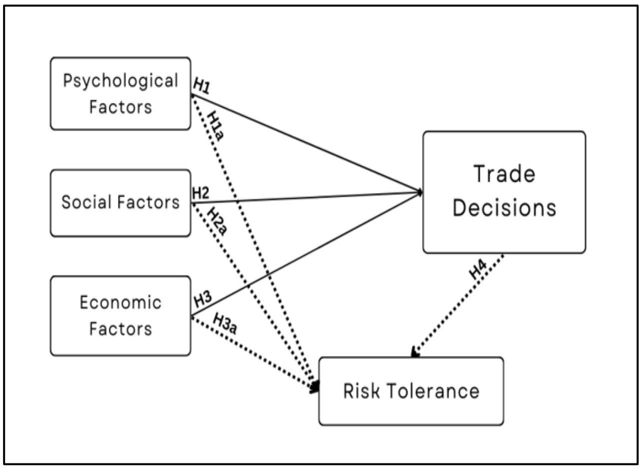

Fig 1: Research Instrument

B. Data Collection Process and Sampling:

Around 391 responses were collected mainly on a 5 points scale, the sample mainly consists of Gen Z population but the older generations were also taken into account to some extent. The Gen Z being young traders and retail traders, it would be useful to understand their behavior and trade patterns in the market. For the simplification of sampling and for the higher extent of customization of sampling, convenience sampling was used to collect the data. The questionnaire was distributed through various modes of social media such as Whatsapp, Gmail and LinkedIn posts to collect the data. To ensure the authenticity of the questionnaire responses, personal touch with the samples were used.

C. Common Method Bias and Analysis:

To overcome any possible technique bias, the study adhered to the recommendations made by (Podsakoff et al., 2003) in this study. The questionnaire was basically evaluated and edited based on the feedback from different research scholars, the phrases which were felt to be misleading and would make the respondents confused were removed. Later the respondents were directed to answer the questions, with true reliability and honesty.

➢ *Analysis*

This study tries to analyze the effecting forces between the independent variables and the dependent variables using SPSS AMOS. In the study, analysis of the hypothesis based on the literature review is rejected or accepted with the same conduct. The analysis include the following metrics for evaluating the variables.

D. Confirmatory Factor Analysis

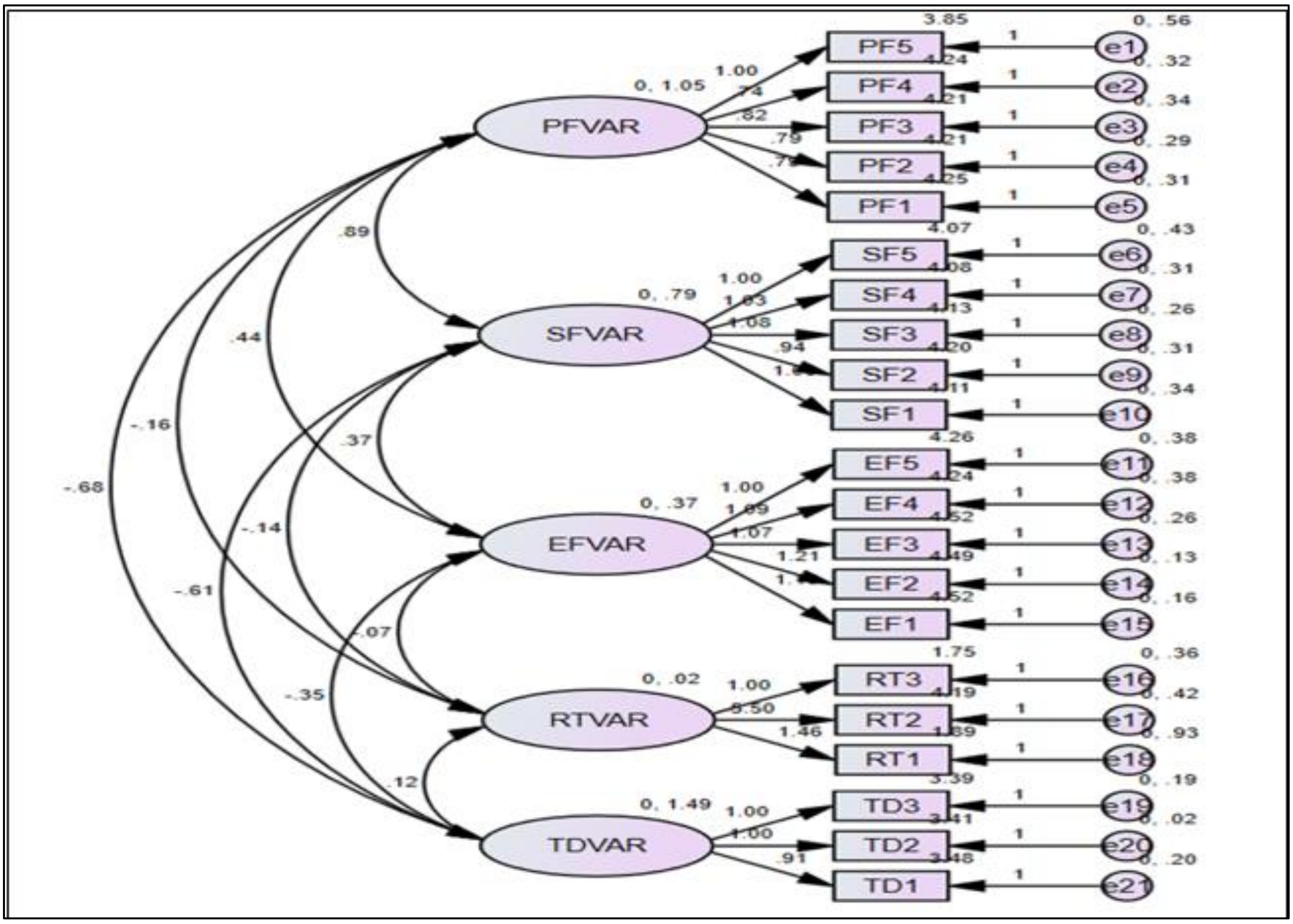

Fig 2: Confirmatory Factor Analysis

➢ *Analysis:*

- Factor Loadings: The numbers on the arrows from latent variables to observed variables represent factor loadings, which are the correlations between the latent variables and their observed indicators. For example, PF1 has a factor loading of 0.79 on PFVAR, which is relatively high, indicating a strong relationship between PF1 and the latent variable PFVAR.
- Correlations Between Latent Variables: The curved arrows between the latent variables show the correlations between them. For example, there is a correlation of 0.89 between PFVAR and SFVAR.
- Standardized Regression Weights: The numbers above the arrows (for example, the 1.00 above the arrow between PFVAR and PF5) typically represent standardized regression weights. In this case, they all seem to be fixed at 1.00, which could mean that the model has been standardized or these indicators may be the reference indicators for their respective factors.
- Correlation Coefficients: The numbers along the curved arrows between latent variables represent the correlations between these variables. Negative numbers indicate inverse relationships, while positive numbers indicate direct relationships. For instance, PFVAR and SFVAR have a strong positive correlation (0.89), while EFVAR and RTVAR have a slight negative correlation (-0.14).
- Path Coefficients: The numbers along the straight arrows between latent variables indicate direct effects or path coefficients. For example, TDVAR has a direct effect of 0.12 on RTVAR.
- The model presents a structure where each latent variable is measured by its indicators, with each indicator having an associated error term. The latent variables are correlated with each other to varying degrees, which suggests that they are not completely independent constructs. The strong factor loadings (>0.5) across most indicators suggest that the observed variables are good measures of their respective latent constructs. However, for a thorough interpretation, it's also necessary to evaluate the model fit indices, such as the Chi-square test, RMSEA, CFI, TLI, and SRMR, which are not shown in the image provided. These indices would tell us how well the model fits the actual data.

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E. Structural Equation Model

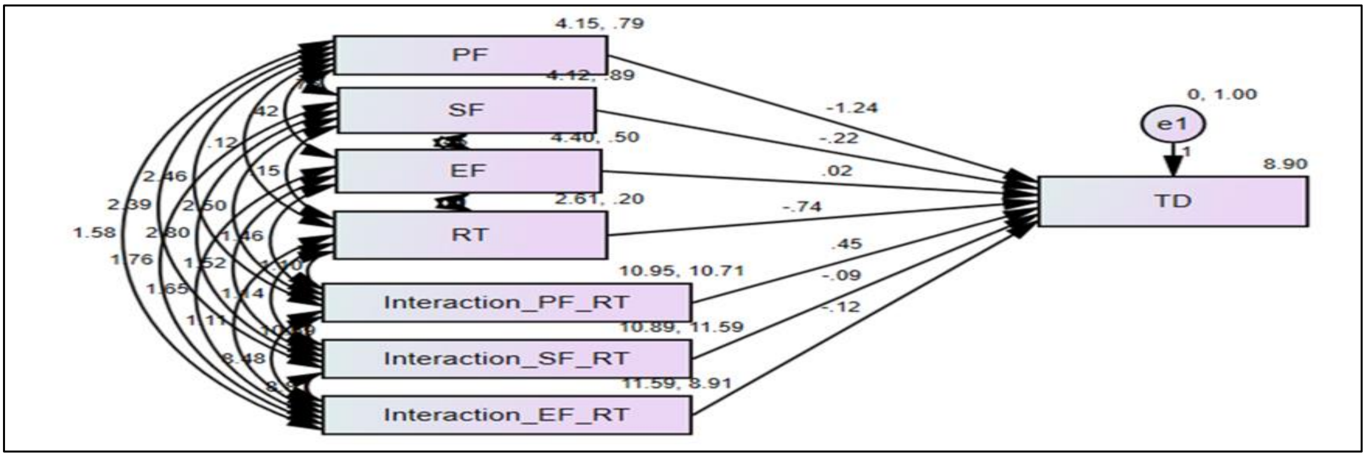

Fig 2: Structural Equation Model

➤ ***Analysis***

- Path Coefficients: The numbers along the arrows (e.g., 4.15, -1.24) represent the path coefficients, which are hypothesized to measure the effect of one variable on another. These can be interpreted similarly to regression coefficients in multiple regression analysis.
- Interaction Terms: The model includes interaction terms (Interaction_PF_RT, Interaction_SF_RT, Interaction_EF_RT), which suggest that the effect of one variable on the target variable (TD) is moderated by another variable (RT).
- Coefficients Next to Latent Variables: The numbers next to the latent variables (e.g., 4.15, .79 next to PF) could represent the mean and standard deviation of the latent variables if the model is estimated using a Bayesian approach, or they could be loadings and unique variances if these are observed variables.
- Correlations Between Latent Variables: The curved arrows with numbers represent correlations between latent variables. For instance, PF and SF have a correlation of .42.
- Target Variable (TD): TD seems to be the main outcome or target variable in the model, with various direct effects from the latent variables and interactions pointing toward it.
- Standardized Regression Weights: The numbers like 1.00 next to e1 indicate standardized regression weights or could be factor loadings if TD is actually an observed variable representing a latent construt.
- Coefficient Significance: Typically, in SEM outputs, there would be significance values (like p-values) associated with the path coefficients to determine if the effects are statistically significant. These are not visible in the provided image.

Table 1: Hypothesis Test Result

			Estimate	S.E.	C.R.	P	Label
TD	<---	PF	-1.241	0.699	-1.774	0.076	Not Supported
TD	<---	SF	-0.224	0.675	-0.332	0.74	Not Supported
TD	<---	EF	0.018	0.497	0.035	0.972	Not Supported
TD	<---	RT	-0.739	0.701	-1.053	0.292	Not Supported
TD	<---	Interaction_PF_RT	0.448	0.283	1.584	0.113	Not Supported
TD	<---	Interaction_SF_RT	-0.091	0.276	-0.331	0.741	Not Supported
TD	<---	Interaction_EF_RT	-0.125	0.21	-0.592	0.554	Not Supported

- TD <-- PF: The path from PF to TD has an estimate of -1.241 with a standard error of 0.699, resulting in a critical ratio of -1.774. The p-value is 0.076, which is greater than the typical alpha level of 0.05, so this path is not statistically significant at the 0.05 level, and the hypothesis that PF predicts TD is not supported.
- TD <-- SF: The estimate for the path from SF to TD is -0.224 with a standard error of 0.675, yielding a critical ratio of -0.332. The p-value is 0.74, which is not statistically significant, so the hypothesis that SF predicts TD is not supported.
- TD <-- EF: EF's path to TD has an estimate of 0.018 with a standard error of 0.497, resulting in a critical ratio of 0.035. The p-value is 0.972, which is not statistically significant, so the hypothesis that EF predicts TD is not supported.
- TD <-- RT: The path from RT to TD has an estimate of -0.739 with a standard error of 0.701, and the critical ratio is -1.053. The p-value is 0.292, indicating that this path is also not statistically significant, so the hypothesis that RT predicts TD is not supported.

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- TD <-- Interaction_PF_RT: The interaction term between PF and RT has an estimate of 0.448 with a standard error of 0.283, resulting in a critical ratio of 1.584. The p-value is 0.113, which is not statistically significant, so the hypothesis that the interaction between PF and RT predicts TD is not supported.
- TD <-- Interaction_SF_RT: The path coefficient for the interaction term between SF and RT is -0.091 with a standard error of 0.276, yielding a critical ratio of -0.331. The p-value is 0.741, which is not statistically significant, indicating that this interaction term does not predict TD.
- TD <-- Interaction_EF_RT: Lastly, the interaction term between EF and RT has an estimate of -0.125 with a standard error of 0.21, resulting in a critical ratio of -0.592. The p-value is 0.554, which is not statistically significant, so this hypothesis is also not supported.

F. Confirmatory Factor Analysis

➢ ***Analysis:***

- Factor Loadings: The numbers on the arrows from latent variables to observed variables represent factor loadings, which are the correlations between the latent variables and their observed indicators. For example, PF1 has a factor loading of 0.79 on PFVAR, which is relatively high, indicating a strong relationship between PF1 and the latent variable PFVAR.
- Correlations Between Latent Variables: The curved arrows between the latent variables show the correlations between them. For example, there is a correlation of 0.89 between PFVAR and SFVAR.
- Standardized Regression Weights: The numbers above the arrows (for example, the 1.00 above the arrow between PFVAR and PF5) typically represent standardized regression weights. In this case, they all seem to be fixed at 1.00, which could mean that the model has been standardized or these indicators may be the reference indicators for their respective factors.
- Correlation Coefficients: The numbers along the curved arrows between latent variables represent the correlations between these variables. Negative numbers indicate inverse relationships, while positive numbers indicate direct relationships. For instance, PFVAR and SFVAR have a strong positive correlation (0.89), while EFVAR and RTVAR have a slight negative correlation (-0.14).
- Path Coefficients: The numbers along the straight arrows between latent variables indicate direct effects or path coefficients. For example, TDVAR has a direct effect of 0.12 on RTVAR.
- The model presents a structure where each latent variable is measured by its indicators, with each indicator having an associated error term. The latent variables are correlated with each other to varying degrees, which suggests that they are not completely independent constructs. The strong factor loadings (>0.5) across most indicators suggest that the observed variables are good measures of their respective latent constructs. However, for a thorough interpretation, it's also necessary to evaluate the model fit indices, such as the Chi-square test, RMSEA, CFI, TLI, and SRMR, which are not shown in the image provided. These indices would tell us how well the model fits the actual data.

G. Structural Equation Model

➢ ***Analysis***

- Path Coefficients: The numbers along the arrows (e.g., 4.15, -1.24) represent the path coefficients, which are hypothesized to measure the effect of one variable on another. These can be interpreted similarly to regression coefficients in multiple regression analysis.
- Interaction Terms: The model includes interaction terms (Interaction_PF_RT, Interaction_SF_RT, Interaction_EF_RT), which suggest that the effect of one variable on the target variable (TD) is moderated by another variable (RT).
- Coefficients Next to Latent Variables: The numbers next to the latent variables (e.g., 4.15, .79 next to PF) could represent the mean and standard deviation of the latent variables if the model is estimated using a Bayesian approach, or they could be loadings and unique variances if these are observed variables.
- Correlations Between Latent Variables: The curved arrows with numbers represent correlations between latentvariables. For instance, PF and SF have a correlation of .42.
- Target Variable (TD): TD seems to be the main outcome or target variable in the model, with various direct effects from the latent variables and interactions pointing toward it.
- Standardized Regression Weights: The numbers like 1.00 next to e1 indicate standardized regression weights or could be factor loadings if TD is actually an observed variable representing a latent construt.
- Coefficient Significance: Typically, in SEM outputs, there would be significance values (like p-values) associated with the path coefficients to determine if the effects are statistically significant. These are not visible in the provided image.

Table 2: Hypothesis Test Result

			Estimate	S.E.	C.R.	P	Label
TD	<---	PF	-1.241	0.699	-1.774	0.076	Not Supported
TD	<---	SF	-0.224	0.675	-0.332	0.74	Not Supported
TD	<---	EF	0.018	0.497	0.035	0.972	Not Supported
TD	<---	RT	-0.739	0.701	-1.053	0.292	Not Supported
TD	<---	Interaction_PF_RT	0.448	0.283	1.584	0.113	Not Supported
TD	<---	Interaction_SF_RT	-0.091	0.276	-0.331	0.741	Not Supported
TD	<---	Interaction_EF_RT	-0.125	0.21	-0.592	0.554	Not Supported

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- TD <-- PF: The path from PF to TD has an estimate of -1.241 with a standard error of 0.699, resulting in a critical ratio of -1.774. The p-value is 0.076, which is greater than the typical alpha level of 0.05, so this path is not statistically significant at the 0.05 level, and the hypothesis that PF predicts TD is not supported.
- TD <-- SF: The estimate for the path from SF to TD is -0.224 with a standard error of 0.675, yielding a critical ratio of -0.332. The p-value is 0.74, which is not statistically significant, so the hypothesis that SF predicts TD is not supported.
- TD <-- EF: EF's path to TD has an estimate of 0.018 with a standard error of 0.497, resulting in a critical ratio of 0.035. The p-value is 0.972, which is not statistically significant, so the hypothesis that EF predicts TD is not supported.
- TD <-- RT: The path from RT to TD has an estimate of -0.739 with a standard error of 0.701, and the critical ratio is -1.053. The p-value is 0.292, indicating that this path is also not statistically significant, so the hypothesis that RT predicts TD is not supported.
- TD <-- Interaction_PF_RT: The interaction term between PF and RT has an estimate of 0.448 with a standard error of 0.283, resulting in a critical ratio of 1.584. The p-value is 0.113, which is not statistically significant, so the hypothesis that the interaction between PF and RT predicts TD is not supported.
- TD <-- Interaction_SF_RT: The path coefficient for the interaction term between SF and RT is -0.091 with a standard error of 0.276, yielding a critical ratio of -0.331. The p-value is 0.741, which is not statistically significant, indicating that this interaction term does not predict TD.
- TD <-- Interaction_EF_RT: Lastly, the interaction term between EF and RT has an estimate of -0.125 with a standard error of 0.21, resulting in a critical ratio of -0.592. The p-value is 0.554, which is not statistically significant, so this hypothesis is also not supported.

IV. PRACTICAL IMPLICATIONS

This research explores the factors influencing Gen Z or young adult share traders' decision-making and risk tolerance. The findings can be valuable for various stakeholders:

A. Individual Traders:

- By understanding how psychological, social, and economic factors influence their decisions, young traders can make more informed and rational investment choices.
- The study highlights the potential negative impact of psychological factors on risk tolerance. This awareness can help traders identify and manage these emotions to avoid impulsive decisions.
- Recognizing the influence of social interactions on trading decisions can encourage young traders to be cautious about blindly following others' investment strategies.

B. Financial Literacy Programs:

- The study emphasizes the importance of financial literacy programs that address not just financial knowledge but also the psychological and social aspects influencing investment decisions.
- Educational programs can equip young adults with the skills to assess their risk tolerance and make investment decisions aligned with their financial goals.

C. Policymakers:

- The research findings can inform policymakers in developing regulations and investor protection measures tailored to the specific needs and behavior patterns of young traders.

D. Financial Institutions:

- By understanding the factors influencing young adults' investment decisions, financial institutions can develop products and services that cater to their preferences and risk tolerance levels.
- They can also design educational resources and investment tools that help young adults make informed investment choices.

V. CONCLUSION

The research aimed to investigate the relationships between psychological, social, and economic factors and share traders' decisions, particularly focusing on Gen Z traders. Interestingly, the hypotheses proposed based on the literature review were not supported by the data analysis. This suggests that more research is needed to fully understand the complex interplay of factors influencing young adults' investment decisions.

Despite the unexpected results, the study highlights the importance of considering psychological, social, and economic factors beyond just financial knowledge when understanding share trading behavior. Future research could benefit from:

- **A larger and more diverse sample:** Including a broader range of age groups and nationalities could provide a more generalizable picture.
- **Longitudinal studies:** Tracking participants over time can offer deeper insights into how investment decisions and risk tolerance evolve.
- **Qualitative research:** In-depth interviews or focus groups can provide richer data about the motivations and thought processes behind young adults' investment decisions.

By continuing to explore these factors, researchers and stakeholders can develop effective strategies to empower young adults to make informed and responsible investment choices.

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