

A Study on the Impact of Financial Knowledge and Behavioural Patterns on Gen Z's Investment Decisions

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Abstract: In today's fast-evolving financial world, Generation Z—characterized by digital proficiency and early financial participation—plays a crucial role in shaping future investment trends. This study examines how financial knowledge and behavioural factors influence Gen Z's investment decisions. Using a quantitative research design, primary data were collected from 100 respondents aged 18–27 through a structured online questionnaire.

The findings reveal that 68% of respondents are active investors, with mutual funds and stocks being the most preferred investment options. While Gen Z shows strong interest in investing, only a small portion demonstrate high confidence in understanding financial products, highlighting gaps in financial literacy. Long-term wealth creation emerged as the main motivation for investing, while behavioural aspects such as peer influence, emotional impulses, and risk attitude also played significant roles.

Overall, the study concludes that both financial knowledge and behavioural patterns collectively shape Gen Z's investment behaviour. It emphasizes the need to enhance financial education and promote responsible investing among young individuals to foster informed decision-making and long-term financial stability.

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I. INTRODUCTION

In today's evolving financial environment, the way individuals make investment decisions is strongly shaped by their financial awareness and behavioural tendencies. The Gen Z population, typically defined as those born between the mid-1990s and early 2010s, represents a technologically adept generation that is stepping into the investment arena earlier than previous age groups. With the help of digital tools, online trading platforms, and easy access to market information, this generation is redefining how young people save and invest their money.

Despite this technological advantage, Gen Z's investment decisions are not driven solely by financial knowledge. Psychological and behavioural aspects such as risk-taking attitude, peer pressure, emotional impulses, and confidence levels also influence their choices. The connection between financial literacy and behavioural finance thus becomes a key factor in determining how well Gen Z plans, saves, and invests for the future.

This research seeks to explore how financial understanding and behavioural patterns affect the investment decisions of Gen Z individuals. By analysing these influences, the study aims to shed light on the importance of financial education and self-awareness in improving investment outcomes, encouraging responsible financial behaviour, and ensuring long-term economic well-being among the younger generation.

II. LITERATURE REVIEW

➤ *Firli Ramadhania Sari et.al (2025)*

This study examines the factors influencing investment decisions of Generation Z, focusing on financial attitude, investment knowledge, and psychological factors like overconfidence and herding behaviour. Data were collected from 420 Gen Z respondents using purposive sampling and analysed with SPSS 26, employing regression and reliability tests. Findings show that financial attitude, investment knowledge, and overconfidence positively impact investment decisions, whereas herding behaviour has no significant effect. The study offers insights for developing targeted

financial literacy programs and understanding Gen Z's investment behaviour.

➤ *Intan Puspitasari et.al (2025)*

This study explores the mediating role of investment risk perception between financial literacy and investment decisions among Generation Z in Indonesia. Financial literacy, comprising financial knowledge, attitude, and behaviour, is considered crucial for sound financial decisions. Due to inconsistencies in past studies, this research introduces risk perception as a mediating factor. Using a quantitative method, data were collected from 100 respondents through probability sampling and analysed using path analysis in SPSS. The results reveal that financial attitude directly influences investment decisions, while knowledge and behaviour do not. However, financial behaviour strongly affects risk perception, which positively impacts investment choices. Risk perception mediates the relationship between financial attitude and behaviour with investment decisions, emphasizing its key role in shaping rational investment behaviour among young investors.

➤ *Priyanka Chowdhary et.al (2024)*

Et.al This study examines the key factors influencing impact investment behaviour, focusing on the moderating role of behavioural biases. It analyses how environmental concern, environmental awareness, social norms, perceived behavioural control, and attitudes shape investment decisions. The research also explores whether behavioural biases alter the relationship between these factors and impact investment behaviour. Using structural equation modelling with SmartPLS, the results show that environmental concern, social norms, and perceived behavioural control significantly influence investment decisions. However, behavioural biases do not moderate the link between attitudes and investment behaviour, highlighting the limited role of such biases in shaping impact investment choices.

➤ *Murtiasih, S et.al (2025)*

This study investigates the factors influencing Generation Z's investment decisions in the capital market, focusing on fear of missing out (FOMO), social media influencers, financial literacy, and risk tolerance. It also identifies the most dominant factor affecting these decisions. Using a quantitative approach, primary data were collected through questionnaires from 150 Generation Z investors selected via purposive sampling. The data were analysed using the PLS-SEM method with SmartPLS software. The findings reveal that FOMO, financial literacy, and risk tolerance significantly and positively influence investment decisions, while social media influencers show no significant effect. Among these, financial literacy emerges as the most dominant factor shaping Generation Z's investment behaviour in the capital market.

➤ *Dinar, A. (2024)*

The research explores how financial literacy, along with personal and family financial habits—such as saving practices, risk-taking attitude, and family financial guidance—affects investment awareness among Generation Z employees in the Jabodetabek region. Using purposive

sampling, data were gathered from 262 respondents aged 18–27 who had at least one year of work experience. The findings from PLS-SEM analysis indicate that financial literacy, saving behaviour, risk attitude, and family financial socialization significantly impact investment awareness, whereas self-control and spending patterns do not show a notable effect.

➤ *Azaria, M. J. F et.al (2024)*

This study examines the factors influencing investment decisions among Generation Z in Banyumas Regency, Indonesia. The research involved 120 respondents aged 18–27, selected through purposive sampling based on the 10-times rule method. Data were gathered using a structured Likert-scale questionnaire covering financial literacy, financial behaviour, financial experience, and risk tolerance. Using PLS-SEM analysis with SmartPLS software, the study found that financial literacy, financial behavior, and risk tolerance have a significant positive impact on investment decisions, while financial experience shows no significant effect. These results emphasize the need for targeted financial education programs to enhance financial understanding and responsible decision-making among Generation Z investors, promoting a more informed and financially proactive generation.

➤ *Maheshwari, H. et.al (2025)*

This study explores how behavioural biases—specifically overconfidence bias, fear of missing out (FOMO), herding bias, and regret aversion bias—influence investment decision-making among Generation Z investors in India. It also examines the moderating role of AI-driven digital advisory services (ADAS) in reducing these biases. Data were collected through an online survey from 457 Gen Z investors using convenience sampling, and the analysis was conducted with PLS-SEM. The findings reveal that all four behavioural biases significantly impact investment decisions. Moreover, ADAS moderates the influence of FOMO and herding bias on investment decisions, but not overconfidence and regret aversion biases. The study provides valuable insights for investors, fintech firms, and policymakers, emphasizing the role of AI in promoting rational investment behaviour. Its originality lies in analysing how AI-based advisory tools can mitigate behavioural biases among young investors.

➤ *Mawarni, R. C. et.al (2025)*

This study investigates how financial literacy and financial knowledge influence investment decisions among Generation Z, with financial behaviour serving as a mediating factor. The research involved 160 respondents aged 18–28 who showed interest or experience in stock investments, selected through purposive sampling. Using path analysis and the Sobel test, the results reveal that both financial literacy and financial knowledge positively and significantly affect financial behaviour and investment decisions. Additionally, financial behaviour plays a crucial mediating role, strengthening the link between financial understanding and investment decision-making.

➤ *Objectives of the Study*

- To examine how financial knowledge influences investment decisions among Generation Z.
- To analyse how behavioural factors such as risk-taking, overconfidence, and fear of missing out (FOMO) affect Gen Z's investment behaviour.
- To suggest ways to enhance financial literacy and promote responsible investment practices among Generation Z.

III. RESEARCH METHODOLOGY

The study is based on a quantitative research approach, using a descriptive research design to analyse the relationship

between financial knowledge, behavioural patterns, and investment decisions among Generation Z individuals. Primary data were collected through a structured questionnaire consisting of close-ended questions. The questionnaire covered aspects such as financial awareness, investment preferences, confidence level, motivation, and risk attitude.

A total of 100 respondents belonging to the Gen Z age group (18–27 years) were selected using the convenience sampling method. Online mode was used to distribute and collect the responses. The collected data were then tabulated and analysed using percentage analysis and presented through charts and tables to interpret the results clearly.

IV. DATA ANALYSIS

Table 1 Do You Currently Invest in any Financial Instruments?

Options	No. of Respondents	Percentages
Yes	68	68%
No	32	32%

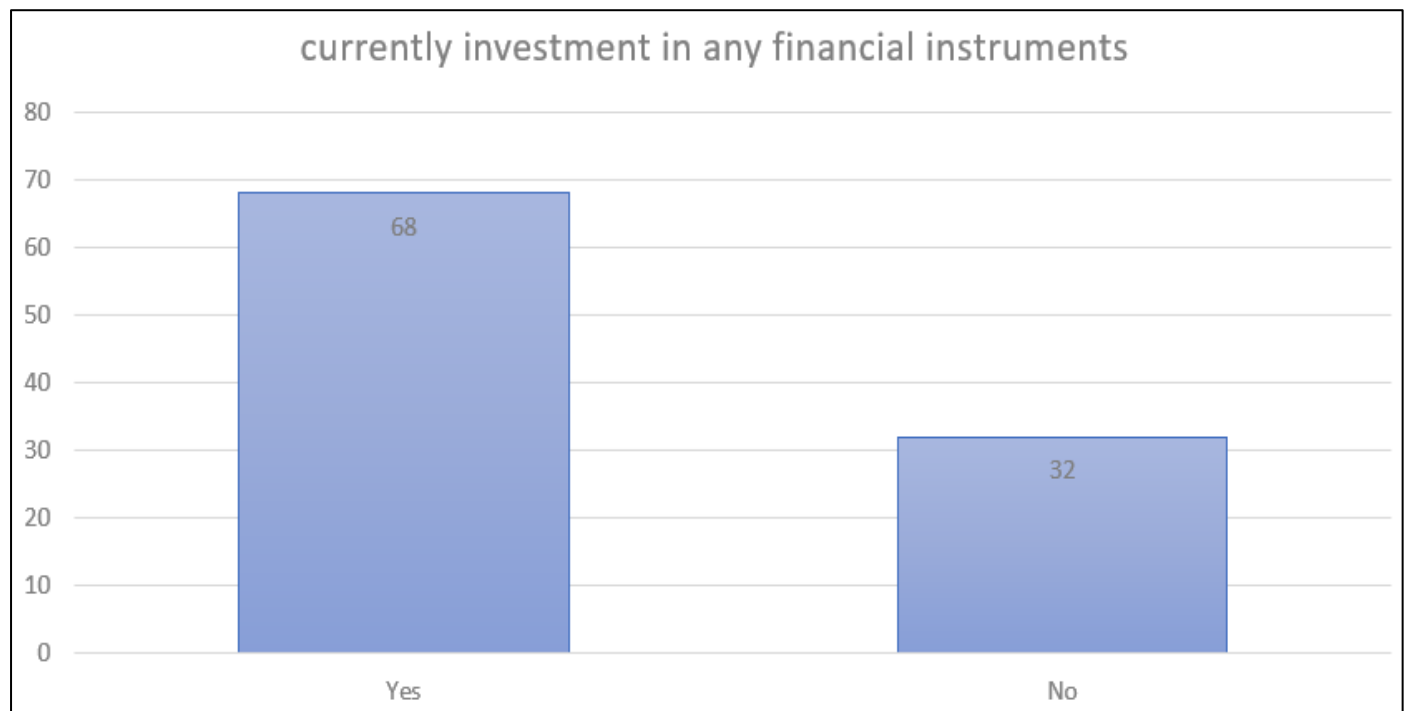


Fig 1 Currently Investment in Any Financial Instruments

➤ *Interpretation:*

Among the 100 respondents, 68% reported that they currently invest in financial instruments, whereas 32% stated that they do not. This indicates that a large segment of Gen Z individuals has begun participating in investment activities,

reflecting an increasing awareness of financial opportunities. At the same time, the remaining non-investing group highlights that a portion of this generation is still hesitant or lacks adequate financial knowledge to start investing.

Table 2 If Yes, Which Type of Investments do You Prefer?

Options	No. of respondents	Percentage
Stocks	38	38%
Mutual Funds	40	40%
Cryptocurrency	10	10%
Fixed Deposits	7	7%
Others	5	5%

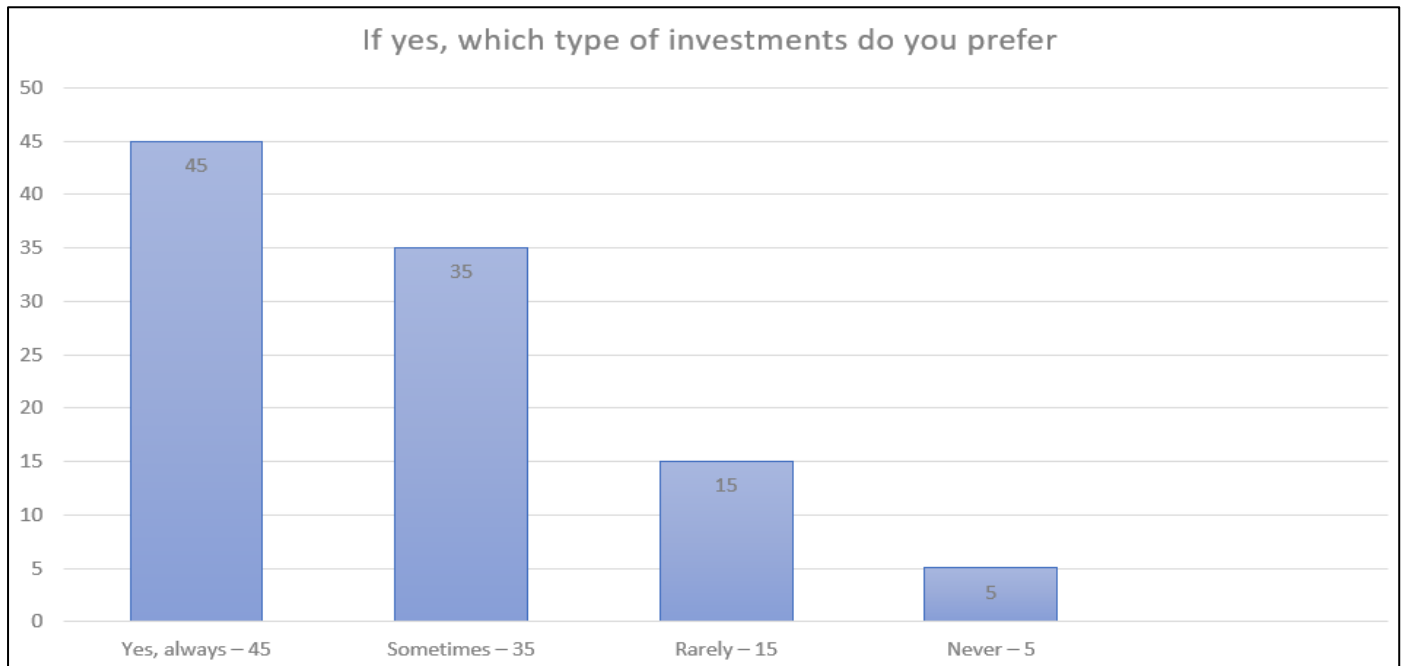


Fig 2 If Yes, Which Type of Investments do You Prefer

➤ **Interpretation:**

The data reveals that mutual funds (40%) and stocks (38%) are the most preferred investment choices among respondents, indicating a strong inclination toward market-linked instruments. A smaller portion of participants invest in

cryptocurrency (10%), reflecting moderate interest in high-risk digital assets. Meanwhile, fixed deposits (7%) and other options (5%) remain less popular, suggesting that Gen Z investors favour instruments with higher potential returns over traditional low-risk avenues.

Table 3 How confident are you in understanding investment products before investing?

Options	No. of respondents	Percentage
Very Confident	15	15%
Somewhat	28	28%
Neutral	27	27%
Slightly Confident	20	20%
Not Confident	10	10%

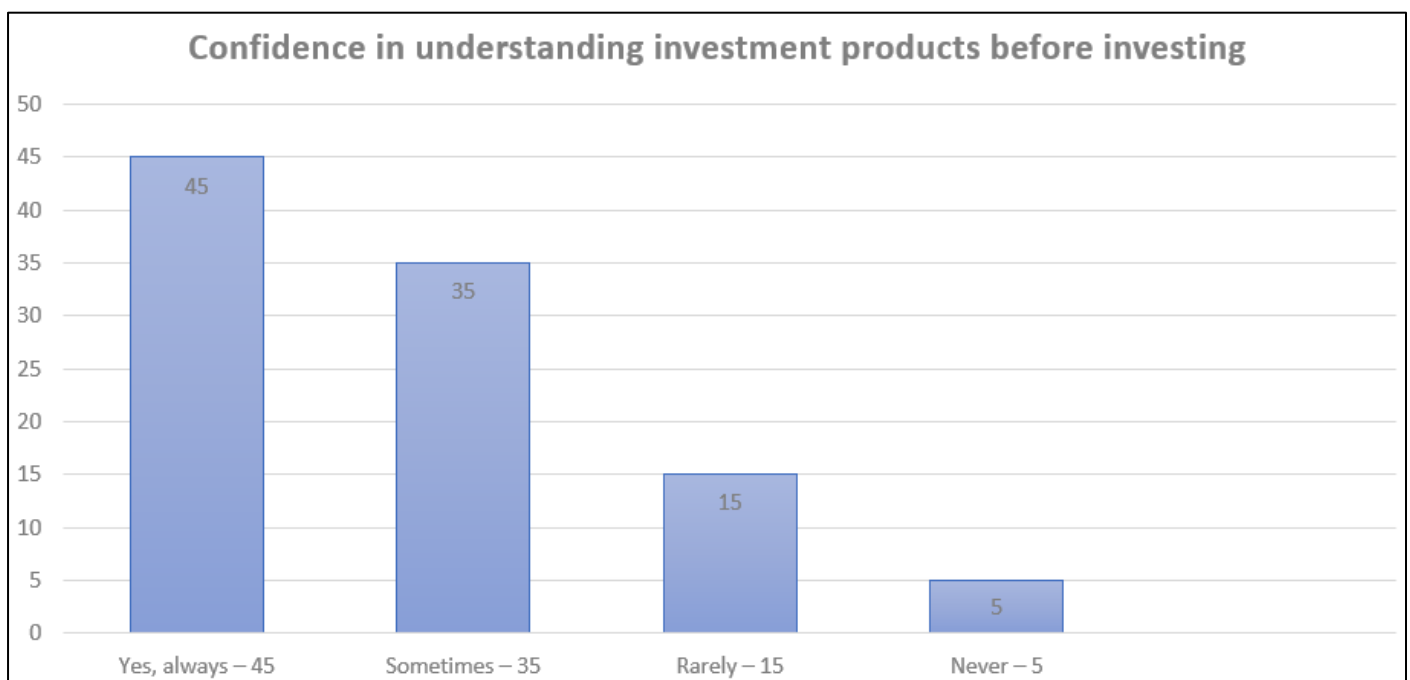


Fig 3 Confidence in Understanding Investment Products Before Investing

➤ *Interpretation:*

The results show that only 15% of respondents are very confident in understanding investment products, while 28% feel somewhat confident and 27% remain neutral. Around 20% are slightly confident, and 10% are not confident at all. This indicates that although a fair number of young investors

possess moderate confidence, a significant portion still lacks complete clarity or assurance when it comes to understanding investment-related concepts. This finding highlights the need to strengthen financial literacy and practical investment education among Gen Z individuals.

Table 4 What Motivates You to Invest the Most?

Options	No. of respondents	Percentage
Long-term wealth creation	40	40%
Peer influence / social media	18	18%
FOMO	10	10%
Family/Friends' advice	22	22%
Curiosity	10	10%

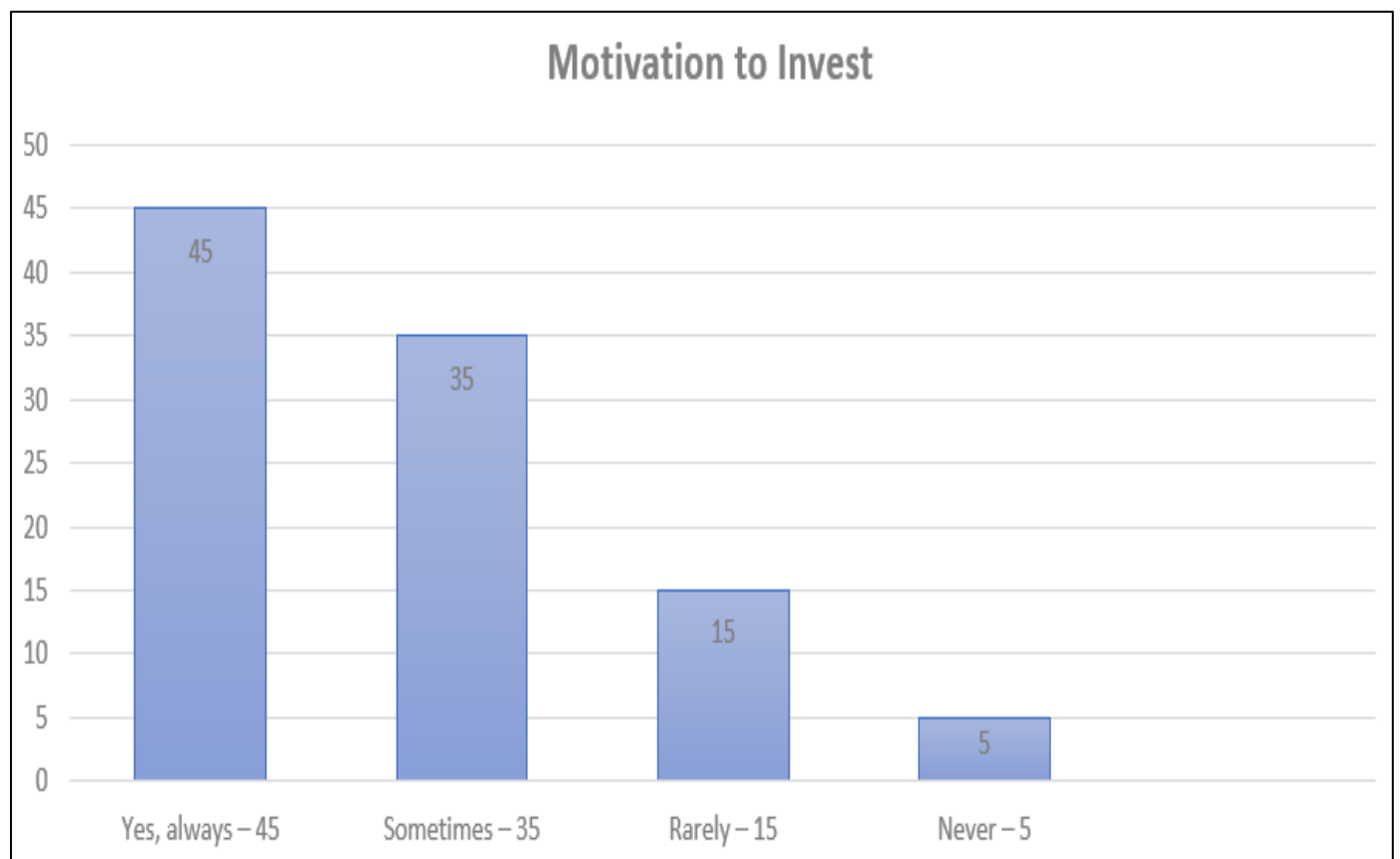


Fig 4 Motivation to Invest

➤ *Interpretation:*

The data indicates that long-term wealth creation (40%) is the primary motivator for most respondents when making investment decisions, showing a preference for achieving financial stability and growth over time. Advice from family and friends (22%) and peer or social media influence (18%)

also play a notable role, reflecting the social aspect of investment behaviour among young individuals. Meanwhile, fear of missing out (10%) and curiosity (10%) are relatively less influential, suggesting that while social and emotional factors exist, the majority of respondents are guided by practical and goal-oriented motives.

Table 5 How do You Make Investment Decisions?

Options	No. of respondents	Percentage
Research & analysis	30	30%
Family/friends advice	25	25%
Social media trends	20	20%
Intuition/gut feeling	25	25%

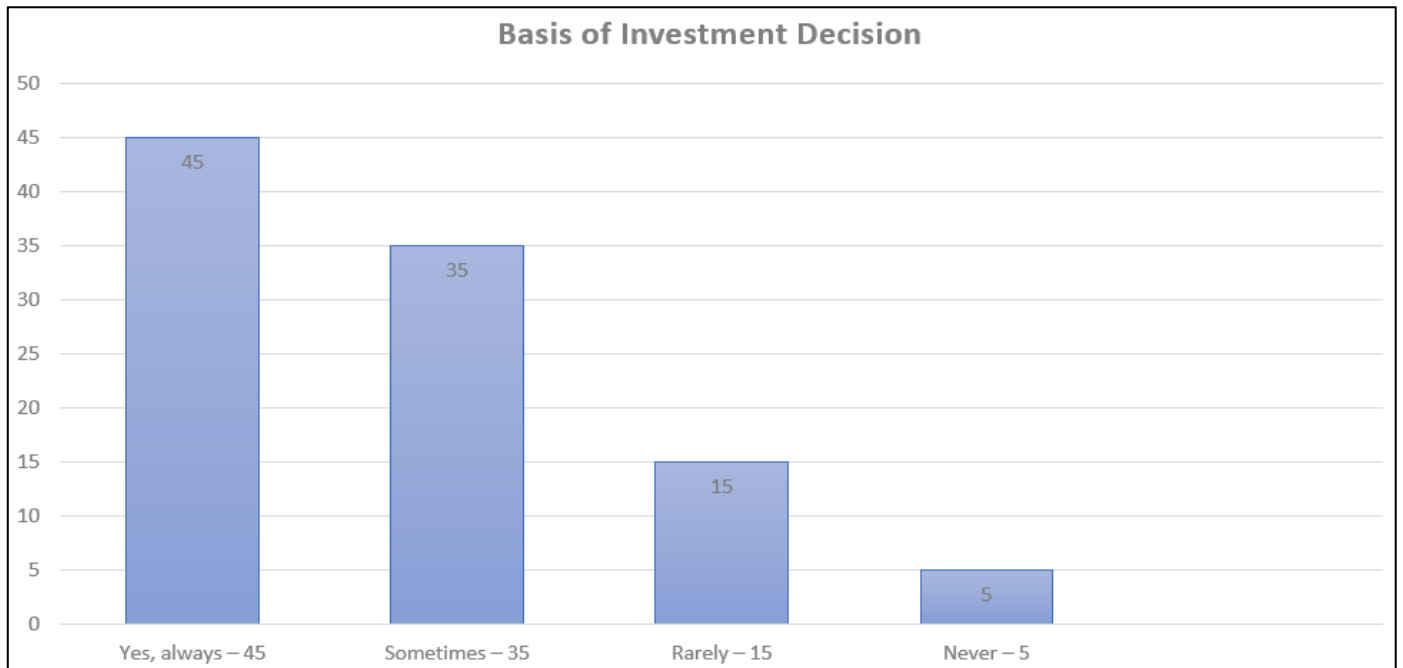


Fig 5 Basis of Investment Decision

➤ *Interpretation:*

The findings show that 30% of respondents rely on research and analysis when making investment decisions, indicating a growing trend toward informed and data-driven investing among young individuals. Advice from family or friends (25%) and intuition or gut feeling (25%) are equally

influential, suggesting that personal and social factors still play a significant role. Additionally, 20% depend on social media trends, reflecting the impact of digital platforms on investment behaviour. Overall, the data highlights a balanced mix of analytical, social, and emotional influences shaping Gen Z's investment decisions.

Table 6 When Investing, Which Risk Approach Do You Usually Take?

Options	No. of respondents	Percentage
High-risk	20	20%
Moderate-risk	45	45%
Low-risk	25	25%
Depends on situation	10	10%

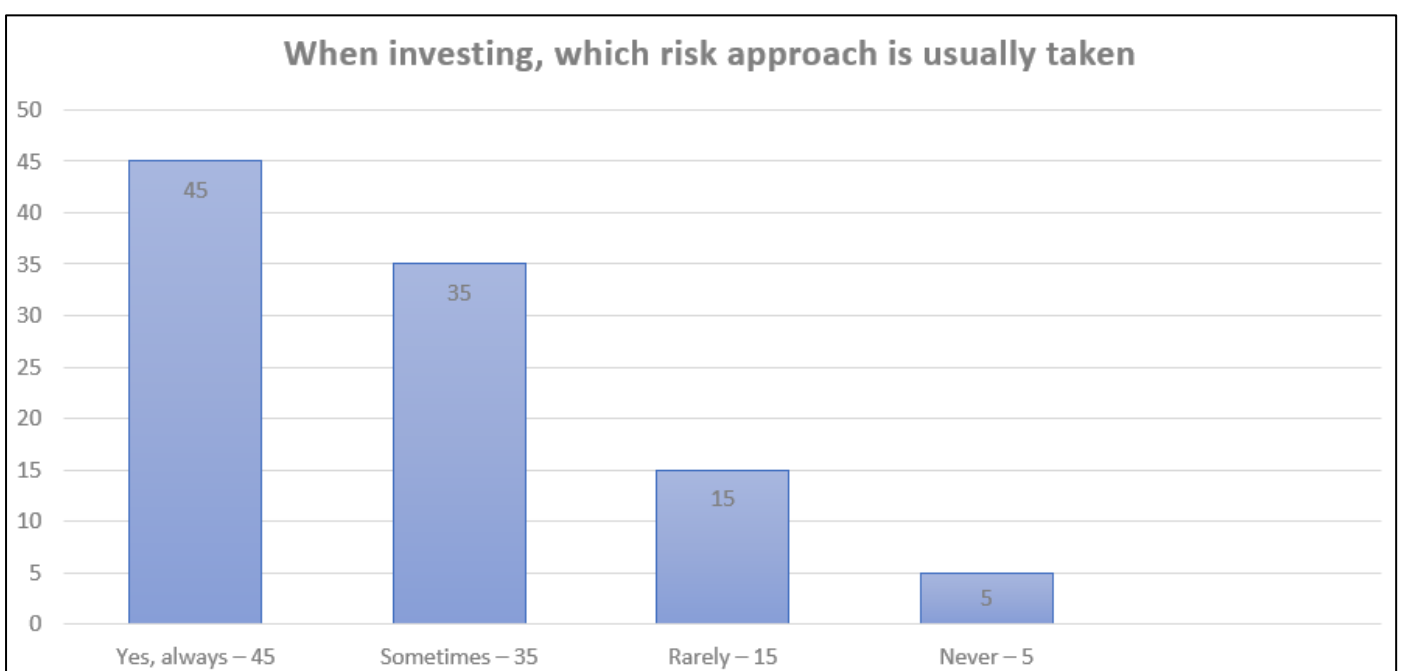


Fig 6 When Investing, Which Risk Approach is Usually Taken

➤ *Interpretation:*

The results reveal that 45% of respondents prefer a moderate-risk, moderate-return approach, indicating a balanced investment mindset among most participants. 25% choose low-risk options, showing a preference for safety and

stability, while 20% are willing to take high risks in pursuit of higher returns. A smaller group, 10%, stated that their risk level depends on the situation. Overall, the data suggests that Gen Z investors tend to be cautious yet open to moderate risk, reflecting a practical and goal-oriented investment attitude.

Table 7 Do You Set Specific Financial Goals Before Investing?

Options	No. of respondents	Percentage
Yes, always	45	45%
Sometimes	35	35%
Rarely	15	15%
Never	5	5%

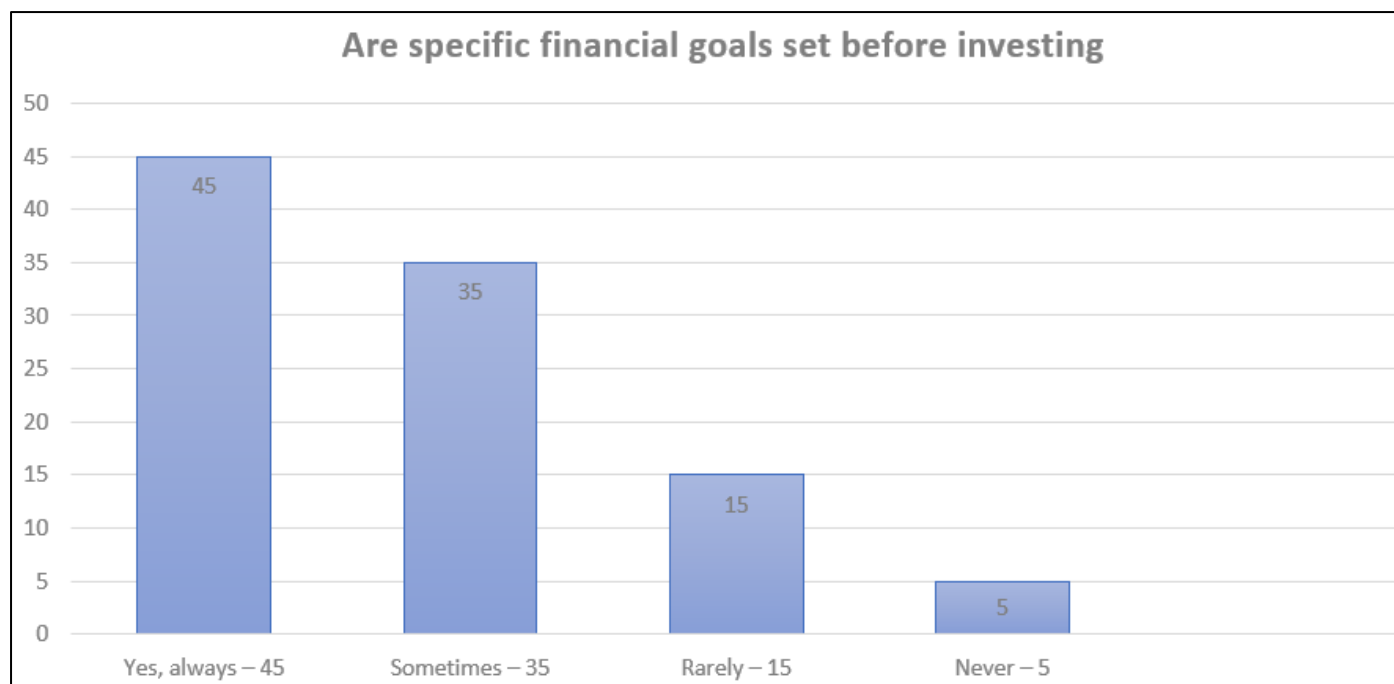


Fig 7 Are Specific Financial Goals Set Before Investing

➤ *Interpretation:*

The findings show that 45% of respondents always set specific financial goals before investing, while 35% do so occasionally. Only 15% rarely and 5% never set clear goals. This indicates that a majority of young investors recognize the importance of goal-oriented financial planning. However, the presence of respondents who invest without defined objectives suggests that a portion of Gen Z still engages in unstructured or impulsive investment behaviour, highlighting the need for greater awareness about strategic financial planning.

V. SUMMARY OF FINDINGS

The study aimed to explore how financial knowledge and behavioural factors influence investment decisions among Generation Z. Based on the responses from 100 participants aged between 18 and 27, the findings reveal significant insights into their investment patterns, preferences, and attitudes. A majority (68%) of respondents are currently engaged in some form of investment, demonstrating a growing interest and awareness among young individuals toward financial opportunities. Mutual

funds (40%) and stocks (38%) emerged as the most preferred investment avenues, indicating Gen Z's inclination toward market-linked and high-return instruments over traditional options like fixed deposits.

In terms of financial understanding, only 15% of respondents expressed strong confidence in comprehending investment products, while most showed moderate or limited confidence. This highlights a partial gap in financial literacy despite the generation's digital proficiency. Regarding motivation, long-term wealth creation (40%) was identified as the primary driver behind investment decisions, followed by family or friends' advice (22%) and social influence (18%). Emotional and impulsive factors such as FOMO (10%) and curiosity (10%) had relatively lesser impact, suggesting that most Gen Z investors are guided by purposeful financial goals rather than short-term trends.

When it comes to decision-making, 30% of respondents base their investments on research and analysis, showing a preference for informed decision-making. However, personal advice (25%), intuition (25%), and social media trends (20%) still hold considerable sway, indicating that behavioural and

social influences coexist with rational analysis in Gen Z's investment approach. The study also found that 45% of respondents prefer a moderate-risk investment approach, reflecting a balanced and practical attitude toward risk-taking. Furthermore, 45% always set specific financial goals before investing, while 35% do so occasionally, underscoring a growing sense of financial discipline among this generation.

Overall, the findings suggest that financial knowledge, behavioural traits, and social influences collectively shape Gen Z's investment behaviour. While this generation exhibits enthusiasm and awareness toward investing, a notable section still lacks strong financial confidence and structured planning. The study emphasizes the need for targeted financial education programs to enhance literacy, promote informed decision-making, and foster responsible investment practices among young investors.

VI. LIMITATIONS OF THE STUDY

Although the study provides valuable insights into Gen Z's investment behaviour, certain limitations must be acknowledged. The research was based on a relatively small sample size of 100 respondents, which may not fully represent the entire Gen Z population. Convenience sampling was used, which could limit the generalizability of the findings.

The study relied solely on self-reported data collected through online questionnaires, which may be subject to response bias or social desirability bias. In addition, the research focused only on selected behavioural and financial factors; other variables such as income level, parental influence, and cultural background were not considered.

Time constraints restricted deeper statistical analysis and cross-comparisons across regions or gender. Hence, the findings should be interpreted as indicative rather than conclusive. Future studies with larger, more diverse samples and advanced analytical methods can offer broader and more accurate insights into Gen Z's investment behaviour.

VII. CONCLUSION

The study concludes that both financial knowledge and behavioural patterns play a vital role in shaping Gen Z's investment decisions. Most young investors display growing awareness and enthusiasm toward investment opportunities, with a strong preference for market-linked instruments such as mutual funds and stocks. However, limited confidence in understanding financial products indicates that gaps in financial literacy still persist despite widespread digital exposure.

Behavioural traits like risk attitude, peer influence, and emotional factors also significantly affect investment behaviour. The findings highlight that Gen Z generally adopts a moderate-risk approach, focusing on long-term wealth creation while balancing analytical and social influences. Moreover, many respondents set specific financial goals,

reflecting a developing sense of financial planning and discipline.

Overall, the research emphasizes that improving financial literacy and self-awareness can lead to more informed and responsible investment decisions among Generation Z. Educational institutions, policymakers, and financial organizations should collaborate to promote financial education programs that empower young individuals to make confident, strategic, and sustainable investment choices for their future.

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