Topic: A Conceptual Study On The Influence Of Financial Literacy And Behavioural Biases In Investment Decision Making On Generation Z

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ABSTRACT

To choose the best investment portfolio, knowledge of financial products is necessary. Making financial decisions requires a basic understanding of financial products. Those who are financially aware are able to choose among many investment possibilities with confidence. In today's environment, there are a number of reasons that influence an investor to invest in a certain asset over a large number of other assets. This study aims to ascertain whether investors have a fundamental grasp of financial concepts and how that understanding affects their investment decisions. It also examines whether or not individual investors take inflation into account when making decisions. The study aims to determine if investors take historical data into account when selecting financial assets. To gather primary data, a well-structured questionnaire was created for 150 respondents to know people's perceptions of them and how they act, what their qualities are, and whom they consider when making decisions. Research was conducted in Gujarat, which includes the states of Vadodara, Surat, etc. Based on their knowledge of financial concepts and how they use those concepts when making financial decisions, the investors in this study were split into four categories. Only a few of the sample respondents were found to make logical decisions, meaning they take previous facts into account when making financial decisions, and they were classified as having good financial literacy. The findings have implications for policymakers as well as academics, retail investors, and other audiences. This report makes it obvious that financial literacy is necessary.

Key words: portfolio, awareness, fundamental, inflation, literacy.

INTRODUCTION

About the Sector: Allocating financial resources is referred to as an investment choice. Based on risk tolerance, investment goals, and expected returns, investors select the appropriate assets or investment possibilities. A well-thought-out move that allocates money in order to maximise return is called an investment choice. The choice is made based on the investor's investing goals, risk tolerance, and investor type, or whether they are an individual or a

business.The two main categories of investments are short-term and long-term. They can also be classified as strategic investments, capital expenditures, inventory purchases, modernization, expansion, replacement, or investments in new businesses

Growth of Industry in India

Mutual funds have recently gained popularity all around the world; they offer benefits including principle safety, capital growth, and interest or dividends. A mutual fund plan allows investors, no matter how little their contribution, to participate in investing in large corporations that would otherwise be out of their reach. Mutual funds pool the resources of small participants, invest them in government and other corporate assets, and generate income in the form of dividends and interest. By carefully choosing assets for a diverse portfolio that includes a wide range of businesses and industries, the income and capital growth resulting from investments are distributed among the investors. The performance of mutual funds can outperform that of an individual investor. Overall, it can be concluded that market capitalization and turnover ratio, two stock market development indicators, have a favourable impact on India's economic growth. By and large, it can be concluded that market capitalization and turnover ratio, two stock market development indicators, have a favourable impact on India's economic growth.

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LITERATURE REVIEW

❖ A Conceptual Study on the Influence of Financial Literacy and Behavioural Biases on Generation Z Investment Decision Making in the Stock Market

Investors' financial literacy entails making sound investment decisions and the behavioural biases or irrational behaviour in decision-making that are collectively formed by heuristic bias, framing effect, cognitive illusions and herd mentality factors many factors affect decision making of generation Z like overconfidence, lack of knowledge etc.

❖ Evaluating the linkage between Behavioural Finance and Investment Decisions Amongst Indian Gen Z Investors Using Structural Equation Modelling.
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❖ Factors Influencing Investment Decision of Generations in India: An Econometric Study

Based on the data that has been collected from the previous research, financial literacy, overconfidence bias, availability bias, familiarity bias, illusion of control, and bandwagon effect has a significant impact of Generation Z's stock market investment decision. From the conceptual framework, the research will put a quantitative analysis to find the relationship of behavioural bias and financial literacy to Generation Z's stock market investment decision. The study's findings can be used to understand the tendencies of factors behind Generation Z's investment decision and benefit to Generation Z in Indonesia as well as Indonesia government and IDX (Indonesia Stock Exchange).

❖ IT'S A NEW WORLD: HOW GENERATION Z VIEWS INVESTING AND THE FINANCIAL MARKETS

All in all, our results show that the only hallmark of the Millennial generation in Poland in terms of its financial profile is increased self-reported financial well-being that is justified neither by an advantage in financial literacy nor an edge in financial behaviour. It is probable that some psychological mechanisms that refer to the personality of Millennials play a key role in explaining this specificity. In financial terms, Polish Millennials are quite like Gen Xers, but with the significant difference relating to financial well being.

RESEARCH METHODOLOGY

1. Source of data

Primary research is conducted with 150 respondents from Vadodara, Surat, etc. states.

Secondary websites, web portals, and research papers are used as secondary sources.

2. Data collection

3. Primary and secondary data are used for data collection.

Primary data: Primary data is a type of data that is collected by researchers directly from main sources through interviews, surveys, experiments, etc. Primary data are usually collected from the source—where the data originally originates from—and are regarded as the best kind of data in research.

Secondary data: Secondary data refers to data that is collected by someone other than the primary user. Common sources of secondary data collection are websites, organisations, portals, and articles.

4. Sample design

5. Sample size: 150 respondents are taken as a sample size who are living in Surat and Ankleshwar.

6. Sampling unit: People who respondent to survey questions are taken as sampling unit.

7. Sampling period 2021–2022.

8. Sampling technique: non-probability convenience sampling is used in this report.

9. Pie charts and graphs are used for interpretation.

OBJECTIVES OF STUDY

- To study what percentage of males and females interested in investment.
- To study age group interested in investment and from which city.
- To study the awareness level of respondents
- To understand perception of 150 respondents towards investment and what they feel about that .
- To understand in which sector they prefer to invest and which factors they consider while decisions making.
- To understand which option they prefer most like share, equity, gold , bonds and silver.
- To understand which method they prefer and what percentage of their income they spend on investment.
- To understand from where they collect information and whom they concern while making decisions.
- To understand are they aware about portfolio management and what are their strategy.

DATA ANALYSIS AND INTERPRETATION

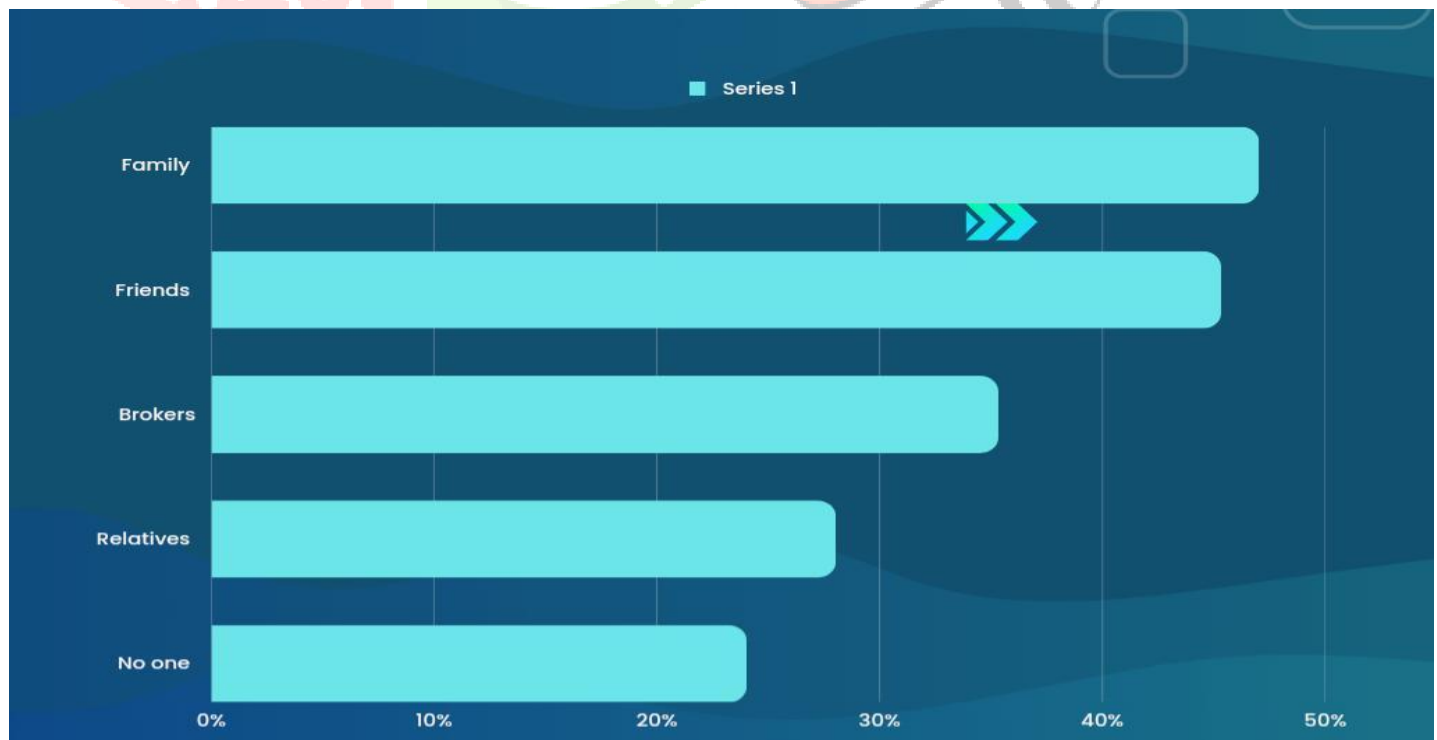**1** Do you consult to your friends, relatives or anyone before making investment decision?
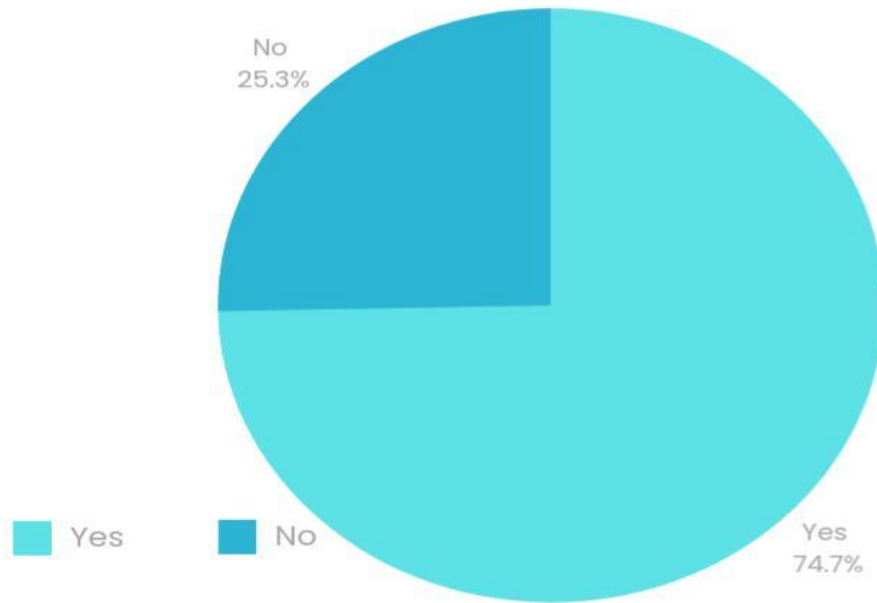
Out of 150 respondents, 74.7% of the population said yes to consulting with friends and family.
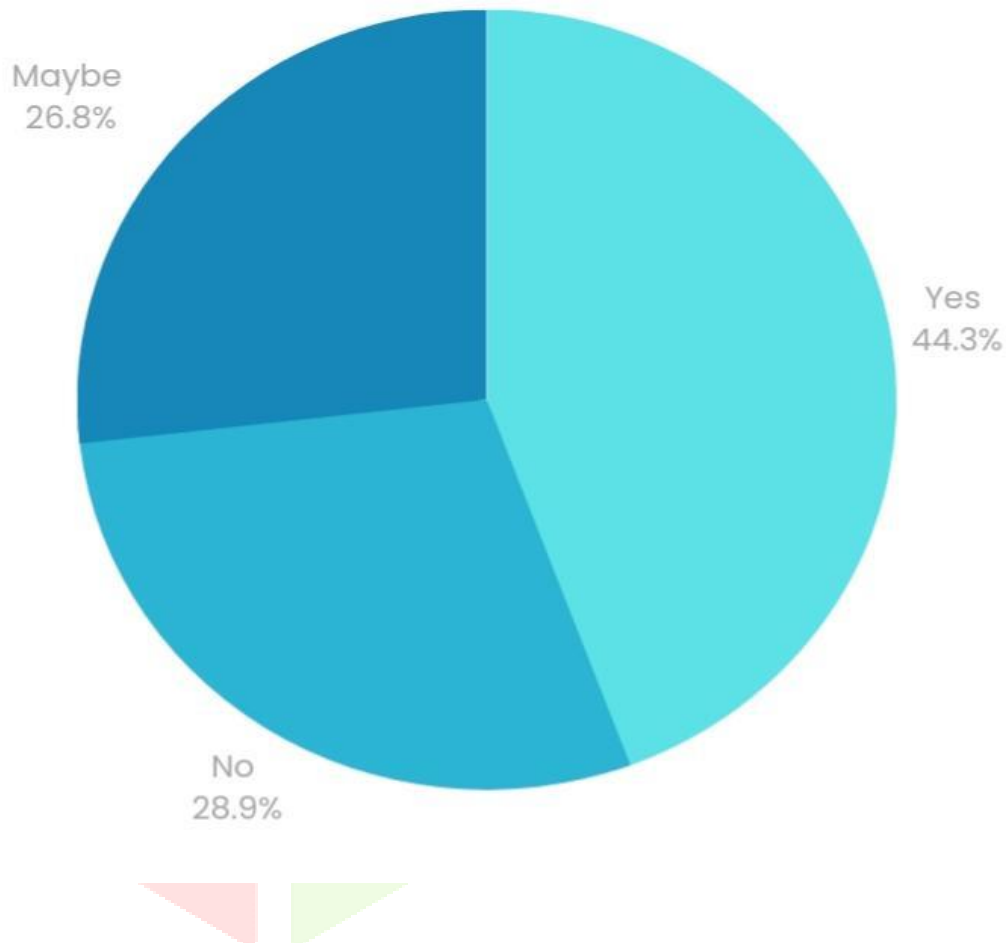
Where's 25.3% people said no

2 Whom do you consider while making decisions?

Out of 150 respondents, 47% consider family when making decisions, 45.3% talk to friends, 35.3% take professional help, and 28% consider relatives.
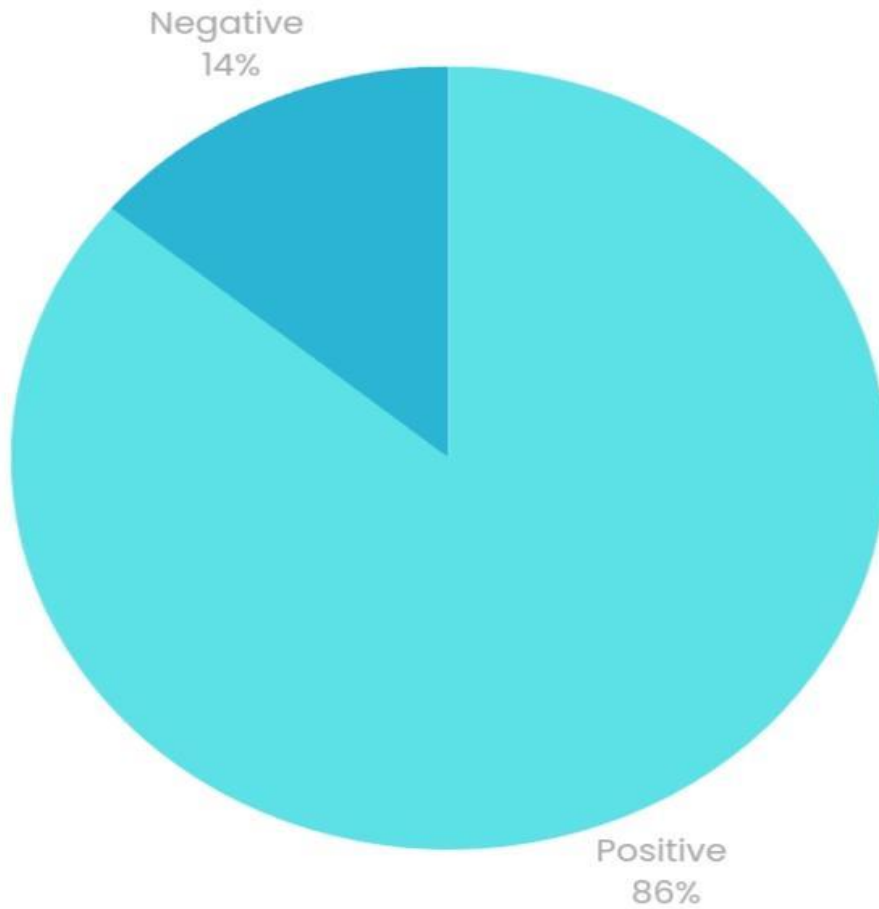
And 24% of the population doesn't consider anyone

3 Are you aware about financial literacy?

out of 150 respondents 44.3 percentage are aware about financial literacy, where's 28.9 no and 26.8 may be .

**4 What is your perception about investment?**

Out of 150 respondents, 86% have a positive perception about investment, while 14% have a negative perspective about investment

5 How would you describe your typical attitude when making important financial decisions? Rate 1 to 5 (decision making ability)
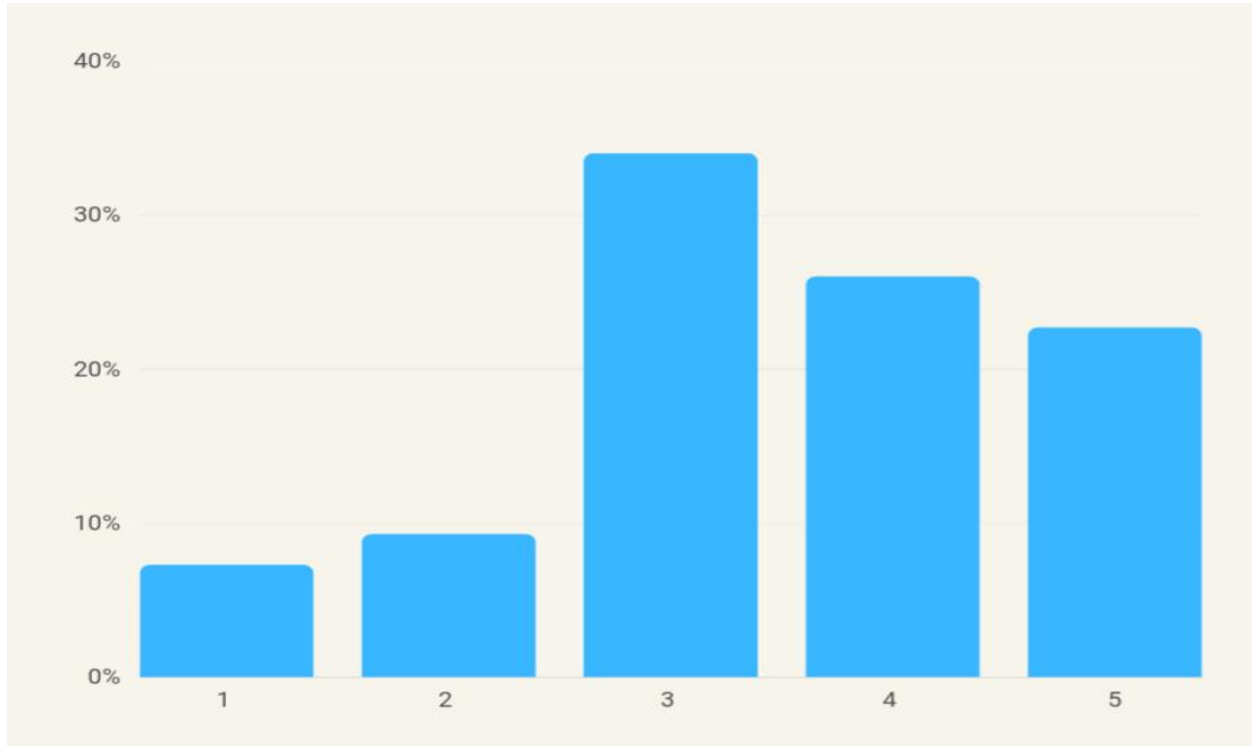
Out of 150 respondents, 26.7% belong to the 4th grade.
Where 34% belong to 4 and 22.7% belong to 5

6 What is your understanding of finance on a scale of 1-10(one for least and 10 for highest) (confidence blas)
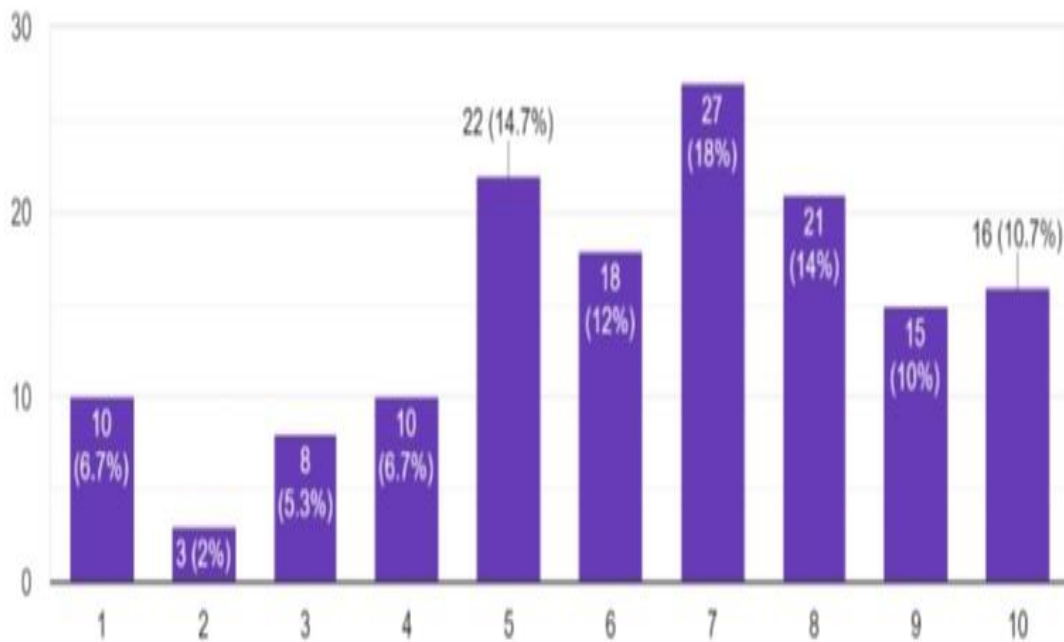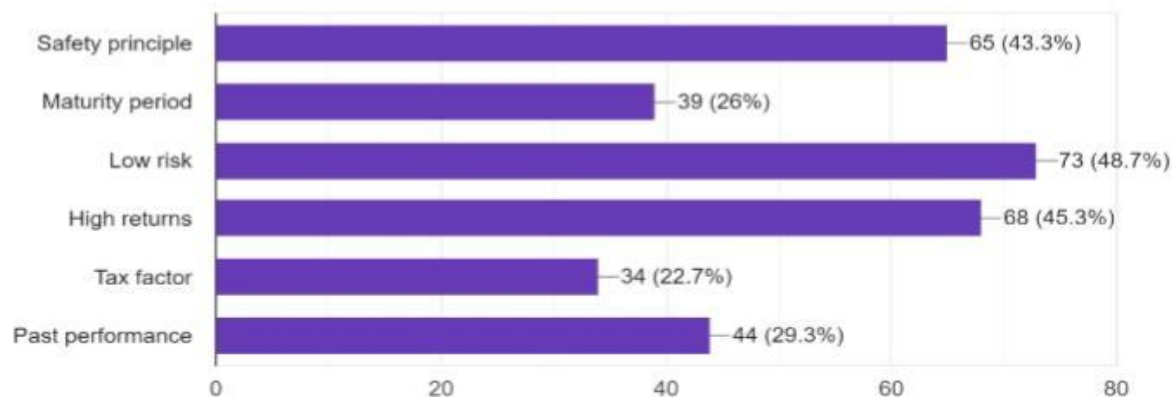
Out of 150 respondents, 18% belong to the 7th rating group.

where's 10.7% provide 10th

Where's the 14.7% 5th rating to their financial knowledge and understanding of the Market

7 Which factor do you consider before investing? (Anchoring bias)

Out of 150 respondents, 43.3% think about safety.

Where's 48.7 want low risk and 45.3 want high returns.

FINDINGS

Out of 150 respondents, 59.3 percent are men, while 40.7 percent are women.

Out of 150 respondents, 56.7% are aged from 21–26, where 31.3 are from 16–21.

Out of 150 respondents, mostly 56.7% have completed the graduation and 33.3% have done the postgraduate.

While doing the survey, we came to the conclusion that 44.3% are aware of financial literacy, 28.9% are not aware, and 26.8% are confused.

Out of 150 respondents, 86% have a positive perspective, while 14% have a negative perspective on investment.

When people are asked about the sector in which they are investing, out of 150 respondents, 44.7% belong to equity, 36.7% belong to gold, 36 percentage points refer to fixed deposits, and 38% are from mutual funds.

Out of 150 respondents, 43.3 people consider safety principles, 48.7 consider low risk, and 45.3 consider high returns while making decisions that consider these factors.

When individuals are asked which platform they would consider for investment, they mostly prefer online: 48.7% use online mode compared to 27.3% offline and 24% both.

Out of 150 respondents, 25% use Zerodha as a trading or investing app, followed by 23.6% Grow and 23.6% Others.

When people are asked about taking risks to earn returns, 46% say sometimes, 24% say rarely, and 27.3% say they are always ready to take risks.

CONCLUSION

This study shows that in order to foster high financial literacy, some level of revenue is required. In addition to the respondents' fundamental features, other factors included the families' characteristics, the locations of the kids' homes, the funding source for their education, and their involvement in a financial market display where they may be exposed to money-related topics. There is a sizable disparity between all of the financial literacy measures and the full poll. The researcher notices from the university analysis that students who have to make financial management decisions have a greater understanding of financial literacy than students who do not have to make financial management decisions in areas where there are payments for fuel bills, insurance coverage, repairs and maintenance, etc., both in the workplace and during the process.

Financial literacy, overconfidence bias, availability bias, familiarity bias, the illusion of control, and the bandwagon effect have a substantial impact on Generation Z's stock market investment decision, according to data gathered from past research.

The research will use the conceptual framework to guide a quantitative investigation to determine how financial literacy and behavioural bias relate to Generation Z's stock market investment choices. The study's conclusions help generation Z understand problems, the trends of factors influencing their investment choices, and improve financial literacy.

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