

Risk Appetite and Investment Choices of Gen Z students

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Abstract

This study examines the relationship between risk appetite and investment choices among Generation Z students in India. This study, based on primary data from over 100 college respondents, explores how financial literacy, income, and digital exposure influence investment preferences and decision-making. Findings show that the majority of Gen Z respondents demonstrated a preference for low- to moderate-risk investments, typically choosing instruments such as mutual funds and fixed deposits instead of higher-risk assets like equities or crypto assets. A lack of financial knowledge and limited income levels were identified as major factors discouraging active investment participation. The study concludes that while Gen Z students are financially aware, enhancing financial and digital investment literacy is essential for promoting more confident and informed investment behavior.

Keywords: Gen Z investors, Risk Appetite, Financial Literacy, Digital Financial Platforms, Investment Preferences

Introduction

In today's dynamic financial environment, investment has become an essential aspect of personal financial management. With growing awareness about wealth creation and financial independence, individuals are increasingly exploring various investment avenues such as mutual funds, equities, fixed deposits, and cryptocurrencies. Among these emerging investors, Generation Z — those born between 1997 and 2012 — has begun to play a significant role in shaping the future of the investment landscape.

Gen Z individuals are widely recognized for their comfort with technology, digital fluency, and readiness to embrace new innovations. Unlike previous generations who relied on traditional savings instruments, Gen Z tends to favor online trading platforms, mobile investment applications, and digital financial content shared through social media. Factors such as convenience, social influence, and the availability of financial information online play key roles in shaping their investment decisions. As digital natives, they are more exposed to financial trends, influencer marketing, and investment-related content across platforms such as YouTube, Instagram, and X (formerly Twitter).

Risk appetite — the extent to which an investor is willing to accept potential losses in pursuit of returns — remains central to investment decision-making. Risk appetite determines the selection of investment avenues: investors with a high risk appetite may prefer equities or cryptocurrencies, while those with a low risk appetite are more likely to choose fixed deposits or government bonds. Understanding this behavior is vital for identifying how individuals make decisions about where and how to invest their money.

The relationship between risk appetite and investment choice has become increasingly relevant with the rise of Gen Z investors. This generation exhibits a unique blend of financial curiosity and risk-taking behavior. However, their investment knowledge, decision-making patterns, and confidence levels vary widely based on their financial literacy, income, and social influence. As more students and young professionals begin participating in the financial markets, analyzing their investment preferences offers valuable insights for financial institutions, policymakers, and educators.

Given the growing involvement of young investors, this study aims to explore the link between risk appetite and investment preferences among Gen Z students. It seeks to understand how factors such as financial literacy, income level, and social media influence their investment decisions. The study also aims to identify whether Gen Z investors are more inclined toward high-risk, high-return options or prefer safer, stable investments.

The research is based on primary data collected through a structured questionnaire from 100+ respondents, primarily college students belonging to the Gen Z age group. The findings of this study are expected to contribute to a better understanding of the financial behavior of young investors and provide a localized perspective on investment trends among students in Lucknow.

Objectives of the Study

1. To study the risk appetite of Gen Z college students.
2. To identify their preferred investment avenues.
3. To analyze the influence of financial literacy on investment decisions.
4. To evaluate the effect of income level on investment participation.
5. To examine the role of digital platforms and social media in shaping investment behavior.

Hypothesis of the study

- H1: There is a significant relationship between risk appetite and investment choices among Gen Z students.
- H2: Financial literacy has a significant influence on the investment decisions of Gen Z students.
- H3: Income level significantly affects the investment participation of Gen Z students.
- H4: Social media exposure significantly influences the investment behavior of Gen Z students.

Review of Literature

A review of existing literature provides the theoretical and empirical foundation for the present study. It helps to understand how previous researchers have examined investor behavior, financial literacy, and risk-taking patterns, particularly among the younger generation. This section summarizes relevant studies conducted in India and abroad on investment preferences and risk appetite among Gen Z individuals.

Pašiušienė (2023) conducted a study titled “Exploring Generation Z’s Investment Patterns and Attitudes Towards Greenness,” in which she found that Gen Z investors are increasingly inclined toward sustainable and green investments. The study revealed that social media exposure and digital finance platforms significantly affect the investment opinions and confidence levels of young investors.

According to the CFA Institute (2023), Gen Z investors are showing growing interest in digital assets such as cryptocurrencies and online trading apps. However, their decisions are often influenced by emotions, online trends, and peer discussions rather than professional financial advice. The report emphasized that despite their digital knowledge, Gen Z investors often lack long-term planning skills.

Mazzatto (2022), in his undergraduate thesis “Financial Literacy and Investing Habits of Generation Z,” highlighted that although Gen Z students are aware of investment opportunities, they often lack the financial education needed to make informed decisions. The research stressed the importance of financial literacy programs for young investors to better assess and manage financial risk.

Shaju et al. (2019), in their paper “Risk-Taking Appetite of Generation Z Individuals,” published in the *Journal of Emerging Technologies and Innovative Research (JETIR)*, found that most Gen Z investors exhibit a moderate to high risk appetite. The study concluded that young individuals prefer short-term gains and are willing to experiment with equities and mutual funds rather than traditional saving instruments.

A 2025 study published in the *International Research Journal of Modernization in Engineering, Technology, and Science (IRJMETS)* examined Investment Preferences and Risk Appetite of Generation Z. The authors concluded that investment choices among Gen Z are strongly influenced by their income level, awareness about market risks, and social media exposure. The study emphasized the need for greater investor education to ensure better financial decision-making.

The Deloitte Global Gen Z and Millennial Survey (2023) reported that financial independence, digital access, and social influence are major factors shaping Gen Z’s financial behavior. It also highlighted the increasing role of fintech platforms and investment influencers in motivating young people to participate in financial markets.

In the Indian context, Singh and Sharma (2022) explored “Investment Preferences of Young Investors in India” and discovered that while many college students are aware of new investment options, they tend to rely on low-risk instruments due to limited financial literacy and fear of market volatility.

Research Gap

While several studies have examined Generation Z’s investment behavior and financial literacy, most have focused on broad national samples or global trends rather than specific student populations. Prior studies often concentrate on individual aspects like risk tolerance or financial awareness, but seldom explore how these factors collectively influence investment decisions. Moreover, there remains a lack of research on how social media and digital financial platforms impact investment behavior among Indian Gen Z students. This study addresses these gaps by focusing on Gen Z college students in Lucknow, analyzing the combined effects of

financial literacy, income level, and digital exposure on their risk appetite and investment preferences. Through the use of primary data and quantitative analysis, the research provides localized, data-driven insights into how financially aware yet inexperienced young investors approach modern investment opportunities.

Research Methodology

The research methodology defines the overall framework and approach adopted to conduct the study. It helps in understanding the process used to collect, analyze, and interpret data related to the investment preferences and risk appetite of Generation Z students.

Research Design

A descriptive approach was employed to understand the characteristics and patterns of Gen Z students' investment behavior. This design was chosen to describe the characteristics and behavior of Gen Z students in relation to their investment preferences and risk appetite. The study focuses on identifying patterns, opinions, and relationships between variables such as financial literacy, risk tolerance, and preferred investment options.

Nature of the Study

The research is quantitative in nature as it relies on numerical data collected through a structured questionnaire. It aims to statistically analyze the responses to understand the financial behavior and risk attitudes of the respondents.

Source of Data

The study uses both primary and secondary data:

Data collection involved a structured online questionnaire shared with college students from the Generation Z demographic. (aged 18–26 years).

Secondary Data: Collected from journals, research papers, reports, and online publications related to risk appetite, financial literacy, and Gen Z investment behavior.

Sample Size

A total of 100+ responses were collected from students belonging to the Gen Z age group. This sample size was considered sufficient to represent the general investment behavior of young students in the study area.

Sampling Technique

The study adopted a convenience sampling technique, where respondents were selected based on their accessibility and willingness to participate. This method was appropriate as the study targeted a specific demographic — college students — who were easily reachable through digital platforms.

Research Instrument

The primary data was collected through a Google Form questionnaire, which included both multiple-choice and rating-scale questions. The questionnaire covered key areas such as:

Demographic details (age, gender, education level, income)

Level of financial literacy

Risk-taking attitude

Preferred investment avenues

Influence of social media and peers

Tools and Techniques for Analysis

The collected data was tabulated and analyzed using Microsoft Excel and Google Sheets. Basic statistical tools such as percentage analysis, correlation, regression, and graphical representation (bar charts and pie charts) were used to interpret the data. The analysis helped in identifying trends and patterns among Gen Z students regarding their risk appetite and investment choices.

Scope of the Study

The study focuses on understanding the investment patterns, financial literacy, and risk appetite of Gen Z students. The findings are useful for financial institutions, educators, and policymakers to design awareness programs and products that cater to the financial needs of young investors.

Data Analysis & Interpretation

The process of data analysis and interpretation aims to transform the collected responses into meaningful insights that address the objectives of the study. In this research, both quantitative and qualitative methods have been applied to analyze the investment behavior, preferences, and risk-taking tendencies of Gen Z students. Various statistical tools, such as percentage analysis, correlation, regression, and cross-tabulation, have been employed to examine relationships between demographic variables and investment decisions. The use of charts, graphs, and pivot tables further aids in visually representing the findings for better understanding and clarity. This analytical approach provides a comprehensive view of the respondents' financial awareness, investment preferences, and risk appetite, thereby supporting informed conclusions and recommendations for future financial education and engagement strategies.

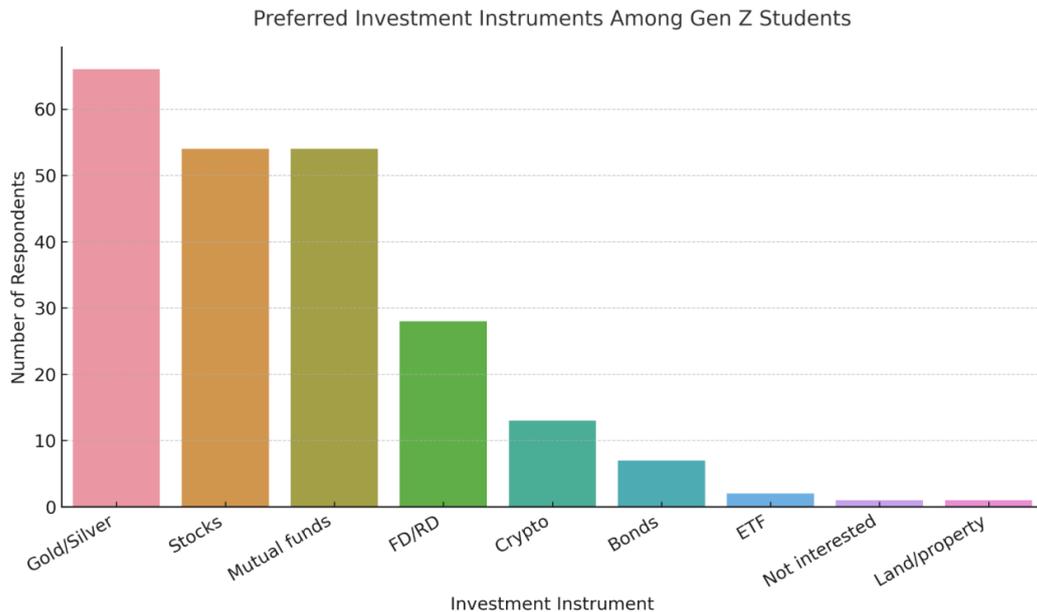


Figure 1: Column Chart Representation

The analysis reveals that Gold and Silver are the most favored investment instruments among Gen Z students, highlighting their preference for stability and tangible value. This is followed closely by Stocks and Mutual Funds, which together indicate a strong and growing trust in market-linked investments. A considerable portion of respondents continue to rely on FDs and RDs, underscoring the enduring appeal of safe and predictable returns.

Meanwhile, Crypto has attracted a smaller yet notable segment of young investors who are open to exploring newer, riskier asset classes. Interest in Bonds and ETFs remains limited, reflecting the need for greater financial literacy in these areas. Only one respondent expressed a preference for Land/Property or showed no investment interest, confirming that Gen Z students are actively engaged and curious about investment opportunities across a range of financial instruments.

Descriptive statistical analysis

Variable	Count	Mean	SD	Min	Median	Max
Risk Score	104	1.56	0.5	1	2	2
Investment % score	110	4.39	11.19	0	0	75
Comfortable with loss	77	0.84	0.37	0	1	1
Age (Numeric)	113	19.19	1.82	18	18	24

Descriptive analysis of coded variables indicates modest central tendencies and variability in respondents' risk appetite and investment behavior. The mean `risk_score` suggests that respondents, on average, lean toward a low/moderate risk preference of 1.56. The investment % score mean indicates that, on average, respondents invest a small percentage of their monthly savings (midpoint coding used). Age distribution shows most respondents fall in the typical college-age bracket, 1.56.

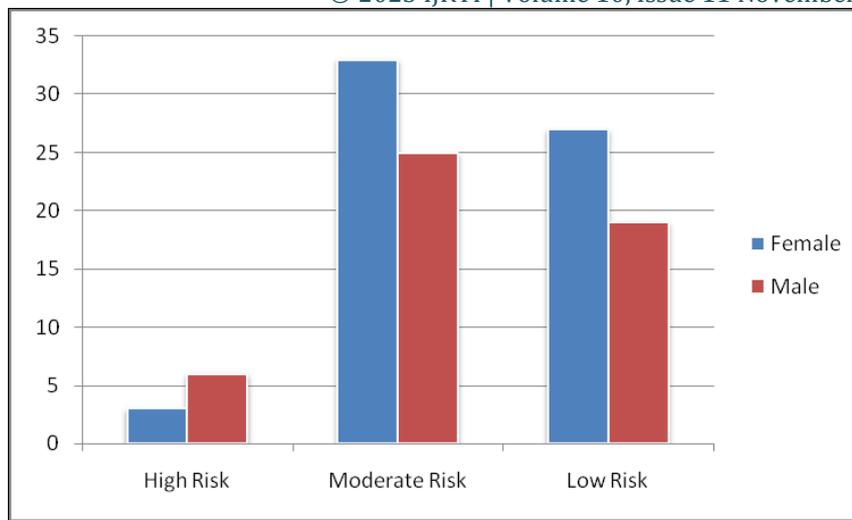


Figure 2: Gender-wise Risk Appetite Representation

The cross-tabulation reveals that both male and female respondents predominantly exhibit a moderate level of risk appetite, indicating a balanced approach to investment among Gen Z students. However, male participants show a slightly higher inclination toward high-risk investments (12%) compared to females (4.8%), suggesting that men tend to be somewhat more risk-tolerant. Conversely, female respondents are more represented in the low-risk category (42.9%), reflecting a comparatively conservative investment approach.

Overall, the data suggest that while gender differences exist, the general trend among both groups leans toward moderate risk-taking behavior, highlighting a cautious yet opportunity-seeking attitude prevalent among Gen Z investors.

Correlation Analysis

The correlation analysis reveals that most relationships among the studied variables are weak or negligible. The strongest observed correlation is a moderate negative association between age and risk score ($r = -0.393$), implying that younger Gen Z respondents exhibit higher risk-taking tendencies compared to their slightly older counterparts. A weak positive correlation between risk score and comfort with loss ($r = 0.275$) indicates that individuals more open to risk are somewhat more willing to tolerate potential financial losses.

Other correlations—such as between investment percentage and risk score ($r = 0.033$)—are very weak, suggesting investment amounts do not necessarily align with risk attitudes. Overall, the findings imply that risk appetite and age are the most meaningful pair, while other relationships appear statistically insignificant.

Variable	Risk Score	Investment % Score	Comfortable loss	Age
Risk Score	1	0.033	0.275	-0.393
Investment	0.033	1	0.082	0.1
Comfortable loss	0.275	0.082	1	-0.075
Age	-0.393	0.1	-0.075	1

Regression Analysis

The regression results show that both the simple and multiple regression models have very low explanatory power. The simple regression model ($R^2 = 0.008$) accounts for less than 1% of the variance in the dependent variable, indicating that the predictor variable alone has minimal influence. Similarly, the multiple regression model ($R^2 = 0.021$) explains only about 2% of the total variation, suggesting that the combination of independent variables does not significantly predict the dependent variable.

Moreover, both models have p-values greater than 0.05, which means that the relationships observed are not statistically significant. In essence, the regression analysis suggests that the independent variables used—such as financial knowledge, risk appetite, or investment experience—do not meaningfully predict the dependent variable in this dataset.

Model	R-squared	F-statistic	p-value(model)
Simple Regression	0.008	0.832	0.364
Multiple Regression	0.021	0.47	0.704

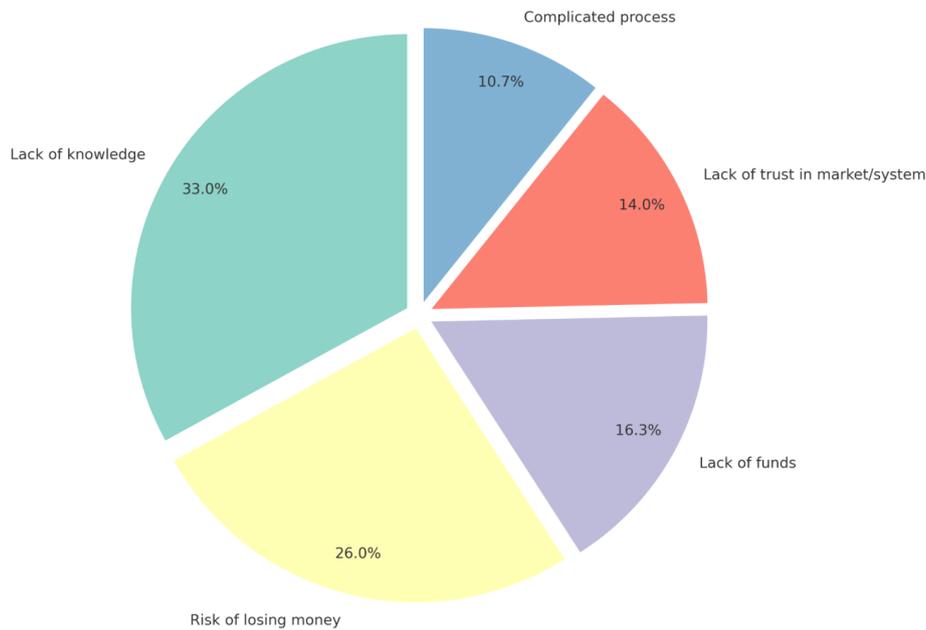


Figure 3: Pie Chart of Investment Barriers

The analysis indicates that the primary concern among Gen Z students is a lack of knowledge, reported by 62.83% of respondents. This highlights a clear gap in financial literacy and understanding of stock market mechanisms. The risk of losing money follows closely at 49.56% showing that fear of financial loss is a significant psychological barrier.

A substantial portion, 30.97% mentioned lack of funds, suggesting that limited disposable income restricts their ability to invest. Moreover, 26.55% expressed distrust in the market or system, indicating skepticism toward market integrity or transparency. Finally, 20.35% cited the complicated process of investing as a deterrent, emphasizing the need for simpler, user-friendly investment platforms and better educational outreach.

Findings and Discussion

The survey conducted among over 100 Gen Z students aimed to explore their investment awareness, preferences, and risk-taking behavior. It revealed that while a majority of respondents are familiar with mutual funds, fixed deposits, and the stock market, only a moderate number actively invest, mainly due to limited knowledge and insufficient disposable income. Students predominantly favored mutual funds and fixed deposits, viewing them as secure and straightforward investment options, while a smaller yet growing section showed interest in high-risk avenues like stocks, SIPs, and cryptocurrencies. The findings suggest that Gen Z investors prefer security but are gradually becoming open to experimentation as financial awareness increases.

Most students display a moderate risk appetite, with only a few exhibiting high-risk tolerance due to family or entrepreneurial exposure. Factors such as potential returns, perceived risks, peer opinions, and social media influence strongly shape their financial decisions. Interestingly, online platforms like YouTube and Instagram now serve as major sources of investment knowledge, surpassing traditional methods like books or academic courses. However, students still value parental advice when making financial decisions. Key motivations for investing included building wealth, ensuring future financial stability, and attaining financial independence rather than short-term consumption. Despite enthusiasm, challenges such as low income, fear of loss, and lack of financial literacy hinder consistent investing. Overall, the study portrays Gen Z as a financially aware yet cautious generation — digitally driven, eager to learn, and ready to invest responsibly with the right guidance and support.

Conclusion and Recommendations

Conclusion

The study on Risk Appetite and Investment Choices of Gen Z Students highlights how India's young generation is gradually transforming the investment landscape. Based on responses from over 100+ college students, it was observed that Gen Z individuals possess a moderate level of risk appetite, preferring safer investment options such as mutual funds and fixed deposits over direct equity or cryptocurrency.

While most respondents expressed strong interest in investing, their participation remains limited due to insufficient financial knowledge, low disposable income, and fear of market volatility. Despite these constraints, there is clear evidence of a positive financial attitude and growing awareness about investment opportunities — largely influenced by digital media, social networks, and peer learning.

The findings indicate that Gen Z is not risk-averse but rather cautious and research-oriented, seeking to balance safety with returns. Their behavior demonstrates the emergence of a new generation of investors who are more informed, digitally active, and open to exploring diverse financial avenues — provided they receive adequate guidance and education.

Recommendations

Based on the research findings, the following recommendations are proposed to enhance financial participation and risk awareness among Gen Z students:

1. Integrate Financial Education in Academic Curriculum

Academic institutions could include dedicated courses on investment planning, personal finance, and risk assessment to enhance student literacy. This will equip students with the essential knowledge to make informed decisions.

2. Conduct Financial Literacy Workshops and Webinars

Institutions, NGOs, and regulatory bodies like SEBI and AMFI can collaborate to organize regular awareness sessions focused on mutual funds, SIPs, and other investment products.

3. Encourage Digital Investment Platforms

Since Gen Z prefers mobile and online tools, user-friendly investment apps with educational features should be promoted to help beginners start small and learn gradually.

4. Parental and Institutional Support

Parents and mentors should encourage students to engage in simulated investing or mock trading to build confidence and understand market dynamics before real investment.

5. Focus on Long-Term Financial Planning

Encouraging students to invest regularly via systematic investment plans (SIPs) may promote discipline and reduce short-term speculative tendencies.

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