INVESTING HABITS OF GEN Z

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Abstract:
This particular study looks into how the younger generation i.e. from Generation z manage or handle their money. It looks into what they would most likely invest their money in, how they would make their financial decisions and what difficulties they could face with managing their money. The study also looks into how social media and the latest technology could affect their investment decisions. The study also looks into the trends in how the Gen z invests and give some insights to financial advisors on how to help these tech - savvy people with managing their finances.

Keywords: Generation Z, Investing Habits, Financial Literacy, Fintech, Social Media, , Sustainability

Objectives:

- To analyze the current state of Gen Z's investing habits and preferences.
- To identify the factors influencing financial decisions and investment choices.
- To look into the role of new technologies and social media in shaping their investment landscape.
- To assess the challenges and barriers faced by Gen Z investors in the current economic environment.
- To provide recommendations for financial institutions and advisors to adapt to the needs of Gen Z.

Introduction:

The young people in Generation Z are quite good in handling technology and are aware of the happenings of the world around them. As they are starting to join the work force they will have disposable income with them, which they can invest, which will in turn have impact on how things in the financial markets would work. This research paper is seeking to understand how Gen Z would deal with their money and investments, which is very different with the previous generation.

REVIEW OF LITERATURE

The paper is trying to examine the financial habits and literacy of Generation Z, specifically in relation to investing, in order to provide insights for financial planning companies to better market to this demographic. The study uses a survey to gather information on the financial behaviours of Generation Z, and the results show that this group is primarily concerned with profit-making and stability. The paper also discusses the impact of technology on the financial behaviours of Generation Z and provides recommendations for financial marketers looking to target this demographic. ((US))

This paper aims to investigate the investment behavior and financial independence journey of Generation Z (Gen Z) in India. It explores the factors influencing Gen Z's investment decisions, such as their saving habits, family members' investing experience, and sources of information for investment decisions. Additionally, the study examines the differences in saving habits across gender, age, and annual family income among Gen Z. Overall, the paper provides insights into the evolving financial attitudes and behaviours of Gen Z in India and their potential impact on the Indian economy. (Madhavan)

The paper investigates the factors influencing the investment interest of Generation Z (Gen Z) in the capital market in West Kalimantan. It explores the impact of investment communities, the love of money, and demographic factors on the investment decisions of Gen Z individuals. The study utilizes a Likert Scale to measure perceptions, views, and attitudes toward investment, and employs data analysis techniques such as Microsoft Excel and AMOS Review for statistical analysis. The research findings are presented through validity tests, model fit tests, and hypothesis tests. The paper provides valuable insights into the factors shaping the investment interest of Gen Z in the capital market, with implications for investment education and outreach to this demographic. (Pheterson Davit Vernando)

The 2023 Gen Z and Millennial Survey by Deloitte explores the attitudes, experiences, and expectations of younger generations in the workplace and society. It reveals that Gen Zs and millennials are experiencing increased satisfaction with work/life balance, desire more flexibility in their work arrangements, and believe their employers have made progress in driving diversity, equity, and inclusion. The survey also highlights the impact of the COVID-19 pandemic on these generations, prompting them to re-evaluate the role of work in their lives and seek more balance. Additionally, it addresses their expectations regarding climate action and sustainability in the workplace, showcasing their desire for employers to take smart actions to address climate change and promote sustainable behaviors. Overall, the survey provides valuable insights into the evolving priorities, concerns, and aspirations of Gen Zs and millennials in the workplace and society. (Deloitte)

The paper is about young people, called Gen Z, and how they're starting to invest their money. It talks about why they want to invest, like wanting to make more money or because their friends are doing it. It also talks about what stops them from investing, like not having enough money or not knowing how to do it. The paper looks at how Gen Z learns about investing, like from their family or from social media. It also compares Gen Z investors in different countries. Overall, the paper is trying to help us understand how young people are changing the way people think about investing. (Mazzatto)

FINDINGS AND DISCUSSION

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.649
Bartlett's Test of Sphericity	Approx. Chi-Square	517.835
	df	91
	Sig.	.000

Here the value of kmo is 0.649 which is 64.9% that means the samples which we have collected will give us 64.9% effective

The value of significance value is 0.0008 which is less than 0.05 at 5% confidence interval level

Communalities

	Initial	Extraction
I am comfortable taking some risks to potentially achieve higher investment returns.	1.000	.754
I understand the key concepts of investing, such as diversification and compound interest.	1.000	.752
I feel confident in my ability to research and choose suitable investments.	1.000	.629
I currently invest some of my money in stocks, bonds, mutual funds, or other investment vehicles.	1.000	.722
I regularly monitor and adjust my investment portfolio based on market conditions.	1.000	.790
I discuss my investment decisions with financial advisors or trusted individuals.	1.000	.839
I lack the necessary financial resources to start investing.	1.000	.887
I am concerned about the potential for losing money through investments.	1.000	.635

I don't trust financial institutions or investment professionals.	1.000	.759
My primary motivation for investing is to grow my wealth for long-term goals like retirement.	1.000	.814
I am interested in using investments to generate income streams in the future.	1.000	.579
I expect to rely on investment income to supplement my primary earnings in retirement.	1.000	.748
I believe having a diversified investment portfolio is essential for achieving financial security.	1.000	.673
I am optimistic about the potential of investments to help me reach my financial goals.	1.000	.850

Extraction Method: Principal Component Analysis.

Using the communalities we can tell then which variables are able to explain them self's by at least 50%

If not there is no point of taking that variable into considerations

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.693	26.377	26.377	3.693	26.377	26.377	2.083	14.877	14.877
2	2.093	14.947	41.325	2.093	14.947	41.325	2.074	14.816	29.693
3	1.341	9.579	50.903	1.341	9.579	50.903	1.841	13.151	42.844
4	1.176	8.399	59.303	1.176	8.399	59.303	1.675	11.966	54.810
5	1.091	7.796	67.099	1.091	7.796	67.099	1.583	11.306	66.116
6	1.037	7.405	74.504	1.037	7.405	74.504	1.174	8.388	74.504
7	.727	5.190	79.694						
8	.685	4.895	84.589						
9	.566	4.041	88.630						
10	.413	2.951	91.581						
11	.405	2.890	94.471						
12	.329	2.351	96.822						
13	.248	1.771	98.593						
14	.197	1.407	100.000						

Extraction Method: Principal Component Analysis.

Using the total variance explained table we can tell how many factors have been extracted from all the variables which we have taken into consideration

Here we have got 6 factors and those 6 factors are able to explain 74.504% of total variance into the dataset.
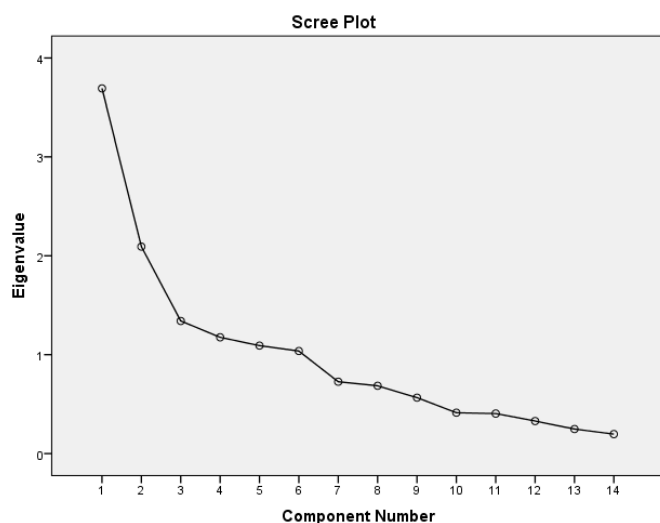
from the above scree plot we can tell how many factors are extracted where eigen value is more than 1

Rotated Component Matrix

	Component					
	1	2	3	4	5	6
I am comfortable taking some risks to potentially achieve higher investment returns.			.841	.166		
I understand the key concepts of investing, such as diversification and compound interest.	.226	.241	.365	.713		
I feel confident in my ability to research and choose suitable investments.	.467	-.331	.467	-.260	.111	
I currently invest some of my money in stocks, bonds, mutual funds, or other investment vehicles.	.165	.718		.406		
I regularly monitor and adjust my investment portfolio based on market conditions.	.506	.539	.122	-.254	.333	-.230
I discuss my investment decisions with financial advisors or trusted individuals.			.201	.215	.856	-.115
I lack the necessary financial resources to start investing.	.868			.277	-.190	
I am concerned about the potential for losing money through investments.	.358	.104			.643	.284
I don't trust financial institutions or investment professionals.	.759	.170			.359	

My primary motivation for investing is to grow my wealth for long-term goals like retirement.	-.105	.167		.825	.274	.120
I am interested in using investments to generate income streams in the future.	.103	.646		.109	.155	.335
I expect to rely on investment income to supplement my primary earnings in retirement.		.227	.777		.181	.225
I believe having a diversified investment portfolio is essential for achieving financial security.	-.171	.731	.285	.114		
I am optimistic about the potential of investments to help me reach my financial goals.		.141	.106			.901

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 16 iterations.

Using the rotated component matrix we can combine which are the variables suits together we can group them into one factor

Here we have 6 factors and we can name those as Risk Tolerance, Financial Resources, Long-Term Goals, Retirement Planning, Financial Security, External Consultation

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.421ᵃ	.577	.533	.919	.177	4.050	6	113	.001	1.655

We have the value of R square as 0.577 that means 57.7% of dependent variable will be able to explain using those 6 independent variables

And we also have the adjusted R square value as 0.533 which means 53.3% of variance will be able to explain if we try to add one more independent variable into the regression analysis

Next we have the durbin-watsin value as 1.655 which is nothing but in the range of 1.5 to 2.5 that means there is no correlation among the independent variables

ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	20.528	6	3.421	4.050	.001[b]
	Residual	95.472	113	.845		
	Total	116.000	119			

Next we have the value of degrees of freedom as 119 which is nothing but N-1 value 120-1=119

Next we have the value 0.01 which is less than 0.05% at 5% confidence level

Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	4.000	.084		47.671	.000					
	REGR factor score 1 for analysis 1	-.317	.084	-.321	-3.760	.000	-.321	-.333	-.321	1.000	1.000
	REGR factor score 2 for analysis 1	.119	.084	.121	1.418	.159	.121	.132	.121	1.000	1.000
	REGR factor score 3 for analysis 1	-.008	.084	-.008	-.098	.922	-.008	-.009	-.008	1.000	1.000
	REGR factor score 4 for analysis 1	.229	.084	.232	2.714	.008	.232	.247	.232	1.000	1.000

REGR factor score 5 for analysis 1	.025	.084	.026	.302	.763	.026	.028	.026	1.000	1.000
REGR factor score 6 for analysis 1	.070	.084	.071	.829	.409	.071	.078	.071	1.000	1.000

Using the coefficients matrix we can write the regression equation as

Investment=4+-3.17* Risk Tolerance+0.119* Financial Resources+-0.08* Long-Term Goals+0.229* Retirement Planning+0.25* Financial Security+0.7* External Consultation

Histogram

Dependent Variable: I believe investing is an important part of building long-term financial security.

Mean = -5.90E-17
Std. Dev. = 0.974
N = 120
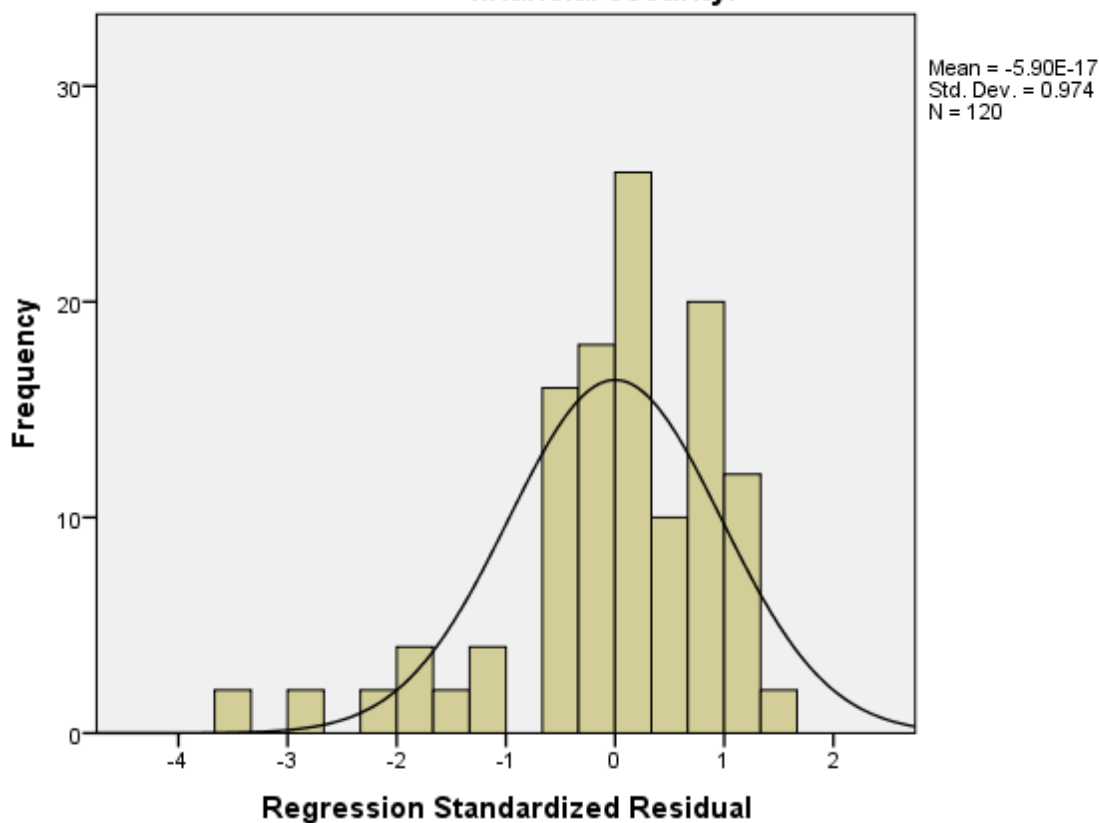
Using the above histogram we can tell that the data is normally disturbed as it is one of the most important assumptions in multiple linear regression.

Conclusion

The paper investigates the investment habits and preferences of Generation Z, focusing on their financial decisions, investment choices, and the influence of new technologies and social media. It aims to provide insights for financial institutions and advisors to better understand and cater to the needs of this demographic. The study explores factors influencing Gen Z's investment decisions, such as financial literacy, social media impact, and the role of technology. It also addresses the challenges and barriers faced by Gen Z investors in the current economic environment. The findings offer valuable insights into the evolving financial attitudes and behaviours of Generation Z, providing recommendations for financial institutions and advisors to adapt to their needs.

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