Do Emotions Drive Money? An Empirical Study on Behavioural Biases Among Gen Z Investors

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Abstract—**The emergence of Generation Z investors in India is reshaping the retail financial markets landscape. Unlike previous generations of population, the 18- to 27-year-old Gen Z investors are digitally advanced individuals whose decisions are heavily influenced by technology, social media and peer groups. Mainstream finance theory assumes rational choice, but emerging data suggest that behavioural and emotional biases usually dictate financial decisions within this population segment.**

The article explains how biases of emotional and behavioural nature influence investment decisions in the case of Gen Z in particular, referring to overconfidence, herd behavior, loss aversion and fear of missing out. Stock, mutual fund, and cryptocurrency markets, which saw increased participation by young people, are the concern of the study. The main data will be collected using a questionnaire from Gen Z investors of urban and semi-urban regions. The standardized survey will also capture portfolio diversification patterns, risk tolerance, peer dependence and the relationship between financial literacy, risk assessment, and behavioural bias. Correlation analysis and descriptive statistics would be utilized in determining the determinants of Gen Z financial behavior.

The technique focuses on custom-designed interventions that target both the emotional and cognitive aspects of decision-making. These include digitally native personal financial education campaigns, behavioural nudges in trading platforms, gamified learning interfaces and artificial-intelligence powered advice systems. These activities seek to reduce irrational decision making, increase financial resilience and foster a sustainable investment culture among India's youngest retail investors, as well as provide actionable insights for policymakers, educators and fintech entrepreneurs.

Keywords—**Gen Z Investors, Behavioural Finance, Behavioural Biases, Risk Perception, Financial Literacy, Investment Decisions**

I. INTRODUCTION

Investment has traditionally been considered a rational process in which individuals invest present resources in hopes of getting higher returns in the future. Classical finance theory claims that investors behave rationally by maximizing their utility with purchases at lows and sales at highs solely based on information available (Ahmad & Wu, 2022). But in reality, markets tend to exhibit inefficiencies, and investor behavior tends to be less than purely rational. Contemporary behavioural finance offers another perspective, and it puts heavy emphasis on the fact that emotions, heuristics, and mental shortcuts typically govern financial decision-making.

This transition from rational to behavioural models is especially appropriate when analyzing Generation Z investors, that cohort of people born between 1995 and 2010, who have become a major force in global financial markets. In India, Gen Z is today one of the largest cohorts of new retail investors, thanks to simple access to zero-brokerage trading apps, mobile payment platforms, and cryptocurrency exchanges. As per statistics from the National Stock Exchange of India (NSE), retail investors increased exponentially during and post the COVID-19 pandemic with most being under the age of 30. This youthful population born in the digital age is technology literate and networked across social media still frequently restricted when it comes to finance literacy and market exposure.

Democratization of investing online has enabled Gen Z to invest in markets at record levels. However, the phenomenon is not without attendant challenges. Indian Gen Z investors have been known to draw on social media influencers ("finfluencers") and their peer groups for information, leaving them uniquely susceptible to pitfalls like herding behavior, Fear of Missing Out (FOMO), and confirmation bias (Agarwal, 2025). Together with overconfidence, that motivates excessive trading and downplaying of risks and loss aversion which inhibits sound portfolio realignment these biases have the potential to generate suboptimal or even detrimental investment choices. Fear of missing better options (FOBO) and mental accounting are other emotional factors that add complexity to decision-making most frequently causing young investors to postpone action unnecessarily or allocate resources incorrectly (Armansyah, 2022; Jain et al., 2019).

At the core of these preferences is the problem of financial and capital market literacy, which is relatively low among Indian youth vis-a-vis developed economies (Nag & Shah, 2022). Low literacy contributes to making Gen Z investors more reliant on heuristic decisions, easily available online data and social validation received from digital networks. As a result, risk perception is a central mediator of decision-making: excessively optimistic or wrongly confident investors tend to underestimate risks, whereas FOMO or herding-related investors tend to go along with the market blindly in the absence of proper analysis.

A new investment culture is emerging among Gen Z in India as a result of the convergence of emotions, cognition and technology. Their growing involvement in mutual funds, the stock market, and speculative products like cryptocurrencies highlights the importance of understanding how behavioural biases impact investment choices. This acknowledgement is significant for behavioural finance research as well as applications in developing financial literacy programs, artificial intelligence nudges and laws that support sustainable and logical investing practices.

II. REVIEW OF LITERATURE

Agarwal, (2025) in his article with the title "FOMO in Finance: How Finfluencers Reframe Investment Decisions of Gen Z in India" discusses how financial influencer social media personalities "finfluencers" influence the investment pattern of Generation Z in the Indian stock exchange. Using a theory-grounded quantitative survey-based approach from behavioural finance like Fear of Missing Out (FOMO), herding and prospect theory the research concludes that regular exposure to finfluencers is positively linked with higher risk-taking investor behavior such as high-frequency trading and investment in risky assets like cryptocurrencies and meme stocks. FOMO stands out as a psychological moderator between finfluencer exposure and risk investment with financial literacy acting as a moderator increasing literacy can be able to moderate these negative effects. In general, the study highlights the influential and presently uncontrolled power of internet opinion in young investors highlighting the need for heightened digital financial literacies and subdued regulatory monitoring within India's booming finance industry.

Gokhale & Mittal, (2025) in their paper "Decoding the Behavioural Intentions of Gen Z Investors: The Role of Investor Protection, Perceived Risk, and Cognitive Bias" analyze how investor protection mechanisms affect the Generation Z investment intentions. Using the S-O-R model and behavioural finance theory their study finds that the efficacy of regulation deterrence in monitoring and financial literacy significantly enhance Gen Z investment intentions. Besides, perceived risk and cognitive bias enable such relationships and this indicates the dual role of investor protection in influencing behavior both directly and indirectly. The findings emphasize the importance of efficient regulatory mechanisms and education programs to enhance long-term investing among Gen Z investors.

Kurnijanto et al., (2025) in their paper, "The Influence of Behavioural Bias on Investment Decision with Risk Perception as a Mediating Variable: A Study on Generation Z at the Indonesia Stock Exchange," examine how overconfidence bias, herding bias, and loss aversion bias affect investment decisions among Generation Z investors. Their findings show that risk perception significantly affects the link between these biases and investment decisions. Specifically, herding bias and loss aversion directly improve risk perception while risk perception positively impacts investment decisions. Overconfidence bias has no direct effect on investment decisions or risk perception but is fully mediated by risk perception. The research shows the contribution of psychological aspects and risk perception to investment behavior. The research further indicates that specific financial education is capable of enhancing decision-making skills among young investors in emerging markets.

Rahmawati, U., & Raharja, S. (2024) in their paper titled "The Influence of Herding, Loss Aversion, and Availability on Investment Decision-Making with Fear of Missing Out as a Mediating Variable Among

Generation Z Investors," examine how behavioural biases affect investment decisions among Generation Z. Their study shows that loss aversion and availability bias strongly influence investment choices and the Fear of Missing Out (FOMO), which acts as a mediator in these relationships. But herding does not play a strong effect. These results uncover the distinct psychological determinants of Gen Z investors and emphasize the demand for specific financial education and risk management to counter these biases effectively

Armansyah et al., (2023) in their paper, "Understanding Gen Z Investment Decisions: Capital Market Literacy and Emotional Biases," investigate how capital market literacy and emotional biases, such as overconfidence, confirmation bias, and fear of better options, affect the investment choices of Generation Z investors in Indonesia. They collected data from 389 participants and analyzed it using PLS-SEM. The study shows that capital market literacy, overconfidence, confirmation bias, and fear of better options significantly influence investment decisions. However, mental accounting does not have a significant effect. The paper emphasizes the importance of digital access to investment information and points out the unique traits of Generation Z, who are tech-savvy and emotionally driven, in shaping their investment behavior. It also pinpoints the imperative for enhanced investor education and awareness of behavioural biases to enable sound decision-making in Indonesia's rapidly expanding capital market.

Wibowo et al., (2023), in their article entitled "The impact of overconfidence and herding bias on stock investment decisions mediated by risk perception", investigate how overconfidence and herding biases influence investment choices of Generation Z investors in Malang City, Indonesia. Their findings show that both biases harm the quality of investment decisions and reduce investors' perception of risk. Further risk perception plays an important role in influencing investment decisions and serves as a partial mediator between the biases and investment choices. The study highlights the need to manage behavioural biases and improve risk perception to encourage more rational and profitable investment behavior among young investors'. This research supports behavioural finance theories and endorses practical measures like educating investors to decrease the negative impacts of cognitive biases in investment.

Nag & Shah, (2022) in their article titled "An Empirical Study on the Impact of Gen Z Investors' Financial Literacy to Invest in the Indian Stock Market" explain how financial literacy has an influence on Generation Z investors' investment intentions in the Indian stock market using the Theory of Planned Behavior model. The study suggests that financial literacy has a positive effect on investment intention and also impacts attitude towards investment and perceived behavior control positively both of which are mediators that further reinforce investment intentions. The study also suggests that social factors and subjective norms positively contribute further and attitudes are impacted by social factors and subjective norms directly affecting investment intention. Overall the study emphasizes the pivotal role of financial literacy reinforced by internal beliefs and social external factors in influencing Gen Z investors to participate in the stock market.

III. SCOPE OF THE STUDY

This research attempts to explore the behavioural biases that affect the investment choice making of Generation Z investors in India, specifically in the areas of equities, mutual funds and cryptocurrencies. The study is limited to young investors in the 18–27 years age group, who form the biggest pool of new retail players in the Indian capital market.

The scope encompasses:

- Geographic Context: Indian financial market, with a view to growing retail participation driven by the internet-based platforms.
- Behavioural Biases Covered: Overconfidence, groupthink, loss aversion, confirmation bias fear of missing out (FOMO), and fear of better options (FOBO).
- Analytical Focus: The relationship between cognitive and emotional biases, perception of risk, and investment choices like risk-taking, diversification, and portfolio options.
- Limitations: The research does not analyze professional or institutional investors but is limited to retail Gen Z investors who are

making use of digital platforms and social media as key sources of financial information.

IV. OBJECTIVES OF THE STUDY

1. To study how significant behavioural biases like overconfidence, herding, fear of missing out, and loss aversion impact the investment decision-making of Generation Z investors in India.
2. To examine how risk perception and financial literacy forms a link between behavioural biases and investment outcomes like portfolio selection, diversification and taking risks.
3. To highlight and recommend pragmatic solutions like financial literacy courses, digital nudges, and AI-based advisory models to bridge the gap between irrational decision making and sustainable investing by Gen Z investors.

V. PROBLEM STATEMENT

Investment choices were long ago accounted for by traditional finance theory, which supposes that people act rationally and only on the available information to maximize profit. Yet research by behavioural finance finds that investor choices are influenced by emotions, heuristics and psychological biases not rational calculation. This holds specifically for Generation Z investors in India who are a fast-expanding cohort of retail players in financial markets. As digital natives, they are mostly dependent on social media platforms, peer groups as well as financial influencers ("finfluencers") for information related to investments. This reliance renders them particularly susceptible to behavioural biases like overconfidence, herding, fear of missing out (FOMO), confirmation bias, loss aversion, and fear of better options (FOBO). These biases skew their perception of risk and cause them to make ill considered, poorly diversified, or excessively risky investment choices. Meanwhile, their relatively low level of financial literacy further increases their susceptibility to these biases. The fundamental issue, hence, is to understand how behavioural biases affect investment choice-making among Gen Z investors in India and the roles of risk perception and financial literacy as potential mediators or moderators in this effect. Resolving this problem is critical for the formulation of effective interventions like financial literacy programs, behavioural nudges and regulatory policies that promote rational and sustainable investing behaviors among young retail investors.

VI. RESEARCH DESIGN

The current research employs a quantitative study with qualitative supportive features to explore the determinants of financial behavior among Indian Generation Z investors. A specific questionnaire was constructed as the main tool of data collection to identify demographic data, investment behavior, financial literacy and behavioural biases like overconfidence, herding behavior, fear of missing out (FOMO), confirmation bias, loss aversion and fear of better options (FOBO). The survey used a structured questionnaire format with Likert scale items to assess behavioural constructs, with few open-ended questions included to generate qualitative data on lived experiences and motivation.

Besides the main data, secondary data was gathered from the Review of Literature (ROL) consisting of empirical research, theoretical frameworks, and existing findings regarding behavioural finance and investment decisions of Gen Z. Secondary data was used to shape both the conceptual framework and the result interpretation, which facilitated triangulation among field data and existing research.

To analyze, descriptive statistics (mean, median, mode and standard deviation) were used to describe demographic trends and behavior patterns. Correlation analysis was used to test associations among behavioural biases, risk perception, financial literacy and investment decisions. To complement the quantitative findings. Using this approach gave us measurable patterns providing in-depth insight into how behavioural biases influence financial decision-making in this cohort.

VII. RESEARCH METHODOLOGY

7.1. Sampling Strategy

Target Group: Generation Z retail investors in India aged 18–27 years, actively involved in financial markets using digital platforms (e.g., Zerodha, Groww, Upstox, Binance) and social media (e.g., Instagram, YouTube, Twitter, Telegram, etc.) for getting information on investment.

Sampling Frame: Gen Z investors reachable mainly via WhatsApp and other messaging apps, where discussion and peer-sharing of investment-related material occurs.

Sampling Technique:

- Snowball sampling was used as well, since initial respondents recommended peers from their investment community.

Sample Size: The research was able to get more than 100 valid responses from Gen Z investors in India.

7.2. Data Collection Tools

Structured Questionnaire (Appendix 2):

Section A: Demographics & investment behavior (age, gender, education, investment experience, and primary assets).

Section B: Behavioural biases such as overconfidence, herding, fear of missing out (FOMO), loss aversion, fear of better options (FOBO), and confirmation bias.

Section C: Risk perception and financial literacy.

Measurement Scale:

- The 5-point Likert Scale (Strongly Disagree to Strongly Agree) was utilized to measure behavioural biases, risk perception and financial literacy.
- Nominal/categorical scales were employed to demographic questions.

7.3. Limitations

1. Sample Coverage: The study focuses only on Gen Z investors in urban and semi-urban, regions it may fail to represent accurately the experiences of Gen Z investors residing in rural regions or with poor internet connectivity.
2. Self-Reported Data: Relying on self-reported questionnaire responses may introduce biases such as social desirability bias, underreporting of risky behavior, or overestimation of financial literacy.
3. Intersectional Nature: Since the research is cross-sectional, it does not consider investor behavior at a specific moment in time and also overlooks changes in decision-making that may occur across different market cycles or economic conditions.

VIII. DATA ANALYSIS

8.1. Demographic Analysis

Age Split

- 18–27 years: 105 participants (dominant segment, consistent with Gen Z target).

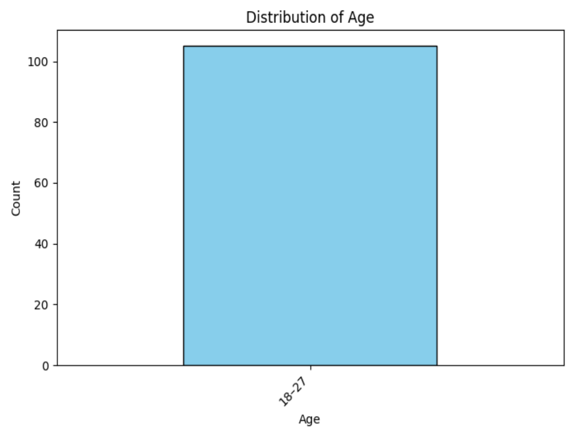

Figure 1 Graph representing Age distribution

Gender

- Female: 71
- Male: 34
- Other/Prefer not to answer: 0

The sample has a female bias, which could affect conclusions (e.g., differences in risk perceptions by gender).

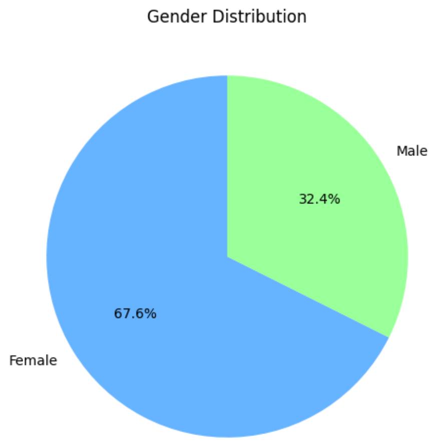

Figure 2 Pie graph representing gender distribution

Education Level

- Undergraduate: 95 (students or early professionals dominate).
- Postgraduate: 10
- Professional Course / Other: 0 recorded.

Suggests that respondents are primarily at an early stage of study or careers, consistent with Gen Z investor profiles.

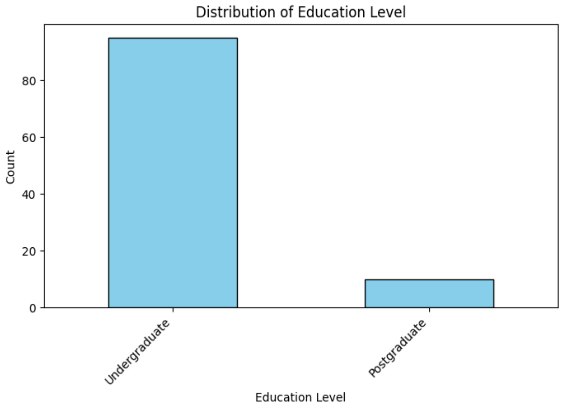

Figure 3 Graph representing the education level

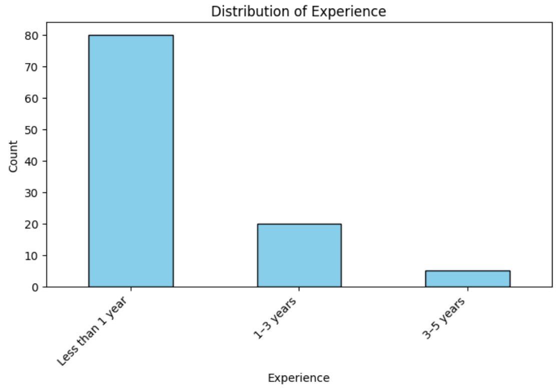

Figure 4 Distribution of the level of Experience in investing

Investment Experience

- Less than 1 year: 80 (new entrants).
- 1–3 years: 20
- 3–5 years: 5
- More than 5 years: 0 recorded.
- Most are new investors, pointing to dependence on digital media and social media for advice.

Main Investment Assets

- Equities (Stocks): 29
- Fixed Deposits / Savings: 25
- Mixed Portfolios (Equities + Mutual Funds, etc.): 34 (various combinations).
- Cryptocurrencies: 7
- Mutual Funds: 5

Equities and traditional savings are the leaders. Cryptocurrencies are niche but existing, consistent with the experimental nature of Gen Z.

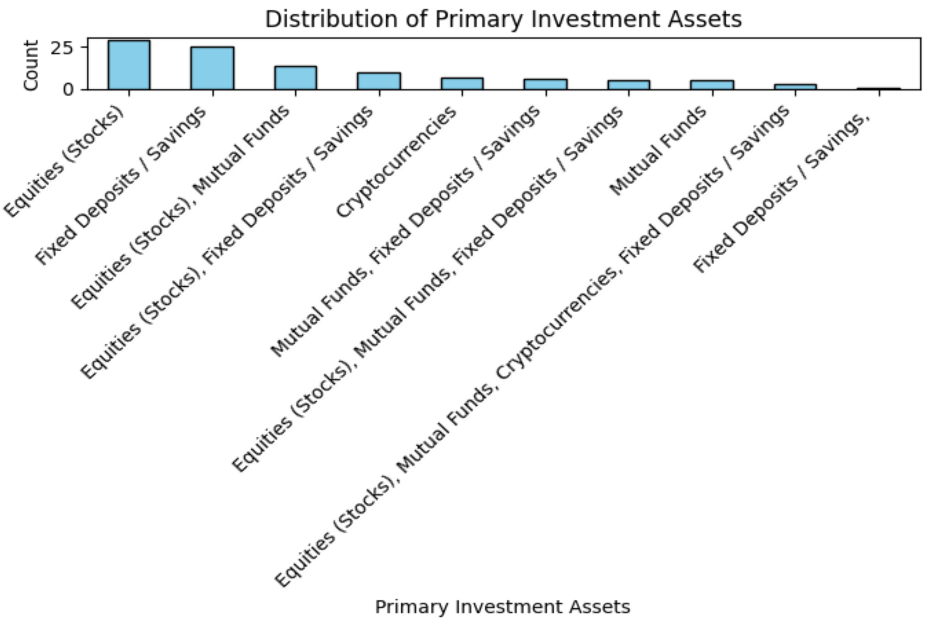

Figure 5 Distribution of Primary Investment Asset

Insights

- Young, novice investor base → The majority have <1 year of investing experience, based on digital/social inputs.
- Female dominance sample → May influence behavioural bias tendencies (e.g., risk aversion, diversification preferences).
- Traditional collides with digital → Equities + fixed deposits are in the lead, with crypto adoption being scarce but significant.
- Education stage effect → Undergraduates represent the majority, so financial literacy interventions can focus on early learning stages.

8.2. Descriptive Statistics

	Mean	Median	Mode	Std. Dev
I believe my investment knowledge is better than most of my peers.	2.93	3	2	1.32
I trade frequently because I am confident in my ability to earn profits.	2.78	3	2	1.32
I tend to invest in assets that are popular among my peers or on social media.	2.91	3	3	1.18
If many people are selling an investment, I am likely to sell too.	2.79	3	2	1.16
I feel anxious when I see others making profits from investments I did not make.	2.90	3	2	1.17
I often invest quickly to avoid missing potential opportunities.	2.74	3	3	1.14
I prefer avoiding losses over making equivalent gains.	3.50	4	4	0.94
I hold on to losing investments longer than I should, hoping they will recover.	3.16	3	3	1.08
I delay investment decisions because I keep searching for better opportunities.	2.90	3	3	1.01
I seek information that supports my existing investment beliefs and ignore contradictory advice.	2.89	3	3	0.92
I am comfortable taking risks in financial investments.	2.94	3	3	1.02
I believe diversification reduces my investment risk.	3.49	4	5	1.19
I perceive cryptocurrencies as riskier compared to stocks and mutual funds.	3.47	3	3	1.17
I understand basic financial concepts such as compounding, inflation, and diversification.	3.43	3	3	1.17
I think I have sufficient financial knowledge to make independent investment decisions.	3.13	3	2	1.16

Analysis

Central Tendency

- General agreement is moderate: Mean scores between 2.74 and 3.50 on a 5-point Likert scale reflect that respondents strongly agree moderately with statements describing investment confidence, risk-taking, and making decisions.
- High risk management agreement: Loss aversion (Mean = 3.50, Mode = 4) reflects strong preference for avoiding losses rather than making equivalent gains.
- Belief in diversification (Mean = 3.49, Mode = 5) indicates that respondents are aware of the need to distribute risk among investments.
- Financial knowledge: Respondents moderate to high level of knowledge of elementary financial notions (Mean = 3.43, Mode = 3), like compounding, diversification and inflation.

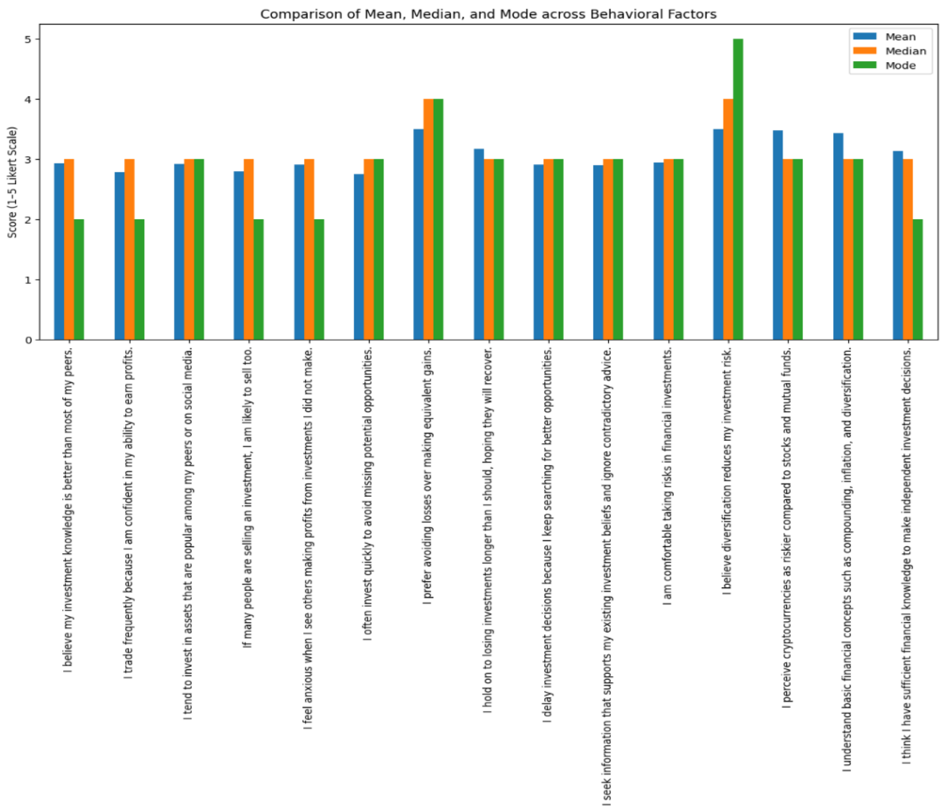

Figure 6 Comparison of Mean, Median and mode

Variability in Responses

- Moderate variability: Standard deviations are between 0.92 and 1.32, suggesting some variation in individual attitudes toward investment behavior.
- Higher variability seen on confidence items:
- Investment awareness compared to peers (SD = 1.32) and active trading due to confidence (SD = 1.32) indicate varying degrees of self-reported expertise.
- Lower variability in loss aversion and information seeking behavior: Topics evidence higher agreement among respondents (SD < 1.0).

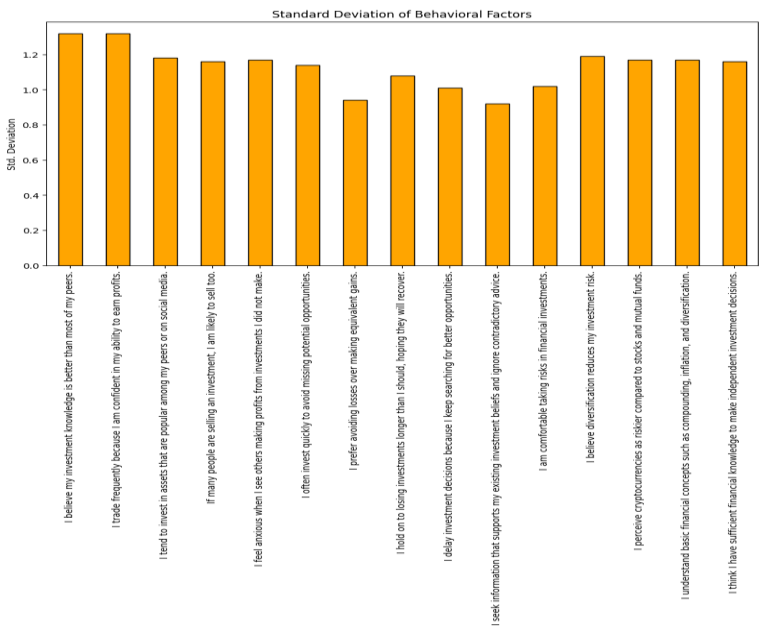

Figure 7 Representation of Standard Deviation of Behavioural Factors

Behavioural Tendencies

- Herd behavior: Partly agreement with investing in line with peer trends (Mean = 2.91) and selling when others sell (Mean = 2.79), indicative of some social influence susceptibility, but not pervasive.
- Emotional responses: Fear of lost gains (Mean = 2.90) indicates that respondents feel moderately regretful or apprehensive about missing out.
- Risk taking: A Mean of 2.94 reflects that respondents are moderately comfortable taking risks.

Insights

- High attention to risk management: Respondents tend to avoid losses and tend to diversify in their investment approach.
- Moderate financial literacy: Most of the respondents have sufficient knowledge of basic financial principles to make informed decisions.
- Limited social impact: Herding exists but does not affect investment considerably.
- Variable levels of confidence: Investment and trading self-awareness and confidence are strongly variable along the respondents.
- Conservative but moderately confident investment behavior: Indicates behavioural patterns, with a mix of risk aversion and willingness to take financial opportunities.

8.3. Correlation Analysis

Figure 8 Correlation Matrix of Behavioral Biases and factors

Strong Positive Correlations

1. Overconfidence Bias

- “I believe my investment knowledge is better than most of my peers” ↔ “I trade frequently because I am confident in my ability to earn profits” (r = 0.36)
  → Overconfident investors tend to trade more frequently.

2. Herding Behavior

- "I tend to invest in assets that are popular among my peers or on social media" ↔ "If many people are selling an investment, I am likely to sell too" (r = 0.35)
→ Peer and social influence are strong drivers of herding.

- "I tend to invest in assets that are popular…" ↔ "I often invest quickly to avoid missing opportunities" (r = 0.38)
→ Herding is linked to fear of missing out (FOMO).

3. Emotional Biases

- "I feel anxious when I see others making profits from investments I did not make" ↔ "I often invest quickly to avoid missing opportunities" (r = 0.24)
→ Anxiety leads to impulsive trading.

4. Knowledge vs Confidence

- "I trade frequently…" ↔ "I think I have sufficient financial knowledge to make independent decisions" (r = 0.30)
→ Confidence in knowledge pushes trading frequency, even if actual knowledge may not be high.

5. Risk-taking & Literacy

- "I am comfortable taking risks in financial investments" ↔ "I understand basic financial concepts…" (r = 0.26)

- "I am comfortable taking risks" ↔ "I often invest quickly to avoid missing opportunities" (r = 0.27)
→ Financial literacy and risk tolerance go hand-in-hand with quicker, riskier decisions.

Moderate Negative Correlations

- "I delay investment decisions because I keep searching for better opportunities" ↔ "I am comfortable taking risks in financial investments" (r = -0.24)
→ Risk-takers decide faster, while risk-averse investors procrastinate.

- "I hold on to losing investments longer than I should" ↔ "I think I have sufficient financial knowledge" (r = -0.23)
→ More confident/knowledgeable investors are less likely to fall for the disposition effect (holding losers too long).

Insights

- Overconfidence powerfully fuels trading activity.
- Herding & FOMO are closely linked and are enhanced by social media.
- Anxiety bias encourages reckless investments.
- Risk tolerance is related to both literacy and quick decisions, but excessive risk-taking might decrease prudence.
- Knowledge seems to be a shield against loss aversion traps.

IX. FINDINGS

1. Demographics

- Most respondents (18–27 years) validate the emphasis on Gen Z.
- Gender split is female-dominated and may influence risk perceptions and diversification attitudes.
- Most respondents are undergraduate students with less than 1 year of investing experience and a newer investor segment is dependent on peer and digital sources.
- Equities and fixed deposits are the main holdings, and cryptocurrencies are niche but popular among risk-taking investors.

2. Behavioural Biases

- Overconfidence Bias: Investors have confidence that they are smarter than others, which is accompanied by increased trading volume.
- Herding & FOMO: Peer pressure and social media cause investors to herd in the direction of the crowd, buy trending assets and sell when everyone else is selling.
- Loss Aversion: Avoiding losses is highly preferred over making equivalent gains by

respondents and tends to hold declining investments longer than is best.
- Emotional Biases: Fear of missing out and anxiety lead to impulsive investment decisions.

3. Financial Literacy & Risk Perception

- Moderate financial knowledge with some exaggeration of expertise.
- Financial literacy is positively associated with risk tolerance and diversification but negatively with loss-aversion traps.
- Risk perception acts as a mediator, risk averse people procrastinate but bold investors move swiftly.

X. RECOMMENDATIONS

1. For Policymakers and Regulators

- Roll out digital first financial literacy programs on Instagram, YouTube and Telegram to engage with Gen Z where they spend most of their time.
- Impose disclosure standards on financial influencers (finfluencers) to curtail speculation or deceptive investment tips.
- Implement default nudges on trading apps (e.g., risk alerts, long-term objective reminders) to combat impulse trades.

2. For Educators and Institutions

- Add behavioural finance modules to undergraduate and master's degree courses.
- Promote gamified simulations and trading platforms in university courses to develop real-world financial capabilities.
- Create peer mentorship networks where seasoned investors can mentor new entrants.

3. For Fintech Platforms

- Implement AI-based digital advisory solutions that recognize bias patterns (panic selling, FOMO buying, over-trading) and provide corrective suggestions.
- Make available risk visualization dashboards to enable investors to grasp diversification, exposure and volatility in real time.
- Employ behavioural nudges like concentration risk alerts and speculative trades when they breach safe limits.

4. For Investors (Self-Discipline & Awareness)

- Embrace disciplined investing routines such as SIPs (Systematic Investment Plans) to minimize emotional trading.
- Periodically monitor and record decisions to determine personal biases (e.g., overconfidence or lingering too long with losers).
- Depend on various sources of data, not social media alone, before making investments.

5. For Industry & Market Bodies (NSE, SEBI, AMFI, Crypto Exchanges)

- Collaborate with fintech and education institutions to implement Gen Z oriented awareness campaigns.
- Create certification badges for trusted finfluencers, allowing investors to distinguish sound advice from speculation.
- Offer real-time investor protection features on apps, including "high risk activity" notifications and portfolio stress testing options.

XI. CONCLUSION

This research offers robust evidence that emotions and behavioural biases, instead of rational models of choice, are key drivers of investment behavior among Gen Z investors in India. Although Gen Z is tech literate and extensively active in financial markets through digital channels, their dependence on peer groups, social media influencers and rapidly evolving online information environments exposes them highly to herding, FOMO, overconfidence and loss aversion.

The population profile shows that the majority of Gen Z investors are young, somewhat inexperienced, and early in their careers, and thus have a higher risk of falling into cognitive and emotional traps. Concurrently, their moderate but not comprehensive financial literacy creates a paradox: they have faith enough to actively trade but not always qualified to effectively hedge.

The results suggest that risk perception is a primary mediator—savvy, self-assured investors exhibit healthier investment habits, whereas emotionally or peer-led investors get caught up in pitfalls like reckless trading, bad diversification, or being long on losses.

The implications are as follows:

- For markets, unwarranted biases in Gen Z can lead to higher volatility and speculative trading, especially in crypto and meme stocks.
- For policymakers, this is a call for action in terms of interventions that combine financial education with behavioural protection in online trading platforms.
- For fintechs, this is an opportunity to inject AI-enabled, contextualized nudges that talk to Gen Z's online-first culture.

It will finally be the combined efforts of regulators, teachers, fintech platforms, and the investors themselves that will close the gap between feeling-driven, illogical decisions and long-term investment. If addressed well, Gen Z can become not only India's biggest generation of investors but also its most stable and financially empowered, ensuring long-term market stability and inclusive financial growth.

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