Understanding Gen Z Investor Sentiment in India: A Review of Behavioral, Social, and Technological Drivers

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Abstract: ***Investor sentiment- an investor's overall attitude or mood toward financial markets, is playing an increasingly important role in shaping personal investing decisions and market dynamics, especially among younger and digitally savvy cohorts. In India, Generation Z (born roughly 1997 onward) is emerging as a key investor segment, influenced by social media, fintech adoption, and shifting financial literacy levels. This paper offers a descriptive review of existing literature to identify and synthesize the main determinants of investor sentiment among Gen Z in India. Themes covered include behavioral and psychological biases, financial literacy and knowledge, social influence (peers, family, social-media "fin-fluencers"), technology and fintech adoption, and macro/market context. The review shows that while behavioral biases and social/digital influences significantly shape sentiment among Gen Z investors, financial literacy and knowledge moderate these influences and can encourage more rational decision-making. The paper concludes by highlighting gaps in current research — such as limited India-specific, cohort-focused qualitative studies — and by offering theoretical and practical implications for policymakers, educators, and fintech firms aimed at promoting informed investing among young Indians.***

Keywords: Behavioural Finance, Zen Z, Retail investment, Financial Literacy, Cognitive biases

1. Introduction

The concept of investor sentiment has gained considerable traction in behavioral finance, challenging the classical finance assumption that investors always act rationally based on fundamentals. Instead, sentiment captures the collective mood and subjective expectations investors hold regarding risk and returns, which often lead to deviations from models grounded purely in fundamentals. The foundational work by Baker and Wurgler (2007) demonstrated that waves of investor sentiment can significantly impact stock returns, especially for firms with high volatility or small-cap status, highlighting the real economic implications of sentiment-driven investing.

In India, the rapidly evolving financial landscape — characterized by widespread digitization, booming fintech adoption, and democratization of capital markets — has opened up investing to demographics that were previously underrepresented. Among these, Generation Z (born around 1997–2012) stands out as a digitally native cohort whose access to information, technology, and social media is unparalleled. Their investment behaviour, influenced by the unique fusion of psychological, social, and technological factors, warrants careful academic scrutiny. However, while there has been rising interest in youth investing, there remains a dearth of descriptive, literature-based syntheses focusing exclusively on Gen Z investor sentiment in India.

This paper aims to fill that gap. Through a systematic review of peer-reviewed journal articles and recent studies, it synthesizes key determinants of investor sentiment among Gen Z in India. By exploring behavioral biases, financial literacy, social influence (peers, family, finfluencers), fintech adoption, and contextual market factors, this review constructs an integrative conceptual framework. The paper concludes by identifying research gaps and proposing directions for future work, with implications for policy, education, and financial services.

2. Literature Review

Behavioral finance research has long documented that cognitive and emotional bias such as overconfidence, herding, loss aversion, mental accounting and anchoring systematically influence investors' decision-making, often steering them away from rational, fundamentals-based investing. In the Indian retail context, recent studies confirm the prevalence of such biases.

In a recent study conducted by Dr. Sohini Gupta (2025) on "A Study on Behavioral Biases Influencing Investment Decisions Among Retail Investors in Bengaluru City" found that overconfidence, herding, anchoring, and loss aversion significantly shaped their investment choices. Such biases tend to be more pronounced among younger or less experienced investors, who may lack the contextual or historical knowledge to counter impulsive reactions to market fluctuations.

Warkar & Durai, 2025, in paper titled "Behavioural Biases in Gen Z's Investment Decisions: Influence of Demographic Variables" focusing specifically on Gen Z in India, shows that behavioral biases remain foundational. The authors report that biases like overconfidence, herding, anchoring, and mental accounting drive investment decisions among digitally active Gen Z investors, often exacerbated by their exposure to social media content and online communities. This suggests that for Generation Z with limited lived experience of multiple market cycles sentiment formation is highly susceptible to psychological biases.

Thus, behavioral and psychological factors represent a core dimension of investor sentiment among Gen Z: rather than being solely shaped by fundamentals, sentiment is frequently driven by emotion, peer behaviour, and perceived momentum, particularly in volatile or speculative markets.

Financial literacy, both in terms of objective knowledge (e.g., understanding risk/return trade-offs, diversification, long-term investing) and subjective confidence, plays a crucial moderating role in how investors interpret information and form attitudes toward investments. An empirical study on Indian Gen Z investors found that financial literacy exerts a strong positive influence on investment intention. In this study, financial literacy influenced attitude toward investment and perceived behavioral control, which in turn positively affected investment intention (Nag & Shah, 2022). Their results imply that financially literate Gen Z individuals are more likely to form favorable attitudes and feel capable of investing.

Moreover, recent research (Vanishree et al., 2025) shows that among Gen Z investors, financial education, risk tolerance, expected returns, and prior investment experience significantly shape investment behaviour suggesting that knowledge and familiarity play important roles alongside psychological predispositions.

Taken together, the literature suggests that financial literacy and education act as stabilizing forces: higher literacy mitigates the influence of behavioral biases and helps Gen Z investors make more informed, long-term oriented decisions rather than succumbing to hype, fear, or social pressure.

In a collectivist society such as India, social influence from peers, family, and increasingly, digital communities plays an important role in shaping financial attitudes. Although empirical research on Gen Z-specific peer or family influence remains limited, general studies on youth investment behaviour in India emphasize the role of subjective norms. For Gen Z, peers and family may provide emotional support and act as informal advisors, guiding early investing decisions.

In recent years, the rise of financial-social media personalities or “finfluencers” has added a new dimension to social influence. These are individuals on platforms like YouTube, Instagram, or Telegram who share financial content from educational videos to stock/crypto tips. A study of Gen Z investors in 2025 reported that narratives disseminated by finfluencers significantly influence behavioural biases and investment decisions (Warkar & Durai, 2025). Given that many Gen Z investors rely on such content rather than traditional financial advice often due to accessibility, relatability, and digital-first orientation influence from finfluencers can substantially shape their sentiment and decision-making patterns.

Media reports echo this trend: recent coverage highlights that many Gen Z investors in India trust social media influencers over conventional financial advisors when making investment decisions (India Today, 2025). This suggests that social influence particularly via digital media is a powerful driver of investor sentiment, sometimes outweighing formal financial advice or conventional education.

The proliferation of social media and digital content platforms has dramatically changed how young investors consume financial information. For Gen Z, accustomed to instant access and constant connectivity, social media often serves as the primary source of investing news, memes, market commentary, and peer discussions.

Empirical evidence indicates that social media exposure affects risk perception, behavioural biases, and subsequently investment choices. For example, a 2024 study found that social media significantly impacts investment behavior, amplifying biases such as herding and overconfidence, and affecting how individuals perceive risk (Sathya & Prabhavathi, 2024). For Gen Z investors immersed in a fast-paced information environment, this can lead to sentiment that is more reactive, emotionally driven, and influenced by viral trends rather than fundamentals.

Moreover, as media content tends to highlight sensational stories (rapid gains, trending assets, speculative buzz), Gen Z’s sentiment may oscillate more sharply with market news cycles. Increased information volume and velocity may foster “noise trading,” where decisions are driven by sentiment swings rather than careful analysis — especially among less experienced or less literate investors.

Another significant driver of Gen Z investor sentiment in India is the rise of fintech platforms mobile trading apps, discount brokers, robo-advisors, and other digital financial services. These platforms lower barriers to entry, simplify trading processes, and offer a user experience tailored to young, tech-savvy users.

According to a 2025 study on fintech adoption among Indian youth, factors such as perceived ease of use, platform trust, and financial literacy significantly influence investment intention (Sirdar & Anitha, 2025). For Gen Z, these platforms provide not only access but also a feedback-rich environment real-time notifications, in-app charts, social-sharing features, and gamified user interfaces which may enhance emotional engagement and lead to more frequent, sentiment-driven trades.

Furthermore, fintech platforms often rely on social media marketing, promotional content, and community engagement to attract and retain users blurring the line between investment and social behavior. As a result, technology adoption does not just facilitate access to markets, it also reinforces social and psychological influences that shape investor sentiment.

Beyond individual psychology, social influence, and technology, macroeconomic conditions and overall market sentiment also contribute to shaping investor mood. Empirical research in India shows that psychological factors like media influence, herd behaviour, and risk aversion contribute significantly to market volatility and investment strategies (Chavhan & Waiker, 2025). In such contexts, individual investors especially Gen Z, may respond more strongly to overall market sentiment, news, or volatility, rather than firm-level fundamentals.

Moreover, as Gen Z investors often lack experience of long-term market cycles, their reaction to macroeconomic shocks or market downturns may be amplified by their emotional and social biases, leading to overreaction, panic selling, or herd-driven buying when markets recover. Thus, macro-level conditions and collective sentiment feedback loops act as external moderators, shaping individual-level investor sentiment.

Cross-Theme Analysis & Conceptual Framework

The review above reveals that investor sentiment among Generation Z in India emerges from a complex interplay of multiple factors:

1) **Psychological/Behavioral biases-** Overconfidence, herding, loss aversion, anchoring, and mental accounting especially among inexperienced investors.
2) **Financial literacy and education-** Crucial moderating factors that shape how information is processed and influence whether decisions remain rational or become sentiment-driven.
3) **Social influence and information environment-** Peers, family, social media, finfluencers, community discourse — shaping subjective norms and behavioral cues.
4) **Technology and fintech adoption-** Providing easy access, real-time feedback, gamified interfaces, and social features that amplify emotional engagement and impulsivity.
5) **Macro-market context and feedback loops-** Market conditions, volatility, and broader sentiment that modulate individual responses and reinforce or dampen sentiment-driven behavior.

Putting these together, a conceptual framework can be articulated (in text) as follows:

Investor sentiment among Gen Z is the outcome of interactions among internal predispositions (biases, knowledge), social and informational environment (social media, peers, influencers), technological enablers (fintech platforms), and external market context — with financial literacy acting as a key moderating or stabilizing force.

This framework suggests that sentiment-driven investing among Gen Z is not monolithic: for some, literacy and education may foster disciplined, long-term investing; for others, social media and fintech-fueled impulsivity may encourage speculative, short-term trading.

3. Research Gaps

Despite growing research interest, the literature reveals several important gaps:

1) **Limited cohort-specific qualitative studies:** While several quantitative surveys exist, there is a scarcity of qualitative research (interviews, focus groups, ethnographic studies) that delve into motivations, narratives, and emotional drivers among Gen Z investors in India.
2) **Lack of longitudinal studies:** Sentiment and behavior may evolve over time — especially as investors gain experience or as market conditions change — but few studies track Gen Z investors across time.
3) **Under-representation of socio-economic and regional diversity:** Most studies sample from urban or semi-urban populations; there is limited evidence about Gen Z investors from rural or lower-income backgrounds, which may exhibit different sentiment dynamics.
4) **Sparse integration of social media content analysis & fintech behavioral study:** While many studies examine fintech adoption or social influence separately, comprehensive frameworks combining social media exposure, fintech usage, behavioral biases and market outcomes remain rare.
5) **Insufficient focus on long-term vs short-term investment behavior:** Much emphasis is on investment intention or entry into markets, but fewer studies examine how sentiment influences long-term investing vs short-term speculative behavior among Gen Z.
6) **Regulatory, educational, and policy-oriented research is minimal:** There is demand for research exploring how regulatory interventions, financial education programs, or fintech platform design can shape sentiment and promote responsible investing among youth.

Addressing these gaps could deepen understanding of how digital natives engage with financial markets — valuable both for academia and practitioners.

4. Theoretical Implications

This review extends classical behavioral finance theory into the context of a digital-native, emerging-market cohort (Gen Z in India), highlighting how traditional psychological biases remain relevant, but are now intertwined with technological and social/digital influences. The proposed conceptual framework offers a multi-layered model that accounts for internal, social, technological, and macro-level determinants of investor sentiment — offering a holistic lens rather than a uni-dimensional focus.

By emphasizing the moderating role of financial literacy, the framework suggests pathways for future theoretical development around "sentiment-resilient investing" that integrates education, technology design, social influence, and market understanding. This approach can enrich behavioral finance, investor psychology, fintech adoption research, and emerging markets studies.

5. Practical and Policy Implications

The insights from this review have important implications for several stakeholders:

- **Fintech platforms and brokers:** Should design user interfaces and services that encourage informed decision-making — for instance, integrating educational modules, risk-disclosure prompts, cooling-off periods, or "nudges" to discourage impulsive trades.
- **Regulators and financial educators:** Need to prioritize financial literacy programs tailored for Gen Z — including school/university curricula, digital literacy

campaigns, and public awareness efforts — to build a foundation for rational investing.

- **Influencer regulation and content oversight:** Given the growing role of "finfluencers," industry bodies or regulators may consider guidelines or self-regulation frameworks for investment-related content to ensure responsible communication and mitigate hype-driven risks.
- **Researchers and academics:** Encouraged to conduct cohort-specific, longitudinal, qualitative and mixed-method studies to deepen understanding of how sentiment evolves over time, across socio-economic strata, and in different market conditions.
- **Young investors themselves / parents:** Awareness about the psychological and social influences on investing can foster more informed, disciplined strategies — emphasizing long-term goals, diversification, and critical evaluation rather than chasing trends.

6. Conclusion

Generation Z — India's first truly digital-native generation — is rapidly emerging as an influential cohort in capital markets. Their exposure to social media, fintech tools, peer influence, and market noise makes their investment behavior and sentiment distinct from prior generations. This descriptive review synthesizes literature on behavioral biases, financial literacy, social influence, fintech adoption, and market context to construct a comprehensive conceptual framework explaining factors shaping investor sentiment among Gen Z in India.

While behavioral and psychological biases remain central, financial literacy and education emerge as key stabilizers. The influence of social media and fintech — often interlinked — adds new layers of complexity, amplifying social and emotional drivers of sentiment. Given the dynamic digital and economic environment, it is critical for regulators, educators, fintech firms, and researchers to respond with policies, tools, and studies that promote informed, responsible, and long-term investment behavior.

This paper lays the groundwork — but much remains to be explored. Future research should address the identified gaps with diverse, longitudinal, and qualitative designs; fintech and social-media content analyses; and broader socio-economic coverage. Only then can we fully understand and guide the evolving phenomenon of Gen Z investing in India.

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