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Research Article

Factors Influencing Investment Behavior of Millennial Investors in the Stock Market in Bangalore Urban

K Prajwal[1]*, Sushma B S[2] and Chandrakala D P[3]

Abstract

The stock market behavior of millennials investors in Bangalore Urban is influenced by risk tolerance, financial literacy, peer influence, and technology. This study helps in understanding the status of millennials' investment behavior and decision-making processes in the market. Data were collected through 284 structured questionnaires, which were analyzed using KMO and descriptive statistics. The results indicate that risk tolerance significantly influences which types of investments millennials opt to make, and the higher financial literacy scores positively correlate with increased investment activity. The research further indicates that millennials like self-directed investment and nearly rely on digital platforms and online information sources. Moreover, the analytical relationship of the constructs as portrayed by SEM also brings out the connection between the constructs. The results of the study highlight that the millennials base major decisions for investment on the perceived risk and financial literacy. This paper contributes to the overall body of behavioral finance research by shedding light upon the influence of gender dynamics and financial market performance as elements underpinning the current importance of financing literacy and perceived risk in fostering greater investment participation in millennials.

Keywords: Financial Literacy, Investment Decision, Stock Market Simulation, Investment Behaviour, Income, Behavioural Finance.

Introduction

Investment behavior of millennials, especially those who live mostly in urban centers such as Bangalore, has been the main focus lately. All that has been utilized by traditional finance theories in coming up with their approaches bases their reasoning on the fact that investors are rational and make decisions strictly based on the information available to them. However, behavioral finance does recognize that even the rational investor would make some irrational decisions for a variety of psychological factors and biases. That study would investigate how such psychological biases come in the way of the investment behavior of millennials, who habitually fail to follow wise financial conduct as identified through these cognitive biases. This research draws inspiration from the growing generation of millennial investors, especially within cities like Bangalore Urban. Habitudes of investment among millennials vary because the easy availability of various financial products in addition to the trading platforms on the internet. In this regard, the critical factors that have an influence on the investment decisions of millennials are crucial aspects with which they negotiate complexities of the stock market (Ansari, Jamgade and Sushma, 2020). This research paper will elaborate on the investing attitude of these age groups in response to factors such as risk tolerance, peer pressure, the financial literacy level, and influence from technology (Goel et al., 2023; Patel & Shah, 2022).Indeed, one of the most prominent limitations of this paper is the huge lacuna of in-depth

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[1] *Student, Faculty of Management and Commerce, Ramaiah University of Applied Sciences, Bangalore, India
[2] Assistant Professor, Faculty of Management and Commerce, Ramaiah University of Applied Sciences, Bangalore, India
[3] Assistant Professor, Faculty of Management and Commerce, Ramaiah University of Applied Sciences, Bangalore, India

knowledge related to the factors that would determine the investment decisions of the millennials in Bangalore Urban (Das & Saha, 2021). Though it is the most growing age group accessing the financial markets, till now quite meagre research has been done in this particular area about the investment behavior of this very particular group (Rai & Sharma, 2023; Sen & Banerjee, 2022). Therefore, the purpose behind this paper is to fill up the gap by doing an intense psychological and socio-economic investigation of the various factors influencing the investment approach of millennials (Letters and Sciences, 2024). This further makes the research important, as financial literacy is another term for financial capability, and this forms an important role in protecting the long-term financial welfare of individuals during an age of rapid technological advancement and dynamic market situations (Grover & Kumar, 2022; Menon et al., 2023). This study explains the relation of different factors influencing millennial investors in Bangalore Urban and provides recommendations on financial literacy programs and strategies toward investments, tailored to their needs and preferences, as Narayan et al. (2023) and Ramachandran and Suresh (2024) suggested. This study would not only add rich academic discussion to it but would also give practical insights to the financial advisors, developers of applications, and policymakers regarding the new generation of investors. (Mishra & Goyal, 2023; Pandey & Vyas, 2023).

Literature Review

Shaik, M.B., Kethan, M. and Jaggaiah, T. (2022). The study tries to show that though they are aware of the wide range of investment options, they have a tendency to always favor low-risk options like bank deposits and insurance. Factors like interest rates, economic conditions, and the assumed safety of investments play a big role in their decisions. The study makes the point that it might be more difficult to generalize the results if Bangalore is the only big city on which the research is conducted. In order to gain a deeper understanding of the investment habits of IT professionals, the authors propose that future research should encompass a greater variety of locations. Supraja, S. and Kanakaraj, M.R. (2024). The authors stress the value of the financial literacy in assisting IT professionals in making wiser investment choices. After reviewing the literature, they discovered some gaps, most notably the absence of strong data establishing a connection between financial education and real investment results (Raghu and Bs, 2024). Although their research indicates a favorable relationship between better investment decisions and financial literacy, the results are not entirely conclusive. This is primarily due to their reliance on previously conducted research and narrow focus on a single group. Notwithstanding these drawbacks, the findings imply that focused training initiatives could assist IT professionals in investigating more lucrative investment opportunities and making wise financial choices. Kumar, L.K. and Kethan, M. (2023). In this study investigates the ways in which emerging technologies and the rapidly evolving Fintech sector are influencing consumer behavior and market dynamics. The writers highlight important areas for innovation in financial services, like increasing accessibility and enhancing customer experiences. They however, also touch on important issues that businesses must deal with, such as data privacy and regulatory compliance. Even though the study offers insightful information, it also recognizes the drawbacks of depending solely on secondary data and recommends further primary research to gain a deeper understanding of consumer behavior in the Fintech ecosystem. This would make it easier to understand the current trends and difficulties on a depth and more accurate level. Prakash, N. and Alagarsamy, S. (2022). Here in this study there is a focus on B-school students, this study illustrates the disparities in outcomes in stock market investments depending on gender, income, and socioeconomic status. Results show that while students trade more frequently but receive lower returns, students from wealthier families typically perform better. The study also looks at how income affects stock exchange trends, and it finds differences related to socioeconomic status. Its drawbacks, however, include a small sample size derived from a single university, indicating the need for more extensive studies involving a range of demographics to enhance our comprehension of the patterns of investment behavior across various socio - economic and gender. Mulasi, A., Mathew, J., and Desai, K. (2022). The authors highlight the relation between changes in people's risk tolerance and investing strategies and financial stress. They support a flexible approach to investing, particularly in light of the rising volatility of the market. The results highlight the significance of comprehending psychological aspects of investing behavior, such as the ways in which financial strain can cause changes in risk tolerance and approach to making decisions. This same dependence on self-reported data, that can introduce biases or inaccuracies, may compromise the reliability of the results, despite the fact that these insights are valuable for creating customized financial advice and interventions. This emphasizes the need for additional research using more objective metrics and warn in interpreting the findings.

Objectives

- To critically identify and the factors affecting on investment behavior of millennials
- To develop a model by establishing the relationship on investment behavior of millennials

Method and Methodology

The purpose of the study was to ascertain the factors influencing the stock market behavior of millennial investors in Bangalore. A thorough literature review was done before any research was done. In order to identify important factors regarding millennials' investment behavior, it involved compiling and analyzing previous research. The study's goal in reviewing this literature was to establish a strong theoretical framework that would direct the research strategy and goals, guaranteeing that the inquiry was firmly based on earlier discoveries.

The study utilized a methodology to directly address the study's objectives after finishing the literature review. Finding the variables that affect investment behavior, giving these variables a critical analysis, and developing a model that illustrates their relationships were the main objectives. The researchers used Google Forms to create a survey in order to collect original data. They were able to gather 284 responses and reach a larger audience with this method. The survey comprised items intended to use factor analysis to uncover underlying connections between various influences on investing behavior. A survey design targeting Bangalore's millennial population with differing degrees of financial literacy was the main tool used to collect data. JMP SEM (Structural Equation Modeling) software was used by the researchers to analyze the data after gathering the responses. The selection of this software was based on its capacity to assess intricate models and connections, a crucial aspect of comprehending the intricate aspects of investment conduct. In order to provide a better understanding of how variables like financial literacy, risk tolerance, peer pressure, and technology affect investment decisions, the analysis included

Data Analysis:

Identifying Factors Affecting Investment Behavior of Millennials

Important variables influencing millennials' stock market investing decisions were examined in the study. One of the important discovery was the importance of a Financial Literacy in boosting self-assurance and assisting with prudent investing. When it comes to investing, millennials who are financially savvy are more always likely to look beyond safe, low-risk options. The other important component is Risk Tolerance, individuals that can tolerate an higher levels of risk tend to trade more actively in the stock market. Here the peer influence is as an important as well because many people consult friends before making financial decisions. Millennials are increasingly using digital platforms to invest, which enables them to make better decisions.

Ultimately, the research indicates that Technology and Accessibility are becoming critical. All things considered, millennials' Investment Behavior is influenced by a combination of their peers and technology, as well as their level of financial literacy and risk tolerance.

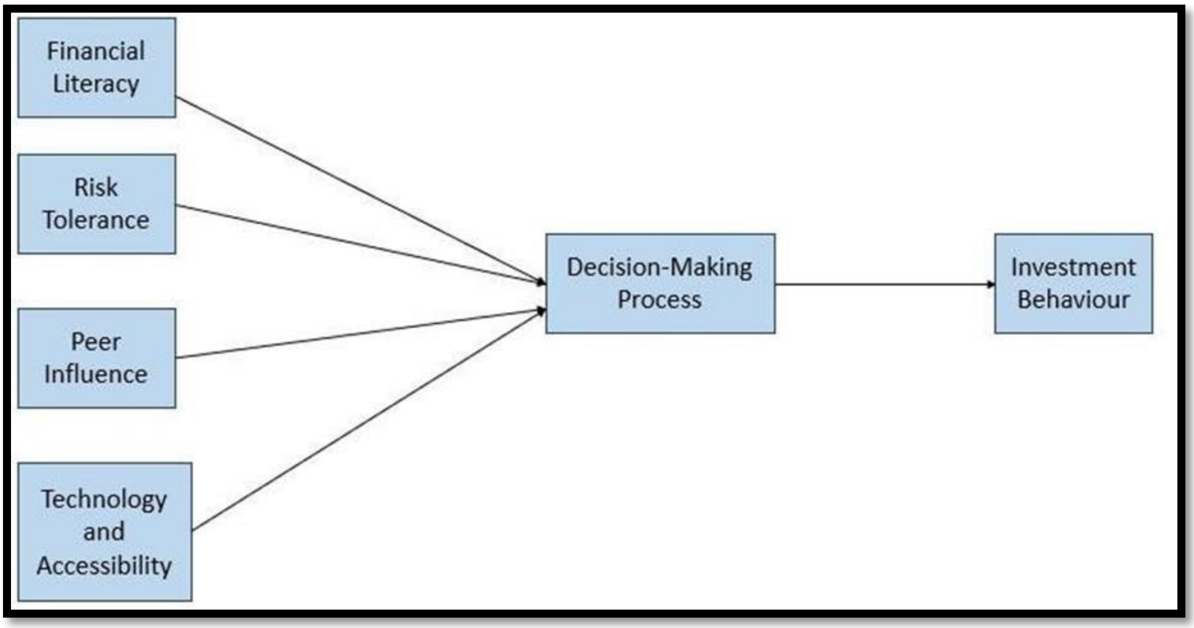

Figure 1: Conceptual framework

Financial Literacy: The more financially literate millennials will be, the better placed they would be to make more rational and profitable investments as they would be able to assess risk and returns better. EFA reveals that the more financially literate are more likely to invest in complex instruments like stocks and mutual funds, necessitating targeted financial education programs.

Risk Tolerance Ability: Risk tolerance is a multi-dimensional factor and affects the willingness of millennial investors to take on risk for better returns. The EFA shows that higher risk tolerance will result in higher involvement in the stock market with lower perceived risks, increasing the likelihood of equity investments.

Peer Influence: Millennials take the influence of their social network very seriously in investment decisions and prefer peer advice on whatever basis such advice is sought. EFA cited that millennials tend to consider the majority opinions of peers over professional guidance; the era of digital communications hasn't been helping EFA.

Technologies: It is due to the use of digital platforms and apps that drive the investment behavior of millennials, thereby making the access of the stock market easier. EFA has revealed that technological convenience is one of the greatest factors that lead to influencing millennial investment decisions along with user-friendly interfaces and real-time information

Hypothesis

H1: Financial Literacy has a significant impact on Decision-Making Process
H0: Financial Literacy does not have a significant impact on Decision-Making Process
H2: Risk Tolerance has a significant impact on Decision-Making Process
H0: Risk Tolerance does not have a significant impact on Decision-Making Process
H3: Peer Influence has a significant impact on Decision-Making Process
H0: Peer Influence does have a significant impact on Decision-Making Process
H4: Technology and Accessibility has a significant impact on Decision-Making Process
H0: Technology and Accessibility does not have a significant impact on Decision-Making Process
H5: Decision-Making Process has a significant impact on Investment Behaviour
H0: Decision-Making Process does not have a significant impact on Investment Behaviour

Demographic Variables of Millennials

Demographic characteristics of the millennial respondents to the study as depicted by the descriptive statistics in the table are that age falls primarily within the 27-30 age range at 55.3%, followed by those falling within the 35-38 range at 34.5%. Few participants fall within the 31-34 bracket (8.5%) and 39-41 age range 1.8%.

Of the gender breakdown, 85.2% are male respondents, while 14.8% were female respondents. Based on the educational qualifications, it would be able to infer that the majority had a Master's Degree, which falls within the extent of 62.7%. The second category entails respondents who have a Bachelor's Degree-31.7%. A smaller segment has received a High School education amounting to 4.6%. Only 1.1% of respondents held a Doctorate degree.

Table 1: Demographic Variables of Millennials

Demographic Variables – Millennials			
Cronbach's Alpha		0.8507	
Kaiser-Meyer-Olkin (KMO)		0.860	
Bartlett's test		< 0.001	
		Level of Frequency	**%**
Age	**27 - 30 years**	157	55.3
	31 - 34 years	24	8.5
	35 - 38 years	24	34.5
	39 - 41 years	5	1.8
Gender	**Male**	242	85.2
	Female	42	14.8
	Prefer not to say	nil	nil
Educational Qualification	**High School**	13	4.6
	Bachelor's Degree	90	31.7
	Master's Degree	178	62.7
	Doctorate	3	1.1
Occupation	**Employed**	269	94.7
	Self-employed	13	4.6
	Unemployed	2	0.7
Monthly Income	Less than ₹50,000	6	2.1
	₹50,000 - ₹100,000	50	17.6
	₹100,000 - ₹1,50,000	80	28.2
	₹1,50,000 – 200,000	107	37.7
Marital Status	More than 200,000	41	14.4
	Single	148	52.1
	Married	136	47.9
	Prefer not to say	nil	nil

Occupation-wise, a total of 94.7% respondents are employed, while 4.6% are self-employees and a very small number of 0.7% are unemployed. The monthly income figures presented show that 37.7%

of the respondents had a monthly income between ₹100,000 and ₹200,000, while 17.6% of the respondents reported having their monthly income between ₹50,000 and ₹100,000. A very few 2.1 % of the respondents earn less than ₹50,000. And also 14.4% have an income that is more than ₹200,000. Finally, marital status data indicated that the greatest percentage of the respondents are single with 52.1%, while the rest of them-47.9%-are married. These descriptive statistics have proven to be useful in shedding light on the demographic profile of the sample and hence become a starting point for further analysis.

Reliability of the Questionnaire

Cronbach's Alpha value for the 284 responses we received was 0.8507, according to the analysis. The score here indicates that there is a good internal consistency in the questionnaire, which suggests that the questions are probably measuring the same thing. We used the Kaiser-MeyerOlkin (KMO) measure and the Bartlett's Test to determine whether the data that we collected was appropriate for factor analysis for further study. The KMO measure is with a value of 0.860. The result implies that the data appears to fit well for factor analysis, since values greater than 0.60 are deemed appropriate for this kind of analysis. Bartlett's test revealed a strong result with $p < 0.001$, which we examined.

Composite Reliability was used to measure the overall reliability of the constructs, offering an alternative to Cronbach's Alpha. Values above 0.7 indicate good reliability (Hair et al., 2010), CR value above 0.7 indicates that the construct has good internal consistency, meaning the indicators adequately represent the latent variable. The HTMT values were also evaluated, and all values were below the threshold of 0.85, suggesting adequate discriminant validity (Henseler et al., 2015) it confirms discriminant validity, indicating that your constructs are sufficiently distinct. Convergent validity was evaluated by examining the Average Variance Extracted (AVE). AVE values above 0.5 indicate that the construct explains more than half of the variance of its indicators (Fornell & Larcker, 1981)

Structural Equation Model (SEM) - Relationship

The analysis carried out as part of structural equation modeling (SEM) to try to investigate the different ways in which various factors influence millennials' decision-making when making investments. Determining the factors influencing their investment behaviors requires an understanding of these relationships.

Financial Literacy with a coefficient of 0.480, the analyses showed a favorables correlation between financial literacy and decision-making. A p-value of 0.2194, however, indicates that this relationship was not statistically significant. This indicates that while millennials appear to benefit from greater financial literacy in terms of making better investment decisions, the effect is not significant enough to be regarded as consistent. It implies that making better investment decisions might not result from merely raising financial literacy.

Risk tolerance with a 0.117 coefficient of determination. This indicates a marginally positive influence on decision-making, suggesting that millennials who are more willing to take on risk may choose to invest in slightly better ways. But the effect is negligible, suggesting that their decisions are not significantly influenced by their risk tolerance.

Conversely, personal influence yielded an unexpected outcome. The significant p-value for the coefficient was 0.0084, and it was -0.218. This inverse relationship implies that social influences—such as recommendations from friends and family—may potentially impede the making of wise financial decisions. It appears that millennials may be influenced by subjective beliefs, which could result in bad stock market decisions. Sufficient to be regarded as trustworthy. It implies that making better investment decisions might not result from simply raising financial literacy.

Technology and Accessibility This factor, which had a coefficient of 0.637, demonstrated a strong and noteworthy influence on decision-making. This finding is promising since it shows that millennials' capacity to make wise investment decisions is greatly increased when they have access to user-friendly technology. Being digital natives, millennials place a high value on the accessibility of user-friendly platforms when making decisions.

Lastly, with a coefficient of 0.527 and a p-value of less than 0.001, the analysis demonstrated that decision-making has a significant and favorable impact on the intention to purchase investments. This implies that millennials are more likely to invest if they can make better decisions. It emphasizes how crucial it is to develop decision-making abilities since doing so will increase one's propensity to make investments.

In SEM study's regression analysis provided insight into the different aspects influencing millennials' investment decision-making. Although risk tolerance and financial literacy play a role, decisions can be adversely impacted by personal factors. Significantly, accessibility and technology were found to be highly favorable elements, proving the importance of digital tools in improving decision-making. Lastly, better decision-making is essential to motivating millennials to make investments, highlighting the necessity of tools and resources to help them learn about the world of investing. Comprehending these associations enables us to customize approaches that can efficiently assist millennials in selecting more prudent investments.

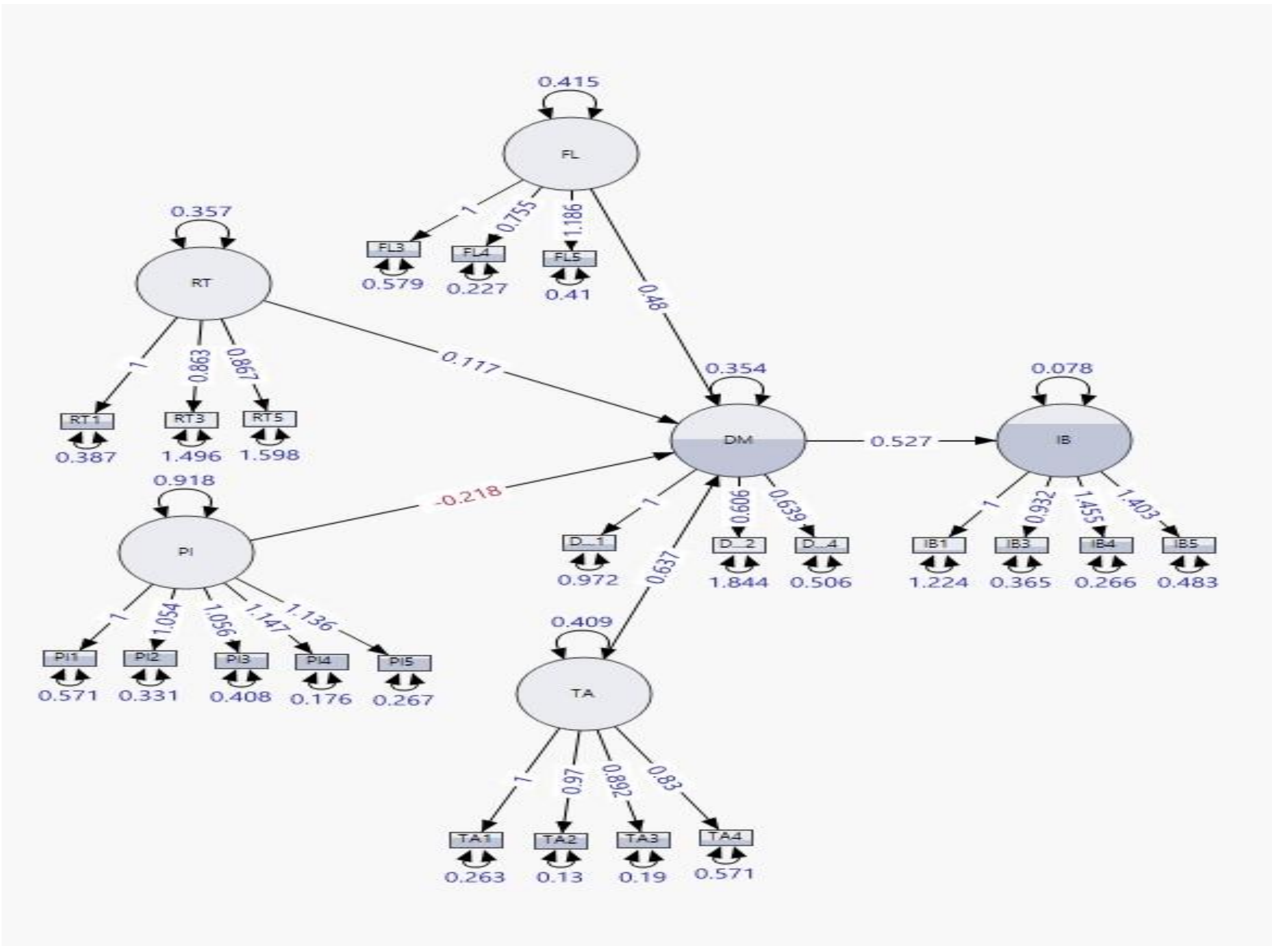

Figure 2: Structural Equation Model - Relationship

The Model Fit Indices gave a fairly good fit to the suggested model. The Comparative Fit Index is 0.912, which is a good degree of fit because it approaches 1, which means that accurate relationships are observed among the variables studied. The value of the Root Mean Square

Error of Approximation is 0.069, which is highly acceptable because it lies below the conventional value of 0.05. Besides, a non-significant Chi-Square test value (Prob>ChiSq = 7.7676e-24) also implies that the difference of the predicted and observed data is nonsignificant, thereby the model adequacy is confirmed.

Table 2: Hypothesized

Hypothesis	Estimate	Std Error	p-value	Results
FL □ DM	0.4801235	0.3909406	0.2194	Supported
RT□ DM	0.1169717	0.4009155	0.7705	Supported
PI□DM	-0.21774	0.0826244	0.0084	Not Supported
TA□DM	0.5270929	0.0933831	<.0001	Supported
DM□ IB	0.6374285	0.1195708	<.0001	Supported

The hypothesis testing results provide insight into the influence of the involved factors on DM and IB by millennial investors. They do offer evidence in support of the influence of FL on DM, an estimate value of 0.4801, although the effect, as indicated by the p-value of 0.2194, is not statistically significant. Risk Tolerance also has a positive correlation with DM, as estimated at 0.1169, though the p-value is 0.7705; thus, the relation is not statistically significant in this case either.
On the other hand, Peer Influence (PI) has a negative relationship with DM, and the estimate for that is -0.2177, with a p-value of 0.0084; therefore, this hypothesis was not supported, meaning peer influence was not significant to the decision-making process within this context. However,
Technology and Accessibility have proven to have a very strong and statistically significant impact on DM, estimated as 0.5271 and with a p-value less than 0.0001, therefore qualifying the latter as irreplaceable.
Lastly, there were significant, positive impacts of the DM on IB with an estimated value of 0.6374 and a high p-value of less than 0.0001, which indicates that how decisions are made is deemed to play a crucial role in forming investment behavior among millennial investors. Peer influence was found to be less relevant in investment process; instead, both technology and the decisionmaking process took center stage.

Conclusion

The study investigates significant variables that influence millennial investors' actions in Bangalore's urban stock market. The main conclusion is that financial literacy has a big influence on investing choices. Millennials who are knowledgeable about financial tools and concepts typically create more diversified and well-informed investment portfolios. Conversely, people with less financial literacy frequently stick to a small number of standard choices. This relationship demonstrates that motivating younger investors to engage in the stock market requires a strong foundation of knowledge. Thus, raising the standard of financial education is essential to encouraging millennials to make more thoughtful and self-assured investment decisions. Risk tolerance is another significant factor that the study emphasizes. Studies here indicates that a millennials who have shown a greater willingness to take a calculated risks that are also more likely to engage in active stock market investing. This suggests that in order for to make a wise investment decisions, one must be aware of their level of comfort with risk. Millennials are capable of making decisions that are in alien with their comfort levels and financial objectives if they can make accurately gauge their level of risk appetite.
Peer recommendations also play a big impact on how millennials behave when it comes to investing, especially for those who might be new to it. Before making an investment, a lot of young investors seek advice from friends and family. This generation's reliance on social networks indicates the value of mentorship and guidance in the investing world. More seasoned investors can assist less seasoned millennials in navigating the intricacies of the stock market by creating a supportive environment.
Furthermore, the results highlight how crucial technology and user-friendly platforms are to millennials' increased accessibility to the stock market. The accessibility of digital tools has enabled

youthful investors to make well-informed investment decisions by conducting research with ease. According to this study, rather than the depending on a exclusively on conventional financial advisors, this generation tries to prefer to be in charge of their investment decisions and frequently uses online resources. This move toward self-directed investing serves as an example of how technology is changing the nature of investing.

For financial experts expectations and desires legislators looking to address the unique of millennial investors, these insights are priceless. By comprehending these elements, they can create plans that encourage young people to have proactive and financially literate investing habits. This study concludes by identifying important aspects of millennials' investment behavior, including the significance of technology, peer influence, risk tolerance, and financial literacy. Future studies that try to comprehend the shifting characteristics of millennial stock market investors can build on these findings. Through further investigation of these variables, scholars can contribute to the establishment of a more advantageous and productive investment climate for this expanding group, which will ultimately result in improved investment results for millennials in Bangalore Urban and elsewhere.

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