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A Study On Factors Influencing Millennial Investors In Indian Capital Market

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Abstract

In recent years, millennial investors have shown a positive shift in financial awareness and participation in the capital market, driven by career growth, personal aspirations, and economic independence. Traditionally, investors preferred safer assets with stable returns; however, millennials are increasingly exploring diverse investment avenues, reflecting a change in traditional investing patterns. This study aims to identify the factors influencing millennial investment behavior, with a focus on their risk preferences, awareness of capital market products, and investment strategies. The research adopts an analytical approach, using primary data collected from 322 respondents within Agartala city through random sampling. The findings indicate that while many millennial investors lack comprehensive awareness of the wide range of capital market instruments, they are actively seeking to enhance their knowledge through webinars, digital platforms, and other financial literacy initiatives.

Introduction

The Indian capital market has undergone a remarkable transformation in recent decades, driven by globalization, technological advancements, and the increasing role of young investors. Among them, millennials—individuals born between 1981 and 1996—constitute a distinct cohort with unique investment preferences and financial behaviors (Bapat, 2020). Unlike earlier generations, millennials are more digitally savvy, career-oriented, and open to experimenting with diversified financial instruments, which has reshaped traditional patterns of savings and investments in India (PwC, 2019).

Millennials' participation in capital markets is influenced by several factors, including financial literacy, accessibility of digital platforms, risk perception, and peer or social media influence (Kumari & Sar, 2021). Studies indicate that this generation is more inclined toward short- to medium-term wealth creation compared to the conservative long-term orientation of their predecessors (NCAER, 2020). Additionally, the democratization of investing through mobile trading applications, mutual fund platforms, and digital education tools has lowered entry barriers and encouraged broader millennial participation (Raut & Das, 2020).

Despite these opportunities, gaps remain in millennials' knowledge of capital market products and their ability to adopt informed investment strategies. Many young investors rely heavily on online forums, peer discussions, and social media rather than professional advice, which may expose them to risks (Pew Research Center, 2019). Understanding the factors influencing millennial investment behavior is therefore crucial for policymakers, financial institutions, and regulators to design effective financial literacy initiatives and inclusive investment strategies.

This study seeks to explore the elements that shape millennial investors' risk preferences, awareness of capital market products, and investment strategies, with a focus on identifying the challenges and opportunities in their participation in India's capital market.

Problem Statement

The Indian capital market has witnessed significant growth in terms of participation, accessibility, and financial innovation in recent years. With the rise of digital platforms and increased availability of financial products, millennials have emerged as a critical segment of investors. This generation, characterized by their technological orientation, career aspirations, and exposure to global trends, is reshaping the traditional investment landscape. (Deb et. al 2023).

However, despite their growing interest in investing, many millennials still lack adequate awareness and understanding of capital market products, risk management, and long-term wealth creation strategies. Their decisions are often influenced by social media, peer networks, and short-term profit motives rather than professional guidance or financial planning. This behavior may expose them to higher financial risks and reduce the potential for sustainable wealth accumulation.

Moreover, existing research on millennial investment behavior in India remains limited compared to developed markets, leaving a knowledge gap in understanding how factors such as financial literacy, risk perception, digitalization, and socio-economic influences affect their investment choices. Identifying these factors is crucial not only for bridging this gap but also for assisting policymakers, regulators, and financial institutions in formulating strategies to enhance financial literacy, investor protection, and long-term participation of millennials in the capital market.

Thus, the problem lies in the insufficient understanding of the behavioral, social, and technological factors influencing millennial investors in India, which creates challenges for both individual financial well-being and the development of an inclusive capital market ecosystem.

Literature Review

Millennial investors have become a crucial demographic in reshaping capital market participation. Researchers have highlighted multiple factors such as financial literacy, digital access, risk perception, and peer influence that determine their investment behavior.

Bapat (2020) examined millennial investment patterns in India and observed that while this group shows strong interest in wealth creation, their knowledge of capital market instruments remains limited, leading to reliance on short- term and digital-driven investments. Similarly, Raut and Das (2020) found that fintech platforms, particularly mobile-based applications, significantly influence millennials' investment decisions by lowering entry barriers and providing easy access to financial products.

Financial literacy has emerged as a recurring theme in understanding millennial investment behavior. Kumari and Sar (2021) highlighted that millennials with higher financial awareness demonstrate more rational investment choices and diversified portfolios. Jain and Mandot (2012) earlier noted that risk tolerance levels, combined with financial education, directly shape investment preferences among younger age groups.

Risk perception has been another area of focus. Sultana (2010) reported that younger investors exhibit moderate to high risk-taking ability compared to older investors, but their choices are often guided by peer advice and trends rather than systematic analysis. Chavali and Mohanraj (2016) further added that behavioral biases, such as overconfidence and herd behavior, strongly affect millennial investors' capital market decisions.

The role of digitalization is equally significant. PwC (2019) reported that millennials prefer online trading platforms and robo-advisory services due to convenience and transparency, though this often substitutes for traditional financial consultation. NCAER (2020) emphasized that changing savings patterns and aspirations for faster wealth creation drive millennials toward equity markets and mutual funds, departing from the conservative preferences of previous generations.

On the social side, peer influence and social media play a key role in shaping millennial investment choices. Pew Research Center (2019) highlighted that millennials worldwide, including in India, are more likely to seek investment information from peers and online forums than from certified professionals. Additionally, Arora and Marwaha (2014) found that demographic factors such as income, occupation, and education significantly influence risk-taking behavior among young investors.

Collectively, these studies underscore the complexity of millennial investment behavior, shaped by financial awareness, risk attitudes, technology adoption, and socio-demographic factors. While the opportunities for their participation in capital markets are expanding, a lack of structured financial knowledge and reliance on informal channels remain challenges that need to be addressed.

Objectives

I. To study the demographic profile of millennial investors.

II. To identify the major constraints faced in capital market participation.

III. To analyze the personal motivations for trading and investing.

IV. To test whether share trading leads to significant income growth.

V. To examine differences between trading and investing with respect to economic factors.

Hypotheses

H_{01}: There is no significant increase in income by doing share trading. H_{02}: There is no significant difference between trading and investing with respect to economic factors (interest rates, inflation, gold prices, exchange rates, government policies, FIIs, and DIIs).

Research Methodology

The present study is analytical in nature and seeks to examine the factors influencing millennial investors' awareness of capital market products, trading strategies, and risk perception. Both primary and secondary data were utilized to ensure a comprehensive understanding of the subject.

Primary data was collected through a structured questionnaire administered to 350 millennial investors residing within the Agartala City limits. The questionnaire included items related to demographic characteristics, investment preferences, risk tolerance, and the level of awareness about various capital market instruments. A random sampling approach was employed to specifically target millennial respondents actively engaged in or interested in capital market investments. After collection of the data and data cleaning of the received data only 322 were valid to go ahead with the analysis required for meaningful conclusion of the study.

Secondary data was obtained from journals, research articles, reports, and publications from organizations such as SEBI, NCAER, PwC, and other relevant financial studies. These sources provided theoretical support, contextual background, and insights into existing trends in millennial investment behavior in India.

The collected data was analyzed using descriptive statistics to identify key patterns and relationships. Analytical tools were further applied to assess the impact of demographic factors, financial literacy, and digital platforms on millennial investment decisions.

Data Analysis

Table I Demographic Profile

Characteristics	Categories	Percentage
Educational qualification	Madhyamik (10th Standard)	0
	HS (+2)	9
	UG	49
	PG	42
	Total	100

Source: Primary Data

Interpretation

The demographic profile of respondents based on educational qualification reveals that a majority of the sampled millennial investors are graduates (49%), followed closely by postgraduates (42%). This indicates that over 90% of the respondents possess higher education qualifications (UG and PG levels). In contrast, only 9% have completed higher secondary education (+2 level), while none of the respondents reported education up to the Madhyamik (10th standard) level.

This distribution suggests that millennial investors in the study are generally well-educated, with a strong representation of individuals holding undergraduate and postgraduate degrees. The higher level of education may positively influence financial literacy, awareness of capital market products, and openness to exploring new investment avenues. It also reflects the growing role of educated youth in shaping investment trends within the Indian capital market.

Table II- Constraints

Constraints	Mean	Rank
Insider Trading	3.48	II
Lack of Transparency	3.22	III
Inadequate Disclosure of Information	3.12	IV
Problems related Mechanism to settlement	2.88	V
Lack of Strategies	3.52	I

Interpretation

The analysis of constraints faced by millennial investors reveals that the lack of investment strategies (Mean = 3.52, Rank I) is the most critical barrier influencing their investment behavior. This directly connects to one of the study's objectives, as it highlights that while millennials are increasingly participating in the capital market, many lack the systematic planning and long-term perspective required for effective wealth creation. The absence of strategies not only affects their risk perception but also limits their ability to maximize returns.

The concern of insider trading (Mean = 3.48, Rank II) and lack of transparency (Mean = 3.22, Rank III) underscores millennials' apprehensions about the fairness and reliability of market operations. These factors significantly influence their trust in the capital market and can deter participation if not adequately addressed. Similarly, inadequate disclosure of information (Mean = 3.12, Rank IV) reflects the respondents' limited awareness and challenges in accessing accurate data, which directly impacts their ability to make informed decisions.

Finally, problems related to settlement mechanisms (Mean = 2.88, Rank V), although ranked lowest, still points to operational inefficiencies that may hinder smooth trading experiences.

In line with the objectives of this study, the findings clearly show that millennials' investment behavior is shaped not only by their personal awareness and risk tolerance but also by systemic issues such as market transparency, ethical practices, and information availability. Addressing these constraints through stronger regulatory frameworks, better disclosure practices, and enhanced investor education can significantly improve millennials' confidence and participation in the Indian capital market.

Table III Personal Motivation to Trade in Market

Factors	Mean	Rank
To Get Financial Freedom	3.38	III
Safety For Future	3.85	II
To Beat Inflation	2.99	V
Increase value of investment	4.08	I
Tax Benefits	3.27	IV

Interpretation

The analysis of personal motivations influencing millennial investors reveals that the most significant driver is the desire to increase the value of investments (Mean = 4.08, Rank I). This finding indicates that millennials view the capital market primarily as a means of wealth creation, aligning with their aspirations for higher returns and financial growth.

The second major motivation is safety for the future (Mean = 3.85, Rank II), suggesting that beyond wealth accumulation, millennials also seek financial security and long-term stability through their investments. This aligns with their growing awareness of financial planning and the need to safeguard against uncertainties.

Interestingly, financial freedom (Mean = 3.38, Rank III) also emerges as a significant factor. This reflects millennials' aspiration for independence, flexibility in lifestyle choices, and reduced reliance on traditional income sources. Tax benefits (Mean = 3.27, Rank IV) serve as a moderate motivator, indicating that while tax-saving opportunities are acknowledged, they are not the primary driver for capital market participation.

The least motivating factor is beating inflation (Mean = 2.99, Rank V). This suggests that millennials may not fully recognize inflation protection as a crucial benefit of investing, highlighting a gap in financial awareness.

Table IV: Hypothesis Testing using One Sample *t*-Test

Hypothesis	Test Statistic	Table Value at 5% (One-tailed)	Decision	Result
H_0: There is no significant increase in income by doing share trading	3.8248	2.015	Reject H_0	Significant increase in income through share trading

Test Distribution: Normal
Level of Significance: 5% (One-tailed)

Interpretation

Since the calculated *t* value (3.8248) is greater than the table value (2.015), the null hypothesis is rejected. This indicates that share trading has led to a significant increase in income for the respondents, thereby validating the financial potential of capital market participation for millennial investors.

Table V: Hypothesis Testing using Two-Sample *t*-Test (Two-tailed, α = 0.05)

Factors	P-value (two-tailed)	Decision (α = 0.05)	Result (interpretation)
Interest rates and Inflation	0.166	**Accept H_0**	No significant difference between trading and investing ($p > 0.05$).
Gold Prices and Bonds	0.023	**Reject H_0**	Significant difference exists between trading and investing for this factor.
Exchange rates	0.112	**Accept H_0**	No significant difference ($p > 0.05$).
Government Policies	0.001	**Reject H_0**	Strong significant difference ($p < 0.01$) — policies affect trading vs investing differently.
Foreign Institutional Investors (FIIs) &	0.045	**Reject H_0**	Borderline significant difference ($p < 0.05$).
Factors	**P-value (two-tailed)**	**Decision (α = 0.05)**	**Result (interpretation)**
Domestic Institutional Investors (DIIs)			

Test distribution: Normal
Test applied: Two-sample *t*-test (independent samples), two-tailed
Level of significance: 5%

Conclusion

The study set out to examine the investment behavior of millennial investors with a focus on their awareness of capital market products, risk perception, trading strategies, and the factors motivating their participation. The analysis has provided several important insights.

First, the demographic profile indicated that the majority of millennial investors surveyed are well-educated (graduates and postgraduates), which suggests a strong foundation for understanding financial concepts. However, despite this educational background, many still face challenges in developing structured investment strategies and rely on informal learning methods such as webinars and peer networks.

Second, the constraints analysis revealed that the lack of clear investment strategies remains the most pressing challenge, followed by concerns about insider trading, lack of transparency, and inadequate disclosure of information. These systemic issues highlight the need for regulatory improvements and investor education initiatives.

Third, the motivational analysis showed that millennials are primarily driven by aspirations to increase the value of investments and secure their financial future. Factors such as financial freedom and tax benefits are moderately important, while inflation hedging is the least recognized motivator, indicating gaps in financial awareness.

The hypothesis testing results reinforced these observations. The one-sample *t*-test confirmed that share trading leads to a significant increase in income, validating its financial potential for millennials. The two-sample *t*-test indicated that certain economic factors, such as government policies, gold prices, and institutional investors, affect trading and investing differently, while others like interest rates and inflation impact both similarly.

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