

Role of Financial Attitude and Risk Tolerance in Shaping Investment Choices of Gen Z – A SEM BASED Analysis

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Abstract: This study examines the role of financial attitude and risk tolerance in shaping investment choices through a behavioral finance perspective. Moving beyond traditional rational decision-making models, the study integrates psychological and attitudinal factors to explain individual investment behavior. Using primary data collected from 352 individual investors, the study employs Partial Least Squares Structural Equation Modeling (PLS-SEM) to test the proposed conceptual framework. The findings reveal that both financial attitude and risk tolerance exert a significant positive influence on investment choices, with risk tolerance emerging as the stronger predictor. Additionally, the results confirm the moderating role of risk tolerance, indicating that the relationship between financial attitude and investment choices is strengthened at higher levels of risk tolerance. The model explains a substantial proportion of variance in investment choices, highlighting its strong predictive capability. The study contributes to behavioral finance literature by offering an integrated framework that captures both motivational and psychological readiness in investment decision-making. Practically, the findings provide valuable insights for financial advisors, fintech platforms, and policymakers in designing investor-centric strategies, improving risk profiling, and enhancing financial education initiatives aimed at promoting informed and sustainable investment behavior.

Keywords: Financial Attitude; Risk Tolerance; Investment Choices; Behavioral Finance; PLS-SEM