

## A COMPARATIVE STUDY ON INVESTMENT PREFERENCE AND FINANCIAL BEHAVIOR OF GENERATION Y AND Z

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### ABSTRACT

This study compares the investment preferences and financial behaviors of Generation Y and Generation Z, focusing on psychological, social, and technological influences. Millennials, shaped by economic downturns, prefer stable, long-term investments like mutual funds and real estate, whereas Gen Z, raised in a digital era, favors high-risk options such as cryptocurrencies and fintech investments. Despite extensive research on investment behavior, limited studies compare both generations, particularly regarding the impact of financial literacy and digital adaptation. Using correlation analysis and Chi-Square tests, the study examines the relationship between investment choices, technological exposure, and financial knowledge. Data is collected through structured questionnaires and secondary sources, focusing on a sample from Bangalore. Findings indicate that while Millennials prioritize financial security, Gen Z's investment decisions are driven by digital trends and social influence. The study emphasizes the need for tailored financial education and investment products to address the distinct financial behaviors of both generations.

**Keywords:** Digital Financial Literacy, Investment Behavior, Generation Y And Z.

### 1. INTRODUCTION

Rapid technological advancements, shifting consumer behaviors, and economic instability have all played a significant role in transforming the financial landscape. Generation Y and Generation Z are two key demographic groups impacting today's financial markets, each with distinct investment preferences shaped by their respective exposure to technology and economic conditions. Generation Y, individuals born between 1981 and 1996, has faced financial instability, particularly following the 2008 financial crisis, leading them to emphasize financial security through long-term investments such as real estate, retirement accounts, and mutual funds. Their investment decisions are often driven by caution, a preference for lower risk, and considerations surrounding sustainability, prompting a growing interest in ethical and ESG (Environmental, Social, and Governance) investments. In contrast, Generation Z, born after 1997, has grown up in a technology-enriched environment where social media, mobile devices, and advancements in fintech greatly influence their financial behaviors. Unlike Millennials, members of Gen Z tend to favor high-risk, short-term investments such as online trading platforms, peer-to-peer lending, and cryptocurrencies. Their financial strategies reflect a preference for digital financial solutions and a greater willingness to take risks, distinguishing them from previous generations. Although Gen Z is adept with technology, their lack of financial literacy can hinder their ability to make sound investment decisions. This research aims to explore the financial behaviors of these two generations to identify the factors that shape their investment choices and examine how digital financial literacy will impact their financial prospects.

### 2. REVIEW OF LITERATURE

**Rohit Mammen Thomas, Sujith Nair, et al., (2024)**, This study looks at how Bengaluru, India's Generations X, Y, and Z invest, paying special attention to retirement planning, risk tolerance, financial literacy, and investment decisions. Generation Z has the highest average scores, indicating that they are more likely to select riskier investment options, according to the results. Despite the rapid advancements in technology, there were no discernible differences in the dependence on technology between generations. While there are no appreciable differences between Generation Z and either X or Y, Generation Y is more likely to invest in retirement. Mutual funds and equity are preferred by Generation Z, whereas fixed deposits and real estate are preferred by Generation X.

**Riani Sukma Wijaya, Muhamad Irfan Florid (2024)**, Gen Z is now more interested in investing thanks to the rise of fintech applications, but their hedonistic lifestyle and lack of financial literacy still make it difficult for them to make wise investment decisions. The Partial Least Squares Structural Equation Modeling (PLS-SEM) method was used in a study to analyze data from 200 students who invested. According to the results, Generation Z's investment preferences are influenced by financial literacy, but their hedonistic lifestyle has an impact. Financial technology-mediated financial literacy affects investment preferences. However, the hedonistic lifestyle that financial technology has moderated has not changed investment preferences. The accuracy of the study is limited by the small sample size; therefore, in order to fully understand the implications of the findings, larger samples must be used in future research.

**B. Sanya Yadav (2024)**, In this study, the financial literacy levels of Generation Z are examined along with their attitudes, risk preferences, and investment strategies. It looks into how social media and digital technology affect their investment awareness and choices. The research uses secondary sources to analyze their financial returns, investment patterns, and interactions with financial instruments. The purpose of this study is to identify conceptual gaps in their understanding of investments and examine the ways in which educational programs influence their investment decisions.

**Mirza Zulmi Afiani, Ika Yustina Rahmawati, et al. (2024)**, The study examines Millennials' and Generation Z's investment decisions in Purwokerto using a quantitative methodology. The results show that while risk perception has a negative impact on these choices, strong economic knowledge, high confidence, and risk perception have a positive impact on financial literacy, overconfidence, herding, and risk tolerance.

**Tuangporn Pinudom And Siwaporn Kunnapapdeert, et al. (2024)**, The impact of financial investment knowledge among Indonesia's Generation Z, a significant demographic comprising 27.94% of the nation's population, is examined in this study. The study found that the three primary factors influencing this awareness are financial attitude, saving behavior, and family financial socialization. These components improve financial literacy and investment knowledge among Generation Z, which could affect Indonesia's economic growth.

**Mahek Dugar And Vinodh Madhavan (2023)**, A study conducted in India on Gen Z's investment preferences found that they are more financially literate than their predecessors and are progressively becoming financially impartial. The study found that different members of Generation Z save differently depending on their family income, age, and gender. They make long-term investments in gold and silver, mutual funds, equity shares, and fixed deposits, as well as riskier ones like intraday cryptocurrency. They consider things like rate of return, long-term gains, and historical performance when making investment decisions.

**Dr. M. Bhuvaneswari and J. Mugesh (2023)**, The study examines the investment practices of Generation Z, Millennials, and X using a variety of methodologies. In order to provide insights to individuals, financial institutions, and decision-makers, it aims to understand their unique characteristics, financial behaviors, and financial attitudes. The results shed light on factors that influence investment decisions, generational differences, and potential future implications for investment management.

**Fitri, F. (2023)**, This study looks at how millennial students' preferences for sustainable investments relate to their age, gender, and level of financial literacy. In the study, survey data is analyzed quantitatively. The findings suggest that age, gender, and financial education are some of the variables affecting this generation's financial choices and sense of social duty. All of these elements appear to influence preferences for sustainable investing.

**Inga Pašiušienė, Askoldas Podvieszko, et al. (2023)**, The study looks into how Generation Z students invest, with a focus on their inclination to fund environmentally friendly initiatives. Students will gain the critical self-awareness and emotional identification skills necessary to make rational, responsible investment decisions as a result of this study. The study found that despite their common sense and desire to contribute to a greener world, students are reluctant to apply their theoretical knowledge. The study's use of statistical inference to assess the group proportions ensures precise and understandable statistical estimations.

**Ugandhara Patil And Rajeshree Gokhale (2022)**, This paper examines Gen-Z and millennial investment habits to gain a better understanding of future travel and security intentions. The study uses primary data from questionnaires and divides respondents into two age groups. The results show that both generations are equally enmeshed in technology and sustainability, and that views on sustainable investing are gender neutral. Because of their comparable ages and degrees of technological exposure, the study concludes that their investment patterns are comparable.

### Research Gap

After reviewing the literature, a research gap has been identified. While many studies have examined the investment preferences and financial behavior of Generation Y and Z, few have explored the psychological, behavioral, and social factors that influence investment decisions across both generations. Furthermore, despite the significant focus on technological dependence and sustainable investing, there is limited research on how these trends impact decision-making processes in both generations. Addressing these gaps could provide a more comprehensive understanding of the intergenerational dynamics shaping investment preferences and financial behavior.

### Statement of Problem

There is limited research comparing the investment preferences and financial behaviors of Generation Y and Generation Z. Existing studies focus on individual factors like technology, sustainability, or psychology but lack a comprehensive intergenerational analysis. The impact of digital financial literacy and technological adoption on investment choices remains underexplored. This gap challenges financial institutions, policymakers, and investors in

developing targeted strategies. This study aims to bridge this gap by providing a comparative analysis of the investment behaviors of both generations.

**Objectives**

- To examine and compare the investment preferences of Generation Y and Z.

**Hypothesis**

**H<sub>1</sub>:** There is a significant association between Generation Y and Z and their investment preferences.

**Scope of the study**

This study focuses on understanding the investment preferences and financial behaviors of Generation Y and Z. It will cover an analysis of their investment choices, risk tolerance, and financial literacy levels, examining how these factors influence their investment decisions. The research will also explore the impact of demographic variables such as age, gender, and socioeconomic status, and how regional factors in Bangalore and Kerala shape their financial behaviors and attitudes towards investment.

**3. RESEARCH METHODOLOGY**

The study will gather primary data through a structured questionnaire designed to examine and compare the investment preferences of Generation Y and Generation Z. The data will be analysed using statistical software, specifically SPSS, employing techniques such as correlation analysis and Chi-Square tests to determine the differences in investment behavior between the two generations. The study will use stratified purposive sampling, ensuring equal representation of both generational groups. The sample will consist of 100 respondents from Bangalore. The findings will provide insights into the evolving investment landscape and help assess whether significant differences exist in the investment preferences of Generation Y and Gen Z.

**4. ANALYSIS & INTERPRETATIONS**

**Analysis of frequency distributions of demographic information**

Sl No	Demographical Variables	Frequency	Percentage
<b>1.</b>	<b>Generation</b>		
	Generation Y	50	50%
	Generation Z	50	50%
	<b>Total</b>	<b>100</b>	<b>100%</b>
<b>2.</b>	<b>Gender</b>		
	Male	51	51%
	Female	49	49%
	<b>Total</b>	<b>100</b>	<b>100%</b>
<b>3.</b>	<b>Education</b>		
	High School	4	4%
	Bachelor's Degree	39	39%
	Master's Degree	55	55%
	PhD	1	1%
	CMA	1	1%
	<b>Total</b>	<b>100</b>	<b>100%</b>
<b>4.</b>	<b>Employment Status</b>		
	Employed	38	38%
	Unemployed	13	13%
	Self Employed	14	14%
	Student	33	33%
	Trainee	2	2%
	<b>Total</b>	<b>100</b>	<b>100%</b>
<b>5.</b>	<b>Monthly Income</b>		
	Below 50000	49	49%
	50000-150000	18	18%
	150000-300000	10	10%
	Above 300000	23	23%
	<b>Total</b>	<b>100</b>	<b>100%</b>

The study's demographic analysis shows an equal distribution of Generation Y and Z (50% each) with a nearly balanced gender ratio (51% male, 49% female). Most respondents are well-educated, with 55% holding a Master's degree and 39% a Bachelor's degree. Employment status varies, with 38% employed, 33% students, and the rest self-employed, unemployed, or trainees. Income levels are diverse, with 49% earning below ₹50,000, while 23% earn above ₹3,00,000. This balanced sample provides a strong foundation for analyzing investment behaviors across different generational, educational, and financial backgrounds.

**Investment Preference of Generation Z**

Investment options	Total Number	No Of Responses
Stocks	50	32
Mutual funds	50	21
Real Estate	50	10
Cryptocurrency	50	6
Fixed Deposit	50	18
Bonds	50	4
Gold	50	13
Commodities	50	4
ETFS(Exchange-Traded Fund)	50	3
Collectibles and arts	50	3
Investment in Start ups	50	5

**Investment Preference of Generation Y**

Investment options	Total Number	No Of Responses
Stocks	50	31
Mutual funds	50	19
Real Estate	50	9
Cryptocurrency	50	3
Fixed Deposit	50	30
Bonds	50	4
Gold	50	14
Commodities	50	3
ETFS(Exchange-Traded Fund)	50	0
Collectibles and arts	50	0
Investment in Start ups	50	0

**Correlation Analysis on Investment preference of Generation Y and Generation Z**

<b>Correlations</b>			
		GenerationZ	GenerationY
GenerationZ	Pearson Correlation	1	.933**
	Sig. (2-tailed)		.000
	N	11	11
GenerationY	Pearson Correlation	.933**	1
	Sig. (2-tailed)	.000	
	N	11	11

\*\*. Correlation is significant at the 0.01 level (2-tailed).

The correlation analysis suggests that Generation Z and Generation Y share similar inclinations toward investment avenues. The Pearson correlation coefficient of **0.933** indicates a very strong positive relationship between the investment preferences of the two generations. This means that as one group's investment behavior changes, the other group's preferences tend to follow a similar pattern.

The interpretation of a correlation coefficient close to **1** suggests that the investment behaviors of Generation Z and Generation Y are highly aligned, with minimal deviation in preferences. This implies that both generations demonstrate comparable trends in selecting investment options. The strong positive correlation indicates that both groups tend to make investment decisions in a similar manner.

Chi-Square Test on Investment preferences of Generation Y and Generation Z

**Have you received any education on investing?**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.980 <sup>a</sup>	1	.159
Continuity Correction <sup>b</sup>	1.455	1	.228
Likelihood Ratio	1.987	1	.159
Fisher's Exact Test			
Linear-by-Linear Association	1.960	1	.162
N of Valid Cases	100		

The Chi-Square test from the table 4.6, resulted in a significant value of 0.159, which is more than the significant value (0.05), indicating there is a significant association between the variables. Hence the hypothesis is accepted.

**How long have you been making investments**

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	17.418 <sup>a</sup>	3	.001
Likelihood Ratio	20.334	3	.000
Linear-by-Linear Association	16.128	1	.000
N of Valid Cases	100		

The Chi-Square test from the table 4.6, resulted in a significant value of 0.001, which is less than the significant value (0.05), indicating there is no significant association between the variables. Hence the hypothesis is rejected.

**What percentage of your income do you allocate to investments**

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4.891 <sup>a</sup>	3	.180
Likelihood Ratio	4.933	3	.177
Linear-by-Linear Association	2.129	1	.145
N of Valid Cases	100		

The Chi-Square test from the table 4.6, resulted in a significant value of 0.180, which is more than the significant value (0.05), indicating there is a significant association between the variables. Hence the hypothesis is accepted.

**What is your preferred time horizon for investments**

The Chi-Square test from the table 4.6, resulted in a significant value of 0.917, which is more than the significant value (0.05), indicating there is a significant association between the variables. Hence the hypothesis is accepted.

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	.173 <sup>a</sup>	2	.917
Likelihood Ratio	.173	2	.917
Linear-by-Linear Association	.000	1	1.000
N of Valid Cases	100		

**How do you review or alter your investments**

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4.927 <sup>a</sup>	3	.177
Likelihood Ratio	5.003	3	.172
Linear-by-Linear Association	.000	1	1.000
N of Valid Cases	100		

The Chi-Square test from the table 4.6, resulted in a significant value of 0.177, which is more than the significant value (0.05), indicating there is a significant association between the variables. Hence the hypothesis is accepted.

**How do you review or alter your investments**

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	4.927 <sup>a</sup>	3	.177
Likelihood Ratio	5.003	3	.172
Linear-by-Linear Association	.000	1	1.000
N of Valid Cases	100		

The Chi-Square test from the table 4.6, resulted in a significant value of 0.177, which is more than the significant value (0.05), indicating there is a significant association between the variables. Hence the hypothesis is accepted.

**Which of the following factors discourage you from investing**

Chi-Square Tests

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	1.097 <sup>a</sup>	3	.778
Likelihood Ratio	1.099	3	.777
Linear-by-Linear Association	.000	1	1.000
N of Valid Cases	100		

The Chi-Square test from the table 4.6, resulted in a significant value of 0.177, which is more than the significant value (0.05), indicating there is a significant association between the variables. Hence the hypothesis is accepted.

**5. FINDINGS**

The study used Chi-Square and correlation tests to examine and contrast the investment preferences of Generation Z and Y. The correlation analysis revealed a Pearson correlation coefficient of 0.933, which indicates a very strong positive relationship between the two generational groups. This finding suggests that changes in one generation's investment behaviors closely align with those of the other, implying that both cohorts exhibit similar investment patterns. The outcomes from the Chi-Square test indicated a noteworthy correlation between investment preferences and generational distinctions, with most significance values (0.159, 0.180, 0.917, and 0.177) exceeding 0.05. This

implies that demographic factors significantly influence investment decisions. However, one result from the Chi-Square test (0.001) fell below the significance threshold, indicating an exception in that specific case where no significant relationship was found. In summary, the results indicate that the investment behaviors of Generation Z and Generation Y are very similar to one another. This information is especially relevant for policymakers, financial institutions, and investment consultants as it suggests that a unified investment approach can effectively cater to both generations. Given the close alignment in investment preferences between the two generational groups, financial service providers can streamline their offerings, create digital investment platforms, and develop financial products that resonate with their mutual interests. This will enhance engagement and participation in investment activities.

#### Limitations of the study

- The study may be limited by a small sample size, which could affect the generalizability of the findings to the broader population of Generation Y and Z.
- The research is confined to Bangalore, which may not accurately represent the investment behaviors of these generations in other regions of India or globally.
- The study relies on self-reported data from participants, which may introduce biases such as social desirability bias or inaccuracies in reporting financial behaviors

## 6. CONCLUSION

In examining the investment preferences of Generation Y and Generation Z, the study employs correlation and Chi-Square tests to analyze their spending behaviors. A strong positive correlation is identified through the analysis of both generations' investment attitudes, yielding a Pearson correlation coefficient of 0.933. This suggests that the investment strategies of the two generations are quite similar, indicating shared financial interests and approaches. Additionally, the findings from the Chi-Square tests reinforce the idea that generational factors significantly influence investment decisions, supporting the view that financial behavior is shaped by demographic elements. However, there was an exception in one of the tests where the hypothesis was not validated, suggesting that some investment choices may not be impacted by generational factors. Overall, the findings indicate that financial institutions can develop overarching investment strategies that cater to both generations, given their aligned preferences.

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