# "A Study on the Perception and Behaviour of Investment Preferences among Generation Z, Millennials, and Generation X"

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**Abstract:**

This research study explores the diverse spectrum of investment choices available to individuals and examines how different generations make distinct investment decisions based on their suitability. The investigation delves into a comprehensive range of investment options, including equity (stock market), mutual funds, gold, real estate, and bank savings (fixed deposit). The primary focus of this research is to gain in-depth insights into the investment preferences of three generational groups: Generation Z, Millennials, and Generation X. Various influencing factors that shape these investment choices are also analysed within the context of this study

**Keywords:**

Investment decisions, equity, stocks, debt securities, government, risk appetite, return, generations

**Introduction:**

The evolution of investment behaviour across generations is a fascinating study that unveils shifting paradigms in financial decision-making. Our research endeavours to explore this dynamic landscape by conducting a comparative analysis of investment strategies, numerical considerations, and pertinent factors across different age groups.

In today's diverse financial ecosystem, individuals have access to a plethora of service providers, ranging from independent financial advisors to multinational investment banks. These entities offer invaluable assistance in navigating the complex world of investments, albeit often at a cost. While some opt for personalized guidance, others seek solace in free resources provided by government agencies or financial media outlets. However, the trade-off between personalized advice and cost-effectiveness remains a constant dilemma for investors, particularly those at the onset of their financial journey.

Numerous factors influence financial decision-making, including age, income, access to information, and prevailing market conditions. Notably, there has been a noticeable trend of individuals, especially younger generations, entering the investment arena at an earlier age. This phenomenon can be attributed to the widespread availability of information and resources online, empowering young investors to take control of their financial future from a tender age. Gen-Z, in particular, stands to benefit significantly from the age of the internet, as it fosters a culture of financial responsibility and early savings habits.

In India, where retirement planning is of paramount importance, individuals have an array of investment instruments at their disposal, including mutual funds, fixed deposits, and real estate. Crafting a diversified retirement portfolio tailored to individual risk tolerance and financial goals is crucial for long-term financial security. Consulting with a financial advisor and staying abreast of regulatory changes are essential steps in this process.

Through our study, we aim to shed light on the nuanced preferences of different generations in India's investment landscape. By understanding the underlying motivations and behaviours driving investment decisions, we can provide valuable insights into the evolving dynamics of financial planning across age groups.

## Review Of Literature:

### Gen-Z and Behavioural Finance

1. **Sajeev et al. (2021):**

   - Conducted a study in India, finding that factors like financial literacy and risk propensity positively impact investment choices.

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2. **Prasarry et al. (2023):**

- Explored the use of investment apps among Gen Y and Z in Indonesia, revealing that factors such as performance expectancy and social influence significantly affect behavioural intention.

3. **Khatik et al. (2021):**

- Highlighted the influence of social media on financial decisions among young adults in India, emphasizing the role of platforms like YouTube and Instagram in shaping investment choices.

4. **Nag and Shah (2022):**

- Examined the impact of financial literacy on stock market investment decisions among Gen Z in India, identifying factors such as attitude toward investment and perceived behavioural control as mediators.

## Millennials and Behavioural Finance

1. **Sabri (2016):**

-Conducted a study in Malaysia revealing that while millennials are numerically literate, their financial literacy, especially regarding inflation and investment distinctions, remains limited.

2. **Usriyono & Wahyudi (2023):**

-Investigated financial behaviour influencing investment decisions among millennials in Indonesia, highlighting the significant influence of overconfidence, trait anger, and trait anxiety on investment choices.

3. **Singh (2022):**

-Explored how behavioural factors such as overconfidence and herding tendencies affect investment decisions during crises like the Covid-19 pandemic among millennials, emphasizing the role of market behaviour in influencing investor decisions.

4. **Anastasia & Basana (2021):**

-Examined the impact of financial literacy and risk tolerance on investment decisions among millennial stock investors in Indonesia, finding that financial literacy and risk tolerance significantly shape investment choices.

5. **Rahman & Gan (2020):**

-Explored the behavioral factors influencing investment choices among Generation Y individuals in Malaysia, finding that trait anxiety and overconfidence negatively impact investment decisions, while self-monitoring has a positive association.

## Gen-X and Behavioural Finance

1. **Baihaqqy et al. (2020):**

-Conducted a quantitative survey with 400 participants from Baby Boomers, Generation Xers, and Gen-Y/NetGen in Indonesia, finding that financial literacy significantly influences investment decisions across generations.

2. **Schooley & Worden (2003):**

-Explored the impact of demographic factors and personal financial knowledge on risk tolerance among working adults in India. Found that variables such as gender, age, education, income, marital status, occupation, and personal financial knowledge significantly influence risk tolerance levels.

3. **Patil & Gokhale (2023):**

-Analyzed and compared investment behaviors between millennials and Gen Z individuals, considering various factors influencing their decision-making processes, including potential gender-specific distinctions. Found similarities in investment patterns between the two generations, particularly regarding sustainable investing, attributed to shared exposure to technology and sustainability concepts.

4.         **Meyyammai & Vinotha (2022):**

 -Investigated investment preferences among Gen X, Millennials, and Gen Z, aiming to identify factors influencing investment decisions across gender and age groups. The study sought to determine the most preferred investment avenues among different generations. This study was done in Chennai city only and was limited to it only.

**Research Methodology**:

**1. Research Design**

- The research will adopt a cross-sectional design.

- A mixed-method approach will be employed, combining both quantitative and qualitative research methods.

**2. Sampling:**

  - A stratified random sampling method will be used to ensure representation from each generational group.

  - The target population will include individuals from Generation Z (born 1997-2012), Millennials (born 1981-1996), and Generation X (born 1965-1980).

  - Sample size will be at least 200 respondents to achieve statistical significance.

  - The 200 respondents shall be divided across the 3 groups i.e. the 3 generations being studied.

**3. Data Collection:**

- Surveys and questionnaires will be the primary instruments for data collection.

  - Surveys will be distributed electronically and in person.

  - A few open-ended questions will be included in the questionnaire to capture qualitative insights.

  - Data collection will include demographic information, investment preferences, risk tolerance, financial literacy, and perception of various investment options.

**4. Data Analysis:**

__- Quantitative data will be analysed using basic statistical software.

  - Descriptive statistics (mean, median, standard deviation) will be used to summarize survey responses.

  - Inferential statistics (ANOVA, regression analysis) will be applied to identify significant differences in investment preferences between the generational groups.

  - Qualitative data from open-ended questions will be subjected to thematic analysis to extract key themes and insights**.**

**5. Ethical Considerations:**

**-** Informed consent will be obtained from all participants.

  - Participant anonymity and data confidentiality will be maintained.

  **6. Data Validation:**

  - To ensure the validity of the survey instrument, a pilot study will be conducted with a small group from each generational category.

  - Feedback from the pilot study will be used to refine the questionnaire.

**7. Data Interpretation:**

  - Findings will be interpreted within the context of existing literature on generational differences in investment behaviour.

  - Practical implications for financial institutions and policymakers will be discussed**.**

## 8. Conclusion and Recommendations:

- The study will be concluded by summarizing the main findings and their significance.

- Recommendations for financial institutions and future research avenues will be provided.

## 9. Timeline:

- A detailed timeline will be developed to outline the research phases, from data collection to analysis and reporting.

## 10. Limitations:

- Possible limitations, such as response bias and generalizability, will be acknowledged and discussed in the research paper.

### LIMITATIONS:

While conducting this research, certain limitations were encountered, which may have influenced the study outcomes. These limitations include:

1. Time Constraints: - The study was conducted within a specific timeframe, and as such, there might be constraints on the depth and breadth of data collection and analysis.

2. Knowledge Limitations: - The accuracy and comprehensiveness of the study findings are contingent on the participants' level of understanding and articulation of their investment preferences.

3. Sampling Method:    - The random distribution of questionnaires, while efficient, may introduce a level of selection bias, as respondents who chose to participate may differ systematically from those who did not.

4. Sampling Size: - The sample size of 100 participants, while providing valuable insights, may have limitations in terms of generalizability to larger populations. Larger sample sizes could enhance the study's external validity.

Acknowledging these limitations is essential for a nuanced interpretation of the research findings and for understanding the potential impact on the study's scope and generalizability.

### Objectives of the Study:

1. To compare the investment preferences of different generations in terms of asset classes, risk tolerance, volume of investment, saving preferences, etc.
2. To identify the factors like financial, psychological and other factors that influence these investment decisions.
3. To understand the level of financial literacy that each of these generations have and how it correlates to the investment decisions made by them.
4. To investigate how socio-economic factors like income, education, employment status impact investing strategies and retirement planning.
5. To offer insights to financial institutions, policy makers and financial advisors to tailor investment strategies and products that cater to each of the generations.

### Problem Statement:

In the financial world where everything is advancing every minute and the very nature of the field is so dynamic, there exists a major gap in the understanding of the factors that influence the financial decisions like those of saving for future i.e. retirement planning, investing and deciding how much to spend. This lack of understanding in the investment field, makes it difficult for people to choose what kind of assets they want to invest in, how much they must invest and when and how often they should do the same. This in turn makes it harder for providers of financial products to cater to the right kind of audience, thus resulting in lack of service quality too. Therefore, by understanding what kind of knowledge already exists in the market regarding these financial products and institutions that provide them and covering up the gaps would benefit both the parties that is the users (individuals that invest) as well as the institutions that provide financial services like those of investing. This paper aims at understanding the gaps and covering them by learning about the existing market and providing the collected information and data to financial intermediaries, institutions, advisors and policy makers that can actually bring about a difference in the field. It will also help them to cater to the right kind of crowd in the right way, thus getting higher positive results. This gap in knowledge prevents the development of targeted strategies by financial institutions and policymakers. As investment decisions significantly impact long-term financial security, there's a

crucial need to explore and comprehend the diverse dynamics driving distinct investment behaviours across generations.

## Scope of Study

This research focuses on exploring the investment preferences of Generation Z, Millennials, and Generation X, delving into demographic, financial, and psychological factors shaping their decisions. The study aims to provide a comprehensive understanding of the diverse dynamics influencing investment behaviours within these generational cohorts. The scope encompasses an in-depth comparative analysis of asset preferences, risk tolerance, and investment strategies. Additionally, the research will assess the impact of financial literacy and socioeconomic factors on investment decisions. The insights derived from this study are intended to inform financial institutions, policymakers, and advisors, aiding in the development of targeted approaches that cater to the unique needs of each generation. The geographical scope is not limited, ensuring a broad representation of perspectives across various regions.

## Sample Size

A total of **81 participants** were included in this study to represent the three generational cohorts: Generation Z, Millennials, and Generation X. The sample size was determined ensuring statistical significance in the exploration of investment preferences and factors influencing the decision-making processes within each group. This sample size allows for a focused and detailed investigation, providing valuable insights into the diverse dynamics of investment behaviours across generations. The participants were selected using a **random sampling method** to ensure proportional representation from each generational category. The geographical scope of the study is broad, encompassing diverse regions to capture a wide range of perspectives.

## Sampling Method:

The sampling method employed for this study involved the random distribution of questionnaires to a total of 81 participants, ensuring a diverse representation of Generation Z, Millennials, and Generation X. This approach aimed to capture a broad spectrum of perspectives within each generational cohort. The random sending out of questionnaires facilitated an unbiased selection of respondents, contributing to the overall representativeness of the study. This method was chosen for its simplicity and efficiency in reaching a varied sample, allowing for a comprehensive exploration of investment preferences and behaviours across different generations.

## Findings and Analysis:

| AGE | GEN-Z-59.3% | MILLENIALS-19.8% | GEN-X-21% |
|---|---|---|---|
| GENDER | MALE-70.4% | FEMALE-29.6% | |
| EDUCATIONAL BACKGROUND | UNDERGRADUATION-59.3% | POSTGRADUATION-29.6% | HIGH SCHOOL-11.1% |
| EMPLOYMENT STATUS | STUDENT-50.6% | EMPLOYED-25.9% | SELF-EMPLOYED-22.2% |

## Analysis & Interpretation:

The above given 4 graphs, represent the answers for the first 4 questions of the questionnaire used for the research and the following answers have been drawn about the metrics of our study:

1.  The questionnaire was circulated more among Gen-Z as compared to the others which dominates their answers over the other generations throughout the research's conclusion.
2.  It can also be noted that the study is more dominated by one gender i.e. male.
3.  Most people whose data is collected, are of bachelor's level of education.
4.  Also, the most dominant group in the study are students.

Which asset classes do you currently invest in? (Select all that apply)
81 responses
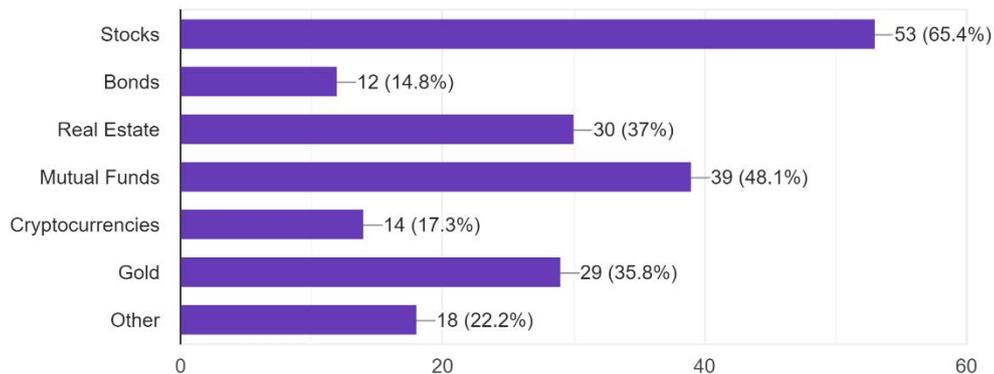


**Analysis & Interpretation:**

Of all the investment vehicles available out there, it can be observed that stocks are still the most preferred amongst people of all generations. The investment in stocks is significantly higher than all other investment vehicles available. Even though the study is dominated by Gen-Z, who are exposed to a lot of information "online", it can be observed that stocks are still significantly prevailing. However, as opposed to the older generations, they prefer stocks over safer options of gold and real estate.

What influences your investment decisions the most?
81 responses
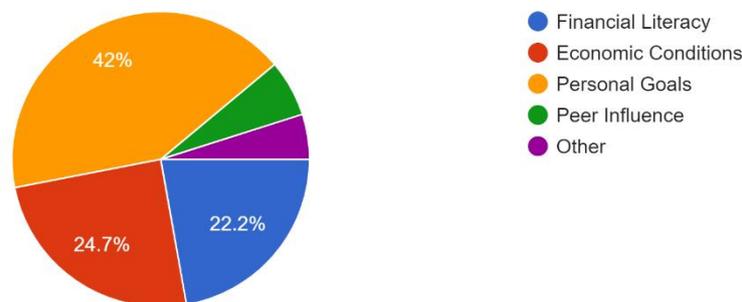


**Analysis & Interpretation:**

Here, in the next 2 observations the factors that are being studied are risk tolerance and influencers of investment decisions. While most people have a moderate level of risk tolerance, their investment decisions are mostly influenced by their own personal goals and not other factors such as peer influence and financial literacy. This needs to be a matter that is looked into as financial literacy should play a major role in "influencing" financial decisions.

On a scale of 1-10, rate your self-perceived financial literacy.
81 responses
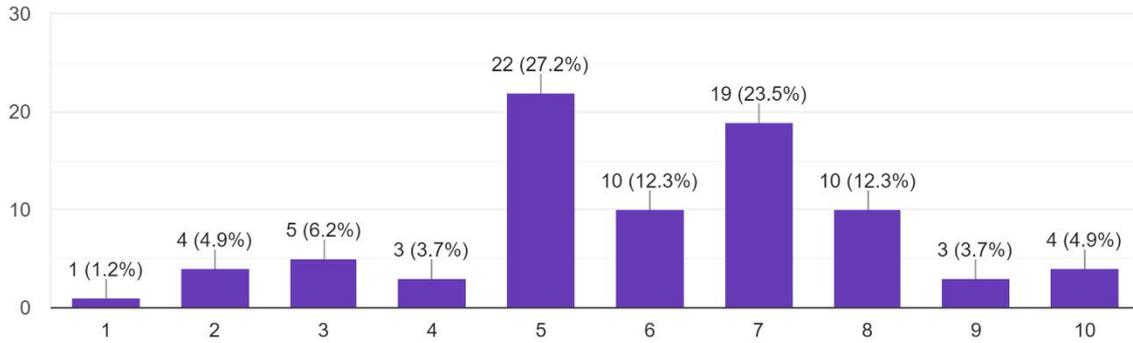


**Analysis & Interpretation:**

The financial literacy level perceived by most people seems to be moderate at a level of 5, where 1 is the least and 10 is the highest. While there are people who invest so highly into stocks, which can be quite risky there needs to be a higher awareness i.e. the financial literacy needs to be much higher than the perceived level of 5.

PART I :

Which sources do you primarily rely on for financial information and education? (Select all that apply)
82 responses
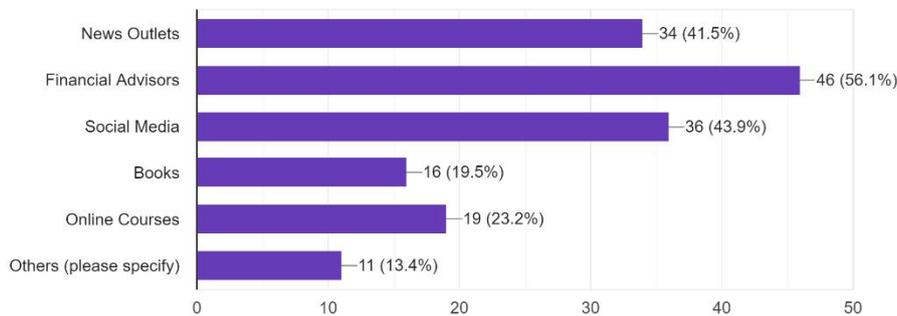


PART II:

Do you believe your level of education affects your investment choices?
81 responses
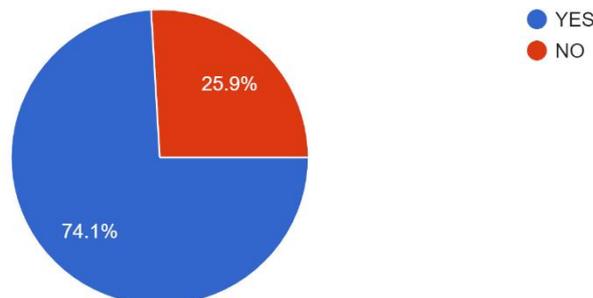
**Analysis & Interpretation:**

As noticed in PART I, although 56% of the people rely on financial advisors, which is the right choice, there is still a huge portion of people that still rely on news outlets and social media which if followed without precaution, can be extremely risky. And in PART II it can be noticed that a large percentage of people (74%) do not believe that their level of education does not affect their investment choice.

To what extent do you think behavioral biases (e.g., herding behavior, overconfidence) influence investment decisions?
81 responses
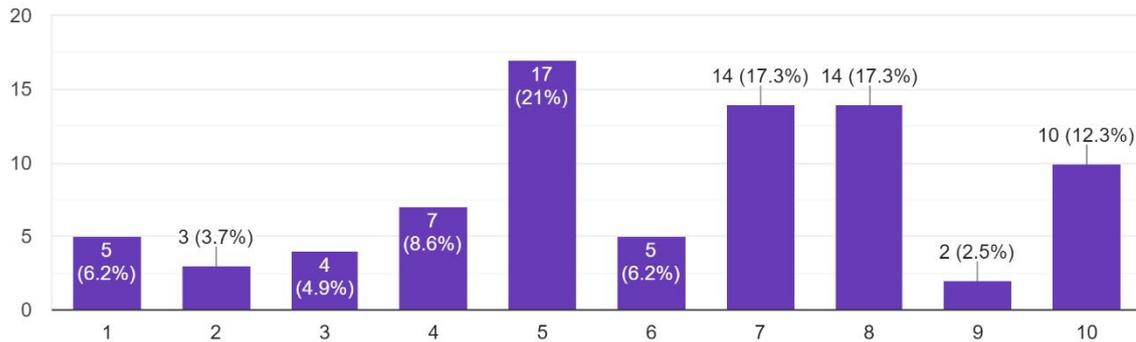


**Analysis & Interpretation:**

It can be observed that a majority of the people think that their investment decisions are influenced by behavioural biases to the extent of 5-10 on a scale of 1-10 which shows that people need to be made aware of various biases and not base their decisions on them.

Have you ever changed your investment decisions based on market trends or social media influence?
81 responses
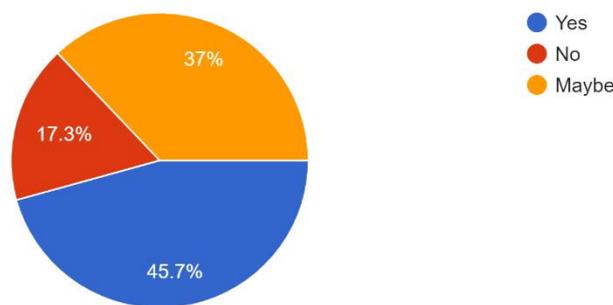


**Analysis & Interpretation:**

46% of the people believe that their investment decisions are changed based on social media trends, which seems to be alarmingly high and if not done very carefully can end up causing serious financial harm.

## How actively do you plan for your retirement?
81 responses
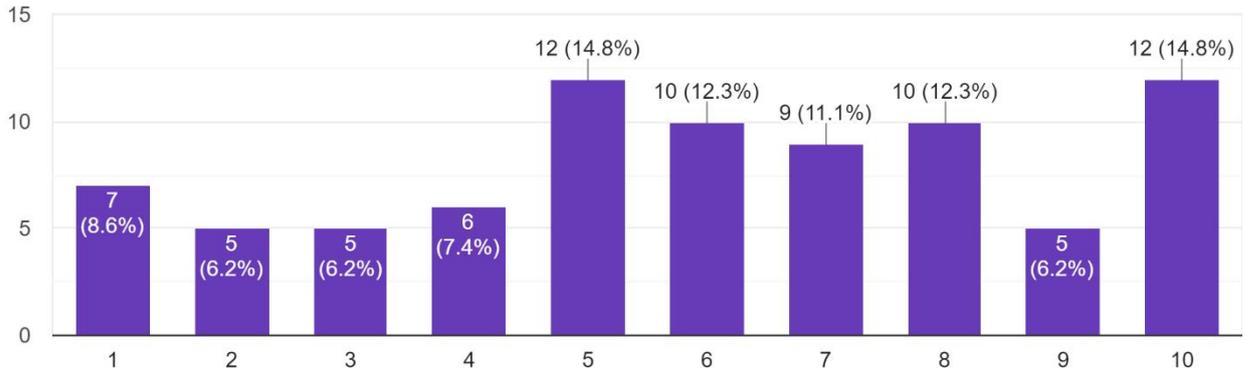


**Analysis & Interpretation:**

Most people are actively planning for their retirement which is a good sign. On a scale of 1-10, 1 being the least and 10 being the highest degree of planning, most people lie in the range of 5-10 which is healthy.

| WHETHER FINANCIAL INSTITUTIONS CATER TO THE GENERATION: | YES-35.8% | NO-44.4% | MAYBE-19.8% |
|---|---|---|---|
| SATISFACTION LEVELS WITH THE CURRENT INVESTMENT PRODUCTS AND SERVICES AVAILABLE: | VERY SATISFIED-8.6% | NEUTRAL-37% | SATISFIED-48.1% |
| INVESTMENT STRATEGY FOUND TO BE MOST APPEALING: | PASSIVE-15% | ACTIVE-33.8% | REAL ESTATE-33.8% |

**Analysis & Interpretation:**

The above charts are related to financial institutions, products and services offered by them and the strategy that people find appealing. It is to be noted that 44.4% of the people who participated in the survey do not feel that their generation is being catered to well from the financial institution point of view. Real estate investment and active stock picking seem to be the most preferred investment strategy.

| PRIORITY IN INVESTMENT DECISION: | LONG TERM GROWTH & STABILITY-45% | SHORT TERM GAINS AND PROFITS-12.5% | BALANCED APPROACH-42.5% |
|---|---|---|---|
| MARKET VOLATALITY REACTION: | INCREASE INVESTMENT-11.3% | HOLD STEADY-55% | SEEK PROFESSIONAL ADVICE-26.2% |

How important are environmental, social, and governance (ESG) considerations in your investment decisions?

80 responses
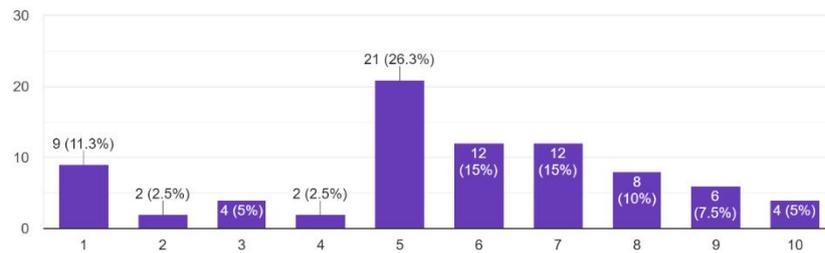


## Analysis & Interpretation:

The last few questions of the questionnaire are to find out individual preferences like what people prefer in terms of short-term gains and long-term growth, how they react to market volatility and how important is ESG in their investment decision. These are important questions to find out how financial institutions must cater their services.

## SUGGESTIONS:

- Based on the analysis, it can be suggested that people should be educated more on the negatives of basing their important decisions like those of investing in the stock market on social media. It is observed that 45.7% of the people rely on social media trends.
- As observed, most people do not think that their level of education influences their investment decisions, efforts must be made from the end of educational institutions to educate and inculcate the habit of investing in students from a very young age.
- A large mass i.e. almost 45% of the people do not feel like their needs are being catered to.
- Keeping in mind the previous point and the fact that the study is dominated by Generation-Z, financial institutions must change the way their services are being rendered to this generation.
- It can be observed that people still rely on old investment strategies like that of gold and real estate, people should be educated on the various other options available to them and how to access it.

## CONCLUSION:

Financial institutions can take the following steps:

1. Tailored Financial Education:

- Institutions must prioritize tailored financial literacy programs for Gen Z and Millennials, empowering them to make informed investment decisions.

2. Innovative Product Offerings:

- Insights from the data should guide institutions in developing innovative investment products that cater to the preferences and risk appetites of different generations.

3. Enhanced Digital Engagement:

- Financial institutions should enhance digital strategies, leveraging social media for educational content and personalized advice to better engage with younger audiences.

In conclusion, the findings of the research highlight the need for targeted financial education initiatives, particularly among younger demographics, to enhance financial literacy and promote informed investment decisions. Financial institutions should also focus on aligning their products and services with the preferences and requirements of different generational cohorts to foster greater engagement and satisfaction among customers.

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