

**AN ANALYSIS ON THE SAVING AND INVESTMENT AVENUES OF
EMERGING GENERATIONS: GEN Z AND MILLENNIALS IN
INDORE**

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ABSTRACT

Finance plays a crucial role in economic sustainability and individual financial well-being. Saving and investment are fundamental components of financial management, and investment behaviour varies across generational cohorts due to differences in socio-economic exposure, technological adaptability, and financial literacy levels. This study examines the saving and investment patterns of Generation Z (born 1996–2010) and Millennials (born 1981–1995) in Indore city. The study aims to analyse their preferred investment avenues, influencing social factors, impact of level of financial knowledge on investment decision and risk tolerance levels. Primary data were collected from 82 respondents using a structured questionnaire, and statistical tool ANOVA was applied for hypotheses testing. The findings revealed significant generational differences in investment preferences, particularly between traditional and modern investment avenues. Both generations demonstrated relatively high- risk tolerance. No significant impact of level of financial knowledge on their investment patterns was found. The study contributes to understanding generational financial behaviour within an emerging urban economy and offers implications for policymakers, financial institutions, and educators.

Keywords: *Finance, Investment and Saving Pattern, Gen Z and Millennials, Demographic Factors, Risk Tolerance Level, Investment, Financial Knowledge.*

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INTRODUCTION

It goes without saying that the process of savings is vital for securing financial well-being and stability in the future. Still, savings are not enough, especially for the purpose of wealth accumulation, since in case of inflation, the actual worth of money decreases over time. Therefore, an efficient way of investing becomes necessary in order to secure capital gains and hedge against inflation. People belonging to different generations show distinct approaches toward personal finance depending on various factors, such as technological background, financial history, preference in life styles, and awareness about financial matters. Generation Z, born at the time of digitalization, usually opts for investing in technologies, such as crypto currency, robo advisory, P2P investing, and ESG investing. At the same time, a start-up approach is more appealing for this generation, which shows interest in crowdfunding opportunities.

Generation Y, experiencing economic events such as global financial crises and phases of digitalization, prefers more diversifying financial instruments, such as stock exchanges, mutual funds, ETF's, as well as occasional investments into fixed deposits, appreciating the possibility of professional management and investment structures.

Indore, one of India's dynamically developing cities, displays a wide range of financial practices among its inhabitants. The knowledge of financial behavior among young people allows for better formulation of policies related to financial inclusion and capital market development. Therefore, the target audience of this study includes Gen Z and Millennials.

REVIEW OF LITERATURE

Saputra (2024) identified that the millennial generation possesses a varied understanding of financial management, investment, and debt management. This demographic exhibits a combination of internal and external loci of control in financial management. Millennials generally demonstrate a strong interest in investing, recognizing the importance of investment for future wealth accumulation. The study revealed that many millennials are keen to capitalize on existing investment opportunities, such as stocks, mutual funds, cryptocurrencies, and property. They are generally cognizant of the significance of savings

and long-term financial planning. Sheeba et al. (2023) investigated the level of awareness among millennials regarding their saving and investment patterns and personal credit management skills. Their financial management skills were assessed by examining their financial habits concerning savings patterns and the investment of saved funds.

Paramita and Paramita (2023) found that financial literacy negatively affects consumptive behaviour in millennials and Generation Z. Higher financial literacy correlates with reduced consumptive behaviour in these groups. They observed that lifestyle significantly influences consumptive behaviour, and individuals should be mindful of their behaviour, establish a priority list, and select an environment that supports non-consumptive behaviour. Financial planning among millennials and Generation Z remains unstable, underscoring the necessity of financial awareness due to their adaptability to technological advancements.

Usriyono and Sugeng (2023) studied that training programs, workshops, and seminars are required to conduct for creating awareness, overcome economic activity bias, and improve financial literacy. To overcome those biases, it needs to conduct training programs, workshops, and seminars that create awareness and the ability to recognize behavioural finance and cope with such behaviour. Shyamala and Mahesh (2022) considered savings and investment patterns of millennial is essential for success of the Indian economy and financial literacy is an important tool to have for millennials. According to them, young generation of today is more creative and technology savvy than the older generation socially and financially. From their point of view, the awareness about investment is lacking.

Meyyammai and Vinotha (2022) studied to know the investment preference among Gen X, Millennials and Gen Z. The main objective of the study was to find out whether the factor influences the investment decision across gender and age and to identify the most preferred investment avenues by the investors. Patil and Gokhale (2022) examined to determine the investment pattern of millennials along with that of Gen-Z and to make a comparative analysis of the same. Investing involves the expectation to gain or to experience any financial risks that may happen in the future. Keeping this in mind, the research aimed to look at what drives the decision-making process of both generations and if it's gender-specific as well.

Singh (2022) investigated the spectrum of millennial (Generation Y) investors' behavioural factors that affect investment decisions during a pandemic. The major findings revealed that millennials (Generation Y) financially deal with more confusion and disagreements when dealing with various patterns of informed conduct or behaviour, in contrast to other generations. Susanto et al., (2022) studied the factors affecting interest in financial planning adoption by Millennials and Z generation. The results showed that the level of financial planning literacy and benefit expectancy had a significant effect on the adoption of financial planning and on the positive attitude towards financial planning. Harbola and Dubagunta (2022) found that this generation saves more than previous generations. However, these savings are usually not retirement-specific. Given this higher propensity to save but lower retirement-specific savings, it begs the question of whether this reflects a lack of suitable retirement schemes as one of the primary reasons for insufficient retirement funds in millennials' investment portfolios.

Bulut and Maraba (2021) stated that Generation Z has been growing in an era where technological advancement is fostered, and they are able to have access to effortless and rapid information through technological tools, like the Internet and smartphones. Like other generational cohorts, Generation Z has unique habits and personality traits because they experienced different social, economic, or historical circumstances depending on the time interval in which they were raised, and the perception of work and occupational habits is affected by those particular characteristics.

Dayana and Rodrigues (2021) examined the investment patterns of young Millennials in Bangalore City using primary data. The study found the most common source of investment advice chosen by the investor and the most relevant percentage of income invested. The study discovered that a financial planner can do a world of good to investors in achieving their financial goals, and investment avenues such as equity, commodity, and mutual funds need more awareness among the salaried class for tax exemption and future savings. Rosdiana (2020) studied the effects of the level of financial literacy, herding behaviour, risk aversion, and risk perception on investment decisions in the Generation Z and Millennial generations. Given the above phenomena, Generation Z and Millennials must have financial intelligence, namely, the ability to carry out financial planning and investment decision-making. This

study aimed to measure the effects of financial literacy, herding behaviour, risk aversion, and risk perception on the investment decisions of Generation Z and Millennials.

RESEARCH GAP

Although numerous studies have explored financial literacy and generational investment behaviour, there is limited empirical evidence comparing Generation Z and Millennials within Tier-II urban economies like Indore.

OBJECTIVES

- To analyse the preferred investment avenues of Gen Z and Millennials.
- To examine social factors as key drivers influencing the investment decisions of Generation Z and Millennials.
- To analyse the risk tolerance levels among Generation Z and Millennials.
- To evaluate the impact of the level of financial knowledge on investment behaviour among Generation Z and Millennials.

RESEARCH METHODOLOGY

Primary data were collected through a structured self-designed questionnaire administered to students and working professionals in Indore. Secondary data were obtained from academic journals, research articles, and online databases. The motive of this study is to examine the Gen Z and Millennials' preferences of investment, their risk tolerance level and the social factors which affect their decision of investment and also evaluate the impact of the level of financial knowledge on investment behaviour among Generation Z and Millennials.

The Study: This study adopts a quantitative research design to examine the investment preferences of Gen Z and Millennials preferences of investment, the social factors influencing their decision, risk tolerance level and impact of level of financial knowledge on investment behaviour.

The Sample and Sampling Technique: Initially, data were collected from 123 respondents. After eliminating incomplete responses and performing data cleaning procedures, the final sample comprised 82 respondents. The sample includes students, private sector employees, public sector employees, and self-employed individuals. A non-probability snowball sampling technique was adopted for data collection, wherein the respondents were requested initially to refer the other eligible participants within their networks. This approach was adopted to get the easier access to the target population.

Tools for Data Collection: Primary data were collected using a self-designed structured questionnaire. Additionally, secondary data were gathered from relevant research papers, academic journals, articles, online databases, websites, and books to support the theoretical framework of the study.

Tools for Data Analysis: The collected primary data were analysed using Analysis of Variance (ANOVA) through SPSS.

DATA ANALYSIS AND RESULT

H₀₁: There is no significant difference in the preferences of Generation Z and Millennials for investment avenues based on their investment proportion.

Summary

<i>Groups</i>	<i>Count</i>	<i>Sum</i>	<i>Average</i>	<i>Variance</i>
0-10%	83	857	10.3253	34.2222
10-20%	17	250	14.7059	4.34559
21-30%	8	117	14.625	7.69643
More than 30%	8	107	13.375	12.2679

<i>Source of Variation</i>	<i>SS</i>	<i>Df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
Between Groups	395.426	3	131.809	4.89557	0.0031	2.68564
Within Groups	3015.5	112	26.9241			
Total	3410.92	115				

ANOVA

Interpretation:

ANOVA results ($F = 4.89557$, $p < 0.05$) indicate a statistically significant difference in investment preferences between Gen Z and Millennials.

The two generations differ in their preference for traditional investment avenues (such as real estate and fixed deposits) and modern investment options (bitcoin, Crypto currency), based on the proportion of their investments due to digital and technological driven environment.

2. **H₀₂**: There is no significant influence of social factor as key drivers of investment behaviour on the investment decisions of Generation Z and Millennial with respect to their proportion of investment.

Summary

<i>Groups</i>	<i>Count</i>	<i>Sum</i>	<i>Average</i>	<i>Variance</i>
0-10%	49	370	7.55	2.669218
10-20%	17	141	8.29	1.720588
21-30%	8	63	7.87	2.125
More than 30%	8	63	7.87	2.982143

<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
Between Groups	7.1957	3	2.39	0.977463	0.407794	2.721783
Within Groups	191.4019	78	2.45			
Total	198.5976	81				

ANOVA

Interpretation:

Since $p > 0.05$, no statistically significant difference was found.

The social factors, such as peer influence, friends do not significantly affect the investment decisions of Generation Z and Millennials in terms of their investment proportion as other factors such as market-related factors, financial considerations and income level plays influential role.

3. **H₀₃**: There is no significant difference between Generation Z and Millennials in the frequency of reviewing their investment portfolios with respect to the risk tolerance level in their investment decisions.

Summary

<i>Groups</i>	<i>Count</i>	<i>Sum</i>	<i>Average</i>	<i>Variance</i>
Only when necessary	21	189	9	2.5
Annually	4	33	8.25	2.916667
Half-yearly	9	84	9.33	0.75
Quarterly	18	176	9.77	4.300654
Monthly	30	284	9.46	3.154023

ANOVA

<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
Between Groups	11.11125	4	2.777812	0.932689	0.449579	2.490447
Within Groups	229.3278	77	2.978283			
Total	240.439	81				

Interpretation

No significant difference was found ($p > 0.05$). Generation Z and Millennials exhibit similar portfolio review behaviour despite relatively high risk tolerance levels as both the groups are influenced by real-time market updates, and easy access to investment applications.

4. **H₀₄**: There is no significant impact of the level of financial knowledge on shaping investment behaviour among Generation Z and Millennials.

Summary

<i>Groups</i>	<i>Count</i>	<i>Sum</i>	<i>Average</i>	<i>Variance</i>
Basic	49	212	4.326531	0.34949
Intermediate	28	115	4.107143	0.691799
Advanced	5	23	4.6	0.3

ANOVA

<i>Source of Variation</i>	<i>SS</i>	<i>df</i>	<i>MS</i>	<i>F</i>	<i>P-value</i>	<i>F crit</i>
Between Groups	1.443479	2	0.72174	1.555555	0.217467	3.11226
Within Groups	36.65408	79	0.463976			
Total	38.09756	81				

Interpretation:

No significant statistical impact was observed ($p > 0.05$).

This indicates that respondents with basic, intermediate, or advanced financial knowledge did not differ significantly in their investment patterns. The investment decisions among emerging generations may be driven more by market trends, digital platforms, social media exposure, and economic conditions rather than theoretical financial knowledge.

DISCUSSION

The result of the study confirms that the variables considered in this study are important to analyse the Saving and Investment Patterns of Gen Z and Millennials. H_{01} , stated that there is no significant difference in the preferences of Generation Z and Millennials for investment avenues based on their investment proportion is not accepted indicating that Generation Z and Millennials exhibit significantly different preferences for investment avenues. The allocation from their monthly income really affects their preferences. Generation Z and Millennials might prioritize different types of investments, with one generation showing a stronger preference for traditional investment options like real estate and fixed deposits, mutual fund while the other may lean more toward modern investment methods, such as, cryptocurrencies, Exchange-Traded Funds (ETFs) and Real Estate Crowdfunding or tech-driven platforms.

H_{02} is accepted indicating there is no significant influence of social factors as a key drivers on the investment decisions of Gen Z and Millennials such as family's financial habits, peer influence do not affect their investment decisions as both the generations tend to consider market trends and economic conditions before making investment choices.

H_{03} is accepted which implies that both Generation Z and Millennials exhibit a higher risk tolerance in their investment choices. Despite this, they review their portfolios with similar frequency. Reviewing their investment portfolios does not affect their level of risk tolerance. Gen Z and Millennials remain calm during market fluctuations and they are willing to take risk which has been found in the study. H_{04} stated there is no impact of level of financial knowledge on shaping investment behaviours among Generation Z and Millennials based is also accepted. This outcome suggests that participants gain some theoretical knowledge but it

does not translate more into practical changes in their investment decisions. Moreover, the financial knowledge alone may not be a sufficient determinant of investment behaviour. Access to online investment tools and fintech applications may reduce the dependency on deep financial knowledge for making investment decisions.

RECOMMENDATIONS

- There is a need to organise financial literacy programs in the form of workshops and seminars organized specifically targeted at Gen Z and Millennials to improve their practical knowledge about financial literacy on timely basis.
- Lack of awareness towards financial avenues may be a reason of not opting and investing in modern financial avenues. Thus, knowledge regarding new investment avenues should be taken by Gen Z and Millennials.
- In India, people are reluctant to invest in the financial avenues due to market fluctuations, however Millennials and Gen Z are taking steps towards it but factors like family's conservative thinking, and sometimes market trends affect their decision of investment therefore people should change their way of thinking and should move on for investment.

CONCLUSION

Investment plays a pivotal role in long-term financial sustainability, particularly in inflationary environments. The study confirms that both Generation Z and Millennials in Indore actively participated in investment activities, though with differing preferences. While Gen Z leans toward technologically advanced and innovative instruments, Millennials maintain a balanced approach combining traditional and modern options. The social factors do not significantly affect the investment decisions of Generation Z and Millennials in terms of their investment proportion. Risk tolerance levels are comparable across generations. No significant impact of level of financial knowledge on their investment patterns was found.

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