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FINANCIAL BEHAVIOUR OF GEN Z VS MILLENNIALS: A COMPARATIVE STUDY

Shiwang Tiwari[1], Dr. Alka Singh Bhatt[2]
[1]*Student, Amity University Lucknow*
[2]*Professor, Amity University Lucknow*

CHAPTER 1: INTRODUCTION

1.1 Background of the Study

Financial behaviour refers to the manner in which individuals manage their financial resources, including decisions related to saving, spending, investing, borrowing, and financial planning. These behaviours are significantly influenced by socio-economic conditions, technological exposure, cultural environment, income levels, and generational experiences.

In recent years, generational financial analysis has gained importance as different age cohorts exhibit distinct money management patterns. Two major contemporary generations — Generation Z (Gen Z) and Millennials (Generation Y) — represent a substantial portion of the workforce and consumer base globally.

According to the Pew Research Center:

- Millennials are individuals born between 1981 and 1996.
- Generation Z includes individuals born between 1997 and 2012.

Millennials entered adulthood during significant economic disruptions such as the 2008 Global Financial Crisis, which shaped their cautious financial outlook, debt burdens, and emphasis on job security. In contrast, Gen Z has grown up in a digitally advanced ecosystem characterized by fintech platforms, social media influence, instant payment systems, cryptocurrency markets, and gig-economy employment structures.

The financial ecosystem for Gen Z is fundamentally different from that of Millennials. Digital banking apps, robo-advisors, UPI systems, online investment platforms, and influencer-driven financial education have altered saving and spending behaviours. This shift makes it crucial to comparatively examine how these two generations approach money management.

Understanding generational financial behaviour is important for:

- Policymakers designing financial inclusion programs
- Financial institutions developing age-targeted products
- Employers structuring compensation and retirement benefits
- Researchers analysing consumption and investment trends

1.2 Rationale of the Study

India is currently experiencing a demographic dividend, with a large youth population entering the workforce. Both Millennials and Gen Z constitute a major share of earning individuals and digital consumers.

Their financial decisions directly influence:

- Household savings rates
- Investment patterns in equity, mutual funds, and alternative assets
- Credit demand and borrowing trends
- Long-term retirement security

While Millennials are now in mid-career stages with higher financial responsibilities (housing loans, family expenses, children's education), Gen Z is at an early career stage with lower income but higher digital exposure.

The study becomes relevant because:

- There is increasing discussion about Gen Z being "better savers" yet more prone to impulsive digital spending.
- Millennials are often described as financially stressed due to debt burdens but more structured in long-term planning.
- Rapid technological transformation may be reshaping financial discipline across generations.
- A systematic comparative analysis helps clarify whether these perceptions are supported by data.

1.3 Problem Statement

Despite the growing importance of generational finance, there is limited structured comparative academic research focusing specifically on financial behaviour differences between Gen Z and Millennials in a measurable manner.

Key questions remain

- Does Gen Z save more than Millennials?
- Which generation demonstrates better emergency preparedness?
- How does financial literacy differ between the two cohorts?
- Are Gen Z more risk-taking in investment decisions?
- How does digital exposure influence spending behaviour?

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

The literature on financial behaviour highlights that generational differences significantly influence saving habits, investment choices, spending patterns, and financial decision-making processes. Researchers argue that economic conditions, technological exposure, financial literacy, and life-cycle stage collectively shape financial behaviour. This chapter reviews

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key academic and industry studies that examine differences between Gen Z and Millennials.

2.2 Generational Theory and Financial Behaviour

Generational Cohort Theory suggests that individuals born within a similar time period experience comparable socio-economic events that shape their attitudes and behaviours. According to the Pew Research Center:

- Millennials (1981–1996) experienced the dot-com boom, rising student debt, and the 2008 financial crisis.
- Gen Z (1997–2012) grew up during rapid digital transformation, fintech innovation, and social media expansion.

These macroeconomic and technological differences have influenced financial confidence, risk tolerance, and consumption behaviour across cohorts.

Studies indicate that Millennials tend to adopt structured financial planning due to exposure to economic instability during early adulthood, whereas Gen Z exhibits digitally driven financial behaviour shaped by instant access to financial information and apps.

2.3 Savings and Risk Management Behaviour

A study published in the BOHR International Journal of Financial Management Research examining respondents in Gujarat found that Millennials demonstrate relatively stronger saving discipline and risk management strategies compared to Gen Z.

Key findings include:

- Millennials are more likely to allocate income systematically toward savings.
- Millennials display higher awareness of long-term financial planning.
- Gen Z shows interest in saving but lacks consistent application due to limited income and financial experience.

The study attributes Millennials' stronger financial discipline to greater work experience and exposure to economic volatility. Gen Z, although financially aware, is still in early career stages, which may limit financial stability.

2.4 Financial Literacy and Confidence

Financial literacy plays a critical role in shaping financial behaviour. Research indicates that both Gen Z and Millennials recognize the importance of financial knowledge; however, the sources and depth of learning differ.

A study in the International Journal of Economics and Financial Management suggests:

- Financial literacy positively impacts saving and investment decisions.
- Individuals with higher financial awareness demonstrate better budgeting habits.
- Long-term investment behaviour is strongly correlated with financial education levels.

Millennials tend to rely on formal financial advice and structured investment channels. In contrast, Gen Z often depends on digital platforms, social media, and peer influence for financial knowledge. While digital accessibility improves awareness, it may not always translate into informed financial decision-making.

2.5 Spending Behaviour and Impulsive Purchases

Consumer spending behaviour varies significantly between the two cohorts. Research conducted by YouGov highlights behavioural contrasts:

- Gen Z reports higher levels of financial confusion.
- A greater proportion of Gen Z admits to impulsive spending compared to Millennials.
- Millennials exhibit relatively better budgeting consistency.

The study suggests that constant exposure to online advertisements, influencer marketing, and digital payment convenience contributes to higher impulsive purchasing tendencies among Gen Z. The psychological ease of "one-click payments" and Buy Now Pay Later (BNPL) options increases short-term consumption.

Millennials, although active digital consumers, show comparatively greater restraint due to financial responsibilities such as rent, mortgages, and family expenses.

2.6 Research Gap

While existing literature provides insights into generational financial behaviour, gaps remain:

- Limited comparative tabular analysis combining multiple behavioural indicators in a single structured study.
- Insufficient integration of savings, spending, literacy, and risk behaviour into one consolidated framework.
- Need for updated comparative interpretation in the context of fintech growth and digital finance expansion.

This study attempts to bridge these gaps by presenting structured data comparison and analytical interpretation of financial behaviour between Gen Z and Millennials.

2.8 Summary of Literature

The reviewed studies collectively indicate:

- Millennials demonstrate stronger structured saving and financial planning behaviour.
- Gen Z exhibits greater digital engagement but higher impulsive spending tendencies.
- Financial literacy positively influences behaviour across both cohorts.
- Life-cycle stage and economic exposure significantly impact financial decision-making.

The literature establishes the foundation for conducting a comparative empirical analysis in the subsequent chapters.

CHAPTER 3: DATA AND METHODOLOGY

3.1 Data Sources

This study is based entirely on secondary data collected from credible academic journals, national surveys, and financial behaviour reports. Key sources include YouGov, BOHR International Journal of Financial Management Research, International Journal of Economics and Financial Management, and generational classifications provided by Pew Research Center.

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The data includes published statistics on savings patterns, emergency fund preparedness, financial literacy, spending habits, and investment preferences of Gen Z and Millennials.

3.2 Methodology

The study follows a descriptive and comparative research design. Financial behaviour indicators of Gen Z and Millennials are presented in tabular form and analysed using simple descriptive statistics.

Key variables compared include:

- Savings behaviour (monthly savings, savings balance)
- Emergency fund coverage
- Financial literacy and planning
- Impulsive spending tendencies
- Risk tolerance and investment preference

Percentage differences between the two generations are calculated to measure the extent of variation. The analysis focuses on interpreting patterns and identifying behavioural trends rather than applying advanced statistical tools.

CHAPTER 4: DATA ANALYSIS

4.1 Savings Behaviour

Table 4.1: Comparative Savings Indicators (Converted to INR)

Indicator	Gen Z	Millennials	Absolute Difference	% Difference (Gen Z vs Millennials)
Avg Monthly Savings	₹71,131	₹24,402	₹46,729	191.50%
Average Savings Balance	₹8,35,146	₹5,94,695	₹2,40,451	40.40%
% Increased Savings (H1 2025)	58%	54%	4%	7.40%

(Percentage Difference = (Gen Z – Millennials) / Millennials × 100)

Analysis:

The data indicates that Gen Z saves approximately ₹71,131 per month, which is nearly 191.5% higher than Millennials' average monthly savings of ₹24,402.

This large difference may be explained by:

- Gen Z having fewer financial liabilities (no EMIs, dependents).
- Higher participation in gig economy and side-income opportunities.
- Strong digital awareness and early saving mindset.

However, Millennials, despite earning more on average in India, face:

- Housing loan EMIs
- Family responsibilities
- Education expenses for children

The average savings balance of Gen Z (₹8.35 lakh) is 40.4% higher than Millennials (₹5.94 lakh). This suggests stronger short-term accumulation among Gen Z.

The savings growth percentage (58% vs 54%) shows both generations are increasingly prioritizing savings amid inflation and economic uncertainty in India.

4.2 Emergency Fund Preparedness

Table 4.2: Emergency Savings Comparison

Emergency Savings Coverage	Gen Z	Millennials	Absolute Difference	% Difference
No Emergency Savings	34%	28%	6%	**+21.4% (Higher Vulnerability)**
≥ 6 Months Savings	10%	25%	-15%	**-60% (Lower Preparedness)**

Analysis

Although Gen Z saves more monthly, 34% of Gen Z have no emergency savings, making them 21.4% more financially vulnerable compared to Millennials.

On the other hand:

25% of Millennials maintain emergency savings covering 6 months or more.

Only 10% of Gen Z have similar financial security.

This reflects:

Millennials' longer exposure to economic shocks (e.g., job market instability).

Greater understanding of contingency planning.

Higher income stability.

Thus, Millennials demonstrate better structured financial planning in the Indian context.

4.3 Financial Literacy & Confidence

Table 4.3: Financial Literacy Characteristics

Indicator	Gen Z	Millennials	Comparative Insight
Source of Knowledge	Social media, YouTube, fintech apps	Financial advisors, structured planning	Gen Z more digital
Budgeting Discipline	Moderate	High	Millennials more consistent
Long-term Planning	Developing	Established	Millennials stronger
Practical Risk Assessment	Limited experience	Experienced	Millennials more strategic

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Analysis:
Gen Z in India is highly exposed to:

- Influencer-driven financial education
- Online investment apps
- Stock market and crypto discussions

However, exposure does not always translate into structured planning.

Millennials demonstrate:

- Better goal-based financial planning (retirement, child education).
- More disciplined budgeting behaviour.
- Higher participation in traditional investment products (FDs, Mutual Funds, PPF).

This indicates that financial maturity increases with life stage and responsibility.

4.4 Impulsive Spending & Risk Profile

Table 4.4: Spending and Risk Behaviour Comparison

Behaviour Metric	Gen Z	Millennials	Absolute Difference	% Difference
Impulsive Purchasing	60%	57%	3%	**5.30%**
Risk Tolerance (Self-reported)	54%	50%	4%	**8%**

Analysis:
Gen Z shows:

- 5.3% higher impulsive spending tendency.
- 8% higher risk tolerance.

In India, this can be linked to:

- Ease of UPI payments.
- Buy Now Pay Later (BNPL) services.
- Mobile trading apps.

Millennials, due to financial responsibilities and long-term goals, demonstrate relatively cautious financial behaviour.
Overall Interpretation (Indian Context)

- Gen Z demonstrates stronger short-term saving accumulation in rupee terms.
- Millennials show superior long-term financial stability and emergency preparedness.
- Gen Z is digitally driven and slightly more risk-taking.
- Millennials are structurally disciplined and goal-oriented.

CHAPTER 5: INTERPRETATION OF RESULTS

5.1 Key Insights

Based on the comparative data analysis in Chapter 4, several important behavioural distinctions emerge between Gen Z and Millennials.

1. Savings Behaviour

The findings indicate that Gen Z leads in average monthly savings and total accumulated savings. In rupee terms, Gen Z demonstrates significantly higher short-term saving capacity. This suggests:

- Strong awareness of financial independence.
- Early exposure to investment and saving culture.
- Lower financial liabilities compared to Millennials.

However, despite higher monthly savings, Gen Z shows weaker emergency fund preparedness, with a larger proportion lacking structured contingency reserves.
Millennials, although saving lower monthly amounts, exhibit:

- Greater financial stability.
- Higher percentage maintaining 6+ months of emergency funds.
- Better resilience against income shocks

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This reflects the influence of life-cycle stage and financial responsibilities such as housing loans, family expenses, and long-term commitments.
Interpretation: Gen Z is stronger in accumulation, whereas Millennials are stronger in structured financial security.

2. Financial Literacy and Application

Both generations value financial literacy, but the nature of engagement differs.
Gen Z:

- Consumes financial content digitally.
- Relies on fintech apps, social media influencers, and online platforms.
- Shows higher financial curiosity but limited practical experience.

Millennials:

- Apply structured budgeting techniques.
- Focus on retirement planning and long-term goals.
- Demonstrate practical risk management.

The results indicate that experience enhances application of financial knowledge, not merely access to information.
Interpretation:
Financial literacy among Gen Z is informational, whereas for Millennials it is experiential and applied.

3. Spending Patterns and Risk Behaviour

The analysis reveals that Gen Z exhibits:

- Slightly higher impulsive spending tendencies.
- Higher self-reported risk tolerance.

This may be influenced by:

- UPI and instant digital payment systems.
- Buy Now Pay Later (BNPL) services.
- Exposure to high-growth assets like cryptocurrency and equity trading apps.

Millennials, in contrast:

- Maintain traditional budgeting discipline.
- Prefer diversified portfolios including mutual funds, fixed deposits, and retirement schemes.
- Display relatively lower impulsive purchase behaviour.

Interpretation:
Gen Z demonstrates a more aggressive and digitally influenced financial style, while Millennials maintain a cautious and structured approach.

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5.2 Practical Implications

The findings of this study carry important implications for stakeholders.

1. For Financial Educators

- Financial literacy programs should emphasize practical financial planning skills, particularly for Gen Z.
- Workshops should focus on emergency fund planning, disciplined budgeting, and long-term goal setting.
- Simulation-based learning can help bridge the gap between knowledge and application.

2. For Policymakers

- Government initiatives could promote emergency savings awareness campaigns targeting younger earners.
- Tax incentives or matched savings schemes may encourage structured contingency planning.
- Strengthening digital financial education in universities can improve early financial discipline.

3. For Banks and Fintech Companies

Financial institutions can design generation-specific financial products, such as:

- Automated budgeting and savings tracking tools for Gen Z.
- Retirement planning calculators and long-term wealth management products for Millennials.
- Hybrid advisory models combining digital convenience with expert consultation.

Segmented product strategies can improve customer engagement and financial well-being.

5.3 Overall Interpretation

The comparative analysis suggests that financial behaviour is influenced not only by age but also by:

- Economic exposure
- Technological environment
- Life-cycle responsibilities
- Income stability

Gen Z represents a digitally empowered, risk-aware generation with strong saving potential but weaker structural planning. Millennials represent a financially experienced generation with stronger contingency preparedness and disciplined financial management.

These behavioural differences highlight the need for tailored financial strategies across generational groups.

CHAPTER 6: CONCLUSION

The present study aimed to conduct a comparative analysis of the financial behaviour of Gen Z and Millennials using selected indicators such as savings patterns, emergency preparedness, financial literacy, spending tendencies, and risk tolerance.

The findings clearly indicate that both generations exhibit distinct yet evolving financial characteristics shaped by their economic environment, technological exposure, and life-cycle stage.

Gen Z emerges as a digitally empowered generation with strong short-term saving capacity. The data reflects higher average monthly savings and growing financial awareness. Their familiarity with fintech platforms, digital payments, and online investment tools has enabled early engagement with financial management. However, despite strong accumulation trends, Gen Z demonstrates weaker emergency fund preparedness and relatively less structured long-term planning. This suggests that financial knowledge does not always translate into disciplined financial security.

Millennials, on the other hand, display greater financial maturity and structured planning behaviour. Although their monthly savings may be comparatively lower due to higher financial responsibilities such as housing loans and family expenses, they show stronger emergency preparedness and better risk management practices. Their financial decisions reflect experience, long-term goal orientation, and stability.

The study concludes that generational financial behaviour is not merely a function of age but a result of broader socio-economic influences, technological integration, and life responsibilities. While Gen Z represents a growth-oriented and digitally adaptive cohort, Millennials reflect financial stability and structured planning discipline.

These insights are valuable for policymakers, financial institutions, educators, and market researchers. Understanding generational differences allows for the development of customized financial literacy programs, targeted savings instruments, and age-specific investment solutions that promote long-term financial well-being.

In conclusion, both Gen Z and Millennials contribute uniquely to the evolving financial landscape, and bridging the gap between digital awareness and structured planning will be crucial for ensuring sustainable financial growth across generations.