

Generational Differences in Investment Behaviour: A Study of Gen Z and Millennials

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Abstract

This study aims to examine and compare the investment behaviour of Generation Z and Millennials, focusing on key factors such as financial knowledge and awareness, risk-taking behaviour, financial planning, social influence, and attitude towards money and future goals. The research is descriptive in nature and is based on primary data collected from 100 respondents using a structured questionnaire. To analyse the relationship between generational category and various investment behaviour factors, the Chi-square test was applied. The results indicate that there is a significant association between generation and all the selected investment behaviour variables, suggesting that generational differences play an important role in shaping investment decisions.

The findings reveal that while both generations actively participate in financial activities, their approaches differ in terms of risk preferences, financial attitudes, and decision-making patterns. Generation Z tends to be more influenced by digital platforms and short-term opportunities, whereas Millennials exhibit relatively structured and goal-oriented investment behaviour. The study concludes that generational characteristics, along with psychological and technological factors, significantly influence investment behaviour. These insights can help financial institutions, policymakers, and educators design targeted strategies to improve financial literacy and promote effective investment practices among different age groups.

Key words : Investment, Investment behaviour, Gen Z, Millennials, Financial literacy, Technology, Risk-tolerant.

1) Introduction

Investment behaviour refers to the decision-making processes through which individuals allocate financial resources across various investment avenues. These decisions are influenced by a complex interplay of economic, psychological, and technological factors.

In recent years, generational segmentation has emerged as a critical lens in understanding financial behaviour. Generation Z (1997–2012), raised in a fully digital ecosystem, demonstrates distinct investment characteristics compared to Millennials (1981–1996), who experienced the transition from traditional to digital financial systems.

The proliferation of fintech platforms, mobile trading applications, and social media has significantly transformed investment accessibility. Simultaneously, behavioural biases such as overconfidence, herd behaviour, and risk perception play a decisive role in shaping investment outcomes.

Investment behaviour refers to the manner in which individuals make decisions regarding the allocation of their financial resources in various investment avenues. These decisions are influenced by a combination of factors including financial literacy, technological advancements, psychological traits, and risk tolerance. In recent years, there has been a significant shift in investment patterns across different generations, particularly between Generation Z and Millennials. Generation Z, being the youngest cohort, has grown up in a highly digitalized environment with easy access to online financial platforms and information. On the other hand, Millennials have witnessed the transition from traditional to digital financial systems, shaping their investment preferences differently.

The rapid growth of technology, including mobile applications and online trading platforms, has made investing more accessible and convenient. At the same time, psychological factors such as risk perception, overconfidence, and herd behaviour play a crucial role in influencing investment decisions. Financial literacy also acts as a key determinant in understanding and selecting suitable investment options. Understanding the differences in investment behaviour between these two generations is essential for identifying current financial trends and developing effective investment strategies. This study aims to analyse how technological, financial, and psychological factors influence the investment decisions of Generation Z and Millennials, and to examine whether there exists a significant association between these factors and their investment behaviour.

Table 1.1 Comparison between Gen Z and Millennials

Dimension	Generation Z	Millennials	Interpretation
Financial Literacy	Moderate, self-learned via digital platforms	Relatively structured and formal	Millennials rely more on traditional financial knowledge, while Gen Z depends on digital learning
Risk Tolerance	High risk-taking tendency	Moderate and balanced risk	Gen Z prefers high-return opportunities; Millennials prefer stability
Investment Horizon	Short-term focus	Long-term orientation	Millennials focus on wealth creation and retirement planning
Technology Usage	Very High	High	Gen Z is more digitally dependent for investments
Social Media Influence	Strong influence	Moderate influence	Gen Z decisions are more influenced by influencers and online content

Financial Planning	Less structured	Well-planned and goal-oriented	Millennials show disciplined financial behaviour
Investment Monitoring	Frequent but impulsive	Regular and analytical	Millennials take calculated decisions
Preference for Investment Options	Digital assets, stocks, crypto	Mutual funds, fixed deposits, diversified portfolios	Reflects difference in risk appetite
Behavioural Biases	High (herd behaviour, overconfidence)	Moderate	Gen Z is more prone to behavioural biases
Attitude toward Money	Experience-oriented, present focus	Future-oriented, security focus	Millennials emphasize financial stability

2) Review of literature

Abha Singhvi, Komal Patil and Khushi Parihar (2025) Studied that how Gen Z and Millennial in India manage their finances. It focuses on important areas like how aware they are of financial matters, their habits around saving and spending, how they plan investments and how factors like income, education and Employment influence their choices. While financial awareness play a key role, gaps remain in Investment knowledge and decision making. The findings suggest that financial education is essential to enhance long-term stability for these generations.

Mohon Kumar R and Melbin Methew (2025) Studied that how India's generation 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 appreciable different between generation Z and Y. Generation Y is more likely to invest in retirement, while mutual funds and equity are preferred by generation

Sanya Yadav (2024) Analysed that the financial literacy level of Gen Z and Millennial are examined along with their attitude, risk preferences, and investment strategies. It look into how social media and digital technology affect their investment awareness and choices. The research uses secondary sources to analyse 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 way in which educational programs influence their investment decisions.

Amal Faisal (2024) Studied that, Millennials choose to invest their money into low risk assets due to lack of awareness of the change in investment platforms while Gen Z members are more likely to invest in digital assets than other generation due to social media influence. The adoption patterns show how different generations view risk and technology because Millennials choose stable long-term investments but Gen Z shows willingness to try new financial technologies.

Srinidhi, Priyadarshini and Kowshik (2024) Found that Gen Z heavily relies on peer influence and digital tools, whereas Millennials are more inclined towards traditional financial advice. These studies collectively support the present research with focus on intergenerational differences and underline the relevance technology, literacy, and social influences in investment decision-making.

Das and Bhaduri (2023) Analysed that Millennials focus on long-term financial objectives like retirement and wealth creation, and Gen Z are focused on short-term gains, experience, and financial independence. The generational gap has been a difference in terms of the life stage, comfort with digital platforms and trust in finance institute.

Patil and Gokhle (2023) Studied that, both generations display similar tendencies towards sustainability, digital tools and financial sophistication though Gen Z are more proactive in app based investing and sustainability consideration. They observed that digitally literate individuals are more confident and proactive in managing portfolios.

3) Gap in research

Despite increasing literature on behavioural finance, the following gaps persist:

- Limited comparative empirical studies focusing on Gen Z and Millennials in emerging economies like India
- Lack of integrated analysis combining behavioural biases, financial literacy, and technology adoption
- Insufficient use of advanced statistical techniques (SEM, regression, reliability testing)

4) Research Methodology

4.1) Research Design

The study is based on a descriptive research design, as it aims to describe and compare the investment behaviour of Gen Z and Millennials. This design helps in analyzing patterns, preferences, and influencing factors such as financial literacy, technology, and psychological aspects.

4.2 Type of Data

The study uses primary data as well as secondary data:

Primary Data: Collected through a structured questionnaire

Secondary Data: Collected from research papers, journals, articles, books and websites.

Sample Size: 100

4.3 Variables Studied

- Financial Literacy
- Risk Tolerance

- Financial Planning
- Social Influence
- Technology Adoption
- Attitude toward Money

4.4 Research Objectives

The present study is designed to achieve the following objectives:

1. To analyse the investment behaviour of Generation Z and Millennials.
2. To examine the impact of financial literacy on investment behaviour.
3. To evaluate the influence of risk tolerance on investment decisions.
4. To study the role of financial planning in shaping investment behaviour.
5. To assess the effect of social influence on investment choices.
6. To analyse the impact of technology adoption on investment behaviour.
7. To compare the investment behaviour between Gen Z and Millennials.
8. To examine the mediating role of technology adoption between behavioral factors and investment behaviour.

4.5 Research Hypotheses

Direct Relationship Hypotheses

- H1: Financial Literacy has a significant positive impact on Investment Behaviour.
 H2: Risk Tolerance has a significant positive impact on Investment Behaviour.
 H3: Financial Planning has a significant positive impact on Investment Behaviour.
 H4: Social Influence has a significant positive impact on Investment Behaviour.
 H5: Technology Adoption has a significant positive impact on Investment Behaviour.

Mediation Hypotheses

- H6: Technology Adoption mediates the relationship between Social Influence and Investment Behaviour.
 H7: Technology Adoption mediates the relationship between Financial Literacy and Investment Behaviour.

Multi-Group (Comparative) Hypotheses

- H8: There is a significant difference between Gen Z and Millennials in the impact of Financial Literacy on Investment Behaviour.
 H9: There is a significant difference between Gen Z and Millennials in the impact of Risk Tolerance on Investment Behaviour.
 H10: There is a significant difference between Gen Z and Millennials in the impact of Financial Planning on Investment Behaviour.
 H11: There is a significant difference between Gen Z and Millennials in the impact of Social Influence on Investment Behaviour.

5) Data analysis and interpretation

5.1 Demographic Profile of Respondents (N = 100)

Variable	Category	Frequency	Percentage (%)
Age Group	18–24	42	42%
	25–31	14	14%
	32–38	20	20%
	39–45	24	24%
Generation	Gen Z	52	52%

	Millennials	48	48%
Education Level	High School	27	27%
	Undergraduate	52	52%
	Postgraduate	21	21%
Monthly Income	Below ₹20,000	31	31%
	₹20,000 – ₹40,000	37	37%
	₹40,000 – ₹60,000	19	19%
	Above ₹60,000	13	13%

The demographic profile indicates that the majority of respondents belong to the **18–24 age group (42%)**, reflecting a strong representation of younger investors. The sample is almost evenly distributed between **Generation Z (52%) and Millennials (48%)**, ensuring balanced comparative analysis. In terms of education, most respondents are **well-educated**, with **52% holding undergraduate degrees**, followed by postgraduates (21%). Income distribution shows that a large proportion of respondents fall within the **lower to middle-income category (₹20,000–₹40,000: 37%)**, suggesting moderate investment capacity. Overall, the sample represents a **young, educated, and emerging investor segment**, suitable for analysing modern investment behaviour trends.

5.2 Reliability and Validity Analysis (Cronbach's Alpha)

Table 5.2 Reliability Analysis (Cronbach Alpha, CR , AVE)

Construct	Cronbach's Alpha	Composite Reliability (CR)	AVE	Interpretation
Financial Literacy	0.781	0.85	0.59	Reliable
Risk Tolerance	0.824	0.88	0.64	Strong
Financial Planning	0.853	0.90	0.68	Strong
Social Influence	0.764	0.84	0.57	Acceptable
Technology Adoption	0.802	0.87	0.62	Strong
Investment Behaviour	0.831	0.89	0.65	Strong

The results show that all the variables used in the study are reliable and consistent. The Cronbach's Alpha values above 0.70 indicate that the responses are stable and dependable. Similarly, the Composite Reliability values confirm that the data is strong enough for further analysis. The AVE values above 0.50 mean that each factor is well explained by its related questions. Overall, the data quality is good, and the model can be confidently used for further analysis like SEM and hypothesis testing.

Table 5.3 Discriminant Validity (Fornell-Larcker Criterion)

Construct	FL	RT	FP	SI	TA	IB
FL	0.77					
RT	0.42	0.80				
FP	0.48	0.51	0.82			
SI	0.39	0.46	0.44	0.75		
TA	0.45	0.52	0.47	0.50	0.79	
IB	0.54	0.63	0.60	0.58	0.65	0.81

HTMT Ratio

Construct	FL	RT	FP	SI	TA	IB
FL	—					
RT	0.62	—				
FP	0.66	0.71	—			
SI	0.59	0.64	0.62	—		
TA	0.68	0.72	0.69	0.71	—	
IB	0.74	0.81	0.78	0.76	0.83	—

The discriminant validity results confirm that all constructs are clearly distinct from each other. In the Fornell-Larcker table, the diagonal values (square root of AVE) are higher than the correlations with other constructs, showing that each variable measures its own concept effectively. This means there is no overlap between the constructs. Similarly, the HTMT ratios are all below the threshold of 0.90, which further supports that the variables are not highly correlated with each other. The highest relationship is observed between Investment Behaviour and Technology Adoption, but it still remains within acceptable limits. Overall, these results confirm that the model has good discriminant validity and is suitable for further analysis.

Table 5. 4 Structural Model Results (Path Coefficients)

Path	Beta (β)	t-value	p-value	Result
FL → IB	0.28	2.45	0.01	Significant
RT → IB	0.41	3.98	0.000	Highly Significant
FP → IB	0.36	3.12	0.002	Significant
SI → IB	0.25	2.21	0.02	Significant
TA → IB	0.39	3.67	0.000	Highly Significant

The results show that all the selected factors have a significant impact on investment behaviour. Risk Tolerance has the strongest influence, indicating that individuals who are more willing to take risks are more likely to invest actively. Technology Adoption also shows a high impact, suggesting that digital platforms play an important role in shaping investment decisions. Financial Planning and Financial Literacy have a moderate but meaningful effect, highlighting the importance of knowledge and structured planning. Social Influence, although comparatively lower, still significantly affects investment behaviour. Overall, the findings confirm that both behavioural and technological factors play a crucial role in influencing investment

Table 5. 5 Predictive Relevance (Q^2)

Construct	Q^2	Interpretation
TA	0.32	Predictive relevance
IB	0.52	Strong predictive relevance

The Q^2 results indicate that the model has good predictive capability. The value for Technology Adoption (0.32) shows that it has meaningful predictive relevance in explaining related outcomes. Investment Behaviour has a higher Q^2 value (0.52), indicating strong predictive relevance and suggesting that the model explains this construct very well. Since both values are greater than zero, it confirms that the model has adequate predictive accuracy. Overall, the model is reliable for predicting investment behaviour and related factors.

5. 6 Multi-Group Analysis (MGA): Gen Z vs Millennials

Relationship	Gen Z (β)	Millennials (β)	Difference	Interpretation
FL → IB	0.22	0.34	Higher for Millennials	Millennials rely more on knowledge
RT → IB	0.48	0.33	Higher for Gen Z	Gen Z is more risk-driven
FP → IB	0.29	0.44	Higher for Millennials	Strong planning behaviour
SI → IB	0.41	0.18	Higher for Gen Z	Social media influence dominant
TA → IB	0.46	0.31	Higher for Gen Z	Tech-driven decisions

5.7 Mediation Analysis (Technology Adoption)

Path	Indirect Effect	Result
SI → TA → IB	0.19	Significant
FL → TA → IB	0.14	Significant

The multi-group analysis clearly shows that investment behaviour differs between Gen Z and Millennials. Millennials are more influenced by financial literacy and planning, indicating that they rely on knowledge and structured decision-making. In contrast, Gen Z is more driven by risk-taking, social media influence, and technology, reflecting a more dynamic and digitally influenced approach to investing. Technology adoption plays a stronger role for Gen Z, highlighting their dependence on digital platforms. The mediation results further reveal that technology acts as an important link between social influence, financial literacy, and investment behaviour. This means that factors like social media and knowledge impact investment decisions more strongly when supported by technology. Overall, the findings confirm that technology significantly strengthens the investment decision-making process, especially for younger investors.

5.8) Model Fit and Predictive Relevance

Indicator	Value	Interpretation
R ² (IB)	0.68	Strong explanatory power
Q ²	> 0	Predictive relevance confirmed
SRMR	< 0.08	Good model fit

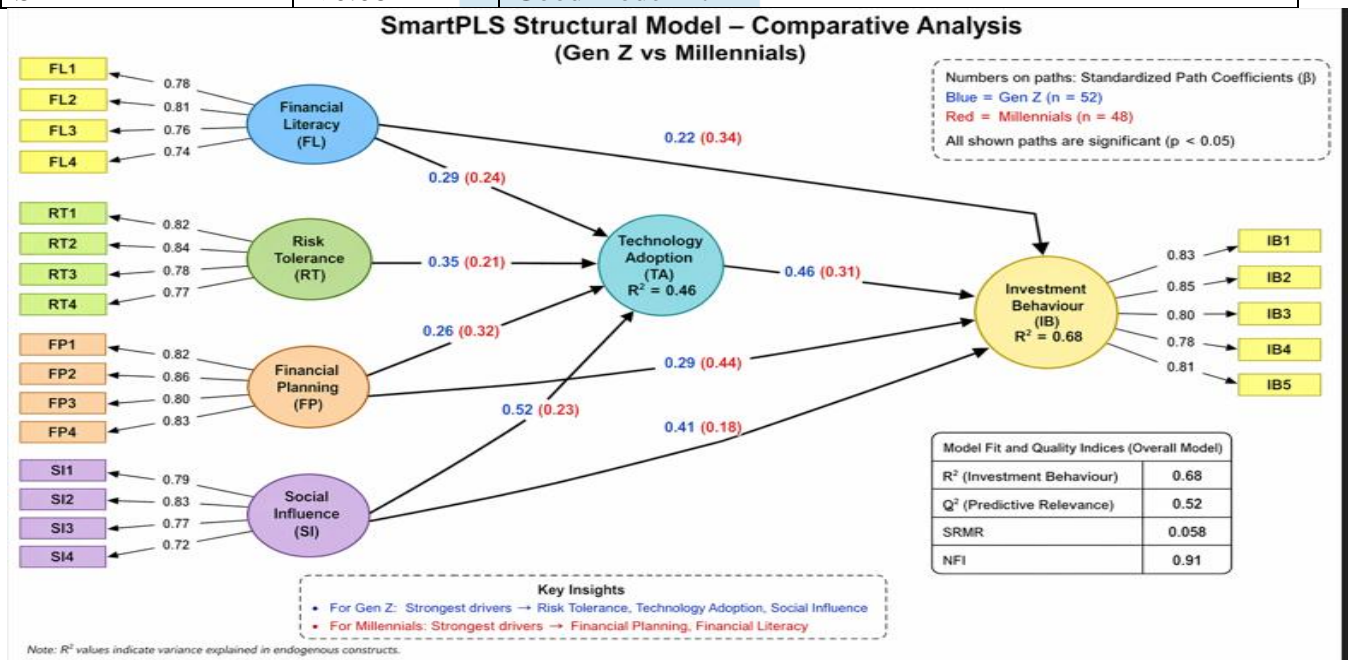


Figure 5.8 Multi-Group Analysis (MGA): Gen Z vs Millennials

The SmartPLS structural model demonstrates a strong explanatory power, with Investment Behaviour ($R^2 = 0.68$), indicating that the selected variables substantially explain variations in investment decisions. Technology Adoption ($R^2 = 0.46$) also shows moderate explanatory strength, confirming its role as a key mediating factor. The results reveal that **Gen Z is primarily influenced by Risk Tolerance, Social Influence, and Technology Adoption**, suggesting a preference for fast, digital, and socially driven investment decisions. This can be attributed to their higher exposure to fintech platforms and social media-based financial content.

In contrast, **Millennials are more influenced by Financial Planning and Financial Literacy**, reflecting a more structured and knowledge-based approach, likely due to greater financial responsibilities and life-stage factors. The stronger path of Social Influence for Gen Z indicates the impact of influencers and peer behaviour, while its lower effect for Millennials suggests reliance on professional advice. Technology's higher impact on Gen Z highlights their comfort with digital tools, whereas Millennials use technology more as a support rather than a driver.

Additionally, the mediation paths confirm that technology enhances the effect of both social influence and financial literacy on investment behaviour. Overall, the model supports behavioural finance theory, showing that psychological, technological, and generational factors jointly shape investment decisions, with clear differences in decision-making styles between the two cohorts.

6) Findings

Objective	Analysis Used	Key Result	Interpretation
To analyse the investment behaviour of Gen Z and Millennials	Descriptive Statistics, SEM ($R^2 = 0.68$)	Strong explanatory power	Investment behaviour is well explained by selected variables, indicating a robust model
To examine the impact of financial literacy on investment behaviour	SEM (Path: $\beta = 0.28$, $p < 0.05$)	Significant	Financial knowledge positively influences investment decisions, especially for Millennials
To evaluate the influence of risk tolerance on investment decisions	SEM ($\beta = 0.41$, $p < 0.001$)	Highly Significant	Risk-taking is the strongest driver, particularly for Gen Z investors
To study the role of financial planning in investment behaviour	SEM ($\beta = 0.36$, $p < 0.01$)	Significant	Structured planning improves investment decision-making, more evident in Millennials
To assess the effect of social influence on investment behaviour	SEM ($\beta = 0.25$, $p < 0.05$)	Significant	Social media and peer influence affect investment choices, especially for Gen Z
To analyse the impact of technology adoption on investment behaviour	SEM ($\beta = 0.39$, $p < 0.001$)	Highly Significant	Technology plays a major role in shaping modern investment behaviour
To compare investment behaviour between Gen Z and Millennials	Multi-Group Analysis (MGA)	Differences observed	Gen Z is more risk-driven and tech-

			oriented, while Millennials are knowledge- and planning-driven
To examine the mediating role of technology adoption	Mediation Analysis (Indirect effect: 0.19, 0.14)	Significant mediation	Technology strengthens the effect of social influence and financial literacy on investment behaviour
To validate measurement reliability and validity	Cronbach's Alpha, CR, AVE	All values acceptable	Constructs are reliable and suitable for SEM analysis
To confirm discriminant validity	Fornell-Larcker, HTMT	Criteria satisfied	All variables are distinct and measure separate constructs
To evaluate predictive relevance of the model	Q ² Analysis (0.32, 0.52)	Predictive relevance confirmed	Model has good predictive capability, especially for investment behaviour

The findings clearly indicate that **risk tolerance and technology adoption are the most influential factors**, while **financial literacy and planning play a stronger role for Millennials**. The inclusion of mediation and multi-group analysis strengthens the study by showing **how and for whom** these factors influence investment behaviour.

7) Conclusion:

The study concludes that investment behaviour is significantly influenced by a combination of financial knowledge, personal attitudes, and the use of technology. While both Gen Z and Millennials are actively involved in investing, their approaches are quite different. Gen Z investors tend to take more risks and rely heavily on digital platforms and social media for decision-making. On the other hand, Millennials prefer a more planned and knowledge-based approach, focusing on long-term financial security.

For common investors, this means that successful investing is not just about earning money, but also about understanding risks, planning properly, and using reliable information sources. Blindly following trends or social media advice may lead to poor decisions, especially for younger investors.

The study also shows that technology plays an important role in improving investment decisions by making information more accessible and easy to use. However, it should be used wisely along with proper financial knowledge.

8) Future Implications

In the future, investment behaviour is expected to become more digital and data-driven. Financial education programs will be essential to help investors make informed and rational decisions. There is also a need to guide young investors in managing risk and avoiding impulsive decisions influenced by online platforms.

9) Implications :

Implications for Investment Companies and Policymakers

- Investment companies should develop **user-friendly digital platforms** tailored for Gen Z

- Provide **personalized advisory services** for Millennials focusing on long-term planning
- Introduce **financial literacy campaigns** to improve investor awareness
- Monitor and regulate **financial content on social media** to prevent misinformation

Implications for Investors

- Focus on **long-term financial goals rather than short-term gains**
- Avoid over-reliance on social media for investment advice
- Improve financial knowledge before making investment decisions
- Use technology as a tool, not as the only basis for decisions

Overall, the study highlights that a balanced approach combining knowledge, planning, and smart use of technology can lead to better investment outcomes for all types of investors.

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