Saving and Investment Behaviour of Generation Z: An Empirical Study Among Young Adults in Bengaluru

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Abstract

Generation Z has become an important part of the population that has increasingly entered into the stock market because of increased financial knowledge, technology advancement, and easy access to online investments. It is very important to understand the savings and investment behaviour of Generation Z so that appropriate financial products can be designed. The present study attempts to look at the saving behaviour and the investment preferences along with the variables affecting the financial behaviour of Generation Z in Bengaluru. Financial literacy, income level, risk-taking ability, and online investment platforms have been analysed in relation to the savings and investment behaviours of Generation Z. Descriptive research methodology was used in the study and primary data were gathered using a questionnaire from 150 members of Generation Z. The secondary data were collected from research journals, books, and reports available from the RBI, SEBI, and other credible sources. The collected data were analysed using the method of percentage analysis, charts, and descriptive statistics. The results suggest that although most members of Generation Z have been able to establish saving routines, they would rather choose investment options like mutual funds and stocks because of their high returns on investment and ease provided by digital investment apps. The factors of financial literacy, income, and perceived risk play an important role in making investment decisions of Generation Z.

Keywords

Generation Z, Saving Behaviour, Investment Behaviour, Financial Literacy, Mutual Funds, Stock Market, Digital Investment Platform, Fintech, Risk Tolerance, Personal Finance.

1. Introduction

Saving and investments are essential parts of personal finance and contribute immensely to ensuring financial stability and economic development. Saving acts as a financial safety cushion in emergencies and assists an individual in meeting future financial objectives, while investing creates wealth through the growth of one's financial resources. The fast pace of technological advancement and development in financial services have brought about changes in people's financial behaviour, especially in young people.

Generation Z is usually considered to be those individuals who are born within the time period of 1997 to 2012 and have grown up in an environment of abundant internet connectivity, smartphones, social media, and digital finance technologies. This is because generation Z is the first generation to have access to financial information through the help of online portals, mobile applications, and digital financial influencers. Through such digital influence, generation Z individuals are well aware of various ways in which investments can be made, including mutual funds, stocks, ETFs, cryptocurrencies, and SIPs.

Generation Z still has several issues that arise despite the increased availability of financial services when dealing with personal finances. High living costs, student debts, lack of discretionary income, inflation, and the uncertainty about future job security can be among the reasons for poor savings and investments. In addition to that, behavioural issues like risk aversion, financial knowledge, peer pressure, social media presence, and personal financial goals impact their decision making.

Financial literacy is now one of the key factors that determine sound financial behavior. People who have a good understanding of such concepts as budgeting, saving, investing, inflation, diversification, and risk management are more prone to making sensible financial decisions. In turn, people with poor financial literacy can choose bad investments, take too much risks or postpone financial planning at all. This is why increasing financial literacy of Generation Z has become a key goal.

The exponential growth of the Indian financial environment through innovations like Digital India, UPI system, and involvement in the capital market has made it imperative for the youth of the nation to involve themselves in financial dealings. Thus, the comprehension of the saving and investment behaviours of Generation Z has become extremely significant for financial institutions including banks, mutual funds, stockbrokers, FinTech, and government authorities.

The current research paper concentrates on investigating the saving and investment habits of Generation Z in Bengaluru by exploring their saving tendencies, their favourite forms of investments, level of financial literacy and the impact of investment through digital platforms on financial decisions of the respondents. It is anticipated that the outcomes of the research will contribute to the available body of knowledge in the field of personal and behavioural finance.

2. Review of Literature

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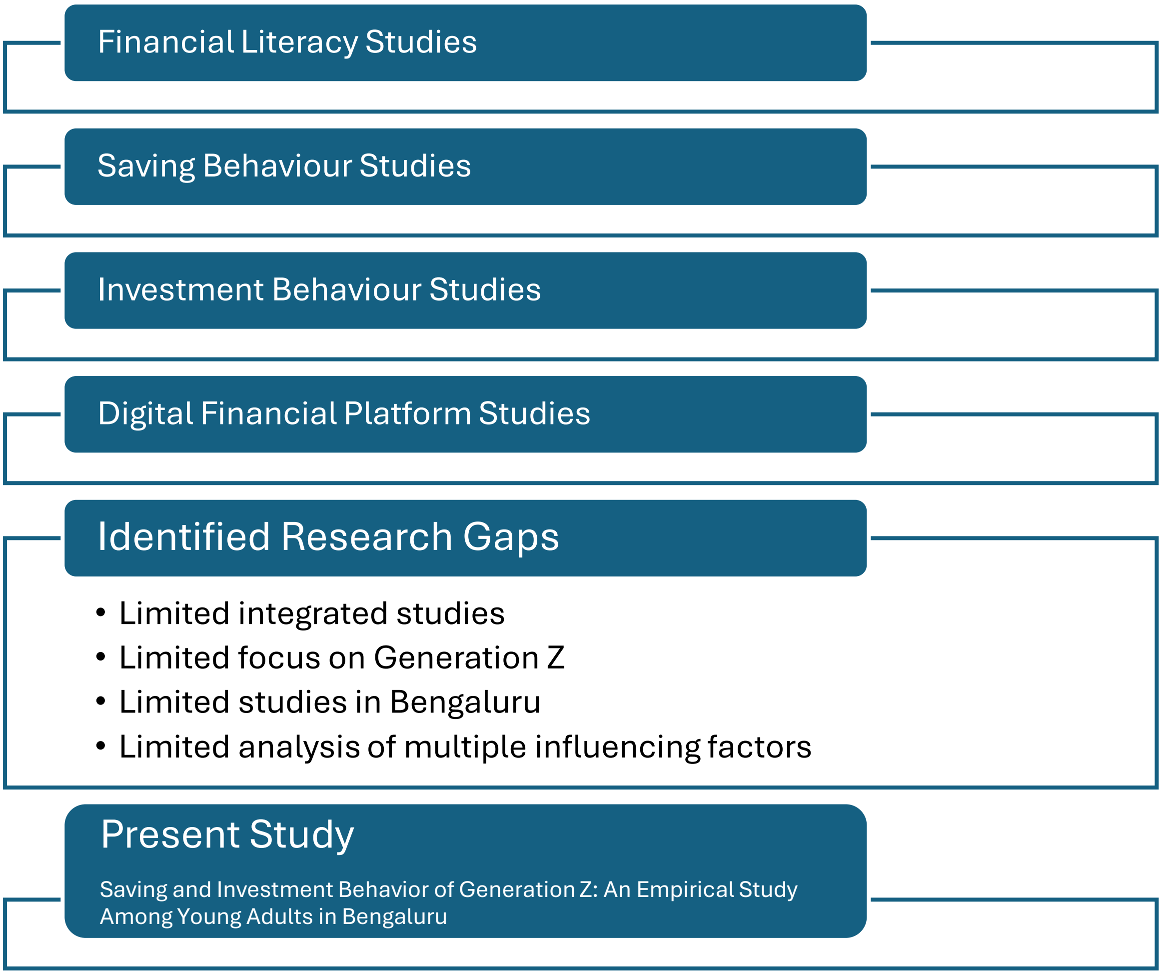
3. Research Gap



Several previous studies have explored the areas of financial literacy, saving habits, investment preference, and digital investment platform individually. But there is little evidence available that explores the aforementioned aspects together in order to comprehend the savings and investment behaviour of generation Z. Majority of the previous studies either conduct a survey on a wider population or discuss one aspect or the other of personal finance; very few empirical studies have been conducted amongst the youth of Bengaluru.

Moreover, very little research has been carried out about the combined effect of financial literacy, income, risk aversion, and digital investment platform on the behaviour of generation Z with respect to finance.

4. Objectives

What are the saving and investment behaviours of Generation Z individuals among young adults in Bengaluru, and what are the factors affecting their financial decisions?

5. Research Methodology

For this study, the researcher chose the descriptive research design to analyse the saving and investment behaviour of Generation Z youth in Bengaluru. In this study, data has been collected from both primary and secondary sources. Primary data have been gathered by using a questionnaire developed in the Google Forms format, and secondary data have been gathered from research journals, books, governmental papers, SEBI papers, RBI papers, and others available online sources. The gathered data have been analysed by using percentage analysis method.

5.1 Research Design

Sample for Data Collection: Data was collected through a structured questionnaire from the generation Z respondents in Bengaluru. The questionnaire had questions about demographic profile, saving behaviour, investment preference, financial literacy, risk-taking ability, and determinants of investment decisions.

Sample Size: The sample size in the study is 45 respondents who have been taken into consideration for the analysis.

Sample Area: The study has been carried out on young people of generation Z residing in Bengaluru, Karnataka.

Sampling Procedure: Convenience sampling has been used in the study as the respondents have been selected based on availability and willingness to take part in the survey.

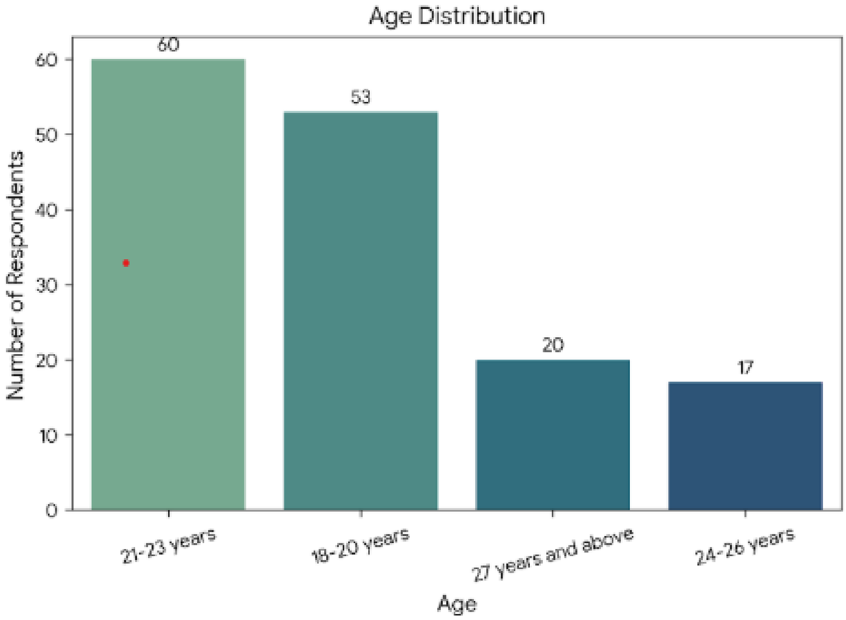
Nature of Data: The study has made use of both primary and secondary data. While the former type has been collected from the respondents, the latter one has been collected from journals, articles, books, RBI reports, SEBI reports, etc.

Approach in Research: The study adopts a descriptive approach to find out the savings and investments behaviour of Generation Z.

Tools for Data Analysis: The data has been analysed through percentage analysis and presented using bar diagrams using Microsoft Excel.

5.2 Data Interpretation and Analysis

A. Age Wise Distribution



Interpretation:

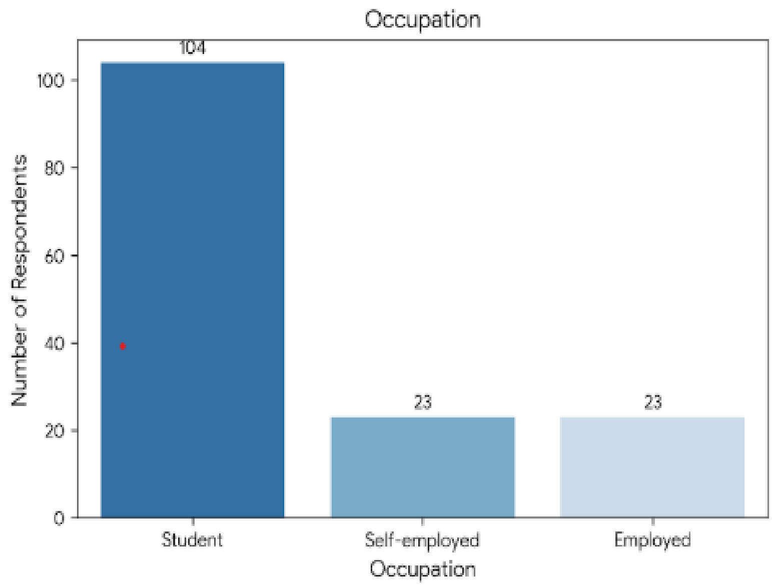
It is evident from the figure above that the largest number of respondents falls into the age category of 21-23 years (60), while those in the age bracket of 18-20 years stand at 53. The group with 20 people consists of respondents who are 27 years and older, while the smallest category of 17 is of 24-26 years

B. Gender Wise Distribution

Interpretation

The chart above clearly illustrates that there are 77 females and 73 males among the respondents. It means that the number of men and women is almost equal, which ensures the representation of the Generation Z's savings and investments behaviour.

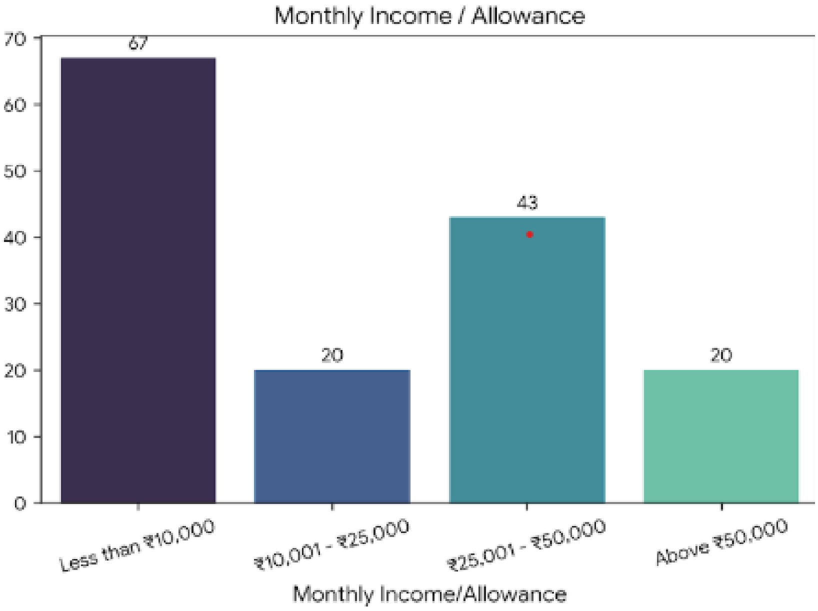
C. Occupation



Interpretation:

The greater part of the participants are students (104), while 23 of the participants have jobs and 23 others are self-employed. This suggests that the research mainly focuses on the financial behaviour of students who form an important part of Generation Z.

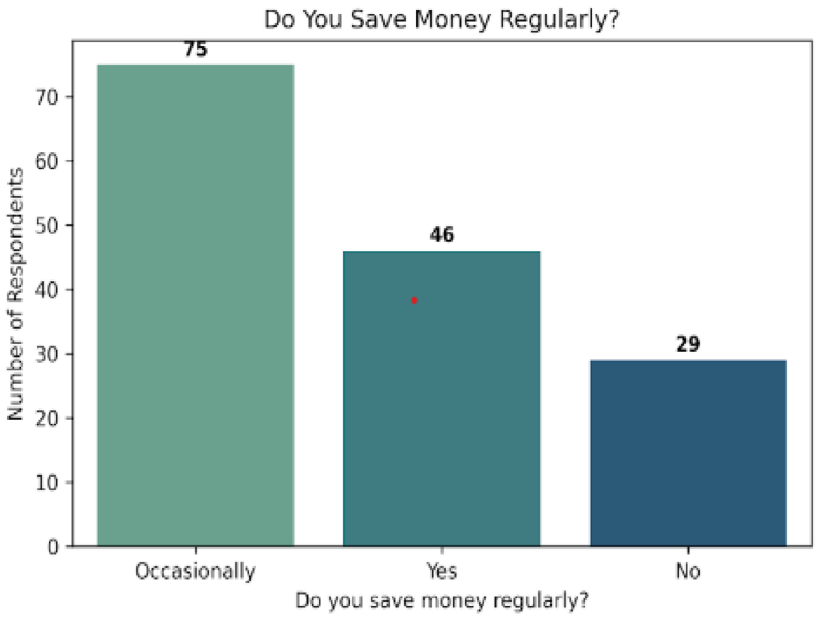
D. Monthly Income/ Allowance



Interpretation:

As per the diagram, 67 respondents have an income less then ₹10,000 per month, while other 43 respondents earn from ₹25,001 - ₹50,000 per month. It also indicates that the income groups of ₹10,001 - ₹25,000 and more than ₹50,000 consist of 20 respondents each.

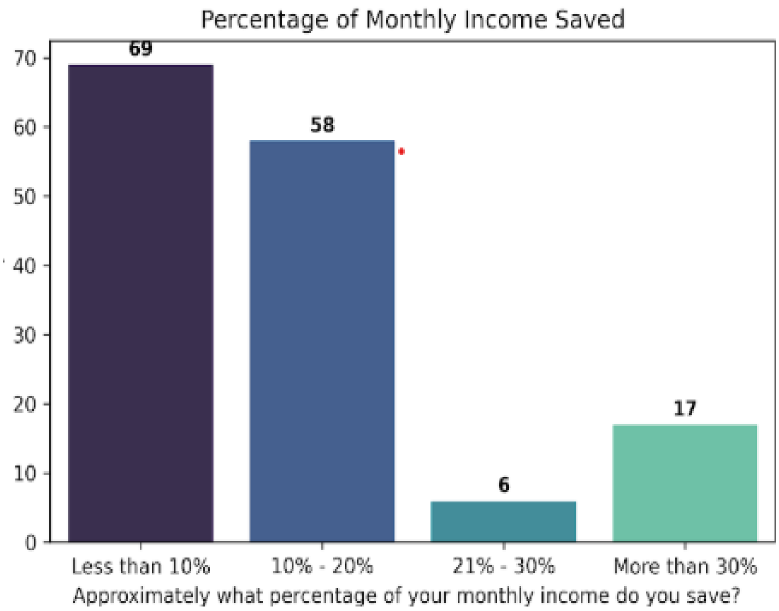
E. Do you save Regularly?



Interpretation:

From the above diagram, we can see that 75 people save money sometimes, 46 people save money regularly, whereas 29 people don't save money. The above explanation shows that even though many Generation Z people have developed saving habits, many of them save money sometimes but not regularly.

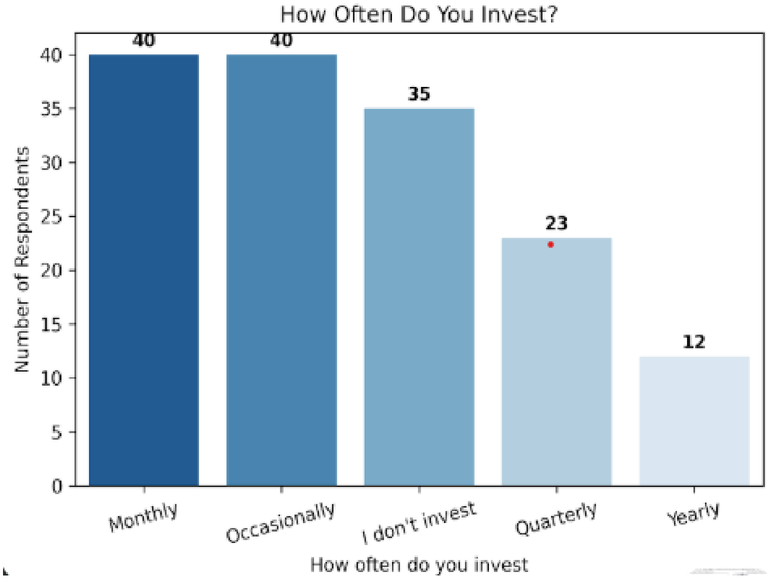
F. Percentage of Monthly Income Saved



Interpretation:

A large proportion of participants (69) save less than 10% of their monthly earnings, 58 participants save 10% - 20%, 6 participants save 21% - 30%, and 17 participants save more than 30%. The implication here is that most participants do not have high savings rates because of insufficient income levels and personal costs.

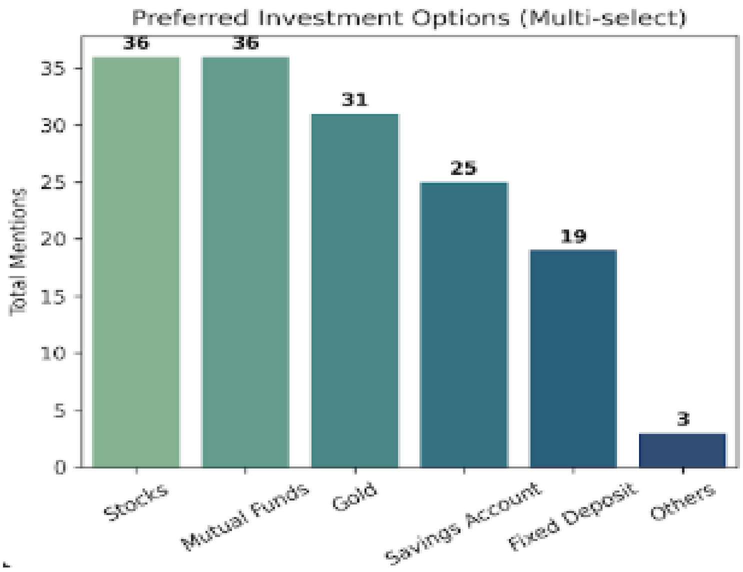
G. How Often Do You Invest?



Interpretation:

As shown in the figure above, 40 participants invest monthly, while another 40 participants invest occasionally. Furthermore, there are 35 participants who do not invest at all, 23 participants who invest quarterly, and 12 participants who invest annually. It can be seen that monthly investment is a growing trend amongst Generation Z despite some respondents not having invested yet.

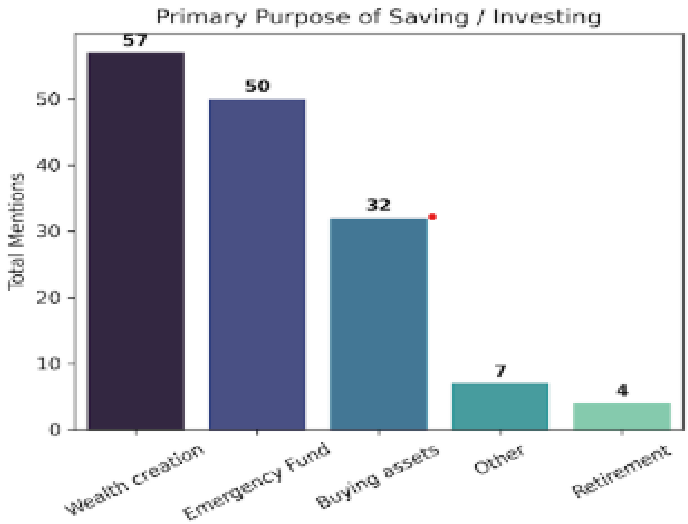
H. Preferred Investment Option



Interpretation:

The most popular investment choices from the respondents are Stocks (36) and Mutual Funds (36), then Gold (31), Savings Account (25), and Fixed Deposit (19). Other investment options were chosen by only 3 respondents. The results suggest that the respondents are more inclined to invest in market-based instruments for wealth accumulation.

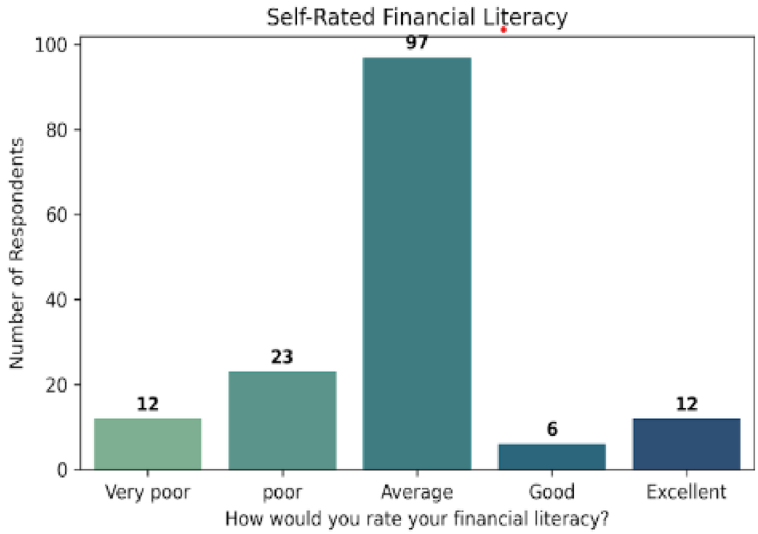
I. Purpose Of Saving



Interpretation:

The main reason why the respondents save and invest in finances is for Wealth Creation (57), while others do so for Emergency Fund (50) and to Purchase Assets (32). Very few respondents chose Others (7) and Retirement Planning (4). This shows that Generation Z mainly sees saving and investing in finances as ways to create wealth.

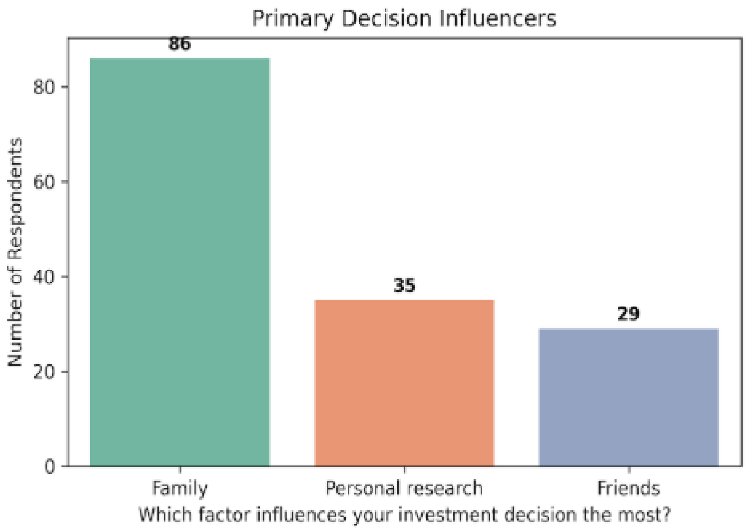
J. Financial Literacy Level



Interpretation:

The most common response was that of Average (97), followed by Poor (23). Additionally, there were 12 people who felt that their financial literacy was Very Poor and 12 others that felt it was Excellent, while the number of those who had a Good financial literacy was 6. It is clear from this that a majority of respondents have a fair knowledge of finance.

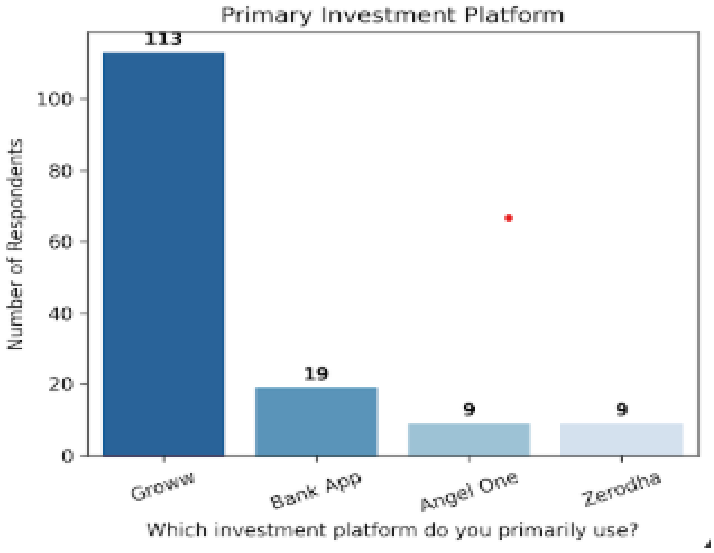
K. Factors Influencing Investment Decisions



Interpretation:

The largest number of respondents (86) indicated that the family factor influences their investment decision making the most. The second one after family is their own research (35), while friends follow closely with (29). From these results, it is possible to conclude that the family remains an important factor for Generation Z decision-making even with all financial information available online.

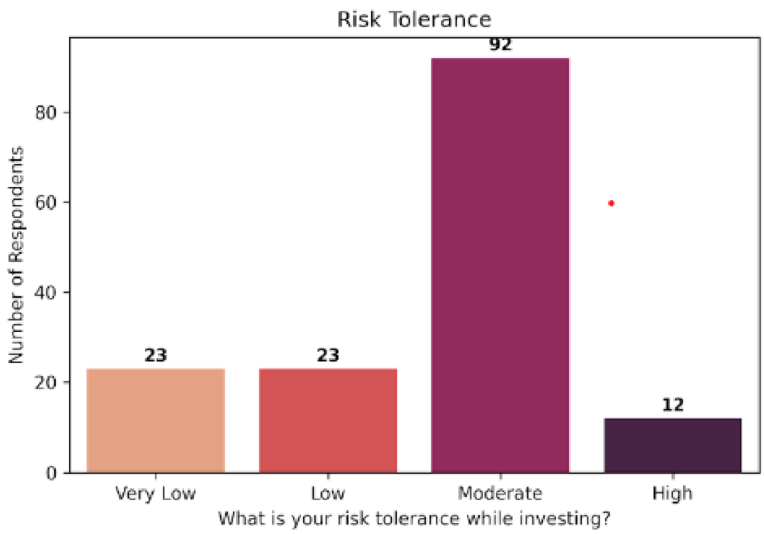
L. Investment Platform Used



Interpretation:

It can be noted from the figure above that the top choice for investment among 113 respondents is Groww, followed by bank applications (19) and Angel One & Zerodha with 9 respondents each. It can be deduced that mobile application based investments have emerged to be the most preferred investment platform among generation Z.

M. Risk Tolerance



Interpretation:

Most respondents (92) have moderate risk tolerance, whereas 23 respondents each have very low and low risk tolerance, whereas only 12 respondents have high risk tolerance. It implies that most of the respondents like to go for investments where there are moderate returns along with some moderate risks.

N. Biggest Challenged Faced

Interpretation:

As shown in the graph above, not having enough money (57 respondents) is the primary problem encountered when trying to save or invest. Next are not having enough financial knowledge (35), too many expenses (29), and being afraid of risks (23). Six respondents were able to cite other problems. These results indicate that having not enough money and not enough financial knowledge are the main impediments to saving and investing among Gen Z.

5.3 Findings

1. Majority (40%) of the respondents fall in the age group of 21-23 years, meaning that the sample primarily consists of young adults belonging to Generation Z.
2. There is an almost equal gender balance as 77 of the respondents are female respondents, whereas 73 of the respondents are male respondents.

3. The majority of the respondents (104 out of 150) are students, which means that the financial behaviour that will be analysed in the context of this paper belongs primarily to the students and young adults.
4. A considerable number (67) of the respondents earn less than ₹10,000 per month as their income or allowance, meaning that most of the participants are at the early stage of their financial journey.
5. From the analysis conducted, it can be observed that 75 respondents save money occasionally, while only 46 save money regularly, indicating that saving practices are not yet developed among Generation Z.
6. Majority (69) of the respondents save money less than 10% of their monthly income, meaning that there is a limited capacity of saving because of low income.
7. Stocks and Mutual Funds are the two most popular investment options, as 36 people chose each of them, meaning that Generation Z is gaining more
8. The key reason for saving and investing is the creation of wealth, followed by creating an emergency fund, meaning that the respondents pay more attention to their future financial stability.
9. The preferred investment platform is Groww, with 113 respondents who use it, which shows that there is a trend towards digital investment apps among Generation Z.
10. Family influence was reported as the main factor that influences investment decisions by respondents, followed by personal research, which means that family advice and financial education are equally important for Generation Z.
11. Respondents consider themselves financially literate in average, which means that respondents know something about finances but still need more financial education.
12. The most popular type of risk tolerance among respondents is moderate, which implies that respondents are looking for investments with balanced returns.
13. Investing monthly and occasionally is the most popular investment strategy, which shows that many Generation Z people started investing.
14. The main problems in saving and investing for respondents are lack of income, lack of financial knowledge and high expenses, which means that financial constraints are the main problem that prevents proper saving and investing strategies.

15. In conclusion, the findings show that the generation of Z are becoming more conscious about savings and investments. However, improvement in financial literacy, increased disposable income, and investment consciousness are key ingredients to foster saving habits and wise investments.

5.4 Recommendations

1. Improve Financial Education Programs: Educational institutions must conduct financial literacy programs regularly for developing financial knowledge of the students regarding budgeting and investment planning.
2. Develop the Practice of Regular Savings: The youths must learn to follow the practice of regular savings by maintaining a systematic budget based on the amount that they save monthly, regardless of their salary.
3. Encourage Portfolio Diversification: The generation Z must be made aware of the advantages of portfolio diversification by making diversified investments using different financial instruments like mutual funds, stocks, fixed deposits, and more.
4. Improve Digital Education Regarding Finance: Financial institutions and Fintech firms can play an important role in providing educational material to young investors through digital channels to ensure their proper financial decision-making.
5. Increase the Awareness of Risk Management: Most of the respondents have been found to be moderately risk-tolerant; therefore, awareness campaigns must include the topics of risk-return, diversification, and long-term investment.
6. Promote Independent Decision Making in Finance: While the family continues to have a significant influence on decisions about investments, Generation Z should be encouraged to carry out independent research and to seek financial guidance before making any investment decisions.
7. Increase Opportunities for Inexpensive Investment: Financial institutions need to offer investment opportunities, which are inexpensive and flexible enough for students and young people to start investing at a young age.
8. Financial Constraints: Considering that lack of income is the key problem, young adults need to be encouraged to generate additional income through internships, temporary jobs, self-employment, and

freelance work so that they can increase their saving and investment capabilities.

9. Financial Planning for the Future: People should be encouraged to set financial goals, which include building up an emergency fund, buying assets, saving for future education, and retirement.
10. Government and Regulatory Bodies: The government, financial regulators, and educational institutions need to work together to make efforts for improving financial inclusion and increasing investor awareness among Generation Z.

6. Conclusion

The current study focuses on the savings and investment behaviour of Generation Z amongst young adults in Bengaluru. It can be seen from the findings that Generation Z is becoming more and more aware about the significance of savings and investments as quite a number of them have shown interest in making money and securing themselves financially for the future. While it is true that quite a number of respondents have already developed saving

habits, it is also important to understand that most of them are saving a negligible amount of their monthly income because of their low income level and high expenditure.

From the results of the study, it can be seen that stocks and mutual funds are the most favoured investment vehicles which show that the market-based investments have become more acceptable by the younger generation. It is also clear that digital investment platforms such as Groww are being used widely by them.

However, despite all of the positive factors, there are some obstacles, such as absence of funds, insufficient financial literacy, high costs and fear of losing money due to the investment risk, which prevent people from regular saving and investing activities. Thus, increasing the level of financial literacy, promoting saving activities, fostering investment culture and informing about different ways of investment are critical steps for financial wellbeing of Gen Z.

To summarize, Generation Z demonstrates huge potential to become financially literate investors with the appropriate support in form of financial education, FinTech financial inclusion and investment opportunities. The findings of this study can be helpful for policymakers, financial institutions, teachers and

FinTech firms in promoting better saving and investment behaviour of young people.

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