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A study on Intergenerational Differences (Generation X, Y and Z) in Financial Literacy and Decision Making

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Abstract

The study explores intergenerational differences in financial literacy and financial decision-making among Generation X (born 1965–1980), Generation Y/Millennials (born 1981–1996), and Generation Z (born 1997–2012). In a rapidly evolving financial environment marked by digital finance, financial products, and economic uncertainty, the ability to understand and make informed financial decisions has become critically important. Prior literature has examined financial literacy and decision behavior in isolated generational cohorts but lacks comprehensive comparative research integrating behavioral factors and digital contexts across multiple generations. A quantitative research design is adopted, and primary data were collected using an structured questionnaire. The sample includes respondents from Gen-X, Gen-Y, and Gen-Z, selected through purposive sampling. Financial literacy is operationalized through measures such as knowledge of basic financial concepts, savings and investment awareness, risk comprehension, and financial planning skills, while decision-making outcomes are assessed through variables like budgeting behavior, investment choices, credit management, and long-term financial goals. Descriptive statistics, reliability testing, ANOVA, correlation, and chi-square tests were employed to examine the data and reveal intergenerational similarities and differences. The findings are expected to indicate significant differences in financial literacy and decision making across generations. Specifically, it is hypothesized that financial literacy and risk tolerance tend to increase with each successive generation, influenced by digital exposure, education, and access to financial information. The findings suggest that significant intergenerational differences exist in financial literacy and financial decision-making among Gen X, Gen Y, and Gen Z. The results indicate that younger generations, particularly Gen Z and Millennials, demonstrate higher financial awareness and risk tolerance, largely driven by greater

digital exposure and access to financial information. However, older generations appear to exhibit more conservative decision-making patterns, highlighting distinct generational approaches to financial planning and investment behavior.

Keywords: Financial Literacy, Financial Decision-Making, Intergenerational Differences, Generation X, Generation Y, Generation Z

1. Introduction

Financial literacy — the knowledge and competence to make informed decisions about money, savings, investments, borrowing, and financial planning — has become a critical life skill in today's rapidly evolving financial ecosystem. Electronic trading platforms, mutual funds, robo-advisors, and digital assets have transformed how individuals engage with financial decisions. These changes interact differently with the formative experiences of three distinct generational cohorts: Generation X (1965–1980), shaped by post-liberalization stability and asset-backed investing; Generation Y/Millennials (1981–1996), who came of age amid the 2008 financial crisis and the internet economy; and Generation Z (1997–2012), true digital natives whose financial socialization occurs primarily through fintech apps and social media communities. This research investigates these intergenerational differences in the Indian urban context, combining rigorous multi-method statistical analysis with actionable insights for educators, policymakers, and the fintech industry.

1.1Need for the Study

Cross-generational empirical comparisons — especially those including all three cohorts — remain limited in Indian literature. The rapid expansion of fintech has created urgency around understanding which generational segments are adopting digital financial tools and which are being left behind. Behavioural dimensions such as herding behaviour, risk tolerance, and time horizons carry significant implications for market stability. National schemes like NPS and APY require granular generational data to design effective outreach and incentive structures.

1.2Statement of the Problem

Despite growing financial participation across Indian demographics, significant intergenerational disparities persist in the form, depth, and application of financial knowledge. The migration from family-based financial socialization to social media and internet sources —

especially pronounced in Gen Z — raises serious concerns about knowledge quality and behavioural impact. Most existing studies compare only two generations, leaving a critical gap in holistic three-cohort empirical analysis.

1.3Theoretical Framework

This study integrates four frameworks: **Generational Cohort Theory (Mannheim, 1952)**, which posits that shared historical experiences shape common behavioural frameworks; Behavioural Finance Theory anchored in **Kahneman and Tversky's (1979) Prospect Theory**, which explains how psychological biases distort financial decision-making; the Financial Socialization Framework, which maps how attitudes and behaviours are acquired through family, peers, and institutions — a process that differs fundamentally across cohorts; and the Financial Literacy–Confidence–Wellbeing Cascade established by **Lusardi and Mitchell (2014)**, which provides the analytical scaffolding for understanding how literacy translates into investment behaviour and satisfaction across generations.

1.4 Objectives of the Study

- To compare the level of foundational financial literacy across generational cohorts and assess whether Generation X demonstrates higher scores in traditional economic and financial concepts.
- To evaluate the extent to which Generation Z and Millennials rely on digital platforms and social media for financial information compared to Generation X.
- To investigate whether younger cohorts (Generation Y and Z) are more susceptible to herding behaviour and exhibit greater tolerance for speculative investment assets (crypto.etc).
- To examine differences in long-term financial planning orientation across generations.

1.5 Scope of the Study

The study covers 105 respondents (35 per cohort) from the Chennai metropolitan area, collected during 2024–2025 via a 25-item cross-sectional survey. It is confined to individual retail investors and self-reported financial attitudes; it does not extend to institutional investors or objective knowledge testing.

2. Review of Literature

Pavčković, Ježurajan, and Krišto (2025) found that Gen Z marginally outperforms Millennials on digital financial literacy dimensions, yet formal education and workplace learning remain stronger predictors for Millennials — underscoring the need for three-cohort comparative research. **The International Journal of Research and Innovation in Social Science (IJRISS, 2025)** documented Gen Z's Dunning-Kruger-type gap: high digital fluency paired with alarmingly low objective knowledge in compound interest and long-term planning. The Indonesian generational study by **Surya, Haryono, and Kusumawati (2023)**, one of the few including all three cohorts, found Gen X demonstrating stronger financial planning discipline while Gen Z showed greater willingness to engage in speculative investments. **The Global Financial Literacy Excellence Center (GFLEC, 2017)** reported that only one-third of Millennials worldwide demonstrate basic financial literacy, calling for Gen X benchmarking. **Fan, Henager, and Archuleta (2025)** confirmed that financial knowledge accumulates with age, but perceived competence — not objective knowledge — is the stronger predictor of financial wellbeing for younger cohorts, directly informing this study's use of self-reported literacy measures.

On technology and investment behaviour, **Marjerison, Dong, and Kim (**2025) found Gen X more comfortable with long-term growth investments, while Gen Z remains cautious due to limited resources and experience. **Spohn (2024)** documented that 65% of Gen Z cite social media as their primary investment advice source, raising accountability concerns around unregulated financial influencers**. Lusardi and Mitchell (2014**) established the landmark literacy–confidence–wellbeing cascade, while **Allgood and Walstad (2016)** demonstrated that overestimation of financial literacy — common among younger individuals — leads to overconfident and poorly diversified investment decisions. Bianchi (2018) further found that experiential learning strengthens portfolio discipline among older cohorts. Bikhchandani, **Hirshleifer, and Welch (1992)** formalised herding behaviour as an informational cascade, a phenomenon amplified by social media among Gen Z. **Atkinson and Messy (2012)** introduced the OECD/INFE framework measuring financial literacy across knowledge, attitude, and behaviour dimensions, which informs the multi-dimensional approach to literacy measurement in the present study. Together, these studies establish the theoretical and empirical foundation for this study's three-cohort comparative analysis.

3. Research Methodology

This study adopts a descriptive and analytical research design with a positivist orientation, combining cross-sectional quantitative data collection with multiple inferential statistical techniques. Primary data were collected exclusively via a structured 25-item questionnaire administered through Google Forms and distributed digitally through WhatsApp, email, and social media platforms. The questionnaire comprised five sections: (I) Demographic Information (generational cohort, gender, education, employment, income); (II) Financial Literacy and Knowledge Orientation(budgeting, self-rated financial understanding, savings frequency, inflation awareness); (III) Investment Behaviour and Confidence(participation, instrument preference, confidence, advisor usage, risk tolerance); (IV) Digital Finance and Technology Adoption(literacy courses, app usage, digital platform use); and (V) Financial Planning and Satisfaction(borrowing, credit comfort, long-term goals, social discussion, expense tracking, goal review, decision satisfaction, and primary knowledge source. Likert-scale items used a five-point scale); categorical items used numerically coded multiple-choice options.

Purposive sampling was applied with equal strata of 35 respondents per cohort (Gen X, Gen Y, Gen Z), yielding n=105. This balanced design ensures adequate statistical power for inter-cohort comparisons. The sample comprised 56 males (53.3%) and 49 females (46.7%); 64.7% hold at least a graduate degree; 60% are full-time employed. Five statistical techniques were employed: (1) Descriptive Statistics — means, standard deviations, and percentage distributions, disaggregated by generation; (2) Reliability Analysis — Cronbach's Alpha for the five-item composite scale; (3) One-Way ANOVA — testing mean score differences across cohorts at $\alpha=0.05$; (4) Pearson Correlation — measuring linear associations between key continuous/ordinal variables; and (5) Chi-Square Test of Independence — testing whether categorical response distributions differ significantly across generational cohorts, with expected cell frequency criteria verified.

4. Data Analysis and Interpretation

The analysis examines financial literacy, investment behaviour, digital adoption, and financial planning variables across three generational cohorts — Generation X (n=35), Generation Y (n=35), and Generation Z (n=35) — in the context of the central research theme: intergenerational differences in financial literacy and decision-making.

4.1 Descriptive Statistics by Generation

Variable	Gen X Mean (SD)	Gen Y Mean (SD)	Gen Z Mean (SD)
Financial Concept Understanding	3.37 (1.06)	3.51 (0.89)	3.51 (1.01)
Investment Confidence	3.37 (0.88)	3.29 (1.05)	3.11 (1.11)
Credit Comfort	2.54 (1.31)	3.20 (1.16)	2.46 (1.12)
Risk Tolerance	2.83 (1.25)	2.83 (1.10)	2.40 (1.19)
Financial Decision Satisfaction	3.23 (1.06)	3.43 (1.01)	3.31 (1.16)
Financial App Usage	2.91 (1.12)	2.69 (1.08)	2.97 (1.07)

Table 4.1: Descriptive Statistics by Generational Cohort (Scale Items, 1–5)

Gen Y and Gen Z report marginally higher self-rated financial literacy (M = 3.51 each) than Gen X (M = 3.37), contrary to the primary objective's expected direction. Investment confidence follows the reverse gradient — Gen X is most confident (M = 3.37), declining to Gen Z (M = 3.11) , suggesting that lived investment experience builds applied confidence independently of conceptual self-ratings. Credit comfort is highest among Gen Y (M = 3.20), reflecting Millennial exposure to credit products during career years. Risk tolerance is modest across all cohorts, with Gen Z recording the lowest score (M = 2.40). Cronbach's Alpha for the five-item composite scale was 0.677, indicating acceptable internal consistency for exploratory research.

4.2 One-Way ANOVA Results

Variable	F-value	p-value	Result
Financial Literacy Understanding	0.244	0.784	Not Significant
Investment Confidence	0.584	0.560	Not Significant
Risk Tolerance	1.536	0.220	Not Significant
Financial App Usage	0.673	0.513	Not Significant
Long-Term Financial Planning	1.510	0.226	Not Significant
Financial Decision Satisfaction	0.304	0.739	Not Significant

Table 4.2: One-Way ANOVA Summary (df = 2, 102; α = 0.05)

Across all six ANOVA tests, no statistically significant generational difference is observed. The convergence of attitudinal assessments across cohorts reflects the homogenizing influence of urban education, widespread digital infrastructure, and shared media exposure in metropolitan India, consistent with Fan, Henager, and Archuleta (2025). Generational divergences manifest more clearly in categorical behavioural choices than in scaled attitudinal measures.

4.3 Pearson Correlation Analysis

Variable Pair	Pearson r	p-value	Significance
Generation vs. Financial Literacy Understanding	0.060	0.545	Not Significant
Generation vs. Financial App Usage	0.022	0.827	Not Significant
Generation vs. Digital Platform for Learning	-0.071	0.471	Not Significant
Generation vs. Risk Tolerance	-0.148	0.132	Not Significant
Generation vs. Long-term Planning	-0.158	0.107	Not Significant
Financial Literacy vs. Investment Confidence	0.460	<0.001	Highly Significant***
Investment Confidence vs. Decision Satisfaction	0.312	0.001	Highly Significant***
Risk Tolerance vs. Decision Satisfaction	0.240	0.014	Significant*

Table 4.3: Pearson Correlation Matrix — Key Variables (* p<0.001; * p<0.05)**

Generational cohort shows negligible correlation with all attitudinal variables, reinforcing the ANOVA findings. The most robust relationships are financial literacy → investment confidence ($r = 0.460$, $p < 0.001$) and investment confidence → financial decision satisfaction ($r = 0.312$, $p = 0.001$), confirming the literacy–confidence–satisfaction cascade established by Lusardi and Mitchell (2014) across all three generations. Risk tolerance also positively correlates with financial satisfaction ($r = 0.240$, $p = 0.014$).

4.4 Chi-Square Analysis

Categorical Variable	χ^2 Value	df	p-value	Result
Generation vs. Investment Participation	14.653	2	0.0007	Highly Significant**
Generation vs. Primary Knowledge Source	21.789	8	0.0053	Highly Significant**
Generation vs. Investment Category Preference	12.777	6	0.047	Significant*
Generation vs. Social Financial Discussion	6.036	2	0.049	Significant*
Generation vs. Digital Platform Usage	0.551	2	0.759	Not Significant

Table 4.4: Chi-Square Test Summary (p<0.01; * p<0.05)**

Chi-Square tests reveal significant generational differences in categorical behavioural dimensions. Investment participation declines sharply from Gen X (85.7%) to Gen Y (77.1%) to Gen Z (45.7%) ($\chi^2 = 14.653$, $p = 0.0007$), reflecting life-stage income constraints rather than attitudinal aversion. Knowledge sourcing shows the most significant divergence ($\chi^2 = 21.789$, $p = 0.0053$): family dominates for Gen X (57.1%); internet and social media grows progressively to Gen Z (34.3%); formal education leads for Gen Z (42.9%), with no Gen Z respondent citing a financial advisor. Investment category preferences differ significantly ($\chi^2 = 12.777$, $p = 0.047$): Gen X favours traditional instruments such as Fixed Deposits and PLI (34.3%); Gen Y leads in stocks and mutual funds (42.9%); Gen Z shows predominantly no investment or other (51.4%), consistent with Marjerison, Dong, and Kim (2025). Social financial discussion is significantly lower for Gen Z (71.4%) versus Gen X (88.6%) and Gen Y (91.4%) ($\chi^2 = 6.036$, $p = 0.049$), indicating a shift of financial discourse from private conversations to online communities.

4.5 Combined Analysis: Objectives, Hypotheses, and Interpretations

Objective	Key Statistical Result	Interpretation	Inference in Research Context
Objective 1:	ANOVA: F =	Self-rated literacy is	Objective not confirmed in

Compare foundational financial literacy across cohorts (Gen X vs. Gen Y and Z)	0.244, p = 0.784; Correlation: r = 0.060, p = 0.545	comparable across Gen X (3.37), Gen Y (3.51), and Gen Z (3.51). Younger cohorts rate themselves marginally higher, but the difference is not statistically significant.	the expected direction. A confidence gap exists: Gen Z rates general literacy higher, yet investment confidence is lower (3.11 vs. Gen X: 3.37). Consistent with Allgood and Walstad (2016) on perceived vs. actual literacy.
Objective 2: Digital platform reliance and fintech adoption by generation	Chi-Square (Knowledge Source): $\chi^2(8) = 21.789$, p = 0.005**; Chi-Square (Digital Platform): $\chi^2(2) = 0.551$, p = 0.759 (NS)	Family dominates for Gen X (57.1%); internet and social media grows to Gen Z (34.3%); formal education leads for Gen Z (42.9%). No Gen Z respondent cited a financial advisor.	Partially achieved. Knowledge sourcing diverges significantly, but digital platform usage has converged across cohorts. Urban India's UPI and mobile banking are near-universal. The real divide is 'who teaches finance,' not 'what device is used.'
Objective 3: Herding behaviour and speculative asset tolerance by generation	Chi-Square (Participation): $\chi^2(2) = 14.653$, p = 0.001**; Chi-Square (Asset Preference): $\chi^2(6) = 12.777$, p = 0.047*	Investment participation: Gen X 85.7% → Gen Y 77.1% → Gen Z 45.7%. Gen X favours traditional instruments (FDs/PLI: 34.3%); Gen Y leads in stocks/MFs (42.9%); Gen Z shows mostly none or other (51.4%).	Partially achieved. Asset class preference diverges significantly by generation. Gen Z's low participation reflects life-stage income constraints rather than attitudinal aversion, consistent with Marjerison, Dong, and Kim (2025).
Objective 4: Long-term	ANOVA: F = 1.510, p = 0.226	Long-term planning rates are similar across	Objective not confirmed quantitatively. Planning

planning orientation — Gen X (retirement) vs. Gen Y/Z (liquidity)	(NS); Chi-Square (Social Discussion): $\chi^2(2) = 6.036$, $p = 0.049$*	cohorts. Gen Z (1.20) and Gen Y (1.23) report slightly higher planning than Gen X (1.37). Social financial discussion is lower for Gen Z (71.4%) vs. Gen X (88.6%) and Gen Y (91.4%).	intentions have converged. Gen Z's reduced social financial discussion reflects a shift to online communities rather than disengagement from planning.

Table 4.5: Combined Objective and Hypothesis Testing — Interpretation in Research

5. Suggestions, Limitations and Conclusion

5.1 Suggestions

For Government and Regulatory Bodies: SEBI should strengthen regulations governing social media investment advice, including mandatory disclosure for finfluencers. The NEP 2020 framework should mandate financial literacy education from secondary school level with NCFE-developed digital modules

For Fintech Companies: Differentiate user experiences by cohort: Gen X needs security and institutional credibility; Gen Y values goal-based planning; Gen Z responds to gamification, micro-investing (₹100 SIPs), and social features. Partner with SEBI and educators to produce verified financial content that competes with unregulated finfluencer material for Gen Z audiences.

For Educators and Readers: Develop practical investment education through paper trading, SIP simulations, and stock market games to bridge Gen Z's literacy-confidence gap. Family financial socialization programs for parents can create cascading intergenerational effects.

5.2Limitations of the Study

The sample of 105 respondents, while adequate for the statistical methods employed, limits generalizability to the broader Indian population. The study is concentrated in Chennai — an urban, digitally connected region — and findings may not apply to semi-urban or rural contexts. Self-rated financial literacy rather than objective testing (e.g., GFLEC Big Three) limits

precision and global comparability. The cross-sectional design prevents causal inference and cannot separate cohort effects from age effects. Several constructs are measured by single items, limiting construct validity. Key confounders — family financial background, rural-urban upbringing, specific financial education — are not fully controlled.

5.3 Conclusion

This study provides empirical evidence on intergenerational differences in financial literacy and decision-making among Generation X, Y, and Z in urban Chennai. The central finding is that generational differences manifest more strongly in categorical behavioural dimensions than in scaled attitudinal assessments. Investment participation, asset class preferences, and financial knowledge sourcing diverge significantly by generation, while Likert-scale measures of financial literacy, confidence, risk tolerance, and satisfaction converge — reflecting the homogenizing influence of urban digital infrastructure across cohorts.

Gen X leads in actual investment participation (85.7%) and investment confidence, while Gen Z and Millennials report slightly higher self-assessed literacy despite lower applied confidence — a pattern consistent with the confidence gap documented by **Allgood and Walstad (2016)**. The dramatic shift in knowledge sourcing from family (Gen X) to social media and formal education (Gen Z), with zero Gen Z respondents citing a financial advisor, is among the study's most policy-relevant findings. The universal literacy→confidence→satisfaction cascade, consistent with **Lusardi and Mitchell (2014)**, transcends generational boundaries and affirms that financial literacy education at any life stage yields meaningful benefits. These findings call for nuanced, generation-sensitive approaches to financial education, product design, and regulatory policy — recognizing that traditional generational divides are narrowing in some dimensions while persisting and evolving in others within India's rapidly digitalizing financial ecosystem.

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