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A Behavioural Study on Spending vs Saving Habits of Generation Z: An Empirical Analysis of Financial Decision-Making Patterns

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ABSTRACT :

This research investigates the financial behaviour of Generation Z (born 1997–2012), with a focus on the tension between spending and saving. Drawing from primary survey data collected from 104 respondents aged 18–27, the study reveals key behavioural trends, including a tendency toward impulse spending despite a declared appreciation for financial planning. Generation Z represents a digitally native generation growing up amidst rapid technological changes and global economic uncertainty, impacting their approach to personal finance. While Gen Z exhibits awareness of long-term financial goals, the findings highlight a gap between financial knowledge and actual behaviour. Despite acknowledging the importance of saving, many struggle to implement consistent financial habits. The study suggests a pressing need for targeted financial literacy programs and recommends strategies for aligning digital financial tools with the values and challenges faced by this cohort. Ultimately, this research offers practical insights for educators, policymakers, and financial institutions aiming to empower Gen Z with sustainable financial skills.

1. Introduction:

Generation Z has emerged into adulthood during a period defined by digital transformation, economic uncertainty, and a rapidly evolving job market. Their exposure to the internet from a young age has influenced how they consume information, communicate, and manage finances. This generation faces rising education costs, stagnant entry-level wages, and the looming threat of automation in many industries. Financial decision-making among this cohort is influenced by unique socio-economic circumstances, including the proliferation of fintech tools, exposure to social media, and high levels of student debt. Social influencers and peer comparisons further impact financial choices, often driving aspirational spending. Moreover, the generation's access to easy credit and buy-now-pay-later services complicates their ability to save. This paper explores how Gen Z approaches money management, particularly in terms of spending versus saving behaviour, and attempts to understand the broader implications for their future financial security.

2. Literature Review:

Prior studies (e.g., Mazzatto et al., 2022; Bado et al., 2023) have shown that financial attitudes and behaviours among Gen Z are shaped by a combination of digital familiarity, family financial practices, and socio-cultural influences. Gen Z tends to rely on social media, peer reviews, and influencer endorsements for financial advice and product recommendations. Common themes include impulse purchases, the role of lifestyle choices, and varying degrees of financial literacy. Trivani et al. (2023) emphasize the impact of income and self-control on spending patterns, while Prakasha et al. (2023) explore how social influence mediates saving behaviour. Research by Lee et al. (2024) and Uzelac et al. (2020) emphasized that while Gen Z values financial independence, practical execution often lags behind due to low self-control or lack of structured guidance. Overall, the literature points to a generation with strong aspirations but often insufficient financial discipline.

3. Objectives of the Study:

- To understand Gen Z's attitude toward spending and saving.
- To analyse Gen Z's financial priorities.
- To investigate Gen Z's debt management strategies.
- To examine Gen Z's long-term financial planning behaviour.
- To evaluate the role of digital tools and financial literacy in shaping financial choices.

4. Research Methodology:

This study is based on primary data gathered through a self-administered online questionnaire distributed on platforms like Instagram, WhatsApp, and LinkedIn. The survey included Likert-scale questions and was designed to gauge attitudes, behaviours, and knowledge relating to personal finance. The target population included individuals aged 18–27, representing a cross-section of students, early professionals, and freelancers. A convenience sampling technique was employed, with 104 valid responses analyzed. The data were measured using a 5-point Likert scale.

The analysis included descriptive statistics and visual interpretations in the form of pie charts and bar graphs. The research emphasizes ethical considerations such as informed consent, anonymity, and voluntary participation, ensuring reliability and credibility in responses. While convenience sampling may introduce bias, it is appropriate for exploratory studies focused on behavioural insights.

5. Findings and Discussion:

- Spending Habits: A significant percentage of respondents prioritize spending on lifestyle, dining, and travel. Approximately 51.9% admitted to frequent online impulse purchases. Social media trends and influencer culture strongly drive spending, especially on experiences and trending products. Despite understanding the importance of saving, emotional spending and social validation remain strong motivators.
- Saving Attitudes: While 88.4% believe in the importance of saving for long-term goals, 40.4% remain neutral or unsure about actively using budgeting tools. Many respondents acknowledge saving's importance but find it difficult to consistently implement. This reflects both a behavioural and motivational gap that financial apps and education could help bridge.
- Financial Tools & Literacy: About 72.1% claim to understand compound interest, yet only 40.4% use budgeting apps. A discrepancy exists between perceived knowledge and financial behaviour. This suggests overconfidence or a lack of habit formation. Digital literacy doesn't necessarily translate into effective financial practices, pointing to a need for better-integrated tools.
- Debt Management: 60.6% actively avoid credit cards to prevent debt, but 48.1% have used payday loans or similar credit tools. Only 26% have a formal debt repayment plan. These statistics indicate a preference for short-term borrowing, despite a cautious approach to credit. Educational programs should emphasize debt hierarchy and responsible borrowing.
- Future Planning: 73.1% state they have plans for long-term financial goals, and 55.8% have consulted financial advisors. This shows a willingness to prepare financially, although follow-through varies. Digital tools and family support play a significant role in influencing financial decisions. Long-term financial thinking remains aspirational without consistent action.

6. Conclusion:

Generation Z exhibits a complex mix of behaviours characterized by impulsive spending and aspirational saving. While the intention to achieve financial independence is strong, gaps remain in execution due to limited practical knowledge and inconsistent use of financial tools. The digital environment shapes financial decisions—both positively, by offering access to tools and resources, and negatively, by encouraging impulse-driven consumption.

Educational institutions, fintech developers, and policymakers must collaborate to design engaging and accessible financial education initiatives tailored to Gen Z's digital and social realities. There is a need for gamified, mobile-friendly platforms that teach budgeting, investing, and debt management in engaging ways. Promoting peer-to-peer learning, community-based savings goals, and responsible digital marketing can also enhance Gen Z's financial behaviours. The research underscores that behavioural finance tools and culturally responsive education can turn financial aspirations into habits, creating a more resilient generation.

7. REFERENCES:

(Abridged for brevity, refer to original report for full citation list)

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