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A Comparative Study of Risk Appetite and Investment Styles Across Different Generations

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Abstract

This study explains the differences in risk appetite and investment styles among various generations. Today, technology and digital platforms offer numerous investment opportunities. However, people of different ages think differently about risk and investment choices. Their life stage, financial knowledge, income, and exposure to technology mainly influence these differences.

The study focuses on four generations: Generation Z, Millennials, Generation X, and Baby Boomers. We employed a comparative research design for our study. we collected data from 100 people via a structured questionnaire. We analysed this data using percentage analysis and statistical tools like ANOVA to identify differences among the generations.

The study's results show that younger generations, Generation Z and Millennials, have a higher risk appetite and favor modern investment options such as stocks, mutual funds, and cryptocurrencies. They also feel more comfortable using investment platforms. In contrast, Generation X and Baby Boomers prefer safer investment options such as fixed deposits, gold, and real estate because they prioritize stability and capital protection.

The study also emphasizes how important financial knowledge is and income level in influencing investment choices. Overall, the research concludes that generational differences affect how people invest and suggests the need for personalized financial plans and better financial education to support investors of all ages.

Keywords: Risk Appetite; Investment Behaviour; Generational Differences; Financial Literacy; Investment Styles.

How to Cite This Article

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Introduction

Investment decisions play a direct role in shaping an individual's financial future. Every person has to decide how to use their money in a way that helps both present needs and future goals. Some people focus on safety, while others aim for growth. These decisions are not random. They are affected by several factors, and one of the most important among them is risk appetite.

Risk appetite means the level of uncertainty a person is ready to take accept while making financial decisions. Not everyone feels okay with the same amount of risk. Some investors prefer safe options such as fixed deposits or savings accounts. These options offer predictable returns but usually at a lower rate. Others are willing to accept uncertainty. They invest in assets like stocks or cryptocurrencies where returns can be higher but are not guaranteed.

Investment style is closely linked to risk appetite. It refers to the overall approach an individual takes while investing. This includes the type of assets they select, how long they plan to stay invested, and the strategies they use to manage their portfolio. Some investors focus on long-term growth, while others prefer short-term gains. Some diversify across assets, while others concentrate on a few options.

The financial world has changed a lot in recent years. Technology has made investing easier than before. Mobile apps, online trading apps, and digital tools payment systems allow individuals to invest quickly and conveniently. This has increased participation in financial markets. Many people who earlier did not invest are now actively involved.

However, more access does not mean uniform behaviour. People do not make investment decisions in the same way. Age is very important here. People from different generations have different experiences, responsibilities, and financial goals. These differences change how they view risk and how they invest their money.

Generational groups help explain these variations. Generation Z includes people born from 1997 to 2012. They have grown up with digital technology and are comfortable using online platforms. Millennials, born from 1981 to 1996, also adapt easily to technology. They often try to balance risk and stability in their investments. Generation X, people born from 1965 to 1980, tends to focus more on long-term financial security. Baby Boomers, born from 1946 to 1964, usually prefer safe investments. Many of them are either retired or close to retirement, so they avoid high-risk options.

Each generation has faced different economic conditions. Events such as inflation, financial crises, and rapid technological change have shaped their attitudes. Younger investors often show interest in new investment options like cryptocurrencies and online trading. Older investors usually depend on traditional options such as gold and real estate.

This study focuses on understanding these differences. It compares risk appetite and investment styles across generations. It also studies how factors like financial literacy, income, and digital awareness influence these decisions. The goal is to provide a clear view of how investment behaviour changes with age and experience.

Literature Review

Researchers have examined investment behaviour for many years. Their studies explain why people invest differently and how different factors affect their decisions. The common findings across studies is that age plays a strong role in shaping risk-taking behaviour. Aravind and Manojkrishnan (2024) studied the connection between age and risk appetite. they found that young investors tend to take more risks. As individuals grow older, their willingness to take risks declines. This change is linked to increasing responsibilities and shorter investment horizons. Older individuals focus more on protecting their existing wealth.

Rehmat and Magada (2025) studied investors from different generations. Their study showed that Millennials have the highest risk tolerance. They also noticed that financial knowledge improves investment decisions. People who understand financial ideas are more confident. They are better at evaluating options and making informed choices. Antwi and Naanwaab (2022) analysed data from a large group investor. Their results showed that older individuals invest more despite being risk-averse. This may look confusing, but it reflects their higher income and wealth levels. Financial capacity allows them to invest even when they prefer low-risk options.

Chavali and Mohanraj (2016) focused on demographic factors. Their study found that age, gender, and occupation influence investment behaviour. Older individuals and women tend to avoid risk. The study also noticed that many investors rely on family members and friends when making decisions. This highlights the role of social influence. Bhuvaneswari and Mugesh (2023) studied generational differences in investment patterns. They also noticed that younger investors prefer digital platforms and are open to high-risk assets. Older investors prefer traditional options and are less comfortable using technology. This difference reflects the different levels of digital exposure across generations. Sutejo et al. (2022) studied the role of financial literacy. Their study showed that individuals with better financial knowledge make better decisions. They avoid unnecessary risks and select investments that suit their goals.

These studies give useful information, but some gaps remain. Many studies talks about specific regions or limited groups. Few studies compare all generations together in one framework. There is also limited research on the combined impact of financial knowledge and digital awareness. This study tries to solve these gaps by comparing different generations in the Indian context.

Hypotheses

Four hypotheses guide the analysis:

H1: Risk appetite differs significantly across generations with younger generations displaying higher tolerance.

H2: Investment instrument preferences differ significantly with younger investors favouring equities and digital assets while older investors prefer fixed income and real assets.

H3: Higher financial literacy improves the quality and consistency of investment decisions across all generations.

H4: Digital awareness is significantly higher among generations and encourage them to choose for technology-based investment platforms.

Research Model

This study model aims to understand how different generations influence investment behaviour. In this study, generational cohort is the main variable. It affects how people think and act when making investment decisions. The dependent variables in this study are risk appetite and investment style.

The model also includes factors that affect the relationship between people and their investments. One factor is financial literacy. People who understand ideas like risk, return, diversification, market trends are more likely to make informed investment choices. They are also better at managing risks and avoiding poor financial decisions. Another factor is digital awareness. Today, investors who feel comfortable using technology can easily access online trading apps, mobile apps, and financial tools. This increases their exposure to investment options and may encourage them to explore new and high-risk assets.

In addition to these factors, demographic elements such as income level, education, occupation, and marital status are also part of the model. These elements help explain differences within the generation. For example, people with higher income may be able to take on more financial risks, while education can enhance financial understanding. By including these variables, the research model gives a better understanding of how investment behaviour varies across different generations.

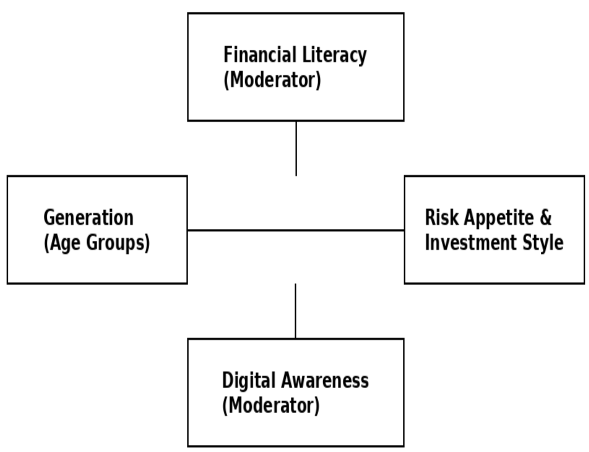

Fig. 1. *Proposed Conceptual Model for Risk Appetite and Investment Styles Across Generations*

Methods

This study looks at how investment behaviour varies across generations. It relies on measurable and analysable data collected through a questionnaire. This questionnaire was crafted to gather information on respondents' demographic details, investment preferences, risk tolerance, and financial awareness.

100 people in total took part in the study. The data was gathered using participants were chosen based on availability and willingness to respond. This method was easy to use and allowed for collecting data from different age groups. However, since participants were not randomly chosen, the results may not fully represent the broader population.

After collecting the information, statistical tools were used for analysis. Percentage analysis was used to display the data by showing how responses are distributed across various categories. This method helps find patterns in investment behaviour. Additionally, Analysis of Variance was employed to see if there are differences in risk appetite and investment styles among generations. This method helps compare groups simultaneously and determining whether the observed differences are significant.

While the study offers insights, it also has several limitations. The sample size is small, which may affect the results' accuracy. The data relies on self-reported responses, which can cause bias if respondents do not provide completely accurate information. Furthermore, the study was conducted at one specific time and does not consider how investment behaviour might change in the future.

Analysis and Results

The analysis of the collected data shows patterns in the investment behavior of respondents from different generations. The demographic details of the people participants includes variations in age, occupation, and income level, which helps in comparing the groups. This diversity in the sample improves the quality of the analysis as it represents individuals with different financial backgrounds and experiences. Many people said they are actively involved in investment activities. This shows that people are becoming more aware of markets and participating in them. When looking at investment preferences, real estate is the most favored option among respondents. This is followed by gold, mutual funds, and stocks. This shows that people still trust ways to invest in real estate and gold while also exploring modern financial tools like mutual funds and equity investments.

In terms of risk appetite, many respondents see themselves as investors. However, when examining their actual behavior, it appears they follow a careful and balanced strategy. For example, during market fluctuations, most respondents prefer to hold onto their investments instead of selling them immediately. This suggests they focus more on long-term returns than short-term gains. The study also highlights the growing importance of platforms in investment activities. Younger investors are more comfortable using mobile apps, online trading , and online tools to manage their investments. They are more open to trying innovative investment options.

In contrast, older investors tend to rely more on traditional methods such as financial advisors, banks, and offline transactions. The results of the study of Variance test show that there are differences in risk appetite and investment preferences among different generations. Younger generations are willing to take risks They usually choose investments like stocks and digital assets that can give higher returns .In contrast, older generations prefer investments that provide stable and secure returns.

Table 1: Key Differences in Risk Appetite and Investment Choices Among Generations

Factors	**Generation Z**	**Millennials**	**Generation X**	**Baby Boomers**
Age Group	1997–2012	1981–1996	1965–1980	1946–1964
Risk Appetite	High	High	Moderate	Low
Investment Style	Experimental & growth-focused	Balanced	Stable & long-term	Conservative & income-focused
Preferred Assets	Stocks, Crypto, Mutual Funds	Mutual Funds, Stocks, Real Estate	Real Estate, Gold, Fixed Deposits	Fixed Deposits, Gold, Pension Plans
Digital Usage	Very High	High	Moderate	Low
Decision Making	Influenced by trends & social media	Based on research & financial planning	Based on experience & stability	Based on safety & expert advice
Investment Goal	Wealth creation	Wealth growth + financial security	Long-term stability	Capital preservation & regular income

Discussion

The study shows that people from different generations invest in different ways. People of different ages handle and think about money in different ways. One significant difference is in how much risk they are ready to take. Younger investors are generally more willing to take risks. Because they have longer to recover from any losses. On the other hand, older people invest more carefully and try to avoid risk. This is mainly because they have financial responsibilities, such as supporting their families, managing expenses, and planning for retirement. Additionally, they have a shorter time horizon, which means they cannot easily bounce back from losses. Because of this, they prefer investment options that provide regular and safe returns.

The study also highlights financial knowledge as an important factor. people who understand ideas like risk, profit, spreading investments, and how the market works. Are more confident in their investment decisions. They can evaluate options carefully and choose investments that fit their financial goals. Digital awareness also affects how people invest. In today's world, investors who are comfortable using technology have access to various financial tools and platforms. Younger generations, in particular, are more familiar with apps, apps for trading online and digital payment methods Income is another thing that affects how people invest. People with higher incomes typically have more financial resources and they usually invest more often. They can diversify in different types of investments. which helps reduce risk.

Overall, the study shows that many factors together affect how people invest., including age, financial knowledge, digital awareness, and income. Understanding these factors is crucial for designing financial products and improving financial education for different groups of investors.

Recommendations

The findings suggest that improving financial literacy among individuals is essential. Many people still lack a grasp of basic investment concepts like risk, return, and diversification. Providing practical financial education can help people make better decisions and avoid common mistakes. At the same time, investors should be encouraged to follow a diversified investment approach. Relying on a single investment option can increase risk, while spreading investments across different assets can offer more stability and better returns over time. A balanced portfolio helps individuals manage market uncertainty effectively.

The rise of investing platforms is noteworthy and should not be overlooked. Financial institutions must ensure these platforms are safe, easy to use, and accessible to everyone, so more people feel comfortable using them. They should provide guidance and support to help investors adapt to these digital tools.

Some possible actions include:

- Encouraging investors to explore various types of investments
- Ensuring that digital investment platforms are user-friendly and secure
- Educating people about finance and investing through programs for different age groups
- Assisting those who are new to investing or lack experience

Another key point is creating financial products tailored to individual needs. Since people from different generations have unique financial goals and approaches to risk, investment options should reflect this. Younger investors might prefer options that could grow quickly, while older investors may focus on safety and stable income. By offering investments tailored to their needs, financial institutions can better serve all types of investors.

Conclusion

This study shows that people from different generations make investment decisions differently. A person's age, experience, financial responsibilities, and use of technology all influence their choices. Younger investors are usually more okay with taking risk and using digital platforms, while older investors prefer safer and more stable options to ensure their financial security.

The study shows that knowing about money and financial tools is very important. People who understand money better make smarter investment choices. Additionally, knowledge of digital tools helps investors explore more options and manage their investments easily. A person’s income and other personal factors also affect their investment strategies.

In summary, there are notable differences in how people from various generations take risks and make investment decisions. Understanding these differences can help financial institutions and policymakers design effective strategies and products. By teaching financial literacy and making digital platforms more accessible, financial institutions can assist people of all ages in making better investment decisions.

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