

A Comparative Analysis of Investment Behaviour Towards Sustainable Investments Among Generation Z and Millennials

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ABSTRACT

This study looks at how Generation Z and Millennials in India approach sustainable investing through their investment behaviour, focusing on ESG considerations and financial goals. The researchers gathered primary data from 204 respondents using a structured questionnaire. They applied various statistical tools for analysis, such as Cronbach's Alpha, the Shapiro-Wilk test, the Mann-Whitney U test, Spearman's correlation, and the Wilcoxon signed-rank test. The findings show that both generations have positive views on sustainable investments that meet ESG criteria and the BRSR framework. Results from the Mann-Whitney U test show no significant difference in their investment preferences. However, there are behavioural variations: Generation Z stresses ethical and environmental issues, while Millennials lean toward balancing profit with sustainability. A weak positive relationship appears between risk-taking and sustainable investment. The study also points out a gap between perceived financial returns and sustainability, highlighting the need to improve financial literacy and communication.

KEYWORDS: Sustainable Investments, Generation Z, Millennials, ESG (Environmental Social Governance), Investment Behaviour, Risk Perception, Financial Literacy, BRSR, Behavioural Finance.

INTRODUCTION

Sustainable investing has become a major trend in today's financial markets. It combines environmental, social, and governance (ESG) factors with traditional financial goals like risk and return. Investors are looking for opportunities that not only yield financial returns but also reflect their ethical, social, and environmental values. This change stems from increased awareness of global environmental issues, improved access to financial information, and the growing availability of sustainable financial products such as green bonds and ESG-based funds. In this landscape, Generation Z and Millennials are becoming important players. Generation Z, known for its strong social awareness, focuses on ethical and environmental issues. Millennials often try to balance sustainability with financial returns. Though both groups are interested in sustainable investments, their values, risk perceptions, and financial experiences lead to different decision-making processes. Understanding these generational differences is important since both groups are likely to shape future investment markets.

This study examines how Generation Z and Millennials in India approach sustainable investing, filling gaps in current research and offering insights to help financial institutions develop effective investment strategies.

REVIEW OF LITERATURE

1. **Morales-Contreras and Rubio (2026)** identified four generational groups and key factors: behavioural bias, financial literacy, technology, and sociocultural values. They highlighted ESG investing and technological progress as important influences on the investment behaviour of Gen Z and Millennials.
2. **Thapa and Kafle (2025)** found that attitude and perceived behavioural control influence Gen Z's intention to invest in green initiatives in Nepal. Subjective norms do not have a significant impact. Financial knowledge enhances the connection between attitude and investment intention.
3. **Khemakhem et al. (2025)** created a combined behavioural model that shows perceived value and self-efficacy strongly influence Gen Z's intentions to invest in green initiatives in Jakarta. However, risk tolerance has little impact. This highlights decision-making based on value and individual ability.
4. **Al-Dmour et al. (2024)** found rising sustainable investment research, identifying key drivers such as youth, gender, wealth, and education. Financial literacy and SRI knowledge show mixed effects, indicating the need for deeper investigation.
5. **Aristei and Gallo (2024)** revealed that financially literate women prefer sustainable investments more than men, while male overconfidence leads to poorer decisions, offering insights for promoting female participation in sustainable investing.
6. **Patil and Gokhale (2023)** discovered that Millennials and Gen Z in India both have experience with technology and awareness of sustainability. However, their motives are different. Millennials focus on financial stability, while Gen Z highlights ethical and environmental issues. Gender does not seem to affect these views.

OBJECTIVE OF STUDY

- To understand the investment preferences of Generation Z and Millennials for sustainable investment options.
- To compare the factors that influence the investment decisions of Generation Z and Millennials in sustainable investments.
- To identify the challenges faced by Generation Z and Millennials when investing in sustainable investment options.
- To examine the level of awareness about sustainable investments among Generation Z and Millennials.
- To compare the risk perception of Generation Z and Millennials towards sustainable investments.

HYPOTHESIS

H₀ (Null Hypothesis):

- There are no significant differences between Generation Z and Millennials regarding investment preferences, influencing factors, challenges, awareness, and risk perception toward sustainable investments.

H₁ (ALTERNATIVE HYPOTHESES):

- There are significant differences in investment preferences toward sustainable investments between Generation Z and Millennials.
- The factors influencing sustainable investment decisions differ significantly between Generation Z and Millennials.

- There is a significant difference in the difficulties experienced in sustainable investments between Generation Z and Millennials.
- There is a significant difference in awareness levels about sustainable investment between Generation Z and Millennials.
- There is a significant difference in risk perception toward sustainable investments between Generation Z and Millennials.

RESEARCH DESIGN

The study uses a descriptive-comparative research design to evaluate sustainable investment behaviour among Generation Z (18-24 years) and Millennials (25-40 years). It employs a quantitative approach with structured questionnaires. The research compares the two generations on ESG awareness, investment preferences, and risk perception. The study aims to identify key generational differences in attitudes and decision-making patterns regarding sustainable investing.

SAMPLING TECHNIQUE

The selected data collection method is a non-probability, convenience sampling approach. This ensures efficient data collection from respondents. It will include online sources, college environments, workplaces, and professional settings. The targeted age groups are Generation Z (ages 18-24) and Millennials (ages 25-40), both of whom are interested in financial matters.

TOOLS USED FOR DATA COLLECTION

The research uses a structured questionnaire as its primary tool for collecting investment data. This helps ensure that valid responses are gathered. The questionnaire includes both open-ended and Likert scale questions to collect qualitative and quantitative data, respectively. It is distributed using Google Forms.

DATA ANALYSIS AND INTERPRETATION

TABLE 4.1

RELAIBLITY

<i>Bayesian Scale Reliability Statistics</i>			
		95% CI	
Coefficient	Posterior mean	Lower	Upper
Cronbach's α	0.876	0.853	0.898

Note. The following items correlated negatively with the scale: Age, Education, Invest Vs Saving.

INTERPRETATION:

The Cronbach's α value of 0.876 shows that the measurement scale has high internal consistency and strong reliability. The 95% confidence interval (0.853, 0.898) further supports the reliability estimate's stability and accuracy. However, items such as Age, Education, and Invest vs. Save have negative correlations. This indicates they may not align well with the overall scale.

**TABLE 4.2
NORMALITY TEST**

Variables	Shapiro-Wilk	P-value of Shapiro-Wilk
Monthly Income	0.83	<.001
Invest Vs Saving	0.678	<.001
ESG	0.81	<.001
Sustainable investing	0.802	<.001
BRSR	0.837	<.001
Env Track Record	0.861	<.001
social responsibility	0.847	<.001
Invest Long-term	0.855	<.001
Financial Returns	0.859	<.001
Environmental Impact	0.821	<.001
Social Impact	0.865	<.001
Govt Incentives	0.821	<.001
Brand Reputation	0.817	<.001
Lower Financial Risk	0.882	<.001
Safer Long-term	0.823	<.001
Reporting Uncertainty	0.862	<.001
Risk Comfort	0.849	<.001
Diversification	0.801	<.001
Knowledge	0.863	<.001
High Costs	0.822	<.001
Financial Literacy	0.858	<.001
Increase Allocation	0.871	<.001
Stay Informed	0.863	<.001
Comparable	0.866	<.001

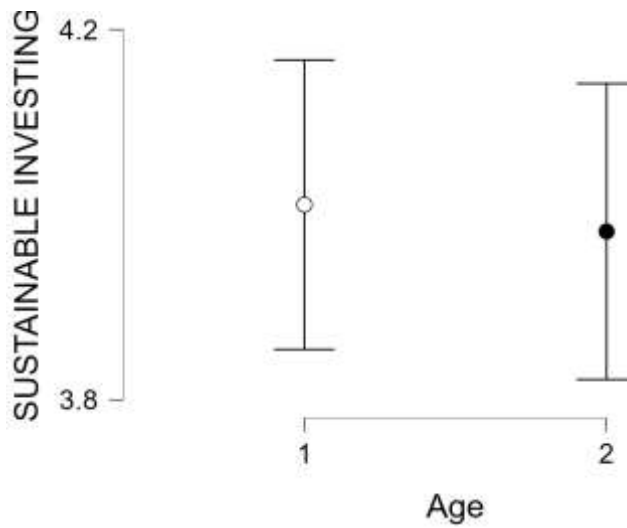
INTERPRETATION:

The Shapiro-Wilk test results indicate that all variables have p-values below 0.001. This shows a clear deviation from the normal distribution. The test statistics, which range from 0.678 to 0.882, further confirm the non-normality of all variables. Thus, non-parametric tests are suitable for further analysis in this study.

**TABLE NO.4.3
INDEPENDENT SAMPLES T-TEST**

Independent Samples T-Test			
	U	df	P
SUSTAINABLE INVESTING	5086		.939

Note. Mann-Whitney U test.



INTERPRETATION:

The Mann-Whitney U test result ($U = 5086, p = 0.939$) shows that there is no significant difference in sustainable investing preferences between Generation Z and Millennials. The p-value is greater than 0.05, so we accept the null hypothesis. This means both groups have similar sustainable investment behaviour.

Table 4.4
CORRELATION

<i>Spearman's Correlations</i>				
			Spearman's rho	p
Risk Comfort	-	SUSTAINABLE INVESTING	0.139	.048

INTERPRETATION:

The Spearman's correlation coefficient ($\rho = 0.139, p = 0.048$) shows a weak positive relationship between risk comfort and sustainable investing. The p-value is less than 0.05, indicating a statistically significant relationship. This means that higher risk comfort slightly raises the chance of sustainable investment.

TABLE:4.5
PAIRED SAMPLES T-TEST

<i>Paired Samples T-Test</i>						
Measure 1		Measure 2	W	z	df	p
SUSTAINABLE INVESTING	-	Financial Returns	5489	4.230		< .001

Note. Wilcoxon signed-rank test.

INTERPRETATION:

The Wilcoxon signed-rank test ($W = 5489, z = 4.230, p < 0.001$) shows a significant difference between sustainable investing and financial returns. Because the p-value is less than 0.05, we reject the null hypothesis. This suggests that respondents view financial returns and sustainable investing differently.

FINDING

1. The reliability test shows strong internal consistency. Cronbach's Alpha indicates that the measurement scale is reliable for analysis.
2. Normality tests confirm a non-normal data distribution ($p < 0.001$). This leads to the use of nonparametric methods such as the Mann-Whitney U test, Spearman's correlation, and the Wilcoxon test.
3. The Mann-Whitney U test shows no significant difference between Generation Z and Millennials in their sustainable investment preferences.
4. There is a weak but statistically significant positive relationship between risk comfort and sustainable investing behaviour.
5. Sustainable investing and financial returns are seen as separate concepts, with a significant difference noted between them.
6. Respondents express strong support for ESG criteria and BRSR, although some knowledge gaps and neutral perceptions remain.
7. The majority of respondents believe government involvement is important for encouraging sustainable investment, supporting regulatory and policy interventions.

SUGGESTION

1. Raise awareness and financial literacy: Educational institutions and financial organisations should hold seminars, campaigns, and training programs to improve understanding of ESG and BRSR concepts.
2. Improve transparency and government communication: Authorities should use digital platforms to clearly share policies, incentives, and benefits related to sustainable investments.
3. Close the sustainability and returns gap: Financial institutions must show that sustainable investments can provide competitive or better financial returns.
4. Strengthen sustainability reporting: Firms should enhance the quality, clarity, and consistency of BRSR-based reports using user-friendly formats like dashboards and visual tools.
5. Integrate ESG into investment platforms: Trading and portfolio platforms should include ESG scores and sustainability metrics to make sustainable investing decisions easier.
6. Adopt targeted communication strategies: Use digital marketing and influencer-led financial literacy programs to engage Gen Z and Millennials effectively.
7. Encourage risk management and advisory support: Financial advisors should help investors with tailored strategies and risk management methods to support adopting sustainable investments.

CONCLUSION

The study concludes that both Generation Z and Millennials in India show a positive attitude toward sustainable investments, supported by growing ESG awareness and BRSR regulations. Statistical results found no significant difference in overall investment preferences between the two generations, although Generation Z is more value-driven, while Millennials balance financial returns with ethical goals. Risk-tolerant individuals showed slightly higher interest in sustainable investing. Despite increased awareness, knowledge gaps remain, underscoring the need for better communication, financial literacy, and clarity about returns. Overall, the future growth of sustainable investing in India depends on strengthening awareness, trust, and the balance between economic returns and ethical values.