A Comparative Study on Debt And Risk Management of Three Generations (Gen X, Millennials And Gen Z)

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Abstract- *This study focuses on the financial behaviours and reactions to economic issues of Generation Z, Millennials, and Generation X as it relates to risk and debt management. The study examines how each generation responds to debt, investments, and financial shocks using a sample of 150 respondents. The findings uncover important generational variations and similarities in money management, with the goal of offering insights for bettering financial education and policy. The approaches to financial management of the generations are compared using statistical techniques such as chi-square testing and correlation.*

I. INTRODUCTION

Three generations—Gen Z, Millennials, and Generation X—are examined in this study in relation to debt and risk management. It looks at their financial habits, mindsets, and methods for handling debt and making choices in difficult financial situations. While Millennials deal with substantial student loan debt and financial obligations, Generation X is more concerned with retirement preparation and intergenerational financial support. As they begin their financial travels, Generation Z uses digital financial tools to manage college debt and entry-level employment. Enhancing financial stability and literacy is intended to help people manage their debt more effectively and lower their financial risks for greater economic security.

II. STATEMENT OF THE PROBLEM

The inadequate knowledge of how Gen X, Millennials, and Gen Z handle debt and financial concerns is addressed in this study. In order to improve financial education and policy initiatives, it seeks to analyze their risk tolerance and debt management practices.

III. HYPOTHESIS OF THE STUDY

1. There is a significant relationship between annual income level and debt.
2. There is no significant relationship between financial risk management and generation.
3. There is a significant relationship between debt level and type of debt.
4. There is a significant relationship between financial shock and risk management.**1.4**

IV. SCOPE OF THE STUDY

The study compares debt and risk management practices across three generations, focusing on their responses to financial shocks. It analyzes the impact of socioeconomic factors on financial resilience and will collect quantitative data to identify generational trends in financial behaviour.

V. OBJECTIVE OF THE STUDY

- To analyze the debt level related to annual income.
- To compare debt levels and types among the generations.

VI. RESEARCH METHODOLOGY

To gather primary data on the three generations' debt and risk management practices, the study uses a questionnaire-based methodology. To find patterns and differences in the financial habits of different generations, thedatawill be examined**.**

VII. SAMPLE DESIGN

Convenience sampling will be used to choose a sample of 150 respondents, 50 from each generation. Their risk-taking and debt-management strategies will be examined in the study. We'll uphold moral principles like informed consent and confidentiality.

VIII. SAMPLING METHODS

Proportionate representation from every generation is guaranteed using convenience sampling. The approach ensures reliable study results by permitting diversity while avoiding sampling bias**.**

IX. STATISTICAL TOOLS USED

- Percentage analysis
- Rank analysis
- Correlation
- Chi Square

X.DATA COLLECTION

A questionnaire will be used to gather information from 150 participants. In addition to collecting demographic information, the survey will investigate the debt management, risk tolerance, investment habits, emergency savings, and insurance coverage of the participants

XI. LIMITATIONS OF THE STUDY

- Generalizability may be limited by bias introduced by convenience sampling.
- Depending on response availability, some groups may be overrepresented or underrepresented.
- Some demographics might not be included in offline surveys.
- Recall or social desirability biases may have an impact on self-reported statistics.
- The study period of four months may not fully capture long-term financial habits.

XII. REVIEW OF LITERATURE

India has experienced a sharp increase in consumer credit over the last two decades, especially in expanding unsecured loans such as personal loans, credit cards, and microfinance.

According to **Khanna & Shankar (2023)**, younger generations—millennials in particular—have a greater tolerance for financial risk and favor investment options like stocks and cryptocurrencies that offer greater returns but greater volatility. On the other hand, older generations are more conservative and favor safer but lower-yielding options like governmentprogramsand fixed deposits, especially in rural areas.

Ghosh (2023) points out that digital lenders, targeting young, digitally savvy borrowers, have been criticised for aggressive repayment tactics and lack of transparency in loan terms.

Bansal (2022) discusses the impact of the rapid digitalization of finance in India, highlighting new trends in debt and risk management. Digital lending platforms and mobile wallets have increased access to borrowing, but the associated risks of data privacy, security, and borrower protection have also risen.

Chopra (2022) notes the growing interest in the role of financial technology (fintech) in responsible borrowing. Several startups focus on financial education, providing tools for budgeting and offering customized debt management solutions through apps.

Sharma (2022) emphasizes the importance of an efficient risk management system to prevent over-indebtedness and financial stress, particularly in personal finance. Sharma's evidence shows a very underdeveloped stage of risk management across low-income households in India, with few individuals aware of the various tools for risk management, including insurance, diversified income sources, and emergency savings accounts.

XIII. RESEARCH GAP

Although there are studies on financial behavior, there lacks a specific comparative examination of how Generation X, Millennials, and Generation Z handle debt and react to financial crises. Each generation's experiences with economic events and technological advancements shape their financial situations. A thorough analysis could reveal distinct strategies and behaviors that contribute to financial resilience, offering valuable insights for targeted financial education, policies, and products. Addressing this gap will enhance the understanding of intergenerational financial habits and overall financial health..

XIV. ANALYSIS

TABLE NO 1
RELATIONSHIP BETWEEN ANNUAL INCOME LEVEL AND DEBT RANGE

Correlations			
		Annual Income	Debt level
Annual Income	Pearson Correlation	1	.087
	Sig. (2-tailed)		.291
	N	150	150
Debt level	Pearson Correlation	.087	1
	Sig. (2-tailed)	.291	
	N	150	150

(Source: Primary data)

INTERPRETATION

The above table shows that annual Income and debt range have a very weak and non-statistically significant connection of 0.087 (p = 0.291). This implies that these two variables in this dataset do not meaningfully relate to one another, and any link that is seen is probably the result of chance variations rather than a genuine, ongoing trend.

TABLE NO 2
RELATIONSHIP BETWEEN GENERATION TYPE AND TYPE OF DEBT

Correlations			
	Pearson Correlation	Generation	Type of debt
Generation	Sig. (2-tailed)	1	.309
	N		.000
	Pearson Correlation	150	150
Type of debt	Sig. (2-tailed)	.309	1
	N	.000	
		150	150
Correlation is significant at the 0.01 level (2-tailed).			

(Source: Primary data)

INTERPRETATION

The above table indicates a notable association between Generations and the type of debt, with a Pearson correlation coefficient of 0.309. This correlation is significant at the 0.01 level, providing strong support for rejecting the null hypothesis..

XV. FINDINGS AND CONCLUSION

PERCENTAGE ANALYSIS

- The evenly split data with a 33.33%-33.33%.33.33% % distribution suggests that there is an equal representation of both categories of Gen X, Gen Y and Gen Z.
- The evenly split data with a 50%-50% representation of both male and female respondents indicate an equal gender distribution in the survey.
- Majority of the respondents (45%) are employees, showing a dominant presence in the workforce sector.
- The majority of the respondents (64.66%) hold a degree, diploma, or higher educational qualification, reflecting a well-educated sample group.
- A significant portion of respondents (39%) earn between Rs 2,00,001 and Rs 6,00,000 annually, indicating a mid-income group.
- Most respondents (53%) save between 5% to 10% of their monthly income, showing a moderate approach towards savings.
- The majority of respondents (62%) are married, indicating a strong representation of married individuals in the survey.
- Most respondents (65%) belong to nuclear families, suggesting a preference for smaller family structures.
- Banks are the primary source of debt for 70% of the respondents, indicating a reliance on formal financial institutions for borrowing.
- A significant portion of respondents (41%) carry debts ranging from Rs 500,001 to Rs 10,00,000, reflecting a considerable debt burden in this group.
- Majority of the respondents (42%) actively track their finances and prepare for unexpected financial risks, indicating a proactive financial management approach.
- Most respondents (56%) prefer to save and avoid debt whenever possible, reflecting a cautious attitude towards borrowing.
- 39% of respondents check their credit score when planning to apply for credit, showing a moderate level of credit awareness.
- The majority of respondents (44%) have been managing their credit for 1 to 5 years, indicating a moderate level of experience with debt.
- 50% of respondents feel stressed about debt occasionally, suggesting that debt is a concern for a significant portion of the population.
- The most common financial risk concern among respondents (32%) is job loss or income instability, highlighting the importance of job security for this group.

RANK ANALYSIS

- Majority of the respondents ranked 1st for Investing in Gold.

CORRELATION

- The observation under correlations shows that there is no significant relationship between debt level and annual income
- It also shows that there is a significant relationship between the generation and debt type

CHI-SQUARE

- The observation under Chi-square shows that under Generation and risk management, the savings, retirement a/c, medical insurance, term insurance, emergency fund, reject the null hypothesis, proving there is a significant relationship between them and others have a null hypothesis.
- Under financial shock and risk management, vehicle insurance, emergency funds, medical insurance, term insurance, and savings have a null hypothesis proving that there is no significant relationship between them. However, the retirement a/c alone has an alternative hypothesis.

X. CONCLUSION

Data research sheds light on the financial difficulties and habits of Gen X, Gen Y (Millennials), and Gen Z by helping them manage their risk and debt. With Gen Y and Gen Z primarily pursuing education, the data shows an equitable representation of the generations and early professional stages. Numerous respondents had lower incomes, according to the income distribution, which emphasizes how urgently specialized financial solutions are needed. Despite changes in income, participants show modest saving habits. The nature and generation of debt are also significantly correlated, indicating that different cohorts have different techniques to managing their debt. These findings help financial planners and legislators develop measures that address the unique needs of each group and promote financial security.

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