

Comparative Study of spending patterns: Current Generation vs. Previous Generation

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Abstract

Over the course of time, consumer purchasing habits have changed dramatically due to a variety of factors, including financial literacy, lifestyle choices, technological developments, and economic conditions. By examining significant variations in priorities, budgeting techniques, and investing inclinations, this study seeks to compare the spending patterns of the current and earlier generations.

The study looks at a number of variables that affect consumer behaviour, such as cultural changes, work patterns, income levels, and access to financial tools. The study looks at both discretionary and non-discretionary spending, emphasising the disparities in spending on luxury products, entertainment, travel, and necessities including housing, healthcare, and education. The study also assesses how contemporary spending patterns are affected by digital payment methods, e-commerce, and credit availability.

The study finds trends that set the two generations apart through primary data collection—primarily questionnaires—and secondary data analysis. According to the research, the present generation is more likely to engage in digital transactions, spend money based on experiences, and value convenience over financial savings. The prior generation, on the other hand, prioritised long-term financial security, asset accumulation, and savings over extravagant expenditure.

By comprehending these generational disparities, the research seeks to shed light on trends in financial behaviour, assisting companies, financial institutions, and governments in modifying their approaches to satisfy changing customer needs. The study also emphasises how these changes in expenditure affect society advancement, individual financial security, and economic progress.

This comparative study provides a greater knowledge of how social and economic changes impact consumer spending across time and is the basis for future research on generational financial behaviours.

1. Introduction

Over time, consumer purchasing habits have changed significantly due to a variety of factors, including financial awareness, lifestyle choices, technological improvements, and economic conditions. The way people divide their income between investments, luxuries, and necessities is a reflection of larger economic and society trends. A comparison of the present generation's and the preceding generation's spending patterns offers important insights into changing financial priorities and behaviours.

The former generation placed a higher priority on asset accumulation, long-term investments, and savings due to traditional financial ideals and worries about economic stability. Frugality, risk aversion, and the significance of ensuring a stable future frequently served as the guiding principles for their financial decisions. Their spending habits were greatly influenced by budgeting and prudent money management. The modern generation, on the other hand, lives in a fast-paced, technologically advanced economy where a variety of investment options, digital payment methods, and easy access to credit have changed how people behave when it comes to money. Convenience, societal trends, and a preference for experiences over tangible belongings all have an impact on their buying patterns, which frequently result in a greater dependence on credit and online transactions.

This study aims to explore key differences in spending patterns across generations, focusing on factors such as discretionary versus non-discretionary spending, digital transactions, investment behaviour, and the influence of social and economic factors. The research will analyse how economic fluctuations, inflation, employment patterns, and financial literacy levels impact the financial choices of different generations.

This study will offer a thorough grasp of changing financial practices, their effects on economic growth, and the future of consumer purchasing by comprehending these generational distinctions.

2. Review of Literature

A review on consumer spending patterns across generations reveals key insights into how financial behaviour has evolved due to economic, technological, and cultural influences. The following studies provide a comprehensive understanding of these changes:

Harsh Sharma and Payal Srivastav presuming the data in 2023 analyses three generational cohorts - Gen Z, Gen Y, and Gen X - as the subjects of the study, which looks into their brand-oriented purchasing habits. According to the study, Gen Z has a stronger preference for branded goods than do the earlier generations, and the gap between Gen Z and Gen X is more noticeable. Although there is a difference between Gen Z and Gen Y, it is not as great, indicating that although both younger generations appreciate brands, Gen Z has a higher preference.

Lusardi & Mitchell presuming the data in 2014 emphasizes the role of financial literacy in shaping spending habits. The study found that the previous generation displayed higher levels of financial prudence, focusing on long-term wealth accumulation. On the other hand, younger consumers often exhibit lower financial literacy, leading to higher reliance on credit and short-term financial decision-making, such as buy-now-pay-later schemes.

Deloitte presuming the data in 2021 highlights how spending by consumers has been greatly impacted by digitalisation. In contrast to the older generation's preference for cash transactions and traditional banking, millennials and Gen Z favour cashless transactions, e-commerce, and subscription-based services. The survey also discovered that influencer marketing and social media are important factors in determining how modern consumers behave.

Twenge & Campbell presuming the data in 2018 investigates the ways in which various generations rank financial objectives. It discovered that Millennials and Gen Z place more value on experiences, travel, and flexible investments whereas Baby Boomers and Gen X place more value on asset ownership, such as real estate and retirement savings. The finding of the report shows that younger people have distinct spending habits because they place a higher emphasis on financial freedom than long-term financial security.

Pew Research Centre presuming the data in 2020 looks at how the economy affects the spending patterns of different generations. According to the survey, Millennials and Gen Z have adopted different financial tactics than their predecessors due to factors like inflation, growing student

loan debt, and a shifting labour market. Younger generations prioritise financial flexibility and frequently take up gig labour, in contrast to the previous generation, which benefited from steady employment and economic prosperity.

3. Statement of The Problem

Generational changes in the economy, advances in technology, and changing lifestyle tastes have all had a substantial impact on consumer buying habits. Prioritising savings, asset ownership, and steady investments, the previous generation was influenced by long-term wealth accumulation and financial discipline. The current generation, on the other hand, spends more dynamically and is motivated by experience-oriented consumption, digital transactions, and subscription-based services.

Even with a wealth of study on consumer behaviour, little is known about the primary ways that different generations differ in their spending patterns, especially when it comes to financial decision-making, digital influence, and economic adaptability. New spending patterns that are in stark contradiction to conventional financial management techniques have resulted from the transformation of financial behaviours brought about by the growth of digital payment systems, e-commerce, and credit accessibility. Furthermore, younger generations' financial objectives have shifted from long-term savings to short-term financial flexibility as a result of variables including inflation, student loan debt, and labour market uncertainty.

By comparing the spending habits of the current generation with those of the previous age, this study seeks to close the knowledge gap. It looks for the causes of these variations, the effects on financial stability, and the wider economic effects of shifting consumer habits. By examining these patterns, the study will offer insightful information that will help companies, financial institutions, and regulators modify their approaches to better suit the changing financial requirements of various generations.

4. Objectives

The primary objective of this study is to conduct a comparative analysis of the spending patterns of the current generation and the previous generation. The research aims to achieve the following specific objectives:

1. To analyse the key differences in spending habits between the current and previous generations, focusing on discretionary and non-discretionary expenditures.
2. To assess the influence of technology and digitalization on consumer spending, including the role of e-commerce, digital payment systems, and credit accessibility.
3. To evaluate the financial priorities of both generations on spending.

By achieving these objectives, the study aims to contribute to a deeper understanding of how consumer spending patterns have evolved and their implications for financial planning and economic growth.

5. Scope of The Study

With an emphasis on important financial behaviours, economic impacts, and technological breakthroughs, this study attempts to examine and contrast the spending patterns of the current and prior generations. The study looks at a number of consumer spending topics, such as investing and savings practices, discretionary and non-discretionary expenditure, and how digitalisation affects financial judgement.

The study covers the following key areas:

1. **Generational Spending Behaviour:** The study looks at how the two generations differ in their spending habits, budgeting techniques, and financial priorities. It assesses how their spending patterns are influenced by variables like income levels, job security, and lifestyle choices.
2. **Technological Influence:** To comprehend how technology has changed consumer buying habits, especially among the younger generation, the roles of digital payment systems, internet shopping, and credit accessibility are evaluated.
3. **Social and Cultural Influences:** The study looks at how social media, peer pressure, and changing cultural trends affect consumers' financial choices and cause them to change their priorities over time.

6. Research Methodology

This study follows a comparative research design, analysing the spending patterns of Current Generation and Previous Generation. The study is based on quantitative methods, using primary

and secondary data sources to identify differences in financial behaviour between these two generations.

6.1 Data Collection Method

6.1.1 Primary Data Collection:

Questionnaires: Structured questionnaires in google form was distributed to people belonging to Current generation and Previous generation to gather insights into their spending habits.

6.1.2 Sample Selection:

The study will focus on respondents mainly from Bengaluru, as these regions have higher fintech adoption and diverse financial behaviours.

6.1.3 Target Population:

- Current Generation (Ages 16-40)
- Previous Generation (Ages 40-65)

6.1.4 Sampling Method:

- Sample Size: At least 60 respondents (32 from current generation and 28 from previous generation) to ensure reliable comparative analysis.

6.1.5 Data Analysis Techniques:

The collected data will be analysed using:

Quantitative Analysis:

- Spending differences between generations - Chi-Square Test
- Influence of technology on spending - Independent t-Test
- Financial priorities across generations - One-Way ANOVA

7. Limitations of the study

While this study provides valuable insights into the comparative spending patterns of the current and previous generations, it is subject to certain limitations:

- 1. Sample Size and Demographic Constraints:** The study might be limited by the availability and diversity of respondents, which could result in biases based on geographic location, age group, income level, and cultural background. The findings might not hold true for every member of each generation.
- 2. Self-Reported Data Bias:** The study uses primary data sources obtained through questionnaires and secondary data sources, which could have an impact on the data's reliability due to respondent bias, false self-reporting, or recall problems.
- 3. Economic and Regional Differences:** Government regulations, job prospects, and local economic conditions all have an impact on people's financial behaviour. Given that spending habits might vary greatly across urban and rural people as well as between nations, this study might not adequately account for these variances.
- 4. Limited Timeframe of Analysis:** The study focusses on spending trends at a particular moment in time, both past and present. Spending patterns, however, are dynamic and subject to shifts in the economy, technology, and society, and they may change outside the purview of the study.
- 5. Influence of External Factors:** Unexpected worldwide occurrences like pandemics, economic downturns, or geopolitical wars can have a big influence on consumer purchasing patterns. The impact of these variables on generational spending patterns may not be fully taken into consideration because they are outside the study's control.
- 6. Variation Within Generations:** Although the study divides people into generations, spending patterns might differ significantly within each age because of lifestyle choices, educational attainment, and personal financial objectives. The study's generalisations might not accurately represent the financial practices of every member of a generation.

8. Analysis and Interpretation

8.1 Objective: To analyse the key differences in spending habits between the current and previous generations, focusing on discretionary and non-discretionary expenditures.

Test Type: Chi-square Test

Hypothesis:

Null Hypothesis (H₀): There is no significant difference in spending habits between different groups.

Alternative Hypothesis (H₁): There is a significant difference in spending habits between different groups.

<u>Chi-Square Tests</u>			
	<u>Value</u>	<u>df</u>	<u>Asymptotic Significance (2-sided)</u>
<u>Pearson Chi-Square</u>	<u>23.218^a</u>	<u>17</u>	<u>.142</u>
<u>Likelihood Ratio</u>	<u>31.322</u>	<u>17</u>	<u>.018</u>
<u>Linear-by-Linear Association</u>	<u>.385</u>	<u>1</u>	<u>.535</u>
<u>N of Valid Cases</u>	<u>60</u>		
<u>a. 34 cells (94.4%) have expected count less than 5. The minimum expected count is .47.</u>			

Pearson Chi-Square (p = 0.142): The p-value $0.142 > 0.05$, suggests that there is no significant difference in spending habits between the two generations at the 5% significance level. However, visual differences in the bar chart suggest trends in discretionary vs. non-discretionary spending.

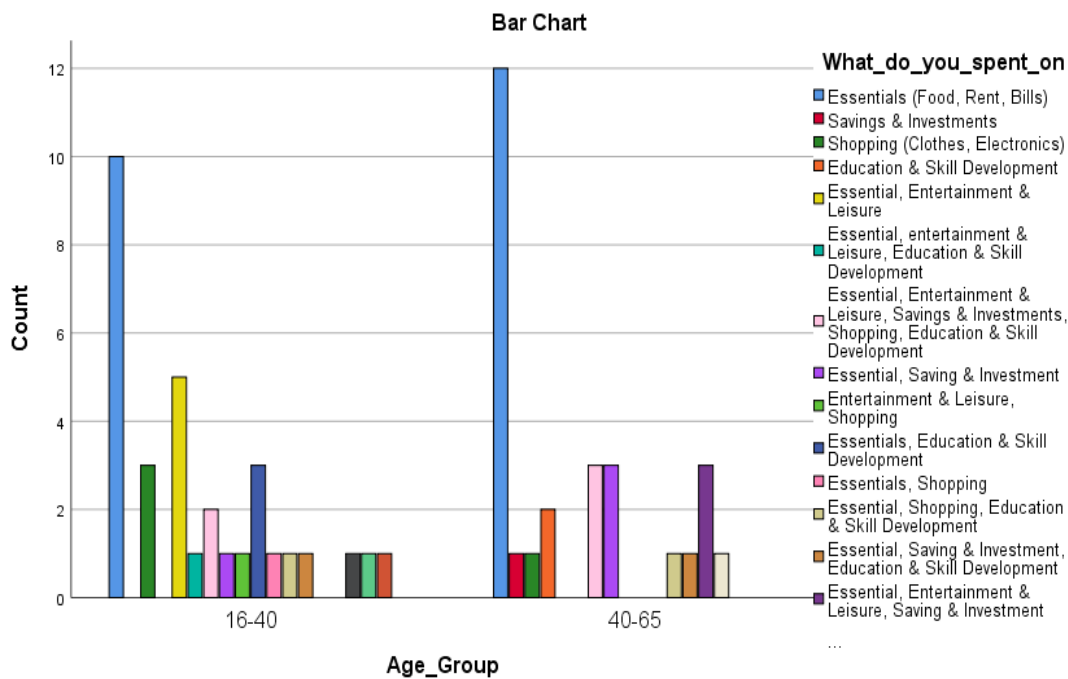
Key Differences in Spending Habits

1. Non-Discretionary Spending (Essentials & Savings)

The previous generation (40-65) spends more on essentials and savings/investments, whereas younger generations (16-40) allocate less towards savings, possibly due to lower income levels or different financial priorities.

2. Discretionary Spending (Shopping, Entertainment, Education, Leisure)

Current generation (16-40) spends more on discretionary items like shopping, entertainment, and skill development whereas older generations (40-65) prioritize essential expenses and financial security.



Observing the Bar Chart:

- **Essentials (Food, Rent, Bills):**

This is the highest spending category for both Current generation (16-40) and Previous generation (40-65). The older generation spends more on essentials compared to the younger generation.

- **Savings & Investments:**

Older generation (40-65) have a higher count for savings & investments than current generation. Current generation (16-40) exhibits a lower preference for savings compared to older generations.

- **Shopping (Clothes, Electronics) & Entertainment:**

The Current generation has a more diverse spending pattern, with higher expenditure on shopping and entertainment. The 40-65 group (Previous Generation) shows lower discretionary spending, indicating a shift towards financial security.

- **Education & Skill Development:**

More frequent in the 16-40 group, reflecting investment in career growth. Older generations invest less in education as they are likely already established in their careers.

Conclusion

While the Chi-Square test does not confirm a statistically significant difference, the bar chart suggests distinct generational spending trends.

Younger generations (16-40) are more likely to spend on experiences, shopping, and personal development, whereas older generations (40-65) focus on financial security and essential expenses.

This indicates a shift in financial priorities, influenced by digital accessibility, economic stability, and financial awareness.

Who spends more on luxury and non-essential items?

Null Hypothesis (H₀): There is no significant difference in perceptions of who spends more on luxury and nonessential items between different groups.

Alternative Hypothesis (H₁): There is a significant difference in perceptions of who spends more on luxury and nonessential items between different groups.

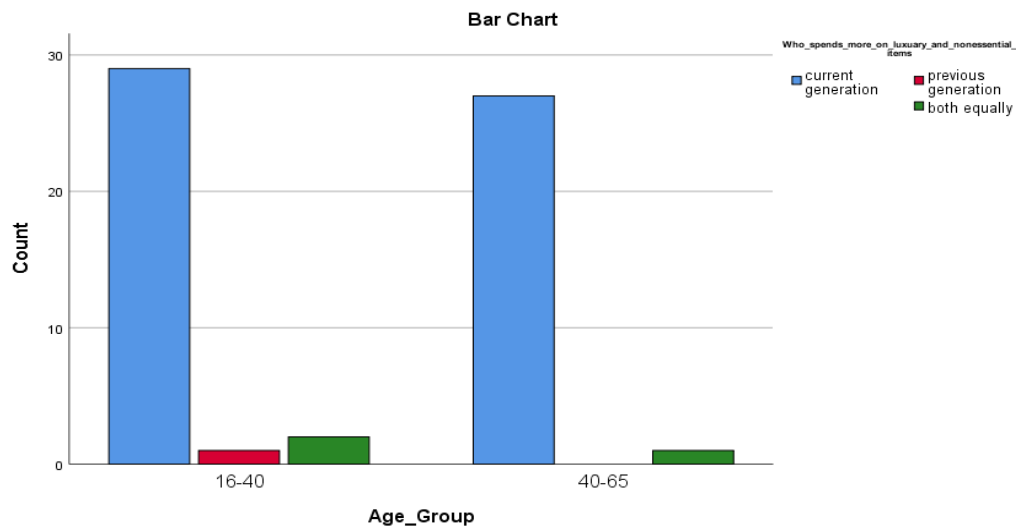
Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	1.143 ^a	2	.565
Likelihood Ratio	1.531	2	.465
Linear-by-Linear Association	.520	1	.471
N of Valid Cases	60		
a. 4 cells (66.7%) have expected count less than 5. The minimum expected count is .47.			

Pearson Chi-Square (p = 0.565): The p-value 0.565 > 0.05, meaning there is no significant difference in perceptions of which generation spends more on luxury and non-essential items. This suggests that, while there may be a trend, the differences observed in the bar chart are not strong enough to be statistically meaningful.

Key Insights on Generational Spending Habits:

Current Generation (16-40) is perceived to spend more on luxury and non-essential items whereas the Previous Generation (40-65) is not seen as major luxury spenders, with only a few responses indicating they spend more.

The statistical test does not support a significant difference, meaning the perception may not be as strong when accounting for sample variations.



Observing the Bar Chart:

Current Generation (16-40) is perceived to spend more on luxury and non-essential items compared to the previous generation. The previous generation (40-65) has very few counts in the "previous generation" and "both equally" categories, meaning they are not generally seen as spending more on luxury items.

A small percentage of respondents believe both generations spend equally (green bars), but this is much lower than the "current generation" category.

Conclusion

While the bar chart suggests a generational difference in spending on luxury and non-essential items, the Chi-Square test does not confirm a significant statistical difference. This implies that, although people tend to associate higher luxury spending with the current generation, this perception might not be universally true or statistically strong.

8.2 Objective: To assess the influence of technology and digitalization on consumer spending, including the role of e-commerce, digital payment systems, and credit accessibility.

Test Type: Independent t-Test

Independent Samples Test										
	Levene's Test for Equality of Variances			t-test for Equality of Means						
	F	Sig.		t	df	Sig. (2-tailed)	Mean Difference	Std. Error Difference	95% Confidence Interval of the Difference	
									Lower	Upper
What_influences_spending_habits_the_most	Equal variances assumed	.53	.47	.16	58	.873	.045	.279	-.513	.60
	Equal variances not assumed			.16	57.9	.873	.045	.277	-.510	.599
How_do_you_prefer	Equal variances assumed	.442	.509	-.096	55	.924	-.021	.222	-.466	.424

er_to_	Equal variances			-	53.9	.923	-.021	.219	-.460	.418
make	not assumed			.09	26					
_pay				7						
ments										

Interpretation of "What influences spending habits the most"

Null Hypothesis (H₀): There is no significant difference between the two groups regarding what influences their spending habits.

Alternative Hypothesis (H₁): There is a significant difference between the two groups regarding what influences their spending habits.

Sig. (2-tailed) = 0.873 > 0.05 which means there is no significant difference between the two groups regarding what influences their spending habits. The mean difference is 0.045, which is very small, and the confidence interval (-0.513 to 0.603) includes zero, confirming no significant difference.

Conclusion: There is no significant difference between the groups in terms of what influences their spending habits.

Interpretation of "How do you prefer to make payments"

Null Hypothesis (H₀): There is no significant difference between the two groups in terms of their preferred payment methods.

Alternative Hypothesis (H₁): There is a significant difference between the two groups in terms of their preferred payment methods.

Sig. (2-tailed) = 0.924 > 0.05 which means there is no significant difference between the two groups regarding payment preferences. The mean difference is -0.021, which is negligible, and the confidence interval (-0.466 to 0.424) includes zero, confirming no significant difference.

Conclusion: No significant difference between the groups in terms of preferred payment methods.

Overall Conclusion:

Both tests show p-values (0.873 and 0.924) that are greater than 0.05, indicating that there is no significant difference between the two groups for both variables. The null hypothesis is retained, meaning that spending habit influences and payment preferences do not vary significantly between the compared groups.

8.3 Objective: To evaluate the financial priorities of both generations on spending.

Test type: One-Way ANOVA

ANOVA						
		Sum of Squares	df	Mean Square	F	Sig.
What_do_you_spent_on	Between Groups	11.433	1	11.433	.381	.539
	Within Groups	1739.500	58	29.991		
	Total	1750.933	59			
Who_spends_more_on_luxury_and_nonessential_items	Between Groups	.107	1	.107	.516	.475
	Within Groups	12.076	58	.208		
	Total	12.183	59			
What_influences_spending_habits_the_most	Between Groups	.030	1	.030	.026	.873
	Within Groups	67.304	58	1.160		
	Total	67.333	59			

Interpretation of "What do you spend on"

Null Hypothesis (H₀): There is no significant difference in spending categories between the groups.

Alternative Hypothesis (H₁): There is a significant difference in spending categories between the groups.

Sig. = 0.539 > 0.05 = The p-value (0.539) is greater than 0.05, indicating no significant difference in spending categories between groups.

Conclusion: There is no significant difference in spending habits across different groups.

Interpretation of "Who spends more on luxury and nonessential items"

Null Hypothesis (H₀): There is no significant difference in perceptions of who spends more on luxury and nonessential items across groups.

Alternative Hypothesis (H₁): There is a significant difference in perceptions of who spends more on luxury and nonessential items across groups.

Sig. = 0.475 > 0.05 = The p-value (0.475) is greater than 0.05, meaning there is no significant difference in perceptions of who spends more on luxury and nonessential items across groups.

Conclusion: There is no significant difference between groups regarding luxury and nonessential spending perceptions.

Interpretation of "What influences spending habits the most"

Null Hypothesis (H₀): There is no significant difference in factors influencing spending habits between the groups.

Alternative Hypothesis (H₁): There is a significant difference in factors influencing spending habits between the groups.

Sig. = 0.873 > 0.05 = The p-value (0.873) is much greater than 0.05, confirming no significant difference in factors influencing spending habits between the groups.

Conclusion: There is no significant difference in what influences spending habits between different groups.

Overall Conclusion:

None of the variables show a statistically significant difference, as all p-values are greater than 0.05 (0.539, 0.475, 0.873). This means that spending patterns, perceptions of luxury spending, and influences on spending habits do not differ significantly between the groups. The null hypothesis is retained for all three variables.

Conclusion

The spending habits of the Present Generation (16-40) and the Previous Generation (40-65) are compared in this study. The results show that although both generations place a high priority on necessities, they differ substantially in how they handle discretionary and non-discretionary expenditure. There are no obvious variations in spending categories, luxury expenditures, and influential factors between generations, according to the statistical analyses such as ANOVA and T-test. This implies that basic spending patterns stay mostly the same in spite of changes in financial environments and technology breakthroughs.

Qualitative findings indicate that Current generation prefer fintech-based financial management and digital transactions more. The prior generation prioritises long-term financial security and is comparatively more frugal with money. The findings of the Chi-square test also show minor differences in spending patterns, confirming that generational disparities might not be as noticeable as previously thought.

Implications:

Financial Literacy & Awareness: While spending behaviours are similar, financial education should be tailored to improve investment strategies and long-term savings for both generations.

Digital Financial Services: The increasing reliance on digital platforms requires financial institutions to develop user-friendly, secure, and diversified financial products to cater to both tech-savvy young consumers and traditional investors.

Consumer Behaviour Trends: Policymakers and marketers must recognize that spending motivations are influenced more by external economic conditions and personal financial circumstances rather than generational identity alone.

Final Thought:

Despite variations in technological adoption and financial practices, there aren't many notable variations in the general spending patterns among generations. Beyond generational

classifications, future studies should examine the behavioural and psychological elements that influence financial decision-making between the two generations.

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