

A STUDY ON HOW FINANCIAL LITERACY INFLUENCES INVESTMENT PATTERNS AMONG GEN Z & ENCOURAGE THEM TO DO MORE SIDE HUSTLES

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Abstract:

The report examines the influence of financial literacy among Generation Z and examines whether financial knowledge encourages engagement in side hustles. As a digitally active generation with early access to financial markets, Gen Z increasingly participates in investment avenues such as shares, bonds, SIPs, etc. However, many financial decisions are shaped by informal sources like information from friends, family, social media, informal advertisement, etc. Gen Z prefers more of these informal sources than going through official and trusted sources that give proper information about the bonds, shares, etc. The study aims to evaluate financial literacy levels, analyse investment patterns, identify barriers to informed investing and assess the relationship between financial knowledge and side hustle participation.

The study concludes that financial literacy enhances confidence but does not independently determine investment or entrepreneurial behaviour. Structured financial education is essential to promote informed and sustainable financial decision-making among Generation Z.

Keywords: *Financial Literacy, Generation Z, Investment Behaviour, Side Hustles, Financial Confidence*

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Introduction:

Generation Z, born between the mid- 1990s and early 2010s, is a digitally connected and financially active generation that is changing the face of modern investment trends and income sources. Unlike previous generations, Genz has early access to financial markets through digital platforms, mobile applications and social media sites. The investment patterns include both traditional sources such as mutual funds, SIPs and stocks, new sources such as cryptocurrency and digital gold. However, their choices are also driven by social media trends, influencers and word-of-mouth recommendations, which are not always rooted in proper financial knowledge. Financial Literacy is an important factor in determining investment patterns. Proper financial knowledge enables people to understand risk return trade-offs, diversify investments, and make long term financial plans, and also stay away from financial frauds. Lack of financial

knowledge can result in rash decision- making, excessive investment in high-risk instruments, and following unverified online sources.

However, Gen Z is also increasingly participating in side hustles like freelancing, content creation, e-commerce, digital marketing, and stock trading due to the growing gig economy. Financial literacy increases knowledge about income generation, passive income sources, entrepreneurial mindset, and financial freedom.

Although Gen Z is increasingly participating in investment activities and side hustles, they are not being exposed to proper financial education. There is a need to investigate the relationship between financial literacy and investment choices, as well as the use of side hustles, among Gen Z. This is critical for designing approaches that will help Gen Z make educated decisions and experience sustainable financial growth.

Need for Research:

Although several studies have examined financial literacy and others have analysed investment behaviour or the gig economy independently, limited research has specifically focused on Generation Z as a distinct demographic group. Existing literature often overlooks how Gen Z's digital exposure, social media influences, and early access to online investment platforms shape their financial decisions. There is insufficient empirical research exploring the combined relationship between financial literacy, investment behaviour and side hustle adoption among Gen Z. Most studies analyse these variables separately rather than examining how financial knowledge simultaneously impacts risk-taking, portfolio diversification, and entrepreneurial engagement.

Objectives :

1. To evaluate financial literacy levels among Genz.
2. To examine investment patterns influenced by Literacy.
3. To identify barriers to informed investing.
4. To analyse side hustles adoption linked to Literacy.
5. To propose strategies to boost literacy & side hustles.

Literature Review :

1. Spohn, David (2024) in his current research paper defines Generation Z is experiencing some unique economic challenges that influence their financial practices and literacy. Despite being born and raised in a digital age, there are still huge gaps in their financial literacy. Economic conditions such as inflation and job market instability affect their saving and investment choices. Moreover, Gen Z aligns financial objectives with social responsibility and activism, which portrays their ethical orientation. They rely heavily on digital technology for financial education, which is a double-edged sword that provides them with unlimited access to information but also makes them susceptible to

misinformation. This dynamic economic and digital context impacts their financial decision-making and potentially makes them vulnerable to poor financial choices because of a lack of structured financial knowledge.

2. Pasiusiene, I., Podviezko, A., Malakaite, D., Zarskiene, L., Liucvaitiene, A., & Martisiene, R. (2023) defines generations primarily by birth periods, with Generation Z characterized as digitally native, multitasking, dynamic, and highly technology-oriented. Researchers highlight traits such as impatience, strong self-confidence, consumerism, and a preference for quick results. Gen Z is also environmentally conscious, values sustainability, and is willing to pay more for green products and invest in socially responsible companies.

Studies show mixed levels of financial literacy among Gen Z, often lower among female and first-generation students, which affects investment decisions and risk assessment. Financial literacy improves responsible decision-making and resilience to financial shocks. Recent research integrates financial behaviour theory, personality traits, and sustainability attitudes to understand Gen Z's investment patterns, particularly their growing interest in green investing and the psychological factors influencing these choices.

3. Nag, Amit Kumar, and Janil Shah (2022) examined that this literature emphasizes the essential factors that influence investment intention from the perspective of the Theory of Planned Behaviour (TPB). **Social factors** like family, friends, social networks, and cultural influences, as well as word-of-mouth communications, play a significant role in shaping the investment attitudes and behaviour of individuals. Social inhibitions, particularly among women, can restrict their involvement in financial activities. Conversations in

social groups have a strong impact on financial behaviour.

Financial Literacy (FL) is an essential factor in shaping investment attitudes, Perceived Behavioural Control (PBC), and investment intention. Higher financial literacy enhances risk judgment, decision-making capacity, and confidence, while low financial literacy causes delayed or poor financial decisions. Financially literate people are better able to understand market signals and manage investment risks. **Attitude towards investment** has a direct impact on investment intention. A positive attitude enhances the possibility of involvement in investment activities. **Perceived Behavioural Control (PBC)** is the individual's perceived ability and availability of resources to invest, which also enhances investment intention. **Subjective norms**, such as societal norms and peer influence, also influence investment intentions. In general, the literature indicates that social influence, financial literacy, attitude, perceived control, and subjective norms influence individuals' investment intentions and behaviours.

4. **Eva Kivok, Jakub Michulek, Olga Ponisciakova and Juraj Fabus (2025)** their research shows how financial literacy helps people make responsible financial decisions while it prepares young people for future business ventures. The study investigates how three components of financial literacy-actual financial knowledge and self-assessed financial ability and actual financial knowledge assessment-determine entrepreneurial activity among Slovakian Generation Z population. The study investigates how people measure their own financial knowledge through calibration assessment. The authors identify this as a relatively underexplored but important factor affecting entrepreneurial

intentions. The primary objective of the research was to analyse the effect of three dimensions of financial literacy affects entrepreneurial interest among the Generation Z. The study investigated whether financial knowledge and personal assessment ability and financial outlooks affect people who want to launch businesses. The researchers used a mixed-method approach that combined quantitative research and qualitative research together with statistical methods. The study found that people with higher financial literacy skills showed greater interest in entrepreneurship because they could evaluate their skills correctly.

5. **Joel Mark P. Rodriguez, Ma. Del Carmen G. Labong, Lourdes Q. Palallos (2024)** in their study they analysed how Generation Z people with financial literacy skills manage their spending and financial behaviors. The study shows that financial literacy serves as the essential element which determines proper financial decision-making. The study investigates two ways which financial knowledge affects spending behavior. The study investigates two paths which financial knowledge affects spending behavior. The results of the research show that financial literacy affects how people spend their money because it influences their financial actions and money management decisions. Financial behavior acts as a mediating variable in this relationship because better financial knowledge leads to better financial management skills which result in better spending decisions. The research emphasizes the need to improve financial education programs as a means to develop better financial management abilities. Generation Z can achieve better long-term financial health through improved financial awareness and better spending habits.

Hypotheses:

Null hypothesis: - Genz having financial knowledge encourages them to do more investment and motivates them to do side hustles.

Alternative hypothesis: - Genz having financial knowledge doesn't affect their investment pattern and doesn't motivate them to do side hustles

Research Methodology:

1. Class of respondents: Men and women in the age group of 18 to 27 years employed in private sector, public sector, business or professional while performing side hustle for wealth generation and skill development, having a systematic investment pattern were selected for study.
2. Sampling method: For collection of primary data non-probability convenience sampling method was used.
3. Method of data collection: Primary data was collected from the working men and women who performed side hustles through structured questionnaires. The questionnaire had three sections: Section 1 had questions relating to financial knowledge of the selected men and women. Section 2 had questions relating to Investment Awareness & Patterns of the gen - Z men and women. Section 3 consisted of questions relating to Side Hustles & Income Generation of these selected men and women. A pilot study was conducted on working men and women. The final study had collected responses from a total of 100 men & women from them the study was done on 62 men and 38 women. Secondary data was used to support the study collected from books, journals, websites, newspapers etc.

Descriptive Analysis :

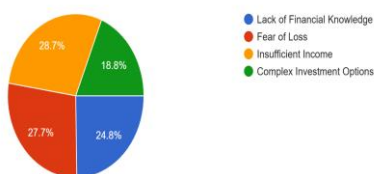
1. The total number of responses received was 97. Out of which 63.9% of respondents were male and remaining 36.1% respondents are female. We had a higher male respondent ratio than that of female.

2. 70% of the respondents are in their early career stage in the age group of 19-22 years, 26% are in the mid-career stage in the age group of 23 – above 27 years. The percentage of male respondents in the early career stage was more as compared to the female respondents. The percentage of male respondents in the mid - career stage was more as compared to female respondents
3. 53% of the respondents were Students in different college years and were just beginning their career journey. 23% of respondents were doing work while completing their studies and had begun their career journey in their respective fields. 22% of mid – career responders had completed their studies and begun working full time jobs. The rest (2%) of respondents were unemployed.
4. 34 respondents believed that they had somewhat financial knowledge and rated a 3 point to their financial literacy. 14 respondents had a good grasp of the knowledge and were very confident about the details and information they had learned about. 25 respondents had a nominal knowledge and had given 4 points to their knowledge about financial terms. 21 respondents had very little knowledge of finance while 4 respondents had no knowledge of financial terms.
5. Maximum respondents were aware about the term of Savings and Emergency fund. While many had various ideas about terms like Mutual Funds and budgeting. Almost half of respondents did not know about Crypto currency, Stocks and Equity, and a few more terms while 5 respondents did not know any of the terms.
6. 42% of respondents had received their financial literacy through informal ways like YouTube, Instagram, Friends and family, etc. While only 29% had received financial knowledge in schools and colleges. 14% of respondents had done an online course to receive financial knowledge.



7. 54% respondents were moderately confident while making their financial decision of investment showing a lack of financial literacy among them. 19 respondents were pretty confident while making their financial decisions as they had an idea about various financial terms and concepts which helped them in making these informed decisions. The remaining 27 respondents were not confident in their decision.
8. 36% of respondents to the questioner were investing their money, while 55% of the respondents were waiting for the right guidance and opportunity to invest their money. The remaining 9% had no interest in investing the money.
9. 43% of respondents wanted to invest their money for wealth creation, hence they were opting for options with higher ROI. 37% of respondents invested money for financial security, hence they opted for options with lower risk. 12% of respondents invested for tax saving purposes. 5% invested under peer influence and 3% invested under influence of social media.

What are the major challenges you face while investing ?
101 responses



10. The major challenges faced by 29% of respondents while investing was lack of income.

Inferential Analysis:

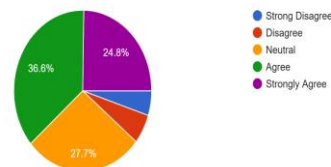
1. Correlation between Financial knowledge and Financial Confidence

Variance	Correlation Coefficient
Financial Knowledge and Financial Confidence	0.736

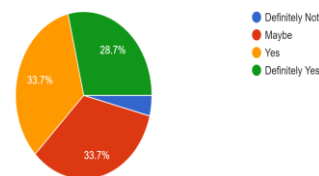
28% had a fear of facing loss hence they did not invest more, 24% didn't invest because they lacked financial knowledge and 19% thought that investment options were very complex and difficult to understand.

11. 28% of the respondents were doing side hustle while either studying or working. 55% of respondents wanted to start a side hustle but were not able to start. The remaining 17% of respondents were not interested in performing side hustles with their job or studies.
12. 30% of respondents wanted to do freelancing as their side hustle while the other 30% preferred online business as a better option. 25% opted offline work as the best side hustle while 14% believed tutoring as a better option.

Do you Believe Financial Literacy encourages better Investment Decisions ?
101 responses



Would Improving your Financial Knowledge encourages you to invest more & start Side Hustles ?
101 responses



The correlation coefficient between financial knowledge and confidence in financial decision-making is **0.736**, indicating a strong positive relationship. From the above results, we can conclude that higher levels of financial literacy significantly helps boost confidence in making financial decisions. The result implies that financial education plays a critical role in strengthening the psychological readiness of Gen Z to participate in financial markets.

2. Correlation between Financial knowledge and Investment participation

Variance	Correlation Coefficient
Financial knowledge and investment Participation.	0.18

The correlation coefficient between financial knowledge and Investment participation is **0.18**, suggesting a weak positive relationship. Although financial literacy contributes positively towards investment behaviour, the strength associated is limited. This suggests that while knowledge improves awareness, actual investment decisions may be influenced by other variants like income stability, risk tolerance and personal financial constraints.

3. Correlation between Financial knowledge and Side hustle participation

Variance	Correlation coefficient
Financial knowledge and Side hustle participation	-0.06

The correlation between financial literacy and current side hustle participation is **0.06**, which indicates a negligible and statistically insignificant relationship. This finding suggests that engagement in side-hustles among Gen Z may be driven more by entrepreneurial motivation, peer influence, or economic necessity rather than financial knowledge alone.

ANOVA Test

Source	SS	df	MS	F	P- value	F critical
Between Groups	0.842	2	0.421	2.115	0.126	3.09
Within Groups	18.702	94	0.199			

The calculated F-value (2.115) is less than the critical F-value (3.09). Furthermore, the p-value (0.126) is greater than the significance level of 0.05.

Therefore, the null hypothesis cannot be rejected.

The findings suggest that financial literacy levels are relatively similar across these groups. While financial knowledge enhances confidence, it does not significantly differentiate actual investment participation among Generation Z respondents.

Conclusion:

The study concludes that financial literacy significantly enhances financial confidence among Generation Z. Although it shows a positive influence on investment participation, other factors such as income and risk perception also affect actual decisions. Side hustle engagement appears to be driven more by motivation and economic needs than financial knowledge alone. The ANOVA results indicate no significant difference across groups. Overall, structured financial education is essential for promoting informed and sustainable financial behaviour among Gen Z.

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