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GENERATION ZALPHA FACING EMOTIONAL INVESTMENTS

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Purpose: In the article the author presents the results of research into the subjective assessment of knowledge about investments and examples of emotional investing and investment choices of young people. The author tries to predict the directions of development and trends in the field of emotional investments. The main goal was to establish how emotional investments are perceived by young people in comparison to other age groups.
Methodology: The article uses a critical analysis of the literature, the method of a diagnostic survey and the method of statistical inference.
Findings: Most people describe their knowledge about investments as average. Most respondents indicated that an emotional investment means being involved in their own development. The smallest percentage of respondents described jewellery as an emotional investment. There is a statistically significant correlation between the perception of emotional investments and the gender of the respondents, education and the source of income. There are significant differences in the distribution of spare financial resources between Generation Zalpha and the rest of the population.
Value: This paper shows the approach of the young generation to investment. Do young people choose to "have" or "be"? What do young people understand by investing? And what it means for young people to invest in themselves. Paper allows young people to guess investment thoughts. It also allows you to try to define the direction of development and interests in the future. Paper is also a great inspiration for further research.

Keywords: household; personal finance; financial decisions; emotional investments.

Category of the paper: market research or surveys, empirical, scientific.

1. Introduction

In this article the author aims to understand the preferences of young people regarding emotional investments. People from Generation Z and Generation Alpha want to be independent and aware of their decisions, including financial ones. In the article the author discusses their knowledge about emotional investments, choices and perception of self-development as a form of emotional investment. The article points out the theoretical aspects

pertaining to households, financial knowledge and financial decisions as well as characteristics of the groups in question. In the article the author assumes that for members of Generation Z and Generation Alpha an emotional investment equates an investment in self-development. Additionally, the author subjectively assumes that young people are characterized by a high level of knowledge of investments.

2. Literature review

A household understood as an entity has been the oldest and the most numerous of the elements of the economy. Its multiple definitions found in the literature on the subject come from both individual authors and institutional ones. Various authors point out to various criteria that define whether a particular group of people can be classified as one (shared) household or not. These include: living together (Beaman, Dillon, 2012), being related to one another (Samuelson, 2004), jointly addressing consumption needs (Zalega, 2007), or acquiring financial resources (Kędzior, 1992). Other significant elements include joint housekeeping and taking financial decisions together (Samsel, 2021). In this article the author defines a household as a group of people whose aim is to acquire income, increase its value in time and jointly take financial decisions.

The household includes adults, children and teenagers, often also adult children. The definition suggested by the author does not require people from one household to actually live together. A good example are students who are still members of their parents' households despite the fact they are living separately from their parents who still provide for them. Furthermore, the concept of household lifecycle also gives an interesting insight (Wells, Gubar, 1966). According to it, the first out of nine phases of household lifecycle is a household run by young adults (Olejniczak, 2014) who form a separate entity no longer belonging to a household shared with their parents.

As mentioned above, a household includes working adults as well as their children. The differences between generations are usually easy to notice. Regarding financial decision-making, there are also significant differences in perception between the older and younger generations. What is more, there are also many similarities between people of the same age. Therefore on the one hand there are intergenerational differences and on the other there are similarities between people who are at a similar stage of life, who were born within a short time range of one another, who experience the same problems or operate within the same cultural environment. The two youngest living generations are called Generation Z and Generation Alpha. These people were born between 1995 and 2009 (Gen Z) and 2010-2014 (Gen Alpha). These people determine the future of many important elements around us, such as: trends in education, labour market, technological progress. Their voice in personal finances and making

financial decisions including investments will also be of great significance. Table 1 below shows the characteristics of the those generations.

Table 1.
Characteristics of Generation Z and Generation Alpha

Feature	Z	Alpha
Born	1995-2009	2010-2014
Attitude towards digitalisation	It penetrated all areas of life and relationships	Non-stop online (*hyperconected*)
Attitude towards the world	Full globalization achieved (a world without borders due to being permanently signed in to the network)	Controlling the world and life through apps (*self-tracking*)
Attitude towards relations	Social interactions moved to the social media	Highly-educated, the most affluent, living the longest and in the smallest families.
Attitude towards technology	Giving up stationary devices for the sake of mobile ones	Screen is „natural environment", the generation most closely attached to the technology
Attitude towards education	Choosing visual content over traditional one.	Children with „busy schedules" (pressure on good results at school, development of interests, good results in sports)

Source: own study based on Ziatdinov, Cilliers, 2021; McCrindle, Fell, 2020.

Generation Z and Generation Alpha gained a combined name 'Zalpha', a term first suggested in the annual Trends Map by the Infuture Institute. The study placed Zalpha in a megatrend related to the undergoing demographic changes at the boundary of the so-called new normal (a currently leading trend) and a reactive zone, a short-term perspective for establishing a trend. It was suggested that the COVID-19 pandemic was a defining element in the development of these generations. Hence a joint experience of pandemic gave the two generation the name Zalpha (Infuture Institute, 2022).

Another important aspect are the relations between different members of a household in the context of finances. Financial decisions include those related to consumption, debts, savings and investments (Samsel, 2021). It goes without saying that younger generations learn how to take financial decisions by observing their parents or grandparents. Generation Z and Generation Alpha can therefore follow decision-making patters of other members of their households. Those people can also make completely opposite financial decisions to those witnessed at home. Still, however, they gain knowledge of managing personal financial from older generations. Knowledge of finances allows to avoid excessive debts and to skilfully manage one's debts (Lusardi, Tufano, 2015). Bad investment decisions are on the other hand often attributed to failed assessment of financial conditions caused by insufficient knowledge of finances. Additional factors include too high level of self-confidence, lack of self-control and emotional factors (impulsive consumption, character) (Gathergood, 2012; Petrov, Tonkova, 2022). Demographic factors, however, are also significant as they influence investment decisions. Demographic factors can have an influence on investment-related behaviours and on the whole process of managing personal finances (Hidayati, Kartawinata, 2017). Research

suggest that demographic factors and financial skills have a significant impact on investments of young people (Normalasari, Maslichah, Sudaryanti, 2022).

In the field of financial decisions taken by members of the youngest generations the author pays special attention to investment decisions. Investment decisions can be divided into traditional ones (e.g. shares, bonds, properties) and alternative ones (e.g. emotional investments). Adamska (2015) points out that emotional assets are gaining popularity. This new financial market trend is supported by financial intermediaries, banks, and commodities exchanges in order to address the expectations of individual investors. Emotional investments have not been given an unambiguous definition yet. The literature on the subject says that they form a part of alternative investments that are not classified as traditional investments (Wieprow, 2018). Emotional investments are also perceived as related to the passion of an investor (i.e. investments that combine economic and emotional approaches). The characteristics of emotional investments include low liquidity, difficulty in establishing their market value, information asymmetry, necessity to possess specialized knowledge, physical security risk, storage problems, investment decision based not only on financial motif (Borowski, 2012). Emotional investment is then such an investment that is based on positive emotions related to it, is not profit-oriented and provides non-material benefits (such as prestige, exclusivity, aesthetic feelings, the pleasure of ownership).

3. Research methods

For the purpose of this article the author carried out a diagnostic survey using CAWI method (*Computer-Assisted Web Interview*). The study involved filling in an electronic form. The study was carried out between April and July 2022 and involved 217 participants. Eventually 205 questionnaires were accepted for the analysis since the others contained mistakes, such as lack of answers to some questions or choosing multiple answers when only one was allowed. Having collected research material the author used the method of statistical inference to work on the results. The research stages are presented in Table 2 and the features of the studied groups are presented in Table 3. The analysis of variance (ANOVA) and Pearson correlation coefficient were also used in the analysis.

Table 2.
Stages of collecting empirical material

ACTION	PERIODS			
	April 2022	May 2022	June 2022	July 2022
Construction of questionnaire				
Data collection begins				
Partial verification of results				
Data collection continued				
Data collection finished				
Preliminary analysis of data				
Exclusion of faulty questionnaires				
Preliminary statistical analysis				
Deep statistical analysis				

Source: own study.

Table 3.
Statistical features of the control group

Number of respondents	in age groups						
	below 18	19-26	27-33	34-40	41-47	48-54	55-61 (and older)
	1	144	11	22	18	8	1
	based on gender						
	female				male		
	157				48		
	based on the level of education						
	below secondary		secondary			higher	
	1		147			57	
	based on job status						
	student		unemployed		employed		pensioner
	135		9		58		3
	based on place of residence						
	countryside				town/city		
	42				163		
	base on income (in PLN)						
	below 1000	1001-2000	2001-3000	3001-4000	4001-5000	5001-6000	above 6000
	42	64	35	22	21	8	13
	based on the main source of income						
	various, more than one	provided for by other people (e.g. parents)	disability payments/ pensions	scholarship	employment	social benefits	self-employment
	61	50	6	3	69	1	15

Source: own study.

4. Results

Respondents were asked to subjectively asses their knowledge about investments (Figure 1). Almost half of them assessed their knowledge as average (45.85%). Among them 6.34% said they had no financial knowledge at all, whereas 4.39% believed they have a high-level knowledge about investments. It is interesting that there is more indications of

no or low-level knowledge about finances than high or very high-level knowledge about investments (30.34% and 23.90% respectively).

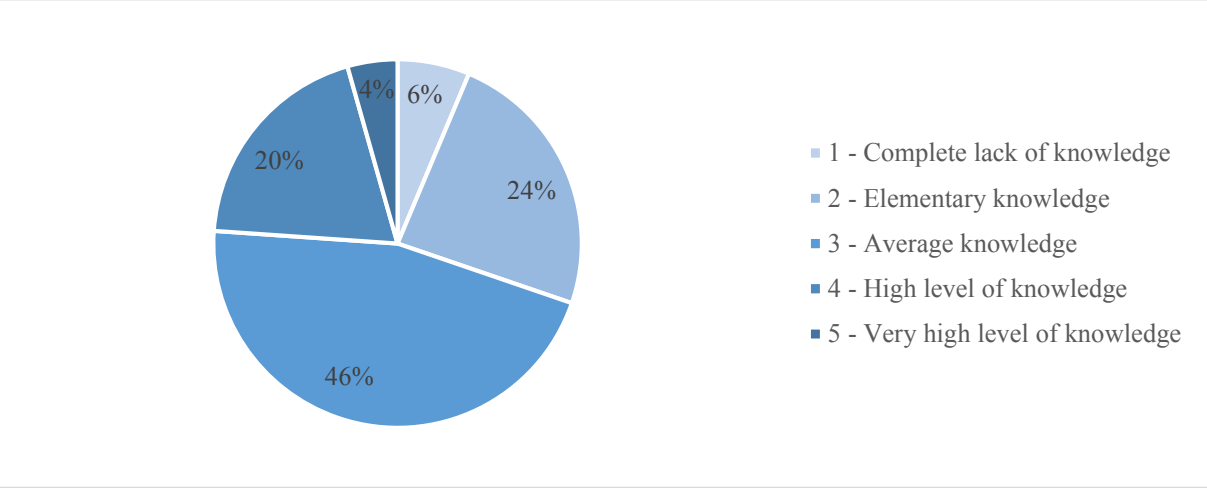


Figure 1. Subjective assessment of knowledge about investments in the entire group of respondents. Source: own study.

Subjective assessment of financial knowledge by members of Generation Z and Generation Alpha do not differ from general observations. Majority of them say their knowledge about investments is average. The proportions change slightly when it comes to elementary-level knowledge about investments (26.21%). We can notice a difference when it comes to those who asses their knowledge as high-level or very high-level, namely 24.14% of Generation Z and Generation Alpha. The percentage of Generation Z and Generation Alpha with perceived total lack of knowledge about investments (4.14%) is also lower than among the entire group of respondents (Figure 2).

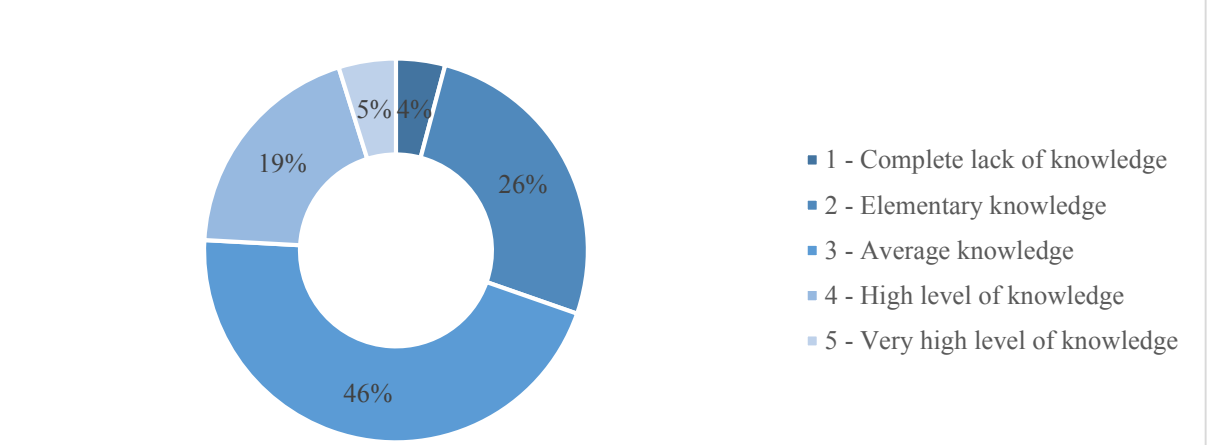
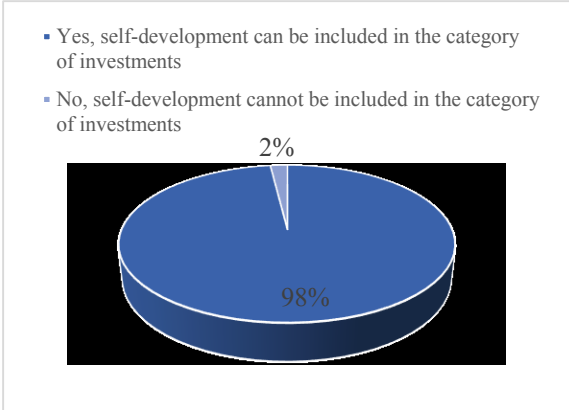
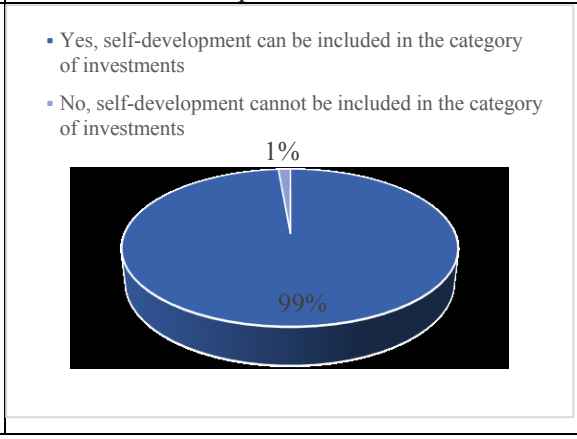


Figure 2. Subjective assessment of knowledge about investments in the "Zalpha" group. Source: own study.

The research results suggest a connection between investments and personal development. The vast majority of respondents indicated that their personal development is a form of investment. In this case the results did not diverge between the entire group of respondents and selected age groups. In both cases more than 98% of respondents said that their personal development forms an investment.

Table 4.
Perception of your own development as an investment

The entire group	Generation Z and Alpha
	

Source: own study.

Respondents were asked to choose categories that in their opinion could be described as an emotional investment. In both the entire group of respondents and among the below 27-year-olds the vast majority (60%) said investments in self-development are connected with emotional investments. These were followed by autographs of famous people (13.17%) and works of art (11.22%). Collecting cars is perceived as an emotional investment by 5.85% of respondents. Jewellery is seen as an emotional investment by the smallest group among the respondents (2.44%). As already said, there are no differences between the entire group of respondents and the younger generations. Therefore the research results of the entire group are presented in one chart (Figure 3).

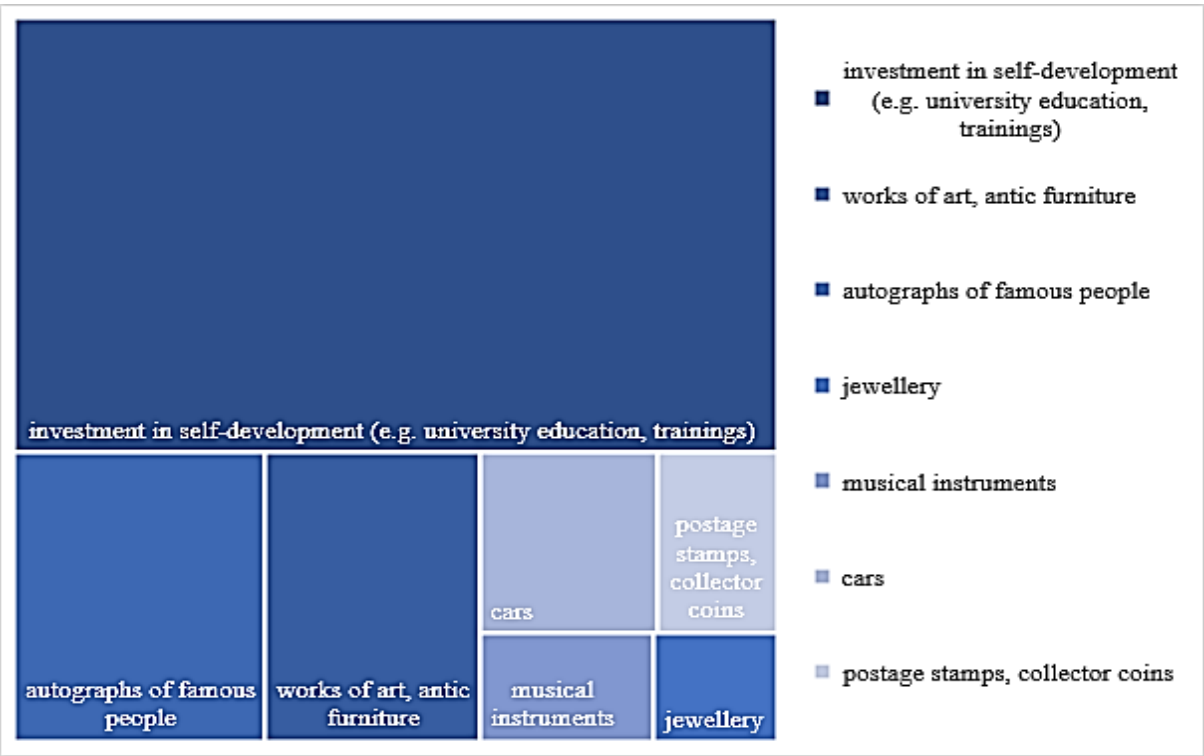


Figure 3. Seeing different categories as an emotional investment.

Source: own study.

To strengthen the validity of obtained information and for the purpose of this article respondents were asked to assign the total amount of one million Polish Zloty to goals of their own choice. They were informed that the "offered" money come from external sources, such as inheritance, donation, or lottery win. Respondents had to divide those financial means using the following pattern: 100,000, two times 200,000, and 500,000. The most popular option was to buy a property (for themselves). The second most often chosen option was to invest the spare financial resources. Many people were also interested in dedicating a significant amount of money to develop their own companies. The least interesting option was to pay the debts and to buy a vehicle (Figure 4).

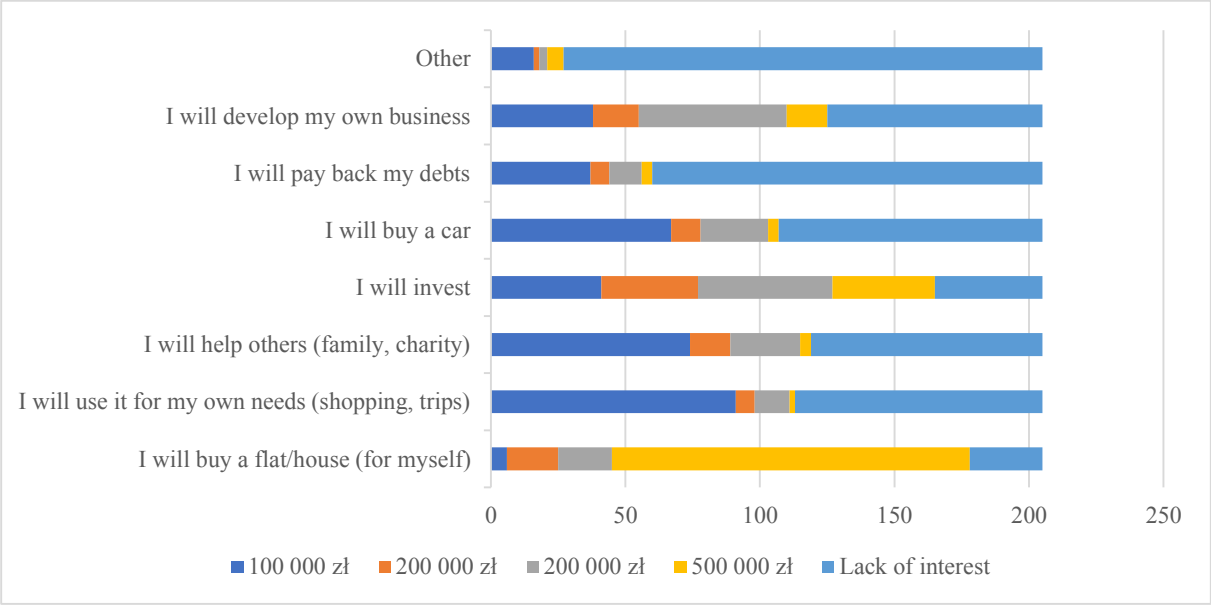


Figure 4. Interest in spending PLN 1,000,000 broken down by individual goals (in the entire study group).

Source: own study.

The analysis of the results show that Generation Zalpha's interests differ from other groups. Their answers regarding buying property for themselves or investing some amount of spare financial resources were similar, but there were significant differences in other categories. Young people indicate that they would assign part of the money to their own needs or buy a vehicle. Some mention developing their own business, but in contrast to the entire group, Generation Z and Generation Alpha chose to spend less money but for more diversified options. Both the group as a whole and the selected age groups would assign half of the amount to buy their own property (Figure 5).

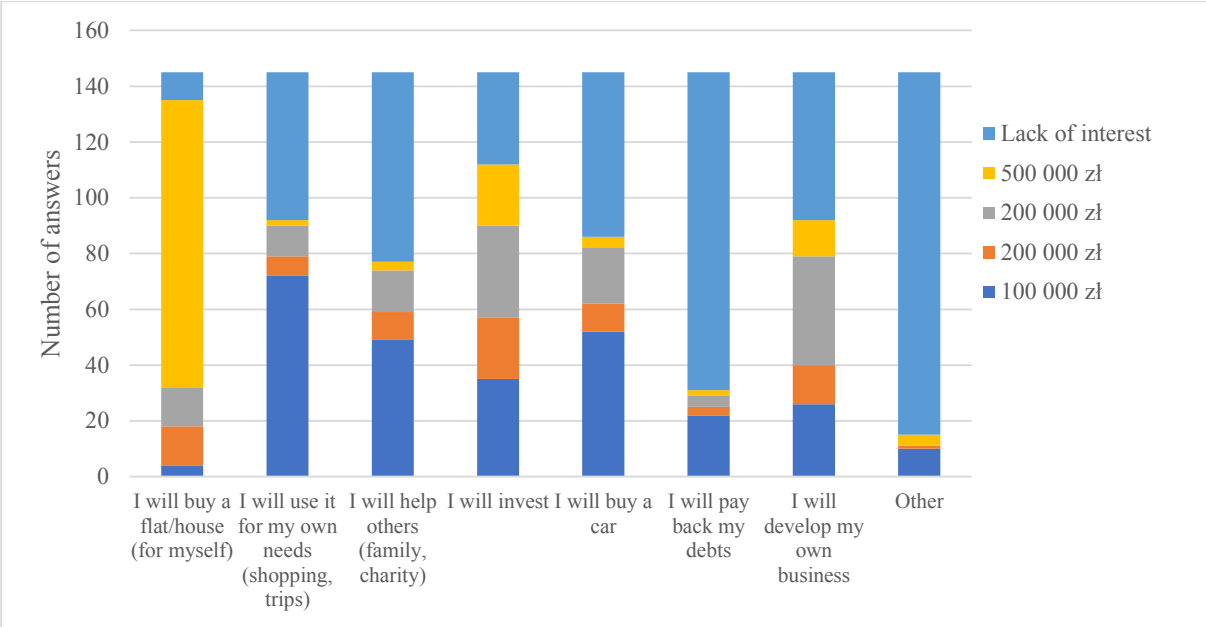


Figure 5. Interest in spending PLN 1,000,000 broken down by individual goals (in the Z and Alpha generation groups).

Source: own study.

The details of what Generation Zalpha put into the 'other' category are also worth a closer look. It included: health, passion, sessions with a coach or a mentor and plastic surgeries.

To make observations on investments, including emotional investments, the author verified the group (total) using a one-way variation analysis (ANOVA). Based on that the author concludes that there are no statistically significant dependencies between subjective assessment of the level of investment knowledge and demographic characteristics of the group (each analysed case returned $p > 0.05$). There are also no statistically significant dependencies in the analysis of the assignment of one's own development as an investment. There are, however, statistically significant dependencies in the analysis of assigning categories as emotional investment. There are statistically significant dependencies regarding the gender of respondents, as well as their education and main source of income (other characteristics do not show statistically significant dependencies). The results are shown in Table 5.

Table 5.
P-value and Pearson's correlation coefficient for categorization of emotional investments

Feature	*p-value*	Pearson correlation coefficient
Gender	0,001	0,226
Education	0,033	-0,172
Main source of income	0,000	-0,184

Source: own study.

According to Guilford's classification of correlations the obtained results show that the correlation between the gender and the assignment of emotional investments is low (the value range $0{,}1<|r|\leq 0{,}3$). There is almost no correlation between education and main source of income ($0{,}0<|r|\leq 0{,}1$). This indicates that the correlation is negative.

5. Discussion

Regarding emotional investments the author agrees with Borowski (2012). The interest in emotional investments (self-development, autographs of famous people, works of art and antic furniture) as indicated by respondents confirms assumed definitions (mainly regarding difficulties in establishing market value and related to low liquidity). The issue of lack of profit motif remains questionable. Investing in self-development often increases the value of an individual investor as a person (employee) on the labour market, which can then be reflected in their higher income. The author also agrees with Petrov and Tonkova (2022) who pointed out emotional factors and lack of self-control in taking investment decisions. In the experiment presented in this article respondents were offered to spend 1,000,000 Polish zloty. The results confirm that when allocating the money respondents were driven mainly by emotions and their own preferences. However, the results do not confirm Hidayati and Kartawinata's assumptions that there is a connection between demographic factors and investment decisions. As shown by research results there are not many differences between the entire group of respondents and Generation Z and Generation Alpha. The results provide important conclusions regarding preferences and the forming of the emotional investment market as well as financial education and knowledge. However, having analysed the obtained data the author rejects the assumption that demographic factors (as a separate category) have an influence on investment decisions.

6. Conclusion

To sum up, the author concludes that the set goal has been achieved. The study shows how various categories of emotional investments are seen by the entire group of respondents and by Generation Zalpha. The main hypothesis has been confirmed. It is confirmed that investments related to self-development are the most important category classified as emotional investments. The supporting hypothesis has been rejected. Young people show (subjectively) an average level of knowledge in the area of investments. The other conclusions are as follows:

1. Proving that living together is not a necessary condition for a group of people to be considered as one household.
2. Listing and comparing the main characteristics of members of Generation Z and Generation Alpha.
3. Detailing the factors that have an impact on investment decisions.
4. Narrowing the definition of emotional investments by indicating emotional connections and lack of profit motif.

5. Showing that Generation Z and Generation Alpha demonstrate large interest and assign high-priority status to spending related to their own needs (while the entire group had no interest in such a goal).
6. Finding out that younger generations are not interested in assigning their financial resources to helping others (e.g. family or charity).
7. Regarding spending, pointing out that the youngest generations prefer options related to personal fulfilment. This element could be vital from the perspective of investment market, and especially emotional investment market and creating an offer for young people (who are going to be the core participants of financial markets in the near future).
8. Drawing attention to other categories indicated by respondents that are also related to investments in self-development: improvement of physical health, sessions with a coach or a mentor (support for mental health), developing passions or undergoing plastic surgeries.
9. Demonstrating that there is a statistical significance in relation to the categories of emotional investments, gender, education level and the source of main income. Such information can also shape the direction of development in the market of international investments.

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