

Financial Risk Appetite among Generation Z Individuals from Family Business Backgrounds: A Conceptual Review

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Abstract: *Generation Z has attracted considerable attention in the financial domain because of its familiarity with digital platforms and its growing participation in investment activities. Individuals from family business backgrounds often develop financial attitudes and decision-making patterns through early exposure to business values, intergenerational practices, and conservative approaches to wealth management. At the same time, Generation Z is widely recognized for its technological adaptability, openness to new financial products, and willingness to experiment with emerging investment tools. This conceptual review examines the factors that shape the financial risk appetite of Generation Z individuals from family business backgrounds. Drawing on decision-making theory, family business studies, financial literacy, investment behaviour, social influence, and demographic considerations, the paper proposes a framework that explains how these elements interact to influence risk-taking tendencies. The review highlights the importance of intergenerational business values, digital investment awareness, and financial education in shaping investment behaviour. The study contributes to a deeper understanding of how family business exposure may influence the financial behaviour of Generation Z and how these individuals engage with contemporary investment opportunities. It also identifies important implications for financial educators, policymakers, family business owners, and financial service providers. Finally, the review outlines future research directions for scholars interested in financial behaviour, digital investing, and family business succession.*

Keywords: financial risk appetite, Generation Z, family business, financial literacy, digital investing, behavioural finance, investment behaviour

1. Introduction

Financial decision-making has become increasingly complex in today's dynamic economic environment. Individuals are required to evaluate multiple financial products, assess potential risks and returns, and make decisions under uncertainty. In such a context, risk appetite has become an important concept for researchers, practitioners, and policymakers in the field of finance.

Financial risk appetite refers to the degree to which an individual is willing to accept uncertainty in pursuit of possible financial gain. It influences investment decisions, portfolio allocation, retirement planning, and long-term wealth creation. A range of factors, including financial literacy, income, education, peer influence, decision-making style, and prior financial experience, shape this willingness to take risk.

Generation Z, generally understood as those born between the mid-1990s and early 2010s, has grown up in a digital environment shaped by the internet, social media, and financial technology. As a result, this generation has greater access to financial information and digital investment platforms than earlier cohorts. These conditions have changed the way young people perceive money, investment opportunities, and financial independence.

Family businesses continue to play a major role in economic development, particularly in countries such as India. They contribute to employment generation, entrepreneurship, and wealth creation. Young people raised in family business settings often observe business practices, financial discipline, and strategic decision-making from an early age. These

experiences may influence their attitudes toward financial risk and investment behaviour.

The intersection of family business values and digital investment behaviour creates an important area of inquiry. Family businesses often emphasize stability, continuity, and wealth preservation, whereas digital platforms encourage participation in stocks, mutual funds, exchange-traded funds, cryptocurrencies, and other financial products. Generation Z individuals from family business backgrounds are therefore exposed to both conservative financial norms and innovative investment opportunities.

Although prior studies have examined financial literacy, investment behaviour, family business dynamics, and Generation Z separately, limited attention has been given to their combined influence. This review seeks to address that gap by examining how family business exposure shapes the financial risk appetite of Generation Z individuals.

2. Research Gap

A substantial body of literature exists on financial literacy, investment decision-making, and family business behaviour. Researchers have also explored how financial knowledge affects investment choices and how behavioural factors influence economic outcomes. In addition, family business studies have examined succession planning, intergenerational wealth transfer, and business continuity.

Similarly, research on Generation Z has focused on digital investing, financial awareness, and the role of social media in shaping investment behaviour. However, several important gaps remain. First, Generation Z investors who come from

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family business backgrounds have generally been studied as separate categories rather than as an integrated group. Second, the influence of family business exposure on the financial risk appetite of young investors is not yet fully understood. Third, the interaction between financial literacy, digital investment awareness, social influence, and family business culture has received limited attention in the context of risk-taking behaviour. This review aims to address these gaps by developing a conceptual framework that explains how these factors interact to shape the financial risk appetite of Generation Z individuals from family business backgrounds.

3. Research Objectives

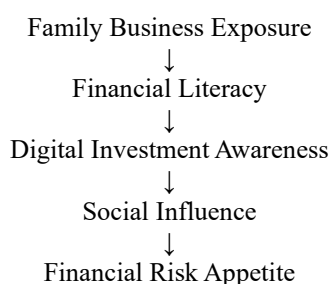
- 1) To examine the concept of financial risk appetite and its role in investment decision-making.
- 2) To explore how family business exposure influences the financial attitudes and risk preferences of individuals raised in business families.
- 3) To assess the role of financial literacy in shaping the investment behaviour of Generation Z.
- 4) To investigate whether digital investment awareness affects an individual's willingness to take financial risks.
- 5) To develop a conceptual framework explaining the factors that influence the financial risk appetite of Generation Z individuals from family business backgrounds.

4. Conceptual Framework

The proposed framework suggests that family business exposure plays a central role in shaping the financial risk appetite of Generation Z individuals from business-owning families. Early exposure to business operations, financial discussions, and intergenerational values can strengthen financial literacy and influence attitudes toward risk.

Financial literacy enhances an individual's ability to evaluate financial products, understand market conditions, and make informed investment decisions. Digital investment awareness further expands access to online financial services and platforms, enabling young investors to engage with a wider range of instruments. Social influence, including family, peers, and media, also affects investment behaviour by shaping perceptions, confidence, and expectations.

Together, these factors contribute to the formation of financial risk appetite. The framework therefore proposes that family business exposure, financial literacy, digital investment awareness, and social influence interact to shape how Generation Z individuals from family business backgrounds approach financial risk.



5. Methodology

This study is based on a conceptual review of existing literature on financial risk appetite, family business influence, financial literacy, and investment behaviour among young investors. Relevant journal articles, books, conference papers, government reports, and industry publications were examined to identify key concepts and relationships.

A thematic review approach was used to synthesize findings from finance, management, behavioural economics, and family business research. The purpose of this approach was to develop a conceptual framework that captures the major factors influencing financial risk appetite. No primary data were collected for this study.

The review provides a foundation for future empirical research and offers direction for further studies on family business exposure and financial risk-taking behaviour.

6. Literature Review

6.1 Financial Risk Appetite

Financial risk appetite refers to the level of risk an individual is willing to accept in financial decision-making. It plays a crucial role in investment and wealth management. A person's risk appetite is shaped by personality traits, financial knowledge, socio-economic conditions, and surrounding influences.

Investment decisions are not always fully rational. Emotions, perceptions, and social context can all influence how individuals assess risk and return. Behavioural finance suggests that overconfidence, fear of loss, and herd behaviour often affect investment choices. These tendencies are especially relevant in digital environments where financial information is widely shared through online platforms and social media.

6.2 Family Business and Financial Behaviour

Family businesses hold a significant position in economies across the world. In India, they contribute to employment, entrepreneurship, and economic growth. Young people raised in family business environments often observe financial discipline, business management, and strategic planning from an early age.

Such environments typically encourage long-term thinking, caution, and careful management of resources. Because family business income may be affected by market cycles and business uncertainty, risk aversion is often emphasized. These values are transmitted across generations and may influence the financial behaviour of younger family members.

At the same time, many young individuals from family business backgrounds demonstrate entrepreneurial thinking. However, their investment behaviour may still reflect a preference for stability, prudence, and wealth preservation.

6.3 Generation Z as Emerging Investors

Generation Z is the first generation to grow up entirely within a digital environment. With access to smartphones, financial apps, and online information, this generation can participate in financial markets more easily than earlier generations. Digital platforms have lowered entry barriers and enabled young investors to begin investing with relatively small amounts of capital.

Generation Z is generally comfortable using fintech applications, robo-advisors, digital wallets, and online trading platforms. This technological familiarity has increased participation in financial markets. However, access to large volumes of information can also create confusion, impulsive trading, and exposure to misinformation.

6.4 Financial Literacy and Risk Appetite

Financial literacy refers to the knowledge and skills required to make informed financial decisions. It includes understanding saving, budgeting, investing, borrowing, and risk management. Financial literacy is closely linked to investment confidence and participation in financial markets.

Research suggests that individuals with higher financial literacy are more likely to evaluate investment options carefully and manage risk effectively. This is especially relevant for individuals from family business backgrounds, who may need to manage both personal and business-related financial decisions. Formal financial education can therefore strengthen informed risk-taking and responsible investment behaviour.

6.5 Digital Investment Awareness

Digital investment awareness refers to familiarity with online financial tools, digital platforms, and fintech-based investment services. This awareness improves access to information, reduces transaction costs, and makes investing more convenient.

For Generation Z, digital platforms are central to financial research, portfolio monitoring, and trade execution. Greater digital awareness may increase financial risk appetite by improving confidence and expanding access to diverse investment options. However, excessive reliance on technology can also encourage speculative behaviour and short-term decision-making. Therefore, digital awareness should be supported by financial education.

6.6 Social Influence and Behavioural Factors

Investment behaviour is strongly shaped by social surroundings. Family members, peers, and social media often influence financial attitudes and decision-making patterns. Social learning theory suggests that individuals learn by observing others and imitating behaviour they perceive as successful or desirable.

In family business settings, younger generations frequently learn from elders and adopt similar approaches to risk, investment, and financial discipline. Behavioural finance also shows that people are influenced by overconfidence, loss

aversion, and herd behaviour. Social media has amplified these effects by exposing individuals to constant financial content and peer comparisons.

For Generation Z, social influence is especially powerful because of their high level of digital engagement. Their investment decisions are often shaped by online communities, influencers, and the financial experiences shared by others.

6.7 Behavioural Finance Perspective

Behavioural finance provides a useful lens for understanding financial risk appetite. Traditional financial theory assumes that individuals act rationally, but behavioural research shows that emotions and cognitive biases often affect investment decisions.

Generation Z investors may rely heavily on digital media, peer opinions, and online content when making financial choices. This increases their exposure to biases such as overconfidence, imitation, and fear of missing out. In contrast, family business environments may encourage discipline, patience, and long-term planning, which can moderate impulsive behaviour.

6.8 Financial Technology and Emerging Investment Behaviour

Financial technology has transformed the way people invest and manage money. Digital platforms have made financial services more accessible, efficient, and user-friendly. Generation Z has rapidly adopted fintech tools such as mobile banking, trading apps, and robo-advisors.

These tools provide convenience, real-time information, and broader market access. At the same time, they can encourage riskier behaviour if used without adequate understanding. Financial literacy is therefore essential to ensure that technological access leads to responsible investing rather than speculative decision-making.

7. Managerial Implications

Family businesses should provide structured financial education to younger family members who are likely to become future successors. Financial institutions should design products and advisory services that meet the needs of Generation Z individuals from business families. Educational institutions should strengthen financial literacy programs that include investment decision-making, digital finance, and behavioural finance.

Policymakers can also support financial inclusion and responsible investment by promoting awareness campaigns and education initiatives. Such efforts can help build a more informed generation of investors while supporting long-term family business sustainability.

8. Future Research Directions

Future studies should empirically test the conceptual framework proposed in this review. Researchers may examine how financial literacy, family business exposure, digital

awareness, and social influence interact to shape financial risk appetite among Generation Z.

Comparative studies between family business and non-family business groups may provide deeper insight into differences in investment behaviour. Longitudinal research may also be useful in understanding how attitudes toward risk change as young individuals move into leadership roles within family businesses. Further research is also needed on gender differences, entrepreneurial orientation, and the influence of emerging financial technologies on risk-taking behaviour.

9. Theoretical Implications

This study contributes to the understanding of financial risk appetite by integrating ideas from behavioural finance, family business research, financial literacy, and digital investment behaviour. The proposed framework highlights the combined influence of traditional family values and modern technological factors on investment decision-making.

By bringing these perspectives together, the review offers a more holistic explanation of how young investors from family business backgrounds develop financial attitudes and risk preferences. The framework may also support future theory-building in the areas of behavioural finance and family business studies.

10. Conclusion

Financial risk appetite is increasingly important in a period when young people are becoming more active participants in financial markets. Understanding the factors that shape their investment behaviour is essential for educators, policymakers, financial institutions, and family business owners.

This review suggests that family business exposure, financial literacy, digital investment awareness, social influence, and behavioural factors all contribute to the financial risk appetite of Generation Z individuals from family business backgrounds. Family businesses foster entrepreneurial thinking and long-term financial discipline, while digital tools expand access to information and investment opportunities. At the same time, responsible financial education remains essential for sustainable wealth creation.

The proposed conceptual framework explains how these influences interact to shape financial decision-making among young investors. Future empirical studies can test these relationships and provide additional insight into the financial behaviour of Generation Z in family business contexts.

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