

How Instagram Reels Shape Financial Decisions & Spending Patterns of Gen Z?

Manvi Singh , Dr. Richa Raghuvanshi

(Student, Amity Business School)

(Assistant Professor, Amity Business School)

Amity University, Lucknow, Uttar Pradesh

manvi63singh@gmail.com , rraghuvanshi@lko.amity.edu

Abstract

This study examines how Instagram Reels influence the financial decisions and spending patterns of Generation Z, particularly in relation to impulsive buying, aspirational consumption, and fear of missing out. As short-form, algorithm-driven video content increasingly dominates digital interaction, the research investigates how such media reshapes consumer psychology among individuals born between 1997 and 2012. Drawing on theories of digital consumer persuasion, planned behavior, and social comparison, the study conceptualizes Instagram Reels as an active behavioral stimulus rather than a passive advertising tool. A descriptive research design was adopted, combining primary data collected through a structured questionnaire administered to 50 respondents with secondary data from academic literature and industry reports on consumer behavior and digital economics. The findings indicate that frequent exposure to Reels accelerates purchase decisions, strengthens emotional spending tendencies, and normalizes discretionary consumption through algorithmic personalization and influencer-led social proof. A significant proportion of respondents reported purchasing products after viewing Reels and engaging in impulse buying behaviors. While limitations include a geographically restricted sample and reliance on self-reported data, the study highlights the broader implications of algorithmic culture on youth financial behavior and emphasizes the need for adaptive financial literacy frameworks in digitally mediated environments.

Keywords: Instagram Reels; Gen Z; Impulse Buying; Social Media Influence; Financial Behaviour; Algorithmic Content; Influencer Marketing; FOMO

1. Introduction

A TV commercial, newspaper ad, or banner hoarding are unlikely to be mentioned by someone born between 1997 and 2012 when asked how they found their most recent skincare product, tech device, or dining establishment. "I saw it on Reels" is a more likely response. This seemingly insignificant phrase conceals a significant behavioral shift: 15–30 second videos designed for speed, persuasion, and algorithmic relevance now govern Gen Z's financial decisions.

A new economic interface is Instagram Reels. They condense peer pressure, marketing, and entertainment into a format that spreads more quickly than reason. The platform's algorithm increases exposure to aspirational consumption triggers by pushing customized material based on watching history, digital footprints, and micro-preferences (Meta, 2023). Dopamine cycles and quick reward models amplify Gen Z's tendency to buy first and justify later, in contrast to previous generations who relied on conscious deliberation (LaRose, 2022).

Because Gen Z is in the transitional stage between financial dependence, aspirational freedom, and identity building, their financial conduct is very fascinating. Even though a 21-year-old college student may not have a reliable source of income, they are constantly exposed to lifestyle cues that dictate what they should eat, dress, possess, and engage in. Wants are transformed into perceived needs through social comparison, trend acceptance, and the "aesthetic life" culture.

When it comes down to it, there are four main ways that Reels affect financial decisions:

- Social Proof: "It must be good if others are buying it."
- Aspirational Values: "I belong to the lifestyle if I own this."

- Micro-convenience: Make purchases using "Shop Now" CTAs and one-click buttons.
- Time compression is the process of making decisions more quickly than contemplation permits.

Reels undoubtedly have an impact on Gen Z spending; the question is not whether they do so, but rather how, to what degree, and with what effects.

1.A. Reels, Identity, and Consumption

Gen Z rarely engages in transactional consumption. It has symbolic meaning. Identity is communicated through clothing, self-love and discipline through skincare, productivity through electronics, aesthetic taste through cafés, and autonomy through travel. By disseminating microtrends at scale, such as "clean girl makeup," "tech minimalism," "Amazon must-haves," "college outfits under 999," etc., reels speed up identity-linked consumption.

Within weeks, these microtrends fade away and are replaced by new ones. In other words, money circulates more quickly as a result of this acceleration of financial turnover. Gen Z purchases during trends to prevent social expiry, in contrast to millennials who waited for seasonal bargains (Schroeder, 2023).

1.B. Reels as the New Marketplace

Instagram is now a hybrid commercial platform rather than a social network. According to Meta, product-tagged content conversion has increased dramatically and over 1 billion Reels are shared every day (Meta, 2023). The psychological gap between viewing and purchasing is reduced via stores, brand partnerships, influencer discount codes, and affiliate links.

The path to purchase for Generation Z has shifted from:

awareness → investigation → assessment → acquisition

to a shortened trip:

exposure → approval → purchase

Financial rationality is significantly impacted by the elimination of the research stage.

Objectives

The purpose of this study is to:

- Examine how Gen Z's financial decision-making is influenced by Reels.
- Determine the psychological causes of the reel-induced spending habit.
- Analyse how algorithmic targeting and influencers affect impulsive buying.
- Recognize how Reels impact Gen Z's financial planning, savings, and budgeting.
- Consider the advantages and disadvantages of reels-driven consumption.

2. Literature Review

2.1 Social Media and Consumer Behaviour

Social media has changed the way young consumers discover and evaluate products. Earlier, advertising mainly worked through television, print, and word of mouth. Now platforms like Instagram play a central role in shaping preferences and purchase decisions. Kaplan and Haenlein (2010) explain that social media allows brands to interact directly with consumers, which increases engagement and influence. For Gen Z especially, social media is not just entertainment but also a marketplace.

According to Kemp (2023), young users spend several hours daily on social platforms, which increases exposure to branded content. This repeated exposure strengthens familiarity and liking, a concept explained by the mere exposure effect (Zajonc, 1968). When users repeatedly see products in short-form videos, they gradually become more open to purchasing them, even if they did not initially intend to buy anything.

2.2 Influencer Marketing and Parasocial Interaction

One major factor behind social commerce is influencer marketing. Influencers are often seen as relatable and trustworthy, especially by younger audiences. Horton and Wohl (1956) introduced the idea of parasocial interaction, where audiences feel a one-sided emotional connection with media personalities. On Instagram Reels, this connection feels even stronger because the content is short, personal, and informal.

Research by De Veirman et al. (2017) shows that influencer credibility directly affects purchase intention. Similarly, Djafarova and Rushworth (2017) found that young female consumers are more likely to trust influencers than traditional advertisements. This trust reduces skepticism and increases the chances of impulsive purchases. When influencers present products as part of their lifestyle, it becomes less about advertising and more about imitation.

2.3 Impulse Buying and FOMO

Impulse buying refers to unplanned purchases made due to sudden emotional triggers. Verplanken and Herabadi (2001) describe it as behavior driven more by feelings than rational thinking. Instagram Reels, because of their fast and visually stimulating format, create the right environment for impulsive decisions.

Fear of Missing Out, commonly known as FOMO, also plays a big role. Przybylski et al. (2013) explain FOMO as anxiety that others are having rewarding experiences without you. On Instagram, users constantly see peers enjoying new products, trends, and experiences. This creates pressure to keep up. Dholakia (2000) suggests that emotional arousal reduces self-control, which increases impulsive consumption.

Short-form content adds time pressure. Limited-time deals, discount codes, and trending products push users to act quickly without detailed evaluation.

2.4 Social Comparison and Aspirational Consumption

Festinger's (1954) social comparison theory explains that individuals evaluate themselves by comparing with others. Instagram Reels amplify this effect because users are exposed to curated lifestyles. Schroeder (2023) explains that Gen Z consumption is strongly linked to identity expression. Owning certain products becomes a way to signal belonging.

Francis and Hoefel (2018) argue that Gen Z values individuality but still seeks social validation. Reels showing aesthetic routines, fashion trends, or "must-have" items normalize discretionary spending. Over time, wants begin to feel like needs.

2.5 Financial Literacy and Behavioural Control

While Gen Z is digitally skilled, financial literacy levels are often inconsistent. Lusardi and Mitchell (2014) highlight that limited financial knowledge can weaken budgeting discipline. Xiao and O'Neill (2016) argue that awareness alone does not prevent impulsive spending unless supported by strong self-control habits.

Kahneman (2011) explains decision-making through two systems: fast and slow thinking. Instagram Reels trigger fast thinking, which is emotional and automatic. This reduces deliberate evaluation of cost and long-term impact. Therefore, repeated exposure to algorithm-driven content may influence financial behavior more than users realize.

Research Gap

Previous research has explored influencer marketing, impulse buying, and social media engagement separately. Studies have also examined financial literacy among young consumers. However, limited research connects short-form algorithmic content like Instagram Reels directly with financial decision-making patterns of Gen Z. Most studies focus on branding or marketing outcomes rather than personal finance behaviour. Therefore, this study aims to bridge that gap by examining how exposure to Instagram Reels shapes spending patterns, impulsive purchases, and budgeting behaviour among Gen Z consumers.

3. Research Methodology

This study follows a descriptive research design to examine how Instagram Reels influence financial decisions and spending patterns of Gen Z. The purpose of using a descriptive approach is to observe and interpret behavioural trends without manipulating any variables. The study focuses on identifying patterns between exposure to Reels and purchase behaviour.

Both primary and secondary data were used. Primary data was collected through a structured questionnaire distributed digitally. The sample consisted of 50 respondents, mainly within the Gen Z age group of 16 to 25 years, although a small number of older participants were also included for comparative understanding. A convenience sampling method was used due to accessibility and time limitations.

The questionnaire included closed-ended questions related to frequency of watching Reels, purchase decisions after viewing Reels, and impulsive buying behaviour. Most questions were measured using categorical responses such as Yes or No and frequency-based options such as daily, occasionally, or rarely. The responses were coded and tabulated in Microsoft Excel.

Secondary data was collected from academic journals, industry reports, and research papers related to consumer behaviour, digital marketing, behavioural economics, and financial literacy. These sources helped in interpreting the primary data using theoretical frameworks.

For data analysis, descriptive statistical techniques were applied. Frequency distribution tables and percentage analysis were used to understand patterns in responses. Bar charts and pie charts were created to visually represent trends. The findings were interpreted using established consumer psychology theories such as social proof theory, social comparison theory, and impulse buying models.

The study was conducted during the sixth semester and reflects behavioural patterns observed within a specific cross-sectional time frame. Since the research relies on self-reported responses and a limited sample size, the findings may not be fully generalizable but provide insight into emerging digital consumption trends among young consumers.

DATA ANALYSIS AND INTERPRETATION

Table 1: Age Group of Respondents

Age Group	Number of Respondents
16–20 years	18
21–25 years	17
26–30 years	9
31–40 years	6
Total	50

Table 2: Frequency of Watching Instagram Reels

Frequency	Number of Respondents
Daily	36
3–4 times a week	9
Occasionally	4
Rarely	1
Total	50

Table 3: Purchase After Watching Instagram Reels

Response	Number of Respondents
Yes	34
No	16
Total	50

Table 4: Impulse Buying Behaviour Due to Instagram Reels

Frequency	Number of Respondents
Very Often	9
Often	17
Sometimes	15
Rarely	9
Total	50

4. Findings & Discussion

With the help of secondary research from the fields of consumer behaviour, marketing psychology, and digital economics, this part examines the tabulated answers and graphical representations obtained from the questionnaire survey of fifty respondents.

- **Demographic Concentration and Platform Relevance**

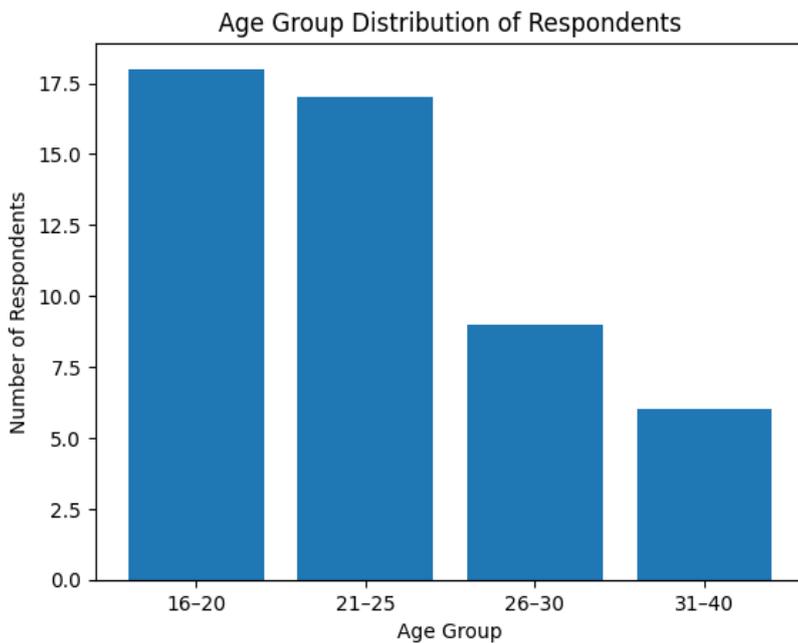


Figure 1: Distribution of Age Groups (Bar Chart)

Interpretation: *Since most respondents are between the ages of 16 and 25, Gen Z is the main audience for Instagram Reels and is therefore most susceptible to the influence of digital marketing.*

Table 1 and Figure 1 (Age Group Distribution) demonstrate that a significant percentage of respondents (70%) are in the 16–25 age range, which is generally associated with Generation Z. According to previous studies, Gen Z is the most active and involved generation on short-form video platforms like Instagram Reels, and its demographic dominance supports those findings (Pew Research Centre, 2023).

From a behavioural perspective, Gen Z is especially vulnerable to algorithm-driven consumption cues because of their high level of digital immersion, short attention span, and predilection for visually engaging content (Priporas et al., 2020). Although the results mostly represent the consumption dynamics of Generation Z, the presence of older respondents (26–40 years) allows for comparative analysis.

- Intensity of Instagram Reels Consumption**

Instagram Reels Watching Frequency

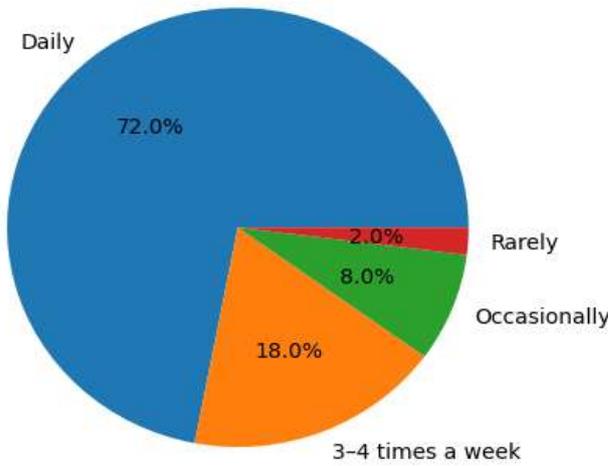


Figure 2: Pie chart showing the frequency of watching Instagram reels

Interpretation: A staggering 72% of respondents watch Reels on a daily basis, indicating frequent exposure to and engagement with promotional material.

According to Table 2 and Figure 2 (Frequency of Watching Instagram Reels), 72% of respondents watch Reels on a daily basis, whilst only 2% say they do so infrequently. Industry data indicates that short-form videos have higher engagement rates than static or long-form content, which is consistent with this (Meta Business Insights, 2024).

High-frequency exposure intensifies the mere exposure effect, which states that even in the absence of conscious judgment, frequent exposure to content promotes familiarity and preference (Zajonc, 1968). Such recurrent exposure reduces the cognitive cost of decision-making, which speeds up purchasing decisions from the standpoint of digital economics (Varian, 2019).

- Influence of Reels on Purchase Decisions**

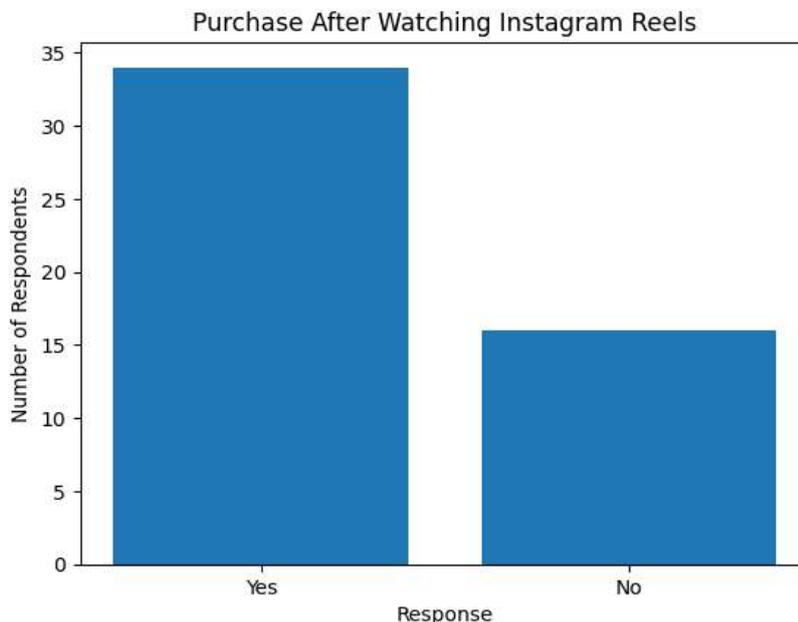


Figure 3: Purchase Following Instagram Reel Viewing (Bar Chart)

Interpretation: A noteworthy 68% of respondents acknowledged making purchases after viewing Instagram Reels, demonstrating the platform's direct influence on customer purchasing choices.

68% of respondents had bought a product after seeing it on Instagram Reels, according to the results shown in Table 3 and Figure 3 (Purchase After seeing Instagram Reels). This demonstrates how the platform has evolved from an entertainment platform to a commercial influencer.

According to scholarly research, influencer-led short films serve as parasocial interactions in which viewers feel familiar with and trust the content providers (Horton & Wohl, 1956; Tukachinsky, 2021). Compared to traditional advertising, this apparent genuineness greatly lowers skepticism regarding promotional intent, resulting in better conversion rates (De Veirman et al., 2017).

- **Impulse Buying and Psychological Triggers**

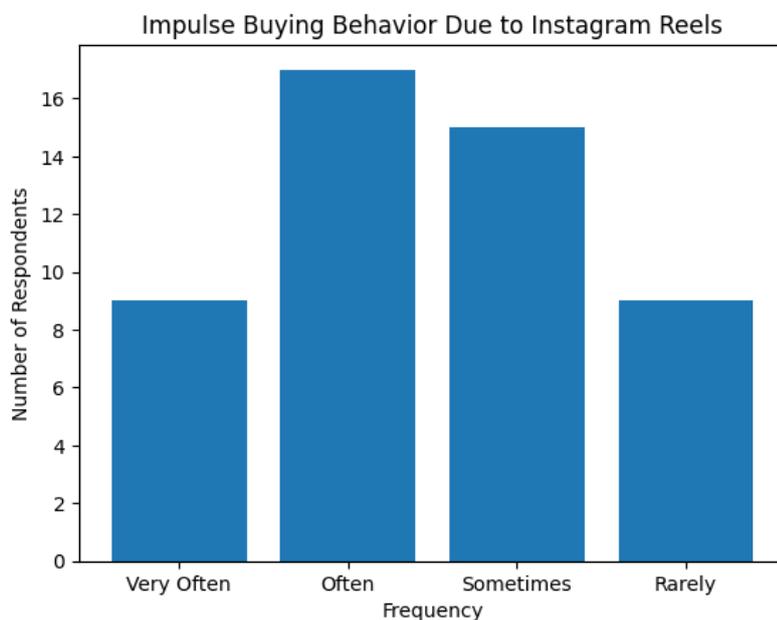


Figure 4: Bar Chart of Impulsive Purchase Behavior

Interpretation: The emotional and persuasive quality of short-form video marketing is highlighted by the fact that over half of the respondents (52%) regularly make impulsive purchases.

After watching Instagram Reels, 52% of respondents regularly make impulsive purchases ("very often" or "often"), as shown in Table 4 and Figure 4 (Impulse Buying Behaviour). This result is in line with behavioural economics research that connects emotional arousal, time scarcity indicators, and social proof to impulsive purchases (Thaler, 2018).

Short-form videos combine the following elements to increase impulsivity:

- a) Visual stimulation
- b) Time-limited deals
- c) Validation from peers through likes and comments

All of these elements work together to decrease deliberate thought and increase heuristic-based decision-making (Kahneman, 2011). Gen Z customers are therefore more susceptible to impulsive purchases since they already exhibit reduced brand loyalty and higher novelty-seeking inclinations (Francis & Hoefel, 2018).

- **Awareness vs Behavioural Control Gap**

Despite respondents' implicit awareness of their impulsive behaviour, persistently high levels of Reel-induced expenditure point to a disconnect between behavioural control and financial awareness. According to earlier research,

awareness by itself cannot stop impulsive buying unless it is supported by financial literacy and self-control techniques (Xiao & O'Neill, 2016).

This bolsters the claim that Instagram Reels have a profound impact on Gen Z's financial decision-making process, which is quick, emotionally charged, and socially validated rather than logically optimal.

Discussion

The results show that Instagram Reels are doing more than just entertaining Gen Z. A majority of respondents admitted that they purchased products after watching Reels, and many described these purchases as impulsive. This connects with the idea of fast and emotional decision-making explained by Kahneman (2011), where people rely more on instinct than careful thinking. The influence of social proof is also visible, since users often trust products that are trending or recommended by influencers, which supports Cialdini's (2009) theory.

Repeated exposure to the same types of products may also increase familiarity and preference, which relates to the mere exposure effect discussed by Zajonc (1968). At the same time, even though some respondents were aware that their spending was impulsive, they still continued the behaviour. This reflects what Xiao and O'Neill (2016) argue, that financial awareness alone does not always control spending habits. Overall, Reels appear to normalize quick and emotionally driven purchasing among young consumers.

Findings

The findings of this study show that Instagram Reels have a noticeable impact on the financial behaviour of respondents. Out of 50 participants, 36 reported watching Reels daily, which means a large portion is regularly exposed to short-form promotional content. This high level of exposure increases the chances of influence. Further, 34 respondents admitted that they had purchased a product after watching it on Instagram Reels. This clearly indicates that Reels are not just passive content but actively shape buying decisions.

When asked about impulsive buying behaviour, more than half of the respondents selected "very often" or "often," which suggests that purchases are frequently driven by emotions rather than planned needs. This pattern supports the idea of fast and instinct-based decision-making discussed by Kahneman (2011).

The results also reflect the role of social proof, as many purchases were influenced by trending products and influencer recommendations, which aligns with Cialdini's (2009) theory. Even though some respondents were aware of their impulsive habits, they continued the behaviour, supporting the view that financial awareness alone does not always control spending (Xiao & O'Neill, 2016). Overall, the data suggests that Instagram Reels encourage quick, emotionally driven purchasing among young consumers.

Limitations

This study has a few limitations that should be considered. First, the sample size was only 50 respondents, which is quite small. Because of this, the results cannot represent the entire Gen Z population. Most participants were also from a limited social circle, since convenience sampling was used, so the diversity of opinions may be restricted.

Second, the study relied completely on self-reported data. Respondents may not always remember their spending behaviour accurately, or they might underreport impulsive purchases. There is also a chance of response bias, where people answer in a socially acceptable way instead of being fully honest.

Another limitation is that the research was cross-sectional. It only captures behaviour at one point in time and does not show long-term financial impact. The study also used descriptive analysis, so it cannot prove direct cause and effect between Reels exposure and spending behaviour.

5. Conclusion

Instagram Reels has developed into a behavioural marketplace that shapes the financial identities of Generation Z. The platform promotes quick consuming, impulsive spending, and poor saving habits even as it improves product discovery, cultural engagement, and artistic expression. Reels condense attention, emotion, and commerce into a persuasive format that is optimized for quick conversion, so the influence is not accidental.

The long-term issue is not that Gen Z spends money, but rather that they do so reactively rather than deliberately, motivated more by dopamine incentives and social comparison than by sound financial judgment. However, if used properly, the platform can also be used for economic empowerment and financial education. As long as Gen Z uses internet culture to negotiate identity, reels will continue to have an impact on consumption. Policymakers, educators, producers, and brands all need to adjust.

Future Scope and Recommendations

This study opens space for further research on how short-form content affects financial behaviour in the long run. Future studies can use a larger sample size and include participants from different cities or backgrounds to get more accurate and wider results. It would also be useful to focus only on the Gen Z age group to keep the research more consistent.

Researchers can use statistical tools like correlation or regression to check stronger relationships between Reels exposure and impulsive spending. Longitudinal studies can also be conducted to see whether this behaviour continues over time or changes as users grow older.

From a practical point of view, financial literacy programs should address digital spending triggers, not just traditional budgeting. Colleges and educators can include awareness sessions about impulsive buying and algorithm influence. If used responsibly, social media can also promote smart spending habits instead of only encouraging consumption.

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