

GenZ Investor Psychology in Mutual Funds investment

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Abstract-

This research explores the psychological factors shaping Generation Z's attitudes toward mutual fund investments. It focuses on elements such as risk tolerance, financial literacy, emotional drivers, peer influence, and the role of digital platforms in investment behavior. Data were gathered through a structured questionnaire targeting Gen Z individuals who actively invest in mutual funds. The results reveal that easy access through mobile apps, long-term financial planning goals, and the perception of mutual funds as safer compared to direct equity investments are major motivators. Social networks and online financial content also significantly impact investment decisions, sometimes leading to impulsive actions. While Gen Z investors are becoming more confident financially, gaps in practical investment knowledge remain. The study underscores the need for stronger financial education and transparent communication from mutual fund providers to promote informed and disciplined investing among young investors. Overall, the findings provide valuable insights into Gen Z investor psychology and offer actionable guidance for mutual fund companies seeking to engage this generation effectively.

Keywords-

Generation Z, Mutual Funds, Investment Psychology, Financial Literacy, Risk Perception, Social Media Influence, SIPs

Introduction

The rapid expansion of financial markets, coupled with the rise of digital trading platforms, has reshaped investment behavior across generations. Within this landscape, Generation Z (Gen Z)—typically defined as those born between the mid-1990s and early 2010s—has emerged as a distinct and increasingly influential group of equity market participants. Unlike earlier generations, Gen Z has grown up in a hyper-connected environment, with immediate access to financial data, online brokerages, and investment discussions shaped by social media. This environment has profoundly influenced their investment psychology and approach to share market participation.

Gen Z investors often display unique traits: a willingness to experiment with risk at a young age, a preference for short-term gains, and a strong reliance on peer networks and digital communities. Social media platforms, financial influencers, and online forums frequently shape their decisions, sometimes encouraging herd-like or emotionally driven investment behavior (Warkar & Durai, 2025). At the same time, this generation demonstrates a genuine interest in financial independence, wealth creation, and learning investment concepts earlier in life compared to older cohorts (Girimurugan et al., 2024).

Yet, despite their digital fluency and awareness, actual participation in equity investing remains constrained. Structural, behavioral, and economic barriers continue to limit engagement. Many face restricted disposable income, financial insecurity in uncertain job markets, and a cautious outlook that translates into risk aversion (YouGov, 2023). Furthermore, structural challenges like high brokerage fees and complicated compliance processes frequently deter consistent participation and lead to inactive trading accounts among young investors (Preethi, 2025)

This contradiction between their high level of awareness and limited active participation

Highlights the need to explore the factors influencing Gen Z's investment behavior.

A clearer understanding of these challenges is crucial for developing strategies that promote sustained involvement in capital markets and help shift young investors from passive onlookers to confident participants.

Objectives of the study-

1. To evaluate how well Generation Z understands mutual fund investments.
2. To identify the primary factors that shape Generation Z's decision-making when choosing to invest in mutual funds

Research Methodology -

- Research Problem

The research problem is to understand the Gen-z investors on exploring their investment decisions on the influence of social media and financial literacy.

- Data Collection

Primary Data: Structured Questionnaire (Snowball sampling)

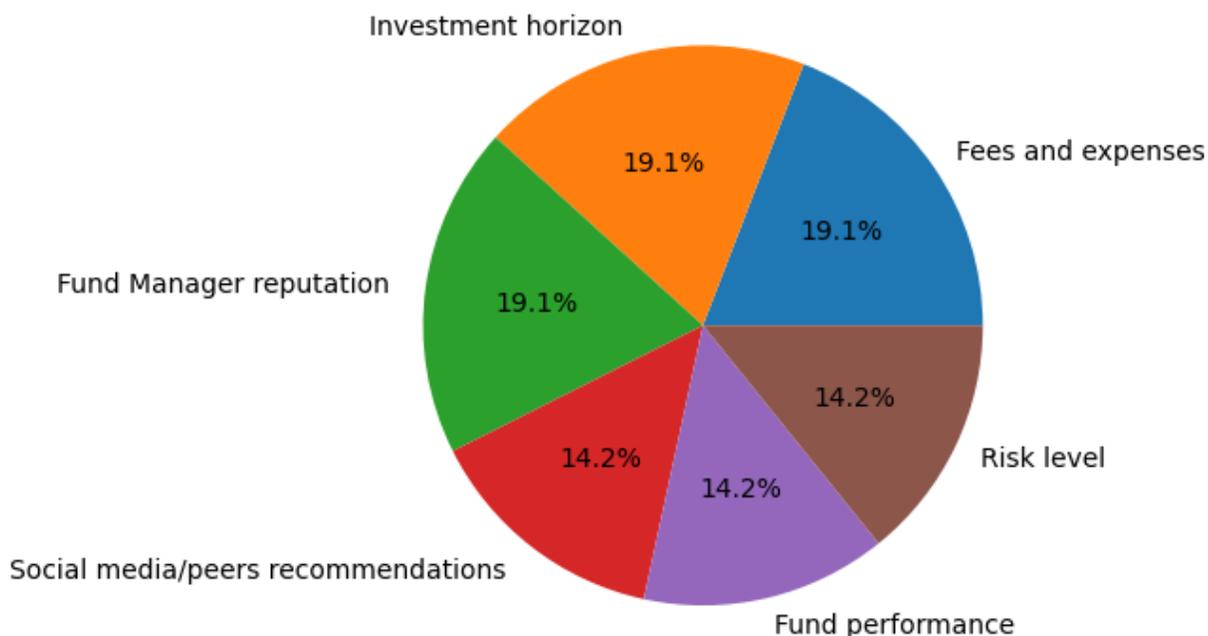
Secondary Data: Analysis of industry reports, academic papers, and publications by regulatory bodies like SEBI

Findings

1. The assessment of 30 Gen-Z respondents, most of whom were students between 17 and 24 years of age, reflects a growing interest in mutual fund investments even at relatively low income levels.
2. A large proportion of participants preferred investing modest monthly amounts ranging from ₹500 to ₹1,000 through SIPs, with long-term wealth creation identified as their primary objective. This suggests that Gen-Z investors are developing a forward-looking financial mindset and show a preference for structured and comparatively low-risk investment avenues.
3. Fees and expenses (19.1%) emerge as one of the most influential factors. This shows that investors particularly GenZ are highly cost-conscious and prefer mutual funds schemes with low expense ratios.
4. Fund manager reputation (19.1%) plays a crucial role as investors perceive experienced and reputed as better equipped to manage market fluctuations and give consistent returns.

5. The findings further indicate that Gen-Z investors about (14.2%) rely on digital platforms such as social media, financial websites, and online forums for investment-related information and also take recommendations from friends and peers.
6. Factors like fund performance about (14.2%), and risk level also (14.2%) play a major role in shaping their investment decisions. Although most respondents displayed a reasonable level of financial awareness and understanding of risk diversification, challenges such as limited knowledge, difficulty in selecting suitable funds, and concerns about hidden charges remain.
7. Overall, mutual funds are perceived by young investors as a safer and more suitable option than direct investment in shares.

Factors Influencing Mutual Fund Investment



Source-Primary Data

Implication

- **For Mutual Fund Companies:**

The findings suggest that fund houses should design products and communication strategies tailored to Generation Z. Since younger investors favour smaller SIP contributions and prioritize long-term wealth creation, beginner-friendly schemes with low entry barriers and clear, simplified information would be effective.

- **For Financial Education Programs:**

The study highlights a gap between general awareness and practical investment knowledge among Gen Z. This underscores the importance of structured financial literacy initiatives in schools and colleges, focusing on fund selection, risk assessment, and cost-related aspects.

- **For Digital Platforms and Fintech Applications:**

Given Gen Z's reliance on digital tools and social media for investment insights, fintech platforms should prioritize transparency, intuitive navigation, and educational content. Providing unbiased guidance and cautioning against impulsive, trend-driven decisions can foster more responsible investing.

For Policymakers and Regulators:

The results indicate that regulatory bodies such as SEBI should strengthen investor awareness programs targeting young investors. Enhanced disclosure requirements and stricter monitoring of misleading financial content on social media can safeguard Gen Z from uninformed investment choices.

Limitations of the study-

The study carries certain limitations that may affect how its results are interpreted. It primarily examines urban Generation Z individuals aged 17 to 28, which restricts the inclusion of perspectives from rural populations. Reliance on self-reported survey data may also introduce response bias, as participants could provide socially desirable rather than fully accurate answers. Furthermore, the relatively small sample size and limited engagement reduce the generalizability of the findings. Time constraints confined the analysis to current investment behavior, leaving long-term patterns unexplored. These limitations highlight opportunities for future research to broaden the scope and refine the insights obtained.

Our study has several limitations that shape our findings. It primarily focused on urban Gen-Z individuals aged 17-28, potentially overlooking diverse rural perspectives. Reliance on self-reported survey data may introduce biases, as participants might've responded with perceived 'correct' answers rather than genuine views. The limited number of focus group participants and overall low engagement could affect the applicability of our results. Additionally, time constraints restricted our exploration of long-term investment behaviors, focusing instead on current trends. These factors highlight opportunities for future research to build upon our insights.

Conclusion

This study was undertaken to examine the investment behavior of Generation Z with specific reference to mutual fund investments. The findings reveal that young investors are gradually developing an interest in systematic and planned investment options, even during the early stages of their academic or professional lives. Mutual funds are widely preferred as they allow investments with relatively small amounts, involve lower risk compared to direct equity investments, and align well with long-term financial objectives.

The study also highlights the significant influence of digital platforms and social media on the investment decisions of Gen Z. While these sources contribute to increased awareness, they may also encourage investment decisions without a complete understanding of the associated risks. Although most respondents were familiar with basic investment concepts, many faced challenges in selecting appropriate mutual fund schemes and understanding related costs and charges.

Overall, the research concludes that Generation Z holds a positive attitude toward mutual fund investments but requires better guidance and structured financial education. Strengthening awareness initiatives and ensuring clear, transparent information can help young investors make informed, responsible, and confident investment decisions in the future.

This research was conducted to study the investment behaviour of Generation Z with reference to mutual fund investments. The study shows that young investors are slowly developing an interest in systematic and planned investment options, even at an early stage of their careers or student life. Mutual funds are mainly preferred because they allow investment with small amounts, involve relatively lower risk, and support long-term financial goals.

The study also highlights the strong influence of digital platforms and social media on the investment decisions of Gen Z. While these sources help in spreading awareness, they may also lead to decisions being made without complete understanding. Although most respondents were aware of basic investment concepts, many faced difficulty in choosing suitable mutual fund schemes and understanding charges involved.

Overall, the study concludes that Generation Z has a positive attitude towards mutual fund investments but still requires proper guidance and financial education. Increasing awareness programs and providing clear and transparent information can help young investors make informed and responsible investment decisions in the future.

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