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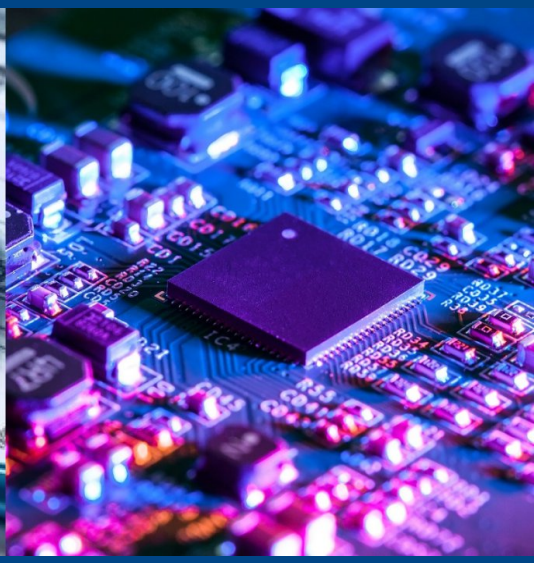

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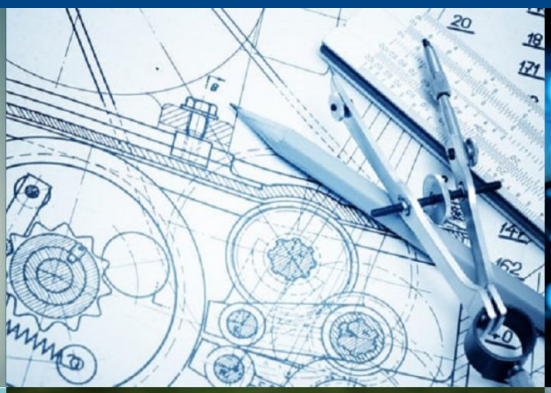

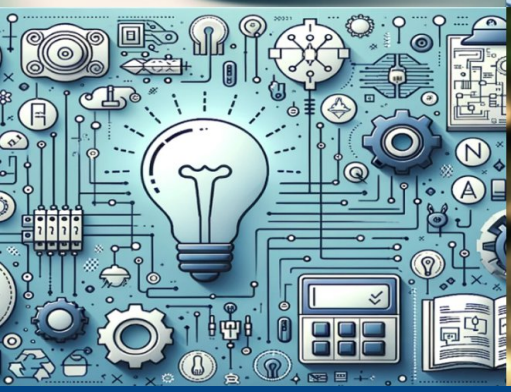

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Investment Patterns in Mutual Funds: Comparing Gen Z and Millennial Investors

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ABSTRACT: This study investigates the investment patterns of Generation Z and Millennials with specific reference to mutual fund investments. The research aims to analyze how factors such as risk tolerance, financial goals, digital platform usage, and ESG awareness influence investment behavior across these two generational cohorts. Primary data was collected through a structured questionnaire and analyzed using statistical techniques, including Chi-square tests, Mann–Whitney U tests, regression, and Random Forest modeling.

The findings reveal that Generation Z is more inclined toward technology-driven investment platforms, higher risk-taking, and short-term financial objectives, whereas Millennials demonstrate a preference for long-term wealth creation, financial stability, and retirement planning. The study also highlights that behavioral and technological factors have a greater influence on investment decisions than demographic variables.

KEYWORDS: Mutual Funds, Generation Z, Millennials, Investment Behavior, Risk Tolerance, Fintech Adoption, Digital Investment Platforms, ESG Investing, Financial Planning, Wealth Creation, Behavioral Finance, Investment Decision-Making.

I. INTRODUCTION

India's evolving financial landscape is increasingly influenced by two dominant demographic groups—Generation Z and Millennials—who together constitute a significant portion of the population and represent the future of investment markets. With the rapid growth of the mutual fund industry and rising financial awareness, these generations are actively participating in market-linked investment avenues. Mutual funds have emerged as a preferred option due to their advantages, including diversification, professional management, liquidity, and accessibility through systematic investment plans (SIPs).

However, investment behavior varies considerably across generations due to differences in financial goals, income levels, risk tolerance, and exposure to technology. Generation Z, often referred to as digital natives, tends to prefer technology-driven investment platforms and exhibits a higher inclination toward risk and short-term returns. In contrast, Millennials generally adopt a more balanced and long-term approach, focusing on wealth creation, financial stability, and retirement planning.

Additionally, the emergence of fintech platforms and growing awareness of ESG (Environmental, Social, and Governance) investing have further transformed investment decision-making. Understanding these generational differences is essential for developing targeted financial strategies and enhancing participation in mutual fund investments.

II. REVIEW OF LITERATURE

The study of investment behavior across generations has gained significant attention, particularly in the context of changing financial markets, technological advancements, and evolving investor preferences. Existing literature highlights that demographic, behavioral, and technological factors play a crucial role in shaping investment decisions.
Several studies have examined generational differences in investment behavior. Research by Gnana Deepan and Pushyashree (2024) indicates that Millennials tend to focus on long-term financial planning, whereas Generation Z shows a preference for high-risk and short-term investment opportunities. Similarly, Patil and Gokhale (2022) found

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that Millennials are more inclined toward mutual funds and structured investments, while Gen Z is more attracted to equities and emerging assets such as cryptocurrencies. These findings highlight clear variations in risk appetite and financial priorities between the two groups.

Kumar (2024) emphasized that demographic and socioeconomic factors significantly influence mutual fund investment decisions, with Millennials showing greater participation due to higher income levels and financial responsibilities. Thomas et al. (2024), using statistical techniques such as ANOVA, identified that Generation Z exhibits higher technological dependency and risk tolerance, while Millennials prioritize retirement planning and financial security.
In addition, studies such as those by Bhuvaneswari and Mugesh (2023) and Holden et al. (2023) highlight the growing role of digital platforms in influencing investment behavior, particularly among younger investors. The literature also points to the increasing importance of ESG (Environmental, Social, and Governance) factors, although empirical evidence comparing generational preferences remains limited.

Despite these contributions, a significant research gap exists in providing a focused comparative analysis of mutual fund investment behavior between Generation Z and Millennials, especially considering fintech adoption, ESG awareness, and long-term financial planning.

III. RESEARCH METHODOLOGY

This study adopts a quantitative research approach to analyze and compare the mutual fund
investment patterns of Generation Z and Millennials. A combination of descriptive and comparative research design is employed to provide both detailed insights and meaningful comparisons between the two generational groups. The descriptive approach helps in understanding investor behavior, while the comparative design enables the identification of differences and similarities in investment patterns.

The study is based on both primary and secondary data sources. Primary data was collected through a structured questionnaire distributed via online platforms, ensuring accessibility and standardized responses. The questionnaire included variables such as investment participation, risk tolerance, financial goals, digital platform usage, ESG awareness, and long-term financial planning. Secondary data was gathered from academic journals, research papers, and industry reports to support the theoretical framework and provide contextual insights.

A total of approximately 100 valid responses were collected, representing both Generation Z and Millennials. The data was cleaned, coded, and analyzed using statistical tools such as Microsoft Excel and SPSS. Descriptive statistics, including frequency distribution and percentages, were used to summarize demographic and investment-related data.
Inferential statistical techniques were applied to test the research hypotheses. The Chi-square test was used to examine relationships between categorical variables, while the Mann–Whitney U test was employed to compare differences in ordinal data. Additionally, regression analysis and Random Forest modeling were used to identify key factors influencing investment behavior. This comprehensive methodology ensures reliability, validity, and meaningful interpretation of results.

IV. DATA ANALYSIS AND INTERPRETATION

The data analysis in this study was conducted using both descriptive and inferential statistical techniques to evaluate mutual fund investment behavior among Generation Z and Millennials. Initially, the collected data was cleaned, coded, and organized to ensure accuracy and consistency. Descriptive statistics such as frequency distribution and percentages were used to summarize demographic characteristics, investment participation, income levels, and platform usage patterns.
The analysis revealed that Millennials constituted a larger proportion of respondents, reflecting their higher financial stability and active participation in investments. A significant number of respondents showed uncertainty regarding mutual fund investments, indicating potential gaps in financial awareness and confidence. In terms of investment objectives, tax saving and short-term gains emerged as key motivations, while hybrid funds were the most preferred investment option.
Inferential analysis was conducted using Chi-square and Mann–Whitney U tests to examine relationships and differences between the two generations. The results indicated that behavioral factors, particularly risk tolerance and decision-making criteria, significantly influence investment behavior. Regression and Random Forest analysis further

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highlighted that technological factors and investment preferences have a stronger impact than demographic variables, suggesting that investment behavior is driven more by individual attitudes and digital engagement than age alone.

Analysis

OLS Regression Results

Dep. Variable:	Digital_Influence	R-squared:	0.240
Model:	OLS	Adj. R-squared:	0.198
Method:	Least Squares	F-statistic:	5.734
Date:	Wed, 01 Apr 2026	Prob (F-statistic):	0.000121
Time:	12:59:20	Log-Likelihood:	-117.74
No. Observations:	97	AIC:	247.5
Df Residuals:	91	BIC:	262.9
Df Model:	5		
Covariance Type:	nonrobust		

	coef	std err	t	P>|t|	[0.025	0.975]
const	2.4946	0.475	5.247	0.000	1.550	3.439
Risk_Tolerance	0.3470	0.099	3.520	0.001	0.151	0.543
Age_Group_26-41 (Millennials)	0.0106	0.216	0.049	0.961	-0.418	0.440
Monthly_Income_Level_Below ₹20,000	-0.5711	0.314	-1.817	0.072	-1.195	0.053
Monthly_Income_Level_₹20,000 - ₹50,000	0.1144	0.275	0.416	0.679	-0.433	0.662
Monthly_Income_Level_₹50,000 - ₹1,00,000	-0.0503	0.262	-0.192	0.848	-0.571	0.470

Omnibus:	14.586	Durbin-Watson:	2.088
Prob(Omnibus):	0.001	Jarque-Bera (JB):	17.061
Skew:	-0.818	Prob(JB):	0.000197
Kurtosis:	4.242	Cond. No.	26.7

Notes:
[1] Standard Errors assume that the covariance matrix of the errors is correctly specified.

The regression analysis indicates that the model is statistically significant, but with an R^2 of 0.24, it explains only 24% of digital investment behavior, suggesting other factors like financial literacy and peer influence also play a role. Risk tolerance emerges as the only significant variable, positively influencing digital platform usage. In contrast, age group (Gen Z vs Millennials) and income level are not significant factors, indicating similar digital adoption patterns across generations, with only a slight decline observed among lower-income individuals.

Random Forest Model

```
    'Importance': importance
}).sort_values(by='Importance', ascending=False)

print(feature_importance)
```

	Feature	Importance
3	What percentage of your total investment is in...	0.125880
5	Rank the importance of the following factors w...	0.106137
10	Which fintech feature influences you the most?	0.105546
7	Which type of mutual fund do you prefer?	0.075922
4	What is your primary objective for investing i...	0.071739
9	Digital_Influence	0.061198
13	Do you consider mutual funds as part of your l...	0.058709
11	Compared to traditional methods, how convenien...	0.057153
8	Platform	0.054828
6	Risk_Tolerance	0.054088
14	Mutual funds are an effective tool for achievi...	0.053705
12	How important are ESG (Environmental, Social, ...	0.050702
2	Income_Level	0.044931
0	Age_Group	0.043842
1	Employment_Status	0.035619

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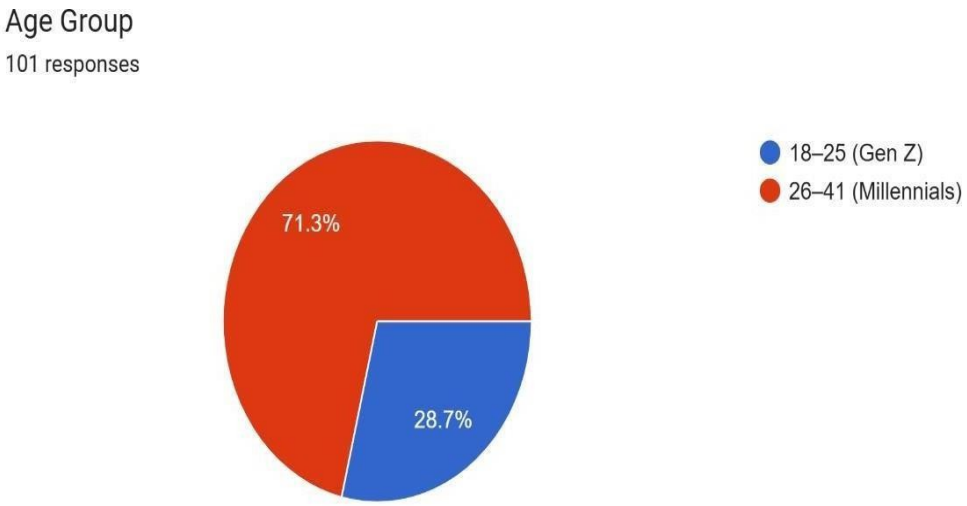
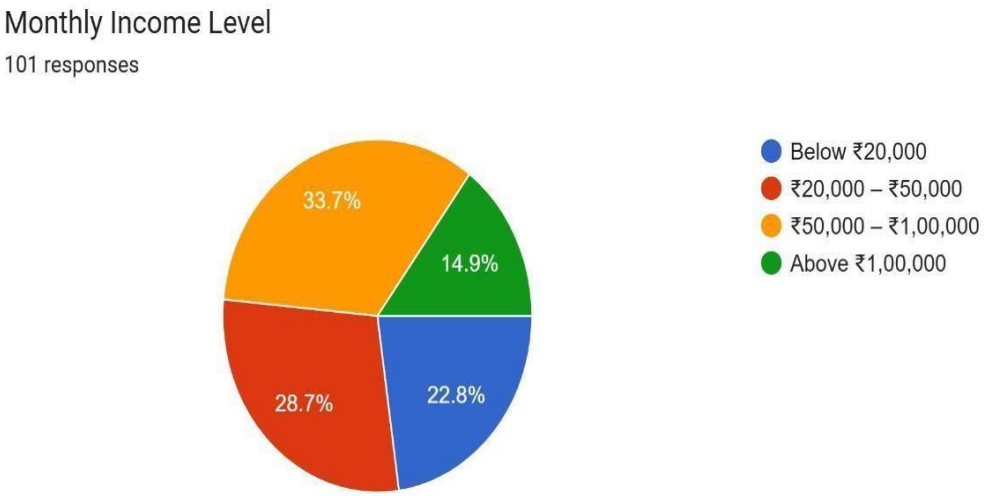
The Random Forest analysis shows that investment-related factors are more influential than demographic variables in shaping mutual fund behavior. The most important factor is investment allocation, followed by decision-making criteria and fintech features, indicating the strong role of financial behavior and technology.

Additionally, investment preferences and objectives significantly impact decisions, while digital influence and platform usage have a moderate effect. In contrast, demographic factors such as income, age, and employment status have relatively low importance, suggesting that investment behavior is driven more by individual preferences and technological engagement than by demographic characteristics.

Descriptive statistics Analysis





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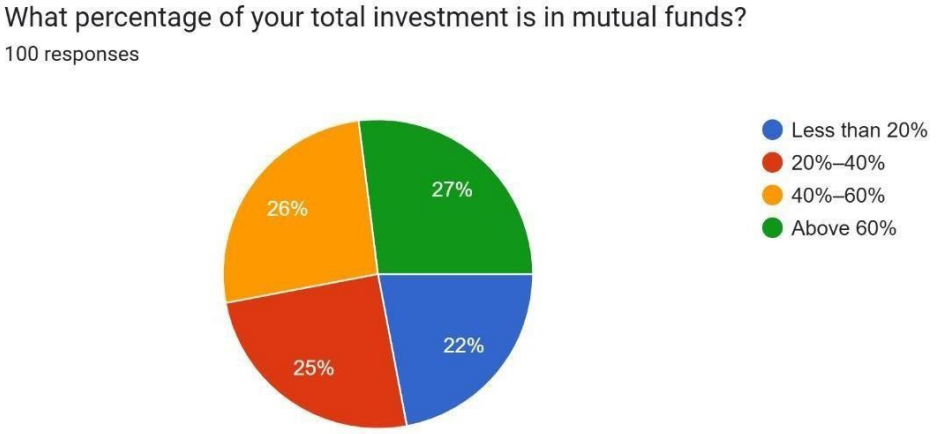

Hypothesis Test

Table 3.1: Objective 1 – Chi-Square Test

Investment Behaviour	Chi-Square Value	p-value	Interpretation
Type of Mutual Fund Preference	4.12	0.093	No significant difference: Both generations prefer similar mutual fund types
Investment Objective	2.85	0.241	No significant difference: Financial goals are similar
Risk Perception	3.21	0.198	No significant difference: Both groups perceive risk similarly
Investment Frequency	1.74	0.418	No significant difference: Investment activity is comparable

Interpretation:

Since all **p-values > 0.05**, the null hypothesis is accepted. This indicates that **Gen Z and Millennials exhibit similar investment behaviours and attitudes toward mutual funds**.

Table 3.3: Objective 2 – Chi-Square Test

Investment Factor	Chi-Square Value	p-value	Interpretation
Risk Avoidance	3.54	0.060	Marginal difference: Slight variation in risk behavior
Investment Features	1.12	0.570	No significant difference
Long-Term Goals	2.44	0.295	No significant difference

Interpretation:

Most p-values are above 0.05, indicating **no major differences in decision-making factors** between Gen Z and Millennials. However, **risk-related behavior shows slight variation**.

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Table 3.4: Objective 3 – Chi-Square Test

Digital Platform Factor	Chi-Square Value	p-value	Interpretation
Platform Usage	1.92	0.165	No significant difference
Mobile App Usage	0.88	0.347	No significant difference
Convenience Perception	2.31	0.128	No significant difference
Digital Influence	3.45	0.063	Marginal difference

Interpretation:

Digital platforms influence both generations similarly, although **slight variation exists in influence levels**.

Table 3.5: Objective 4 – Chi-Square Test

ESG Factor	Chi-Square Value	p-value	Interpretation
ESG Awareness	1.76	0.184	No significant difference
ESG Importance	2.94	0.086	Marginal difference
Ethical Preference	1.23	0.540	No significant difference

Interpretation:

ESG awareness exists in both groups, but **it is not a primary differentiating factor**.

Table 3.6: Objective 5 – Chi-Square Test

Investment Strategy	Chi-Square Value	p-value	Interpretation
Long-Term Planning	2.87	0.238	No significant difference
Retirement Planning	5.02	0.081	Marginal difference
Investment Allocation	1.65	0.438	No significant difference

Interpretation:

Most factors show no significant difference; however, **Millennials are slightly more focused on retirement planning**.

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```
Accuracy: 0.7368421052631579
              precision    recall  f1-score   support

           0       0.77      0.91      0.83        11
           1       0.67      0.67      0.67         3
           2       0.67      0.40      0.50         5

    accuracy                           0.74        19
   macro avg       0.70      0.66      0.67        19
weighted avg       0.73      0.74      0.72        19
```

	Feature	Importance
5	Rank the importance of the following factors w...	0.117351
3	What percentage of your total investment is in...	0.104822
10	Which fintech feature influences you the most?	0.101886
4	What is your primary objective for investing i...	0.075342
7	Which type of mutual fund do you prefer?	0.071650
13	Do you consider mutual funds as part of your l...	0.071463
12	How important are ESG (Environmental, Social, ...	0.063374
1	Employment Status	0.060824
8	Which platform do you primarily use for invest...	0.057563
6	How do you perceive your risk tolerance?	0.049748
9	Rate how much digital platforms influence your...	0.048457
11	Compared to traditional methods, how convenien...	0.045577
14	Mutual funds are an effective tool for achievi...	0.045289
2	Monthly Income Level	0.045207
0	Age Group	0.041447

V. FINDINGS AND RECOMMENDATIONS

The study finds that both Generation Z and Millennials actively consider mutual funds as an investment option; however, their approaches differ significantly. Generation Z demonstrates higher risk tolerance, a preference for short-term gains, and strong reliance on digital platforms, while Millennials focus on long-term financial goals such as wealth creation and retirement planning. Behavioral and technological factors, particularly risk tolerance and fintech usage, have a greater influence on investment decisions than demographic variables. Additionally, a large proportion of respondents remain uncertain about investing, indicating gaps in financial awareness and participation.

Based on these findings, it is recommended that financial institutions develop personalized and technology-driven investment solutions to attract younger investors. Enhancing financial literacy programs, simplifying investment processes, and promoting digital platforms can improve participation. Furthermore, integrating ESG-focused investment options and providing hybrid advisory services can effectively cater to the diverse needs of both generations.

VI.CONCLUSION

In conclusion, this study highlights the evolving investment behavior of Generation Z and Millennials in the mutual fund market. While both generations recognize mutual funds as an effective investment avenue, their approaches differ in terms of risk preference, financial goals, and use of technology. Generation Z is more inclined toward digital platforms and short-term, high-risk investments, whereas Millennials prioritize long-term financial stability, wealth creation, and retirement planning.

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