

A STUDY OF THE WAY FINTECH IS TRANSFORMING PROSPECTIVE SAVERS INTO MUTUAL FUND INVESTORS

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ABSTRACT

Over the years internet has changed human life a lot and even internet has also evolved a lot over the time and the form of internet we are witnessing today is way different than how it was introduced to us. Initially, the prime objective of internet was to enhance communication and connectivity but now internet is everywhere and several other aspects of internet are there and Fintech is one of them. Fintech is referred to as the combination of two terms finance and technology and it simply refers to the process by which the providers of financial services use technology in order to enhance the utility of their services. This study is an attempt to analyse the relation between mutual funds and fintech and how the emergence of fintech in recent times has helped mutual fund industry to grow. This study aims to- (i) identify the level of awareness about fintech among general public and (ii) to know if the emergence of fintech has changed the perception of general public towards mutual funds. The data for this purpose was collected through a questionnaire and responses from 130 respondents were taken into consideration. After analysing the collected data, it was found that fintech has surely changed people's perception towards mutual fund and people are much aware with the utility of fintech in various aspects of financial decisions.

Keywords: Fintech, Mutual Fund, Finance, Technology.

Introduction

Mutual fund is a form of financial vehicle that collects money from various individuals and forms a pool for the purpose of investing in securities such as shares, bonds, money market instruments, and other assets. It essentially comprises of a portfolio of securities, such as stocks, bonds, or other kinds of investments. Mutual funds are typically of four types: equity funds (stock), bond funds, money market funds, and hybrid funds. A few of the many elements that have significantly influenced the industry's impressive growth in recent years in India include the introduction of several new products, favourable tax policies, increasing household savings, a systematic regulatory framework, investor awareness programmes, and distributors' roles.

Fintech is a term which is used widely in recent times and it is a combination of words "finance" and "technology". It simply refers to the process by which providers of financial services use technology to improve the usability and distribution of their products to customers. Fundamentally, fintech helps organisations, business owners, and people manage their financial operations, processes, and lives by using specialised software and algorithms that are used on computers and, increasingly, smartphones. The financial investing business will be significantly transformed by the innovations coming out of the FinTech sector. FinTech emphasises the need to improve investment management services in financial institutions by giving all customers more value. FinTech investment competition will add value and advancements in a future that is easy, quick, efficient, and cheap.

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In order to address issues and choose how to set up a possible investment management service system for using every component of FinTech, it can operate as a catalyst for financial management services that are implemented in traditional investment services. FinTech implementation on a new track adds value to the improvement of investment management services. Financial institutions must collaborate to identify transformational areas of priority in investment management services in order to address every complex condition and-regulation, particularly in the mutual fund industry.

In order to increase financial inclusion and consumer understanding of FinTech issues linked to mutual fund, financial institutions and FinTech developments are crucial. This alternative platform can enhance intermediate mediums for financial investment management services and strengthen critical capital positions in mutual fund investments. Additionally, it will make new mutual fund more accessible to users and easier to investigate, particularly for high-risk investments. This alternative platform can also put plans into action to encourage investors to put money into mutual funds that are designed to yield returns at low, medium, or high risk.

Statement of Problem

India is going through a phase in which the economy is heading towards digital platforms for operational purposes as well as the individuals are getting more familiar with technology-based equipment and are using mobile based applications for different purposes like transferring and investing money, paying bills, making payments etc. As we know Fintech is growing rapidly in India and making it easier for common people to manage their money at the convenience of their fingertips, it is also evident that fintech has made accessibility much easier for people now. Figuring out how Fintech and financial services are related while attempting to examine the influence of fintech on investors' investment patterns and perception towards mutual funds and how it differs from the traditional financial advisory system.

Objectives of the Study

- To know the impact of fintech services on people's investment behaviour.
- To know if emergence of fintech services changed people's perception towards mutual funds.

Review of Literature

Claire Yurong, Hong Xiaomeng and Lu Jun Pan, 2019 in their paper **Fintech Platform and Mutual Fund Distribution** tried to study the impact of fintech platforms on mutual fund industry. In their study they concluded that the presence of fintech has really impacted the way mutual fund industry operates and the way investors make decisions regarding investment choices, they also found that fintech platforms have made flow of information smooth and now more freely the information flows from companies to prospective investors but they denied the hypothesis that fintech platforms attracts new investors.

2019 Annual Report of China Asset Management Association, In the report it was reported that emergence of fintech platforms definitely helped mutual fund companies to attract new mutual fund investors in China but it was also reported that it happens mostly to the money market funds and less to the actively-managed equity, bond, and mixed mutual funds.

Sumeet Gupta & Adarsh Agrawal, 2019 in their study **Analytical Study of Fintech in India: Pre & Post Pandemic Covid-19**, concluded that there are certain loopholes in the traditional system that helped fintech platforms to capture the space rapidly and efficiently. However, they also point out that people trust giants like GPay, Phonepe etc. rather than incumbent and financial institutions. It was also revealed in their study that Covid-19 has also influenced the growth of fintech platforms in India as people now are more reliable on mobile based applications and finding it more effective way to make their investment decisions.

Beni Chugh, 2019 in his study **Financial Regulation of Consumer-facing Fintech in India: Status Quo and Emerging Concerns** tried to find how consumer facing fintech is regulated in India and concluded that regulations almost always follow fintech innovations and as the customer is turning to fintech platforms it is need of the hour that regulators must refurbish the regulations to deal with the modern problems arising on fintech platforms due to their network effects.

Erik Feyen, Jon Frost, Leonardo Gambacorta, Harish Natarajan and Matthew Saa, 2021. in their study **Fintech and the digital transformation of financial services: implications for market structure and public policy** found that digital innovation is bringing out economically meaningful changes in the production of financial services, with implications for the industrial structure of finance. They suggested that improvements in connectivity and computing can help to enhance efficiency and competition.

Research Gap

After going through available literature, it was noticed that a lot of work has been done on mutual funds but most of the studies were focusing on the growth aspect of companies and those focusing on investors' perception were considering factors like tax rebate, safety of principal amount, return factor etc. Some literature related to fintech and its utility in investment sector is also available but it is limited to certain variables. This study contributes in that area which is untouched and tries to have an overview of the impact that fintech has on the growth of mutual fund industry and to know how fintech is changing people's perception towards mutual funds and how it influences people's investment choice decisions.

Data Collection

Research Methodology

The study was completely based on primary source of data and a questionnaire was framed for the purpose of collecting data. The questionnaire was focused on several aspects like to know the awareness level of people towards fintech services, to know how they perceive the change that has taken place into the way people invest, to know what people think about mutual like what is their perception towards mutual funds, to know whether the emergence of fintech services has impacted the mutual fund industry. The questionnaire was also focused on to gather information about people's investment preferences like which investment option they consider safest for investing their money, how they perceive the risk element associated with different investment options etc.

A section of questionnaire was also focusing on to know about the accessibility factor of fintech applications like whether people are able to access fintech applications on different gadgets that are available to them and if they are able to access these applications then how easy they find accessibility of these applications. The questionnaire was comprised of 23 questions out of which 7 questions were asked to gather basic information about the respondents like their name, gender, age, e-mail, contact details, educational qualification and profession. The next 15 questions were asked for the purpose of study and a section was left blank with an option to give any suggestion if they want, which was completely voluntary in nature.

Sample Size

Total 130 respondents were taken into consideration for the purpose of collecting data, the sample comprises individuals from different occupational backgrounds like government employees, employees working in private organizations, people from business backgrounds and even some students doing part time works voluntary.

Tools Used for Analysis and Interpretation

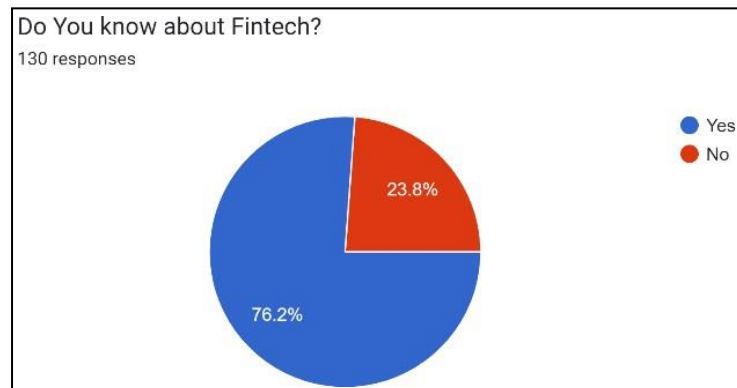
For the purpose of analysis and interpreting the results percentage analysis was performed on collected data.

Analysis & Interpretation

Total 130 responses were received from respondents and the questionnaire was comprising following question:

Sl. No.	Questions
1.	Do You know about Fintech?
2.	Is Fintech Service available on your Smartphone, Laptop or PC?
3.	If yes, have you ever used Fintech Service on any of your gadget?
4.	Do You know about Mutual Funds?
5.	Do you agree with the statement that 'Mobile based Investment platforms have made task of investment much easier?'
6.	Do you agree with the statement that 'Fintech made stock market easily accessible for general public?'
7.	Do you think Fintech based investment platforms help in making investment decisions?'
8.	Do you find it easy to access applications that are available for investment?'
9.	Do you agree with the statement that 'Fintech based investment platforms have contributed in changing your perception towards mutual funds?'
10.	Do you consider mutual fund a risky option for investing your money?'
11.	Do you think Digital India initiative has fasten the growth of mutual fund industry?'
12.	How Familiar are you with Fintech services?'
13.	Have you heard about any of the following applications?'
14.	In which year you started investing in Mutual Funds?'
15.	Out of the following, which option do you find best for investing your money?'

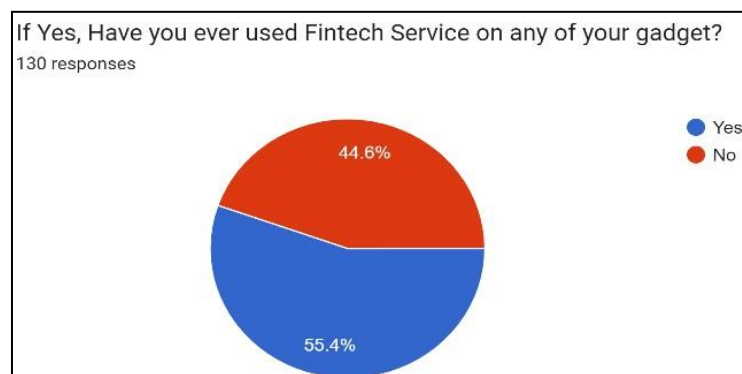
- Firstly, we tried to know whether people are aware with the term fintech and as per the total responses received it was found that 76.20 % respondents were aware with fintech term while 23.80 % people had no idea about fintech and how it works.



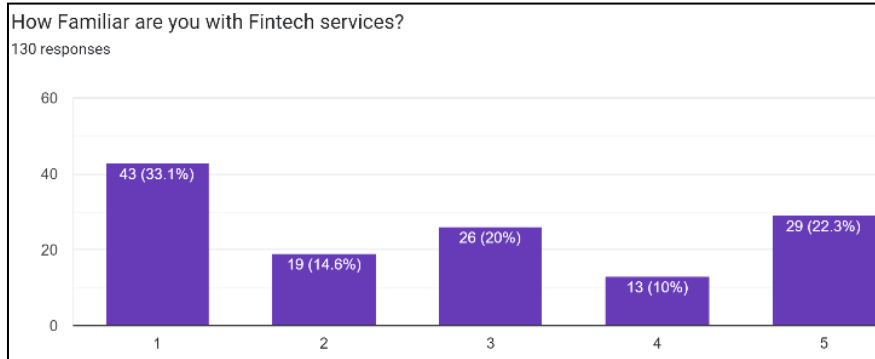
- Then we tried to know about the reachability of fintech service on various gadgets and as per the total responses received, we found that 66.20 % respondents had a gadget equipped with fintech service while on 33.80 % respondents' do not have any gadget equipped with fintech service.



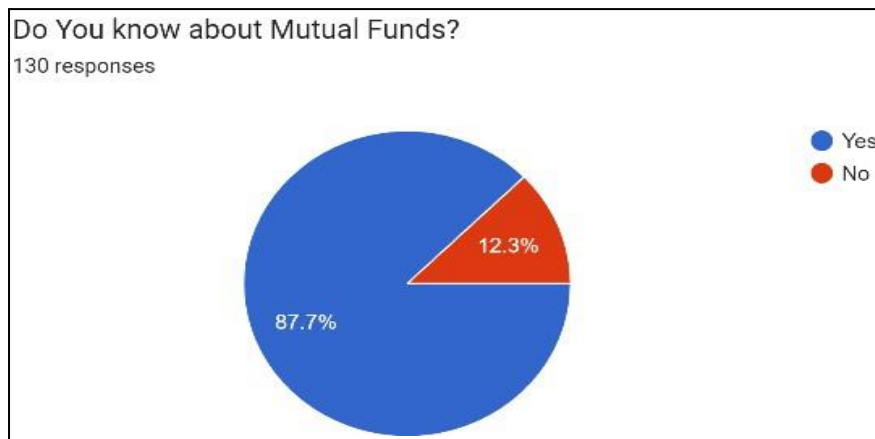
- Out of the total responses received 55.40 % respondents had used fintech service on their smartphone, laptop or PC while 44.60 % respondents were not using fintech on any of their devices. Although, when I met some of the respondents in person and discussed about fintech and its utility, I found that some of the respondents were using fintech services in their smartphone but they were not aware with the fact that the application they are using is comes under the umbrella of fintech.



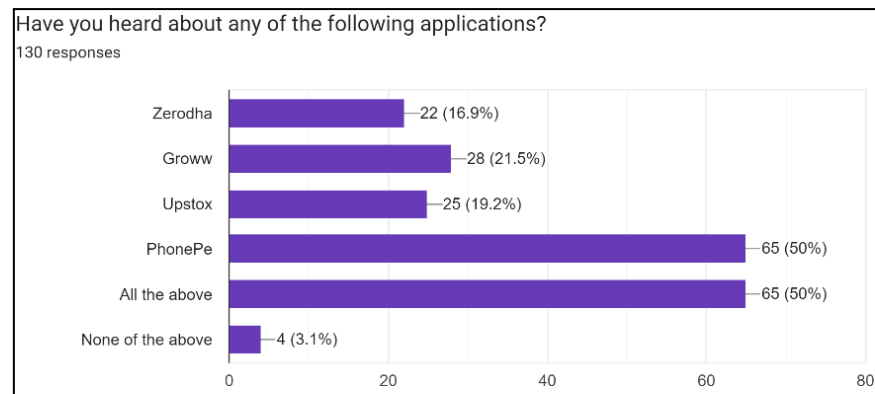
- To know how familiar people are with fintech a question on Likert scale was asked and from the responses received it was revealed that 43.33 % respondents were very much familiar with fintech services, 14.60 % were much familiar, 20 % respondents had neutral views, 10 % of the respondents were not much aware of the fintech services while 22.30 % respondents had no idea about fintech services and they were not at all familiar with fintech services.



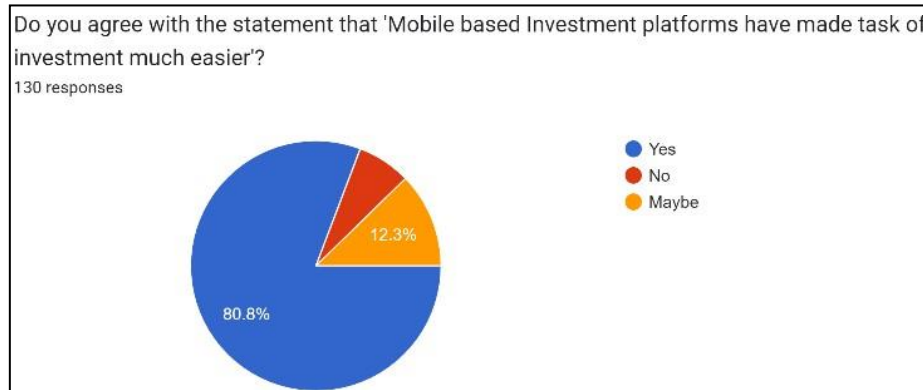
- When we asked about the mutual fund to know whether people are aware with this investment option or not then out of the total responses received, we found that 87.70% of the respondents knew about this investment option while 12.30 % were not aware of the mutual funds.



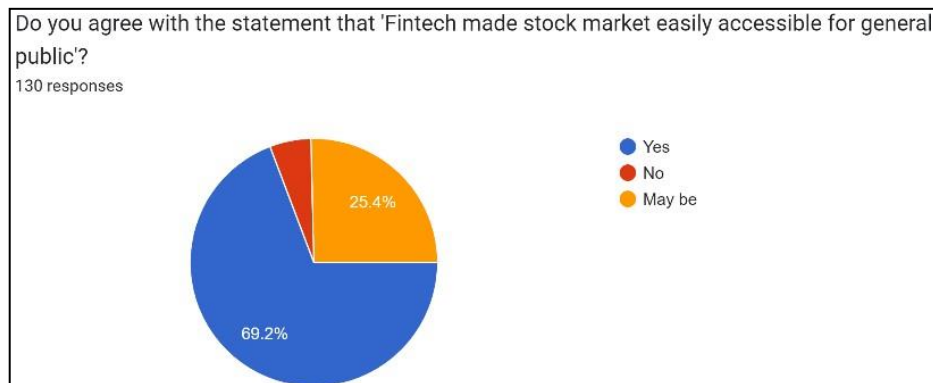
- When we tried to know about the popularity of fintech applications among general public it was found that only 3.10 % respondents were not familiar with any of the applications given namely Zerodha, Groww, Upstox and PhonePe, it was also revealed in the study that PhonePe was the most popular among general public.



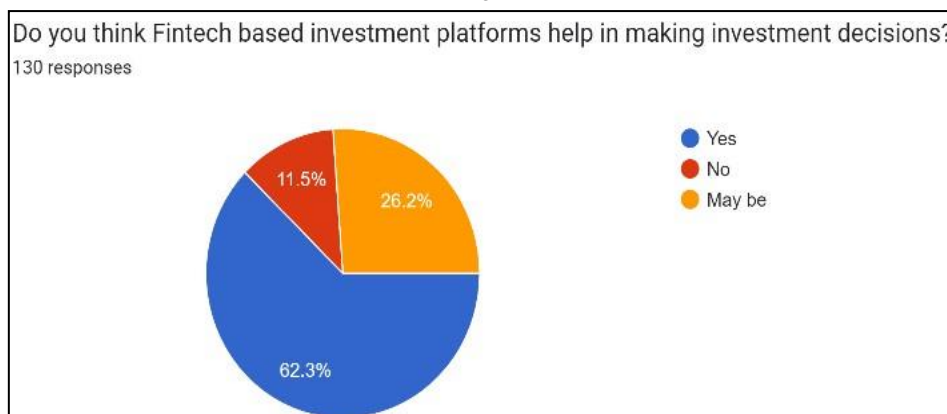
- When we tried to know about the perception among general public about mobile based investment platforms then out of the total responses received, we found that 80.80 % respondents agreed with the statement that mobile based investment platforms have made task of investment much easier but 6.90 % respondents did not agree with the statement while 12.30 % respondents had neutral views over this.



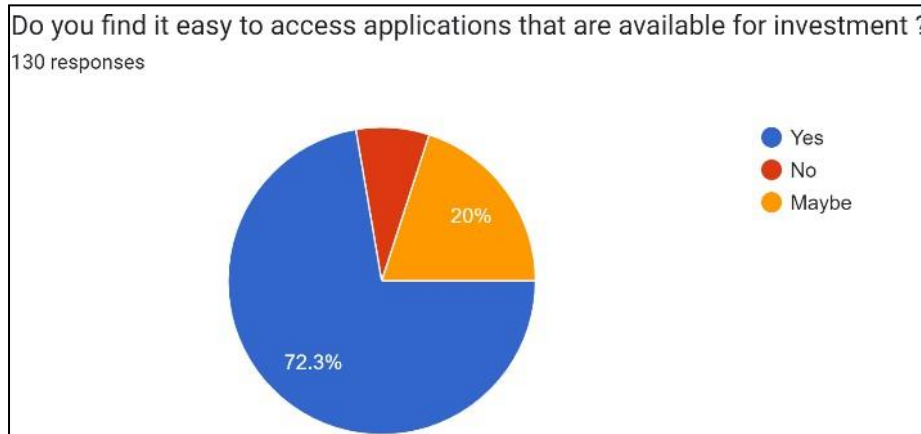
- Out of the total responses received 69.20 % respondents agreed with the statement that fintech made stock market easily accessible for general public but 5.40 % did not agree with this statement while 25.40 % respondents had neutral views over this statement.



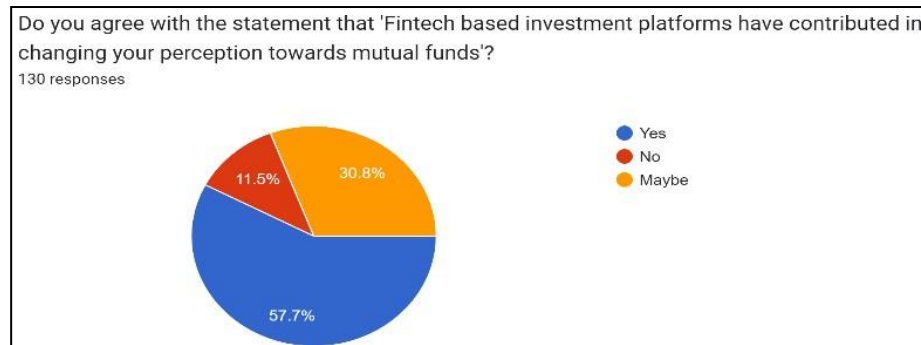
- Further, to know what impact does mutual fund had on investment decision making and 62.30 % respondents had a view that fintech helps them in making investment choices but 11.50 % respondents did not find fintech useful in making their investment choices while 26.20 % respondents had neither a positive nor a negative view over this.



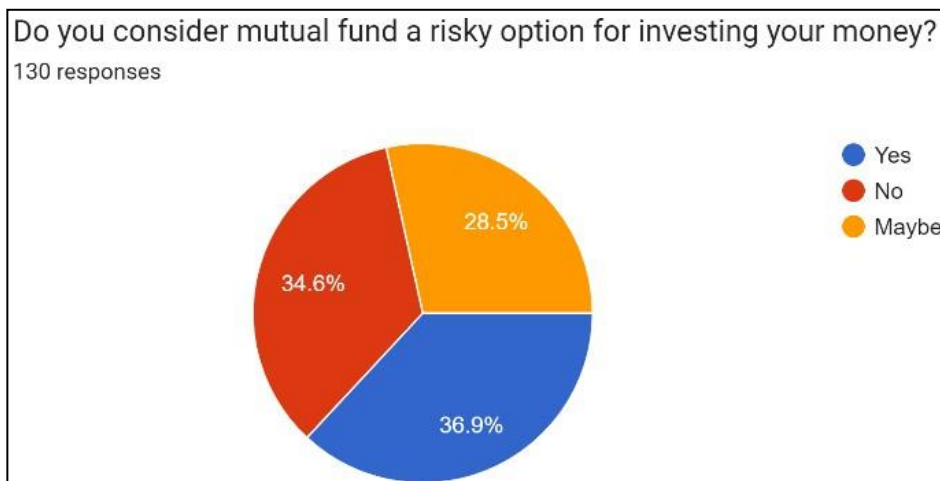
- Out of the total responses received 72.30 % respondents found it easy to access application available for fintech while 7.70 % found it difficult while 20 % respondents had neutral views over this.



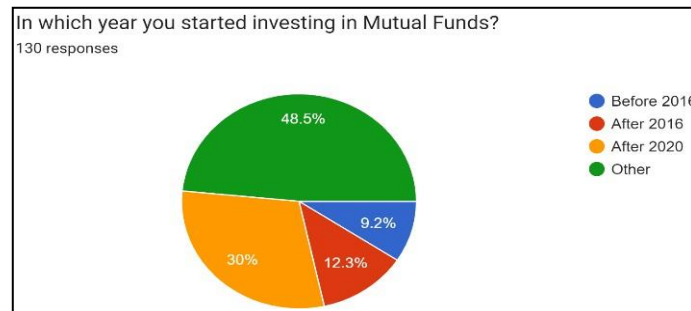
- From the responses received it was revealed that 57.70 % respondents' perception towards mutual funds changed because of fintech services but 11.50 % respondents did not agree with this statement while 30.80 % respondents had neutral views over this.



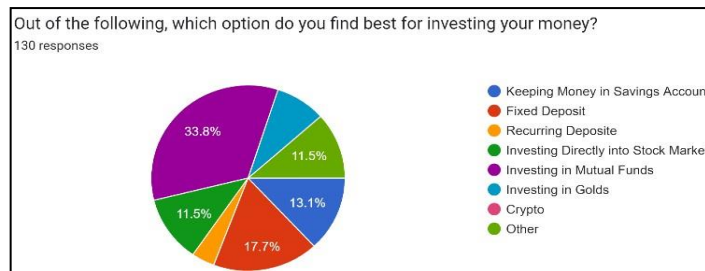
- Out of the total responses received 36.90 % respondents found mutual fund a risky option for investment and 34.60 % respondents found mutual fund a safer option for investment while 28.50 % respondents had neutral views over this.



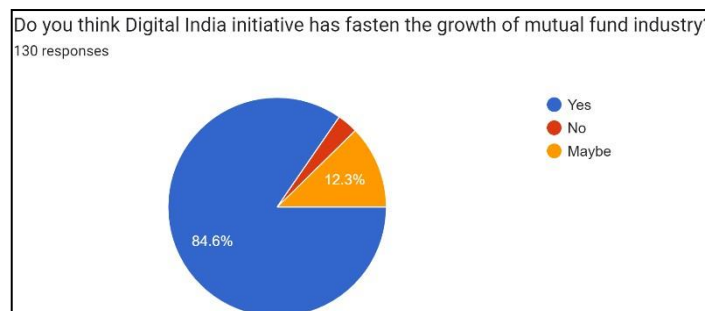
- Further, we tried to observe the change that has been reflected in the way people invest their money and the primary objective of this question was to understand how the big events that happened in the last 6-7 years like Demonetization, Digital India initiative by the govt. and Covid-19 Pandemic, etc. as all these events contributed much in taking India towards digital economy. So, we asked people in which year they started investing in mutual funds specially focusing on years in which something crucial happened like 2016 (demonetization), 2020 (Lockdown due to Covid) and we found that out of the total responses only 9.20 % respondents were investing in mutual funds it means he/she was a traditional investor as before 2016 these fintech applications were not so popular, 12.3% respondents started investing after 2016 i.e.; after demonetization as after we know after November 8th 2016 these fintech platforms became more popular among general public, 30 % respondents started investing after 2020 the year in which pandemic hit our nation and as the data suggests UPI and fintech became more popular and trustable among general public and 48.50 % respondents had neutral views over this perspective.



- Further, we tried to know about investment preferences of respondents and found that 33.80% preferred mutual funds, 17.70 % preferred fixed deposits, 13.10 % preferred keeping their money in savings account, 11.50 % preferred direct investment to stock market, 8.50 % preferred gold, 3.80 % preferred recurring deposits and 11.50 % preferred other investment options.



- It was found from the responses received that government initiatives like Digital India helped mutual fund industry to grow because as per the responses received 84.60 % respondents agreed with the statement that digital India initiative helped mutual fund industry to grow but 3.10 % respondents did agree with this statement while 12.30 % respondents had neutral response to this question.



Limitation of the Study

As the study was performed in limited timeframe and maximum respondents were from specific regions of Madhya Pradesh and Uttar Pradesh, So, it can be performed at a broader level with large number of respondents from all over the nation. Secondly, the study was only focused on the two i.e.; aspects people's perception towards mutual funds and influence of fintech services, So, a larger picture can be framed with taking other impactful factors under consideration for the purpose of study.

Conclusion

The wave of digitalization is making financial services industry more efficient and productive, it is also evident that fintech is helping financial services industry to grow and it can be projected that in coming years this sector will play a major role in accelerating the economy also. In recent times a major change has been seen in investment choices and the way people invest, where people are preferring mobile based investment platforms for investing their money. Mobile based investment platforms such as Groww, Zerodha, Upstox, Phonepe etc. are making stock market easily accessible for general public and as per the responses received and after the analysis it can be seen that fintech has surely helped in changing the perception of people towards mutual funds and emergence of fintech also made people more interested in stock market. Initially, only elite class population was interested in stock market and use to invest their money directly to equities, debts, mutual funds etc. but now a new trend is seen in last few years which reflects that people from not so sophisticated background are also taking interest in stock market, mutual funds and are investing their money directly into it. It cannot be denied that fintech helped in generating that trust among general public which was missing at a broader perspective. Earlier, people used to think stock market is kind of bluff where one can earn lakhs in a single day or can lose everything within a no time but now because of various government initiatives, rising awareness among people and increasing popularity of mutual funds among general public, this perception has changed and now people understand that mutual fund is not a bluff and consider it a systematic way of investing money where they can earn returns at a better rate than FDs and other non-risky options.

Although, change in perception can be seen in general public but still the larger section of the society is out of the umbrella of mutual funds and it can be seen that still a lot of effort is needed to change the perception of people from Tier-II and Tier-III cities.

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