



## **Analyzing the Influence of Fintech & Digitalization on Investment Choice Decisions of Mutual Fund Investors**

*Saransh Kumar Srivastav<sup>1</sup>, Mahima Habil<sup>2</sup>, Pooja Thakur<sup>3</sup> & J.K. Jain<sup>4</sup>, Rupali Saini<sup>5</sup>*

<sup>1,2,3</sup> Research Scholar, Department of Commerce, Dr. Harisingh Gour Vishwavidyalaya, Sagar (M.P.)

<sup>4</sup> Professor, Department of Commerce, Dr. Harisingh Gour Vishwavidyalaya, Sagar (M.P.)

<sup>5</sup> Assitant Professor, Department of Commerce, Dr. Harisingh Gour Vishwavidyalaya, Sagar (M.P.)

DOI: <https://doi.org/10.55248/gengpi.5.0224.0545>

### **ABSTRACT**

This study investigates the influence of fintech and digitalization on the investment choice decisions of mutual fund investors. With technological advancements reshaping the financial landscape, understanding how these changes affect investor behavior is essential. Through a structured questionnaire survey administered to mutual fund investors, we collected primary data on their use of fintech tools, investment preferences, risk perception, and adoption of digital platforms. Our analysis reveals a significant impact of fintech and digitalization on investment decisions. Investors are increasingly relying on digital platforms for portfolio management and decision-making, driven by factors such as convenience and real-time information availability. Furthermore, the study highlights the importance of mutual fund companies and policymakers adapting their strategies to meet the evolving needs of investors in the digital age. These findings contribute to the existing body of knowledge in finance and offer practical implications for stakeholders in the financial industry.

**Keywords:** *Fintech, Digitalization, Investment Decision, Mutual Fund*

### **Introduction**

In recent years, the financial industry has undergone rapid transformation, especially due to technological innovations, particularly in the areas of financial technology (fintech) and digitalization. These advancements have not only transformed the delivery of financial services, but also had a significant impact on how investors make investment decisions. Mutual fund investments are one area where this has a particularly strong impact. Mutual funds have long been a popular choice for investors looking for diversification and professional management of their assets. However, with the advent of fintech and digitalization, the dynamics of mutual fund investments have shifted significantly. Investors now have access to a wide range of digital tools and platforms that provide convenience, real-time information, and personalised investment options.

The purpose of this study is to examine how fintech and digitalization affect investors' decisions about mutual funds. This study intends to offer important insights for academia and industry by examining how these technological developments impact variables like investment preferences, risk perception, and the uptake of digital platforms for investment. In order to adjust their strategies and offerings to the changing needs of investors in the digital age, mutual fund companies and policymakers must comprehend the impact of fintech and digitalization on investment decisions. This study intends to add to the body of knowledge already available in the field of finance by illuminating these dynamics and offering useful implications for financial industry stakeholders.

### **Conceptual Framework**

A mutual fund is a type of financial vehicle that pools the funds of several investors to purchase securities like bonds, stocks, money market instruments, and other assets. It consists basically of a portfolio of securities, which could include bonds, stocks, or other types of investments. There are four main categories of mutual funds: money market funds, bond funds, hybrid funds, and equity funds (stock). Several factors have contributed to the industry's remarkable rise in India in recent times, such as the launch of new products, advantageous tax laws, rising household savings, a well-organized regulatory structure, investor education initiatives, and the roles of distributors.

The term "fintech," which combines the words "finance" and "technology," has become very popular recently. It simply refers to the method by which financial service providers use technology to enhance customer distribution and product usability. In essence, fintech uses specialised software and algorithms that are used on computers and, increasingly, smartphones to assist organisations, business owners, and individuals in managing their financial operations, processes, and lives. The innovations emerging from the FinTech sector will have a profound impact on the financial investing industry.

FinTech highlights the necessity of enhancing investment management services provided by financial institutions by providing greater value to all of their clients. FinTech investment competition will boost advancements and add value in a quick and easy future.

It can act as a catalyst for financial management services that are implemented in traditional investment services, helping to resolve problems and determine how to set up a potential system for using every component of FinTech. Using fintech in a novel way enhances the quality of investment management services. The financial industry, especially mutual funds, requires financial institutions to work together to prioritise transformational areas in investment management services in order to address all the intricate conditions and regulations.

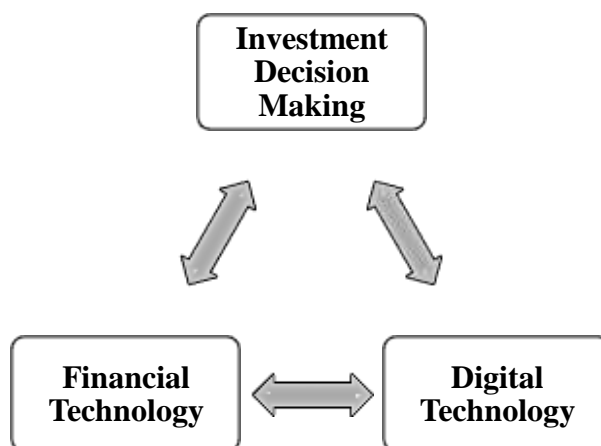
Financial institutions and FinTech innovations are essential to boosting financial inclusion and consumer knowledge of FinTech issues related to mutual funds. This substitute platform can fortify crucial capital positions in mutual fund investments and improve intermediary channels for financial investment management services.

Furthermore, it will facilitate user access to and investigation of new mutual funds, especially for high-risk investments. Plans to encourage investors to invest in mutual funds that are intended to yield returns at low, medium, or high risk can also be implemented through this alternative platform.

Digital technologies have progressed faster than any other innovation, reaching nearly half of the world's population in developing nations in the last 20 years alone. These days, one can order a taxi, pay their bills, and even buy an apartment as long as they have internet access. Interactions between people and their various identities are fluid and varied in the world of the internet. The significance of the various forms of participation and digital orders will only grow with time, affecting the number of firms that are able to generate value. Digitalization is transforming people's social and economic lives as well as their interpersonal connections. These days, nearly all social and business transactions use modern information technology.

Globally, digitization has grown in significance as a fundamental component for governments and organisations. It is thought to have enormous advantages, especially for the service sector. Digitalization has shattered a new paradigm in which businesses creatively and economically serve their stakeholders. It is projected that digitalization will help businesses increase their operational efficiency and corresponding profitability.

The world is now heavily digitalized. The financial services industry, especially the mutual fund business, has made the greatest use of it. The mutual fund business in India is a positive illustration of the digitalization of the financial services sector. The main players in a mutual fund are banks, the Asset Management Company (AMC), retail and institutional investors, financial advisors (individual and national distributors), registrars and transfer agents (RTAs), and AMC. These parties are essential to the mutual fund industry's smooth operation.



**Digital India Programme:** On July 2, 2015, the Indian government unveiled "Digital India," a "Power to Empower" project. The objective of this programme is to encourage growth in the delivery of electronic services that is inclusive. By granting access to all resources and services, this initiative was directed toward the country's digital development and aimed at making everyone digitally and electronically connected. By giving people access to such cutting-edge digital and electronic technology, the goal is to strengthen the bonds that bind rural and urban areas. It will promote and expand the number of employment opportunities. Considerable technical advancements are required if the nation is to be connected to the internet and transition to a digitally empowered economy.

**India's March towards Digitalization:** India's fast progress in digital technology was primarily driven by customer-related factors. With 560 million users, India has overtaken China as the largest and fastest-growing market for digital consumers. By 2023, it is projected that India will have 650 million consumers. China uses 5.5GB of data per person on average per month, whereas the US uses 12GB. All technological initiatives are being supported by India's widespread use of mobile devices and related apps, and the country's investment procedures are becoming easier with the use of mobile-based applications.

---

## Statement of Problem

The study aims to examine how fintech and digitalization affect investors' decisions about which mutual funds to buy. Traditional investment methods are changing as a result of the quick development of fintech solutions and the rapid advancement of technology. It is imperative that scholars and financial

industry practitioners comprehend the ways in which these factors influence investor behaviour. The goal of this study is to determine how much fintech and digitalization affect investment choices, taking into account variables like investment inclinations, risk tolerance, and the use of digital platforms. The study's analysis of these factors attempts to offer insights that can assist legislators and mutual fund companies in modifying their approaches to satisfy changing investor demands in the digital era.

---

## Review of Literature

**2019 Annual Report of China Asset Management Association**, the report stated that while the rise of fintech platforms undoubtedly assisted mutual fund companies in drawing in new investors, it also stated that this phenomenon primarily affects money market funds and has less of an impact on actively managed equity, bond, and mixed mutual funds.

**Beni Chugh, 2019** In his study *Financial Regulation of Consumer-facing Fintech in India: Status Quo and Emerging Concerns*, the author attempted to ascertain how consumer-facing fintech is regulated in India. He came to the conclusion that laws typically follow fintech innovations, and since more and more customers are using fintech platforms, it is imperative that regulators update their laws to address the contemporary issues that arise on these platforms as a result of their network effects.

**Claire Yurong, Hong Xiaomeng and Lu Jun Pan, 2019** attempted to investigate the effects of fintech platforms on the mutual fund industry in their paper *Fintech Platform and Mutual Fund Distribution*. The researchers debunked the theory that fintech platforms draw in new investors, instead concluding that the existence of fintech has had a significant impact on how the mutual fund industry functions and how investors make investment decisions. They also discovered that fintech platforms have facilitated the smoother and more open flow of information from companies to potential investors.

**Erik Feyen, Jon Frost, Leonardo Gambacorta, Harish Natarajan and Matthew Saa, 2021**, in their paper entitled, *Fintech and the digital transformation of financial services: implications for market structure and public policy* discovered that the production of financial services is changing due to digital innovation in a way that has an impact on the financial industry's industrial structure. They proposed that increasing competition and efficiency can be achieved through advances in computing and connectivity.

**M and M (2015)** has looked into the factors influencing the financial literacy of Gen Y employees in Coimbatore. The survey's findings showed that financial literacy was influenced by age, gender, income, and education. The study also discovered low financial literacy among Gen Y employees in Coimbatore.

**Midha (2016)** focused on the challenges and fixes for the issues that Native Americans face. Information about the concept, extent, and pillars of digitalization were also covered in the survey. The study also looked into the possibility of raising everyone's standard of living through internet access to public services.

**Shamim (2016)** looked into the idea of "Digital India", the initiatives taken by the government to create it, and the "Digital India" pillars which facilitate intelligent governance. The impact of digitalization on governance and society was a major area of focus for the study. There was also discussion of the effects of digitization.

**Sumeet Gupta & Adarsh Agrawal, 2019** in their *Analytical Study of Fintech in India: Before and After the Pandemic Covid-19* came to the conclusion that fintech platforms were able to quickly and effectively take over the market due to a few gaps in the established system. They also note, though, that consumers have more faith in massive companies like Phonepe, GPay, and others than in established banks. According to their study, Covid-19 has also had an impact on the development of fintech platforms in India, as people are now more inclined to rely on mobile applications and find them to be a more efficient means of making financial decisions.

**Park (2011)** examined the effects on privacy-related online behaviours of three dimensions of digital literacy: (a) familiarity with technical aspects of the Internet, (b) knowledge of customary institutional practises, and (c) comprehension of current privacy policies. Hierarchical regression models were utilised to analyse data pertaining to 419 adult Internet users who were selected nationwide. As indicated by the three different dimensions, the studies showed high user knowledge prediction abilities on privacy control behaviour.

**Way & Wong (2010)** discovered that, with the expectation that digital media will enhance current practises, there has been a massive surge in the development and application of technology-based solutions for financial literacy instruction in recent years. The results propose an agenda for research and practise, as well as an ecological model for a technology-based intervention in financial literacy education.

### *Objectives of the Study*

1. To analyze the influence of fintech on individual's investment behaviour.
2. To understand the influence of digitalization on individuals' investment behaviour.

### *Hypotheses of the Study*

1. **H<sub>0</sub>1:** There is no significant impact of digitalization on investment choice decision.

2. **H<sub>a1</sub>**: There is a significant impact of digitalization on investment choice decision.
3. **H<sub>02</sub>**: There is no significant impact of fintech on investment choice decision.
4. **H<sub>a2</sub>**: There is a significant impact of fintech on investment choice decision.

## Research Methodology

This section of the study intends to explore the empirical data about fintech's and digitalization's impact on mutual fund investors' investment decisions. The theoretical foundation presented in the previous section is expanded upon in this section, which suggests that technological innovations, such as digital platforms and fintech solutions, have a big influence on investor behaviour. In order to do this, we have gathered primary data by giving a sample of mutual fund investors a structured questionnaire. Information was gathered for the survey on a number of topics, such as how investors use fintech tools, what kind of investments they prefer, how much risk they take, and whether or not they use digital platforms for investing. An outline of the respondents' demographic profile is presented at the outset of the analysis to shed light on the traits. Additionally, we made an effort to investigate how investors' decisions are influenced by digital platforms, specifically with regard to ease of use, accessibility, and the availability of real-time information. By employing statistical techniques such as regression analysis and correlation tests, our goal is to determine the degree to which fintech and digitalization impact investment decision-making.

Although the questionnaire was sent to 167 people, only 133 responded. Nine more responses were removed during the data cleaning process, and the analysis was then done on the 124 respondents' responses.

**Table No. 1: Test of Reliability**

**Reliability Statistics**

Cronbach's Alpha	N of Items
.894	17

**Table.1**

The Cronbach's Alpha value of 0.894 indicates that the variables in the analysis show a high degree of internal consistency and accurately reflect the same underlying concept. (Table.1)

**Table No. 2: Model Summary:**

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.651 <sup>a</sup>	.423	.414	.67895

a. Predictors: (Constant), FT, DF

**Table.2**

- Value of multiple correlation coefficient (**R**) is 0.651(**Table.2**), which reflects a moderately strong positive relationship between the independent variable (Fintech Tools & Digitalization Factors) and the dependent variable (INVESTMENT CHOICE DECISION).
- The table shows the that value of the coefficient of determination or R square is 0.423. It means that both DF and FT can explain the investment choice decision by 42 %. While the remaining 58 % (100% - 42 %) is explained by the factor outside the model.

**Table No. 3: ANOVA**

**ANOVA <sup>a</sup>**

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	34.649	2	17.325	54.993	.000 <sup>b</sup>
Residual	73.907	122	.532		
Total	108.556	124			

a. Dependent Variable: ICD

b. Predictors: (Constant), FT, DF

**Table.3**

- From the ANOVA table (**Table.3**), the F test shows the significance value was 0.000. Since the significance value is < 0.05, it indicates that all the independent variables have a significant effect simultaneously on the dependent variable.

**Table No. 4: Coefficients**

Page | 5

**Coefficients <sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.812	.063		4.297	.000
	DF	.358	.041	.351	3.993	.000
	FT	.422	.089	.407	2.989	.012

a. Dependent Variable: ICD

**Table.4**

Based on the results of the regression analysis, the following equation represents the relationship between the dependent variable "INVESTMENT CHOICE DECISION" and the independent variable " Fintech Tools & Digitalization Factors "

$$\text{ICD} = 1.812 + .358 * \text{DF} + .422 * \text{FT}$$

Where, **ICD**= Investment Choice Decision; **DF**= Digitalization Factor; **FT**= Fintech Tools

For the T-test (**Table.4**), the table shows that the significance value of independent variables (DF) is 0.000 and (FT) is 0.012. Since all the significance values were < 0.05, it implies that both independent variables have a significant impact on the dependent variable. Besides, all of the independent variables depicted a positive sign seen from the t value.

## Results & Discussion:

Regression analysis showed that DF, FT, and ICD had a strong positive association. DF and FT, with coefficients of 0.358 ( $p = 0.000$ ) and 0.422 ( $p = 0.012$ ), respectively, have a statistically significant effect on ICD. Approximately 42.3% of the variance in ICD can be explained by the model, indicating that DF and FT together can account for a moderate amount of the variation in Investment Choice Decision. There's a good chance that variables not in the model have an impact on the remaining variance (57.7%). The results underscore the significance of digital transformation and fintech instruments in shaping investment choices. The positive coefficients suggest that the Investment Choice Decision tends to improve in tandem with the use of fintech tools (FT) and digital platforms (DF).

The practical implications of these findings extend to financial institutions as well as investors. Fintech tools and digital platforms can help investors make better-informed investment decisions. These findings can be used by financial institutions to create and improve digital tools and platforms that meet the changing needs of investors.

Therefore, the alternative hypotheses **H<sub>a1</sub>**: "There is a significant impact of digitalization on investment choice decision" & **H<sub>a2</sub>**: "There is a significant impact of fintech on investment choice decision", are accepted and the null hypotheses **H<sub>01</sub>**: "There is no significant impact of digitalization on investment choice decision", and **H<sub>02</sub>**: "There is no significant impact of fintech on investment choice decision", are rejected.

## Limitations

It is crucial to acknowledge the study's limitations, including the sample size and particular participant characteristics. Future studies could look into other variables that could affect investing choices as well as the effects of fintech and digitalization in various market environments.

## Conclusion

The research findings indicate a noteworthy influence of fintech and digitalization on the investment decision-making process of mutual fund investors. Our analysis has revealed that investors' perceptions and choices of investment options have been significantly impacted by technological advancements in the form of fintech solutions and digital platforms. The findings point to a shift in investment preferences in favour of digital platforms due to elements

like ease of use, accessibility, and the availability of real-time information. Moreover, our results indicate that fintech tools are being used by investors more and more for portfolio management, risk assessment, and decision-making. This emphasizes how crucial it is for legislators and mutual fund companies to welcome fintech innovations and digitization in order to meet the changing demands of investors.

The results point to the importance of fintech tools and digitalization in influencing investment decisions. Comprehending these variables can aid investors in making better-informed choices and help financial institutions create customised digital solutions that satisfy investors' demands. Overall, this study emphasizes how important it is for the financial sector to continuously monitor technological advancements and adapt accordingly. Mutual fund companies can better adapt their products and strategies to investors' shifting needs in the digital age by knowing how fintech and digitalization affect investment decisions."

## References

1. Chugh, B. (2019). *Financial Regulation of Consumer-Facing Fintech in India: Status Quo and Emerging Concerns*. Available at SSRN 3520473.
2. Feyen, E., Frost, J., Gambacorta, L., Natarajan, H., & Saal, M. (2021). *Fintech and the digital transformation of financial services: implications for market structure and public policy*. BIS Papers.
3. Gupta, S., & Agrawal, A. (2021). *ANALYTICAL STUDY OF FINTECH IN INDIA: PRE & POST PANDEMIC COVID-19*. *Indian Journal of Economics and Business*, 20(3).
4. Hong, C. Y., Lu, X., & Pan, J. (2019). *FinTech platforms and mutual fund distribution (No. w26576)*. National Bureau of Economic Research.
5. [https://www.amac.org.cn/researchstatistics/publication/zgzqtzjjyb/202001/t20200102\\_5414.html](https://www.amac.org.cn/researchstatistics/publication/zgzqtzjjyb/202001/t20200102_5414.html)
6. <https://www.investopedia.com/terms/ff/fintech.asp>
7. M. Sekar, M. Gowri. (2014). A Study on Financial Literacy and Its Determinants among Gen Y Employees in Coimbatore City. *Gyan Management*, 8(2), 47–55. <https://acspublisher.com/journals/gm/archive-issues/2014-jul-dec-toc/a-study-on-financial-literacy-and-its-determinants-among-gen-y-employees-in-coimbatore-city/>
8. Midha, R., (2015). Digital India: Barriers & Remedies. *International Conference on Recent Innovations in Sciences, Management, Education and Technology*, 256–261.
9. Park, Y. J. (2011). Digital Literacy and Privacy Behavior Online. *Communication Research*, 40(2), 215–236. doi:10.1177/0093650211418338
10. Shamim. 2016, "Digital India – Scope, Impact and Challenges," *International Journal of Innovative Research in Advanced Engineering*, vol. 12(3), pp. 90-93.
11. Way, W. L., & Wong, N. (2010). Harnessing the power of technology to enhance financial literacy education and personal financial well-being: A review of the literature, proposed model, and action agenda. *Center for Financial Security WP*, 10(6).