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# Investor's Perception Towards Mutual Fund Investing On The Rise Of Digitalization In Indian Mutual Fund Industry

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## Abstract:

Technological advancement has been playing an essential role in the development of any sector. Even mutual fund industries are more exposed to the advent in the field of financial technology. Advancement in the FinTech arena has been witnessed in every aspect of the mutual fund industry. Asset Management Companies (AMC's) are started using robotics to increase their efficiency of fund management and ease their transaction processing or customer servicing. Investors can access the information online, track or redeem their investment any time of the day. Unified Payments Interface (UPI) and Electronic Clearing Services (ECS) are the online modes of payment facilities adopted by most fund houses. Association of Mutual Fund India (AMFI) has been consistently deploying considerable efforts to ensure that every investor has sufficient information to make informed decisions. Even the Know Your Customers (KYC) process has been completed online and more superficial than earlier days. In this paper, an effort has been made to understand the importance of Mutual Fund investments, the awareness among different investors about the mutual fund, the impact of Digitalization on mutual fund investment, and the information availability to every investor related to the mutual funds.

**Keywords:** Mutual Funds in India, Digital Payments, Digital Footprint, Importance of Mutual Funds, Asset Management, Robo Advisors

## **1. Introduction:**

The Mutual Fund industry in India is undergoing tremendous growth in recent years. With the adoption of newer technologies, Asset Management Companies (AMCs) have managed to reach every corner of the nation to reach millions of investors. Digitalization has created more transparency, which has gained investors' confidence level and made them invest more confidently than before. Each investor has the freedom to get the information online and start investing online by completing a simple online eKYC process. Investors can purchase mutual funds with the click of a button through their mobile application by making electronic payments linked to their accounts. Paperless transactions are increasing, making life easier for the Investment Advisors to concentrate on the returns rather than indulging in any paperwork.

Soon, the Financial Advisors will be replaced by Robo-Advisors with access to the affluence of information online to perform the prediction based on the investors' risk appetite. Nowadays, the use of online calculators for calculating the returns yielded by any specific mutual funds can be computed efficiently. These calculators are available free of cost on every fund house's websites to make investors make confident decisions on their investments according to their future needs. The flow of information between Financial Advisors to their investors about the purchase of redemption decisions has been made easier with the technology's advent. Also, the communication between AMCs to their distributors regarding the new set of policies or product launches has been relatively more straightforward in recent days. Mutual Funds are gaining popularity among investors because of their ability to generate higher returns in the long term than any other investment avenues. Mutual Funds can yield greater returns when compared to your savings bank account or your bank fixed deposits during longer tenure. Mutual Funds can be generating higher returns based on the compounding interest. Also, the investment approach based on SIP can be providing you the advantage of rupee cost averaging, which is even more powerful. Mutual Funds are also considered as one of the less risky investment options as it utilizes the power of diversification.

## **2. Literature Review:**

A most recent study undertaken by Kishore Kumar Das and Shah Nawaz Ali during 2020 confirmed that the adoption of Digitalization in the mutual fund industry had shown a positive trend in the increased participation of retail investors. Distribution channels are making use of this financial advancement to make their work more efficient and investor-friendly. A study conducted by Sujit G Metre and Pranay Prashar during Jan 2019 has concluded that the availability of information and knowledge about mutual funds because of Digitalization has no impact on the investor's perception of online MF investment. An investigation performed by Dikkatwar Ramakrishna, De Tonmay, and Satya Prasad T K during Dec 2019 has concluded that digital interventions are

mostly targeted towards distributors and large investors like corporate and other HNIs. Another research study conducted by Prasada Rao and Manda V K. during 2018, the examination revealed that Blockchain technology would help every stakeholder of the mutual fund industry. It can also provide the advantage of transparency, accountability, privacy, and decentralization. These transparencies could help in increasing the confidence level among the different investors because of this Digitalization.

### **3. Need for the Study:**

Digitalization has provided an excellent platform for the Financial Services industry to operate more efficiently. This has also paved the way for the distributors' increased capacity to reach more customers without much paperwork or involving any physical transactions. Though we are already witnessing much of the digital impact on the FinTech application, much has been left over to explore shortly. With these advancements in place, are the investors taking advantage of these avenues to decide about their mutual fund investment? The perception of investors towards mutual fund investment, their knowledge level about the risk & returns relevant to their assets is still challenging for many to identify or interpret. In this study, we have attempted to understand the importance of investing in mutual funds alongside to study awareness among the investors on risk & return tradeoff based on their investments. We have also analyzed the impact of Digitalization on investors' perceptions of mutual fund investment and even their understanding of the associated fund manager.

### **4. Objectives of this Study:**

The objective of this study is

1. To analyze the importance of mutual fund investment.
2. To understand the investor's awareness about Risk and Returns in mutual fund investment.
3. To identify the impact of Digitalization on Mutual Fund investments
4. To analyze the information available about Mutual Funds amongst investors

### **5. Sampling Information:**

The research has been conducted with the help of Primary data. Primary data has been collected using a structured questionnaire. Statistical tools and graphical methods have been employed for data analysis. Analysis has been performed under different broad categories, as follows:

1. Importance of Mutual Fund investments
2. Investors awareness about Risk & Returns in Mutual Fund investments
3. Impact of Digitalization on Mutual Fund investments

#### 4. Information availability about Mutual Fund amongst investors

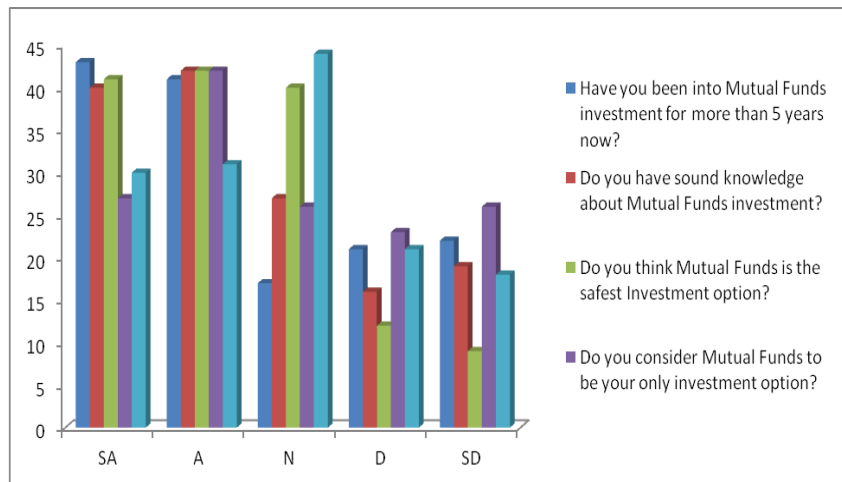
Data is collected by distributing this questionnaire to relevant participants and getting this filled using online methods. Questions covered under this questionnaire have been based on Likert scale measurement. Likert scale is balanced on both sides of the neutral option. We used the Likert scale as the measurement unit, as this is one of the reliable techniques for understanding users' attitude or opinion. Respondents are selected based on their investing patterns. The researcher has collected the data from 144 respondents those who are already invested in mutual funds for the period of short to long term.

### 6. Data Analysis and Inferences:

#### 6.1 Importance of Mutual Fund investments:

**Null Hypothesis (H0):** Mutual Funds are considered as the safest long term investment option.

**Alternative Hypothesis (H1):** Mutual Funds are NOT considered as the safest long term investment option.



**Fig. 1: Importance of Mutual Funds**

Mutual fund investments are considered as one of the safest investment options for long term investors. Most of the investors are parking their amount in mutual funds as long term investments. Based on the Fig. 1 below, it is evident that close to 58% of respondents are long term investors in mutual funds.

They believe that the returns yielded by mutual funds are superior, and hence they wanted to continue their investments into mutual funds. It has also been observed that close to 58% of respondents consider mutual fund the safest investment option. Only 15% of respondents either disagree or strongly disagree with this question. Around 48% of the respondents considered mutual

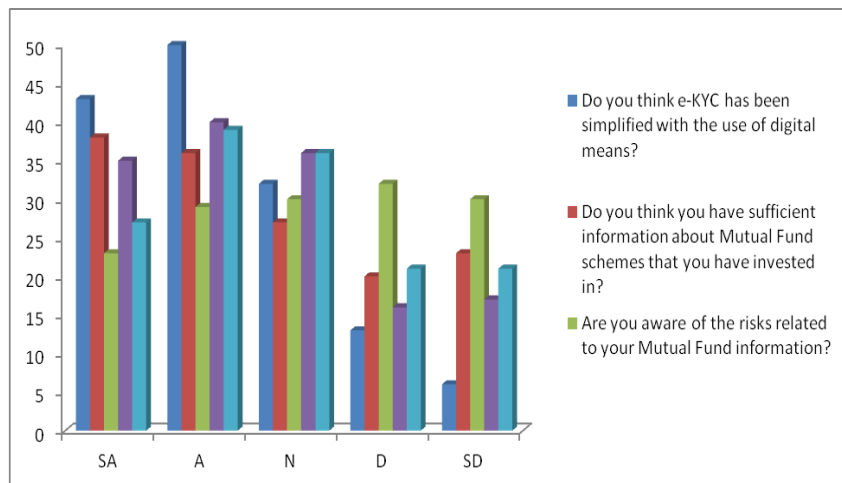
funds as the only investment option. The rest of them have diversified its investment across different available options. It has also been observed that 42% of respondents considered mutual fund investment as their income's tax saving objective. While remaining people are invested primarily for generating capital gain on their invested amount. More than 53% of respondents strongly agree that mutual fund investments are essential for long term investments. Hence we accept the hypothesis and conclude that Mutual Fund investments are a crucial long-term investment option.

### 6.2 Investor’s awareness about Risk & Returns in Mutual Fund investments:

**Null Hypothesis (H0):** Investors are aware of the Risk and Returns in mutual fund investment.

**Alternative Hypothesis (H1):** Investors are NOT aware of the Risk and Returns in mutual fund investment.

Risks involved and the corresponding returns associated with the invested amount should be clearly communicated to the investors. This information is considered to be one of the essential things while making decisions about any investment. From Fig. 2 below, it is observed that only 36% of respondents are aware of the risk associated with mutual investments.



**Fig. 2: Investors awareness about Risk & Returns**

The remaining 43% of the respondents disagree, and they were still unclear about the risks associated with mutual fund investments. But on the contrary, 52% of respondents answered that they were well informed about the returns they would get at the time of maturity. Only 23% of the respondents were not very clear about the returns they will get at the time of maturity. Also, more than 50% of respondents informed us that they clearly understand the mutual fund they have invested in their money. Around 30% of the respondents were

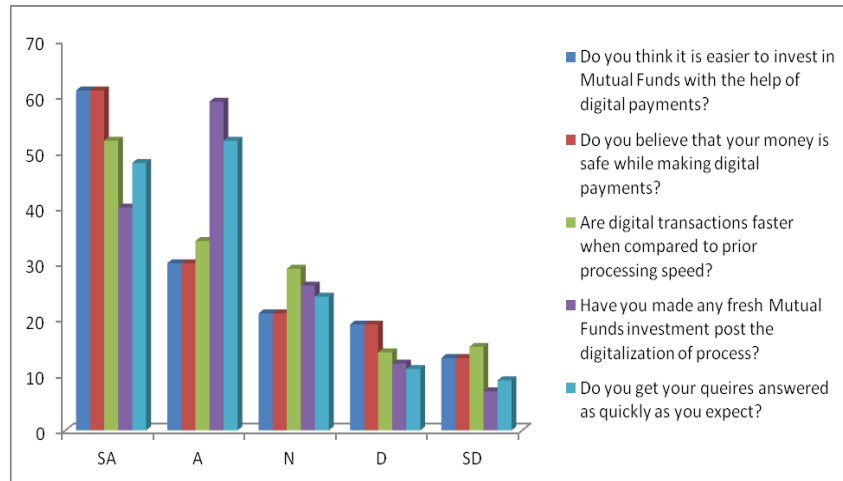
not clear about the investments they made in mutual funds. It is astonishing to see that considerably more people have invested their money without clearly understanding the scheme that they were investing their money. More than 50% of respondents Strongly Agree and Agree as they have the risk and return information about their investment in the mutual fund. Hence we accept the hypothesis and conclude that Investors are aware of the Risk and Return information of the mutual fund investment.

### **6.3 Impact of Digitalization on Mutual Fund investments:**

**Null Hypothesis (H0):** Mutual fund investments have grown due to Digitalization.

**Alternative Hypothesis (H1):** Mutual fund investments have NOT grown due to Digitalization.

Recently Digitalization has been introduced in every financial platform. Also, we are seeing more people are interested in online payments and online investments. This is because of their convenience and to save the efforts involved in other modes of physical transactions. From Fig. 3 below, it is noticed that more than 63% of respondents consider digital payments to have more comfortable, and even they considered that their money is safe while making digital transactions. Only 22% of respondents think that digital transactions are not the safest option for them. More respondents (60%) communicated that digital transactions are faster than their physical transactions used before. It is also interesting to note that around 69% of respondents have made fresh investments into mutual fund post digitalization. Even the same amount of respondents considered that their queries related to any investments are clarified at the earliest with introducing the digital medium. Only 22% of the respondents are still not comfortable with digital transactions and the online mode of query resolutions. More than 65% of respondents Strongly Agree and Agree that mutual fund investments are increased post digitalization. Hence we accept the hypothesis and conclude that Mutual Fund investments are grown due to Digitalization.



**Fig. 3: Impact of Digitalization on Mutual Funds**

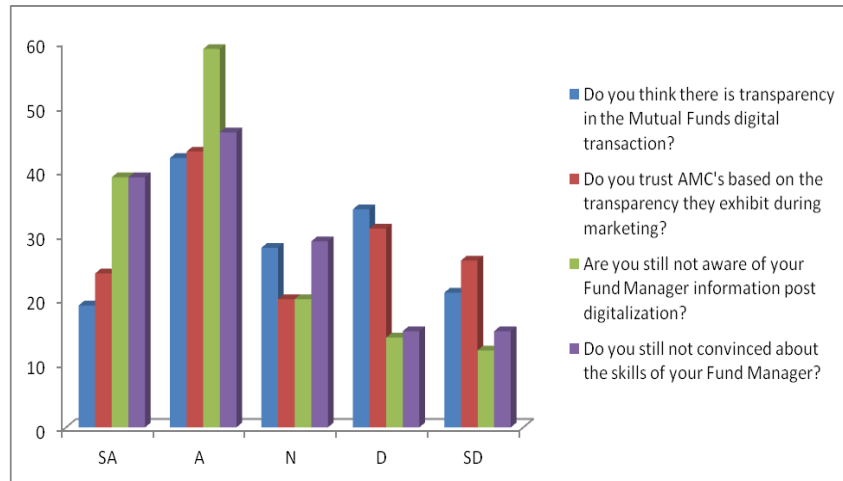
#### **6.4 Information availability about Mutual Fund amongst investors:**

**Null Hypothesis (H0):** All the investment information is NOT available to the mutual fund investors.

**Alternative Hypothesis (H1):** All the investment information is available to the mutual fund investors.

As digital technology is emerging, most people tend to get information online. They used to research online to get the information they wanted before making any decisions. With this advancement, we requested respondents about the information they have about their mutual fund investments. In Fig. 4 below, it is surprising to see that only a limited number of respondents, 42%, have informed that they believe that transparency in the information they get from mutual fund investments. Around 38% of respondents believe that there is no transparency in their knowledge about mutual fund investment. Also, 40% of the respondents did not trust AMC on the initial period's marketing information. Another vital thing to be noticed here is more than 68% of the respondents are not aware of their fund manager who manages their mutual fund investment. With the advancement in the field of digital technology, still, most of the investors are not aware of their fund managers. Even 59% of the respondents didn't trust the skills of their fund manager. They believe that fund performance is based on the market volatility and not based on their fund manager's skills. Only 21% of the respondents believe that the returns generated by their fund are because of the skills of their fund manager. More than 54% of respondents Strongly Agree and Agree as the mutual fund manager or their skills are unknown. Hence we accept the hypothesis and conclude that all the investment information is NOT available to the mutual fund investors.





**Fig. 4: Information availability of Mutual Funds**

## 7. Conclusion:

Based on this study, we observed that most investors are long-term investors in mutual funds. They firmly believe that Mutual Funds investments are yielding greater returns when compared to other investment avenues. They also consider mutual funds as one of the safest investment options which carry a lesser risk. Though we observe that few of the investors are not aware of the risks associated with the investment they make into mutual funds, most of the investors seem to be having the information related to their associated investment. The introduction of technological improvements in the mutual fund industry has paid significantly, making more investors drift towards mutual fund investments by making digital payments. The paperless eKYC process and the purchase, redemption, and other online activities, make investors' lives more manageable in their home comfort. With Digitalization taking deeper inroads, investors are still not aware of their Fund Manager information who manages their mutual fund. Also, the investors are not entirely in the belief that the returns generated from their investments are not associated with the fund manager's skills. Though the information's about every scheme of mutual funds is available online, the distributors and the fund houses should powerfully communicate the importance of the Fund Managers and their skills in handling the crises. We can gain the investors' confidence level to a greater extent, which in turn can result in increased participation of the investors.

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