# Importance of incorporating Advanced FinTech in Mutual Funds: A conceptual Study

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## Abstract

Though we have so many choices to invest our money some investors are not able to find a right choice to invest with or without agents/broker's help. In that case we can make use of technology to find the right source to invest but not sure about the risk profile and returns. As we have agents and brokers to assist investors in investing but they may not provide all the true details to the investors as it may affect their profit and business. This conceptual study reveals the importance of incorporating advanced financial technologies into Mutual funds which helps investors to provide prompt information regarding schemes available, risks incurred and ROI.

**Keywords:** Financial Services; Fintech; Mutual Fund; Decision making

## Introduction

Fintech is a combination of the terms "Finance" and "Technology" and it refers to the use of technology to enhance or automate financial service and process in any kind of business. It never fails to serve both consumers and businesses. It also aims to compete with traditional financial methods in the delivery of financial services to the consumers. It is the emerging industry to improve the activities in finance that uses new technology as well.

Though India is flooded with numerous investment avenues, few are giving very high return and also due to high inflation rate the real return would also be low. A retail investor may not have the sufficient knowledge and time to invest directly in capital market. They also do not have the price sensitive information available in the public to decide when to and where to invest. Mutual Fund investment is one of the best solutions for the above said problem where in the funds will be managed by the experts who will ensure better liquidity and better returns.

## Digital Finance

(Biyun Ren, 2018) conducted a study to know the financial exclusion in the development of digital finance. The significant factors influencing the financial exclusion in digital finance include the personal characteristics of the rural residents, the understanding of digital finance, digital financial infrastructure, the development of digital finance and the social environment. Understanding about digital finance and digital financial infrastructure have no significant effects on the exclusion degree of internet lending in the rural area. The use of other financial products and service has effects both on whether there is the internet lending exclusion in the rural area. Whether installing the application of stock or fund in the mobile phone has significant effects on whether there is the internet lending exclusion in the rural area. Some of the areas to be concentrated for Digital Finance are promotion of knowledge of digital finance though financial education; improving the system of digital financial services in rural areas; strengthening the safety of digital finance and encouraging the innovation of digital financial products.

**FinTech Platforms and Strategy**

(Vasant Dhar, Oct 2017) conducted a study on economic and business decision to know about the FinTech platforms available in the market and strategies to be used. Internet businesses are increasingly structured as platforms, and in most markets, a few such platforms ted to dominate. Per-to-peer lending and robo-advisor platforms are recent instances of complete platforms in finance. Lending Tree, for example, is "open" and provides the technology infrastructure and processing required to connect lenders and borrowers directly. Robo-advisors are openly accessible to retail investors and aim to do much of what human advisors have traditionally done-screening investments and providing standard analytics like portfolio optimization-through technology. Alternate strategy for Fintech platform completion is Component replacement aimed at introducing functionality that is cheaper, faster or safer relative to legacy platform components. A compelling Fintech example is the potential for Blockchain technology to replace legacy post trade processes that currently require trusted third parties such as clearing house and depositories to manage and administer the clearing, settlement and custody associated with trades and payments. The limitations faced are Customer acquisition and regulatory compliance activities in finance can be very expensive for new comers, making it difficult to dislodge incumbents. At the same time, incumbents tend to resist ceding access to their customers and this aversion will likely induce them to pursue strategies centered on acquiring innovators for platform completion or component replacement while exploiting the existing levels of trust embodied in their brands. Some of the areas to be concentrated by future investors and consumers of financial services begin to trust FinTech platforms in the way they have for retail and travel, then financial advisory and intermediation activity may well go the way of manufacturing and brick-and-mortar retail stores.

**Financial Risk Tolerance**

(R Mohan, 2017) described financial risk tolerance has relation with the education level, age, marital status, number of dependent, tax benefit associated with financial product and loan structure, but is not related to gender, income level and insurance coverage of the client. Investors do not follow a regular investment pattern throughout the life course but it changes owing to the influence of varying socioeconomic aspects. The overall risk profile of an investor can be used by financial advisors to help them select proper financial product for investment. Assessment of financial risk tolerance is an important measure both for the investor as well as advisor and should be used for better decision making and promoting suitable financial products to the prospective investor for better success.

**FinTech Revolution**

(Peter Gomber, 2018) presented a new fintech innovation mapping approach that enables the assessment of the extent to which there are changes and transformations in four areas of financial services. They discussed about operations management in financial services and the changes occurring; technology innovations that have begun to leverage the execution and stakeholder value associated with payments, cryptocurrencies, blockchain, and cross-border payments; multiple innovations that have affected lending and deposit services, peer-to-peer (P2P) lending, and social media use; issues with respect to investments, financial markets, trading, risk management, robo-advisory and services influenced by blockchain and fintech innovations.

**Relation between Stock Market Return and Mutual fund Return**

(Biswas, 2020) has conducted a study on selected mutual fund schemes to know the relationship between the stock market return and mutual fund return. The returns of HDFC Equity Fund-G, Aditya Birla Sunlife Frontline Equity Fund-G, SBI Bluechip Fund-G and HDFC Midcap Opportunities Fund-G mutual funds schemes show high positive correlation with the return of Nifty. Positive change in the Nifty will lead to a positive change in NAV of the four mutual fund schemes which is evident from the value of beta coefficient that is greater than 1.

**Ethical Sales Behaviour**

(Roman, 2003) conducted a study on financial services industry to know the impact of ethical behaviour, customer satisfaction, trust and loyalty to the company. Ethical behaviour has a major impact on development and maintenance of the buyer-seller relationship. Therefore, financial services companies that value the critical importance of long-term relationships with their customers should achieve an environment where the potential for unethical behaviour is at a minimum. The key role of front line employees' ethical behaviour in keeping customers satisfaction and making them into better customers, by increasing customer satisfaction (indirectly), trust, and loyalty to the bank. Customer loyalty to the bank was positively influenced by ethical sales behaviour. Further studies of ethical sales behaviour could investigate the construct from the perspective of the salesperson.

**Concept Mapping**

(Bruce A. Leauby, 2010) conducted a study in Financial services to bring out Concept mapping. He proposed two significant results: (1) concept mapping is rated as a valuable learning tool by good concept map creators; and (2) better students indicate a preference for mapping software rather than creating maps mutually. The data do not statistically support the hypothesis that students exposed to traditional instruction with concept mapping activities learn more, as measured by examination scores, compared to students in a traditional instruction setting. Future study may be helpful if researchers come up with experiment with concept mapping, thereby helping refine and generalize the results to the entire accounting field and adding a new learning tool to educate future accountants.

**Investors preference and perceptual mapping of Mutual Fund**

(Kasilingam & Jayabal, 2011) conducted a study to understand the investors' preference and perceptual mapping of Mutual Fund schemes. Different mutual fund schemes are mapped using multidimensional scaling from customer perspective on the features of different schemes. The study found the perception of individuals which are highly influenced by investors' past investment experience, family income and number of earning members in a family. The Mutual Fund schemes were categories according to the investors taste and preference.

## Conclusion

Since India has 44 Mutual Companies (Bank Bazaar, 2019) which are operated under different schemes, and to avoid confusion, we can classify the schemes according to its performance, (Mutual Fund Ranking, 2019). Also, the categorization of investors according to the risk profile and ranking of schemes is very much essential to know investors needs. Thus, the mapping of investors with different mutual fund schemes according to its performance. The study also proposed to create a model which can be used for the industry to counsel the investors and for their business. Also it essential for proposing a new innovating technology in financial services to serve the investors to provide secure and true information to them.

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