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Impact of Digitalization on Mutual Fund Services – an Analysis of Stake Holders Opinion

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Abstract

Present days world is filled with digitalization. Whether we accept or not, its impact is on every goods and services under the sun. Likewise digitalization has its impacts on Mutual funds services too. So in this paper an attempt is made to understand the Impact of Digitization on Mutual Fund Services by analyzing the opinions of representatives AMC, Investors and Advisors.

Key words: AMC, Investors, Financial Advisors, Mutual funds.

Introduction

“Digitization” this word has gained more prominence to today's business word. It is considered as one of the key for business successes. It is considered as boon specially for service sector. We can expect that, digitization shall help the business to provide new hopes of operating efficiency and related profitability. Now a days, Digitization has become Omnipresent. Especially in the financial services area, it is the mutual fund industry that has taken its advantage the most.

The mutual fund sector is a promising in the digitization in the financial service sector in India. Some of the the relevant stakeholders in a mutual fund service are the Asset Management Company (AMC), Investors (retail as well as institutional), Financial Advisors. An vital role in the smooth functioning of the mutual fund business are played by these stakeholders.

To understand the the actual impact of digitization on Indian mutual fund industry, researcher has to understand its impact on these stake holders. So In this regard, This researcher has studied the opinion of 3 stake holders namely, Asset Management Company (AMC), Investors (retail as well as institutional), Financial Advisors are taken in to account.

MF Investors: This is a digitalization era. In this digital world, the investors can get most relevant information quickly, it promotes them to invest directly (without taking agents / financial advisors help), which results in less cost of investment, easy to invest, switch and also easy for redemption of funds. In this regard digitalization has benefited the investor a lot. But most of the times these benefits can't be reaped by the rural population due to lack of knowledge. There comes a role of financial advisors.

Financial Advisors: In Indian Mutual fund Industry, Financial Advisors are playing vital role by educating most of people about working of Mutual funds or Mutual fund Mechanism and encourage them to invest in the same. These advisors are of 2 types namely Individual Financial Advisors and National Distributors. Indian Mutual fund Industry has grown to this extent , it has major contribution of Financial advisors specially in educating India's Rural society.

Asset Management Companies (AMCs): The impact of digitization on AMCs, can be understood when we see reduced amount of paper work, and in some cases total or complete elimination of paper work. AMCs always tries to connect its investors and distributors with the help of digital technologies using social networking, mobile apps, instant messengers, etc. If we understand the most advanced level of digitization, AMCs always prefers conduct all the transactions right from investing money to redemption, should happen using digital platforms.

Literature Review

The literature which is available are very less and countable in this area. and it's available only in the form of articles. The researchers have studied and published papers on digitization and banking, digitalization and stock market, but very few researchers have conducted studies on digitization and MF, So most relevant articles are hardly available in this area. In this regard, researcher has used focused group method of study, The review of literature has thrown a light on following issues, faced by the MF industry in digitized world.

- 1) When we look at the investment pattern, MF industry has to work on tier 1 and tier 2 cities to attract investment from those cities and it is another challenge to attract rural investment to mutual funds.
- 2) It was found through literature review that Most of the investors choose to stay away from mutual funds, fearing from Stock market fluctuations. So it is a high time to Create awareness among them.
- 3) The growth rate of MF industry is not enough to attract the investable surplus from the interested investors. The MF industry must work on its strategies to attract atleast 5% investable amount.
- 4) When we look in to popularity of Mutual fund products, very few can be listed out. one of the reason may be sales persons may not be very clear about product details which fit to investors specific needs.

Research Methodology

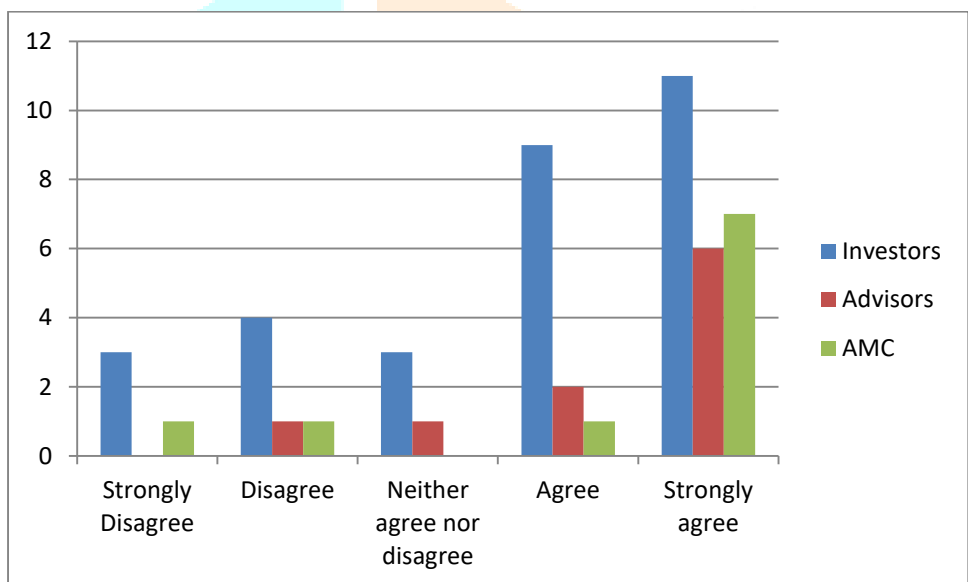
Researcher has adopted survey method of research to know the views of the three different stakeholders of mutual fund namely, AMC representatives, Advisors and Investors. The total sample size was 50. Out of that, AMC representatives are sample size represents 20% of whole sample size, 20% of sample was represented for advisors and 60% was investors. After conducting survey, answer give by these stake holders were analyzed to identify the perceptions and similarities/dissimilarities between perceptions of three stakeholders, if any. The purposive sampling method was used for the survey.

Data Analysis and Interpretations

Table 1 Digitization has made compliance easy

Digitization has made compliance easy						
Respondents	Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	Total
Investors	3	4	3	9	11	30
Advisors	00	1	1	2	6	10
AMC	1	1	00	1	7	10
Total	4	6	4	12	24	50

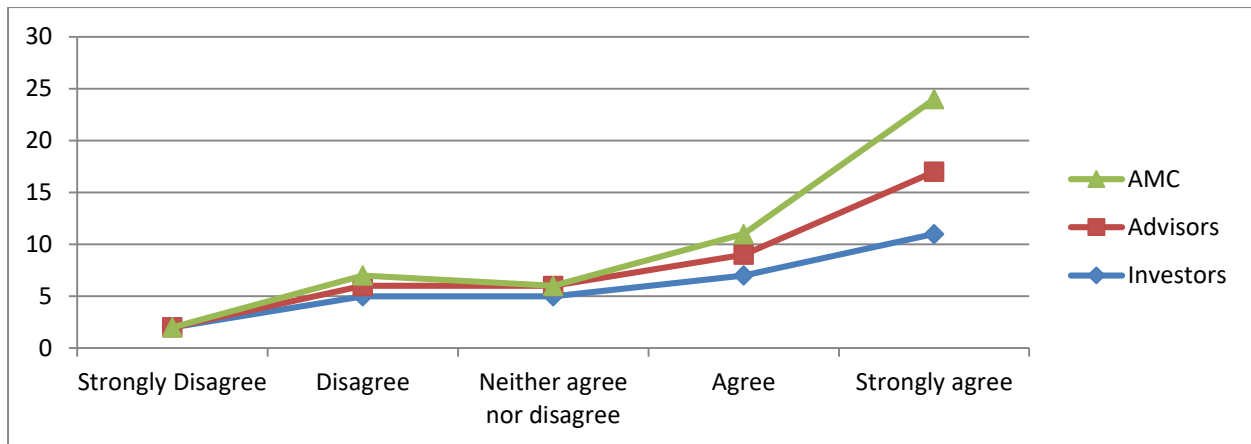
Chart 1 Digitization has made compliance easy



Interpretation: Compliance is given more importance by the Government and the investors and the associated stakeholders. In that case, digitization of the processes has given relief for most of the mutual fund stakeholders. But within the three categories of respondents, Investors are not seen overly optimistic in their responses. But still there is agreement that Digitization has made compliance easy

Table 2 Digitization has helped mutual fund industry to be Transparent

Digitization has helped mutual fund industry to be Transparent						
Respondents	Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	Total
Investors	2	5	5	7	11	30
Advisors	00	1	1	2	6	10
AMC	00	1	00	2	7	10
Total	2	7	6	11	24	50

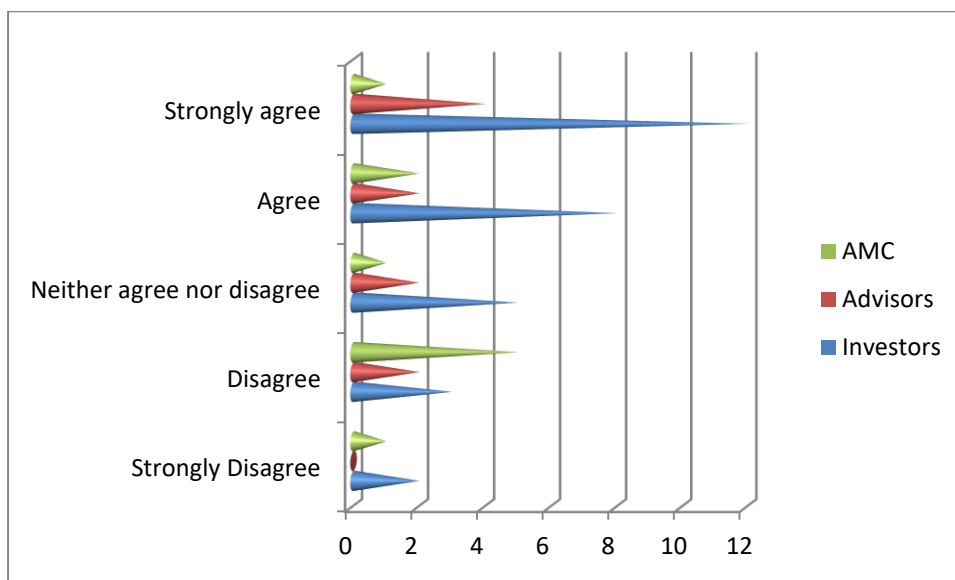
Chart 2 Digitization has helped mutual fund industry to be Transparent

Interpretation: In general we think that, Digitization has enabled enhanced transparency in the mutual fund industry, but Some of the investors are not positive about this. Reason may be more disclosures that are mandated by SEBI. But apart from some, majority of stake holders have agreed that Digitization has helped mutual fund industry to be transparent.

Table 3 Digitalization has attracted the Mutual Fund investment from rural areas.

Digitalization has attracted the Mutual Fund investment from rural areas.						
Respondents	Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	Total
Investors	2	3	5	8	12	30
Advisors	00	2	2	2	4	10
AMC	1	5	1	2	1	10
Total	3	10	8	12	17	50

Chart 3 Digitalization has attracted the Mutual Fund investment from rural areas.

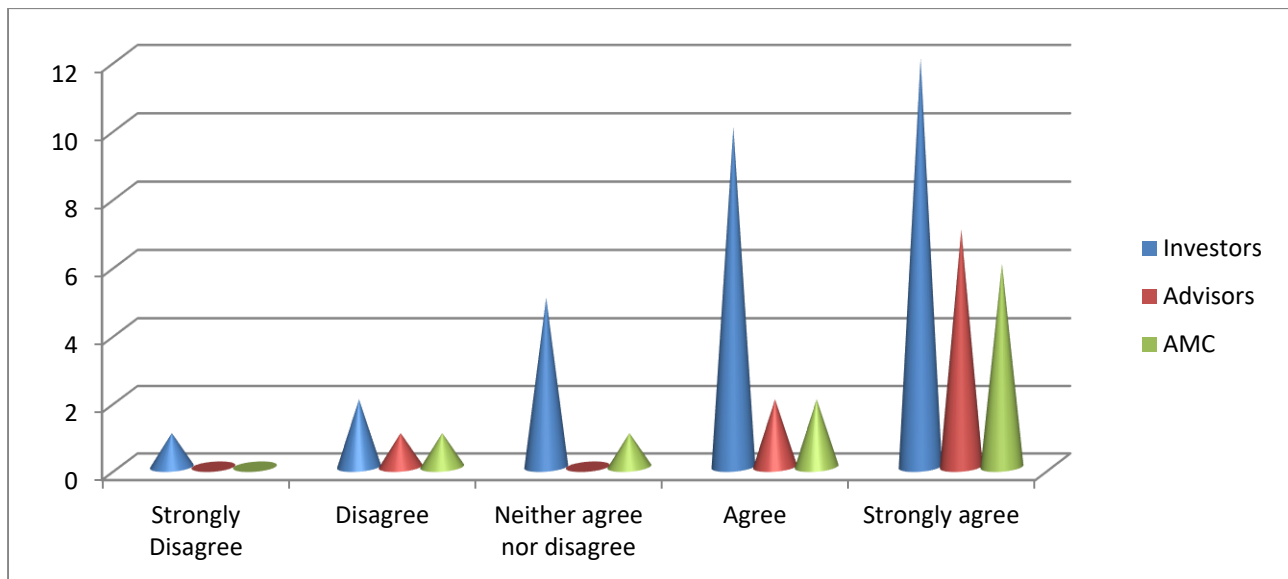


Interpretation: In a Country like India, if rural population participates in any product or service, it would be considered as successful. It applies to mutual fund industry too. Surprisingly, some of AMC and Advisors are not agreeing to this. But investors are agreeing this fact.

Table 4 Digitization has helped MF industry to meet the needs of different investors with Taylor made services

Digitization has helped MF industry to meet the needs of different investors with Taylor made services						
Respondents	Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	Total
Investors	1	2	5	10	12	30
Advisors	00	1	00	2	7	10
AMC	00	1	1	2	6	10
Total	1	4	6	14	25	50

Chart 4 Digitization has helped MF industry to meet the needs of different investors with Taylor made services

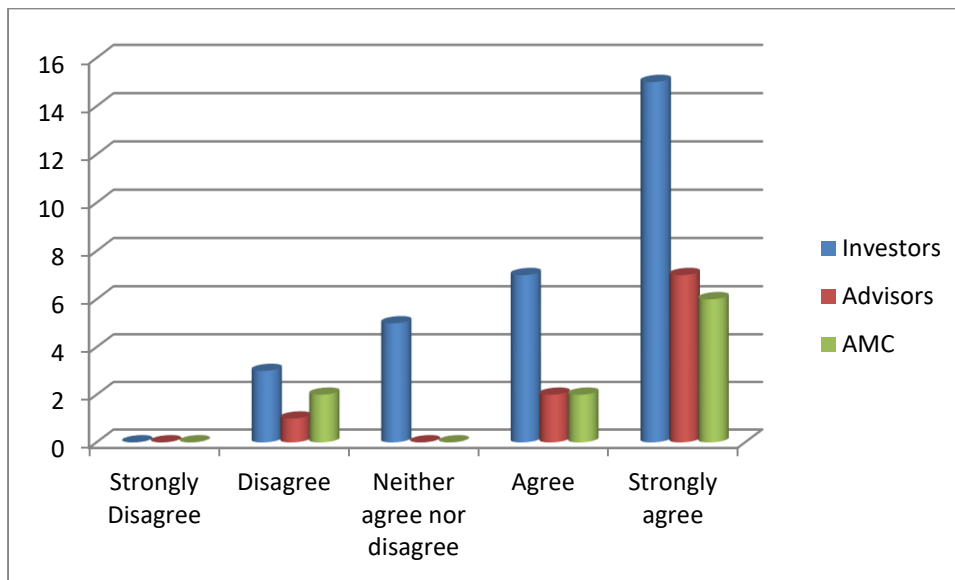


Interpretation: Meeting customer needs is a basic motive of every business because every customers needs are different and unique. However, Digitization has helped in satisfying needs of different investors with the help of taylor made services. A higher degree of agreement has been observed among the The investors who, feel that now, they can deliver a better service to their clients as technology supports them in a greater way. Advisors also agree that digitization has helped in providing customized services to their clients..

Table 5 Digitization has increased the accuracy and speed in processing of transactions.

Digitization has increased the accuracy and speed in processing of transactions.						
Respondents	Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	Total
Investors	00	3	5	7	15	30
Advisors	00	1	00	2	7	10
AMC	00	2	00	2	6	10
Total	00	6	5	11	28	50

Chart 5 Digitization has increased the accuracy and speed in processing of transactions

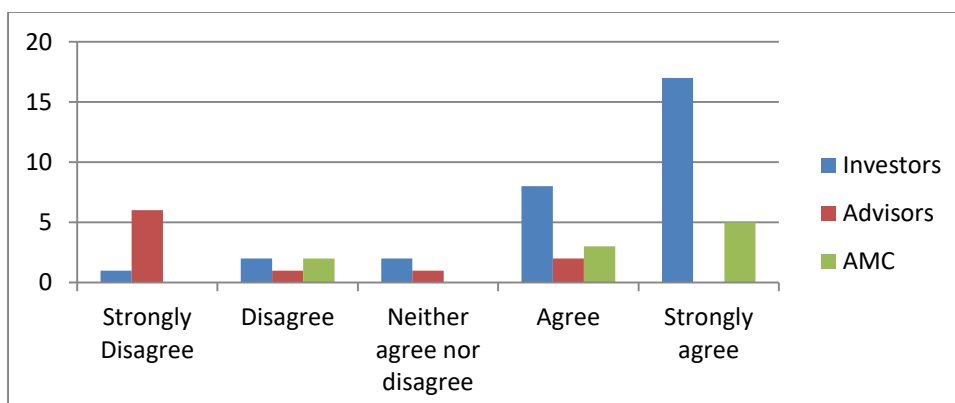


Interpretation: All most a decade back, all most of the transaction were taking place through the manual processing mode; then, a human error was common. But now, with the help of digitalization, online investing and linking of bank accounts and investments with AADHAR, a most of the of transactions are executed without any error. Thus, Most of the respondents across categories agree that digitization has enabled efficient processing of transactions in terms of accuracy and speed.

Table 6 Is it safe to invest in Mutual funds using Internet (Online)

it safe to invest in Mutual funds using Internet (Online).						
Respondents	Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	Total
Investors	1	2	2	8	17	30
Advisors	6	1	1	2	00	10
AMC	00	2	00	3	5	10
Total	7	5	3	13	22	50

Chart 6 Online Mutual Fund investments are safe.

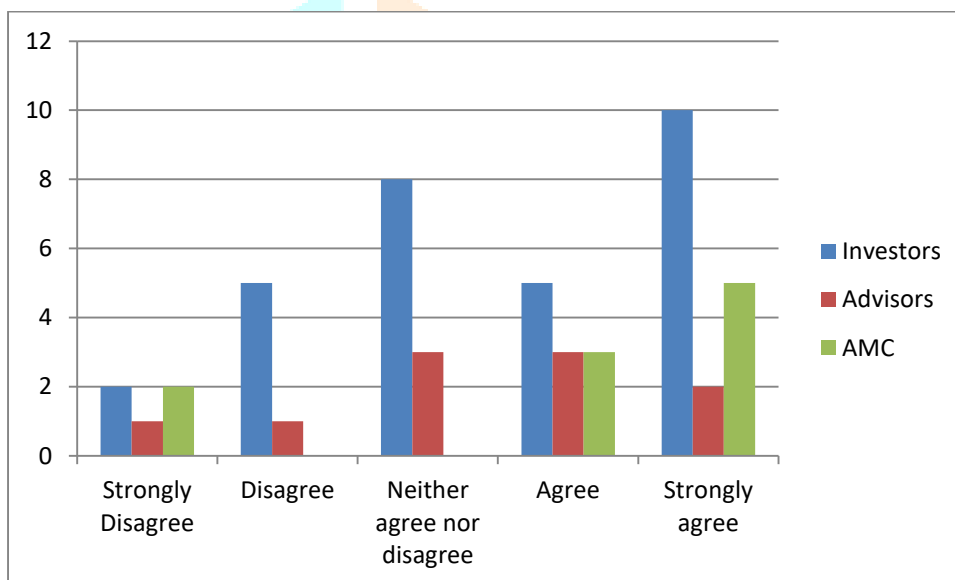


Interpretation: It is good to know that majority of investors agree that online mutual fund investing is safe. But surprisingly Advisors are disagreeing this, it may be, because of losing their business if investors start investing direct funds than regular funds.

Table 7 Cyber security in India is capable of handling a Online fraud

Cyber security in India is capable of handling a online fraud						
Respondents	Strongly Disagree	Disagree	Neither agree nor disagree	Agree	Strongly agree	Total
Investors	2	5	8	5	10	30
Advisors	1	1	3	3	2	10
AMC	2	00	00	3	5	10
Total	5	6	11	11	17	50

Chart 7: Cyber security in India is capable of handling a Online fraud



Interpretation: I recent times, there has been growing confidence on legal system in India. Cyber security measures has been no exception to this growing confidence. So, Not Only the AMCs But also all the Advisors as well as Investors agree that Cyber security in India is capable of handling a Online fraud

Suggestions

Interpretation of results of research has made researcher to give some suggestions to AMC in particular. As researcher observed, 26% of stake holders are disagreeing the fact that, Digitalization is attracting investments from rural and remote areas. Most of the advisors think that, Online investment is not safe. In this regard, AMC's must work on and Trust and knowledge issues must be targeted collectively. Simply saying "Sahi Hai" is not sufficient. The whole product and marketing mix must be altered keeping a eye on digitalization.

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