

DIGITALIZATION OF MUTUAL FUND INVESTMENTS AND FINANCIAL SERVICES: OPPORTUNITIES AND CHALLENGES

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Abstract

The current quick time of digitization presents gigantic openings as well as challenges in each region of financial action, including the shared support industry. Speculators encounter modern openings and challenges and welcome them by overhauling their information through different implies of digitization. The current ponder gives a nifty gritty see of the openings and challenges that digitization has displayed to common reserves and person speculators in this advanced commerce time. The consideration is based on auxiliary sources of information. Numerous shared support benefit suppliers are seeing positive openings and more complex challenges due to quick digitization in shared support promotion, which in turn has enchanted clients by bringing more noteworthy proficiency to common support administrations. Numerous AMCs and shared finance merchants are grasping the changes brought almost by mechanical progression brought almost by digitization and making strides in web networks to extend their trade potential through expanded financial specialist fulfillment. The budgetary division is experiencing an enormous change with the digitization of shared support speculations and money-related administrations promising more prominent openness, effectiveness, and innovation. ; This commitment assesses the effect of digitization on the shared relations and working of the specified interested parties towards the realization of individual purposes. The common support division in India may be a promising illustration of digitization within the budgetary administration division. The cash collected in a common finance plot is contributed by proficient support supervisors in stocks and bonds etc. taking after the speculation objective of the plot. The returns/profits created by this collective speculation plot are dispersed proportionately among the financial specialists, after deducting pertinent costs and demands, by calculating the "Net Resource Value" or NAV. In return, common reserves charge a little charge. In brief, common finance may be a collective pool of money contributed by a few financial specialists and overseen by a proficient finance director. This article evaluates the complex world of digitization in common support contributing and budgetary administrations, uncovering the complexities, issues, and challenges that exist in this evolving relationship.

Keywords: Mutual Funds, Digitization, SIP, AMC, Financial Services.

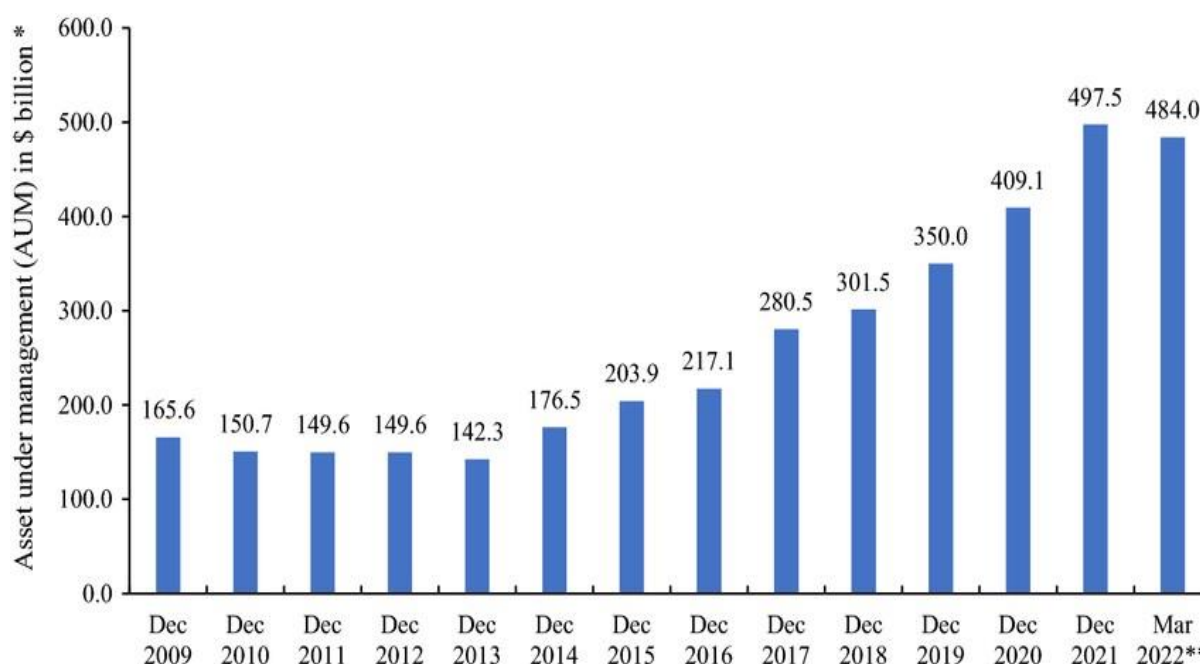
INTRODUCTION

The digitization of much of India's economy over the past few long time has been one of the foremost vital variables contributing to the country's emotional financial shifts these a long time have brought. The money-related industry has not been safe from the significant impacts that digitization has had on the way organizations work; in truth, he was one of the most recipients. The adoption of advanced innovation in funds has led to many positive outcomes, the foremost outstanding of which are enhancements in comfort, efficiency, and access to different budgetary administrations. Dealers, brokers, and other middle people who handled exchanges on paper overwhelmed the Indian monetary administration segment. In today's world, the hustle and flurry of the exchanging floor has been supplanted by the calm operation of computers that execute trades. Because of this, users can now complete transactions with a few taps on our portable devices rather than having to rush to the bank for even the smallest purchases. All of this is possible because

of the growing use of cutting-edge advancements in the Indian money-related business. All-inclusive, digitization has become important as a foundational element for governments and corporations.

Particularly for the benefit division, this can be seen as an enormous boon. Digitization has brought around the revealing of a modern worldview in which businesses fulfill their partners in unused and cost-effective ways. Digitization is anticipated to assist businesses enter more up-to-date domains of operational effectiveness and related productivity. Digitization has ended up omnipresent. In budgetary administrations, in specific, the common finance industry profited the foremost. The shared finance sector in India is a promising case of digitization within the budgetary administration segment. Resource Administration Companies (AMCs), financial specialists (retail and organization), budgetary counsels (people and national merchants), recorders and exchange operators (RTAs), and banks are noteworthy partners in our common trade.

These partners play a fundamental part in the smooth working of the shared finance commerce. the shared support industry has advanced to utilize innovation intellectuals in all its forms – client benefit, exchange execution, and support administration. Digitization of the installment range is the key to the fast rise of the industry in later a long time.



Source: https://www.researchgate.net/figure/Growth-in-Indian-mutual-funds-this-figure-depicts-the-value-of-Asset-Under-Management_fig1_367335491

The investigation also concluded that digitization is likely to lead to a move toward a coordinated venture. Financial specialists will be able to get data and conduct exchanges without the help of mediators. Be that as it may, the impacts of digitization are not limited to person financial specialists within retail advertising. The joining of advanced and arrange innovations has pushed the advanced economy to the cutting edge of financial and social exercises, opening modern entryways of opportunity for regulation speculators. These regulation financial specialists incorporate wander capital firms and private value stores. These financial specialists are progressively turning to computerized stages to discover and contribute to attractive startups and other high-growth businesses to contribute within. The digitization of India's venture and money-related markets brings with it numerous benefits, but too numerous impediments. One of the foremost noteworthy impediments is the necessity to ensure the protection and security of client information, which is vital to preserve the belief and certainty of financial specialists in advanced stages. Another obstacle is the have to anticipate digitization from marginalizing certain sub-groups of the populace, particularly those without access to computerized innovations.

LITERATURE REVIEW

Mwabuli Eric, Gwacha Annaba Hati, (2023) The author of this study attempted to evaluate the impact of mutual fund cash flows on investor returns - quantitative secondary data used in this investigation. EC, FG, and IR are its three variables. Using secondary data, this eight-year study focuses on investors in Tanzania. This

analysis shows that mutual funds offer strong returns and that the economy and fund growth are favorable. **Karunamoorthy, (2022)** Conducted her investigation to compare private and public sector enterprises and understand the differences in returns between different groupings. Furthermore, an attempt was made to determine the investor's attitude towards investing, the ability to tolerate risk, and the degree of preference for choosing a mutual fund provider based on risk tolerance. The study shows that investors consider critical factors including fund quality, service quality, product core, and other characteristics when investing in mutual fund products. It was also found that every plan that was studied worked effectively. **Khunchi, (2022)** Found that the performance of the selected schemes differed significantly from each other, as did the return each scheme generated from the corresponding benchmark index. **Jayalakshmi. A. & Fathima, (2021)** Concluded that the establishment of UTI marked the beginning of the Indian mutual fund industry, followed by the entry of mutual fund companies backed by nationalized banks and insurance providers. Investors now have access to a wide variety of fund families thanks to the introduction of private-sector funds into the mutual fund industry. Mutual funds offer several different types of schemes, the most famous of which are Income Funds. Compared to public sector mutual funds, most of the private sector mutual funds are performing better. **Anuja Magdum, (2019)** "A Comparative Study on Mutual Fund Schemes of Selected AMCs in India" was the subject of inquiry. This study compares the mutual fund schemes of a few public and private sector AMCs in India to offer better returns for the schemes that AMCs guarantee. The purpose of the data collection for the study is to compare four AMCs with one another over a period of five years. Fixed deposit rates are employed to provide a risk-free return, and information is gathered from value research, AMFI, and Yahoo Finance websites. This study employed beta and CAGR as its techniques. This study employed beta and CAGR as its techniques. The study looked into how well equity-based mutual fund schemes performed in India, and it found that the private sector outperformed the public sector.

RESEARCH METHODOLOGY

Research design:

Exploratory strategy in research utilizes quantitative approaches to gain a thorough understanding of the investigated topic. A range of data collection methods, such as surveys and interviews, address research problems from multiple angles, deepening the understanding of the subject. This method is valuable for examining complex occurrences, especially in fields with limited published literature. Qualitative techniques like observations and interviews provide insights into participants' experiences and behaviors, while statistical analysis using quantitative techniques, such as surveys, uncovers patterns and trends among larger populations. The mixed-methods approach combines the strengths of both qualitative and quantitative procedures, ensuring the validity and reliability of results. Triangulation, integrating data from various sources, enhances the validity of research findings and facilitates a comprehensive understanding of the studied phenomenon.

Data Collection:

The paper is based on secondary data, and this section details the sources of data used in the study. This could include academic journals, industry reports, government publications, and other relevant resources related to mutual fund investing and the digitalization of financial services.

Research objectives:

Identify the opportunities offered by digitization in increasing the efficiency and accessibility of investments in mutual funds and financial services.
Explore the challenges and obstacles associated with the digitization of investments in mutual funds and financial services.

5. Opportunities in The Digitization of Investments in Mutual Funds:



Diversification: The proverb "don't put every egg in one basket" holds for mutual funds because it reduces risk when investments are spread over a variety of securities and assets. For example, instead of investing in individual firm stocks as direct stock investing does, equity mutual funds spread risk by investing in a range of companies across industries.

Professional Fund Management: Full-time professional fund managers who have the knowledge, experience, and assets necessary to buy, sell, and manage investments are in charge of managing mutual funds. The fund manager monitors the investments and manages the portfolio's balance to achieve the program's objectives.

Transparency: All mutual funds have a scheme information document that provides investors with all the information about the fund manager, holdings, and other details. This document is easy to find on the fund website. To help investors track mutual fund portfolios, the portfolio investment value (NAV) is additionally published daily on the official websites of AMC and AMFI.

Liquidity: On the redemption day, which is any business day, users can redeem their assets for CIH. As a result, the amount of money that is invested will be deposited into the bank account within one to three business days, based on the mutual fund type that has been chosen. Closed-end fund redemptions are permitted, but only after the mutual fund reaches maturity. Additionally, ELSS mutual funds have a three-year lock-in period.

Tax Savings: Under Section 80C of the Income Tax Act, 1961, investments put up to Rs. 1,50,000 in ELSS mutual funds are eligible for tax benefits. If kept for a longer period of a period mutual fund investments are tax-efficient.

Choice: Options are available when it comes to investing in mutual funds to satisfy multiple requirements. To name a few, solution-focused mutual funds are great for saving for a specific goal, such as the children's college

education or retirement; liquid funds are good for investors who want to take advantage of low-interest rate risk and the safety of debt; and flexible capitalization funds are good for investors who want to diversify their equity holdings.

Cost-effective: Mutual funds are a reasonably priced option for investing. Because mutual funds combine the assets of several participants, they can invest in a variety of equities and debt instruments that would otherwise be out of reach for the average investor or need a bigger investment amount. Thus, these combined investments create economies of scale. Investors receive reduced fund fees in return, which include costs associated with brokerage and other related expenses. It makes sense because using ET Money to invest in direct mutual funds will allow users to further reduce their spending.

Returns: Mutual funds carry some market risks, and there's no assurance on those risks. However, over time, equities mutual funds have the potential to provide yearly returns in the double digits. Debt funds might potentially generate higher returns than bank savings. Anyone can also use a mutual fund calculator to calculate the possible returns.

Well-regulated: In India, the Securities and Exchange Commission of India (SEBI) regulates the mutual fund sector. To provide investor protection, risk reduction, liquidity, and equitable valuation, mutual funds are obligated to adhere to strict rules and regulations.

Challenges Facing Digitization in Financial Services:



Cyberthreats: Data breaches, phishing schemes, and virus attacks are just a few of the cyber- attacks that can target digital platforms. Strong cybersecurity measures are essential for financial organizations to invest in if they want to safeguard confidential customer data and prevent further breaches.

Privacy Concerns: Collecting, maintaining, and using personal and financial data gives rise to several concerns regarding privacy. To keep customers' trust and stay out of trouble with the law, businesses must abide by data protection laws like the California Consumer Privacy Act (CCPA) and the General Data Protection

Regulation (GDPR).

Regulatory compliance: High compliance requirements and a complicated regulatory structure governing the financial services industry. New regulatory obstacles relating to data management, international trade, and consumer protection are brought about by digitization, and these problems require continuous adjustment to evolving regulatory structures.

Integration of legacy systems: A significant number of financial organizations still use antiquated legacy systems that are incompatible with modern digital technology. Technical difficulties and large expenditures for system migrations and upgrades arise when integrating digital platforms with traditional systems.

Technological infrastructure: It's challenging to create and keep up an effective technological infrastructure that can support digital financial services. Reliable data storage systems, fast data networks, and scalable cloud computing solutions are a few examples of infrastructure requirements.

Digital divide: the digital internet connectivity and access to digital technologies are referred to as the "digital divide." Inequalities in financial inclusion may worsen for some demographic groups, especially in underprivileged areas and rural locations where access to digital financial services may be impeded.

Financial crime and fraud: Cybercriminals and con artists can take benefit of weaknesses in digital platforms to commit financial crimes. Robust fraud detection systems, transaction monitoring systems, and anti-money laundering (AML) procedures are necessary for avoiding fraudulent behavior and reducing financial risks.

Disruption of traditional business models: digitization of financial services disrupts traditional business models have been challenged by increasing digitalization of financial services, which also affects traditional distribution methods. Established financial institutions need to embrace innovation, encourage agility, and look into new revenue streams to adapt to the rapidly evolving environment.

The complexity of financial products: Given the broad selection of financial products and investment possibilities available on digital platforms, investors' decision-making is becoming more and more difficult. To enhance user experience and advance financial literacy, it is imperative to guarantee openness, give customized investment advice, and simplify product offerings.

CONCLUSION AND FINDING

The conceptual research paper "Digitization of Mutual Fund Investments and Financial Services: Opportunities and Challenges" concludes with a comprehensive overview of the transformative impact of digitization on the mutual fund and financial services industry. The rapid pace of digitization in today's economy has brought significant opportunities and challenges, especially in the area of investment in mutual funds. Through an analysis based on secondary data sources, the study sheds light on the multifaceted impact of digitization on mutual funds and individual investors, highlighting the positive opportunities arising from increased efficiency and accessibility alongside the complex challenges brought about by technological advances. It highlights the proactive adoption of digital technologies by asset management companies (AMCs), mutual fund distributors, and other stakeholders to increase investor satisfaction and business growth potential. The paper assesses the wider impacts of digitization on the mutual relations and functioning of stakeholders within the mutual fund ecosystem and highlights its potential to revolutionize traditional investment practices and facilitate direct investment for individual investors. However, amid these opportunities, the research also recognizes the formidable challenges associated with digitization, including the imperative of protecting privacy and data security to maintain investor confidence, as well as addressing concerns about digital exclusion among segments of the population with limited access to digital technologies. The conclusion highlights the need for continued vigilance and adaptation to effectively navigate the evolving landscape of digitization in mutual fund investment and financial services and to ensure that the benefits of digital transformation are evenly distributed while mitigating the associated risks. Ultimately, the research paints a nuanced picture of the digitization phenomenon, acknowledging its transformative potential while advocating a balanced approach to addressing related challenges in pursuit of a more inclusive and resilient financial ecosystem.

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