

From Savings to Investments: The Influence of Mobile Banking Penetration on India's Mutual Fund Market

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Abstract

This paper examines the capacity of mobile banking to enhance financial inclusion and increase involvement in mutual fund investments across India. Utilizing information from the Reserve Bank of India (RBI), the Association of Mutual Funds in India (AMFI), and pertinent academic studies, the research evaluates existing trends in mobile banking adoption and their association with mutual fund investment behaviour. According to recent survey of Ministry of Statistics and Programme Implementation exposes that about 85% of Indian families own smartphones. The internet accessibility available within the premises reported to 86.3%. The young adults aged 15-29 have smartphone ownership and practice digital banking transactions. It is evidenced that there exists increasing trend of digital penetration across both rural and urban India.

This contrast indicates a substantial untapped opportunity to strengthen financial inclusion through mobile-based financial services. The study explores how mobile banking, as an essential driver of the fintech revolution, can reduce major constraints to mutual fund investment, including limited access, affordability challenges, and lack of investor awareness, particularly among rural communities and low-income groups. By assessing trends in mobile banking transactions, the growth of mutual fund accounts opened through mobile platforms, and their regional distribution, the research seeks to highlight the role of mobile banking in expanding mutual fund participation and promoting a more inclusive and equitable financial ecosystem in India.

Key words: Mobile Banking, Mutual fund, Fintech, SIP

1. Introduction

Mutual funds are an investment system with different option to pool the savings and another investor make investment in different portfolio of stocks, bonds, or other securities. This type of investment plan helps to reduce risk and make it possible to attain moderate returns.

The fund managers, who select appropriate portfolio based on the objectives and strategies. This facility can be used as better investment opportunity for the public who are interested to spread the risk and attain maximum return from the diversified portfolio.

Even if it is good choice of investment opportunity, it involves some element of risk. The NAV of the mutual fund units are subject to volatility in the capital market and market value of equity. The net worth

of investment may go up or down, and there exist a probability of loss of money according to the market condition.

Mobile banking is one of the latest Fin Tech based banking systems allows the customers to perform numerous transactions with the support of smart phone. As per the latest statistical data of Telecommunication Department, the number of Wireless Subscriber Base and Tele-density has been increased in the last five years with slight variation.

Mobile banking penetration in India resulted increasing tendency of the customers who utilise the smart phone to access the banking facility and conduct various financial transactions. The capital market related financial services of security dealings, especially the trade of equity make more comfortable for the potential investors. The mobile banking apps make it easier the accessibility in the avenue of investment. The increasing trend of mobile banking penetration and investment in mutual fund shows the use of wireless subscription density base of telecommunication definitely a factor of boosting the investment habits of general public. The investment decision of prospective investors is mainly the outcome of return expected, risk involved and investment convenience. A good investment ecosystem is essential for promoting the security market and channelising it to the productive purpose.

Statement of Problem

Today individual investors face some problem with regard to the selection of investment portfolio and investment in the securities. Technological advancement in the operation of bank accounts and practice in the capital market make it easier the investment and redemption. The liquidity aspect of the investment prospects act as an important agent of mobilising the savings. Mobile banking penetration and increasing trend of investment in mutual fund shows a positive signal of public savings. However, there are some untapped areas of investment potential exist and create bottleneck of accessibility of capital market to the common man who wish to make investment in equity-oriented funds. This study tries investigate the relation existing between mobile banking penetration and mutual fund investment.

Objective of the study

- a) To study the benefits and challenges of mobile banking system.
- b) To identify the trend of mutual fund investment as compared to the last year.
- c) To estimate the relation existing between mobile banking penetration and mutual fund investment.

Significance of the Study

The development of every country depends on the capital mobilisation and proper distribution of the same in different sectors. The capital market is still in the beginning stage of its growth. Several positive elements exist in the economy which will nurture the culture of savings. The attractive features of mutual fund resulted increasing tendency of investment indifferent funds in the last years. It is appropriate to undertake a study by making a comparison of mobile banking and mutual fund investment to identify the trend of the growth and analyse the relation existing between the identified variables.

2. Methodology

This study is descriptive in nature as it describes the status of investment in various mutual funds and state of Wireless Subscriber Base & Tele-density as per the secondary data available in the source concerned. The primary data collected from the respondent by using structured Questionnaire. The required information is collected from 320 mutual fund investors using the convenience sampling method.

3. Review of literature

(Dr. Ajay Pratap Yadav 2023) This study aims to examine the acceptance of mobile phone based mutual fund applications. There are different mutual fund applications which facilitate online trading quickly and safely. The main concern of the study is how the mobile application influences the retail investors with regard to their investment decision. The objective, in other way examines how mutual fund mobile apps affect retail investors' investment decisions. Several factors such as facilitating condition, effort expectancy, social influence, habit and performance expectancy are influencing the mobile application use.

(Nair et al. 2023) . This study investigates the influence of mobile phone applications on investment decision of retail investors. It focuses on the mobile technology and its influence in the investment of stocks and mutual fund. The purpose of this study is to investigate the influence of mobile applications on investment decisions by retail investors in stocks and mutual funds. This study discloses an innovative background of research to realize adoption of technology with regard to electronic trading by using mobile applications in the financial markets.

(Dr. M. Ramesh and Ms. V.V. Rupa Devi 2022) this study is about the perception of investors towards Mutual fund investment. This scheme of investment mobilizes small amount and stabilizes the financial system through effective resource allocation. The ordinary people can ensure the equity participation, allowing them to participate in the equity and other securities of the industrial organization with low risk. The investors are able to choose multiple options according to the benefit of the package.

(Et. al. 2021) review of mutual fund investment in India Investment. Mutual fund investment is done with an intention to earn regular reducing the risk element. Mutual Funds are diversified investment opportunity which offer regular stable return. It is handled by fund managers who are experts in the field of investment. However, the ordinary people are not well aware about mutual fund investment and stay away from the same. But the awareness level it has with respect to the citizens of our country is really low. This study aims to find out the awareness level of the people about mutual funds and suggest remedies to attract them to this growing investment opportunity.

(Mini 2020) this study describes the awareness level of investors with regard to mutual fund investment. Generally, the investment is made with an objective of earning regular income with less risk. A number of investment opportunities of bank deposit, debenture, share, bonds, other schemes of government and corporate entities are existing to promote the thrift habits of the people. Mutual Funds are growing mode of investment which offer diversified investment opportunity optimizing the risk and return.

(Mahajan and Sharma 2017) The study explains the future of depositories due to the introduction of payment bank. The payment banks give approval for the depositories and exchanges. Depositories and Exchanges which get the approval for the payment bank. National securities depository limited is one of

the largest securities depositories in the world and act as a payment bank. It is a new path for depository participants and investors. This types of reform in capital market will give inspiration for growth and survival of both depository and capital market

(Anagol and Pareek 2014) study explain the business group advantage in mutual fund. Reported that business group funds do not over and above the member firms. The group has a role on their investment in industries where the group involved real operations. The business fund managers use data to evaluate their own group performance. The information is used for the analysis whose performance is correlated with their own group.

(V. Rathnamani 2013) reveals the investors preference to mutual fund. Mutual fund is an important investment scheme in the present economic scenario. Effective fund management helps the investors to optimize the risk and return. A good portfolio of mutual fund is safer and ensure more return on the investment. The pattern and preference of investors towards mutual fund investment is explained in this study.

Benefits of Mobile banking:

- **Convenience:** We can access the D - Mat Account from anywhere and make transactions at any time as per our convenience.
- **Make life Easier:** The application of mobile banking facility enhances the standard of living of the people facilitating easy access of banking operations. The advanced banking operations at affordable cost make it much easier, speedy and safeguard against fraudulent transactions.
- **Trustworthy:** One can trust the mobile banking activities as it compared to traditional activities. The mobile banking apps have several security features like one-time password available in the registered mobile phone, finger and facial recognition to protect the accounts.
- **Economy:** This system is convenient and affordable, effective in developing the habit of savings among the investors. The wireless connection of telecommunication intensity in the remote area at low cost.

Issues of mobile banking

- **Security threats:** Mobile banking apps can be susceptible to cybercrimes, hacking and phishing. The personal information may be hacked with malware; the entire financial data could be under risk. There exists the possibility of financial loss if we are not vigilant in each and every transaction through mobile banking apps.
- **Lack of connectivity:** Some of the geographical locations are not covered with the internet connectivity to access the mobile banking facility. The transaction is effective if we have internet enabled smart phones. This means that we are unable to access complete transactions as per the need arise.
- **Limited features:** The mobile banking apps may not give all of the features of online banking system. The information needed to make appropriate investment decision is available in given apps.
- **Fees:** Some mobile banking apps charge fees in the form of annual maintenance charge and transaction fees for security dealings.

Growth in Equity Funds

Equity Mutual Fund Category	AUM (March 2024)	AUM (March 2025)	% Change (2024–2025)
Flexi Cap Fund	2,41,683	3,50,186	44.9%
Large Cap Fund	2,35,760	3,14,155	33.3%
Sectoral / Thematic Funds	1,72,819	2,97,358	72.1%
Mid Cap Fund	1,83,256	2,96,986	62.1%
Small Cap Fund	1,33,384	2,43,368	82.5%
ELSS (Equity Linked Savings Scheme)	1,51,751	2,13,760	40.9%
Large & Mid Cap Fund	1,27,842	2,05,737	60.9%
Value / Contra Fund	90,584	1,49,099	64.6%
Focused Fund	98,673	1,29,704	31.4%
Multi Cap Fund	67,338	1,24,682	85.2%
Dividend Yield Fund	13,994	23,915	70.9%

Source: Report of AMF

The data of the given table shows the trend of Equity Mutual Funds between March 2024 and March 2025. It is the clear indication of significant across-the-board growth, each class of Equity Mutual Fund resulted increase in AUM of at least 31%. The Small Cap Funds tracked closely with 82.5% growth in the mutual fund market, demonstrating a strong base despite their inherent instability. The data hints a bullish trend for equity markets. The massive outpouring in Small Cap, Mid Cap, and Sectoral funds shows that institutional investors were highly positive, supporting mass growth in the realm of equity-oriented investment.

Wireless Subscriber Base & Tele-density

Year ending	Subscriber Base (million)			Tele-density (%)		
	Rural	Urban	Total	Rural	Urban	Total
Mar-22	517.86	624.23	1142.09	57.85	130.17	83.07
Mar-23	516.38	627.54	1143.93	57.46	128.45	82.46
Mar-24	531.02	634.47	1165.49	58.87	127.51	83.27
Mar-25	531.18	632.57	1163.76	58.67	124.83	82.42

Source: Report of TRAI

4. Results and Discussions

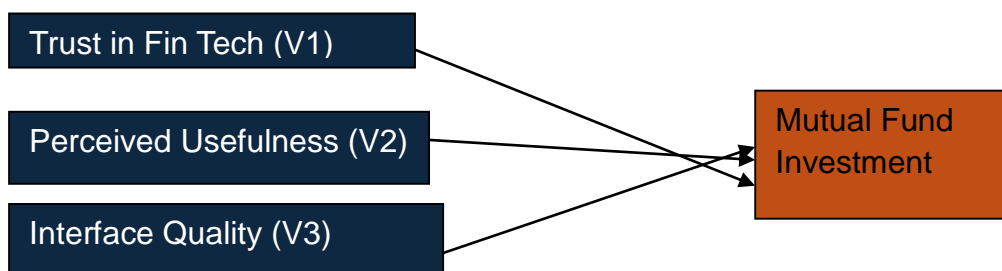
Correlation Analysis

Variables	correlation	Sig.value
Trust in FinTech	0.632	0.00
Perceived Usefulness	0.654	0.00
Interface Quality	0.618	0.00
Speed of transaction	0.569	0.00
Digital literacy	0.543	0.00
Cost of Transaction	0.521	0.01
Customer support system	0.527	0.00
Mobile phone adoption level	0.516	0.00

Source: Primary Data

All the variables given is shows positive and statistically significant correlation ie P value reported here is less than 0.05. The positive Pearson correlation value is the remark of positive correlation between independent variables and investment decision. Perceived Usefulness, Trust in FinTech and Interface Quality of Mobile banking with regard to mutual fund investment indicates stronger positive relationship. The variable related to investment behavior and other features of mobile banking also shows positive correlation but to a moderate degree.

5. Conceptual Model



The correlation analysis shows positive and significant correlation existing between different variable identified in the mobile banking features and mutual fund investment. In this analysis V1,V2 and V3 are the more important factors which will influence the mutual fund investment. Trust in Fin Tech, Perceived usefulness and interface quality are the major factors for inducement for the investment in mutual fund.

6. Discussions

The study focusses on the relevance of mobile banking penetration in influencing the investment decision of prospects. The various advantages of mobile banking apps are some of driven force for applying it in day-to-day financial activities of common man. The secondary data related to asset under management shows an increase in mutual fund investment at least 31%. The bullish trend in the equity market was favourable to growth in mutual fund investment in the last financial year. Moreover, the Wireless Subscriber Base & Tele-density reported a growth rate with slight variation in that period.

As per the recent survey 85% of Indian households own smartphones with internet access. Among young adults aged 15-29 smartphone usage is universal and the Unified Payment Interface is the common platform for digital banking transaction. It highlights the increasing trend of digital banking transactions. The primary data analysis depicts the picture of relation between various features of mobile banking and mutual fund investment. The positive significant correlation is favourable for the growth of capital market especially the investment in mutual fund.

7. Recommendations

Some practical strategies may be adopted to strengthen the mutual fund investment by leveraging the mobile banking penetration:

a) Apply In-App investment features

Instead of separate investment platform in the handsets, embed investment features may be directly insert to increase the mobile banking adoption. This may enhance the access to Systematic Investment Plans and Lum-sum investment.

b) AI Based Chat bots

The artificial intelligence based chatbots in the given apps may guide the investors to select appropriate asset portfolio among the various categories of mutual fund. The push alerts may induce the investors to start the SIP based on salary and bank balance available in the bank accounts.

c) Financial Education

The awareness slogans to teach the users of mobile phone with short content included in the app may create a positive attitude among the aspirants. The content may include small videos explaining SIPs, graphic comparison of fund types, risk tolerance quizzes would attract the users to the mutual fund investment.

d) Simplify the Auto Debit system

Less friction in the SIP payment is an essential element in the investment process. The integration of UPI and monthly auto debit will help the investor effortless payment of respective SIP

e) Transparency

Generally, the investors trust with platform which maintain transparency in online transactions. The regularity disclosure, fund history and risk indicators make available in the mobile app to build confidence for the investors.

8. Conclusion

The study reveals the importance of mobile banking in encouraging mutual fund investment, it is evidenced that there exist a significant relation of mobile banking penetration and mutual fund investment. The system of mobile banking drastically changed the scenario of investment removing various constraints of accessing financial services. The barriers of geographical location, transaction cost, limited accessibility and time restraints. The adoption of digital banking and various financial oriented apps reduces the traditional limitation in accessing the mutual fund services. The prompt accessibility, timely account process and online KYC process have encouraged the investment pattern through different plans. Financial

institutions Asset Management Companies and policy should continue the promotion of financial literacy, enhancement of cybersecurity. Further research may concentrate on specific analysis of digital based investment growth as regards region, demographic and behavioural finance to enrich this domain.

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