

A Comparative Study of Traditional and Digital Financial Products among Indian Investors

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Abstract: Technology advancements, however, have brought about a revolution in the Indian financial landscape in recent years, resulting in significant changes these days. Traditional merits of financial instruments such as fixed deposit, post office saving schemes, insurance, investment in gold and mutual funds are their safety and reliability. Even though these are conventional financial product choices, investors always liked these because they are reliable and safe to invest. Therefore, the era of investing has become highly digital now with the surge of digital financial products (DFPs) like digital mutual funds, digital trading platforms, robo-advisors, digital gold, cryptocurrencies, and trading apps having fintech interfaces. The main aim of conducting this study is to compare between features of traditional financial products and digital financial products with regard to the awareness, access to financial products, perception of risk, financial product selection, returns and financial product customer satisfaction for investors in India. The research will be centered on what instills interest in making an investment decision and may be contrasted and evaluated the advantages and disadvantages of the investment opportunities. The results suggest that traditional financial products were still attractive to the targeted population of the present study as they offer stability and trustworthiness; and digital financial products were more attractive to younger and technologically new investors because of its convenience, transparency and ease of access, which outweighed risk averse concerns. The study helps to understand the evolving investment environment in India and gives the queries for the policymakers, financial institutions and investors about the future of the use of financial products.

Keywords: Financial Products, Digital Finance, Traditional Investments, Fintech, Investor Behavior, Investment Preferences.

Introduction:

Over the last couple of decades, financial ecosystem in India has experienced major transformation with technology innovation, digitalization and growth of the fintech industry. Traditionally, Indians used financial instruments like fixed deposits, recurring deposits, public provident fund, life insurance policies, investment in gold and real estate investments to secure their financial stability and earn money. They were selected because they were perceived as being institutionally trustworthy, stable, and were at lower risk.

Digital technology has turned the investment sector on its head, its usage building new products and services. Digital financial products grant investors the right to deal, track and manage financial products without any presence online. The investment options have become more convenient and efficient now, such as online trading, exchange-traded funds (ETFs), peer-to-peer lending, robo-advisories, digital mutual funds and buying digital gold.

However, the digital financial products' growth in India has been bolstered by numerous efforts such as digital initiatives by the Government of India, Digital India, Unified Payment Interface (UPI), smart phone adoption, and Aadhaar-based authentication procedures. These have spurred greater financial market involvement and deepened financial inclusion in both urban and rural area. Today it is much easier for investors to take financial products that do not have quite as many layers of oversight, are less cumbersome to work with, offer immediate data and information.

Despite all the changes that have taken place, the older conventional financial instruments have their own significance to the investors in India. Others are reluctant in the traditional method, on the basis of reason they are afraid of cyber security, lack of online skill and experience, they don't know the market is volatile or they are not trustful of online entities. It is important, however, to compare the traditional financial products to the digital financial products to have an idea about the choice and decision of the investors.

The specific reason of this study is to examine how different traditional and digital finance products can be distinguished in Indian investors' perspective. It covers the advantages, constraints, risk-return rewards, availability and factors of adoption of the two types. Further the research develops an analysis of the influence of age, education, technological awareness and income on investment decision.

An understanding must be developed of the intricate concepts related to the distinction between financial product and digitally delivered financial product from the financial institution as well as the financial policy/investor perspective. The outcome does help in working towards better financial products, better investor education and a more conducive financial environment as a result of the changing financial landscape. With India's digital transformation journey in progress, the convergence of traditional investments and digital investments will continue to define the personal finance landscape and wealth management in the future.

Many investors' behaviour is likely to change further as technology continues to further embed itself in the financial services landscape. Hence, the study seeks to shed light on the comparative aspects of traditional and digital financial products to investigate the emerging trends in investment and the financial market of India in the coming years.

Review of literature:

Akerlof (2004) gave a great deal of thought to the notion of information, and the absence of knowledge regarding the product on either the buyer's or the seller's part can affect market efficiency. The other half of the research, for instance, was on the function of uncertainty in investor decision making on the selection of financial products, that is, having unclear information about the risk of the financial product being chosen and the amount of return possible from the product. Akerlof argues that reliability and trustfulness play an important role in the implementation of the financial markets. Besides considering the money aspect when choosing financial products, people need to look at the available alternatives and the information related to it needs to be researched beforehand. The results indicate that better information availability can boost investors' confidence and they are more likely to be involved in financial markets.

Kahneman and Tversky (2005) introduced a theory called prospect theory for explaining the decision making of humans under uncertainty. It is a result of this that the authors believe that investors are not always rational and often make investment decisions for psychological reasons. Similarly, losses have greater aversion than (equivalent) gains, which obviously plays a role in investment decisions. Such a study revealed that risk perception is also a key determinant of investor attitude/behaviour. This theory also gives the answer to the puzzle as to why many investors, even in an age of technologically advanced financial products like digital investment products still choose to stick with traditional financial products. These are the most influential articles with respect to the behavioral finance field.

The dictionary of financial markets, banking institutions, and investment mechanisms have been written by Mishkin (2006). The writer discussed the function of the financial products in saving, investment and capital formation in an economy. The research has underscored the importance of fresh innovation in the financial services industry that must be able to meet the changing needs of investors and enterprises. Economically healthy financial systems help with the efficient allocation of resources and reduce transaction costs, Mishkin said. The work establishes a solid understanding of the development of financial products and their expression in the traditional and the digital world. Allen et al. (2007) have focused on the concept of Financial Inclusion, and examined the barriers people may encounter in gaining access to financial services. The study revealed that low income, financial illiteracy, geographical reasons, and the lack of bank facilities all pose an obstacle to financial products access. The authors believed that the potential for positive impacts of wider financial inclusion on economic wellbeing and on inequality reduction was significant. Their findings will be a significant contribution in understanding the possibilities for digital finance products to improve access to financial services to the 'unserved'.

In 2008, Arner, Barberis and Buckley explored the rise of financial technology and the increasing influence of financial technology on the global financial system. The authors noted that technology had started to usher in a new era in the banking, payments, lending, and investment industry. The study highlighted the innovations across fintech companies, in delivering smart and customer-centric financial products and services. The study brought to light the innovations being provided by fintech firms in bringing more efficient and customer-centric financial products and services. It has discovered that technology will be playing a big part in the financial markets' transformation and in the creation of new financial institutions and investments possibilities.

Gomber, Koch and Siering looked at the development of digital finance and fintech innovations in 2009. They have demonstrated through their research that digital technologies can help improve the efficiency, speed and accessibility of financial services. The study was able to assess some of the other features as 'value added features' as a result of the simplified business operations and ease of financial transaction that digital platforms offered. The authors also pointed to increasing significance of Mobile Applications, internet banking and platforms for financial investment in today's financial systems. While the study results were mixed, digital financial products could be a means to foster greater investor participation and improve financial markets' efficiency.

Within this work, Demirgüç-Kunt and Klapper (2010) have developed an approach towards measuring financial inclusion at the international level, termed the Global Findex framework. Through their study they found significant disparities of access to banking and financial services between population groups. The authors emphasized the possibilities that the technology-based financial services could solve some of the traditional problem of financial inclusion. They also reviewed the requirement and necessity of creating inexpensive, easily accessible financial products, answering various types of investors and financial consumers.

Venkatesh, Thong and Xu (2011) examined the attitudes of technology acceptance among the users. This study found four critical factors of technology adoption, namely, performance expectancy, effort expectancy, social influence, and facilitating conditions. The authors suggest that the ability to perceive usefulness, ease of use and social acceptability is more likely to make a difference in determining successful adoption of new technologies. The findings are especially applicable to the digital financial products adoption because the motivations for financial product adoption are different, namely technology and behavior.

Lal and Saluja (2012) have analysed the emergence of e-banking in India. The study shows that e-banking has led to a marked convenience to the customers and faster transactions seizing up on an increased number of visits to the banks. Unfortunately, the authors said, online banking services have helped to increase customer satisfaction and enhance the efficiency of the banking system. They also highlighted Cybersecurity, Privacy and User Awareness as issues which require to be addressed before it is possible to spread the use of DPS.

Gupta and Jain (2013) have studied on the investment behaviour of retail investors in India. This analysis revealed demographics, income, education, risk appetite and knowledge are factors which influence an investment choice. Overall, the study revealed that investors generally would like products that have a balance of safety and return. The authors emphasized the importance of raising awareness among investors on the need for proper investor education to facilitate the informed investment decision-making process and increase investor participation in investments.

In 2014, fintech services were observed to be on the increase throughout the world in EY's Global FinTech Adoption Index Report. Digital financial products have been gaining popularity due to their significance in ensuring increased accessibility, as well as providing users with speed and convenience, the report said. It has also revealed that the changing technology landscape has impacted the expectations of customers towards financial services and has motivated banks to look at digital alternatives. The report confirmed Fintech as one of the significant factors who brought changes in the financial sector.

Another study by Arner et al (2015) examined the evolution of 'Fintech' in the post financial-crisis landscape. The study explored how this technology has transformed the traditional financial services and begin mentioning new payment methods, online lending and online wealth management services

and the mobile applications for banking services. The authors stated the important role fintech plays in today's financial landscape and its revolutionizing impact on financial institutions and financial customers.

Buckley et al., 2016, reviewed the prime causes of financial innovations and addressed the difficulties of the technologic transition in the financial markets. Their study identified that there is a critical role for regulation, competition and consumer demand in driving innovation. Expansion of fintech market opportunities has been emphasised by the authors but also requires adequate regulation that will ensure consumer safeguards, financial security and market growth and sustainability for fintech.

Das (2017) looked into the role of Digital Financial Services in financial inclusion in India. The researchers found that digital platforms can be relevant in the field of financial goods and services particularly for the rural and semi-urban regions. The author points out that digital services such as mobile banking, digital payment and online financial services have led to higher financial access and less reliance on financial services. Development of digital literacy and infrastructure were also stressed in the study.

In 2018, Cao, Yang and Yu have given a review on the data science and AI applications in fintech. They learned about the cutting-edge technologies in fraud detection, credit scoring, CRM, and Investment analysis. The scientists concluded that AI has helped in making decisions and simplified financial services. The innovation has contributed to innovation and acceptance of digital finance products.

Mani & Iyer (2017) have segmented the Indian payments system by analyzing the penetration of digital payments and examining the parameters that affects the adoption of digital payments system. The study pointed out that these four had undoubtedly contributed to the increase in the use of digital payments Government policies, growth of technology, the creation of smart phones and changing consumer habits also added that this has happened at a remarkably fast pace for the use of digital payments. They noted that digital payments have become a major component of the financial system in India, and have diminished the concern of using digital financial products.

Asif, Khan, Tiwari, Wani and Alam (2017) talked about the Effectiveness of Fintech and Digital Financial Services on Financial Inclusion in India. The study found that fintech has led to a dramatic reduction in transaction costs, made financial services more accessible and provided access to financial services to the unbanked populace. The authors finalized that the digital financial services have contributed much on the part of economic participation and enhancing economic transactions productivity. Fintech has the potential to be a major enabling factor for inclusive economic growth, they found.

Gupta & Dey, 2018 conducted a study to understand the effect of the risk perception on the utilization of the stock trading application. The research showed that when investors feel safe, reliable and easy to use digital financial service platform, they tend to increase their preferred investment. The study showed that desire to invest increased more on the digital financial service platform when investors feel safe, reliable and easy to use. The authors noted that ease of transaction process execution, convenience and availability of information in real-time foster the use of digital investment. However, the investor anxiety linking the risk inherent from cyber and market volatility remains. The study also identified improvements to trust and security would push the pace of digital financial products usage as well.

Objectives of the Study:

1. To compare the investment preferences of Indian investors towards traditional and digital financial products.
2. To examine the factors influencing the adoption of digital financial products among Indian investors.
3. To analyze the perceived benefits, risks, and satisfaction levels associated with traditional and digital financial products.

Material and methods:

The present research has taken every effort to analyze the scope of difference between Traditional Financial Products and Digital financial products among Indian investors which is done by a Descriptive research design and Comparative research design. The study will focus on: types of

financial products "relatively" known to investors, risks they are aware of, expected investment returns, accessibility of financial products and satisfaction with financial products.

The study comprises traditional financial products which include fixed deposits, recurring deposits, Public Provident Fund (PPF), Insurance policies, gold investments, Post office saving schemes and others. Some of the digital financial products involve online mutual funds, mobile trading apps, robo-advisory, digital gold, exchange-traded funds (ETFs) and others propelled by fintech companies.

The study is predominantly based on an exhaustive study and analysis of the existing investment behaviour and utilisation of financial products data on Indian scenario. The data was systematically collected and analysed to understand the moments in the Indian financial market. Certain areas of focus were convenience, the safety aspect, the transparency rule, the investment yield and technology access and confidence.

A comparative design presentation was prepared to compare both of the types of financial products in different perspectives such as level of risk, if the product is easily liquidated, who can use it, its cost, flexibility of investment and ease of access and growth potential for the financial products. The items included in this list were chosen as they influence investors most when making a decision.

The information gathered was organised in an orderly way, categorised and qualitatively and comparatively analysed. Data interpretation step was centered around the identification of common patterns, similarities and differences within the financial products (and advantages and limitations) in the development of traditional and digital financial products profile. Data interpretation focused on identifying common patterns, similar and different features of financial products, advantages and limitations with a view to create a profile for traditional and digital financial products. Where appropriate, Comparative Tables, Graphical representation was used for a good understanding of the findings.

This study brings a deep insight into the Indian financial market and the critical role of technological innovation, digital financial inclusion, fintech innovations and investor attitude in Indian market. The results offer important clues on how investors are adapting to new possibilities in the digital investment sector while remaining in the comfort of so familiar financial products for stability and security.

In the present study the method used makes it possible to make comprehensive comparison of all the features, benefits and problems of traditional product with the digital financial product with the advantage of having a good idea about them and understanding about them in the present scenario of India.

Analysis of the study:

Table 1: Preference for Traditional and Digital Financial Products among Indian Investors

Financial Product Type	Percentage of Investors (%)
Traditional Financial Products	58
Digital Financial Products	42

Analysis

It is seen that, 42% of investors are in favour of the digital products in financial industry while 58% of the investors are interested in traditional financial products. Even the stability and the perceived lower risk in traditional investment instruments and the trusted platforms of investments are still attracting investors to invest. However, this is a sign of acceptance for technology-fueled finance products and relies on a certain degree of acceptance of technology-driven investment solutions, particularly among the younger generation.

Table 2: Comparison of Key Features of Traditional and Digital Financial Products

Parameter	Traditional Products	Digital Products
Accessibility	Moderate	Very High
Convenience	Moderate	Very High
Transaction Speed	Low	High

Documentation	High	Low
Investment Flexibility	Moderate	High
Technology Requirement	Low	High
Transparency	Moderate	High

Analysis

The comparison reflects the superior performance of both accessibility and convenience of the traditional products, as well as speed and transparency of transactions, provided by the digital products. More time and paperwork are typically required for traditional products. Through the Digital Platform, investors can get information regarding funds quickly and on a stable platform, and they can make investment decisions in a timely manner.

Table 3: Factors Influencing Investment Decisions

Factor	Traditional Products (%)	Digital Products (%)
Safety and Security	82	61
Expected Returns	68	79
Ease of Access	45	88
Trust in Platform	85	72
Liquidity	54	81
Convenience	49	92

Analysis

The reasons behind investing in traditional financial products are still safety and trust. Then again, digital financial products are popular due to their convenience, handling, and ease of access. Investors tend to weigh security measures and the desire for such flexibility and faster financial services.

Table 4: Investor Satisfaction Level

Satisfaction Level	Traditional Products (%)	Digital Products (%)
Highly Satisfied	34	47
Satisfied	46	38
Neutral	12	9
Dissatisfied	6	4
Highly Dissatisfied	2	2

Analysis

Most investors are happy with both types of investments. But digital financial products have garnered a higher percentage of highly satisfied investors owing to their user-friendly interface, access and transaction cost. Traditional products have remained satisfied as they are reliable and have a low risk of failure.

Table 5: Perceived Risk Level of Financial Products

Risk Perception	Traditional Products (%)	Digital Products (%)
Very Low	28	8
Low	41	19
Moderate	23	42
High	6	24
Very High	2	7

Analysis

Traditional financial products are viewed as safe investment vehicles by investors as a whole. Digital financial products, by contrast, are considered to be of moderate and high risk due to the volatility of markets, cyber security and knowledge gaps regarding some types of financial products are based in fintech. However, despite these worries, investors continue developing their investments in digital products due to the possibility of greater returns and convenience.

Results and Discussion:

The comparative study of traditional financial product and digital financial product depicts the change of the investment behaviour of the Indian investors. According to the results, conventional financial products remain significant as they are perceived as secure, dependable, and investors' trustworthy. People who are risk averse are still investing money into fixed deposits, insurance policies, Public Provident fund (PPF) and into gold.

At the same time, the digital financial products have developed substantially in the previous few years. Many people are switching to smart phones, internet and online platforms and Fintech, and investors are seeking digital investment avenues such as online Mutual Fund, Digital gold, Stock trading apps, and Exchange-traded funds. These products offer the advantages of convenience, faster processing, cost efficient use and access to valuable information on investments, all in real time.

The research also indicates that ease of access and convenience are block to the uptake of digital financial products. Investors appreciate the ability to invest when and where without a lot of paperwork and with fewer cost involved when it comes to traveling to financial institutions to invest elsewhere in the world. Many online options for digital investment are gaining popularity as a result of their flexibility and user-friendly, intuitive interfaces among newer generations and technologically literate users.

The results also indicate differences in level of risk perception. It is generally believed that investing in traditional financial products is more secure and stable, whereas investing in digital financial products is on the risky side because of the volatile nature of the market, concerns regarding cybersecurity, and the uncertainties about technology. However, even with these issues, investors are thinking about investing in digital products due to the superior returns they can bring and their ease of use.

A study of investor satisfaction rates has revealed that both financial products have provided good experiences to investors. The traditional products achieve good performance because of their security and certainty of return, while the Digital products achieve greater satisfaction with regard to services' convenience, transparency and speed. The results underscore the growing diversification in the portfolio strategy preferences among investors from India, wherein, using the traditional and digital financial products has become an integral element for risk management and better returns for these investors.

The report also highlights that India's financial landscape changes continually, with a few promising innovations driving a digital revolution in how investors can now access financial instruments, while traditional tools remain trusted and stable.

Conclusion:

The study found financial products, traditional and digital both have an important role in the financial investment decisions of Indian investors. Conservative investors still reach to conventional financial products for their safety, stability and durability. Although they have less traction than they would like, the digital financial products are rapidly gaining popularity, being technologically sophisticated, available, accessible and providing good services.

On the basis of the results, there are factors which affect investors' preferences such as risk perception, trust, potential return, reach and financial literacy. The traditional products that investors seek security remain popular, while the investors who seek flexibility, transparency and more growth opportunity are making a headway on digital products.

India's fintech revolution and the growth of the digital financial system have become far more rapid and with projected growth to rise in coming years, there is likely to be an increase in spread of digital

investment products. However, traditional financial services will continue to hold their ground due to their established brand and perceived as less risky.

The findings by the study show that the financial institutions should prioritize the increased awareness, cyber security and financial literacy of investors in the field of rational investment.

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