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Impact of Financial Technology Adoption on Investment Behaviour of Retail Investors

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Abstract

Financial Technology (FinTech) has transformed traditional financial services by introducing digital innovations that enhance accessibility, efficiency, and convenience in financial transactions. Retail investors increasingly adopt FinTech applications such as mobile trading platforms, robo-advisors, and algorithmic investment tools. This study examines the impact of financial technology adoption on investment behaviour among retail investors. A structured questionnaire survey was conducted among 240 respondents. Statistical methods including correlation analysis, regression modelling, and ANOVA were used to analyse the relationship between FinTech adoption and investment behaviour. The results indicate that higher adoption of financial technology significantly increases investment participation, trading frequency, and portfolio diversification. However, excessive reliance on digital platforms may also increase speculative trading behaviour. The findings highlight the importance of integrating financial literacy with technological innovation to ensure responsible investment practices.

Keywords: *Financial Technology, FinTech Adoption, Retail Investors, Investment Behaviour, Digital Finance*

Introduction

The financial sector has undergone significant transformation due to rapid technological advancement. Financial Technology, commonly known as FinTech, refers to the integration of technology into financial services to improve accessibility and efficiency.

FinTech innovations such as mobile trading applications, peer-to-peer lending platforms, digital wallets, and robo-advisory services have reshaped the investment landscape. These technologies allow retail investors to participate in financial markets with greater ease and lower transaction costs.

Retail investors increasingly rely on digital financial platforms for investment decisions, portfolio management, and market information. However, while FinTech adoption improves financial inclusion, it may also influence investor behaviour by encouraging higher trading frequency and speculative investments.

This study examines how financial technology adoption affects investment behaviour among retail investors.

Literature Review

FinTech has significantly influenced the structure and functioning of modern financial markets.

Arner et al. (2016) described FinTech as a technological revolution that enhances financial services through digital innovation.

Philippon (2016) argued that financial technology improves efficiency and reduces costs in financial intermediation.

Fuster et al. (2019) found that digital financial platforms increase investor participation in financial markets by simplifying investment processes.

Thakor (2020) highlighted that FinTech innovations improve accessibility but may also increase risk-taking behaviour among inexperienced investors.

Furthermore, Gomber et al. (2017) suggested that digital investment platforms provide analytical tools that assist investors in making informed decisions.

Despite these advantages, concerns remain regarding excessive trading behaviour and overreliance on automated investment tools.

Research Objectives

1. To examine the level of FinTech adoption among retail investors.
2. To analyse the relationship between FinTech adoption and investment behaviour.
3. To evaluate how financial technology influences investment participation.
4. To determine the impact of FinTech adoption on portfolio diversification.

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Research Hypotheses
H1: Financial technology adoption positively influences investment participation.
H2: FinTech adoption significantly increases trading frequency among retail investors.
H3: Financial technology adoption improves portfolio diversification.

Research Methodology
Research Design
The study follows a **quantitative research design** using primary data.
Data Collection
Primary data was collected through structured questionnaires distributed among retail investors.

Sample Size
240 respondents.
Sampling Technique
Convenience sampling.
Variables
Independent Variable
FinTech Adoption
Dependent Variables
Investment Participation
Trading Frequency
Portfolio Diversification

Data Analysis
Table 1: FinTech Usage Among Investors

Level of Adoption	Respondents	Percentage
High Adoption	102	43%
Moderate Adoption	86	36%
Low Adoption	52	21%

Table 2: Investment Participation by FinTech Users

Investment Type	Percentage
Equity Investments	38%
Mutual Funds	29%
Fixed Deposits	19%
Digital Assets	14%

Correlation Analysis
Table 3: FinTech Adoption and Investment Behaviour

Variables	Correlation Coefficient
FinTech Adoption – Investment Participation	0.67
FinTech Adoption – Trading Frequency	0.62
FinTech Adoption – Portfolio Diversification	0.59

Interpretation:
FinTech adoption demonstrates a strong positive relationship with investment behaviour.
Regression Model
Investment Behaviour = $\beta 0 + \beta 1$(FinTech Adoption) + ε

Table 4: Regression Results

Variable	Coefficient	t-value	Significance
FinTech Adoption	0.73	8.45	0.000

$R^2 = 0.49$
Interpretation:
FinTech adoption explains **49% variation in investment behaviour**.

Table 5: ANOVA

Source	F Value	Significance
Regression Model	71.26	0.000

Interpretation:
The regression model is statistically significant.

Discussion
The results show that financial technology adoption significantly influences investment behaviour among retail investors. Digital financial platforms improve accessibility and convenience, encouraging more individuals to participate in financial markets.
Higher adoption of FinTech tools is associated with increased trading frequency and greater portfolio diversification. However, the ease of digital trading may also encourage speculative behaviour among inexperienced investors.
These findings suggest that technological innovation should be accompanied by financial literacy initiatives to ensure responsible investment practices.

Conclusion

Financial technology has transformed the investment landscape by providing retail investors with easier access to financial markets. The findings of this study indicate that FinTech adoption significantly increases investment participation, trading activity, and portfolio diversification. While digital innovation enhances financial inclusion, investors must also develop adequate financial knowledge to manage risks effectively. Policymakers and financial institutions should focus on integrating financial education with technological advancements to promote sustainable investment behaviour.

Practical Implications

Financial institutions should integrate financial education modules within digital investment platforms.
Regulators should monitor speculative trading behaviour in digital markets.
Investment platforms should provide risk-assessment tools for retail investors.

Limitations of the Study

The study focuses on a limited sample group.
FinTech adoption varies across different demographic segments.
Future studies may examine the long-term behavioural effects of financial technology.

Future Research Directions

Future research may examine:
Artificial intelligence in investment advisory services
Robo-advisory adoption among retail investors
Global comparison of FinTech-driven investment behaviour

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Conflicts of interest

The authors declare that there are no conflicts of interest regarding the publication of this paper.

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