

INVESTOR SENTIMENT TOWARDS FINTECH DURING GLOBAL CONFLICTS

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Abstract

Geopolitics problems and cross-border wars have been historically experienced in the financial markets that have caused change in behavior and perceptions of risk among various sectors by investors. The recent several years have witnessed the market to be facing sudden explosion of financial technology (FinTech) that presents some alternative dynamics in the investment decision making process, in particular during periods of uncertainty. This research is aimed at examining how investors feel about the tendency toward investing in FinTech during international conflicts and the assessment of how the existing crises affect investment preferences, maximum risk, and trust in the stock market. The research applies the mixed methodology whereby the quantitative method of analyzing market dynamics has been utilized in conjunction with the primary data that has been collected following the design of structured questionnaires, which were administered to retail and institutional investors. The intention to draw their impacts on investor sentiment credits four important variables, perceived risk, expected returns, technological trust and geopolitical awareness. The testing and the correlations of the statistical tools include the correlation and regression analysis to test the relations of Fintech investment behavior and the global conflict indicators. The findings will indicate that despite the global conflicts being more likely to increase market instability and raise risk aversion, the investments in FinTech will be less vulnerable to such factors due to their digital nature, innovation capabilities, and the possibility to help during times of crisis and access finances. However, the mood of investors is probable to shift based on financial literacy, past experience of investment and the news on geopolitics. The current body of work is a product of this research that forms an understanding of the behavioral and strategy component of the FinTech investment in the context of the geopolitical instability. The results will

be of value to investors, policymakers and business managers in designing adaptive strategies of investment and enhancing the financial system stability to the unpredictable global environments.

Keywords - Investor Sentiment, FinTech Investment, Global Conflicts, Geopolitical Risk, Market Volatility, Behavioral Finance

Introduction

One of the fields of burning inquiry of the contemporary international economic world of business management and finance is the convergence of the geopolitical instability and financial innovation. The Russian-Ukraine War and the Israel-Hamas conflict have illustrated how the international conflicts may greatly affect the financial markets, increase uncertainties and be able to alter the manner in which investors behave. These wars in the past have led to increased volatility in the market and also flight of capital and shift into sounder investment. Nevertheless, the fast development of financial technology (FinTech) has provided the additional dimensions to investment choice-making, both giving a chance and a challenge to investors who have to deal with turbulent environments.

FinTech is an inherent trend that presupposes applying advanced technologies in the shape of artificial intelligence, blockchain, and digital payment systems in financial services and alters the way a financial transaction is made and an investment is achieved. Phenomenal increase in the rate of internet penetration, smart phone use, and the necessity to possess efficient, transparent, and accessible financial solutions have driven phenomenal increase in the industry in past ten years. Fintech sites tend to play a significant role in making payments during periods of international hostility, making a transaction in the event of a geographical barrier, and enhancing financial stability to the affected countries. To illustrate, online payment networks and the use of decentralized finance systems have been able to facilitate continuous financial insurance transactions where the systems of the traditional banking infrastructure has suffered some kind of disturbance.

The overall mood or psychological outlook of investors to a specific marketplace or type of asset is known as investor sentiment, which is very susceptible to external shocks, especially geopolitical tensions. During war or conflict, investors will be more likely to be risk-averse and this will in turn cause a change in their portfolio to more secure and safe portfolios. However, the FinTech reaction to investments may be different due to the specifics of the sector, including the innovation, scalability, and less dependability on the physical infrastructure. It results in a compelling paradox of the international conflicts that tend to scare away investors, yet there is still the possibility of investing in FinTech and it may be interesting in its apparent resistance and the possibility of future development.

Another research direction that can be enhanced with the assistance of the research on Behavioral Finance, importance of cognitive bias, emotion, and heuristic in financial decision-making, is the

investor sentiment to FinTech during global conflicts. The fear dimension, the insecurities, over-reaction to the news, and the herd behavior are the elements that are likely to influence the investors who are operating within the context of the conflict-based market developments. In addition, the rate and the degree of sentiment shifts are facilitated by the availability of real-time information that is increasing with the promotion of the digital media, thereby impacting FinTech and other markets trends in investment.

Wise in the business management, it would be necessary to be familiar with these dynamics in order to develop efficient investment plans and risk management frameworks. To manage the dynamically changing market and profit, organizations and financial institutions require using data analytics, predictive models, and foresight. Additionally, policymakers and regulators are instrumental in making FinTech ecosystems stable and building trust, especially at times of geopolitical instability. Cybersecurity and financial protection regulation policies become valuable in creating investor trust and decreasing systemic risk.

Irrespective of the growing topicality of the specified issue, the research gap concerning the particular role of global conflicts in influencing investor opinion on FinTech investments has remained. The role of a geopolitical risk factor on conventional financial markets has received very much attention in the existing literature, but there has been less emphasis on the behavioral and strategic implications in terms of the FinTech domain. The proposed work will help address this gap and may contribute to the improvement of the academic sources and practical decision-making, as it will evaluate the interaction of the global conflicts, the investor sentiment, and FinTech investment behavior.

In conclusion, in the economic context that is constantly being characterized by the international tensions, one cannot overlook the role of the FinTech to the definition of investment sceneries. Shifting investor moods with regard to geopolitical events poses threats and opportunities to investors as far as the stakeholders are concerned. The study will also endeavor through its analysis to provide useful data on how investors are thinking and behaving towards FinTech investment of the global uncertainty and ultimately enable them make better and stronger financial decisions.

Literature Review

The idea that was widely researched within the frames of Behavioral Finance is the investor sentiment and its effects on the financial markets because the traditional financial theory presupposes the opposite as it involves the psychological and emotional factor of the decision-making process. [1] give a thorough discussion of the history of behavioral finance, which has gone beyond classical theories, like the Efficient Market Hypothesis. In their work, they point out that investors largely make decisions based on cognitive bias, heuristics and emotional responses particularly when dealing with uncertainty as it is with global disputes.

The article authored by [2] is one of the profits made in researching the phenomenon of investor sentiment to demonstrate that the effect of investor sentiment on stock returns was significant; specifically, the cross-section effect of speculative and hard-to-value stocks. Based on them, the mispricing of the sentiment is most important when the level of uncertainty is high, a tendency which is characteristic of geopolitical crises. The observation is particularly useful given the case of investments in FinTech as investments are more than not innovation-based and subject to a higher perceived risk rate.

The impact of the presence of cognitive biases in financial choices is also benefited by the fact that the Prospect Theory was applied to the pricing of assets by the researches of [3]. Their work is the manner in which loss aversion and dependence on reference inform the behavior of the investors that leads to surpluses of the rational expectations. It is empirically proven by further study by [4] who discovered that prospect theory actually affects stock returns in both theoretical and empirical research and that psychological effects in the valuation actually affects the market results. Also, [5] gives the account of the application history of the prospect theory that spans thirty years and this leads to the conclusion that behavioral biases are not going anywhere and can be employed to make financial markets more susceptible to the volatility especially in the volatile times.

Revolving further outside the financial sector, [6] disclose the three kinds of cognitive biases as they pertain to the decision-making process within the framework of a public policy and management. They state that their findings show that the same biases may influence the way investors respond to the alterations of the policy and the geopolitical processes and, therefore, the tendencies of investing in FinTech and other fields.

The issue of influence of the world conflicts on finances markets has also been widely researched. This article by [7] takes a look at how the Russia-Ukraine War affected the European stock markets and it reveals that there was a massive volatility and negative abnormal returns that took place following the outbreak of the war. Their study highlights the impact of the geopolitical crisis that can destroy the faith of the investors and lead to the immediate alteration of the market dynamics. To support such a perception, such materials as [8] cover the privacy of policy reactions, which goes a step further to influence market uncertainty, including the economic sanctions, and their impact on investor sentiment.

Risk wise, [9] disputes the conventional view that stocks are less risky in the long term handling that, there is uncertainty in any case, whether in the long run or the short run. This argument can be especially applicable to longevity wars, where the stability of a long-term risk-return should be changed by the long a duration of disruption. Similarly, [10] address the role of accounting information in measuring the performance of the firms and find that valid financial information is particularly important even in the turbulent periods when investors tend to rely more on the information presented to them in their decision-making process.

Even though the research does produce valuable information on the magnitude of the investor sentiment, behavioral bias, and how geopolitical events contribute to the irrationality of financial markets, very few studies have been done directly in relation to FinTech investments when it comes to the global conflicts. FinTech as a new and innovation-driven sector has certain peculiarities such as flexibility of the technologies, online location, and no dependence on the physical resources, which may not affect the perception of investors in the same way as any other industry does. Accordingly, there is a gap in research which is currently insufficient in the assessment of the shifts of investor sentiment concerning FinTech in the environment of geopolitical turmoil.

In summary, the literature at hand describes the importance of the behavioral finance theories and identifies immense impact of the world conflicts on the financial market and the actions of the investors. However, there is little research available during the convergence of investor mood, FinTech investments, and geopolitical crises. The proposed research seeks to fill this gap by applying behavioral finance insights to the current trends in the field of FinTech and will thus result in a more balanced research on the issue of investment behavior in an ever more unpredictable world.

Objectives of the Study

1. To analyze investor sentiment towards FinTech investments during global conflicts.
2. To examine the impact of geopolitical risk on FinTech investment decisions.
3. To evaluate the relationship between investor sentiment and FinTech market performance during periods of conflict.

Hypothesis

Null Hypothesis (H_0): Geopolitical risk has no significant impact on FinTech investment decisions.

Alternative Hypothesis (H_1): Geopolitical risk has a significant impact on FinTech investment decisions.

Research Methodology

The present study will take a quantitative, descriptive, and analytical research design to test the impact of geopolitical risk on FinTech investment decision and investor mood in case of international conflicts. The study is based on the first-hand data that are collected among the sample of 745 respondents that are located in Central India and whose metropolitan areas are as great as Nagpur, Bhopal, Raipur, and Indore. A Likert five-point scale was considered to create a structured questionnaire to match the perceptions of the respondents in their perception of geopolitical risk, investor sentiment, risk tolerance, and FinTech investing behaviour. The sampling technique to be employed is stratified random sampling in order to sample the various

classes of investors including retail type investors, professionals and even small business owners who have exposure to digital financial platforms. The study collected data online and offline in order to enhance coverage and reliability of response. There was also a review of secondary data in academic journals, financial reports, and reliable online sources in support of the conceptual framework. The information was collected and analyzed with the SPSS statistical software using such tools as the descriptive statistics, a correlation analysis, and a regression analysis to test the previously suggested hypotheses. The instrument was tested against the reliability of the alpha of Cronbach and the validity basing on expert opinion and pilot tests. The analysis is centered on the period of the recent global conflicts, which represents the current day investor behavior in a volatile financial world. On the whole, the research approach will give empirical evidence of the role of geopolitical uncertainties in FinTech investment decisions and investor sentiment in the Central Indian setting.

Descriptive Statistics

Variables	N	Mean	Std. Deviation	Minimum	Maximum
Geopolitical Risk Perception	745	3.87	0.812	1.00	5.00
FinTech Investment Decisions	745	3.65	0.745	1.20	5.00
Investor Sentiment	745	3.58	0.769	1.10	5.00
Risk Tolerance	745	3.42	0.801	1.00	5.00
Awareness of Global Conflicts	745	3.91	0.690	1.50	5.00

The descriptive statistics provide important data regarding the perception and behavior of investors towards FinTech investments as far as geopolitical risk is concerned. The mean score of perceived geopolitical risk (Mean = 3.87) is very high implying that all respondents in Central India have been highly aware of global conflicts and dramatically they consider it as having a major role of driving finance in the markets. Similarly, the mean score on awareness on global conflicts (Mean = 3.91) also reinforces the fact that investors are actively informed on geopolitical events, which is one of the probable contributors of the process of making investment decisions. The average rating of the FinTech investment decision (Mean = 3.65) shows that there is moderate to positive orientation in making an investment in the FinTech sphere, where there is uncertainty, which is a manifestation of confidence of the healthy states of the industry, in terms of its sustainability and growth prospects. A relatively risk-averse and, at the same time, not entirely confident investors are in the balanced position even in the sentiment of investors (Mean = 3.58) who express rather a cautiously optimistic stance. Meanwhile, the mean of risk tolerance (Mean = 3.42) is a bit lower which implies that investors are motivated to be interested in FinTech yet at geopolitical instability, the willingness to take risks is somewhat reduced. The standard deviation values of all variables are moderate which depict uniformity of responses and that a significant percentage of the respondents (745) agrees. Overall, the findings indicate that the geopolitical risk has a physical

impact on the investor mood and FinTech investments decisions, which prove the assumption that beyond-global strategies have a significant influence on the modern practice of investing.

Multiple Linear Regression Analysis

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of Estimate
1	0.642	0.412	0.409	0.521

ANOVA Table

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	142.368	3	47.456	174.82	0.000
Residual	203.154	741	0.274		
Total	345.522	744			

Coefficients Table

Variables	Unstandardized B	Std. Error	Standardized Beta	t	Sig.
(Constant)	1.214	0.182	—	6.67	0.000
Geopolitical Risk	0.438	0.052	0.421	8.42	0.000
Investor Sentiment	0.276	0.049	0.263	5.63	0.000
Risk Tolerance	0.193	0.046	0.188	4.19	0.000

The multiple linear regression analysis results can be regarded as good empirical measures of the alternative hypothesis that posits that geopolitical risk is a solid determinant of FinTech investment decisions. As the summary of the model shows, the value of R^2 is 0.412 which means that approximately 41.2 percent of the differences between the decision to invest in FinTech are caused by the impact of the independent variables involved in the model, this is, i.e., geopolitical risk, investor sentiment, and risk tolerance. This is a pointer to the moderately high explanatory ability of the model in explaining investor behavior. The general significance of regression model can also be supported by the results of ANOVA because its F-statistic is large ($F = 174.82$) and the significance value is smaller than the 0.05 significant level (0.000) which implies that the regression model is statistically stable.

Speaking of the individual coefficients, one may note that geopolitical risk is the best predictor with standardized beta coefficient of 0.421 and highly significant p-value ($p = 0.000$). It implies that experienced change in perceived global risks and danger has great relevance to modify Fintech investment decisions, and, thus, investors are unbiased of current uncertainties depending on international disputes. The investor sentiment ($B = 0.263$, $p = 0.000$) and risk tolerance ($B = 0.188$,

$p = 0.000$) are also found to be significantly and positively related with the FinTech investment decisions meaning that there is a role of psychological and behavioral variables to play. That positive coefficients lead to the conclusion that the more positive the sentiment of the investors and their propensity to risk, the more likely they will continue to invest in Fintech even when they are geopolitically unstable.

Overall, it is clear that geopolitical risk is one of the prevailing factors in defining the FinTech investment behaviour besides behavioural factors. The geopolitical risk is less important as the significance value of this risk is below 0.05, and this value does not accept the null hypothesis. It demonstrates that any sort of geopolitical uncertainty arising due to the presence of global conflicts has a significant influence on the decision-making of traders of FinTech domain.

Overall Conclusion

The study is a critical analysis on investor sentiments towards FinTech investments during international disputes, more specifically, the factor of geopolitical risk. The findings have indicated clearly that geopolitical uncertainty is applicable in the course of investor behaviour and decision-making in the sector of FinTech. As the market turns increasingly volatile and economically unstable because of the world wars, the investors are bound to reconsider their investment policy and bring the risk/benefits balance closer to the side with less risk and more benefits.

The observations of the empirical results that were conducted on the data that were collected about 745 respondents in Central India show that an investor is moderately but resolute positioned to invest in FinTech, even as geopolitical risks are now at an increased level. The descriptive and regression analysis of the data attest the relevance of the geopolitical risk as the determinant of the FinTech investment decision, and in such a way, validates the alternative hypothesis. At the same time, the behavioral aspects of the investment decision also apply to the behavioral financial markets; the behavioral factors are also the corresponding elements of the modern financial market, namely, investor sentiment and risk tolerance.

Interestingly, although FinTech investments display some kind of resistance to international disputes, the study observes that it is digital, innovative, and less dependent on the conventional financial structure. It is an indication that even in unpredictable settings FinTech can be a good strategic investment. However, the quantified optimism, based on the feelings of the investors, indicates that, despite having room to explore, the risk, market volatility, and information asymmetry issues continue to influence decision-making.

Regarding the business dealing with factors, the findings indicate that it is important to use adaptive models that bring both technological advancements, as well as risk handling practices. To enhance resiliency to the adverse effect of geopolitical turmoil, financial institutions, policymakers and investors must strive on the principles of establishing and increasing

transparency, increasing regulatory responsibilities, and applying advanced analytics. In addition, the lack of awareness and financial literacy among investors can be provided to make superior and more rational investment choices.

Finally, the paper is valuable enough to add to the increasing knowledge in the area of connecting geopolitical risk, investor sentiment, and FinTech investments. It reveals that the international wars are a prickly topic despite the possibilities emerge and provide the space to technologically oriented financial spheres to develop and transform. The lessons gained as a result of undertaking this study have relevance to the scholars, professionals and political figures that wish to establish a more sound and sustainable global financial system in a world era that is increasingly becoming an uncertain environment.

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