A pioneering push towards financial assets in India

Recent government initiatives are encouraging individuals away from traditional investments and towards financial assets, says Rajesh Krishnamoorthy of iFAST Financial. This creates an even greater need for the right support and tools.

A government-led shift is underway in India's investment landscape: individuals across the country are increasingly looking at buying financial assets rather than sticking to their preferred favorites of gold and real estate, or even holding cash.

"From a consumer behaviour point of view, the whole community is being encouraged to come and look at the financial world, and Indian investors are now moving towards financial assets," says Rajesh Krishnamoorthy, managing director of iFAST Financial in India.

RAJESH KRISHNAMOORTHY
iFAST Financial

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This has happened on the back of a mix of drivers – demonetisation in November 2016, a tightening of real estate laws, and policy to allow people to convert gold ornaments into gold bars.

The shift in activity has also been spurred by several very positive years for the asset management industry, backed by soaring stock markets and powered by liquidity, he adds.

Greater interest in equities is also, believes Krishnamoorthy, being aided by Aadhaar, a biometric identification that is gradually being made mandatory in India for every citizen.

"With biometrics, firms are able to authenticate customers and allow them to access the market," he explains.

"Technology is now moving in such a way that small gadgets that can read our fingerprints are available for as low as INR2,500, meaning firms can authenticate a customer through a mobile phone or laptop, and no further paperwork is needed before they start investing."

Meanwhile, the National Payments Corporation of India's (NPCI's) open infrastructure for banks, corporates and financial institutions will soon allow faster payment.

All of this is impressive given that many global investors regard the country as an emerging market.

"It's an initiative we haven't yet seen in most countries across the world, and the efficiency of the infrastructure is such that I can move money from my bank account to yours in a few seconds, 24x7, 365 days a year," explains Krishnamoorthy.

"I don't need to worry about a holiday or a festival. There is no excuse not to pay money in India today, it's so easy."

A BOON FOR INDIA'S INTERMEDIARIES

These trends bode well for a lot of intermediaries in India, iFAST Financial being among them.

The online funds and investments distribution platform, which launched in India in 2008, now manages portfolios of INR25 billion.

All along, it has been clear that as a platform, its primary job is to deal with intermediaries – not directly with clients – to help make client interactions for intermediaries faster, smoother and more scalable.

It has also made a move more recently in India into insurance.

The firm has integrated its platform with that of an insurance provider, which was a move prompted by trained insurance agents undergoing regulatory certification for mutual funds.

ADAPTING TO A NEW LANDSCAPE

To evolve its offering in line with the evolution of India's regulatory environment – which is moving towards compulsory registrations by intermediaries with the securities watchdog – iFAST has launched an incubation model to help smaller financial intermediaries with the regulatory transition.

The intention of this is to help them deal with the inevitable pressure that will come down from product selection to asset allocation.

"There is a regulatory shift in the market whether intermediaries like it or not... With the existing regulations, to give advice across multiple products, one has to be registered as an investment adviser with SEBI."

The platform has also explored a number of other benefits for financial intermediaries such as continuity for IFAs in the case of their sudden death or disability, to deal with the issue of who will draw the fees.

Today, Krishnamoorthy explains that just over 90% of iFAST's 50,000 customers get serviced by either fund distributors or by SEBI-registered investment advisers.

The remainder are smaller, do-it-yourself investors who access the firm's fundsupermart.com website.

"There is a regulatory shift in the market, [that is happening] whether intermediaries like it or not," says Krishnamoorthy.

As a result, he explains that all financial advisers have to start mastering asset allocation and look at multiple products beyond just funds, such as stocks, ETFs and bonds.

"With the existing regulations [in India], to give advice across multiple products, one has to be registered as an investment adviser with SEBI," explains Krishnamoorthy. ■