Re-engineering the wealth management model for foreign banks in India

Atinkumar Saha, Managing Director & Head of Wealth Management Coverage in India at Deutsche Bank Wealth Management, says the local wealth market is encouraging foreign banks to invest in people, technology, products and services acknowledging the immense opportunities presented by one of the fastest growing economies in the world.

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SAHA TOLD THE AUDIENCE AT the Hubbis Indian Wealth Management Forum that the wealth management market is growing robustly worldwide, with global wealth now at USD 202 trillion, having grown by 12% in 2017, with India and the broader Asia region driving much of that growth.

"We are clearly in one of the sweetest spots in the world today," he observed, noting that the population of India's high-net-worth individuals (HNWIs) and ultra-HNWIs is slated to double in the next three years. "Recent media estimates indicate that assets under management with

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India's top 20 wealth managers have grown by more than 63%, outpacing Asia's offshore space, which has grown at around half that pace. Moreover, world growth is estimated to be 3.3%, emerging market growth at 4.9% and India's GDP is set to surge by about 7.3% growth rate."

Saha explained that there are many drivers to India's expansion, including widespread and robust economic activity, ongoing reforms, digital disruption, the increasing pace of globalisation, the growing maturity of Indian companies and the relative decline of real estate as well as gold as an investment option, leading to what he termed greater 'financialisation' of savings.

India's world of opportunity

"There is, as we all know, a wealth of opportunity here," he commented. "But what of the foreign banks, how are they adapting to this market? They have in many cases been here for a century or more and were pioneers in the wealth space, as well as pioneers in product innovation in the investment and credit solutions space, working in tandem with their parents to bring the best practices from the developed and other emerging markets. But in the last decade or more, they had to concede space to the nimble, innovative, expanding, ever-aggressive Indian players."

He observed that while the local players upped their game, the foreign banks have unfortunately witnessed dwindling commitment levels from their own head offices. "Nevertheless," he observed, "we now see the tide turning as the debilitating legacy impact of the global financial crisis of 2008/9 is giving way to new vigour and commitment by some foreign banks, and certainly for example at Deutsche Bank. Our challenge now is to regain market share in a crowded and aggressive space and re-establish our USP which has always been there but has been somewhat lost in recent times."

Define your strategies

Saha maintained that the foreign banks should emphasise three defined strategies. The first is to play to the strengths of the foreign bank's global expertise in investment banking, corporate finance, corporate banking, and credit solutions, as so many of the wealthy Indian families have businesses that are expanding overseas. "These HNWIs and ultra-HNW families here are seeking solutions far beyond standard wealth management propositions, they are looking for someone who can transcend the barrier between personal needs and business needs."

He noted that there are regulatory restrictions- that foreign banks must be aware of, but he believed that within this space Foreign banks can bring their one-bank approach, their universal banking capabilities and global access to clients in India. These wealthy business owner clients might be asking for acquisition targets, for debt or equity financing, for loans from offshore or onshore, in short for a whole host of assets or financial solutions in the domestic and global markets. Saha said "We at Deutsche Bank have seen a significant contribution to revenue growth from our onshore/offshore partnership and one-bank deals.

The second most important strategy for a foreign bank he said should be to play on their historic strengths as asset allocators, their experience in developed and emerging markets, their product due diligence strengths, as well as their risk management and research capabilities. "Boston Consulting Group reports that growth in the class of investments such as equities and alternative assets was 26% in 2017 and these are expected to grow at 21% compound in the next five years," he reported. "Compare that to insurance and bonds or offshore wealth or life insurance, pensions, which are growing at less than half that pace."

Saha added that the third, but not the least, priority for foreign banks should be to take the lead in building an ethical platform. "Collectively," he explained, "we should never forget that we have a fiduciary responsibility towards our clients and that we are building a sustainable business model for the long haul, not extracting short-term gains. This industry and the players in it need a far-sighted and ethical vision of the future." ■