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Taking the wealth management industry forward in India

Creating business models to enable firms across the country to maintain the impressive growth seen in AUM and client numbers in recent years, will depend on more training for advisers, client-centric incentive structures and a way to get investors to place more value in the advice they receive.

The future of private banking and wealth management in India is bright – by anyone's measure.

There are several supporting factors for this, including: a savings rate of over 30%; a domestic economy in an investment phase; and rising absolute numbers of wealthy. This confluence seems to be a great situation for intermediaries on both sides of the trade.

94%
Respondents who believe the country's existing suitability framework needs to be improved

Further, nearly 60% of respondents to a poll of delegates think that, in the face of a market downturn, India's wealth management industry is now robust enough to continue to grow in a sustainable way.

Over the coming years, industry practitioners believe entrepreneurship will continue to create the most amount of wealth. At the same time, there will also be growth in 'professional' wealth grow due to equity participation offered by employers – albeit entrepreneurship in a different format. In line with this, wealth managers need to keep a watch on small- and medium-sized promoters, and grow with them.

But it is not all plain sailing. To satisfy the ever-demanding needs of a customer base that is not only growing in number and wealth – but also in understanding and

Panel speakers

- ***Rajesh Iyer**, Investment Advisory Services and Family Office, Kotak Mahindra Bank*
- ***Himanshu Kohli**, Founder Partner, Client Associates*
- ***Vishal Dhawan**, Founder and Chief Executive Officer, Plan Ahead Wealth Advisors*
- ***Shuja Siddiqui**, Head of Products and Investment Research, L&T Finance*
- ***Rohit Bhuta**, Chief Executive Officer, Crossinvest*

Rajesh Iyer
Kotak Mahindra Bank

sophistication in relation to their needs, wealth managers need to present options across the investment spectrum, based on their risk profile.

Himanshu Kohli
Client Associates

Moreover, clients will increasingly be looking for strong guidance in times of market stress, when these periods inevitably come. They will also, in many cases, need their adviser to manage their behaviours, during good and bad times.

With investors being more aware, however, and the competitive intensity becoming higher, bankers are becoming a bit client centric.

These were some of the views of speakers at the 7th annual Hubbis Indian Wealth Management Forum 2017 in Mumbai.

62%
Respondents who don't think Indian wealth management firms take training and development seriously enough

MOVING FASTER

Private banks in India will see the fastest growth in AUM over the next 5 years in India, according to 27% of respondents to an audience poll.

This is followed by retail banks (21%), multi-family offices (18%), IFAs (15%) and then NBFCs and RIAs (each at 9%).

Various measures would also help accelerate the development of the wealth management sector in India. For example, believe speakers, these include government programmes that facilitate financial savings. Single KYC may also be a big help, as would incentives to save and invest for the long-term, such as retirement funds.

Vishal Dhawan
Plan Ahead Wealth Advisors

The industry also needs to be able to get clients to place greater value on the advice they are given. The results of an audience poll showed that only 42% of industry practitioners believe there is a proper understanding of the meaning of 'advice' in Indian wealth management today.

Practitioners acknowledge they need to shoulder some of the blame for the fact that many clients don't yet place more value on the advice. A lot of organisations have relied on transactional relationships, partly because of their bottom-driven approach.

Shuja Siddiqui
L&T Finance

The relationship angle has been missing. People respect advice, say speakers, if it is to the point, jargon-free, consistent over time, adds incremental value and is trustworthy. This also requires a shift in the mind-set of bankers, add practitioners, by educating them to actually think about putting the client's needs first.

It is not practical to drastically modify compensation structures at this stage of the development of the industry in India, and as there will always

90%
Respondents who don't think there is adequate fee transparency in Indian wealth and asset management

be organisational demands. But firms need to balance the equation a little bit more. They can do this, suggest speakers, by allocating a weighting of remuneration to customer satisfaction.

MANAGING TALENT

One of the key areas the industry needs to work on relates to talent, which continues to present a big challenge for the industry. While fresh joiners offer increasingly less value, due to their lack of experience over market cycles, senior practitioners are becoming very expensive, explain speakers.

Rohit Bhuta
Crossinvest

Talent might become more widely available if there is any industry consolidation. But there is an onus on firms to do more to nurture talent internally through training, as well as mentoring by seniors.

However, speakers also believe that training programmes will prove fruitless in the long run unless incentive strictures change. This is where the industry needs to focus its attention, they say. ■