

Trained advisers key to success in wealth sector

A Hubbis survey of leading Indian wealth management professionals reveals a host of ideas to tackle the big challenges facing the country's wealth market.

With India's wealth management industry growing rapidly, there is a growing need to improve competency and capacity levels to be able to take the market to the next level.

According to 125-plus practitioners, the lack of properly trained and skilled advisers and other professionals is one of the biggest challenges facing the sustainability of this segment of financial services.

A key issue is the fact that many advisers today are not certified financial planners. In fact, often, they have been recruited from top management universities and offered in-house training by companies before quickly being put in front of clients.

As a result, there is a dire need to create a pool of skilled talent, survey participants acknowledged, if the domestic market is able to deliver the type of advice to clients to which everyone aspires.

MORE COLLABORATION

One recommendation from the market is for the industry to team up with the government and regulator(s) to introduce study programmes in financial topics at post-graduate level.

Another suggestion along the education lines, is that industry participants could join forces to introduce a relevant course on wealth management.

Certification programmes for niche segments in wealth management and tie-ups with foreign universities for the transfer of knowledge about this industry, were also among proposals by practitioners.

STRUCTURED TRAINING

There is also an acceptance among a growing number of professionals about the need for more consistent and structured training – for example in the form of continuing professional development (CPD). This is a common practice

in the most developed financial markets globally – including the US, UK and Australia, for instance.

In Singapore, meanwhile, which is arguably the regional benchmark when it comes to developing a credible wealth management industry, between 15 and 30 hours of CPD a year is required by The Institute of Banking & Finance (IBF).

Compulsory CPD is also not an unrealistic option for India, according to some practitioners who responded to the survey.

In addition, they believe, periodic competency checks could help in ensuring skills and knowledge levels are up-to-date with the latest market trends.

SKILLS AND EXPERIENCE

Along with education, experience in managing money and also in terms of relationship-handling skills should also be evaluated, according to some re-

spondents. In the past, some professionals bemoan the fact that there have been instances where quality has been compromised for scale.

Further, knowledge should not be limited only to investment products. It should also be a lot broader, for example covering areas such as behavioural finance, noted some respondents.

Yet key to success of any wealth management market is trust, add practitioners – which originates from robust regulatory oversight and a legitimate vehicle for redressing investor complaints.

Ultimately, suitable measures must be in place to ensure that appropriate products are marketed to investors, according to survey participants.

Other drivers suggested to improve the industry’s prospects include: greater regulatory clarity on what is acceptable and what isn’t; a longer-term focus rather than aiming for short-term gratification; and an ability to embrace technology to improve the client experience as well as cut costs.

A transition from transaction-based business to advisory models and building meaningful relationships with clients will also help the industry mature.

Indeed, SEBI is already encouraging the introduction of such a regime, judging by a recent consultative paper released by the regulator.

IN NEED OF AN ECOSYSTEM GEARED TO TRAINING

When it comes to capacity in India, some respondents point out the need to build robust platforms that are transparent, seamless and all-encompassing.

LOW LEVEL OF FINANCIAL KNOWLEDGE



Indian investors are biased towards investments in physical assets such as gold and real estate – and less than 5% is placed in financial assets.



56% of responders say that investment options should be more diverse

On the products side, a proper REIT and ETF market are on the wish-list of some practitioners. Meanwhile, simpler KYC norms could also help.

Indeed, the recent introduction of a centralised KYC agency in India is considered a positive step in that direction.

Overall, what is needed is an ecosystem to train wealth managers to take a more

holistic perspective on client investments, instead of them specialising in one or two asset classes.

As one participant noted, using appropriate technology, grooming talent with the right skill-sets and having the patience to build the business rather than play an AUM game, are critical for the future growth and success of the Indian wealth management industry. ■