Spotlight

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GLOBAL FINTECH SUPERPOWER

Of the over 2,100 fintechs existing in India today, about 67% were set up in the last five years, as per Invest India. The Indian fintech industry was valued at $50-60 billion in FY20 and is estimated to be at ~$ 150 billion by 2025

THE SMART SAVERS

Fintech and youth seem to be a match made in heaven, as youngsters increasingly get serious about money, a trend promoted by digital platforms

REYA MEHROTRA

WHEN MUMBAI-BASED SHAHIRA Khan first started saving in 2012, she would give ₹1,000 to her mother every month from her salary, which would be kept in a box at home. But that little amount never seemed enough. She would look at her savings and wonder if she would ever have enough money to buy a house or a car.

Almost a decade later, the 32-year-old communications specialist has several investments in mutual funds and SIPs (systematic investment plan) and is now considering an LIC policy too. "After marriage, I started investing in mutual funds and SIP with wealth managers from Hum Fauji (a team working to help armed forces families with financial planning)," she says. During the pandemic, she started using the Angel Broking app, a stock broker company, to venture into the stock market. "Their commission is lower than banks and the settlement reports are easy to understand for non-finance people as well," she adds.

> The need for financial security led people to start investing in the equity market. Millennials, too, turned to the stock market to explore and invest
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> — **RAVI KUMAR,** CO-FOUNDER & CEO, UPSTOX

Khan is among the many youngsters today who are money-conscious and financially smart. Not only are young people increasingly taking to saving, they are also moving away from traditional saving instruments like FDs and gold in favour of other financial tools like shares and mutual funds that promise better returns. Aiding this change is the digital boom, which offers not just digital transactions but also websites and apps that act as virtual guides to smart financial planning.

Upstox, a Mumbai-based app that facilitates trading in the share market, IPOs (initial public offering), SIP, mutual fund, indices and commodities, has noted an uptick in young customers in the last two years. Of their total customer base of over 7.5 million, more than 80% are millennials. Online investment platform Groww witnessed an overall growth of 38% in young customers/ investors that are using the app just in the past year. Pickright Technologies, a smart investment platform, observed that 50-60% of new sign-ups are below age 35 and 20-25% of them are below age 25. Stack, an automated investing app for millennials, shares that the age group of their maximum users is between 20 and 25 years. As for financial services company Zerodha, it has 75% of its customers under 30 years and a number of first-time investors in this age group have entered the markets since last year.

Trading is trending

Delhi-based data scientist Mohit Chopra (28), who has been investing through Groww and Upstox since 2019, explains why stocks and mutual funds appear to be the preferred investment options for millennials. "Mutual funds and stocks have risen to prominence because FDs lost lustre due to poor returns. Funds that can keep up with inflation and also offer tax advantages are popular," he says.

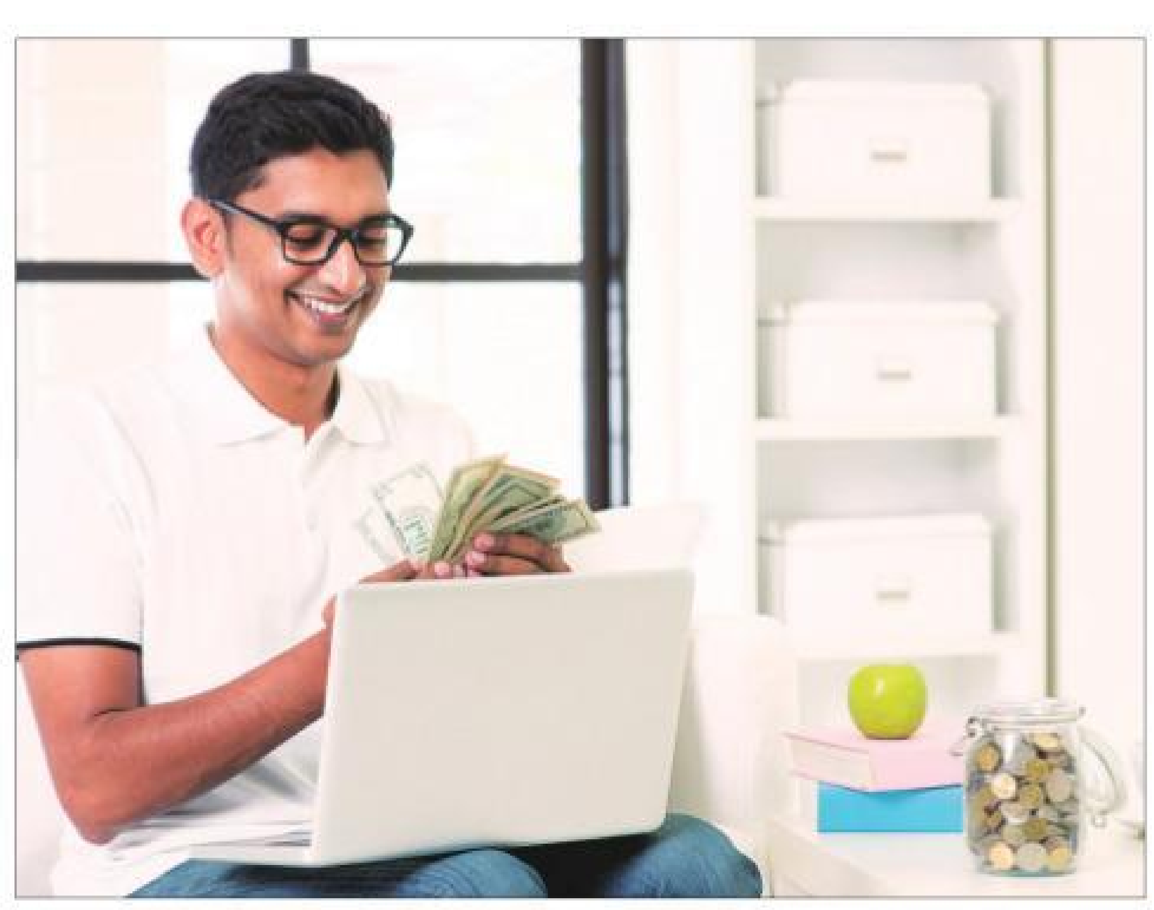
As per a December 2021 study by asset management company Schroders, titled 'Schroders Global Investor Study 2021: Investors Turn to Riskier Investments Amid Pandemic Uncertainty', 37% people were more willing to allocate to high-risk asset investments in the 38-50 age group and this increased to 44% for the 18-37 age group.

The study, which considered 23,000 people from 33 locations across the globe, revealed that in a scenario where interest rates are at zero or negative, 57% of investors aged 18-37 said they would make higher-risk investments in pursuit of returns, while only 17% would be more likely to spend and not save.

As a banker, Lokendra Singh believes it is essential to invest early even if amounts are small to understand market dynamics and develop an investor's aptitude and patience for long-term investments. The 28-year-old Mumbai-based manager at IDBI Bank, who has been investing using Stack since November last year, says he had heard of it from a friend. "I use bank FDs for savings, and sometimes platforms like Zerodha for stock investing after doing my own research and getting help from my friends," he says. "Investing late can result in costlier mistakes, which can make someone averse to market risks, but without investing smartly, it is impossible to beat inflation and secure your future," he adds.

Shashank Bharadwaj, a 24-year-old marketing and communications practitioner, seconds Singh. He had started investing in his teen years after coming across ads for mutual funds. Since he was a minor, he started investing in his mother's name. "For the past 2-3 years I have been actively investing and trading in shares. I use apps like Funds India, Coin by Zerodha, Zerodha, FYERS, INDmoney, Varsity by Zerodha and School of Stocks (FYERS)." He says an early start gives one the luxury of making mistakes and imparts financial discipline. It also helps with financial security, stability and independence at a significantly early stage of your life.

Agra-based 25-year-old Sagar Arora, who runs his family business, shares he started investing after the lockdown in 2020 after he came across a YouTube channel explaining investments in mutual funds and stocks. "I was following PranjalKamra who makes videos on investments and has 3.38 million subscribers on YouTube. I watched his videos the entire lockdown and started understanding how the market functions. I invested for a month and increased my investment when I saw good profits. Now I have more than five portfolios in mutual funds and SIPs. I have been using apps like Groww and Upstox," he says.



RISE OF FINTECH

In Jan 2022, Microsoft CEO Satya Nadella invested in Groww. In 2021, its valuation had gone up to **$3 billion**

In Jan 2022, trading and investment platform StockGro raised **$32 million**

In Dec 2021, Bengaluru-based fintech Stack raised **$4.5 million** in a seed round

In Nov 2021, Upstox, backed by Ratan Tata, entered the unicorn club with **$3.5-billion** valuation

In Oct 2021, **5paisa.com** launched 5paisa Wealth, the first in the country to introduce portfolio advisory service

Currently, Zerodha Broking's valuation is at **$2 billion** based on its ESOP (employee stock ownership plan)

The right investments also help youngsters when planning a new startup or a career switch, believes 25-year-old Delhi-based Srijita Chakraborty, a content writer. "One does not have to depend on their family for capital," she says. She first invested when she was 23, fresh out of college and into her first job. "I had to manage all my personal expenses and I am a big foodie, that's how I decided to look for investment options that could solve all my financial crunches." Initially, she invested in FDs and mutual funds via apps like Paytm Money or 5paisa. She found stocks complicated, but later switched to Pickright Technologies that exposed her to investing in equities, gold and ETFs.

The digital guide

Breaking down of information through various mediums like social media has helped investors gain insights on strategies. A number of financial advisors have been vocal on platforms like YouTube and Instagram, which are hugely popular among the youngsters. Companies like Groww and Upstox have created their own YouTube channels as well, releasing videos on how to invest better. Groww creates educational content using different mediums like YouTube, Facebook, blogs, webinars and masterclasses and workshops.

Ravi Kumar, co-founder and CEO of Upstox, shares that the fintech industry is revolutionising finance in India. "For investment platforms, it is not just about rendering a service to the customer, but about enabling the customer to make informed decisions. Everyone wants a platform that is simple, intuitive and easy to use. Technology has been a key differentiator that has enabled the broking sector to consistently deliver value for investors."

He believes there are several factors that have given an impetus to this rising equity participation, job losses and alternate sources of income during the pandemic being some. "The need for financial security led people to start investing in the equity market. Millennials, too, turned to the stock market to explore and invest. As a generation, millennials are curious and want to understand how the market works," he adds.

Thanks to the expanding fintech sector, financial awareness among the Indian youth has also increased, believes Smriti Tomar, founder and CEO, Stack. "The pandemic has further accelerated digital financial services adoption, including investing, taking India ahead of China in financial inclusion metrics. With the intervention of internet technologies, apps have made investing accessible to the masses. Digital identity verification and open APIs have further simplified the user experience to make the process less complicated for everyday users," she adds.

> Stock market was not considered a good place to invest as a beginner. With technology, regulators & product innovations, problems have turned into opportunities
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> — **ARCHANA ELAPAVULURI,** CO-FOUNDER, PICKRIGHT TECHNOLOGIES

The availability of cheaper smartphones is another contributing factor for better awareness of investments as they get simplified and accessible to everyone, according to Zerodha.

Archana Elapavuluri, co-founder at Pickright Technologies, shares that the digital reach has helped bust many myths regarding the stock market. "It was thought the stock market is not a very good place to invest as a beginner, as a lot of time, effort and money is required to gain expertise. Now with the rise of technology, regulators and product innovations, the problems have been turned into opportunities in India. The growth rate of demat account opening is around 55% for the year gone by," she shares, adding that in May 2021, they introduced Investpacks—ready-made portfolios which solve the problem of research and stock selection. "We now gain over 1,000 memberships per month, with the numbers expected to increase by 4-5 times in the next 6 months," she adds.

Elapavaluri believes that the reason why investments are diversifying is also because India is a cash-based economy and earlier, people had few options to park their money and the maximum investments were in real estate. But this has changed now and people are turning to gold, fixed deposits, mutual funds and the stock market. "With the help of technology, we can carry out analysis and get real-time data on our mobile phones," she says.

Aditi Sholapurkar, banker and co-founder of SALT, a finance and investment app for women, says despite being a banker herself, she didn't know the right way of investing till about 30 years of age. "I was an over-saver and was trained in this field. I knew for a fact that for a 22-year-old back then, FDs were not efficient but I never had the time to try other options so I didn't know what to do and that added to the feeling of discomfort." She says the current rate of inflation has outpaced the returns that FDs yield and that the young have more time to invest actively in wealth creation rather than wealth preservation. "Invest in stocks, crypto and real estate to create wealth," she suggests, adding that though cryptos are beginner-friendly and have grown massively in a short span of time, it is still not a serious investment option and that is going to take some time. "We plan to slowly introduce it when the customers are ready for it," she says. She adds that banking and investment is a very male-dominated field. However, even with little knowledge at times, men talk about money very comfortably, while women plan investing only when fully convinced, which, according to her, is a great trait.

Harsh Jain, co-founder and COO, Groww, attributes the growing numbers to the need for investing for wealth creation. According to Jain, the Indian trading industry before the pandemic was growing at a rate of 10-15% per year and underwent a multiplier effect post Covid-19, and is today growing at a rate of 30- 50% every year. "India's increased financial literacy coupled with the pandemic has led to a steep rise in the investor community, especially among the younger population. On Groww, nearly 76% of the investors are first-time investors," he shares.

He feels the main reasons for the influx into stocks are access to platforms like Groww, the large number of IPOs launched recently, availability of information, coupled with lower FD rates, high savings, long-term security and growth.

Work from home too has enabled many to take time to explore the capital market. As per Zerodha, during the past one-and-half years since lockdown, a lot of first-time investors have entered the capital markets. People have used this time to take stock of their personal finances and start saving and investing. The markets performing well have been a huge factor too.

A word of caution

Even as all might seem rosy with new-age investment plans and big returns, experts say youngsters need to research their instruments well before investing. Elapavuluri of Pickright Technologies cautions young investors on being impulsive when it comes to money and investment. "Young investors expect a lot from the stock market. They expect to score huge returns in a short time. They fail to understand that any increase in share price is either due to the company's performance or market sentiment. In fact, 30-40% of young investors who come to the platform explore some short-term trades without having any understanding of the risk," she says, adding that though the number of young investors is rising, the percentage of women investors is still only 10-15%, but the number has increased dramatically over the recent past.

Sandeep Das, author of *Hacks for Life and Career: A Millennial's Guide to Making it Big*, discusses several investment strategies in his book and says the new-age apps have cleared apprehension about brokerage charges, numerous interfaces and verifications with older systems. He, however, advises youngsters to exercise caution. "While an easy-to-use app with low entry barriers has made investing easy for Gen Z, there has also been a risk of some of them becoming reckless while investing without enough caution. This can emerge as a significant point of concern going forward." He invests primarily in mutual funds as he is risk-averse and avoids volatile assets like low and mid cap funds, penny stocks and crypto currencies.

Elapavuluri of Pickright shares that only 10-15% of their users really know the markets, but hopes that with digital media and investor education initiatives happening across the fintech ecosystem, this number will increase exponentially.