

WealthTech players in India

Applied learning

Wealthtech - a B2C spread-based segment

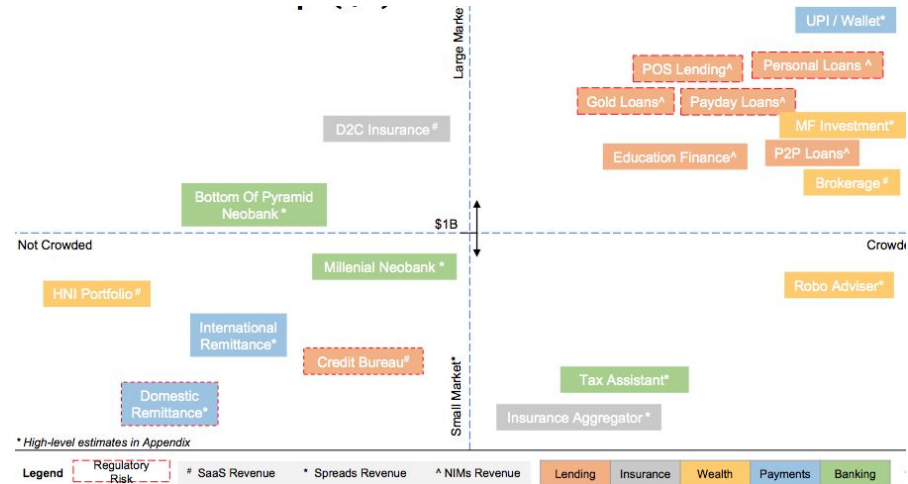
- Fintech includes b2c and b2b technology firms in financial services
- **B2C** areas include - **lending, payments, banking, insurance and wealth**; B2B players serve front-to-back office areas across financial services including
- B2C segments could be ranked according to market size and how crowded they are
- B2C segments are also grouped by business/revenue model - spread-based, net interest margin (NIM) based, subscription-based etc
- **WealthTech is B2C, large market opportunity with spread-based revenue models**

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|--|---|
| <ul style="list-style-type: none">• Ideal sectors to deep dive in• Watch out for regulatory risk | Large Market <ul style="list-style-type: none">• Some markets large enough for multiple large winners• Room for platforms meaningfully bundling products in crowded spaces (e.g. sahamati+lending) |
| Not Crowded <ul style="list-style-type: none">• Large market if building from India for the world (eg. saas)• Some markets may expand either due to high growth, product or tailwinds | Crowded <ul style="list-style-type: none">• Mature sector• Consolidation wave• If crowding is by incumbents, potential of disrupting |

Source : Blume Ventures Fintech Report

Wealthtech includes broking, MF, robo and reporting

- VC firm Blume Ventures includes **broking, mutual funds execution, robo-advisers and HNI portfolio reporting tools** in its definition of wealthtech
- In practice, the difference between some of these players is not clear
- Specifically, the robo-adviser segment is more like digital financial planning
- We see broking and MF execution firms also slowly offering financial planning tools, hence it's hard to segment wealthtech

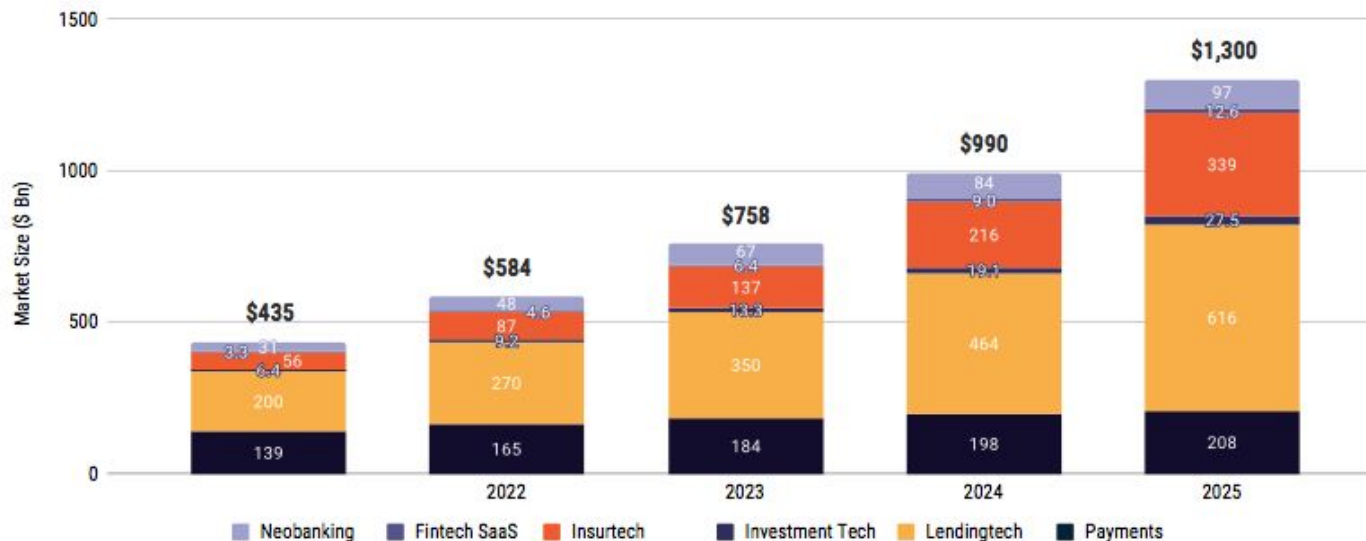


Source : Blume Ventures Fintech Report

Wealthtech, also called investment tech

India To Reach A Trillion-Dollar Fintech Market In 2025

The country's fintech market is estimated to grow at a CAGR of 31% during 2021-2025



Source: Inc42 Plus. Multiple Secondary Sources

Source : Inc42 State of Indian Fintech Report Q1 2022

Small compared to lending, payments & insurance...but second-fastest growth at 44%



What is a robo-adviser?

Technically, a robo-adviser works in the same way like financial advisors do - recording customer goals/time horizon, assessing risk profile, suggesting and executing investment strategies and reporting portfolios.

Pioneers such as Betterment, Wealthfront (both U.S.) and Nutmeg (the U.K.) are considered benchmarks for robo advisory services globally.

In these developed markets, robo-advice providers offer **asset allocation strategies, executing through index/passive (mostly ETFs), tax harvesting to optimise tax** - all with a focus on long-term goal-based wealth creation.



Indian market prefers active mutual funds

Indian wealthtech players, including those referred to as 'robo-advisers', are different, in that -

- They are evolving from mutual fund execution platforms where they get paid trail commission embedded in regular mutual funds
- While some players offer 'direct' mutual funds (with no embedded trail commissions), they still prefer selecting active mutual funds over passive ETFs; we assume they intend to charge the clients a fee at some point
- Some players offer 'goal planning' helping users to calculate the cost of goals and how much they need to invest and 'goal tracking' showing if users are on track to meet their goals
- Very few offer full financial planning, rebalancing, tax harvesting etc



Segmenting Indian wealthtech

In this project, we have attempted to segment prominent wealthtech firms based on -

- License - mutual fund distribution (MFD) vs registered investment adviser (RIA)
- Business model - trail commission vs client subscription vs advertising?
- Services - MF execution, goal planning/tracking, financial planning etc
- Ease of use (UX), UI
- Scale - number of customers, funding raised



Services/features

- **Goal setting** - grades the extent to which you can define and track your investing goals. For example,
Are there resources to help clients calculate **how much they will need to retire comfortably**?
Are there tools, such as real estate and vehicle prices, to help clients set their **target goals**?
Are there tools to set their **savings target**?
Can the clients **create their own goals**?
- **Portfolio construction and management** - checking the **availability of various asset classes** is to be considered such as individual stocks, mutual funds, fixed income, cryptocurrency, forex. In terms of portfolio management, the feature available for the clients to monitor their portfolios need to be considered such as the **frequency of automatic rebalancing**, reports on goal progress, including **ways of shoring up portfolios** that may fall short, generating **consolidated reports** of analysis .

Licenses - shift towards RIA licenses

RIA



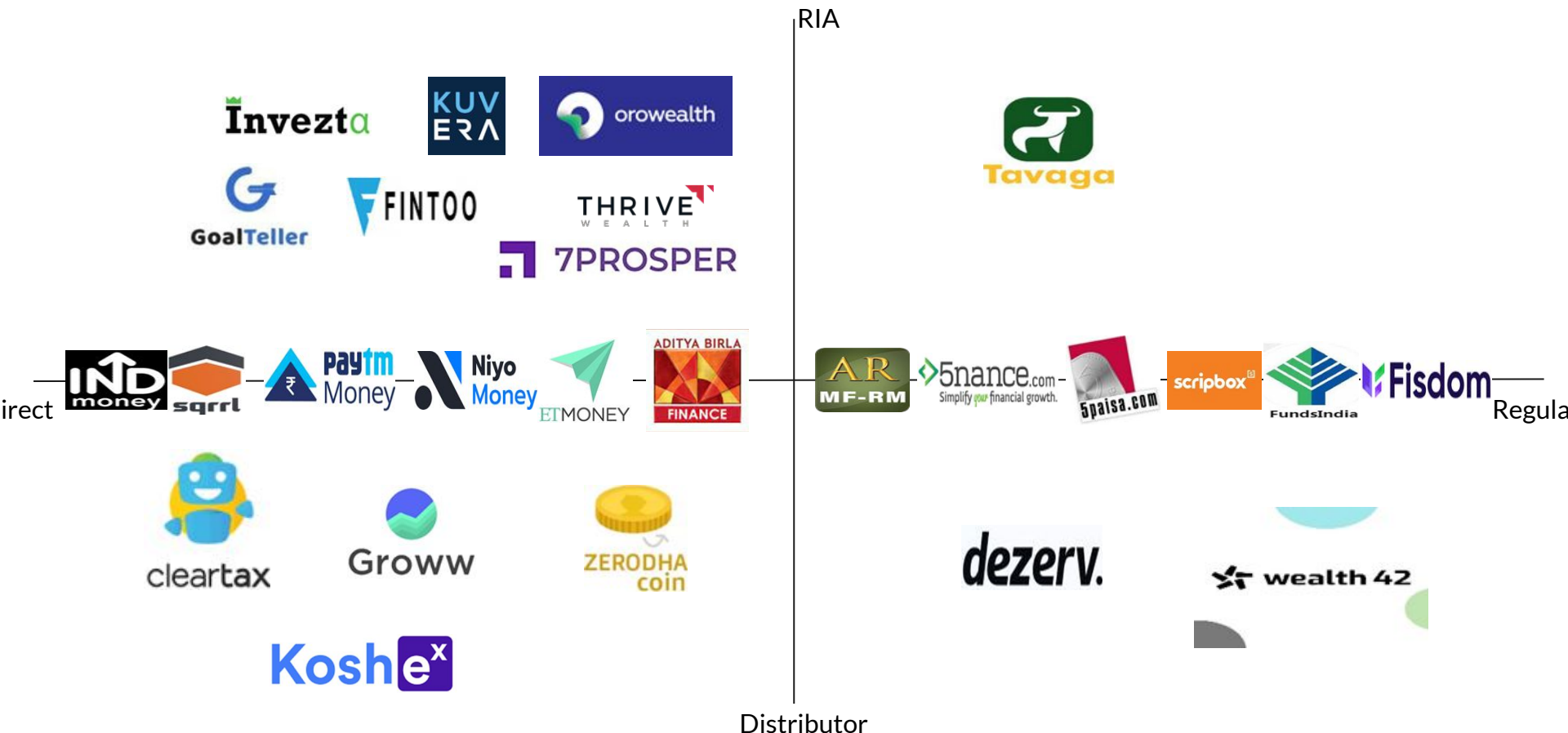
Both



Distributor



Business models - shift towards direct funds





Financial planning - more than goal setting

Goal setting (yes)



Financial planning (yes)

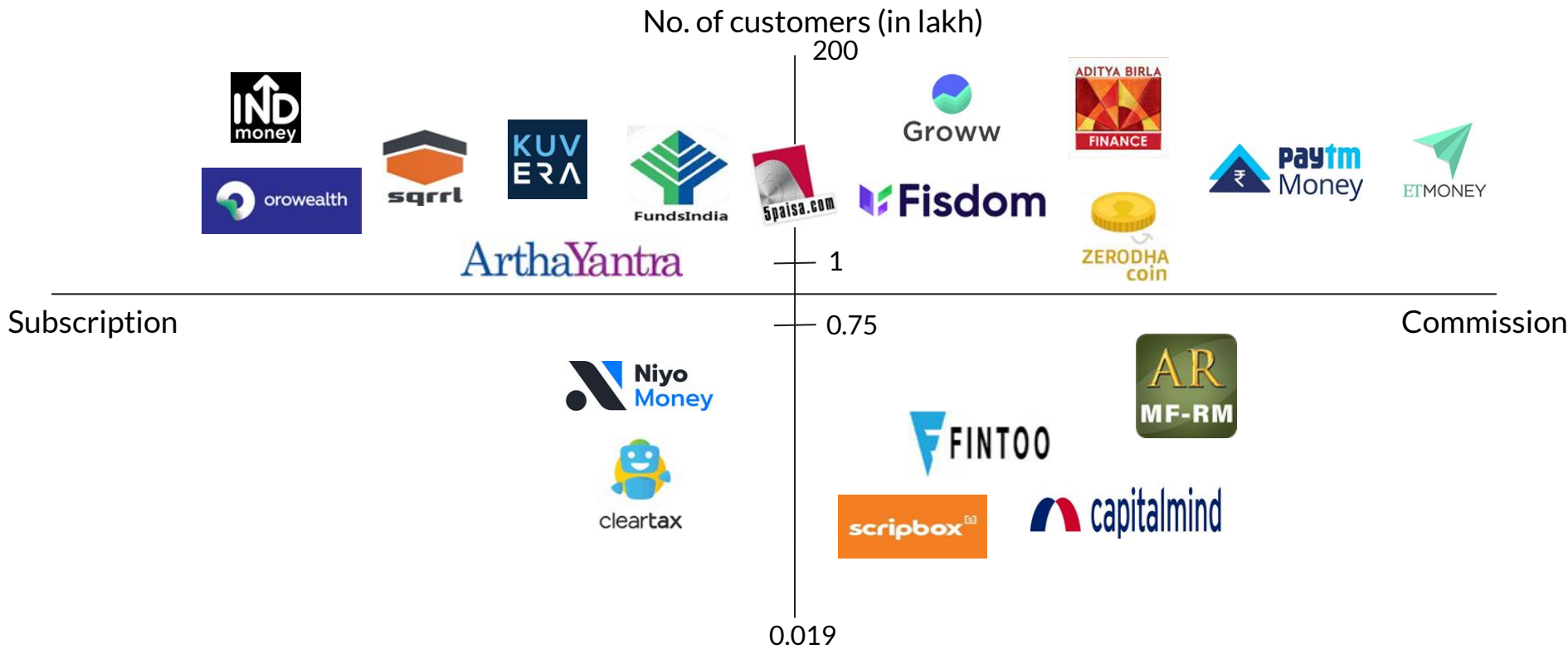
no



no



Scale - yet to build





Conclusion

While the whole b2c wealthtech segment is sometimes referred to as robo-advice, our study of the market indicates that -

- Many players still operate under the MFD license, hence cannot be called adviser. Their business model is still based on trail commission; very few have started charging client subscription fees
- While most players offer MF execution, there is a wide variety in the goal planning/tracking, financial planning services in terms of ease of use, assumptions, output etc
- The industry will have to educate users on the value-added by them to justify the spread-based fees charged by most players



Disclaimer

- This study is subject to the accuracy of the data sourced from third-party sites and tools.
 - This is an internship project designed for freshers to learn, discuss and debate investment observations. It is possible to have mistakes.
 - Past performance does not necessarily indicate future results.
 - Mutual funds are subject to markets risks.
 - This study is not an invitation to invest in equity markets, mutual funds or wealthtech players.
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