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Business

Published on May 31, 2021 03:16 PM IST

Mutual funds as an industry in India are currently in a Mid-Growth Stage. People are getting inclined towards investing in mutual funds more confidently than what they were 10 years ago. Technology has made it possible to take the industry to the next level.



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 By HT Brand Studio

Technology has radically changed every sector and the financial sector is not an exception. The rapid spread of digital technology combined with the smartphone boom has helped many trading companies and in turn, this has encouraged many youngsters to trade online.

The number of smartphone users in India is estimated to reach over 760 million this year, according to Statista, which specialises in consumer and market data. Another data points out that the mobile app industry is thriving as smartphone users download many apps including apps from broking firms.

The tech-savvy millennials are attracted towards discount-broking platforms and firms also try their best to woo such youngsters. When the Covid-19 pandemic hit India last year, Central Depositories Services India Ltd (CSDL), one of the leading securities depositories, witnessed a nearly 20% increase in new accounts in just 6 months. This shows that millennials make best use of technology to invest and grow their wealth. Also, last month CSDL crossed the three-crore mark in demat accounts.

"The investment choices of previous generations were more relationship driven and risk averse. The main reason for this was that the sources of financial literacy were not readily available, like how they are today. Nowadays, millennials are already investing or seriously considering investing, and their expectations are different from that of the previous generation," says Nishant Kohli, Founder, Director and Business Head-Wealth, Mudra Portfolio Managers.

Millennials are more progressive, ambitious, and cautious and want to be in control of their money. Today technology is providing easy access to reviews, ratings, product information, and multiple choices for them to weigh, understand and ascertain a good option of investment available to them. One can be more confident when you get their concerns addressed, and technology helps fulfill this gap, adds Kohli.

Bengaluru-based chemical engineer ArunKumar Mani says, "Technology has made everything easy. I can't imagine visiting a firm and getting all the process done to start my trading account. Since everything is done online, I can ask my financial advisor and start Systematic Investment Plan (SIP) online or invest a lump sum in mutual fund schemes."

Any industry, in order to thrive, should ensure that it is getting ready for catering to the requirement and behavioural patterns of its future generation clients.

"Mutual fund industry has been evolving from serving the baby boomers to millennials and has to get ready for the next-gen. It has to understand that the millennials and Gen Z are technology-friendly, socially conscious, want greater involvement in planning, prefer transparency, and are open-minded," says Kohli.

### Technology helps MF's exponential growth

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"Though technology gave access to many choices, it has also created too much confusion also. For instance, when we had 5 TV channels we were more entertained than today when we have more than 500 channels, besides OTT platforms. So an ease of access of qualified advisory and advocating the benefits of qualified advice are some of the areas where the industry has to work on along with bringing in an array of innovative products," says the financial expert.

A study conducted by Computer Age Management Services (CAMS) found out that 1.7 million of the new mutual fund investors on its platform in FY18-19 were millennials, accounting for 47% of the 3.6 million total new accounts.

Earlier, one has to be present physically for Know Your Customer (KYC) practices, which is mandatory. But the Reserve Bank of India last year Earlier, one has to be present physically for Know Your Customer (KYC) practices, which is mandatory. But the Reserve Bank of India last year allowed video-based authentication. With Video KYC, the whole process is paperless and done within a few minutes. For new mutual fund investors, a folio can be easily created with this process, and they can start investing once all formalities are completed.

Moreover, many big mutual fund houses are allowing their investors to invest through WhatsApp. As millennials are always active on this widely used messaging mobile application, investing in mutual funds is easier now. Investors can do either lumpsum purchase or start an SIP through WhatsApp.

Millennials want to learn and are more confident in dealing if they get more transparency, information and also when they are able to retain better control in managing their wealth.

"Almost 100% of the millennials looking for investments are on smartphones. So they are carrying their digital cheque books on the go and it's due to this very technology prowess that has made it easy to execute these investments in a convenient manner. So now they don't have to wait to invest, unlike earlier times of paper investments. Technology has opened all avenues, ease and access to the knowledge, understanding, reviews they want before investing, and most importantly, the ability to track their investments with ease," says financial expert Kohli.

Over the last few years, online transactions in mutual funds are gaining popularity and investors can buy mutual funds through digital wallets. One can do instant investment of up to ₹50,000 and in case of any emergency, the investor can redeem the same amount and it will directly go to one's savings account. Financial experts say, for instance, if investors are in dire need of money, they can withdraw from their liquid funds at a click of a button and money gets into their savings accounts within a few seconds.

With massive awareness campaigns, it is evident that millennials are betting big on mutual funds, as it helps them in building wealth. With the help of technology, they easily get to know about high returns that mutual fund schemes can offer in the long-run.

### Key takeaways

- 1) According to CAMS study, 86% of the new millennial investors opted to be advised by intermediaries such as financial advisors, banks, distributors, and other agencies.
- 2) Technology helps investors take an informed decision. All discount brokers have mobile applications and this has made investing even more convenient.
- 3) Financial experts caution about information overload, and according to them, millennials should start slow and compile a diversified portfolio with different asset classes.