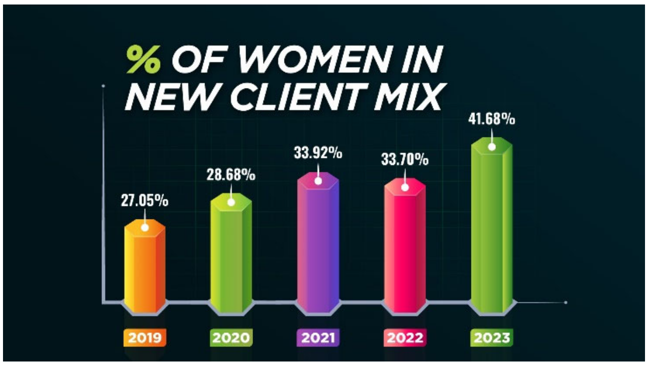
Women’s Equality Day – Key Findings

FinEdge, India's leading tech enabled investment management company, conducted an in-depth study of its women investors on the occasion of Women’s Equality Day. The results were both interesting and encouraging.

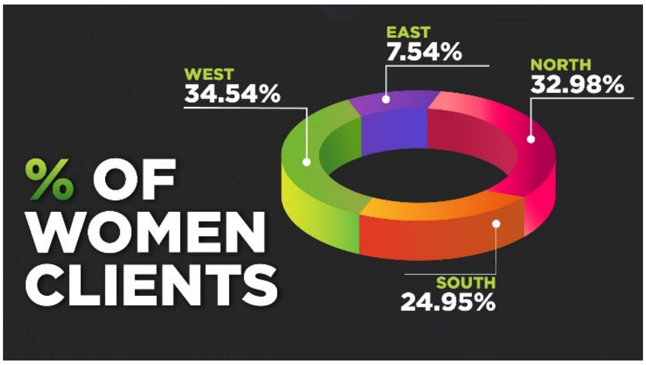
Percentage of women in new client mix is on an explosive growth track

Commencing its operations in 2012, the company onboarded around 18% of its clients as women in the first year. This year, the figure stands at a whopping 42%. The post pandemic phase has seen an explosive growth in the percentage of new clients who are women, with the number rising 50 percent in the last 3 years alone. FinEdge expects this number to go past 50% in 2024, which means that over half of its new clients will be women.



"We are delighted to see more and more women leading the way and helming their family's financial plan. Temperamentally, women make better investors than men as they are less speculative and more purpose-driven. This makes them excellent long term investors as their resilience allows them to benefit from compounding. We are certain that this trend will gather momentum in the next 3-5 years", said Harsh Gahlaut, CEO, FinEdge.

In terms of Zonal split, the West and North zones showed strong trends with respect to the percentage of women investors. 34.54% of clients from the West Zone and 32.98% from the North Zone were women. The East zone fared poorly in this regard, with just 7.54% of investors being women.



Women face unique challenges with respect to their financial plans, and require a different approach to investment management

The study also aimed to uncover some of the key challenges that women investors face on their wealth creation journey. Some of the top findings were as follows:

1. Career breaks due to maternity or caring for elderly parents
2. Excessive risk aversion that holds them back from achieving inflation beating returns
3. A fundamental lack of trust in sales driven financial advisors who are clearly revenue centric and not relationship centric
4. A lack of awareness of key investing concepts like compounding, rupee cost averaging and time value of money, a trend further exacerbated by advisors who are unwilling or unable to double hat as financial educators
5. A lack of confidence due to the fact that traditionally, the men of the family have managed the finances

More and more women are focusing on their own retirement

Interestingly, Retirement Planning emerged as one of the top goals for women clients. In fact, 30.82% of women named it as their top priority goal, second only to child education planning, which came in only marginally higher at 32.82%. This statistic alone marks a paradigm shift in the way women are approaching their personal finances. Many of them are independently planning their own retirement while still others consider themselves equal contributors to their joint retirement plan with their spouses. Where previously, an unfortunate life event like the untimely death of a spouse or a divorce would leave them high and dry, now a lot of these women will have the wherewithal to deal with the financial shock of such an incident.

"Without a doubt, the increasing number of women who are entering the work force and excelling at their careers is driving the trend towards increased financial independence", said Gahlaut.

When guided properly, women embrace measured risk taking and benefit from compounding

Another interesting inference was that as many as 87% of goal-based SIP investments being made by women were into equity-oriented funds. This was only marginally lower than men, who had 89.9% of their SIP's in equity funds on average. This statistic is a clear indicator that the new generation of women investors are no longer shackled by their innate risk aversion. If they are given proper explanations of risk and reward and if efforts are made to set correct expectations, women are willing to take measured risks for their long term goals. This augurs well for the future wealth creation potential of women investors.

The average age of women investors was found to be 38.67 years, which was around 2 years less than the average age for male investors, which came in at 40.34 years. Women, on average, are starting their financial goal planning journeys earlier than men.

Women are investing more than men for their goals, with clear and holistic goal-based plans

We were pleasantly surprised to note than on average, women investors at FinEdge had 3.47 financial goals each, versus men who had 3.74 goals each. This extremely small difference between the number of financial goals that are being set by women vs men is another clear indicator that more and more women are looking at their personal finances holistically, rather than in an ad hoc transactional manner.

In terms of SIP amount, women on average are investing Rs. 14,347 per month, vs men who are investing Rs. 13,704 per month. This was actually a very interesting inference, because it is traditionally assumed that men invest more for their future goals than women. However, within the FinEdge client base, women on average are saving 5% more per month for their future goals.

Moreover, SIP investments by women investors have an average stoppage rate that is 19% lower than men, further corroborating our finding about women being more resilient long-term investors than men.

Women's investment management needs are unique, differ from those of men

FinEdge also conducted detailed feedback sessions with their investment experts who manage investments for women clients, to glean qualitative insights on what women look for in their investing platforms. The following factors topped the list:

1. Trustworthiness and reliability
2. A non-sales centric approach
3. A goal-based investing platform that is not complicated
4. Handholding by an investment expert who is willing to explain the nuances of investing
5. Empathy, Sensitivity and Customization

"An investment management business that specializes in women clients' needs to take all the above into account. Traditional sales centric outfits (like bank RM's) as well as cold DIY platforms (robo advisory) that lack the human element fail to meet their unique requirements. A bionic model that combines the best of tech and people is the key to success in this segment", concluded Gahlaut

*Sample size: 3,763 women clients of FinEdge. Study conducted in August, 2023.