

# Technology disrupting investing space: benefits to Indian consumer



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The way Indians make their financial decisions has rapidly changed over the past few years. They are increasingly comfortable with using mobile devices to make financial decisions. Given this shift in consumer behaviour, we have introduced apps for trading on mobile devices as well as a robo advisory tool ARQ to help clients with their investment decisions. Going forward we are coming up with more offerings that will both enhance our existing offerings as well as broaden them to include spheres such as wealth management and financial planning. Ultimately, we aim to create an eco-system that takes care of all the financial needs of our clients in a manner that is personalised to their unique requirements.

In India, when screen-based trading and Demat were introduced two decades ago, it reshaped the Indian markets by increasing participation. Subsequently, the introduction of internet trading in 1999 and algorithmic trading in 2007 also made a big difference in empowering retail and institutional investors respectively. But, what we are now beginning to see is the convergence in the areas of finance and technology that could have an impact far beyond our expectations. Here are 2 such mega trends that are disrupting the investment space and ensuring that consumers will be empowered like never before...

## 1. Rule-based investing

Rule-based investing is a way of formulating an approach towards investing that is structured and systematic. The aim is to have a systematic approach that maximises returns while also controlling risk. The best investment theories are tested and refined with Artificial Intelligence to find the rules that help pick the best stocks for an investor to buy. Testing these rules requires large computing power and sophisticated statistical tools. This is where Machine learning enters the picture.

Machine learning is a breakthrough in data science that enables people to get better insights from data. Machine learning is used to test millions (sometimes billions) of combinations to make sure that the factors combined gives the best possible result.

Investment decisions are impacted by many factors and parameters. Using machine learning investors are able to test numerous combinations of their strategies to ensure that their investments not only deliver great returns but also have a control on risk.

A rule-based approach is also able to provide good quality research advice at lower costs. Through automation and artificial intelligence, it is possible to analyse the complete equity universe to find investments. This means that a rule-based approach can find more stocks to invest in and at a much lower cost than a traditional research approach.

## 2. Robo advisory

Robo advisory is a broad term that encompasses both financial advisory as well as investment advisory. Robo advisory is about using digital technology to deliver advice in a manner that is as good as having a full time advisor with the lower costs that digitisation delivers. The ultimate aim is to give the consumer perfect control over his financial future.

Giving users control over their finances can only come by understanding what it is they want. Behavioural Finance is a branch of economics that deals with study of the effects of psychological, social, cognitive, and emotional factors on the economic decisions of individuals. In particular, prospect theory has shown to explain the impact that gains and losses have on an investor. In an ideal world, investors should treat an equal loss and an equal profit in the same way. Thus, if an investor was given two equal choices, but one was expressed in terms of possible gains and the other in terms of possible losses, people would choose the first choice - even if there is no rational difference between the two choices.

Understanding this fact is crucial in accurately determining a person's attitude towards risk. Most investors are unable to express how much risk they would be willing to take with their investments. But, insights from prospect theory help determine the person's risk attitude in such a way that he gets a plan that he can implement and follow through with without any emotional distress caused by unforeseen events.

Personal information and behavioural insights are combined in such a manner to give consumers a personalised solution that is unique to their financial needs. This personalised solution has the benefit of not only ensuring that the consumer receives the best possible advice but also gets a system that helps him follow through on their financial plan.

**Towards, greater digital democracy!**

What all the above ideas imply for the customer is greater digital democracy. Accurate information combined with usable insights delivered in a personalised manner at lower costs stand to deliver real value to customers both now and in the future. Here I would like to mention that the ARQ platform launched by Angel Broking is a move

in this direction. It helps investors with their investment decisions based on insights from artificial intelligence, machine learning and a dedicated team of professionals. One can look forward to both ARQ and Angel Broking enhancing our offerings with one or more of the above mentioned themes. May you have a long and prosperous investment journey in the Indian markets!

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Disclaimer: The above opinion is that of Mr. Dinesh Thakkar (Chairman & Managing Director -Angel Broking) & is for reference only.