

SIPs, Tech, and the Youth Dividend: Charting India's Financial Renaissance



Dhiraj Relli
Managing Director & Chief
Executive Officer
HDFC Securities Ltd.

Think of India's capital markets right now as being at a major crossroads. We're seeing a surge of everyday folks jumping into investments; tech is changing everything, and the whole landscape is shifting. As we look ahead in the second half of 2025, it's going to be a mix of incredible opportunities and some tricky hurdles, all thanks to our young population, digital innovations, and how investors are changing their habits. How we play this game now will really

shape India's financial future.

The SIP Revolution: Building Wealth, One Step at a Time

One of the things happening is the rise of Systematic Investment Plans (SIPs). In some ways it may be like watching a financial revolution unfold. More and more Indians are investing in SIPs as they see its potential for wealth creation. Just look at the numbers: monthly SIP investments jumped from Rs. 20,371 crores in April 2024 to Rs. 25,323 crores in October 2024¹! That's not just growth; it's a sign that increasing number of Indians are embracing the idea of disciplined, long-term investing. We may be looking ahead at Rs. 50,000 crores in monthly SIPs by the end of 2025, and who knows, it may even go to Rs. 1 lakh crore by 2030²!

But it's not just about the big numbers. It's about a real shift in how families are handling their money. For many Indian households invested in Mutual Funds, savings have increased from 11% in 2014 to almost 30% today³. And get this: about 55-56% of those mutual fund assets are in equity schemes, with around 90% owned by regular people.

SIPs may be good for a few key reasons. They help smooth out the bumps of market volatility, encourage good financial habits, and, most importantly, let everyday Indians get in on the country's growth story without having to be market timing gurus (something even the pros struggle with!). This steady, consistent approach may build a stronger, more inclusive financial system for everyone. However, it is important that investors remain aware of the risks of investing in SIPs and make informed decisions.

Macroeconomic View: Staying Strong in an increasingly uncertain World

Looking at the bigger picture, India's economic fundamentals appear to be good for the rest of 2025. India saw real GDP growth of 6.5% in FY25⁴. GDP growth for FY26 may be between 6.3%-6.7%. Despite this slowdown, India is still likely to outperform other major economies.

Growth in important sectors like banking, financial services and insurance (BFSI), industrials, cement, energy, and tech may remain strong. Spending in rural areas is picking up, due to good monsoons, strong harvests, and plenty of water in reservoirs. Plus, fewer people needing work under programmes like MGNREGA suggests the job market is stabilizing, and the government is putting more money into rural infrastructure.

Of course, there are challenges. People in cities are feeling the pinch of inflation, which is affecting their spending. And tighter rules on unsecured loans are impacting things like mobile phone and online shopping. So, we need to stay balanced, focusing on long-term growth rather than getting too caught up in short-term ups and downs.

Digital Transformation: It's All About the Customer (and Their Phones!)

The way people invest in India is changing fast, due to ever increasing digitization. At HDFC Securities, we see it firsthand. A whopping 93% of our customers are now connecting with us through our digital platforms, compared to just 7% through traditional channels! This huge shift is really being driven by the younger crowd – Millennials and Gen Z – who expect everything to be seamless and tech-friendly. They want investing to be as easy as ordering food online.

To keep up, we've invested heavily in digital transformation and technology, as well as recruitment of skilled talent. These investments have enabled us to really understand what modern investors are looking for and deliver services curated to meet their varied requirements. At HDFC Securities, our focus has been all about blending cutting-edge tech with that human touch that people still crave.

Behind the scenes, we've built a robust tech infrastructure. We're all-in on cloud-native strategies and working with giants like Google and Amazon Web Services. This lets us scale up super-efficiently, especially during the peak trading hours when everyone's online. It's crucial to be agile in this market, and we're committed to keeping things secure, reliable, and, most importantly, making investing more accessible and transparent for everyone.

Smarter Products for Savvy Investors

The investment options in India are exploding right now, and it's because investors are getting more sophisticated and want to diversify. Take the Margin Trading Facility (MTF), for example. It's an industry worth around Rs 90,000 crore⁵! It shows how traditional trading tools are being revamped for today's risk management needs. MTF lets investors strategically leverage their positions with clear margins and a carefully chosen list of stocks. It's a win-win for both brokers and investors, fueling growth for everyone.

And then there's the rise of passive investing. ETFs and index funds now make up about 21% of equity AUM, and some predict that share may hit 30% in the next

five years. People are realizing how cost-effective and transparent these options are, and to be honest, it's tough to consistently beat the market with active funds. Now, with all the sectoral, thematic, and factor-based ETFs out there, investors have some seriously powerful tools to build diverse portfolios while keeping things simple and transparent.

This move towards passive investing may be an indicator that investors are maturing. They value transparency and keeping transactional costs lower. As investing spreads beyond the big cities and into smaller towns and rural areas, passive investment products may be preferred by many more investors.

Market Outlook in 2025: Cautious Optimism

For the near future, our forecast for 2025 continues to be cautiously optimistic. We project that the Nifty may touch around 26,000 levels; however, trends elsewhere in the world – especially U.S. monetary policy and geopolitical tensions – may dictate the pattern, making investors cautious.

Sectoral favorites continue to be BFSI, industrials, cement, and real estate. The banking industry is well-placed to steer through future economic changes, with major banks likely to improve their asset quality and see consistent deposit growth. Credit growth of about 12% looks sustainable, fueled by improved household cash flows and consistent monetary policy⁶. The real estate sector may offer strong opportunities, with India's real estate market likely to hit \$1 trillion in value⁷, fueled by demographics, urbanization, and supportive policy. The cement sector also stands to gain from higher infrastructure expenditure and urbanization plans.

Even with these favorable prospects, caution is needed as far as valuations of mid- and small-cap stocks are concerned. While recent corrections have cooled down some overvaluation, these segments continue to look stretched vis-à-vis earnings growth. A cautious strategy may entail investing selectively in stocks of companies with strong competitive advantages and fairer valuations.

Managing Risk in a Complex Setting

Today's trading environment is riddled with risks that need to be managed cautiously. Global debt totaling around \$323 trillion, several times the world's GDP, is a cause of concern, particularly in the context of still relatively higher interest rates. Geopolitical tensions and policy intrusions, like trade tariffs, might lead to inflationary pressures, which may make monetary policy responses difficult.

Domestically, sustenance of prevailing high valuations hinges greatly on growth in corporate earnings. In case earnings are below expectations, markets may experience corrections. This highlights the role of fundamental analysis and prudent stock picking. Apart from this, growing retail participation in the derivatives business increases the onus

on investor education and risk management. Programs such as HDFC Sky Learn, that provide multilingual educational material, are critical for encouraging informed participation and wise investing by smaller investors.

Strategic Pathways Forward

With the growth of India's capital markets, several strategic imperatives emerge. Investor education needs to take precedence so that new entrants are able to understand the risks and rewards of investing, thereby promoting a culture of sustainable and responsible creation of wealth. Technological innovation must keep moving ahead, using tools like artificial intelligence, machine learning, and data analytics. These tools can be used for enhancing customer experiences, making processes more efficient, and enhancing risk management structures.

Product innovation should result in financial products that are value-accretive and affordable. Innovation should match growing investor sophistication. Another vital aspect is the development of a regulatory environment, which must balance innovation with investor protection. A realistic, forward-thinking regulatory framework is needed to promote sustainable growth and ensure market integrity.

Embracing the Future with Confidence

India's capital markets are undergoing a profound transformation, driven by demographic shifts, technological progress, and a growing base of informed investors. While challenges such as global uncertainties and valuation concerns persist, the structural drivers – urbanization, digital adoption, and economic resilience – offer a strong foundation for sustainable growth.

The transition from a savings-oriented society to an investment-driven economy is one of India's most significant economic shifts in modern history. Our collective responsibility is to nurture this evolution by advancing financial literacy, promoting responsible investing practices, and building resilient institutions capable of withstanding cyclical downturns. The early indicators – rising SIP numbers, digital penetration, and innovative product offerings – suggest that India is well-positioned for this transformation.

Success will hinge on the collaborative efforts of market participants, regulators, and investors. By focusing on building robust infrastructure, fostering continuous innovation, and emphasizing investor well-being, India's capital markets can serve as engines of economic prosperity. They will help create wealth, empower individuals, and support India's aspiration to become a developed economy.

The journey ahead is promising, and with sustained strategic focus, India's financial markets can unlock their full potential, transforming the economic fabric of the nation for generations to come.

Source:

¹Mutual fund SIP investments can hit Rs 1 trillion mark by 2030. Here's why - The Economic Times

²Monthly SIP Inflows to Reach ₹1 Lakh Crore by 2030: Insights from HDFC Securities' Dhiraj Relli

³Full-Service vs Discount Brokers: Who's Really on Your Side? | Ft. Dhiraj Relli

⁴Press Note Details: Press Information Bureau

⁵'There is no genuine customer demand for T+0 settlement'

⁶HDFC Securities' CEO Dhiraj Relli discusses investment trends and opportunities - Market Outlook | The Economic Times

⁷HDFC Securities' CEO Dhiraj Relli discusses investment trends and opportunities - Market Outlook | The Economic Times