



## **With most operations digital, mutual fund challenge is about flows**

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The big question that hangs in the air is not when AMC branches reopen, but whether investors will open their smartphones and laptops to start investing again.

For an industry that had gone considerably digital even before the covid-19 crisis, lockdowns and reopening have not made much impact in operational terms. However, the second-order effect of a slowing economy on fresh flows is a lot more severe. Gross inflows into equity funds have dropped significantly in May, a senior marketing executive at a large mutual fund told Mint.

About 80-85% of our transactions were already online, said the executive. A few glitches remain.

Financial transactions, including systematic investment plan (SIP) registrations or stoppages are all possible online, confirmed Vishal Dhawan, founder, Plan Ahead Investment Advisors. "However, non-financial transactions such as change of bank mandate are stuck. A person might wish to change bank mandates because some banks have better net banking facilities than others," he added.

A similar situation exists for other non-financial transactions such as the transmission of units (inheritance) in case of death.

This has been confirmed by another marketing professional at a large asset management company (AMC), who spoke to Mint on condition of anonymity. In the absence of clarity from state governments such as Maharashtra and Gujarat, the AMC has no plans to reopen branches in key areas, the second executive said. The two states account for a disproportionate share of mutual fund investments. However, several branches in Delhi are operational, the second executive said.

Net inflows into equity mutual funds have zigzagged in the two preceding months—March and April. They rose to ₹12,175 crore to a 17-month high in

March 2020, as customers upped their investments in the initial decline. Net inflows then plunged by 43% in April. The May number may be a continuation of the April trend. On the debt side, the industry has been facing considerable redemption pressures. "Businessmen and in a few cases professionals, who faced job losses or salary cuts, have stopped SIPs. These would be around 20% of my clients. In some cases, the reduction in investment is due to worries about the direction of the equity market," said Tarun Birani, founder and director, TBNG Capital Advisors Pvt Ltd, an investment advisory firm.

The mutual fund industry has successfully moved a large segment of its operations to digital. The big question that hangs in the air is not when AMC branches reopen, but whether investors will open their smartphones and laptops to start investing again.