



# Revolutions in Retail Investments: A Case of India

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## Abstract:

India is rapidly growing economy with large investment in infrastructure and Digital Transformation. This has led to emergence of new financial instruments at a pace never before. Each of these investment options offers unique benefits and risks. The researcher has tried to explore the revolutions in retail investment in three major sectors namely Gold, Direct stock Investment and Real Estate in India.

Keywords : Digital Gold, REIT, Smallcase

## Introduction

The global economic scenario has indeed experienced significant changes due to various factors, including the COVID-19 pandemic, the Russia-Ukraine war, disruptions in supply chains, increased interest rates, the rise of virtual workplaces, innovations in financial technology, and the increasing popularity of online shopping. Increased Cost of Living, Low Return on Bank and Post office Savings, Retirement Planning together with technological advancement has increased the interest of retail investor in stock market (E. Bennet, 2012) Adapting to these changes, understanding their implications, and embracing new opportunities the retail investors have shifted from traditional investment avenues to new age financial instruments.

**Retail Investor** is a non- professional investor who has limited access to capital as well as technology to take informed investment decisions. In this paper the researcher has tried to explore the selected revolutions in Retail Investments specifically in the area of Gold Investments, Real Estate Investments and Direct Stock Investments in the Indian territory. The research is completely based on secondary data.

**India presents an interesting case study** for this topic due to its unique characteristics, potential for economic growth, and investment opportunities. Here are some key factors to consider when examining India as a case study for investment:

1. **Economic Growth Potential:** India has consistently showcased strong economic growth over the past decade, with a large and growing consumer market. The country's young and aspiring middle class presents opportunities for various sectors, including consumer goods, retail, healthcare, and financial services. The Indian government has implemented economic reforms to attract foreign investment, promote entrepreneurship, and enhance ease of doing business.
2. **Demographic Advantage:** India boasts a young and dynamic population, which is expected to remain a significant driver of economic growth in the coming years. With a median age of around 28 years, India offers a large workforce and a growing consumer base. This demographic advantage provides opportunities for sectors such as education, healthcare, technology, and entertainment.
3. **Infrastructure Development:** The Indian government has placed significant emphasis on infrastructure development, including transportation, energy, and urban infrastructure. Initiatives such as the development of smart cities, investment in renewable energy, and the construction of highways and

railways aim to improve connectivity and create investment opportunities in sectors such as construction, logistics, and renewable energy.

4. **Digital Transformation:** Internet & Communication Technology has led to online banking, Easy to trade Applications and Innovative Financial Products (Lechman, 2019) This has fuelled the growth of e-commerce, fintech, digital payments, and other technology-driven sectors. The government's Digital India initiative has further encouraged the adoption of technology and digital services across sectors, offering investment potential in areas such as e-commerce, software development, and digital infrastructure.
5. **Favourable Regulatory Environment:** The Indian government has implemented various reforms to enhance the ease of doing business and attract foreign investment. Initiatives such as the Goods and Services Tax (GST), Insolvency and Bankruptcy Code (IBC), and liberalization of foreign direct investment (FDI) norms have improved the business environment and provided more opportunities for investment in sectors such as manufacturing, real estate, and services.
6. **Strategic Sectors and Initiatives:** The Indian government has identified specific sectors and initiatives for focused development and investment. These include initiatives such as Make in India (promoting manufacturing), Digital India (driving digital transformation), and Atmanirbhar Bharat (self-reliant India). Sectors such as renewable energy, healthcare, defense, and infrastructure development are also receiving significant attention and present investment opportunities.

Investment in Environmental, Sustainable and Governance Stock is increasing in India. The returns on Green stocks overtake the returns on Non Green Stocks (Bhandari, 2012)

7. **Market Volatility and Risk Factors:** It is essential to consider the potential risks and challenges when investing in India. These may include regulatory complexities, bureaucratic procedures, political uncertainties, infrastructure bottlenecks, and regional disparities. The volatility in Indian Stock Market is similar to volatility in various developed economies stock market (Kaur, 2004) Investors should conduct thorough due diligence, understand the local market dynamics, and be aware of the potential risks involved.

As of the close of the fiscal year in March 2023, there were a total of 114.46 million Demat accounts in India. 25 million Dematerialised (Demat) accounts were added in the 2022-23 financial year (FY23), at a monthly average of over 2 million (Despite market volatility, 25 million demat accounts added in FY23, 2023)

India's vibrant economy, demographic advantage, ongoing reforms, and investment-friendly policies make it an attractive case study for investment. However, it is crucial for investors to carefully assess opportunities, understand the market dynamics, and consider the associated risks to make informed investment decisions in the Indian market.

### **Retail Investments in India**

Investing in gold, direct stocks, and real estate are three prominent avenues for wealth accumulation in India. Gold investment has a rich cultural significance and serves as a hedge against inflation. The Gold prices are affected by Stock Market movements. (Bhunja, 2013) Real estate investment, on the other hand, offers tangible assets with the potential for rental income and capital appreciation, presenting options in residential and commercial properties Direct stock investment provides opportunities for long-term growth through individual stocks or equity mutual funds, allowing investors to participate in the potential success of Indian companies. Each of these investment avenues carries its own set of risks and rewards, necessitating careful analysis and consideration of personal financial goals and market conditions.

## Trends in Gold Investments

Gold investment in India offers various options for individuals looking to invest in this precious metal. Let's explore some of the popular avenues for gold investment:

1. **Physical Gold:** Physical gold, in the form of gold coins, bars, or jewellery, is a traditional and widely favoured investment option in India. Individuals can purchase gold from jewellery stores, bullion dealers, or banks. Holding physical gold provides investors with a tangible asset, but it also requires safe storage and incurs additional costs such as making charges and purity testing.
2. **Sovereign Gold Bonds (SGBs):** Sovereign Gold Bonds are government-backed securities issued by the Reserve Bank of India (RBI) on behalf of the Government of India. These bonds allow investors to invest in gold in a paper form without the need to hold physical gold. SGBs offer the advantage of earning a fixed interest rate (currently 2.50% per annum) along with the potential for capital appreciation based on the gold price. They also have a maturity period of 8 years, with an option for premature exit after the fifth year.
3. **Gold Exchange-Traded Funds (ETFs):** Gold ETFs are mutual fund schemes that invest in physical gold and are traded on stock exchanges. Each unit of a gold ETF typically represents one gram of gold. Gold ETFs provide investors with a convenient way to invest in gold without the need for physical storage. They offer transparency, liquidity, and the ability to buy or sell gold units in real-time through a brokerage account.

According to data from the Association of Mutual Funds in India (AMFI), as of September 2021, the assets under management (AUM) for gold ETFs in India stood at around ₹18,500 crore (approximately \$2.5 billion). Gold ETFs have seen steady growth, providing investors with a convenient and transparent way to invest in gold. (Dhanteras 2022: What is the cost of buying physical and digital gold?, 2022)

4. **Digital Gold:** Digital gold platforms have gained popularity in recent years. These platforms enable investors to buy and sell gold in smaller denominations online. The purchased gold is stored securely in vaults by the platform provider, and investors can track their holdings digitally. Digital gold platforms offer convenience, accessibility, and flexibility for individuals looking to invest in gold in smaller amounts.
5. **Gold Mutual Funds:** Gold mutual funds are investment schemes offered by mutual fund companies that invest in gold-related instruments such as gold ETFs, gold mining stocks, or gold-focused mutual funds. These funds provide investors with exposure to the gold market without directly owning physical gold. Gold mutual funds offer diversification benefits and professional fund management. The AUM for gold mutual funds in India has seen growth in recent years. As of September 2021, the AUM of gold mutual funds in India was around ₹9,500 crore (4 popular ways of buying gold as an investment option, 2022)

## Comparative Analysis of Various Forms of Gold Investment

Feature	Physical Gold	Sovereign Gold Bonds	Gold Mutual Funds	Gold ETF	Digital Gold
Min. Investment	No Such limit Prescribed	1gm	Rs. 1000	1gm	Re. 1
SIP	NA	NA	Possible	Possible through Brokerage Houses	Possible
Buy From	Jewellers	Primary –PO, Banks Secondary - Demat	Various Apps of AMC's , Demat	Demat	platforms such as mobile e-wallets, broking firms, and financial institutions.
Cost	Storage Cost	-	Exps. Ratio around 1.5%	Exps. Ratio around 0.5 - 1%	Delivery Possible @ Cost of 2-3%
Income	Price appreciation in gold.	Interest Income @ 2.5% in addition to the price appreciation in gold.	Price appreciation in gold.	Price appreciation in gold.	Price appreciation in gold.

Each of these options has its own advantages and considerations. When deciding on a gold investment in India, individuals should consider factors such as their investment objectives, risk appetite, liquidity needs, storage requirements, and taxation implications.

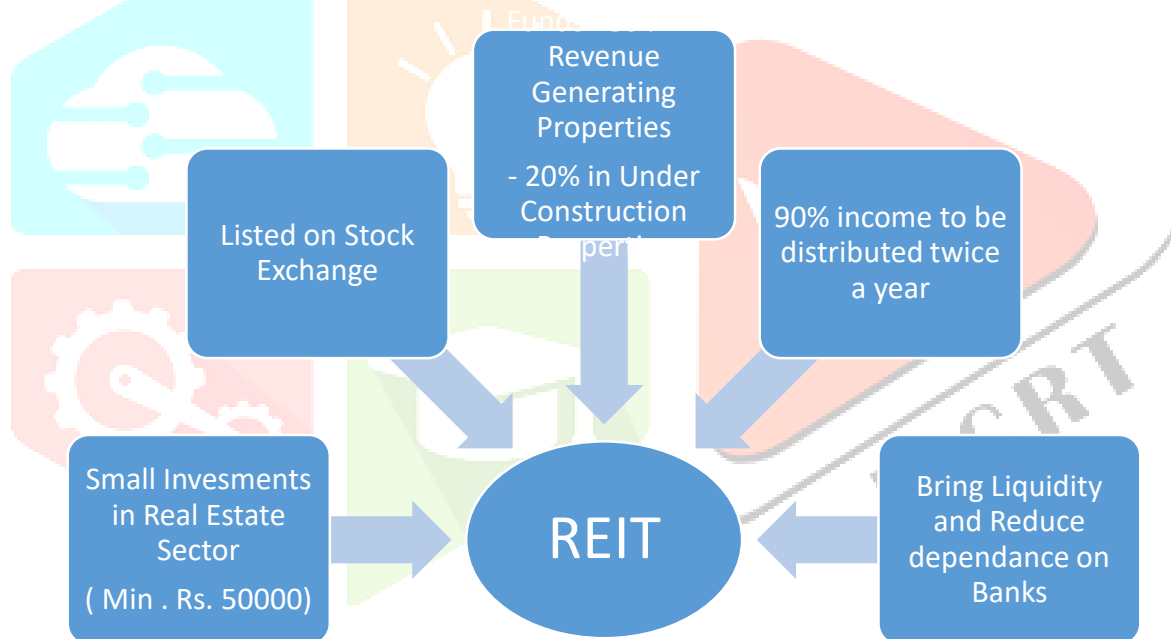
### Trends in real estate investment

Real estate investment in India have been influenced by various factors and market dynamics. Here are some noteworthy trends in the Indian real estate sector:

- 1. Increased Focus on Affordable Housing:** The Indian government's emphasis on affordable housing initiatives, such as the Pradhan Mantri Awas Yojana (PMAY), has led to a surge in demand for affordable housing projects. Developers are focusing on building homes that cater to the middle-income and lower-income segments of the population. Affordable housing has gained traction due to incentives provided by the government, such as tax benefits and subsidized interest rates on home loans.
- 2. Rise of Co-working Spaces and Flexible Offices:** The concept of co-working spaces and flexible offices has gained popularity in India. With the growth of startups, freelancers, and remote working arrangements, there is a growing demand for shared office spaces that offer flexibility, networking opportunities, and cost-effective solutions. Real estate developers and operators are capitalizing on this trend by providing specialized co-working spaces and flexible office solutions.
- 3. Technology Integration:** The real estate sector in India is witnessing increased integration of technology. Developers are adopting smart home features, IoT (Internet of Things) devices, and automation systems to enhance the value proposition of their projects. Technology-driven solutions, such as virtual reality (VR) tours, online property listings, and digital transactions, are also becoming more prevalent, making property buying and selling processes more streamlined and efficient.
- 4. Expansion of Warehousing and Logistics:** With the rapid growth of e-commerce and the implementation of the Goods and Services Tax (GST), there is a heightened demand for warehousing and logistics facilities across the country. Real estate investors are capitalizing on this trend by

investing in industrial and logistics parks, distribution centers, and fulfilment hubs to cater to the evolving needs of the e-commerce sector and the changing supply chain dynamics.

5. **Sustainable and Green Buildings:** The focus on sustainability and green building practices has increased in the Indian real estate sector. Developers are incorporating eco-friendly features, energy-efficient systems, and green certifications such as LEED (Leadership in Energy and Environmental Design) to meet the rising demand for sustainable properties. Green buildings are not only environmentally friendly but also offer cost savings through reduced energy consumption and operational expenses.
6. **Consolidation and Joint Ventures:** The real estate sector in India has witnessed consolidation and joint ventures as developers seek to pool resources, share risks, and undertake large-scale projects. Joint ventures between domestic and international developers are becoming more common, allowing for the infusion of expertise, technology, and capital into the Indian real estate market.
7. **Real Estate Investment Trusts (REITs):** The introduction of Real Estate Investment Trusts (REITs) has opened up new avenues for real estate investment. Though REITs are new in India they are already existing in stock exchanges of various countries in the world since 1960s. They bring liquidity in Sector and dependency on banks is reduced (Jagtap, 2016) REITs allow investors to participate in the ownership and rental income of commercial properties without directly owning them. REITs provide a liquid and regulated investment platform for retail and institutional investors, offering diversification and regular income potential.



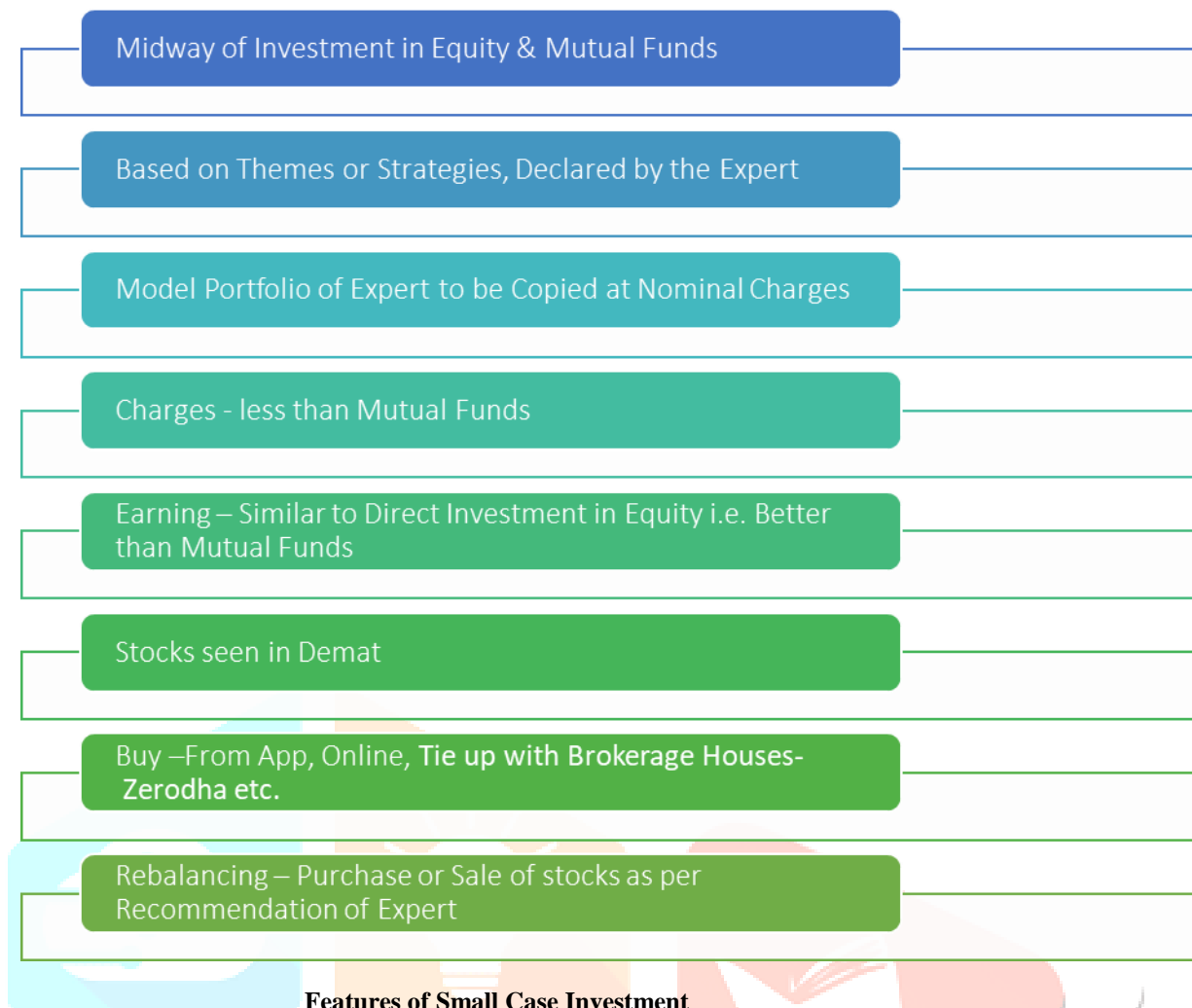
These trends reflect the evolving dynamics of the Indian real estate sector and the changing preferences of investors and end-users. It is important for investors to conduct thorough research , and assess market conditions before making real estate investment decisions in India.



## Trends in Direct Stock Investment : Smallcase

Indian Stock Market is developed and Robust Market strongly backed by Government (Misra, 2018) Smallcase is a popular investment platform in India that allows investors to invest directly in stocks using pre-defined portfolios called Smallcases. Here's an overview of direct stock investment in India through Smallcases:

1. Smallcase is a technology-driven investment platform that enables investors to invest in portfolios of stocks or exchange-traded funds (ETFs) known as Smallcases. These Smallcases are curated by experts based on different investment themes, strategies, or sectors.
2. **Diversification and Convenience:** Smallcases offer diversification benefits by including a basket of stocks that align with a specific investment strategy. They provide investors with exposure to a theme or sector without the need to individually select and manage multiple stocks. This can be convenient for investors who want to access a diversified portfolio in a single transaction.
3. **Range of Investment Themes:** Smallcase offers a wide range of investment themes to cater to different investor preferences. Some popular themes include value investing, growth stocks, dividend yield, sector-based portfolios, and smart beta strategies. Investors can choose Smallcases that align with their investment goals and risk appetite.
4. **Transparency and Research:** Smallcase provides detailed information about each Smallcase, including the underlying stocks, investment thesis, historical performance, and rebalancing frequency. This transparency allows investors to evaluate and understand the composition and strategy of the Smallcase before making an investment decision. Additionally, investors can access research and insights from the Smallcase team and partner research providers.
5. **Ease of Execution:** Investing in Smallcases through Smallcase is seamless and user-friendly. Investors can open an account on the Smallcase platform, link their brokerage account, and place trades directly from the platform. The platform also provides real-time updates on portfolio performance and holdings.
6. **Cost and Charges:** Smallcase charges a fee for the services provided, which may include subscription fees, advisory fees, or transaction charges. The fee structure may vary based on the specific Smallcase and the brokerage partner used for execution. Investors should review the fee structure before investing.



Like any investment, there are risks associated with investing in Smallcases. Investors should carefully evaluate the Smallcase's strategy, historical performance, and risk factors before investing. Additionally, market risks, stock-specific risks, and economic factors can affect the performance of the Smallcase. It's important for investors to do their own research, understand their risk tolerance, and consider their investment objectives before investing in Smallcases.

There has been significant impact of gold, money supply, exchange rates and foreign institutional investors on the stock market (Singh, 2014) Direct stock investment through Smallcases provides investors with an accessible and diversified approach to investing in Indian stocks. It offers the convenience of investing in pre-defined portfolios that align with specific investment themes or strategies. However, it's important for investors to thoroughly evaluate each Smallcase, consider their risk tolerance, and stay updated with market trends and performance.

### **Conclusion:**

Rise of fintech, work-from-home practices and discount brokerage houses, have significantly supported investors participation in the stock market and their engagement with new age financial instruments. It also lead to the increasing financial literacy and awareness among investors. Indian retail investors are becoming more knowledgeable and discerning, seeking out investment opportunities beyond traditional avenues. The ease of access to information and investment tools has empowered them to make informed investment decisions, enhancing their financial well-being and future prospects.

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