Trust is essential in the world of finance, where well-functioning markets are necessary to create value, and in investment services, where experts work to safeguard and grow the financial wealth of their clients. In this, the third CFA Institute investor trust study, we look at the trends in investor trust and provide recommendations for investment practitioners on how to improve trust with clients. We find that the nature of trust is changing because of a new generation of investors and a new generation of investing tools. This report outlines how individual investors in India compare to those globally.

**Indian Investors Are Trusting of Financial Services**

Investors in India tend to be younger than those in many other countries. This may partially explain higher trust levels, as younger investors globally are also more trusting of financial services.

**Trust in Financial Services by Age**

<table>
<thead>
<tr>
<th>Age</th>
<th>India</th>
<th>Global</th>
</tr>
</thead>
<tbody>
<tr>
<td>25-34</td>
<td>55%</td>
<td></td>
</tr>
<tr>
<td>35-44</td>
<td>49%</td>
<td></td>
</tr>
<tr>
<td>45-44</td>
<td>35%</td>
<td></td>
</tr>
<tr>
<td>55-64</td>
<td>40%</td>
<td></td>
</tr>
<tr>
<td>65+</td>
<td>40%</td>
<td></td>
</tr>
</tbody>
</table>

**Indian Investors Value Professional Advice**

But they are split on how trust is given. 67% of Indian investors are very confident of their investment decision making but still prefer to invest with the help of financial advisers.

70% of Indian investors work with a financial adviser versus 54% of investors globally. However, 81% of those relationships were made in the last six years.

Trust in the system may be due to Indian investors believing they have a fair opportunity to profit in the capital markets.
HOW INVESTORS DETERMINE TRUSTWORTHINESS
Assume they are trustworthy unless proven otherwise
35%
Once trust is proven, the benefit of the doubt is given
29%
Trust must be constantly earned and maintained over time
36%

GREATEST INVESTOR CONCERNS
My financial adviser making recommendations that result in losses
INDIA 52%
GLOBAL 37%
A market crash impacting my retirement savings
INDIA 44%
GLOBAL 52%

Indian investors may also fear that advisers may not only be concerned with client outcomes; 45% of Indian investors believe that their advisers always put their interests first as compared with 35% of investors globally.

This might have some investors turning to other sources for advice other than their adviser.

MOST TRUSTED SOURCE OF INVESTMENT ADVICE
Primary adviser
INDIA 31%
GLOBAL 38%
Online research
INDIA 30%
GLOBAL 19%
Friends and family
INDIA 19%
GLOBAL 16%

Trust and ethics are important, but so are returns
Trust continues to be the most important factor throughout the client life cycle. In the five years we have been conducting this study, on a global basis trust has consistently been the greatest determinant in selecting a financial adviser by an almost 2:1 margin over investment performance. This is not necessarily true in India though.

Most Indian investors fear a financial crisis
Trust is tested in times of crisis, and advisers should be aware of whether their clients fear crisis and market volatility. In fact, even in the face of past instability, India’s retail investors fear an impending crisis—more than investors globally.

INVESTORS WHO EXPECT A FINANCIAL CRISIS IN THE NEXT THREE YEARS
INDIA 56%
GLOBAL 38%

But Indian investors cite some different reasons for why it may occur.

POSSIBLE SOURCES OF NEXT FINANCIAL CRISIS
National/Global politics
INDIA 46%
GLOBAL 51%
Governments defaulting on debt
INDIA 34%
GLOBAL 27%
Cryptocurrency bubble
INDIA 31%
GLOBAL 12%
A Major cyberattack/hacking
INDIA 28%
GLOBAL 24%

Those with advisers, however, also believe that their advisers are well prepared to handle a crisis.

83% of Indian investors believe their advisers are “well or very well prepared” to handle the next crisis, compared with 55% of investors globally.
Technology Increases Trust

Technology is a game changer for financial services firms, and the best firms differentiate themselves through effective use of technology. Investors of every age are using technology more.

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**THE BUILDING BLOCKS OF TRUST**

The CFA Institute Trust Equation outlines the building blocks of trust. Trust is tied to value and together they are a function of credibility and professionalism.

![CFA Institute Trust Equation](image)

**CREDIBILITY**

Credibility, which provides confidence that the investment professional or organization is qualified to provide the required service, encompasses experience, reputation, and credentials, and is closely linked to brand. Trust in the industry requires that regulators and the public view it as bringing value to society.

<table>
<thead>
<tr>
<th>CREDENTIALS</th>
<th>INDIA</th>
<th>GLOBAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>81%</td>
<td>73%</td>
</tr>
</tbody>
</table>

Investors that believe it is important that investment professionals have credentials from respected industry organizations

<table>
<thead>
<tr>
<th>TRACK RECORD</th>
<th>INDIA</th>
<th>GLOBAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>79%</td>
<td>78%</td>
</tr>
</tbody>
</table>

Investors that believe it is important that investment professionals generate returns similar to or better than a target benchmark

<table>
<thead>
<tr>
<th>BRAND</th>
<th>INDIA</th>
<th>GLOBAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>77%</td>
<td>46%</td>
</tr>
</tbody>
</table>

Investors that prefer a “Brand I Can Trust” over “People I Can Count On”

<table>
<thead>
<tr>
<th>VOLUNTARY CODE OF CONDUCT</th>
<th>INDIA</th>
<th>GLOBAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>84%</td>
<td>64%</td>
</tr>
</tbody>
</table>

Investors that would trust an adviser more if he or she adhered to a voluntary code of conduct

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**INDIA**

- 85% of investors that say in three years it will be more important to have technology tools to execute their own strategy rather than human advice

- This is especially true among younger investors.

While this may seem to devalue the need for a human adviser, use of technology by investment firms increases trust. Tech may have an even greater impact on trust in India since investors place a very high value on a firm’s technology solutions compared to investors globally. For investors with a financial adviser, 74% say increased use of technology has made them trust their adviser more, while 83% say they are pleased with amount of technology tools currently provided.

Unlike most investors, Indian investors have mixed attitudes towards robo-advisers

Although 40% of investors globally distrust or completely distrust the robo-adviser industry, only 15% of Indian investors do. However, when asked if they were more likely to trust recommendations from a human or a robo-adviser, like most global investors, 72% of Indian investors preferred human advice.

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**GLOBAL**

- 48% of investors that say in three years it will be more important to have technology tools to execute their own strategy rather than human advice

- Investors that would be more trusting of investment firms that promote ongoing professional development

<table>
<thead>
<tr>
<th>COMPETENCY</th>
<th>INDIA</th>
<th>GLOBAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>89%</td>
<td>79%</td>
</tr>
</tbody>
</table>

- Investors that believe that their adviser always puts client interests first

<table>
<thead>
<tr>
<th>VALUES</th>
<th>INDIA</th>
<th>GLOBAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>45%</td>
<td>35%</td>
</tr>
</tbody>
</table>

- 31% of Indian investors say the top attribute in selecting an adviser is putting the client first

- 17% of Indian investors believe ethical conduct is the most important factor in choosing an adviser

- 83% of Indian investors would trust their advisers more if they were a philanthropic partner for community efforts
8 Steps to Increasing Credibility and Professionalism

Credibility

1. Maintain strong brand identity and follow through on brand promises
2. Employ professionals with credentials from respected industry organizations
3. Stay focused on building a long-term track record to demonstrate competence and deliver value for money
4. Adopt a code of conduct to reinforce your firm’s commitment to ethics

Professionalism

5. Improve transparency and clarity regarding fees, security, and conflicts of interest
6. Use clear language to demonstrate that client interests come first
7. Showcase your ongoing professional development to improve investment knowledge
8. Demonstrate your dedication to the values that clients hold dear

To learn more, visit nextgentrust.cfainstitute.org