This fintech turns MFs into wallets. But are you ready?

Curie Money links mutual funds to UPI for instant payments, nudging users beyond banks

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Reimagining MFs: your new-age bank account?

Fintechs now enable instant redemptions, higher yields and seamless payments directly from mutual funds—bypassing banks, but with caps and constraints

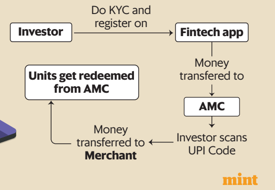
New trends

- Fintechs like Curie Money allow instant redemptions
- Integrated with AMCs and UPI (no need to use AMC app)
- Investors can directly spend money from their mutual funds
- No need to access bank accounts for payments
- Payments via UPI

Challenges:

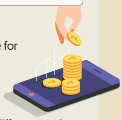
- You have to go through the KYC process to invest in MFs
- Within 1 day units get credited
- For each redemption you receive email, SMS notifications from AMC
- This can increase cognitive load
- Workaround: Redeem **₹2,000** in one go into UPI lite
- Issue: No interest on UPI lite
- Curie only allows regular plans

How Curie Money enables UPI payments via liquid funds



Sebi rules:

- Only overnight and liquid funds are eligibile for instant redemption
- Limit of ₹50,000 per AMC
- Fintechs can address this by integrating with multiple AMCs
- This allows users to keep ₹2–3 lakh across different AMCs
- Including arbitrage funds and BAFs will increase tax benefits



Advantages

- Savings account rates have plummeted to 2.7-2.75%
- Investors can get higher returns in liquid funds (5-6% currently)
- MF tax advantages like FIFO rule, set off and carry forward
- If Sebi allows arbitrage funds, huge tax advantage
- Arbitrage funds are taxed at 20% STCG and 12.5% LTCG
- Savings account interest taxed at slab rate
- Deductions under Section 80 TTA and TTB on savings interest not there in new regime

Other

- Credit cards also offer a more high-yielding way to spend
- Paying on time lets you earn from the interest-free period
- You can redeem money from your mutual fund, one day before the due date for efficiency
- However, some payments cannot be made directly from credit cards or UPI-linked credit cards

AMC: Asset management company; UPI: Unified Payments Interface; KYC: Know your customer; Sebi: Securities and Exchange Board of India; BAF: Balanced advantage fund; FIFO: First in, first out; STCG: Short-term capital gains; LTCG: Long-term capital gains

Imagine paying your neighbourhood store, auto driver, domestic help using money parked not in a bank savings account, but in a mutual fund. Thanks to fintechs integrating mutual funds with UPI, this is now possible—offering not just convenience but significantly better returns. While bank savings accounts now yield as little as 2.7–2.75%, liquid mutual funds offer returns of 5–6%. That means your idle cash doesn't just sit—it grows, even as it remains instantly spendable. In a low-interest environment, this could make mutual funds a compelling alternative to traditional bank deposits.

What Curie Money is building

At the centre of this new experiment is Curie Money, a fintech startup that aims to blur the lines between your investment account and your payments app. Curie lets users make UPI payments that are instantly debited from their liquid mutual fund units—essentially turning your investments into a real-time, spendable wallet.

The idea builds on a facility the Securities and Exchange Board of India (Sebi) has allowed since 2017: instant redemptions of up to ₹50,000 or 90% of the investment (whichever is lower) from liquid and overnight funds.

But unlike asset management companies (AMCs) that offer this with a separate redemption request, Curie links it directly to UPI payments. Scan a QR code, approve the payment, and the redemption request is auto-triggered in the background. It's UPI as usual, except you get emails and SMS alerts from the AMC about units redeemed.

There's a catch, though. Sebi hasn't explicitly allowed or barred UPI-linked redemptions from such funds. The regulator permits instant redemption but doesn't specify how that money should be used. As long as fintech companies respect industry limits and investor safeguards, the setup is broadly compliant, although it falls in a regulatory grey zone, said industry experts. If anything goes wrong, the responsibility would lie not with Sebi or the National Payments Corp. of India but with the mutual fund's AMC, they added.

Curie, which operates as a mutual fund distributor, has just emerged from beta testing. The number of transactions—and the value moved—is still minuscule. It supports bank accounts from multiple lenders, but works best with Yes Bank due to deeper integration. And it only enables investments in regular plans, which allow it to earn distributor commissions.

However, liquid funds carry relatively low expense ratios—for example, ICICI Prudential Liquid Fund's regular plan charges just 0.3%. One friction point is psychological: each transaction sends an SMS and email from the AMC, which can stress some users. There's also a minor delay due to backend integrations—it takes a few extra seconds compared to a normal UPI payment.

Curie has tried to reduce this by offering users the option to load up to ₹2,000 into UPI Lite, which doesn't require a PIN, but that feature doesn't earn interest—undermining the core appeal of the product.

Liquid funds in limelight

With inflation hovering at 5-6%, and lifestyle costs rising faster still, savings accounts and even sweep-in fixed deposits offer little real return. The gap between what you earn and what things cost is widening. Liquid funds help plug that gap with a key advantage: returns that are not just higher, but more efficiently taxed.

Liquid mutual funds invest in short-term debt and are considered low-risk. When redeemed—even for just a few days—they offer pro-rata returns (5-6% annualised). And unlike bank FDs, which incur tax on an accrual basis and attract 10% tax deduction at source, mutual funds don't have automatic deductions.

> **The startup offers a tax-efficient alternative to bank deposits, with instant redemptions of up to ₹50,000**

"Each redemption is taxed under the first-in first-out (FIFO) system of accounting. Out of the redemption amount, only the gains over and above the principal investment are taxed," explained chartered accountant Chirag Wadhwa. This means investors are not taxed on the entire withdrawal amount but only on the incremental gains, making mutual funds a more tax-friendly instrument compared to traditional bank products.

"If treated as capital gains, short-term losses can be set off against short-term gains, and long-term losses against either long- or short-term gains," Wadhwa added.

Losses not used in a given year can be carried forward for up to eight years—offering investors room to optimise taxes. Business income treatment may apply in some cases, but the tax arbitrage over FDs remains meaningful for most users.

In contrast, Chirag said, FDs are generally taxed on an accrual basis, unless specifically opted for cash basis taxation, and banks typically deduct TDS at 10% on the interest. "There is no TDS on mutual funds, provided the income from redemption is considered as capital gains and not business income," he emphasized, highlighting another operational advantage in favor of mutual funds.

Unlock the next level

For this model to scale, regulatory and market support must fall into place.Abhishek Kumar, a Sebi-registered investment advisor and founder of SahajMoney, said Curie and similar platforms are acting as market makers by providing liquidity through liquid funds. But to grow, they'll need wider AMC partnerships (Curie currently lists only one on its website) and more bank integrations to enhance user choice.

But the biggest barrier may not be technology—it's psychology. Girish Ganaraj, a certified financial planner, a Sebi-registered investment advisor, and founder of Finwise Financial Planners & Advisors, said retail investors still associate mutual funds with long-term, equity-linked investments. In contrast, savings accounts and FDs are perceived as "my money in my account"—immediate and accessible. That perception gap makes users hesitant to treat mutual fund units as readily spendable cash, even when the product allows it.

Vishal Dhawan, another Sebi-registered investment advisor and founder of Plan Ahead Advisors, echoed this view. "Mutual funds continue to be perceived as instruments for equity market exposure," he said, pointing out that few investors are aware of their short-term liquidity potential. That disconnect is one of the key challenges preventing the widespread adoption of instant redemption features.

According to Ganaraj, UPI could be the killer hook. By linking the mutual funds directly to UPI payments, fintechs eliminate the friction typically associated with fund withdrawals. That could help reframe liquid mutual funds as viable, even superior, alternatives to savings accounts and sweep-out FDs—especially given their lower costs and better tax efficiency.

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