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KARVY PRIVATE WEALTH

INDIA

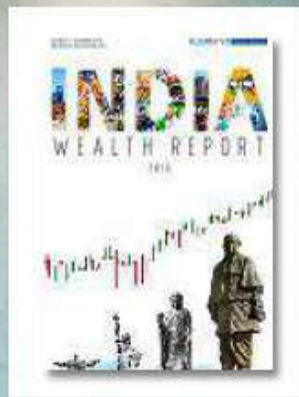
WEALTH REPORT

2020





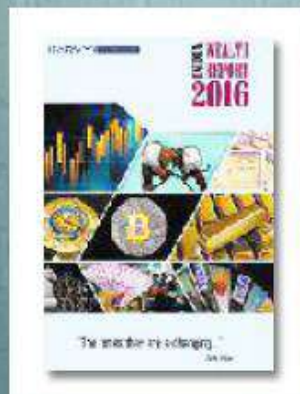
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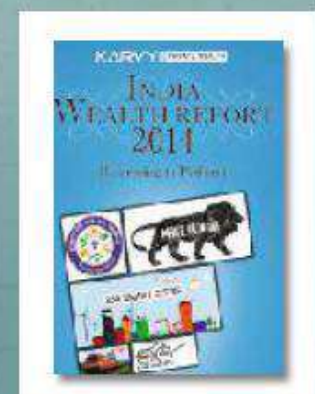
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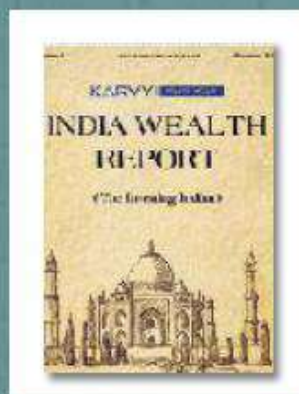
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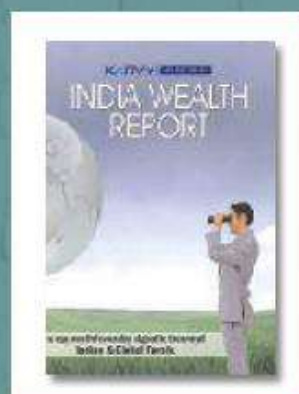
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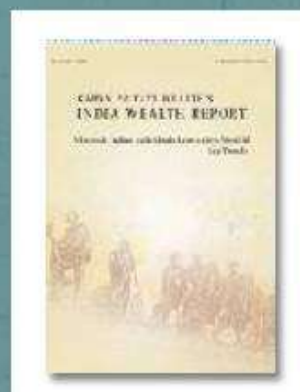
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Foreword

KARVY PRIVATE WEALTH

It gives me great pleasure to present the 11th edition of the India Wealth Report. Owing to the pandemic this year's edition is being presented exclusively in a digital format unlike the printed versions you might have read in the previous years. The report provides a comprehensive study of the investment trends of individual investors along with asset class-wise distribution and projections for the next five years. We envisage this report to be informative and helpful to individual investors as well as other stakeholders in the financial industry.

Financial assets collapsed during the last quarter of FY20 on the back of the pandemic though there was respite in the form of a rise in the gold prices leading to an increase in the aggregate wealth of individuals by 9.56% to ₹ 465 lakh crores. This year witnessed a marked growth in physical assets (20.45% y-o-y) accompanied by a relatively modest increase (2.45% y-o-y) in financial assets.

With humongous global liquidity, stimulus by the government and the RBI, with the rising probability of vaccines defeating the virus, we expect the pent up demand to rebound sharply as the economy gallops towards normalization. Land reforms & PLI schemes which will strengthen the domestic manufacturing industry and schemes like "Atmanirbhar Bharat" will lead to a structural change in the domestic economy thus strengthening the expectation of bounce-back in the GDP growth.

On the global front, we find that Covid-19 induced recession is the deepest since World War II and over twice the intensity of the global financial crisis of the late 2000s. With the US electoral process out of the way and Joe Biden as President, it is expected that he will adopt a multilateral approach to dealing with trade disputes that can help reduce economic uncertainty and market volatility. We expect to see a prolonged phase of lower real yields and see growth accelerating across economies although inflation is expected to climb higher. Money flowing to risky assets classes equities supported by lower yields, rise in the commodity prices and a weakening US dollar index are the expectations from the coming year.

Karvy research projects that by 2025 total individual wealth is expected to grow at a CAGR of 11.77% to reach ₹ 811 lakh crores. Financial assets are expected to reach ₹ 512 lakh crores at a CAGR of 14.27% and Physical Assets will grow at a CAGR of 8.14% to reach ₹ 299 lakh crores.

I am certain that you will find the India Wealth Report 2020 useful both as a reader and as an investor. Please write to me if you wish to give your valuable feedback at abhijit1.bhave@karvy.com



Abhijit Bhave,
Chief Executive Officer,
Karvy Private Wealth.



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Section

01

Executive Summary



EXECUTIVE SUMMARY



Karvy Private Wealth's India Wealth Report 2020 (IWR 2020) showcases the composition and trends in the global and domestic wealth holdings of individual investors. This report seeks to identify every rupee invested by individuals in India across all asset classes. This report has been prepared through an in-depth evaluation of quantitative and qualitative data gathered from numerous sources. A detailed review of the data points has allowed us to recognize significant developments in the last financial year and also helped us to project the prospects of future wealth creation in India.

Globally, we witnessed an 8.8% growth in the high-net-worth individual (HNWI)¹ population, while global wealth grew by 8.6%. The developed markets contributed to a world wealth rise of 11 percent, with North America outpacing Asia-Pacific (the conventional leader). As per Capgemini, World Wealth Report 2020, overall HNWI population, the United States, Japan, Germany, China, and France remained among the top five nations. Almost 62% of the HNWI population was from the top four countries which accounted for over 67% of the global growth of the HNWI population. In the U.S., the HNWI population rose 11% versus 1% in the previous year. The report highlights that the total wealth held by individuals in India has grown by 9.56% to ₹ 465 lakh crores. In contrast to FY19, the proportions of individual investments in financial assets decreased by 2.44% in FY20 while the proportion of physical assets rose by 20.45%. Financial Assets which showed consistent double digit wealth growth rate in past 3 years declined this year due to the fall in equity and bond prices owing to the pandemic and now constitute 56.52% of total individual wealth in India in FY20 against 60.95% in the previous year.

Source 1 : HNWI are individuals having US\$1 million or more investable wealth and Ultra HNWI are Individuals having US\$30 Million or more investable wealth;

Individual Wealth in India

Individual wealth in India grew by 9.56% in FY20 to ₹ 465 lakh crores. A remarkable growth rate was seen in physical assets (20.45%) as compared to financial assets which grew by a mere 2.44%. The fall in financial assets was primarily when the NIFTY index plummeted to 7500 levels due to the pandemic.

The proportion of financial assets came down to 56.52% as compared to 60.45% in FY19. With tremendous growth the proportion of physical assets in individual wealth expanded to 43.48%.

Table 1: Total Individual Wealth in India in FY20

Category	FY20 Amount (₹ Crore)	FY19 Amount (₹ Crore)	Y-O-Y % Change	Proportion FY20 %	Proportion FY19 %
Financial Assets	2,62,91,171	2,56,64,343	2.44%	56.52%	60.45%
Physical Assets	2,02,28,241	1,67,94,231	20.45%	43.48%	39.55%
Total	4,65,19,412	4,24,58,573	9.56%	100.00%	100.00%

Individual Wealth in Financial Assets

Individual wealth in financial assets grew by 2.44%, as compared to 8.65% in FY19. Current Deposits (-72.74%), Direct Equity (-30.69%), and Mutual Funds (-13.52%) showcased negative growth resulting in just 2.44% growth in overall financial assets.

Saving Deposits grew by 45.25% as people preferred to keep the cash in hand in the wake of uncertainty. HNI population in India increased by 2.73% to 2,63,000 CY2020 as compared to 2,56,000 in the previous year.

EXECUTIVE SUMMARY

Table 2: Classification of Individual Wealth in India in Financial Assets

Financial Assets	FY20 Amount (₹ Crore)	FY19 Amount (₹ Crore)	Y-O-Y % Change	Proportion FY20 %	Proportion FY19 %
Direct Equity	36,11,459	52,10,394	-30.69%	13.74%	20.30%
Fixed Deposits & Bonds	48,69,066	45,82,098	6.26%	18.52%	17.85%
Insurance	38,02,042	36,90,729	3.02%	14.46%	14.38%
Saving Deposits	37,45,525	25,78,663	45.25%	14.25%	10.05%
Cash	23,49,716	20,52,220	14.50%	8.94%	8.00%
Provident Funds	20,43,845	16,62,863	22.91%	7.77%	6.48%
Mutual Funds	11,90,875	13,77,036	-13.52%	4.53%	5.37%
Unlisted Equity	13,03,212	10,54,325	23.61%	4.96%	4.11%
NRI Deposits	9,83,601	9,02,087	9.04%	3.74%	3.51%
Small Savings	10,32,575	8,61,047	19.92%	3.93%	3.36%
Pension Funds	9,01,652	7,32,902	23.02%	3.43%	2.86%
Current Deposits	2,11,771	7,76,722	-72.74%	0.81%	3.03%
Alternative Investments	2,00,047	1,49,118	34.15%	0.76%	0.58%
International Assets	45,783	34,138	34.11%	0.17%	0.13%
Total	2,62,91,171	2,56,64,343	2.44%	100%	100.0%

Individual Wealth in Physical Assets

The individual wealth in physical assets increased by 20.45% to ₹ 202 lakh crores with gold covering 54.13% of the space. Gold grew at an unbelievable rate of 35.28%.

Table 3: Classification of Individual Wealth in India in Physical Assets

Physical Assets	FY20 Amount (₹ Crore)	FY19 Amount (₹ Crore)	Y-O-Y % Change	Proportion FY20 %	Proportion FY19 %
Gold	1,09,50,021	80,94,187	35.28%	54.13%	48.20%
Real Estate*	80,14,576	74,52,944	7.54%	39.62%	44.38%
Diamond	8,30,484	8,58,156	-3.22%	4.11%	5.11%
Silver	2,85,408	2,42,771	17.56%	1.41%	1.45%
Platinum	8,265	8,517	-2.96%	0.04%	0.05%
Other gems & jewellery	1,39,487	1,37,656	1.33%	0.69%	0.82%
Total	2,02,28,241	1,67,94,231	20.45%	100%	100%

*For the purpose of this report, primary residences are not considered.

Classification of Individual Wealth in Key Asset Classes

Overall individual wealth grew by 9.56%. Due to negative performance of stock markets, the proportion of equity contracted by almost 3 % to 13.66% of total assets. The proportion of alternative assets, which included gold as well, increased by 4% to 26.87% of total assets.

Table 4: Classification of Individual Wealth in India in Key Asset Classes

	FY20 Amount (₹ Crore)	FY19 Amount (₹ Crore)	Y-O-Y % Change	Proportion FY20 %	Proportion FY19 %
Physical Assets					
Equity	63,55,210	81,25,252	-21.78%	13.66%	19.14%
Debt (including cash)	1,96,48,191	1,73,03,426	13.55%	42.24%	40.75%
Alternative Assets (Including Gold & Other precious metals & gems)	1,25,01,434	95,76,952	30.54%	26.87%	22.56%
Real Estate	80,14,576	74,52,944	7.54%	17.23%	17.55%
Total	4,65,19,411	4,24,58,573	9.56%	100%	100%

KEY TRENDS

- 1** Total wealth held by Individuals in India has grown by 9.56% to ₹465 lakh crore. Individual wealth in Financial Assets increased by 2.44% while Physical Assets grew by 20.45%.
- 2** Financial Assets which showed consistent double digit wealth growth rate in the past 3 years declined in proportion to Physical Assets this year and now constitute 56.52% of total individual wealth in India in FY20 against 60.45% in the previous year.
- 3** HNI population in India increased by 2.73% to 2,63,000 as per Capgemini World Wealth Report 2020 as compared to 2,56,000 in the previous year.
- 4** The break-up of Individual Financial Assets during FY20 changed with Direct Equity getting reduced to 13.74% (from 20.30%), Fixed Deposits & Bonds holding consistent at 18.52%, Insurance steady at 14.46% and Saving Deposits showing a jump to 14.25% (from 10.05%). There was 14.59% growth in cash as people preferred to keep cash in hand during the lockdown.
- 5** Direct equity market declined by 30.69% and reached the bottom on 23rd March 2020 with NIFTY reaching down to 7610 level. At present the Indian equity market is one of the top performing markets with strong potential in times to come.
- 6** The mutual fund AUM declined by 13.52% in FY20. The proportion of equity as a percentage of total AUM was around 64.85% for FY20.
- 7** Unlisted Equity grew by 23.61% in FY20 going from 4.11% of Financial Assets to 4.96%.
- 8** Gold outshined all the asset classes by increasing individual wealth by a whopping 35.28% amidst global market instability due to Covid-19. Silver grew by 17.56% in FY20 against 8.25% a year before.
- 9** By 2025 total individual wealth is expected to grow at a CAGR of 11.77% to reach ₹ 811 lakh crores. Financial assets are expected to reach ₹ 512 lakh crores at a CAGR of 14.27% and Physical Assets would grow at 8.14% CAGR to reach ₹ 299 lakh crores as per Karvy Research.
- 10** Share of Financial Assets in total individual wealth is expected to increase to 63.13% in FY25 while that of Physical Assets will be reduced to 38.87%.

Section

02

Global Private *Financial Wealth*



GLOBAL PRIVATE FINANCIAL WEALTH

The robust performance of the stock market in 2020 eclipsed issues such as the world economy's downturn, trade war concerns and Hong Kong's civil turmoil. The Covid-19 pandemic cast its shadow in early 2020 leading to wealth destruction; it impacted the lives of people and of various corporations around the world. In the first quarter of 2020, the pandemic led to widespread decline in wealth, while in most countries government assistance and central bank aid reversed the situation in the third quarter. In the first quarter, global stock markets experienced blows, with some indices falling in excess of 20 percent, as commodity prices plummeted and oil prices reached negative regions, while safe haven investments, such as gold, shot through the roof. HNI population in Europe grew to about 9%, as a result of clear monetary policy, of the most important Emerging Regions – Asia-Pacific and Latin America. In 2020, there was also slim improvement in other big Asian markets – India, Korea and Singapore – adding to the sub-par development of the HNWI population and wealth for the country mainly due to economic slowdown and weakening domestic currencies.

Table 5: Global Individual Wealth in Key Asset Classes

Key Assets	Proportion FY20 %	Proportion FY19 %
Equity	30.19%	25.70%
Debt (including cash)	42.31%	45.50%
Alternative Assets	12.90%	13.00%
Real Estate	14.60%	15.80%
Total	100%	100%

Section

03

Economic Outlook



ECONOMIC OUTLOOK

2020 was arguably the toughest year in 70 years for the world economy. Global transport was stopped and the spread of the pandemic devastated international supply chains and led to sharp falls in world trade. The flight to safety has contributed to steep declines in global equities and escalated emerging-market (EM) outflows, increasing credit risk spreads and sharp depreciation of the EM currencies. The downturn in demand led to a decrease in most goods prices, with oil prices dropping notably while gold and dollar prices strengthened significantly and bond yields sharply moved southward. Immense global monetary and fiscal support by the governments and the central banks globally, crude oil shocks and a vote for new US leadership were the concurrent events which added to the volatility. 2021 is expected to be a year of regeneration and revival. As Pfizer/BioNTech and Moderna are announcing the rollout of the Covid-19 vaccine to rekindle the expectation, most economies will return to a new standard, the reflection of which is imminent from the “V” shaped sharp recovery in global equities.

The global economy has been rebounding after a sharp fall in early 2020, starting in June and expected to move towards the pre-pandemic GDP by the second half of 2021 paving the way for solid growth in 2021/2022. The next stage of the V-shaped turnaround is marked by three main factors: synchronised global expansion, a strong rebound in emerging-market growth and inflation inching higher among the developed economies amid exceptional uncertainty, the global economy is projected to grow 5.5 percent in 2021 and 4.2 percent in 2022. The 2021 forecast is revised up 0.3 percentage point relative to the previous forecast, reflecting expectations of a vaccine-powered strengthening of activity later in the year and additional policy support in a few large economies.

On its part, the United States had managed to support the economy better than expected. Consumer spending has almost returned to pre-Covid-19 levels, and the average American household's personal income in September already exceeded its pre pandemic level. We expect US is going to rebound sustainably, even in the heavy winter with GDP growth estimated at 5.9 percent in 2021. Also the Biden administration is expected to have a more cooperative approach to world trade.

The Covid-19 pandemic and the resulting lock-downs badly impacted India. Q1 GDP shrank sharply, but after this Q2 showed respectable growth because of lower base effect. While some segments have almost achieved normality, in the next few months others will demonstrate resurgence. The G-sec yield steepened

and witnessed a rally on the shorter end of the curve mainly on the back of surplus liquidity; rate cuts, increased supply of government securities on the longer end of the curve and surplus liquidity in the system. RBI kept the monetary policy rates unchanged in the recent policy meet. RBI has prioritised growth over inflation and indicated continuation of an accommodative stance for as long as necessary despite an upward revision in inflation projections from 4.6% to 5.2% for 1HFY22. The weakening dollar index on the back of loose monetary policy from the Federal Reserve, USD-INR is expected to trade lower in 2021. However, RBI's dollar buying could restrict the downside in USD-INR. We envisage the pair to trade in a broad range of 72 to 75 in 2021.

Section

04

Individual Wealth *in India*



INDIVIDUAL WEALTH IN INDIA

The individual wealth in India is measured by taking account of the wealth owned in different asset classes by individuals and HNIs. This report gives a thorough classification of financial and physical investment avenues as well as future patterns and predictions. Government-owned capital and institutional ownership are excluded.

Financial Assets	Physical Assets
Fixed Deposits & Bonds	Gold
Direct Equity	Real Estate
Insurance	Diamond
Saving Deposits	Silver
Cash	Platinum
Provident Funds	Others gems and jewellery
Mutual Funds	
NRI Deposits	
Unlisted Equity	
Small Savings	
Current Deposits	
Pension Funds	
Alternative Investments	
International assets	

In FY20, the individual wealth in India expanded by 9.56% to ₹ 465 lakh crores from ₹425 lakh crores in FY20. Physical assets rose by 20.45% to obtain a higher share (43.48%) of total assets (as against 39.55% last year) against financial assets which increased only by 2.44% during this year.

Table 6: Total Individual Wealth in India

Category	FY20 Amount (₹ Crore)	FY19 Amount (₹ Crore)	Y-O-Y % Change	Proportion FY20 %	Proportion FY19 %
Financial Assets	26,291,171	25,664,343	2.44%	56.52%	60.45%
Physical Assets	20,228,241	16,794,231	20.45%	43.48%	39.5%
Total	46,519,412	42,458,573	100%	100.00%	100.00%

Individual Wealth *in Financial Assets*



INDIVIDUAL WEALTH IN FINANCIAL ASSETS

FY20 has been a challenging year for equity as well as the debt markets. Volatile equity market on the back of slower economic growth and lackluster corporate earnings along with defaults in the debt market and Franklin Templeton shutting down 6 of its debt schemes due to liquidity concerns & redemption pressure have led to reduced confidence in investors' minds. These negative impacts in FY20 can be inferred from the fact that individual wealth in financial assets has increased by just 2.44% in FY20. The wealth held by individuals in India in financial assets stood at ₹ 262 lakh crores in FY20 vs ₹ 257 lakh crores in FY19.

The Covid-19 pandemic has also added to the significant risk aversion in investors' minds improving global and domestic economic scenario combined with the news of the development of the Covid-19 vaccine may lead to a strong recovery in 2021.

5.1: Direct Equity

The benchmark indices (Nifty 50), ended in the negative for the FY2020 by close to - 26%, and the mid and small cap indices moved in the same direction i.e in deep red. There was a healthy appreciation between April 2019 and mid-February 2020, but after February there has been a steep fall due to detection of Covid cases in India and a surge in Covid-19 cases globally causing lockdown and a temporary shutdown of all activities. FY2020 witnessed a polarization in the market returns. Going forward we foresee the earnings growth to recover gradually in the second half of FY21 though bouts of volatility in both domestic and global markets will play its part.

In FY20, individual wealth in direct equity decreased by 30.69% to ₹ 36.11 lakh crores.

Indian Equity Market at an inflection point

India is the 5th largest economy² in the world, with a reform oriented Government at the centre. Implementation of reforms like merging public sector banks had resulted in improving the financial health or strengthening the balance sheet of the banks and maintaining the adequate capital adequacy ratio.

Source 2 : World Wealth Report , 2020 - Capgemini

- ▶ India has around 5,000 listed companies, second only to the United States in terms of investment universe, thus providing ample opportunities to the investors to participate in the India's growth story resulting in wealth creation.
- ▶ Receding macro headwinds, stable currency, lower interest rate scenario indicates that it is the right time to invest in equities with a long term view of 5 years.
- ▶ The March 2020 sell-off was an opportunity for the investors, as the market traded at attractive valuation levels.
- ▶ The Indian equity market will undergo major re-rating on the back of expected high economic growth rate in FY21 and FY22. The recent fiscal and monetary stimulus will lead to economic recoveries and positive effect on the equity market. A low interest rate scenario has always been an important attribute for driving the equity prices up.
- ▶ Sticky domestic fund flows in the equity market and inflow of the FII money resuming, on the back of global easy monetary policy puts the domestic equity market on a stronger platform.
- ▶ Negative interest rates in many of the developed economies are inducing institutional investors to invest money in emerging markets.
- ▶ In January 2021, S&P Sensex made a record high at 50,184 levels showing a recovery rate of 59.18% in just a year.

INDIVIDUAL WEALTH IN FINANCIAL ASSETS

Table 7 : Composition of Direct Equity holding based on Investor class

	FY20 Amount (₹ Crore)	FY19 Amount (₹ Crore)	% of Market Cap	Y-O-Y % Change
Investors				
Promoters	57,61,522	73,84,703	50.77%	-21.98%
Institutions	44,13,317	61,56,349	38.89%	-28.31%
Retail	11,73,919	15,67,659	10.34%	-25.12%
Total	1,13,48,757	1,51,08,711	100%	-24.89%

Table 8: Break-up of Individual Investments in Direct Equity

	FY20 Amount (₹ Crore)	FY19 Amount (₹ Crore)	Y-O-Y % Change
Individual Investments			
Promoter individuals	24,37,540	36,42,735	-33.08%
Retail individuals	11,73,919	15,67,659	-25.12%
Total	36,11,459	52,10,394	-30.69%

5.2: Fixed Deposits & Bonds

Fixed Deposits & Bonds are perceived as safe investment instruments by investors however a slew of defaults over the last few years by Banks, NBFCs & Mutual Funds have led to increased skepticism in investors' minds. The volatile equity market along with defaults in the debt market and Franklin Templeton shutting down 6 of its debt schemes due to liquidity concerns & redemption pressure has led to a cautionary approach by investors while choosing the right debt product.

The Covid-19 pandemic has also added to the significant risk aversion in investors' minds & the preference has shifted to good quality AAA rated bonds and relatively safer fixed deposits with larger Banks & NBFCs. RBI has also been very accommodative during the pandemic period where they have reduced 115 bps in Repo rate and 155 bps in Reverse Repo rate since March 2020

The debt/fixed income segment comprises fixed deposits (both bank and corporate); deposits with NBFCs and RNBCs (Residuary Non-banking Companies) and bonds & debentures.

Table 9: Break-up of assets held in fixed deposits and bonds

Category	FY20 Amount (₹ Crore)	FY19 Amount (₹ Crore)	Y-O-Y % Change
Bank fixed deposits ³	46,81,846	44,18,151	5.97%
Bonds & Debentures	1,35,460	1,26,812	6.82%
RNBC & NBFC Deposits ⁴	49,719	34,292	44.99%
Corporate Deposits	2,041	2,843	-28.20%
Total	48,69,066	49,64,710	6.26%

The wealth held by individuals in India in fixed deposits and bonds grew at 6.26% in FY20 to reach ₹48.69 lakh crores.

Source :3, 4, RBI

INDIVIDUAL WEALTH IN FINANCIAL ASSETS

Bank Fixed Deposits

Bank Fixed Deposits offer stable returns to investors and have been a preferred choice of investors over the years as they offer relatively lower risk as compared to other investment products. The interest rates on Bank Fixed Deposits are on a decline over the past few years due to timely rate cuts by RBI to stimulate the economy. This has led to a drop in interest income for FD investors and investors have been evaluating various options to enhance the returns.

The wealth held by individuals in India in bank fixed deposits grew by 5.97% in FY20 to ₹ 46.81 lakh crores against ₹ 44.18 lakh crores.

NBFC & RNBC Deposit

A Non-Banking Financial Company (NBFC) is mainly engaged in the business of loans and advances and works similar to a bank but with an advantage of relaxed norms e.g. it does not have to maintain reserve ratios like (CRR, SLR etc) which provides it with additional leverage over the banks. The asset size of the NBFC sector (including HFC) is ₹ 51.47 lakh crores as on 31st March 2020.

The market funding conditions have been difficult for NBFC post the IL&FS & DHFL crises however, NBFCs with better governance standards and better operating practices did relatively well. RBI has acted proactively to improve the liquidity and funding for NBFCs thereby giving a slight boost to the investor confidence.

The wealth held by individuals in India in NBFCs grew by 44.99% in FY20 to ₹49,719 crores as against ₹34,292 crores.

Table 10: Composition of assets in NBFCs and RNBCs

Category	FY 20 Amount (₹ Crore)	FY19 Amount (₹ Crore)	Y-O-Y % Change
NBFC	31,905	30,624	4.18
RNBC	1,550	1,552	-0.13
Total	33,455	32,176	3.98

Corporate Fixed Deposits

Corporate deposits are like term deposits issued by the companies at a fixed rate of interest usually higher than the bank deposits. They can both secured and unsecured. The maturity varies from few months to years depending upon the corporate need.

The individual wealth in corporate fixed deposits was ₹2041 crores in FY20.

Bonds & Debentures

Corporate Bonds gained a lot of popularity in FY20 as traction of investors increased towards good quality corporate bonds amid lower interest rate scenario and volatile Equity Markets. The trend is expected to continue in FY21 as highly volatile equity markets in H1FY21 have prompted a flight to safety among investors. PSU bonds are offering higher yield as compared to corporate bonds & Fixed Deposits however the perceived risk is also higher.

With significant risk aversion among investors we have seen a decline of 10.35% in wealth held by individuals in PSU bonds in FY20 however a massive increase of 46.76% was seen in wealth held by individuals in corporate bonds.

Table 11: Individual Wealth in Bonds & Debentures

Category	FY20 Amount (₹ Crore)	FY19 Amount (₹ Crore)	Y-O-Y % Change
Corporate Bonds	55,354	38,127	46.76%
PSU Bonds	79,506	88,686	-10.35%

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5.3: Insurance

Insurance primarily is seen as a tool to cover financial loss by transferring risk to an insurance company. The risk could be of varied nature such as death, disability or destruction. Insurance companies also provide options to invest with varied forms of investment products along with the additional protection cover on life. Insurance has been an integral part of allocation of savings & investments for individual investors for many years now. LIC was the pioneer in the insurance revolution in India and it was formed in the year 1956 by a special act of parliament. With the advent of private sector insurance companies in the industry in the year 2000 and along with traditional plans, innovative insurance solutions like unit linked plans (ULIPs) started attracting a lot of individual investments.

Today the life insurance industry of India is covered through 24 life insurance companies.

In FY20, first year premium collection from new life insurance business increased by 20.60% to ₹ 2.58 lakh crores⁵

At the same time, there are huge assets under management of all life insurance companies collected over the years.

In FY 20, the individual wealth in insurance has grown by 3% to ₹ 37.75 lakh crores.

Insurance is one of the largest asset classes in individual financial assets with a 14.46% contribution. As of September 2020 total asset held under management in insurance stands at ₹ 41.85 lakh crores of which 21% constitute allocation in equity.

Employees' Deposit Linked Insurance Scheme (EDLI)

The Employees' Deposit Linked Insurance (EDLI) is an insurance life cover for coverage against death while on work, based on their salary for the employees (claim as 30 times of salary) covered under the EPFO ACT.

Source 5: IRDA

In a nation of 1.3 billion people, it is quite surprising that our insurance penetration is as low as 20 %. This means more than 80 % of Indian citizens are not covered under any life insurance scheme.

Hence the Government of India has launched the Pradhan Mantri Jeevan Jyoti Bima Yojana in 2015 available to people between 18 and 50 years of age with bank accounts. It has an annual premium of as low as ₹330 with a life insurance cover of ₹2 lakh. This scheme will be linked also to the bank accounts opened under the Pradhan Mantri Jan Dhan Yojana scheme.

Another government backed insurance scheme which covers insurance benefit to dependents in case of death of an individual due to an accident is named as Pradhan Mantri Suraksha Bima Yojna . In case of an unexpected death or full disability, the payment to the nominee will be ₹2 lakh . Pradhan Mantri Suraksha Bima Yojana is available to Indian Residents between 18 and 70 years of age with bank accounts opened under Jan Dhan Yojna .

While the number of Indians having life insurance cover will indeed go up, what is important to note that proportion of people having an adequate life insurance covered as calculated by the Human Life Value (HLV) would be even as low as 5 %. Therein lies the potential for growth of this sunrise sector. There will be multiple growth drivers –

- ▶ Increased awareness about the importance of buying an adequate insurance cover, with efforts by life insurance companies for educating Indians across the length & breadth of India.
- ▶ Increased availability & ease of purchase with the use of technology for online purchase, including from mobile applications on smart-phones.
- ▶ Regulatory changes and continuation of income tax benefits
- ▶ Changes in demographic factors such as growing underinsured younger population with need of child plans & older population with need of retirement plans

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With the Indian GDP growth towards the USD 5 Trillion economy & the growth in financial inclusion across urban & rural India, we expect the Life Insurance industry to grow by nearly 15% annually for the next five years⁶.

Table 12: Individual wealth in Insurance

Types of Insurance	FY20 Amount (₹ Crore)	FY19 Amount (₹ Crore)	Y-O-Y % Change
Life Insurance⁷	37,75,690	36,65,743	3.00%
EDLI	26,352	24,986	5.47%
Total	38,02,042	36,90,729	3.02%

Source 6: IBEF & Hindu Business Line , 7: Life Insurance Council

5.4: Saving Banks Deposits

Savings deposit account is one the most basic accounts which is offered by most of the banks. Investors earn a certain interest rate on the savings deposit depending on the prevailing interest rate scenario in the economy however this interest rate is very low and generally does not beat inflation.

There has been a massive increase of 45.25% in wealth held by individuals in Savings Deposits which may be on back of increased risk aversion in investors' minds.

Table 13: Individual wealth in Saving Banks Deposits

Type	FY20 Amount (₹ Crore)	FY19 Amount (₹ Crore)	Y-O-Y % Change
Savings Deposits	37,45,525	25,78,663	45.25%

5.5: Cash

RBI calibrates the supply of currency in circulation in sync with its demand which is determined by the overall level of economic activity.

A RBI study on 'Modelling and Forecasting Currency Demand in India' has listed out digital payments, high nominal growth rate and low or high interest rates as key factors influencing the currency in circulation in the system⁸.

The currency in circulation is expected to rise in FY21 on back of economic stimulus packages announced by the government.

Total value of currency circulation stands at ₹23.49 lakh crores in FY 20 vs ₹20.52 lakh crores in FY19, an increase of 14.50% as compared to the previous year.

As on November'2020 the cash in circulation in India is ₹26.20 lakh crores⁹

Source 8 – Business Today, 9: RBI



5.6: Provident Funds

Provident funds provide employees with lump sum payments at the time of exit from their place of employment. This differs from pension funds, which have elements of both lump sum as well as monthly pension payments

Table 14: Individual wealth in Provident Funds

<u>Composition of PF</u>	FY20 Amount (₹ Crore)	FY19 Amount (₹ Crore)	Y-O-Y % Change
EPF	13,89,464	11,08,004	25.40%
PPF with banks	5,64,644	4,79,168	17.84%
PPF with post offices	89,737	75,691	18.56%
Total	20,43,845	17,51,860	22.91%

There are two Provident Fund schemes in India namely, Employee Provident Fund (EPF) & Public Provident Fund (PPF).

The EPF, a defined benefit plan predominant in the salaried class is widely being used with a long term perspective for corpus accumulation for retirement along with tax benefit under sec 80C. It covers every establishment in which 20 or more people are employed. The EPF scheme involves contribution by the employer and employee both, with the employer's contribution of 12 % of basic wages plus dearness allowance, 8.33% is diverted to Employees' Pension Scheme and the remaining deployed in EPF scheme. The returns are fixed by EPFO and announced every year. Currently it is fixed at 8.5% p.a. We additionally have voluntary contribution to this under VPF and many people opt for this over and above their limit since the returns are higher.

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The Public Provident Fund (PPF) is extensively used in India as a very lucrative option in the debt investment space to save for the long term and also as a tax saving instrument. It is fully guaranteed by the central government, has an investment period of 15 years with blocks that can be extended in tranches of 5 years. The most notable feature is that the balance in PPF is not subject to attachment under any order or decree of court. Any individual can open a PPF account with a minimum yearly deposit of ₹ 500 and a maximum of ₹ 1.5 lakhs in a financial year. The PPF account has loan facility and partial withdrawal facility as well.

Together, individual wealth in Provident funds grew by 22.91% y-o-y to ₹ 20.43 lakh crores in FY20.

Total wealth held by individuals under EPF stood at ₹ 13.89 lakh crores in FY20, a growth of around 25.40% over the corresponding financial year.

5.7: Mutual Funds

The easiest and the most preferred way to participate in the Indian equity & debt markets has been the mutual fund route which has garnered significant popularity among retail investors over the last 10 Years. The Mutual Fund Industry has witnessed multifold growth where the AUM of the Indian MF industry has grown from ₹6.46 lakh crores as on 31st October 2010 to ₹28.23 lakh crores rupees as on October 31st October 2020.

Though the growth has been spectacular over the last decade, FY20 has particularly been a challenging year for the Indian Mutual Fund Industry. Indian equity markets saw a consolidation phase in 1HFY20 and a polarized market rally in 2HFY20 on back slowdown in the economy and lackluster corporate earnings. Volatile equity markets along with a slew of defaults in the debt space hampered the confidence of retail investors.

Equity markets had a roller coaster ride in FY21 and investors have been pulling money out of mutual funds as markets are hitting an all time high. Also Franklin Templeton shutting down 6 of its debt schemes due to liquidity concerns and redemption pressure has had a severe impact on the investor confidence.

The wealth held by individuals in India in Mutual Funds fell by 13.64% in FY20 to ₹11.89 lakh crores vs ₹13.77 lakh crores in the previous year. The updated Mutual Fund AUM is ₹14.28 lakh crores showing a remarkable growth of 20% in Individual wealth within a year.

Table 15: Individual wealth in Mutual Funds¹⁰

Type	FY20 Amount (₹ Crore)	FY19 Amount (₹ Crore)	Y-O-Y % Change	Proportion %
Equity	7,71,177	9,53,727	-19.14%	64.85%
Debt	4,18,012	4,23,309	-1.25%	35.15%
Total	11,89,189	13,77,036	-13.64%	100%

Source 10 : AMFI

5.8: Unlisted Equity

Unlisted shares are the shares which are not enrolled with or listed at any Stock Exchange. These shares are generally privately placed between the buyers and sellers and traded in the OTC markets. We saw a huge spurt in public issues in 2016 & 2017 with successful listings of RBL Bank, Avenue Supermarts, Ujjivan Finance, Apex Frozen foods and many more. Most of these shares were actively traded in the OTC market pre-IPO and investors saw significant gains on listing.

There are pros and cons of investing in unlisted shares.

- ▶ Since IPOs today usually get oversubscribed in multiples, allocation of shares is limited in the issue.
- ▶ Shares acquired in the OTC market have confirmed allotment in the IPO and can also be sold off in the IPO offer for sale.
- ▶ The valuation of these shares is a major point of discussion as there is no formal method to control the same. As in the primary market, demand and supply play an important role in any stock valuation and drive the price upwards or downwards. This leads to a liquidity premium or discount which cannot be perfectly measured in the OTC market and depends predominantly on the outlook of the seller or the buyer.

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- ▶ This has become a new asset class for investors where we saw a few funds as well on the AIF platform focused on investing into pre IPO shares to capture the listing gains and valuation discount.
- ▶ This asset class is relatively less volatile than listed equity as the valuations and prices in the market are based on book value or other methods like DCF and relative valuations.

Table 16: Individual wealth in Unlisted Equity

<u>Category</u> <u>Asset class</u>	FY 20 Amount (₹ Crore)	FY19 Amount (₹ Crore)	Y-o-Y Change %
Unlisted Equity	13,03,212	10,54,325	23.61%

The individual wealth in unlisted equity has increased to ₹13.03 lakh crores in FY20 from ₹10.54 lakh crores in FY19, clocking in a growth rate of 23.61%

5.9: NRI Deposits

Weaker global growth, USA-China trade war and the outbreak of Covid-19 pandemic weighed heavily on the Rupee and we saw Rupee depreciating in FY20 along with a steady increase in NRE, FCNR and NRO accounts.

An NRE (Non-Resident External) account is a bank account in which NRIs can deposit income generated from external sources in Indian Rupee or one can deposit only foreign currency in this account, which gets converted into INR at the time of deposit. It is an Indian Rupee denominated account. Therefore, you may repatriate the money in this account (plus interest earned) any time and the interest is not taxable.

An NRO (Non Resident Ordinary) account, on the other hand, functions as a savings or current account held in India for the NRIs to manage their income earned in India such as rent, dividends, or pension. It is a good way for account holders to deposit and manage their accumulated rupee funds conveniently through an NRO account. Once you deposit the money to the NRO account, the foreign currency is automatically converted to INR.

FCNR deposits (Foreign Currency Non-Repatriable) is a Fixed Deposit Foreign Currency account and not a savings account. Deposits in this account can be made in any of the major currencies like US Dollar, UK Pound, Canadian Dollar, Deutsche Mark, Japanese Yen and Euro. Interest income of this account is not taxable in India. This account has the facility of a power of attorney; thus, the holder can operate the account in India.

Table 17: Individual wealth in NRI Deposits ¹¹

Composition of PF	FY 20 Amount (₹ Crore)	FY19 Amount (₹ Crore)	Y-O-Y % Change
NRE-(RA)	6,80,689	6,36,468	6.95%
FCNR-(B)	1,82,618	1,60,267	13.95%
NRO	1,20,286	1,05,353	14.17%
Total	9,83,601	9,02,087	9.04%

Source : 11 : RBI

In FY20, individual wealth in NRI deposits rose by 9.04% to ₹ 9.83 lakh crore. As on September' 2020 the wealth of NRI's increased to ₹10.12 lakh crore primarily due to dollar rates fluctuation.

5.10: Small Savings

Small Saving schemes are offered by Post Offices and are backed by Central Government of India thereby making them a popular investment choice among households. The Interest rate on this small saving scheme is reviewed on quarterly basis by GOI.

Sukanya Samriddhi Scheme which was launched in 2015 under the Beti Bachao, Beti Padhao campaign has been gaining a lot of popularity and we have seen the wealth held by individuals in Sukanya Samriddhi scheme has gone up by 63% and stands at ₹ 45,773 crores in FY20 as compared to ₹ 28,046 crores in FY19.

The wealth held by individuals in India in small savings increased by 19.92% in FY20.

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Table 18: Individual wealth in Small Savings Schemes

Financial Assets	FY 20 Amount (₹ Crore)	FY19 Amount (₹ Crore)	Y-O-Y % Change
Post Office Monthly Investment Scheme	2,08,856	1,92,658	8.35%
Kisan Vikas Patra	1,22,402	1,12,933	8.74%
Post Office Savings Bank Account	1,66,449	1,37,485	21.07%
Senior Citizen Savings Scheme	74,892	54,535	37.33%
NSC issues	1,21,122	96,316	25.76%
Post Office Recurring Deposit Account	1,16,338	1,02,501	13.50%
Post Office Time Deposit Account	1,64,833	1,22,215	34.87%
Other Certificates and Deposits	8,771	11,631	-24.59%
National Savings Scheme 87,92	3,278	3,059	7.16%
Indira Vikas Patra	-139	-60	131.86%
Sukanya Samriddhi Scheme	45,773	28,046	63.21%
Total	10,32,575	8,61,047	19.92%

5.11: Pension Funds

In the last few decades, we all have seen a significant improvement in health and sanitation conditions in India. This has increased the life span of the people and has also raised a need for ensuring monetary resources for post-retirement needs. Pension Funds provide financial security measures and stability during old age when people don't have a regular source of income. With no social security system in India, these pension schemes give an opportunity to invest and accumulate funds for regular cash flows in the retirement stage thereby funding for inflation adjusted expenses. .

Table 19: Individual wealth in Pension Schemes

Scheme	FY20 Amount (₹ Crore)	FY19 Amount (₹ Crore)	Y-O-Y % Change
Employee Pension Scheme	4,84,173	4,14,688	16.76%
National Pension Scheme ¹²	4,06,953	3,11,353	30.70%
Atal Pension Yojana ¹³	10,526	6,860	53.44%
Total	901,652	732,902	23.02%

Source: 12, 13 - NPS Trust

The total individual wealth in pension funds has increased by 23.02% to ₹9.01 lakh crores in FY20.

Employee Pension Scheme (EPS)

The Employee Pension Scheme (EPS) for the organized sector is clubbed with the Employee Provident Fund (EPF) to receive pension on a permanent basis. From a mandatory 12% employer's contribution towards EPF 8.33% goes to employee

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pension scheme. Employees with a minimum of 10 year service are eligible for the scheme. The individual wealth held in Employee Pension Scheme stood at ₹ 4.84 lakh crores in FY20; increase of 16.76% on y-o-y basis.

National Pension System (NPS)

The National Pension System is a government sponsored scheme which was introduced in 2004. Initially launched only for government employees, it was opened for all sections in the year 2009. Any Indian in between 18-60 years of age can join NPS. NPS offers two accounts: Tier-I and Tier-II accounts. Tier-I is a mandatory account and Tier-II is voluntary. The big difference between the two is on withdrawal of money invested in them. You cannot withdraw the entire money from Tier-I account till you reach 60 years of age. Tier – II is the liquid account from which withdrawal is possible anytime.

The National Pension Scheme (NPS) is a pension scheme with contribution allowed throughout the working life and annuity post retirement. Total individual wealth in NPS stood at ₹4.06 lakh crores in FY20, showing a growth of 30.70% over the previous year.

Atal Pension Yojana (APY)

The Atal Pension Yojana, was started for the unorganized sector and self-employed. The weaker sections of individuals have increased their investment in this scheme. Subscribing workers below the age of 40 are eligible for this scheme . The individual wealth in Atal Pension Yojana stood at ₹10,526 crores in FY20, a growth of 53.43% over the previous year.

National Pension Schemes has gained popularity as it offers wider platform to invest in different asset classes and a freedom to choose the best of fund management teams available on this platform at a much cheaper cost than many other investment opportunities available in the financial market . With additional tax benefit under section 80CCD, it is lucrative as an investment avenue for both for tax benefits and returns. A self-employed person can also contribute 10% of his gross income under Section 80CCD (1) in NPS and claim the benefit of deduction.

Furthermore, Tier I Account (lock in account) provides additional tax benefit of ₹ 50,000 for investment under this category, whereas Tier II Account is used for a voluntary savings facility.

5.12: Currents Deposits

There has been a massive decline in wealth held by individuals in Current Deposits of 72.74% on back of increased risk aversion in investors' mind.

Table 20 : Individual Wealth in Current Deposits

Type	FY20 Amount (₹ Crore)	FY19 Amount (₹ Crore)	Y-O-Y % Change
Current	2,11,771	7,76,722	-72.74%

5.13: Alternative Investments

Alternative Investments are different from traditional investment products and are exotic investments options preferred by HNI & UHNI. As per SEBI, the minimum investment in alternative fund is ₹1 crore and has defined various categories of investments in an Alternative Investment fund.

To classify the wide segment of investment options in alternative investment space, they are segmented into 3 categories - Category I, II and III, each have different features and criteria.

Category I AIF includes mainly Venture capital funds (Including Angel Funds), SME Funds, Social Venture Funds and Infrastructure funds.

Category II AIFs are which do not fall in Category I and III and which do not undertake leverage or borrowing other than to meet day-to-day operational requirements and as permitted in the SEBI regulations.

Category III AIFs are which employ diverse or complex trading strategies and may employ leverage including through investment in listed or unlisted derivatives. Various types of funds such as hedge funds, PIPE Funds, etc. are registered as Category III AIFs.

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Considering the current market scenario, Indians are diversifying their assets beyond traditional investments like Term deposits, Bonds, Listed stocks, etc. Though AIFs have an entry barrier owing to their high-ticket size, recently they have become the investment of choice for HNIs. Alternative asset includes investment options like structured products, high yield debt, private equity funds etc. Below are the various formats in which an investor can invest.

Table 21: Individual wealth held in Alternative Assets

Financial Assets	FY20 Amount (₹ Crore)	FY19 Amount (₹ Crore)	Y-O-Y % Change
Structured Products	54,361	43,086	26.17%
High Yield Debt	37,506	26,360	42.28%
Private Equity Funds	50,898	36,266	40.34%
Real Estate Funds	23,690	17,708	33.78%
Hedge Funds	11,209	10,390	7.89%
Sovereign Gold Bonds	13,097	7,960	64.53%
Gold ETF	3,968	2,661	49.11%
Infrastructure Funds	1,557	1,290	20.73%
Venture Capital Funds	2,630	2,012	30.69%
InvITs Funds	1,132	1,384	-18.23%
Total	200,047	149,118	34.15%

Structured Products

Structured product is pre-packaged structured finance investment strategy which is been designed using derivate as a tool which intend to substitute the underlying assets like index, bonds, commodity price, etc. This is also been known as Market Linked Debentures or MLD. These are basically of two types, 100% capital protected and non-capital protected. Structured product can be customized depends on the risk appetite, market views and return expected. MLDs are more effective when the markets are subdued or range bound. Though there is an underlying risk of the credit quality of the issuer, MLDs with capital protections are usually listed and available for trading.

The individual wealth investment in Structured Products has increased by 26.17% to ₹ 54,361 crores in FY20 from ₹ 43,086 crores recorded in previous fiscal.

High Yield Debt

As the name indicates, the high yield debt is a debt instrument which provides high yield against a compromise towards the credit rating. These are usually issued by companies which are under-rated. As returns are inversely proportional to the credit rating, the investor needs to be aware of the credit risk. Considering the credit defaults off late, there is less participation in riskier bonds than before.

Individual wealth in High Yield Debt has risen by 42.28% y-o-y in FY20 to ₹ 37,506 crores.

Private Equity Funds

Private equity funds mean investing in companies which are yet to be listed in stock market, there might be multiple reason for not been listed. Investors find the private equity very attractive as the valuation of the company is evaluated based on the fundamental evaluation of the company. These are more suitable for investors who have a long-term horizon and are capable of taking risk, but as a result the reward is also higher. The exits from underlying investments usually are done via mergers and acquisitions, IPOs, leveraged buyouts and management buyouts. Currently there has been liquidity in the private equity funds and AIF has helped a long way to formalize and boost the private equity investments.

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Individual wealth in Private Equity Funds has risen by 40.34% y-o-y in FY20 to ₹ 50,898 crores.

Real Estate Funds

Real-estate funds have been categorized under Category II of AIFs. Here funds are utilized by multiple real estate projects across properties like commercial, residential, developed, and under-developed in pursuit of capital appreciation. It is a high risk high return product where the return can be in double digits. Considering the current Covid-19 scenario and work from home culture will continue in near future but on the other side as cost of borrowing is reducing drastically, it will boost retail home buyers to buy a house with finance and will boost the sector. Lockdown have also impacted the student/ office housing / warehousing as the incomes got disrupted.

The individual wealth in Real Estate funds has increased by 33.78% to ₹23,690 crores in FY20

Hedge Funds

Hedge funds are categorized under category 3 of AIFs. The hedge funds generate returns from the mispricing of an asset in the market on both positive and negative movement in the market based on the position taken. Hedge funds are more flexible and can take both long and short positions. The portfolio can be a mix of various asset classes like equity, debt, forex, real estate, derivative etc. It also allows investors to leverage while investing. These funds require more intense and active participation of the fund manager in managing the cash and derivative positions. Hedge funds are more popular among Ultra HNI segment.

Individual wealth held in Hedge funds was at ₹ 11,209 crores in FY20, a rise of 7.89% against last year.

Sovereign Gold Bonds (SGB)

Sovereign gold bonds are an investment tool where the investor will get the gold valuation and will also get 2.5% additional every year. This is ideal for investors who wants to invest in gold and also wants to earn an additional return out of their investments. The sovereign gold bond is a product of 8 years and with a

lock-in of 5 years. This also has tax exemption on the capital gain made from the gold valuation. So all these benefits of taxation, additional interest has made this investment product very popular among investors and also comes with a sovereign guarantee.

Individual wealth in Sovereign Gold Bonds has grown to ₹ 13,097¹⁴ crores in FY20 against ₹ 7,960 crores in FY19

Source 14 : RBI

5.14: International Assets

International investments have been gaining popularity in India as more and more investors invest globally for diversification as well as lower returns in the Indian markets have prompted investors to look at international markets for higher risk adjusted returns. Investors can invest in global markets through mutual funds, Exchange Traded Funds (ETFs), direct equities and also REIT FOF. Weaker global growth, USA-China trade war and outbreak of Covid-19 pandemic weighed heavily on the rupee and we saw it depreciating in FY20 which has in fact enhanced the returns of investing globally.

The wealth held by individuals in India in international assets increased by 34% and stood at ₹45,783 crores in FY20 vs ₹34,138 crores in FY19.

Table 22: Individual Wealth in International Assets

<u>Composition of PF</u>	FY20 Amount (₹ Crore)	FY19 Amount (₹ Crore)	Y-O-Y % Change
Equity/Debt¹⁵	27,127	21,912	23.80%
Fund of Funds¹⁶	2,251	1,481	51.97%
Deposits¹⁷	16,406	10,745	52.69%
Total	45,783	34,138	34.11%

Source: 15,17 - RBI, 16 - AMFI

Section

06

Individual Wealth *in Physical Assets*



INDIVIDUAL WEALTH IN PHYSICAL ASSETS

Individual wealth growth in physical assets grew by remarkable 20.45% in FY20 as against 7.59% recorded in FY19. 93.75% of the entire physical asset allocation is in gold and real estate. At present gold occupies 23.54% of the total individual wealth. Gold and Silver prices did well amid global crisis showed a growth rate of 35.28% and 17.56% respectively.

Table 23: Classification of Individual Wealth in India in Physical Assets

Physical Assets	FY20 Amount (₹ Crore)	FY19 Amount (₹ Crore)	Y-O-Y % Change
Gold	1,09,50,021	80,94,187	35.28%
Real Estate*	80,14,576	74,52,944	7.54%
Diamond	8,30,484	8,58,156	-3.22%
Silver	2,85,408	2,42,771	17.56%
Platinum	8,265	8,517	-2.96%
Other gems & jewellery	1,39,487	1,37,656	1.33%
Total	2,02,28,241	1,67,94,231	20.45%

*It may be worthwhile to note that for the purpose of this report, primary residences are not considered.

6.1: Gold

Gold is one of the most conventional investment methods. Gold is considered as the alternative to the fiat money (a term used for current global currency since they are not backed by any asset but only Central Bank guarantee), and well accepted as the universal medium of exchange. Easy liquidity, lower volatility and a tag of safe haven asset along with a hedge against inflation had attracted the attention of the investors worldwide. Considering the market scenario gold has become a very necessary addition to a diversified portfolio, this not only helps to add return but also helps to stabilize the portfolio and also can be used though hedging mechanism. It has also been seen that in turbulent times when other classes like debt and equity struggle in providing returns, gold as an asset performs better in those scenarios.

- ▶ India had been tagged as the second highest consumer of gold in the world, as the yellow metal is considered auspicious and has a high emotional value.
- ▶ The significant rise in standard of living and a huge population ensures the demand for the metal remains unabated in near future.

This year 2020 the uncertainty caused by Covid-19, trade war between the US and china trade war, geopolitical tension have spurred gold as investors shunned riskier assets and flocked what has traditionally been a safer heaven, hence gold had a lot of traction and had a phenomenal growth of 35.28% compared to a below 10% growth in the previous 2 years. The total gold held in physical form has passed ₹100 lakh crores mark. In terms of the quantity, currently we are holding approximately 2.58 crore kg of gold which have also increased by 3% compared to last year.

Total wealth held by individuals in gold was ₹ 10.95 lakh crores with a growth of 35.28%.

Due Covid-19 led-lockdowns the annual demand for gold in India slashed by 35% in 2020 to 446.4 tonnes. This is the lowest since 1994, as per WGC.

However as lockdown eased, India imported 164.4 tonnes of gold in December quarter, highest in past six quarters owing to festive seasons such as Dussehra and Diwali.

In December quarter, Indian accelerated their purchase of gold coins and bars hoping for further rise in prices. The investment demand, i.e. demand for gold coins and bar increased to 8% in the same quarter to 48.9 tonnes which is highest in two years.

This can be expected to continue in 2021 as Indian economy is expected to grow at 11% in FY21 as per IMF and Indian government forecast.

INDIVIDUAL WEALTH IN PHYSICAL ASSETS

6.2: Real Estate

The Covid-19 pandemic's most notable victim is the commercial real estate sector, which has not only suffocated cash flow impacting the ability of businesses to pay rents but also severely hindered the supply for construction and repairs across the country. During H12020, office leasing across the country witnessed a 36% decline on year to year basis. However, with gradual ease of restrictions, all major micro-markets of Indian cities have shown green shoots of recovery. Gross absorption of around 7 million square feet of office space was recorded in Q3 2020, up by 58% on a quarter on quarter basis. Around 4.1 million square feet of new supply entered the market this quarter pushing the vacancy level up by 5.6 percentage points to 15%.

By 2040, real estate market will grow to Rs. 65,000 crores (USD 9.30 billion). Real estate sector in India is expected to reach a market size of US\$ 1 trillion by 2030 contribute 13% to the country's GDP by 2025. Retail, hospitality, and commercial real estate are also growing significantly, providing the much-needed infrastructure for India's growing needs. Indian real estate increased by 19.5% CAGR from 2017 to 2028¹⁸.

Commercial real estate professionals have had to navigate new obstacles like virtual showings, finding buyers during an economic downturn and perhaps most significantly, the shift away from centralized offices toward full-time remote work. Covid-19, coupled with the fear of a global recession, has left the Indian real estate sector in a climate of uncertainty, as investors grapple with the new environment and reassess their investment strategy.

But despite these negative aspects, Commercial Real Estate, in recent years has emerged as the favored investment option by institutional investors, owing to their higher per annum yield. According to data released by ANAROCK, between 2015 and the third quarter of 2019 the Indian real estate sector attracted approximately USD 14 billion of foreign private equity investment. The Securities and Exchange Board of India (SEBI) has given its approval for the Real Estate Investment Trust (REIT) platform, which will allow all kind of investors to invest in the Indian real estate market. It would create an opportunity worth ₹ 1.25 trillion (USD 19.65 billion) in the Indian market in the coming years. The growing flow of FDI in Indian real estate is encouraging increased transparency. Developers, in in order to attract funding, have revamped their accounting and

Source 18 : Data: Knight Frank India, VCCEdge, JLL Research, CREDAI-JL, Union Budget FY20

management systems to meet due diligence standards.

The anxiety surrounding the virus spread resulted in footfall in malls in India reducing by half before the government ordered a complete lockdown. This segment continues to suffer even though the government has lifted restrictions, allowing malls to operate, albeit by following strict rules. A survey by the Retailers Association of India (RAI) showed that lockdown relaxations did not benefit retailers as business remained lackluster. Low footfalls and subsequent closure of malls will impact developers' debt servicing against the project. Even a relaxation from banks for the short-to-medium term should not have a big impact in near term.

Table 24: Individual Wealth in Real Estate

Region	FY20 Amount (₹ Crore)	FY19 Amount (₹ Crore)	Y-O-Y % Change
India	80,07,734	74,50,758	7.48%
International	6,842	5,684	20.38%
Total	80,14,576	74,56,442	7.49%

Total wealth held by individual in Real Estate was ₹ 80.14 lakh crores with a growth of 7.49% in FY20

6.3: Diamond

Diamond has its own recognition as a most popular gemstone and is the hardest material on earth, till 2019 there is some 142 million carats of diamond were been produced from mines worldwide. In 2019, the total value of the diamond jewelry market worldwide amounted to USD 78 billion (nominal) , an increase of USD 1 billion from the previous year. However India has shown a decline in the trend of diamond investments. The diamond trend is declining since CY2018 but in CY2020 there was a negative growth of 3.22%. Diamond, unlike other precious metals and natural resources, relies almost exclusively on consumer demand for diamond jewellery. The cut and polish diamond had a export value of ₹1,32,017 crore and imports of ₹12,198 crores and rough diamonds exports were around ₹7,841 Crores and import were around ₹1,04,367 crores. The total

INDIVIDUAL WEALTH IN PHYSICAL ASSETS

consumption was ₹35,491 Crores. The new investment in diamond for the year 2019-2020 is ₹15,923 crores.

Individual wealth in diamonds in India has declined by 3.22% at ₹ 8.30 lakh crores in FY20.

6.4: Silver

Silver has been the choice of the masses in India due to its affordability and easy liquidity. A good monsoon and better agriculture output had generally related to increase in demand for silver among the Indians. Being an agriculture based economy and rural masses having restricted know how of the investment avenues, money generally flows in buying silver or other precious metals. India is one of the biggest contributors to the global demand in silver and any alterations in demand in India have a significant impact on the prices of silver.

Individual wealth have shown an increment of 8.25% than the last year and total value is ₹ 2,85,408 crores compared to last year ₹ 2,42,771 crores. The white metal had shown bounce back from -2.03% compared to last to last year. Total tonnage for in 2020 is 38,044.

The total consumption of silver constitutes by jewellery of 69 Million ounces, silverware of 41.2 Million ounces, physical bar of 56.5 Million ounces and coin and metals of 11.3 Million ounces. There is a decline in jewellery and physical bar but a marginal growth in coins and metal compared to last year¹⁹.

Indian physical investment rose for the third year in 2019, by 8.25% with total 181.88 Million ounces due to two factors. The first concerned the government's ongoing crackdown on unaccounted wealth, with a particular focus on gold. This contributed to a shift in favor of silver. Secondly, silver's under performance relative to gold fueled positive price expectations, encouraging many investors to rotate out of gold and into silver.

Individual wealth held in silver in India stood at ₹2.85 lakh crores in FY20 which has reduced by 8.25% over the previous year.

Source 19 – Worlds Silver Survey 2020

6.5: Platinum

Platinum is a rare metal and is particularly known for its catalytic properties and highly used in electronics and auto manufacturing industry for being ductile, malleable and highly recyclable. Gold/silver is generally preferred as a store house of wealth while platinum is specifically an industry precious metal. On an average 45% of platinum is used in automotive industry, around 30% in jewellery while remaining in manufacturing specifically medical equipment. India has shown a small decline of -1.18% and total wealth held by India is ₹ 8265 crores.

The price has also declined by 7.5% and dropped from ₹ 1890 per gram to ₹ 1749 per gram. The demand of platinum has gone down by -27.5%. Total demand is 118.52 Koz²⁰.

India has become the growth engine for platinum jewellery globally, according to a report by Platinum Guild International. This could be attributed to robust global economy and low platinum prices, together with an increasing preference for platinum among younger consumers.

Individual wealth in platinum in India was at Rs.8,265 crores in FY2020 as decline of 2.96%

Source 20 : Platinum Guild International Report 2020.

6.6: Other Gems and Jewellery

The Gems and jewellery sector is an indispensable part of today's Indian economy. There is a growth in the industry with 1.93%. There is a total export of USD 8.48 Billion and import of USD 4.23 Billion . Contributing approximately 7% towards the country's GDP it is amongst the fastest growing sectors.

Section

07

Individual Wealth

India Vs World



INDIVIDUAL WEALTH : INDIA VS WORLD

As compared to global counterparts, India's allocation of wealth in equity is only 13.87% as compared to 30.19% globally. Also the allocation is decreased in equity as compared to FY19 on back of volatile equity markets and lackluster corporate earnings.

The share of alternate asset category which comprises of gold, structured products, venture capital/ private equity funds and real estate funds stands at 26.84% as against global standard of 13%. This is majorly due to India's love for gold in every household and also investor preference for safe haven assets like gold during period of uncertainty.

Debt (including cash) forms 41.80% of total wealth in India in FY20 similar to global standards of 42.31% in FY19. .

The share of real estate in individual wealth in India stands at 17.49% as compared to 14.60% globally.

Table 25: Individual Wealth - India Versus World

Key Assets	FY20 Amount (₹ Crore)		FY19 Amount (₹ Crore)	
	India	Global²¹	India	Global²²
Equity	13.81%	30.19%	18.89%	25.70%
Debt (including cash)	41.62%	42.31%	41.52%	45.50%
Alternative Assets (including gold)	27.16%	12.90%	22.27%	13.00%
Real Estate	17.41%	14.60%	17.41%	15.80%
Total	100%	100%	100%	100%

Source 21, 22 : World Wealth Report – 2020, Capgemini

Section

08

Future of India's *Individual Wealth*



FUTURE OF INDIA'S INDIVIDUAL WEALTH

By FY25 the total individual wealth in India is estimated to have a healthy growth rate of CAGR of 13.66% to reach ₹799 lakh crores which is almost double the current wealth of ₹465 lakh crores. The Financial Assets allocation is estimated to be 66.11% while the physical assets allocation would be 33.89%.

Table 26: Individual Wealth Forecast

Asset Type	FY20 Amount (₹ Crore)	FY19 Amount (₹ Crore)	CAGR %	Proportion FY20 %	Proportion FY19 %
Financial Asset	2,62,91,171	5,12,15,671	14.27%	56.52%	63.13%
Physical Asset	2,02,28,241	2,99,13,580	8.14%	43.48%	36.87%
Total	4,65,19,412	8,11,29,251	11.77%	100%	100%

Projected financial wealth – asset class wise distribution in FY25

Total Individual Wealth in India in financial assets is expected to nearly double to ₹ 512 lakh crores by FY25 at a CAGR of 14.27%. Direct Equity & Unlisted Equity is expected to grow at an even faster rate at 21.93 % and 35.93% CAGR over the next 5 years to become the one of the most preferred asset by FY25.

Table 27: Projected Financial Wealth – change equity order FY25

Asset Class	FY20 Amount (₹ Crore)	FY25 Amount (₹ Crore)	CAGR %	Proportion FY25%
Direct Equity	36,11,459	97,31,869	21.93%	19.00%
Fixed Deposits & Bonds	48,69,066	78,35,710	9.98%	15.30%
Insurance	38,02,042	68,89,486	12.62%	13.45%
Saving Deposits	37,45,525	53,76,206	7.50%	10.50%
Cash	23,49,716	33,93,263	7.63%	6.63%
Provident Funds	20,43,845	36,71,989	12.43%	7.17%
Mutual Funds	11,90,875	27,15,058	17.92%	5.30%
Unlisted Shares	13,03,212	60,03,481	35.73%	11.72%
NRI Deposits	10,32,575	17,16,356	10.70%	3.35%
Small Savings	9,83,601	15,06,959	8.91%	2.94%
Pension Funds	9,01,652	15,28,922	11.14%	2.99%
Current Deposits	2,11,771	3,03,592	7.47%	0.59%
Alternative Assets	2,00,047	4,24,708	16.25%	0.83%
International Assets	45,783	1,18,074	20.86%	0.23%
Total	2,62,91,171	5,12,15,671	14.27%	100%

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