Emerging Opportunities in Indian Wealth Management Industry: Market Size, Strategies, Products, and Competitive Landscape

Industry Forecast Report

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1 Executive Summary

India’s GDP grew at an annual growth rate of X% in 2011, and has a strong growth outlook. This makes the country an attractive investment location for wealth management firms. India has the main components that comprise a high-growth wealth management market, including: a very large and young affluent customer base, an improving wealth situation among global Indians, a goal to more tightly regulate financial services by the Indian government, and an increasing share of organized companies compared to the unorganized workforce.

Wealth and volumes of HNWIs is expected to double over the forecast period

India currently has the fourth-largest number of high net worth individuals (HNWIs) in the Asia-Pacific region, after Japan, China and Australia. There were XXX,XXX HNWIs in India, which cumulatively owned assets that valued US$X.X trillion in 2011. The volume of HNWIs in India increased at a compound annual growth rate (CAGR) of X.XX% during the review period (2007–2011), while the total HNWI wealth increased in value at a CAGR of X.XX%. These figures are impressive as the strong growth rates include the adverse impact of the global financial crisis, when total HNWI wealth recorded an annual growth rate of -XX% in 2008 and the number of HNWIs fell by XX%. The wealth and volumes of HNWIs in India recovered rapidly, and HNWI wealth increased at an annual growth rate of XX% in 2009 while the volume of HNWIs increased by XX%. The wealth and volume of HNWIs is expected to continue increasing over the forecast period (2012–2016). The number of Indian HNWIs is projected to reach XXX,XXX individuals in 2016, while HNWI wealth is expected to value US$X.X trillion in 2016.

Indian HNWI are expected to increase their investment in equities, alternative wealth products and collectable assets

The HNWIs in India are expected to increase their number of equity asset allocations over the forecast period, while reducing their number of fixed-income and cash assets. As the wealth management market in India matures, Indian HNWIs are expected to significantly increase their investments in sophisticated wealth alternatives, such as hedge funds, private equity and venture capital. Similarly, the number of collectable asset investments is projected to increase significantly. While the investments allocated to these asset types are expected to increase significantly, a large decline in investments in commodities is projected, which will minimize the total growth of HNWI wealth invested in alternative assets.

Rising demand for investment advisory services among India’s HNWIs

India’s HNWIs provide strong growth prospects for wealth management firms and private banks, as there is currently a relatively low penetration of financial services in India. To be successful, financial service providers must take into account the specific needs, traditional conservatism and unique attitudes towards family wealth among Indian HNWIs. Furthermore, the large newly rich Indian HNWIs are the prime target for services provided by the wealth management companies. Due to the rising demand for investment advisory services, most commercial banks and wealth management companies in India have started offering a personalized relationship manager for their privileged clients.

Increased regulation over wealth management anticipated

The regulatory environment in the Indian wealth management market is evolving, which presents opportunities for established wealth managers to expand their product and service offerings in the country. The government is planning to implement regulations covering fiduciary duties and investor protection. In addition, the changing tax regime in every annual budget cycle is adding some uncertainty regarding what regulations will be implemented, which could potentially force wealth managers to significantly change product their offerings. Given ongoing political trends in India regarding financial services and the wealth management market, increased regulation of the market is anticipated. Analysis suggests that this regulation could bring more positivity to the industry, as there will be a standardized taxation and the regulatory structure of wealth management.

Marketing strategies of commercial banks and private wealth management companies

Commercial banks, private wealth management companies and asset management companies in India are adopting various marketing strategies to become successful in the Indian wealth management market. Foreign banks, such as HSBC and Barclays, tend to spend heavily on media advertising and customer acquisition campaigns. Meanwhile, local commercial banks tend to build strategic partnerships with foreign asset management companies in order to offer better services. HDFC, ICICI, Kotak Mahindra Banks and other domestic and foreign banks providing a number of wealth management services, such as portfolio management, trust and estate planning, investment management, and tax advisory services.

Increasing competition is expected to target the non-urban sector of the country

India’s wealth management market is highly fragmented, which is not surprising as it is in an early stage of development. The organized service providers, such as commercial banks and wealth management companies, have so far focused mainly on the urban population, leaving an underexplored customer base of approximately one-fifth of India’s high net
worth individuals (HNWIs) population that reside in rural areas. The inflow of foreign wealth management providers has forced domestic companies to become more competitive, and domestic banks, brokerage houses and new entrants are developing their wealth management service offerings.
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2 Indian Wealth Management Market Environment

The Indian economy has grown at a steady pace from a low base, after the government started to implement its ambitious program of neo-liberal economic reforms in 1991. These reforms opened the country to foreign investment, ended public banking monopolies and forced state-controlled companies to become more competitive. The reforms have been mostly successful in converting the Indian economy from a planned- to a free-market model, and have led to significant economic development in the country. The Indian economy recorded an average annual rate of X% during 1991–2004, which encouraged foreign direct investment (FDI) to increase by XXX times during the same period and created more employment opportunities and rapid industrialization. India’s annual GDP growth reached X.X% in 2007, and investment growth, as reflected in the Indian stock market, rose by over XXX% during 2006–2007.

In addition to government spending, the large FDI inflow in 2008 and 2009 was the main reason why the global economic crisis had a relatively small impact on India. Compared with massive FDI inflows experienced in 2008 and 2009, the amount of FDI in the country declined significantly in 2010 and 2011. However, the FDI inflows into the country are expected to increase over the forecast period. This is due to the continued strong GDP growth anticipated in India, as well as the slow growth and shortage of profitable investment opportunities available in other locations in the world.

Analysis suggests that India is able to manage the various threats to its economy effectively enough to ensure sustainable economic growth. The country’s real GDP is expected to record an average annual growth rate of X% over the forecast period, which will be supported by the country’s expanding middle-class population, increasing disposable income levels and rising employment levels. While Indian equity levels in US dollars have yet to return to the highs achieved in the pre-economic crisis period in 2007, it is expected that the equity levels will reach this height over the forecast period.

India’s GDP growth has been consistently impressive. The country is a member of the BRIC countries (Brazil, Russia, India and China), and it is anticipated to become the world’s third-largest economy by 2050. The financial services are expected to be integral to this growth alongside the country’s rapidly developing retail, information technology and telecom industries. In addition, the demand for banking products and wealth management is expected to continue increasing significantly over the forecast period.

Retail banking experienced an unprecedented level of expansion in India, after growing by XX% during the review period. Retail banking is projected to continue increasing in value by XX% over the forecast period. The consumer base for the banking products in India is expected to increase, and the poverty levels in the country will decline, alongside India’s strong economic growth.

India’s consumption is expected to become concentrated in urban areas. BRICdata estimates that XX% of private spending originated from rural areas in 2011, although cities are anticipated to generate XX% of private spending in 2025.

The most competitive areas for retail banking will be in India’s mega cities of Delhi and Mumbai and its six next-largest cities of Kolkata, Chennai, Hyderabad, Bangalore, Ahmedabad and Pune. However, the emerging urban areas, known as the tier 2 cities, will become contested areas for the future growth of retail and ‘affluent’ banking.
3 Market Size and Growth Potential of Indian Wealth Management

3.1 Wealth Management Market in India

The size of Indian wealth management market is calculated by adding the value of all investments made by Indians in various asset classes. The following investment avenues and financial assets have been considered to generate the Indian wealth management market size:

- **Direct equity**: includes initial public offerings (IPO) and India’s market capitalization.
- **Assets in life insurance**: the total assets invested in life insurance.
- **Deposits (saving and fixed)**: includes the total sum of saving deposits and fixed deposits held in the commercial banks.
- **Mutual fund**: the amount invested by individuals in mutual funds.
- **Alternative investment**: consists of gold and art.

The Indian wealth management market valued US$X trillion in 2011, after growing at a CAGR of XX.XX% during the review period. Deposit assets have always been popular among risk-averse investors. This type of asset was the largest in India, with a total size of US$X trillion in 2011. Direct equity was the second most popular investment instrument in India in 2011, with the total market size of US$X trillion. Assets in life insurance registered the highest growth rate among asset types, at a CAGR of XX.XX% during the review period, followed by deposits, at a CAGR of XX.XX% during the review period, and mutual funds, at a CAGR of XX.XX% during the review period.

**Table 5: Indian Wealth Management Market Size by Asset Class (US$ Billion), 2007–2011**

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<td>Direct equity</td>
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<td>X.XX</td>
<td>X.XXX.X</td>
<td>X.XXX.X</td>
<td>X.XX%</td>
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<tr>
<td>Deposits</td>
<td>X.XX</td>
<td>X.XX</td>
<td>X.XXX.X</td>
<td>X.XXX.X</td>
<td>X.XXX.X</td>
<td>X.XXX%</td>
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<tr>
<td>Assets in life insurance</td>
<td>X.XX.X</td>
<td>X.XX</td>
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<td>Mutual fund</td>
<td>X.XX</td>
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<td>Alternative investment</td>
<td>X.XX</td>
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<td><strong>Total</strong></td>
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Source: BRICdata analysis © BRICdata

**Figure 6: Indian Wealth Management Market Size by Asset Class (US$ Billion), 2007–2011**

Source: BRICdata analysis © BRICdata
3.2 Market Size of Indian Wealth Management by HNWIs

The Indian wealth management market services the upper-income population, which includes high net worth individuals that have an investable asset of US$X.X million or more, excluding their primary residence, collectibles, consumables and consumer durables.

3.2.1 High net worth individuals (HNWIs)

Given the close correlation between the creation of new HNWIs, equity markets and corporate earnings, it is surprising that the number of HNWIs in India increased by over XX% during 2007–2011. It is clear that, since India was relatively unaffected by the global economic crisis and was able to register rapid economic recovery, wealth creation continued in India. Although there were significant declines in the number of HNWIs across all wealth bands in 2008, the numbers increased by an annual growth rate of XX% during 2009 alone.

The number of UHNWIs increased at a faster rate than the number of core HNWIs. However, since core HNWIs still comprise the vast majority of all Indian HNWIs, whether UHNWI volumes increase or decrease has a relatively small impact on the overall volume of HNWIs. The increasing number of HNWIs in India was mainly due to the large increase in the number of core HNWIs that benefited from India’s rapid economic recovery and growth in asset classes during 2009 and 2010, in addition to the smaller-than-expected decline in real estate prices in 2009.

Volume of HNWIs

The total volume of HNWIs, including UHNWIs and core HNWIs, increased from XXX,XXX in 2007 to XXX,XXX in 2011, at a CAGR of X.XX% during the review period. The volume recorded a significant decline in 2008, due to the global economic crisis. The core HNWIs, which includes the mid-tier millionaire and lower-tier millionaire wealth bands that represents individuals holding assets between US$X–XX million, accounted for the largest share of total HNWI volumes with XXX.XXX.X people in 2011. Meanwhile, the number of UNHWIs number, which includes individuals that own assets of US$XX million or more, reached X.XXX.X people in 2011.

Table 10: Indian HNWIs Volume by Wealth Bands, 2007–2011

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<tr>
<td>UNHWIs</td>
<td>XXX.XX</td>
<td>XXX.XX</td>
<td>XXX.XX</td>
<td>XXX.XX</td>
<td>XXX.XX</td>
<td>X.XX%</td>
</tr>
<tr>
<td>Core HNWIs</td>
<td>XXX.XX</td>
<td>XXX.XX</td>
<td>XXX.XX</td>
<td>XXX.XX</td>
<td>XXX.XX</td>
<td>X.XX%</td>
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<tr>
<td>Total Volume of HNWIs</td>
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<td>XXX.XXX.X</td>
<td>X.XX%</td>
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Source: WealthInsight and BRICdata analysis © BRICdata

Figure 18: Indian HNWIs Volume, 2007–2011
Demographic breakdown of the Indian HNWIs by region

Although the eight cities represented in the following figure contain XX.X% of India’s total HNWIs, there are sizeable wealth holdings in India’s second- and third-tier cities, and XX.X% of India’s HNWIs originate from the rest of India. There are also significant wealth holdings in rural areas, especially among the core HNWIs from wealthy land-owning Indian families. These HNWIs represent the traditionally wealthy groups within the Indian society. Although the vast majority of Indian HNWIs, especially in the major cities, have accumulated their own wealth, family wealth across wealth bands is also prevalent in modern urban areas. Mumbai, New Delhi, the technology and software centers of Bangalore and Hyderabad, and the commercial and industrial cities of Kolkata and Chennai, are all the main economic centers that India’s HNWIs have generated the wealth from.

With a registered population of just over XX million, and its ability to generate X% of India’s GDP, Mumbai is both India’s and South Asia’s richest city, and is also one of the largest cities in the world. As such, it is perhaps unsurprising that Mumbai contains the notably highest number of HNWIs in any Indian city. Since Maharashtra contains Mumbai and Pune, as well as second-tier cities such as Nagpur and smaller cities such as Jalgaon and Kolhapur, it is also unsurprising that Maharashtra is not only India’s richest state but also home to over XX.X% of India’s HNWIs.

**Figure 22: Indian HNWIs Regional Distribution (% Share), 2011**

Source: WealthInsight and BRICdata analysis
4 Appendix

4.1 About BRICdata

BRICdata publishes in-depth strategic intelligence reports that help its customers better understand opportunities in emerging markets and industry sectors. Its reports provide an independent, expert view supported by primary research and access to leading data and intelligence sources.

BRICdata is a comprehensive source of insights and analysis, and publishes a broad range of reports across a number of different industry sectors, including consumer, retail, financial services, technology, telecoms and construction.

BRICdata is headquartered in London with research, analysis and account management teams based across Europe, the US and Asia-Pacific. Its global research footprint is supported by a network of external associates, data partners and industry experts to give the clearest possible perspective on emerging markets.

4.1.1 Definitions

For the purposes of this report, the following timeframes apply:

- Forecast period: 2012–2016

<table>
<thead>
<tr>
<th>Table 27: Indian Annual Exchange Rate (INR–US$), 2007–2011</th>
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</thead>
<tbody>
<tr>
<td>Annual Exchange Rate</td>
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<tr>
<td>2007</td>
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<td>XX.X</td>
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Source: OANDA and BRICdata analysis

<table>
<thead>
<tr>
<th>Table 28: Definitions</th>
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<tbody>
<tr>
<td><strong>HNWIs</strong></td>
</tr>
<tr>
<td>The high net worth individuals (HNWIs) wealth band comprises all types of HNWIs. It represents individuals that holding assets of US$1 million or more in equities, bonds, cash and deposits, fixed-income products, real estate, alternative assets and business interests.</td>
</tr>
<tr>
<td><strong>UHNWIs</strong></td>
</tr>
<tr>
<td>The ultra-high net worth individuals (UHNWIs) wealth band comprises the billionaire, centimillionaire and affluent millionaire types of HNWIs. It represents individuals that hold assets of US$30 million or more in equities, bonds, cash and deposits, fixed-income products, real estate, alternative assets and business interests.</td>
</tr>
<tr>
<td><strong>Core HNWIs</strong></td>
</tr>
<tr>
<td>The cores HNWIs wealth band the mid-tier millionaire and lower-tier millionaire types of HNWIs. It represents individuals that hold assets between US$1–30 million in equities, bonds, cash and deposits, fixed-income products, real estate, alternative assets and business interests.</td>
</tr>
<tr>
<td><strong>Billionaires</strong></td>
</tr>
<tr>
<td>Billionaires are HNWIs that hold investable assets of US$1 billion or more in equities, bonds, cash and deposits, fixed-income products, real estate, alternative assets and business interests.</td>
</tr>
<tr>
<td><strong>Centimillionaires</strong></td>
</tr>
<tr>
<td>Centimillionaires are HNWIs that hold assets between US$100 million and US$1 billion in equities, bonds, cash and deposits, fixed-income products, real estate, alternative assets and business interests.</td>
</tr>
<tr>
<td><strong>Affluent Millionaires</strong></td>
</tr>
<tr>
<td>Affluent millionaires are HNWIs that hold assets of US$30–100 million in equities, bonds, cash and deposits, fixed-income products, real estate, alternative assets and business interests.</td>
</tr>
<tr>
<td><strong>Mid-Tier Millionaires</strong></td>
</tr>
<tr>
<td>Mid-tier millionaires are HNWIs that hold assets of US$5–30 million in equities, bonds, cash and deposits, fixed-income products, real estate, alternative assets and business interests.</td>
</tr>
<tr>
<td><strong>Lower-Tier Millionaires</strong></td>
</tr>
<tr>
<td>Lower-tier millionaires are HNWIs that hold assets of US$1–5 million in equities, bonds, cash and deposits, fixed-income products, real estate, alternative assets and business interests.</td>
</tr>
</tbody>
</table>

Source: BRICdata analysis

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4.1.2 Areas of expertise

BRICdata operates a dedicated, multilingual team of in-house industry analysts with significant experience of global and country-level research. BRICdata also maintains data and research partnerships with other research companies, industry experts and trade associations, along with a network of independent industry consultants and former industry participants contributing research and reports to bring additional insight and expertise in more specialist areas.

BRICdata’s research offering spans the following industry areas:

**Construction**
BRICdata publishes reports covering the entire construction value chain: construction materials, equipment, construction services, architectural services and interior design. It also covers the main value sectors of construction activity: commercial, infrastructure, industrial, institutional and residential.

This comprehensive view of the market enables BRICdata to detail key growth sectors and countries and identify the most attractive industry opportunities.

**Consumer goods**
Covering a broad range of areas across the consumer goods market, from interior products to fast-moving consumer goods (FMCG), ingredients, and packaging, BRICdata offers a comprehensive insight into key consumer sectors across fast-growing markets, identifying key trends, future innovations and growth opportunities.

Comprehensive data sets including unique primary survey-driven research creates accurate market forecasts and understanding of the factors driving consumption behavior.

**Financial services**
Providing detailed insights into insurance and banking markets, BRICdata’s financial services reports identify key market opportunities, emerging technologies and channel strategies. The reports provide unique data combined with local examples of best practice and expert insights into the market.

**Retail**
BRICdata maintains a comprehensive database of forecasts of retail spending, along with a series of unique indicators enabling a forward view of retailers’ prospects in emerging markets. The reports identify emerging concepts in retail, including the nascent online and mobile retail sectors in the BRIC countries and other emerging markets.

**Technology**
BRICdata tracks key trends and innovations, emerging technologies and markets, and the key operators in both emerging markets and technologies. Covering a range of emerging and disruptive technologies including telecoms, social media, online and mobile retailing, and telemedicine, BRICdata examines strategies for success, the state of the competitive landscape and the inherent threats and opportunities in the emerging economies.
4.2 Methodology

All BRICdata reports are rigorously sourced and created according to a comprehensive, two-stage methodology. This includes internal audit and primary research.

A) Internal audit
   - Review of in-house databases to gather existing data:
     - Historic market databases and reports
     - Company database
     - Projects database

B) Primary research
   - Review of the latest company strategy and asset management trends

1) Research

A. Sources
   - Collection of the latest market-specific data from a wide variety of industry sources:
     - Government statistics
     - Industry associations
     - Company filings
     - Broker reports
     - International organizations

B. Expert opinion
   - Collation of opinion taken from leading industry experts
   - Analysis of third-party opinion and forecasts:
     - Broker reports
     - Industry associations
     - Official government sources

C. Data consolidation and verification
   - Consolidation of data and opinion to create historical datasets
   - Creation of models to benchmark data across sectors and geographies

2) Research Analysis

   Market forecasts
   - Feed of forecast data into market models:
     - Macroeconomic indicators
     - Industry-specific drivers
   - Analysis of Market Databases to identify trends by sector:
     - Latest trends
     - Key drivers of the market

3) Report Writing

   - Analysis of market data
   - Discussion of company and industry trends and issues
   - Integration of survey results
   - Annual review of trends
   - Standardization of market definitions using recognized industry classifications
4) Quality Control

A. Templates
   - Detailed process manuals
   - Standardized report templates and accompanying style guides
   - Complex forecasting tool used to ensure forecast methodologies are consistently applied
   - QC checklists

B. QC process
   - Peer review
   - Senior-level QC
   - Random spot checks on data integrity
   - Benchmark checks across databases
   - Market data cross-checked for consistency with accumulated data from company filings

4.3 Disclaimer

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