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Wealth Management and Public: A Study on Awareness and Knowledge of Wealth Management

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Abstract— ***India is one of the fastest growing major economy in the world. This tremendous growth has increased the individual wealth of the public. So there is a need for effective management of the wealth to ensure the individuals are financially sound and can take care of themselves in times of uncertainties. This study first enumerates the need for wealth management due to the increasing disposable income and personal savings of the public and goes on to do an analysis on the instruments used by the public in their investments. Finally the study finds the relationship between financial inclusion index published by CRISIL every year to various factors affecting it. Financial inclusion index is a good measure of the financial literacy as only the public that is aware can be included in the financial eco system of the country. SO this study aims to find out the awareness of public wealth management.***

Keywords: Wealth management, CRISIL, Financial inclusion index, financial instruments.

I. INTRODUCTION

Since the last decade India has grown leaps and bounds and the economic growth has been phenomenal. The Indian economy has been integrated with the global economy and is on a strong trajectory. For this growth to be sustained the financial sector of the country must be strong and resilient to any disturbances in the environment. For this deepening of the financial sector the individuals and house holds should get financially literate to use the financial sector efficiently to grow their wealth.

The financial literacy of individuals is a matter of policy decisions taken by the government. And the government has taken various steps to increase the level of financial literacy of the citizens. Various institutions have been established like National Centre for Financial Education (NCFE) which conducted a study and found that the financial literacy is as low as 20% in India. As people are not financially literate this has led to financial exclusion due to which individuals are unable to reap the benefits of economic growth of the country. And the implementation of financial reforms cannot be done unless the public is financially literate.

Wealth of an individual or a company is the total value of the assets that the individual or firm possesses. The amount of assets of the individuals can vary depending on the earning capacity of the individual or the ancestral property received by him. The assets include both tangible and intangible assets. Wealth management is the practice of handling the wealth of a person i.e. his assets and ensuring that the wealth gets maximized due to growth of the wealth over a period of time.

With economic liberalizations individuals hold greater power in deciding about their wealth and its management. For the protection of investors the government has set up various rules and regulations. But excessive rules may limit the degree of financial freedom available to the investors.

The risk return trade-off is the basic fundamental feature of every financial product. While riskier instruments may reap larger returns but the very nature of them being risky indicates that the capital may also get lost in the process. Financial investors may also be exploited by human made risks due to financial frauds. All these factors make it necessary to increase the level of financial literacy among individuals of the country.

II. REVIEW OF LITERATURE

(Banumathy, n.d.) the study was on the stock market awareness among the respondents of Puducherry region and it found that there is significant difference in awareness among male and female respondents. There is also a significant difference among different occupations and educational backgrounds.

(*Vanrooij2012.Pdf*, n.d.) The study find the relationship between financial literacy and wealth accumulation and net worth. The study found that as the financial literacy grew the probability of individual to invest in stock market grew and hence there was higher chance of increase in the net worth of the individual.

(*Malhotra*.) the study examines the various savings patterns of household sector in India and the relation between financial inclusion index and various other factors. The study shows a positive relation between financial inclusion index and various factors like financial assets under management and number of bank accounts.

(Khitoliya & College, 2014) The study was to find out the awareness and attitude of investors towards mutual funds . the returns offered by mutual funds is high with low risk but still the popularity of the mutual funds is low. The study found that only 49% of the respondents were aware of the presence of mutual funds.

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(Sharma, 2022) The study researched the various instruments and measures utilized by the Indian house holds to manage their money and whether the individuals held the necessary capabilities to manage their wealth effectively.

(Gui et al., 2021) the study was conducted in Shenzhen China to find the level of risk bearing capacity, level of financial literacy and the affect of financial education programs on the risk bearing attitude of investors.

III. OBJECTIVES

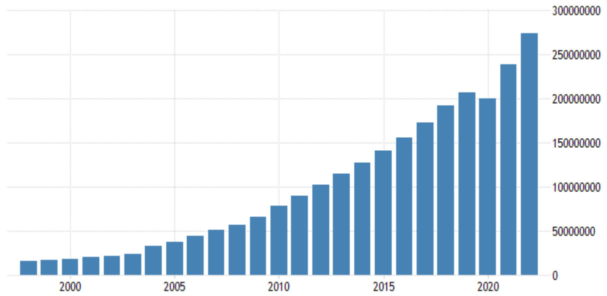
1) To enumerate the key factors leading to requirement of wealth management
2) To describe the key instruments used for wealth management
3) To understand the relation between financial inclusion index and various factors.

IV. RESEARCH METHODOLOGY

1) Requirement of wealth management:

The Disposable Income with Indian Households:

India is a rising economy and is one of the fastest growing major economies in the world and this has led to a large share of individual wealth to be accumulated with the public. The disposable income with the public is increasing year on year and this is evident with the data attached below which has been sourced from the ministry of statistics and programme implementation.



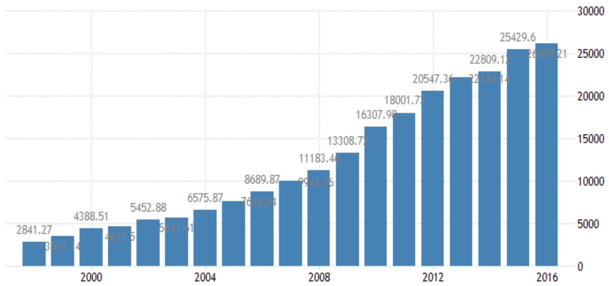
Source :(*Download Reports* | *Ministry of Statistics and Program Implementation* | *Government Of India*, n.d.)

The disposable income in India has gradually grown from 9943.96 million in 2007 to more than 2.5 billion INR in 2022. This has led to a vast amount of consumer surplus and increased the spending capacity of individuals of the country.

Personal Savings:

The personal savings increased to Rs.26099 billion in 2016 from Rs. 4388 Billion in 2000. This increased savings with the individuals makes it necessary to manage the wealth with them efficiently. People are earning more than before but still unable to save for their retirement and this is a major drawback of financial illiteracy. As shown in the graph below the personal savings is showing an increasing trend and there is a need to manage this efficiently.

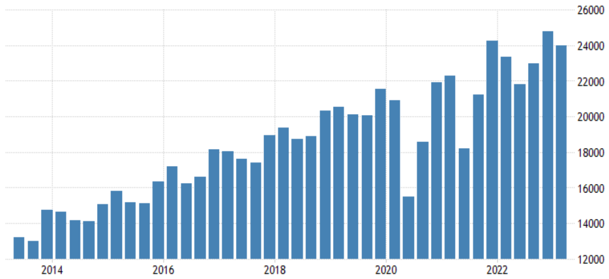
Personal savings with households of India:



SOURCE: (*Download Reports* | *Ministry of Statistics and Program Implementation* | *Government Of India*, n.d.)

Consumer Spending:

Consumer spending increased to Rs.23995 billion in 1st qtr of 2023. This suggests that people are spending more and more and a need for savings arises which will be the core of wealth management. The graph below shows the consumer spending over the years.



SOURCE: (*Download Reports* | *Ministry of Statistics and Program Implementation* | *Government Of India*, n.d.)

Flow of Financial Assets of the Household Sector:

The financial assets year wise has shown an increasing trend and the amount of money invested in the financial assets but the percent of GDP has almost remained constant at around 10%. This makes it necessary to manage the wealth of individuals effectively.

YEAR	Quarter	Net Financial Assets (I-II)	Per cent of GDP
2019-20	Q1	238613.6	4.8
	Q2	476724.8	9.8
	Q3	386450.4	7.5
	Q4	530769.8	10.3
2020-21	Q1	600422.5	15.5
	Q2	573643.2	12.1
	Q3	481433.5	8.8
	Q4	719844.5	12.5
2021-2022	Q1	519781.2	10.1
	Q2	358325.2	6.4
	Q3	453302.7	7.2
	Q4	636259.8	9.6

Source: (*Reserve Bank of India - Household Financial Savings*, n.d.)

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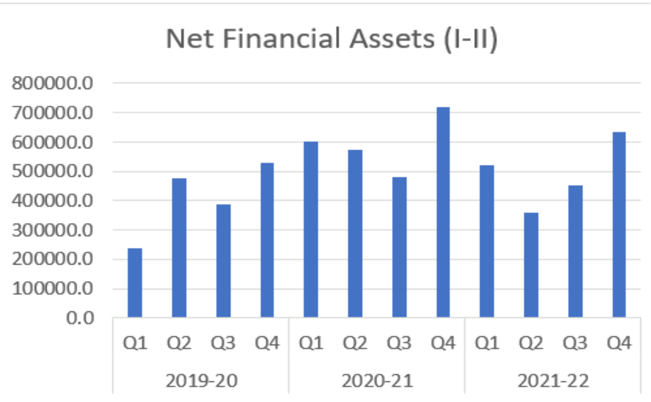
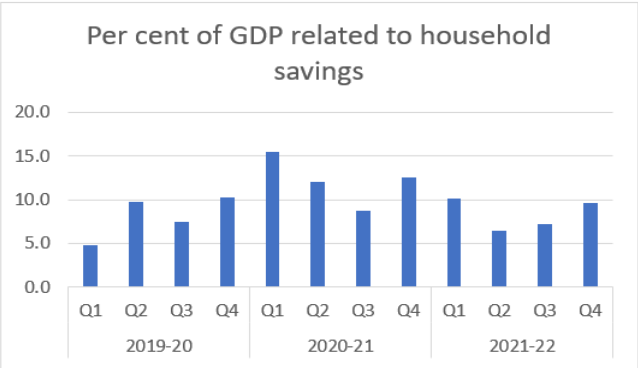


SOURCE: (*Reserve Bank of India - Household Financial Savings*, n.d.)



SOURCE: (*Reserve Bank of India - Household Financial Savings*, n.d.)

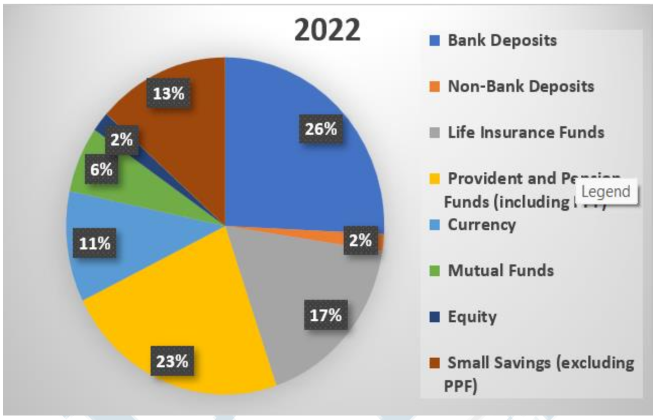
All these factors i.e increase in disposable income, increase in household savings, increase in consumer spending and increase in the financial assets make it necessary for wealth management and financial literacy among the public.

2) Instruments used by Indians in Wealth management:

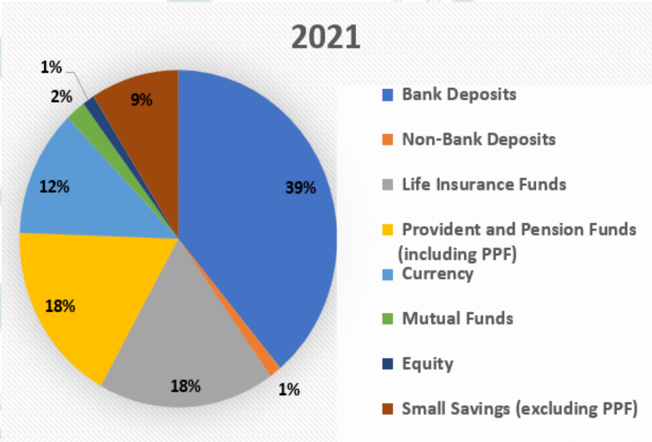
FINANCIAL INSTRUMENT USED	2020	2021	2022
Bank Deposits	827830.0	1219909.2	653910.7
Non-Bank Deposits	56748.5	39857.9	41560.7
Life Insurance Funds	374170.2	563215.8	440810.4
Provident and Pension Funds (including PPF)	500202.5	546700.1	581667.9
Currency	282662.1	381976.1	269667.4
Mutual Funds	61685.7	64083.8	160600.1
Equity	26737.8	38531.2	48613.3
Small Savings (excluding PPF)	263723.4	281494.6	340655.3

SOURCE: (*Reserve Bank of India - Household Financial Savings*, n.d.)

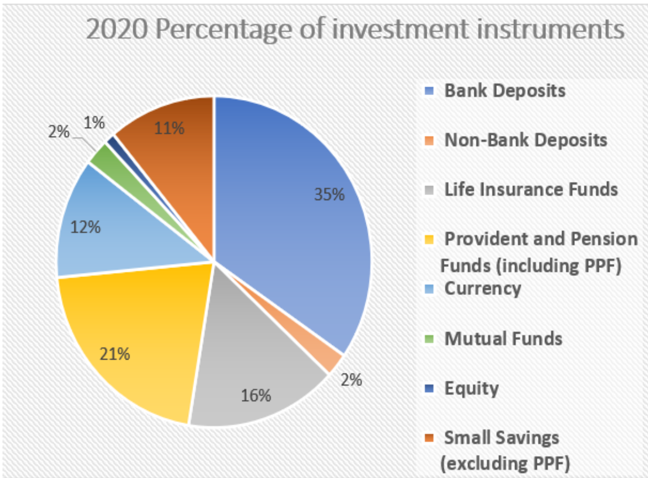
The data for the financial instruments used by Indians in wealth management has been sourced from the RBI website on household financial savings. The following analysis can be drawn from the data of three years from 2020 to 2022



SOURCE: (*Reserve Bank of India - Household Financial Savings*, n.d.)



SOURCE: (*Reserve Bank of India - Household Financial Savings*, n.d.)



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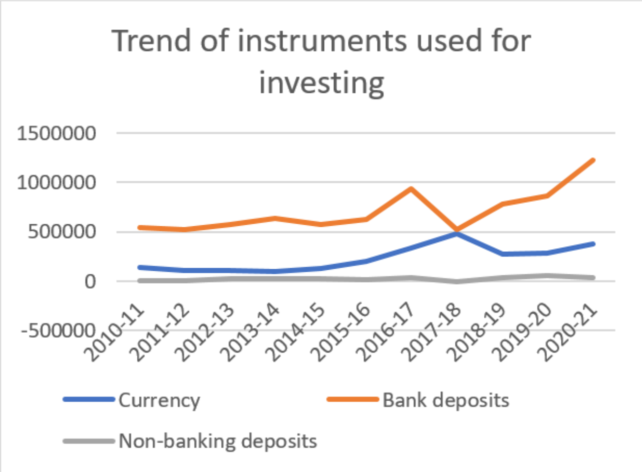
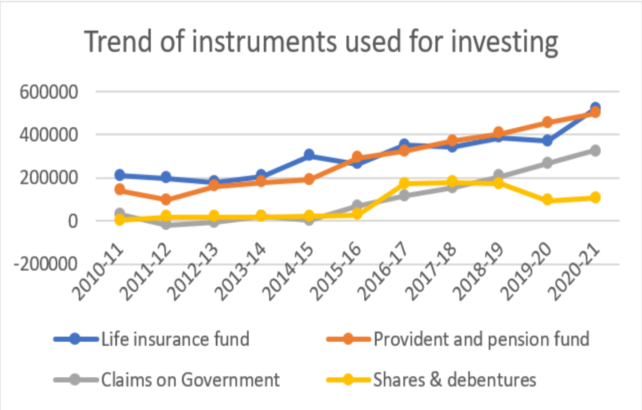
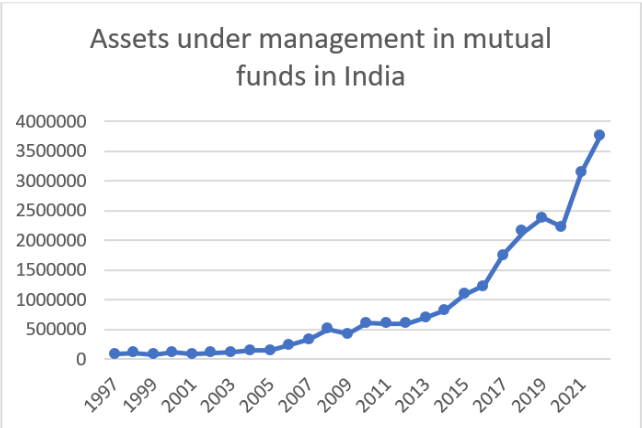


SOURCE: (*Reserve Bank of India - Household Financial Savings*, n.d.)



SOURCE: (*Reserve Bank of India - Household Financial Savings*, n.d.)



SOURCE: (*Assets under Management (AUM) of Mutual Funds in India (End-March, 1997 to 2022)*, n.d.)

The instruments used by Indians have been listed above and there has been a trend seen with the investors moving significantly to mutual funds and equity with the age of digitization and increase in awareness and financial literacy that moderate risk instruments are necessary to beat the inflation.

Also the amount invested in PPF is also increasing year on year suggesting that people are saving for their retirement and it is a significant improvement in the retirement planning of public.

There has been a flatline in the amount of money in currency and there was a dip also due to the demonetization in 2016 which has significantly reduced the amount of cash in the country.

The increase in bank deposits can be attributed to the fact that the UPI system and the Jan Dhan Yojana by the government which aims to provide a bank account to every individual in the country has contributed to the digitization and ease of transactions of the money.

The amount of money invested in Life insurance funds has also increased significantly and there was a major shift due to the COVID-19 pandemic which brought the attention of the public to the importance of life insurance.

3) Relation between financial inclusion index and various factors.

Financial inclusion index is a good indicator to measure the awareness of the citizens of the country in financial facilities provided as only when they are aware can they reap the benefits of the financial system through inclusion.

Financial inclusion index is an index developed by various institutions which measures the extent to which the financial eco system of a country is inclusive of all the citizens of the country. It measures the ease of accessibility and the penetration of the financial eco system in the country. It is formed on the basis of many indicators like number of ATMS, number of bank accounts, number of debit cards, number of bank branches etc. It ranges from 0 to 100 and is rated every year.

The data for financial inclusion index for the study has been chosen from CRISIL study the credit rating agency in India. The factors chosen for measuring the relationship are financial assets under management which has been sourced from SEBI and number of bank accounts opened year wise which has been sourced from RBI. The data pertains to the years from 2009 to 2022 .

A regression model has been developed on the data to find the relationship. The data collected is from secondary sources.

The data is as follows:

Year	Financial inclusion Score	Financial Assets Under Management (in INR crores)	Number of bank accounts opened (in crores)
2009	35.4	1,24,850	14.5
2010	37.6	1,65,840	20.41
2011	40.1	2,15,720	26.38
2012	42.8	2,70,460	32.35
2013	45.2	3,32,630	38.32
2014	48.3	4,05,820	44.29
2015	51.9	4,93,330	50.26
2016	55.9	5,97,820	56.23

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Year	Financial inclusion Score	Financial Assets Under Management (in INR crores)	Number of bank accounts opened (in crores)
2017	59.6	7,23,330	62.2
2018	63.7	8,65,420	68.17
2019	67.4	10,28,930	74.14
2020	71.5	11,98,980	80.11
2021	75.1	13,88,600	86.08
2022	78.3	15,99,500	92.05

Source: (*CRISIL Inclusix*, n.d.) ; (*Reserve Bank of India - Publications*, n.d.) ; (*SEBI* |, n.d.)

The results of the regression model are as follows:

Regression Statistics	
Multiple R	0.999076
R Square	0.998153
Adjusted R Square	0.997817
Standard Error	0.67065
Observations	14

Significance F	9.24E-16

	Coefficients	*P-value*
Intercept	27.70359065	2.47569E-13
Financial Assets Under Management (in INR crores)	9.44433E-06	0.000135965
Number of bank accounts opened (in crores)	0.397144073	7.32945E-08

The regression equation is Y= 27.70 + 9.44 E-06*X1 + 0.397*X2

Where Y is the financial inclusion index

X1 is financial assets under management

X2 is Number of bank accounts opened

V. FINDINGS

1) There has been an increasing trend in the investments made in equity
2) There is an increasing trend in investments made in mutual funds
3) There has been an increasing trend in investments made in life insurance funds
4) There is an increasing trend in PPF investment
5) The amount of money in currency is almost constant.
6) The relation between financial inclusion and number of bank accounts and assets under management has been derived and the model has a significance f value of 9.24E-16.

VI. DISCUSSION

The increasing trends in equity and mutual funds can be attributed to the rise in digitization and awareness of the public that some risk instruments has to be invested in to beat the inflation. The public is being made aware of the advantages of equity and mutual funds by the new age financial influencers on social media and the awareness drives by the government through institutions like SEBI, BSE and NSE. This has increased the share of mutual funds to 6% from 2% within 2 years.

The increasing trend in PPF and Insurance funds can be attributed to the fact that people are becoming aware and investing to save the money for the uncertainties of life and for retirement. This is helping the public become self sufficient even in times of uncertainties like the COVID-19 pandemic.

The currency is almost constant and witnessed a dip after the demonetization by the government of India in 2016 but after that there has been a slow rise in the amount of currency due to the growing economy but the share of currency has gradually dipped. This is also due to the UPI interface developed by the government which enables the seamless transactions between the vendor and customer just with a mobile phone. And this seamless process of UPI has even increased the number of bank account holders.

The relationship between financial inclusion index and number of bank accounts and financial assets under management is as follows:

If the amount of money in financial assets increases by 1 crore the financial inclusion index increases by 9.44E-06 units.

If the number of bank accounts increases by 1 crore the financial inclusion index raises by 0.39 points.

VII. CONCLUSION

The state of financial literacy in India is in a very bad state even with the continued efforts of the government to raise the financial literacy among the public. There has been significant improvement in the awareness but a lot more has to be done to ensure the financial well being of the public through wealth management. Effective wealth management helps the individuals in times of crisis and uncertainties and even saves for the future. With India's GDP growing at a rate of 7.2% in financial year 2023 it is imperative that the wealth of public will increase and effective wealth management is the need of the hour. The study found an increasing trend in investments made in equity and mutual funds which signifies the growing awareness among public. Also the regression model helps to improve the financial inclusion by improving on the factors contributing to financial literacy and inclusion.

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