Expanding Investor Base
(India)
Investment Ideology

- Indian investors give preference to physical assets like real property and gold

- India is the largest consumer of gold accounting for 29% of world consumption

- 95% of the rural household & 69% of urban household are living in owned houses

Source: Mcalinden's Market Viewpoint

Source: CS Global Wealth Databook 2016
Investment Ideology

- Preference for bank deposits within the financial investments

- Equity assets are approx 16% of bank fixed deposits as compared to US where equity assets are 116% of bank fixed deposits

- Equity is considered as speculative asset by many

Source: RBI, India Household Data
Investor Base

Unique equity accounts estimated to be around 50 Mn including equity mutual fund accounts

Number increasing consistently. 5 Mn accounts added in last 6 months alone

Total equity investor accounts = 75.5 mn. Estimated unique accounts = approx 50.0 mn
Investor Base

- Investor base is comparable or higher than the total population of many ASF member countries.

- Investor base is less than 4% of the total population as compared to developed countries where the penetration is much higher.
Challenges

- Literacy Level
- Lack of financial deepening in tier II & III cities
- High transaction cost
- Geographical distribution
- Shortage of workforce
Opportunities

- SEBI has mandated compulsory spending on investor education for market infrastructure institutions.

- Financial savings rose to 8.1% of the Gross National Disposable Income up by 22% compounded growth in last 3 years.

- 304.5 mn new bank accounts with assets of $10 bn opened under Prime Minister’s special initiative of financial inclusion.

- Trends are showing higher growth rate in investments from B15 towns and cities. Rate of growth over last year was 40% against 30% for the industry.

- Long term capital gain from equities is exempt from income tax.
Opportunities

Employees’ Provident Fund Organization (EPFO)

- World’s largest social security organization
- 150 million accounts with a corpus of $153.85 billion
- Government in 2015 directed EPFO to invest minimum of 5 percent and up to 15 percent of its funds in equity assets
- EPFO has an annual incremental corpus of more than $18.5 billion and 15% of that will be at least $2.7 billion every year in equity
Investor Education v/s Financial Literacy

- A lot of education and awareness programs and workshops are being conducted by regulator, stock exchanges, mutual funds, broker-dealers and associations like BBF & ANMI.

- Advertising spend to create awareness of financial instruments by exchanges and associations.

- Financial literacy is a pre-requisite for growing the investor base – Not much talked about.

- Basic financial literacy at school level needs to be introduced.
Thank You