MANAGING YOUR MONEY

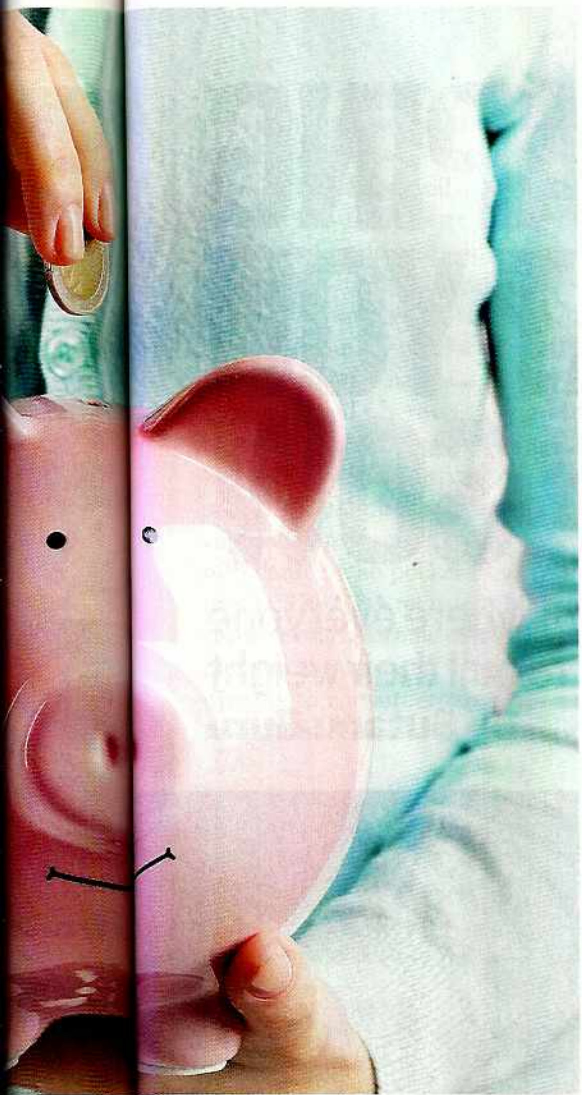
Despite the launch of several personal finance schemes, experts believe more needs to be done in the realm of wealth creation By Aniruddha Bose

IN MAY 2014, WHEN NARENDRA Modi was elected Prime Minister, erudite Modi-scholars predicted great things for the personal finances of Indians across demographics, both through bold new initiatives, and through the indirect wealth creation arising from expeditious capital market growth. Three years hence, the questions are: has the Modi government added tangible value to our personal finances or not? What more needs to be done?

Sudip Bandyopadhyay, Group Chairman, Inditrade (JRG) Group of Companies, believes that Team Modi has fared "reasonably well" in terms of delivering a stable economy. "The significant fall in global crude oil prices has definitely helped the cause," he adds.

Modi's slew of personal finance initiatives began with the Jan Dhan Yojana, which has since led to the opening of more than 21 crore new bank accounts. In came the ambitious Awas Yojana in 2014 with the intent of providing affordable housing to the poor; Budget 2017 lent a further fillip to the initiative. Modi rolled out the Sukanya Samriddhi Yojana in 2015, a tax saving, government guaranteed scheme that's aimed at building up a corpus to secure the future of girl children. The Jeevan Jyoti Bima Yojana and Suraksha Bima Yojana extended the benefits of risk-transfer to a wider populace, by providing them with affordable life and accidental death coverage.

Sovereign Gold Bonds were launched later that year, ostensibly to provide savers with 'gold-plus' returns, but with the dual objective of curbing gold imports. Trusted old Kisan Vikas Patras saw the light of day once more, effectively guaranteeing savers a compound annualised return of 8.67 per cent, albeit taxable. The Atal Pension Yojana was brought in as a potential solution to the problem of retirement planning.



All of the above notwithstanding, the Modi government has drawn flak from some sections of the middle-income group, who believe that the former's plethora of initiatives has done precious little to alleviate their personal finance related worries; while focusing almost exclusively on the EWS and LIG. After all, what good is a miniscule incremental life cover of Rs 2 lakh for someone earning in excess of Rs 5 lakh per annum? Hasn't gold, as an asset class, barely crawled ahead of inflation in the long run? Wouldn't a pension of Rs 5,000 per month be worth nothing but pocket change two decades hence?

Ranjeet S. Mudholkar, Vice-Chairman and CEO, Financial Planning Standards Board India, suggests a value creation base that has extended beyond only the poor, pointing out that there has been a 64 per cent jump in the equity market capitalisation of listed companies to Rs 121.5 trillion since FY 2014. "During the same period, assets under management (AUM) of mutual funds have more than doubled to Rs 19 trillion. These are indicative of wealth creation for equity investors, as well as of their faith in the present regime," he says.

The number of ultra-high net worth individuals in India grew sixth-fastest in the world between 2015 and 2016, he adds.

Ashish Vohra, CEO, Reliance Nippon Life Insurance, believes that the Digital India initiative has been a personal finance game changer. "Digital initiatives have helped in overcoming mental barriers towards personal finance schemes," he says.

The general sense of optimism fuelled by the Modi regime has no doubt contributed towards the diversion of an increased share of retail savings into the equity markets. This is underscored by the fact that nearly 75 lakh new mutual fund SIPs (Systematic Investment Plans) were added in FY 2016-17 alone. However, earnings growth has remained flat throughout the entire tenure of the Modi government, registering an increase of just 0.9 per cent.

With two years remaining in the current term, what personal finance measures top the wish lists of Indian investors and savers? The tax administration system, for one, needs a major overhaul. Mudholkar says the tax structure is still too complicated for a lay person to understand, and needs a further dose of rationalisation to boot. Vohra believes that a more balanced tax structure will bring about increased transparency in the middle-income segment in terms of disclosures. He also adds that "higher exemptions on insurance premiums are required, to be able to change the customer outlook towards 'insurance as protection.'"

Bandyopadhyay believes that the government needs to do more now to draw retail savings into the infrastructure sector. He says, "Large tax breaks should be offered on infrastructure investments made by middle-class Indians." He also adds that the overall "ease of doing business" in India still requires significant improvement. Last but not the least, a lot more work needs to go into protecting investors from the bane of mis-selling and ensuring a cleaner distribution ecosystem. BW

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DRAWING INVESTORS

Investor sentiment seems to be positive under Modi's leadership

Market data	Then#	Now*	% Change (CAGR)
Mutual Funds AUM	8.2	19.26	32.93%
Life Insurance (New First Year Premiums Booked)	1.19	1.75	13.72%
NIFTY	7203	9427	9.38%
NIFTY EPS Growth			FLAT
S&P BSE India 10 Year Sovereign Bond Index	356.32	484.9	10.82%
S&P BSE India Corporate Bond Index	103.29	139.12	10.44%

All figures from 19 May 2014 except for Mutual Funds AUM which is from March 31 2014;
*As of 19 May 2017; Figures in Rs trillion;
SOURCE: BW RESEARCH