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COLUMN

Future Sense | **AJAY SRINIVASAN**

Biz 'n' Buzz of Personal Finance

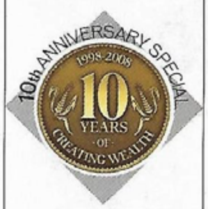
The last decade has been one of immense change for the Indian investor and for all the other constituents of the personal finance industry. For a country where about $250 billion (Rs 10,77,700 crore) is saved annually at present, the changes we have seen have been very important in ensuring the opportunities available to deploy these savings grow along with the institutions that provide financial products as well as the regulatory framework that oversees it all.

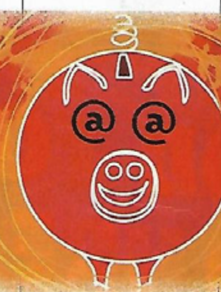
I see 10 broad drivers of the changes the personal finance industry has seen over this last decade. The reforms that began in 1991 and swept through the country in the 1990s resulted in the opening up of new opportunities. They came in many forms—new categories, new players and new products among them.

Many developments across different sectors of the financial products and services industry marked the unfolding of this process. One of these was the advent of private sector banks (UTI Bank, now known as Axis Bank, became the first private sector player in the banking space in 1994). Another event that stands out in the reform progression was the opening up of the mutual fund industry (the first private sector mutual fund, the erstwhile Kothari Pioneer, now merged with Franklin Templeton, entered the market in 1993).

Then, there was the commencement of the depository (of India's two depositories, NSDL, National Securities Depository Ltd, was established in 1996 and CSDL, Central Depository Services Ltd, came into being in 1999). This one step of setting up depositories went a long way in making the common people of the country, the retail investors, more willing to participate in the stockmarkets.

Another key development that was both a product of the reform momentum and also strengthened it was the deregulation of the insurance industry (initiated in 1999, it ended the monopoly conferred on Life Insurance Corporation, LIC, in 1956 and on General Insurance Corporation in 1972 and paved the way for private insurance companies to set shop with a maximum of 26 per





Illustrations: VARUN VASHISHTHA

The financial consumer is now far more aware and open to newer solutions. He wants to live his dreams and aspirations, today

cent foreign holding. Royal Sundaram Insur
and Reliance General Insurance (non-life),
HDFC Standard Life Insurance (life) got the
three licences after deregulation).

And, the regulators of the different categori
financial products, be it Irda (Insurance Regula
and Development Authority) or Sebi (Secur
and Exchange Board of India), ensured tha
interests of the customer base, which grew
fast clip all along, were constantly safeguar

Pension reform could be the next wa
this process of transformation as the
for building adequate retirement inc
grows in our country.

Over the course of the decade, the In
investor has had a much wider choic
providers of financial products and ser
to choose from, be they domestic, forei
joint ventures. The mutual fund ind
today has 35 players compared to 20
a decade ago, while the life insurance
tor has 19 players relative to just th
a decade ago. And there are many
players in the wings waiting to enter
large market.

The mutual fund industry has more than 15
ventures. Similarly, there are 14 joint ventur
the life insurance sector. This has meant acc
global standards and practices, and, more rec
access to global products for Indian consume

The fall in interest rates during this period
many things. One of these was that it mad
Indian customer's dreams far more affordable
auto loan business, for instance, grew from a
of about Rs 1,000 crore in 1997-98 to Rs 5
crore in 2007-08. The concept of EMI (eq
monthly instalment) swept through the co
as consumers realised that smaller monthly i
ments allowed them to buy things that were
wise beyond their immediate reach.

Technology has increased access and c
nience for the consumer in a significant w
1997-98, there were about 2,000 ATMs (aut
ed teller machines); today, they number wel
25,000. This explosion, in conjunction wit
fact that ATMs are now more than cash dispe