Innovative personal finance products demo prep

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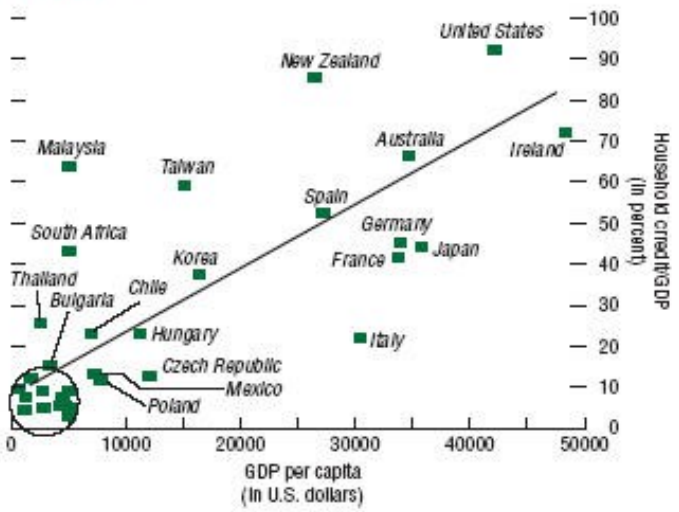
India: Overview

Overall economy

Household credit

Household credit

Figure 2.3. Household Credit/GDP and GDP per Capita, End-2005

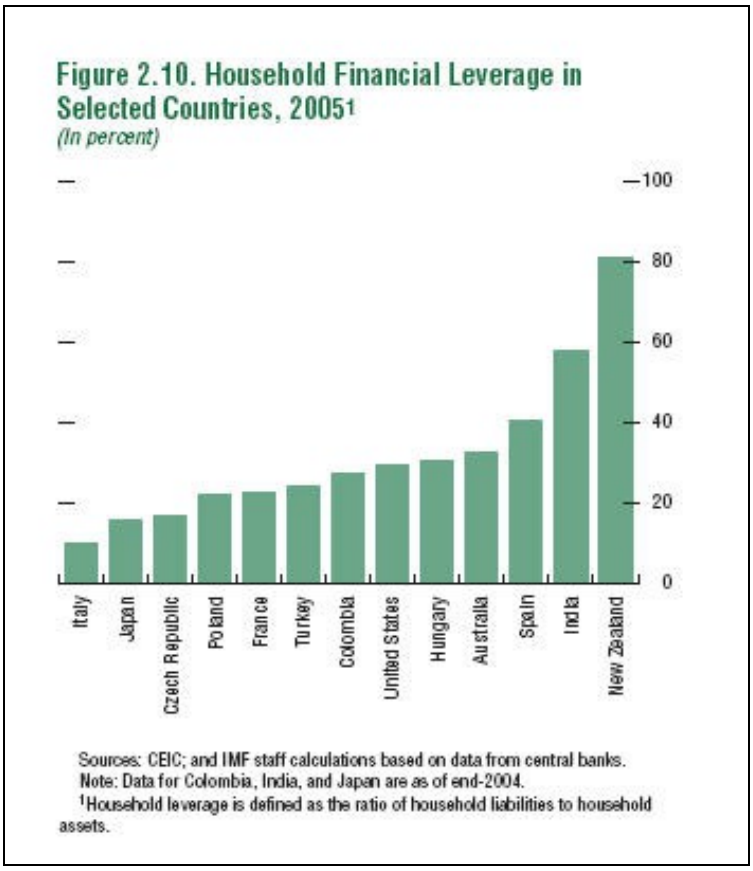


Sources: IMF, *World Economic Outlook*; CEIC; and IMF staff calculations based on data from country authorities.

Note: The circled cluster of countries includes Argentina, Brazil, China, Colombia, India, Indonesia, Peru, Philippines, Romania, Russia, Turkey, and Venezuela.

Household credit

Household leverage

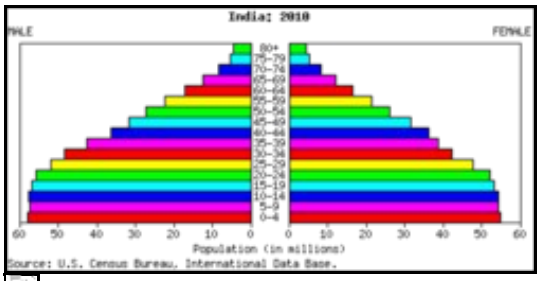


Household financial leverage

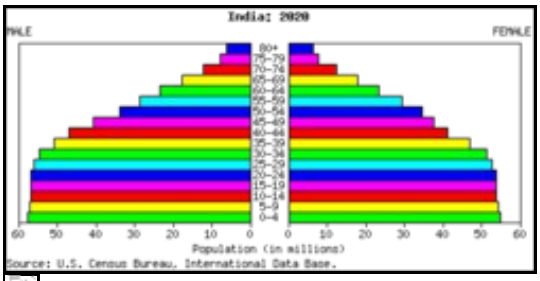
- This indicates a bias towards assets based leverage than leverage on incomes in India.
- Rising incomes in India thus indicates towards tremendous opportunities for loans based on 'income potential' on either side (a) asset creation side and (b) Liablity creation side. Also, fuelling of (a) will in parallel give rise to (b).

Demographic dividend

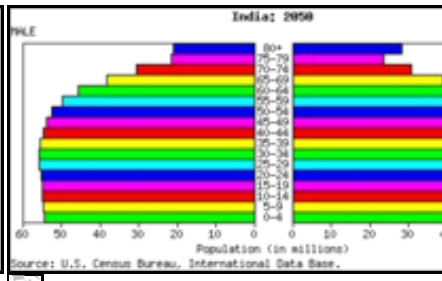
- India's population is extremely young
- 50% of the population is under the age of 25, while 2/3rd is under the age of 35
- Over the next several decades, India's young population will strengthen the workforce



India Population Pyramid - 2010



India Population Pyramid - 2020



India Population Pyramid - 2050

Education

- Literacy levels are extremely low in India
- Education is in high demand
- Public education system is broken and private education is extremely expensive

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/var/www/htdocs/dolcera.com/wiki/includes/limit.sh:
line 101: 26207 Aborted /usr/bin/timeout
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Low levels of literacy



Children in immaculate school uniforms leaving the most basic housing. Buying these uniforms must put immense strain on the family finances, but education is highly valued. The population is growing faster than schools can be built to accommodate them, so the schools work on a shift system.

Personal income

- In some areas of knowledge services, salaries in India are coming close to American salaries in Purchase-Power Parity (PPP) terms
- The top end of over 700,000 people out of India's population of over one billion is estimated to have individual liquid wealth of about $1,00,000 (Rs 44,13,000) which is likely to go up to $1.1 million by 2009. This represents a cumulative liquid wealth of $203 billion, estimated to go up to $322 billion by 2009. These are the findings of a recent study done by market research firm Synovate.



7 lakh Indians have $100,000 of wealth

January 03, 2007 03:31 IST

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A Pan Asia Pacific Cross Media study by Synovate across 11 countries in the region highlights the

700,000 Indians have $100,000 annual income

Ideas

Loans

Trends

A consumption boom

- According to study by Bank of Baroda, India is riding a CAGR growth in excess of 35% for the last 5 years in 'retail loans' category
- Despite this, the penetration of credit products as a % of GDP is still very low
- Reasons could be (a) credit aversion (b) no distinction between good and bad paymasters (c) propensity to save is high due to insecure healthcare and social security concerns.

Indian Banks are on a high growth track…

1. Overall banking sector is growing by – 18%
2. Retail Sector (CAGR – 5 years)
   - Housing Loan : 50.%
   - Consumer Durables : 16%
   - Credit Card : 45%
   - Two Wheeler Loan : 31%
   - Car Loans : 26%
   - Other Personal Loans : 38%

More than 25% of the Bank Loan Assets are in Retail sector ensuring high returns - likely to cross Rs. 5700 bn by 2010



Consumption boom
Expensive weddings

- **By Anupreeta Das** | *Contributor to The Christian Science Monitor*

NEW DELHI – At a wedding held in a five-star New Delhi hotel last winter, the groom stepped out of a two-door BMW sports car, specially flown in from Europe for the occasion. Spanish flamenco dancers, fresh orchids from Thailand, ice sculptures, even second-tier Bollywood stars paid to mingle - all are just some of the flourishes seen at recent Indian weddings. Forget being down-to-earth. The latest fad is to stage the whole shebang on pontoons, putting family and friends on a veritable flotilla of flaunted wealth.

"We receive such 'unusual' requests all the time," says Meher Sarid, a wedding planner in New Delhi. "It's not unusual anymore."

Indian weddings have always been grand and festive affairs, as reflected in films like *Monsoon Wedding* and *Bride and Prejudice*. But India's burgeoning middle class - now 300 million strong - are turning weddings into showcases of their growing disposable incomes and newfound appetites for the goodies of the global marketplace.

The largesse has spawned an $11 billion wedding industry, growing at 25 percent annually and beginning to rival the US industry valued at $50 billion. Top global luxury brands and local entrepreneurs are learning that the way into the pocketbooks of India's new consumers is through their nuptials.

"Weddings have become the single most visible expression of a person's social standing and wealth, an expression that is both acceptable and expected," says image consultant Dilip Cherian, who heads Perfect Relations, a leading Indian PR firm.

The minimum budget for a wedding ceremony is $34,000, say wedding planners, while the upper-middle and rich classes are known to spend upward of $2 million. (The average American wedding costs $26,327.) This doesn't include cash and valuables given as part of a dowry.



BIG DAY: A groom is trailed by relatives in Bangalore, India. GAUTAM SINGH/AP

Reporters on the Job

The Monitor gives the story behind the story.

Wedding expenses



Wedding Insurance

Gold lifestyle

- Jewellers in India give lose guarantees that upon return of the jewellery, value of the metal in jewellery adjusted for workmanship costs will be redeemed. This acts as a big incentive for people to invest in jewellery as principal amount is secure. However, there is no formal guarantee mechanism to ensure the contract.
- This can be an opportunity for banks to step in, whereupon the banks can underwrite the value of the jewellery and assure full value upon jewellery redemption. Banks can extend loans to people to buy jewellery, whereby interest is charged differently for the value of the metal (lower interest rate) and higher for the loan against workmanship.

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www.gold.org / jewellery

NEWS « back

Jewellery News

Golden opportunity for Indian weddings

17:26:03 GMT, 03 January, 2006

Indian parents are now being offered special low-rate loans to cover the cost of buying gold jewellery for their children's weddings, rediff.com reports.

Gold jewellery remains as popular as ever in Indian wedding ceremonies but parents are in need of extra support following the recent surge in gold prices.

With that in mind, five Indian banks have clubbed together to offer parents special loans.

Personal loans in India typically come with an interest rate of between 12 and 17 per cent, but the new loan – which is meant specifically for purchasing gold jewellery – offers a rate of just 10.5 per cent.

The gold items bought for more lavish Indian ceremonies don't come cheap.

But cash-strapped parents need no longer hold back, as the loan ranges from Rs 10,000 up to Rs 200,000.

Those looking to take out a loan of over Rs 50,000 must have a salary credit or an undertaking from an employer and must pay a service charge of 0.5 per cent.

Cheaper loans for jewellery

Microfinance

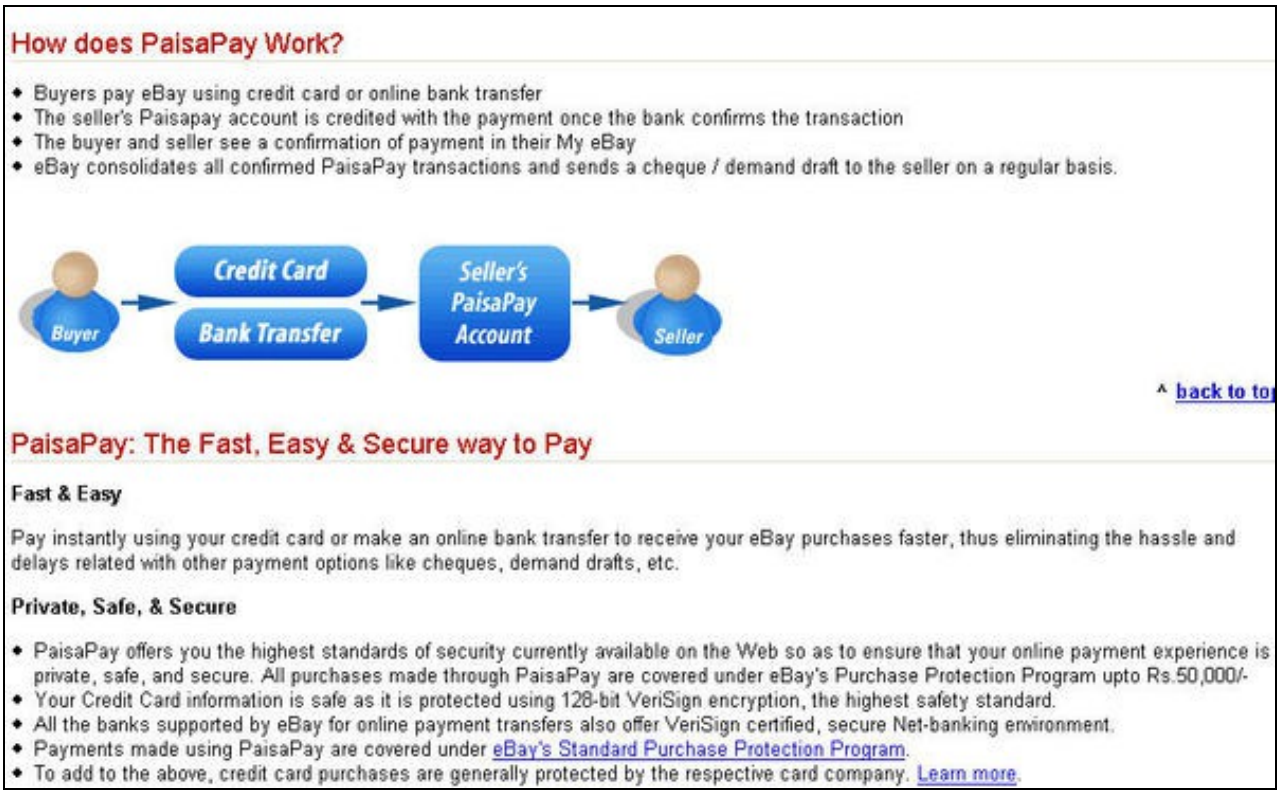


Microfinance is a major trend in India

- 1.4 million microfinance groups in India
- Over 20 million members for microfinance groups
- According to one estimate, 30 million non-agricultural enterprises and 50 million landless households in India collectively need approximately $30 billion credit annually
- Microfinance is growing in South India, which contrasts with the stagnation in Eastern, Central and North Eastern India
- Downside: Microfinance involves very high transaction costs given the small amounts of money involved for each loan, which necessitates high transaction costs

Peer-to-peer banking

- Paisa pay from ebay has empowered C2C payments
- A similar concept can be used for C2C cash payments.
- Here, a customer can pay cash to a approved vendor who is associated with a mobile telephone network. This vendor, in turn, for a fee, can credit the payment account of the 3rd party. The 3rd party, can then collect cash from the telephone company or ask the telephone company to credit his/her bank account.



How does PaisaPay Work?

- Buyers pay eBay using credit card or online bank transfer
- The seller's Paisapay account is credited with the payment once the bank confirms the transaction
- The buyer and seller see a confirmation of payment in their My eBay
- eBay consolidates all confirmed PaisaPay transactions and sends a cheque / demand draft to the seller on a regular basis.

^ back to to

PaisaPay: The Fast, Easy & Secure way to Pay

Fast & Easy

Pay instantly using your credit card or make an online bank transfer to receive your eBay purchases faster, thus eliminating the hassle and delays related with other payment options like cheques, demand drafts, etc.

Private, Safe, & Secure

- PaisaPay offers you the highest standards of security currently available on the Web so as to ensure that your online payment experience is private, safe, and secure. All purchases made through PaisaPay are covered under eBay's Purchase Protection Program upto Rs.50,000/-
- Your Credit Card information is safe as it is protected using 128-bit VeriSign encryption, the highest safety standard.
- All the banks supported by eBay for online payment transfers also offer VeriSign certified, secure Net-banking environment.
- Payments made using PaisaPay are covered under eBay's Standard Purchase Protection Program.
- To add to the above, credit card purchases are generally protected by the respective card company. Learn more.

Ebay India

Kitty parties

- Kitties are being organized as chit funds
- People pay EMI's of small amounts, in a group, and then wait for purchase of a consumer product when their chance comes



Kitty for consumption

Islamic banking

Parsoli Corporation Ltd.

Parsoli

Parsoli Saudi

Parsoli U.K.

Parsoli-IBF Equity (PIE) Index

Parsoli has in collaboration with IBF-Net compiled India's first and only Islamic Equity Index known as Parsoli IBF-Net Equity (PIE) index comprising of 40 extra liquid (A Group) stocks of shari'ah compliant companies registered with NSE & BSE. All the companies in the index are subjected through a screening process to determine the value for Shari'a compatibility.

ex

Our index uses Standard& Poor methodology for compilation of the Index of using market values as weights. The PIE index is monitored continuously to see if the stocks inside confirm to Shari'ah, failing which they are removed from the Index and new liquid stocks of companies confirming to Shari'ah are added. The index allows Islamic investors to get a ready list of Shari'ah compliant Indian companies through www.stockmultiplier.com and trade online as well from the portal. Moreover the PIE Index also allows to compare performance of the Shari'ah compliant stocks with other Indices like S&P, CNX, Nifty & BSE sensex. It also allows future Islamic funds which are going to be based in India to benchmark the performance of their funds against the PIE index.

Shariat stocks index



Shariat finance

Ideas

Microsavings instruments

- Tie up with telephone firms to create microsaving pre-paid cards
- In such cards, 10% of the amount paid will get credited to the payees account as a saving
- Compounding of such savings after several years can yield high returns

Education loans

- Provide loans for primary and high school education, besides college education



Loans for primary and high-school education

Wedding loans

- Provide cheap loans by tying up with wedding organizers, caterers etc. The loans get cheaper due to bulk discounts on prices offered by them.

Streamlining microfinance

-

Loans based on gold

- Already covered under trends

Insurance

Trends

Aspirational society

- Picture: How many homes have a...
- Text:

No medical coverage

- Picture:
- Text:

Increasing savings rate

- Picture:
- Text:

Ideas

Insurance as a saving vehicle

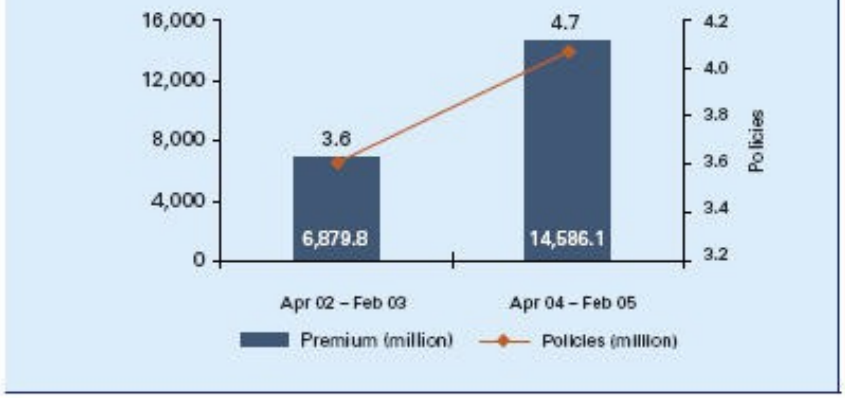
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Rural Insurance - an opportunity or a risk?

A few insurers are also entering into tie-ups with large consumer goods marketing companies that have an established presence in rural regions. For example, insurers have tied up with Hindustan Lever, a local subsidiary of Unilever, which has set up a rural chain of stores run by women, called 'Shakti', to sell soaps and consumer products. Another example is the IT-based rural initiative of ITC Ltd., the largest maker of cigarettes in India, which has set up a series of 'e-choupals', or rural outfits that market farm products through web based applications. ICICI Prudential has tied up with the e-choupals to market its life insurance products to village households.

Due to the above and other initiatives, there is a rapid increase in insurance penetration levels in rural regions. Figure 3 contains an analysis of the number of policies issued by life insurance companies in the rural sector in the last three years, while Figure 4 shows the increase in the number of lives covered in the social sector over the same period.

Figure 3: Life insurance policies in rural sector



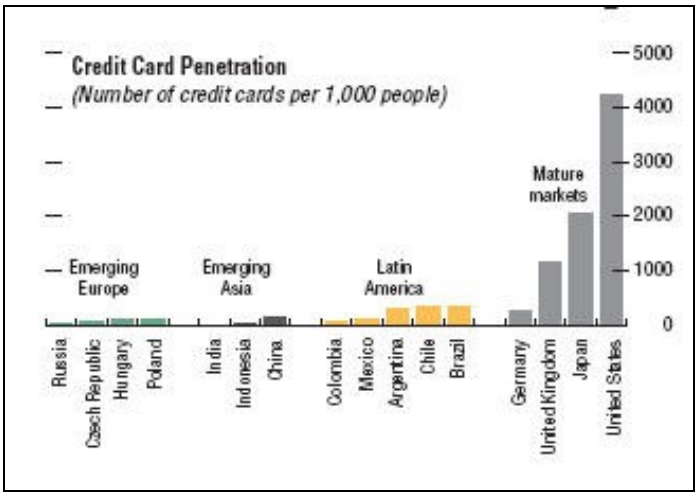
Rural Insurance penetration is increasing

- Seasonal premium collection system in line with harvest season, with no lapse of policy in case of seasonal fluctuations (affecting crops) can be organized
- Distribution of agents can be ramped up by tying up with Fertilizer dealers, Tractor dealers etc.

Credit

Trends

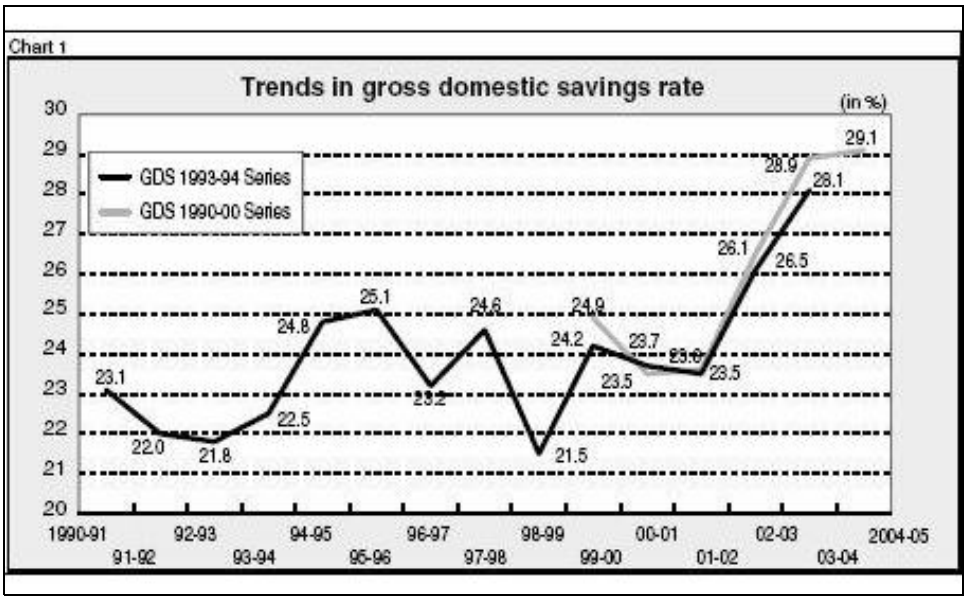
Credit card penetration



Credit card penetration

Increasing savings rate

- Savings as percentage of GDP was 29.1% in FY 2004 and 25.9% in FY 2005
- With a strong GDP growth, rising salaries, and low social security, savings rate are likely to rise even further



Savings rate

Increasing purchasing power

-

Rural demand for credit

- Lack of access to savings mechanisms and credit is one of the biggest challenges for villagers in India.
- According to a World Bank study, in Andhra Pradesh, 59% of rural households lack access to deposit accounts and 79% don?t have borrowing facility from the organised financial sector. Bankers too complain that though the rural potential is huge, they don?t have enough knowledge about the rural customer.



Rural India needs $30 billion in credit

Remittances



Reimbursements to India are growing



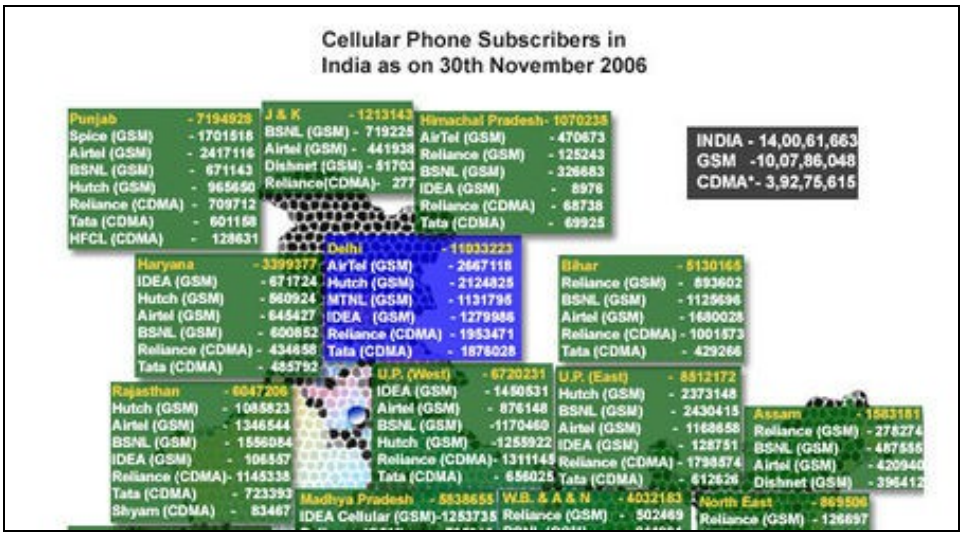
India receives $23 billion a year in foreign remittances

- India receives $23 billion a year in foreign remittances

COD (???)

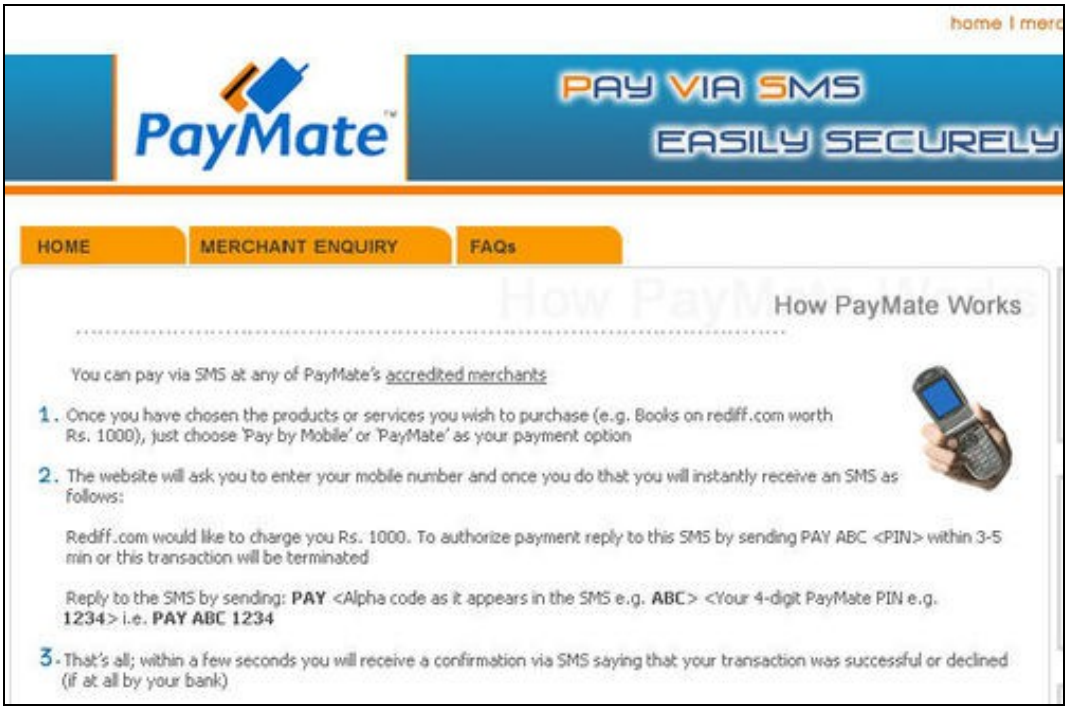
Mobile phones

- Mobile phone usage is exploding in India with subscriber numbers growing by several percentage points *each month*



140 million cell phone users in India

Payments through SMS



Payments made through SMS - Paymate

Ideas

Mobile ATM

- Innovative concepts, such as a mobile ATM machine are being tried out at the moment.



State Bank of India/Microsoft experiment for rural ATM was tested with 20,000 villagers in 5 villages

Credit cards linked to US accounts

- Credit cards for family members in India linked to credit rating of Non-Resident Indian family member (in the US or elsewhere)



Credit cards in India based on international family member's credit rating
COD for online shopping (???)

- **Retail store cards**
- **Mobile phone credit cards**
  - Sony's Felica system combines mobile phones with credit card style payment capabilities
  - With 140 million cell phones, but less than half as many credit cards, cell phones offer a great possibility for improving credit-card penetration in India



Mobile phone used as credit card