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A STUDY ON WEALTH MANAGEMENT

[1]ATUKULA NIKITHA, [2]Dr.B.RENUKA
[1]MBA STUDENT SCHOLAR, TKR COLLEGE OF ENGINEERING&TECHNOLOGY, HYDERABAD,TELANGANA,INDIA
[2]ASSISTANT PROFESSOR ,TKR COLLEGE OF ENGINEERING&TECHNOLOGY, HYDERABAD,TELANGANA,INDIA

ABSTRACT: The term Wealth management formed with two words Wealth & Management. The meaning of Wealth is – Funds, Assets, investments and cash it means the term Wealth management deft with funds Asset, instrument, cash and any other item of similar nature. "Wealth Management is an all inclusive set of strategies that aims to grow, manage, protect and distribute assets in a much planned systematic and integrated manner".Wealth management is an investment advisory discipline that incorporates financial planning, investment portfolio management and a number of aggregated financial services. High Net worth Individuals (HNWIs), small business owners and families who desire the assistance of a credentialed financial advisory specialist call upon wealth managers to coordinate retail banking, estate planning, legal resources, tax professionals and investment management. It is an advanced type of financial planning that involves private banking, asset management, estate planning, legal resources and investment resources. These all factors have a common goal which is sustaining and growing long-term wealth. Wealth managers are professional money manager who works to enhance the income, growth and tax favored treatment of long-term investors. Wealth management is often referred to as a high-level form of private banking for the especially affluent. A wealth management company provides many services like portfolio management and portfolio rebalancing, investment management, trust and estate management, private management and financing solutions, tax advice etc.

KEY WORDS:WELTH MANAGEMENT, ASSEST CLASSES,INDUSTRY PROFILE& COMPANY PROFILE.

I.INTRODUCTION

1.1. CONCEPT OF WEALTH MANAGEMENT

The term Wealth management formed with two words Wealth & Management. The meaning of Wealth is – Funds, Assets, investments and cash it means the term Wealth management deft with funds Asset, instrument, cash and any other item of similar nature. "Wealth Management is an all inclusive set of strategies that aims to grow, manage, protect and distribute assets in a much planned systematic and integrated manner". Wealth management is an investment advisory discipline that incorporates financial planning, investment portfolio management and a number of aggregated financial services. High Net worth Individuals (HNWIs), small business owners and families who desire the assistance of a credentialed financial advisory specialist call upon wealth managers to coordinate retail banking, estate planning, legal resources, tax professionals and investment management. It is an advanced type of financial planning that involves private banking, asset management, estate planning, legal resources and investment resources. These all factors have a common goal which is sustaining and growing long-term wealth. Wealth managers are professional money manager who works to enhance the income, growth and tax favored treatment of long-term investors. Wealth management is often referred to as a high-level form of private banking for the especially affluent. A wealth management company provides many services like portfolio management and portfolio rebalancing, investment management, trust and estate management, private management and financing solutions, tax advice etc.

For the global economy, 2018 was a transitional year that began and ended with sharply opposing macroeconomic environments: Momentum that was carried over from 2017 sustained unabated growth in the early months.

Overall, market performances were solid in 2018. However, closer analysis of the key drivers and inhibitors of wealth reveals how the many fundamental changes that took place over the course of the year led to deteriorating economic conditions in key markets, including the United States and several mature European nations.

In early 2018, strong economic gains spurred impressive performances in equity markets and various investment products, reflecting high levels of investor confidence. Robust growth in emerging markets, driven by high commodity prices and rising domestic demands, supported solid growth in mature economies. Stock markets worldwide performed well into the summer, led by Latin America and Emerging Asia, which saw roughly 25% and 17% growth, respectively, through July.

The second half of 2018 however, revealed a distinct and growing divergence between mature and emerging economies—with theadvantage going to emerging nations. Whether hobbled by the downturn taking hold in the United States or challenged by the slowed growth of a major trading partner, with few exceptions, the performances of mature economies weakened significantly in the closing months of the year.

A long period of "easy money" in mature economies was routed by financial and credit market turmoil.

By contrast, emerging markets proved resilient and posted robust gains in the second half of 2018, even as uncertainty grew in mature markets. Building on their core competency, export-driven growth, many emerging economies converted sharp increases in energy and commodity prices into sources of high profitability and significant growth. Both GDP and market capitalization gains, particularly in

Brazil, Russia, India and China—the BRIC nations—were strong, capping another impressive year for HNWI growth and investment opportunity. Given these nations' more stable consumption habits, rising domestic demand and healthy business environments, the slowing United States economy, which accounts for 21% of global

GDP, did not appear to significantly compromise their economic growth in 2018.

1.2.EVOLUTION OF WEALTH MANAGEMENT

The term 'Wealth Management' traces its origin in the 90s in the United States through Insurance Companies, banks, and Broker Dealers. The evolution of wealth management traces to high-net worth monetary consulting for people who happen to be topmost clients of any of the firms, to high level private banking which makes provisions for different kinds of investment, bank products, and insurance.

Wealth Management is used to serve the affluent community, along with Chartered Monetary analysts, certified managers of wealth, Public Accountants, government-licensed lawyers, insurance professionals, etc.

Only in recent years have formal wealthmanagement and private banking offerings started to take a larger share of the market. There are two key reasons for this: first, the amount of wealth created in India, initially post-1991 as a result of various deregulation, and especially in 1999 to 2000 on the back of the IT boom; and secondly, the changing nature of wealthy individuals.

The market for wealth management in India is significant and the growth rate is the second highest in the world. The success of entities in Wealth Management will depend primarily on the client segment they choose to cater to and how focused they are in this area. For entities catering to the 'mass wealth' client segment the presence of a large branch network as also 'feet on street' is certainly a distinct advantage since 'reach' is critical.

- According to a recent report, the wealth management market in India will be having a target size of 42 million households by 2013, as against only about 13 million in 2018.
- The report titled 'Overview of the Wealth Management Market in India' noted that the wealth management market will be having a target size of 42 million households by 2013, as against only about 13 million in 2018.
- The wealth management sector in India is poised to witness tremendous growth. The country's economic growth is making larger sections of its population prospective customers of wealth management
- Private Banks, full service brokerages & independent financial advisors would serve the high net worth segment, while ultra high net worth households would be served by private banks & family offices.

1.3.The Indian Wealth Management Landscape

India is one of the most emerging markets in the world with respect to wealth management. ‘The success of entities in Wealth Management will depend primarily on the client segment they choose to cater to and how focused they are in this area’.

The market for wealth management in India is significant and the growth rate is the second highest in the world. The success of entities in Wealth Management will depend primarily on the client segment they choose to cater to and how focused they are in this area. For entities catering to the 'mass wealth' client segment the presence of a large branch network as also 'feet on street' is certainly a distinct advantage since 'reach' is critical. However, for entities where, the business model clearly targets only ultra HNIs and the offer is holistic end to end investment management, and the structuring of vehicles for routing these investments, a distribution led model with large man power is not at all relevant.

- In a report by international consultancy firm Celent, the number of potential clients for wealth managers and size of manageable wealth are both expected to grow four-times through 2013. India is all set to become a huge hunting ground for wealth managers across the globe
- The growth will be seen across all income-levels. However, the lower-income segment is the one that would record maximum growth in terms of volume, while high-net worth households would be contributing the most in terms of wealth size

1.4. KEY FUNCTION AREAS:

Wealth management services comprises of following key function areas

a. Financial planning
b. Portfolio strategy or Asset allocation
c. Strategy implementation
d. Portfolio management
e. Strategy review and alignment

1.5. FINANCIAL PLANNING:

It undertakes client profiling and investment objective, determines each client's wealth management requirements with some characteristics like

- Current and Future income level
- Family and life events
- Taxability status Asset preference

Based on client profile, investment expectation and financial goals of a client could clearly be understood.

1.6. PORTFOLIO STRATEGY OR ASSET ALLOCATION:

It helps in guiding the client's with investment strategy, which will directly contribute to the client's investment objective. Thus a broad level of investment in fixed income in emerging market will further determine with fixed income.

1.7. STRATEGY IMPLEMENTATION:

After deciding the portfolio constituents and its composition, transaction to acquire specific instruments and asset class is initiated. The process of asset acquisition may be spread over a period of time to analyze the market situation and acquire the assets at a favourable price.

1.8. PORTFOLIO MANAGEMENT:

It deals with portfolio administration and performance evaluation. Portfolio administration involves in the handling of investment process and asset servicing. Performance evaluation of portfolio is an ongoing process, the returns are continuously monitored and analyzed to define the portfolio objective. Any change in the portfolio performance would lead to strategy review.

1.9. STRATEGY REVIEW AND ALIGMENT:

Based on the performance evaluation of the investment, portfolio strategy is evaluated on periodic basis. To keep it defined to the investment objectives, portfolio strategy is reviewed from time to time.

1.10. SERVICES PROVIDED BY WEALTH MANAGEMENT INSTITUTIONS

1.10.1.Custodian Services
- a) Securities safekeeping
- b) Income collection from securities
- c) Settlement of securities trades

1.10.2.Trust Services
- d) Charitable trust
- e) Revocable trust
- f) Irrevocable life insurance trust

2. Retirement plan services
   - a) IRA's custodian or trustee
   - b) Defined benefit plans

Defined contribution plans..

II.REVIEW OF LITERATURE

2.1. CONCEPT OF ASSET CLASSES:

Asset Mix Asset mix is the allocation of a portfolio between asset classes, it balances return and risk. Returns are a combination of the income from an investment and the price appreciation over the period.

2.2. LIST OF DIFFERENT ASSEST CLASSES:

a. Fixed deposit
b. Mutual Fund
c. Equity
d. Commodities
e. Art Fund
f. Real-Estate Fund

2.3. FIXED DEPOSITS

FDs are the most popular today. With FDs you deposit a lump sum of money for a fixed period ranging from a few weeks to a few years and earn a pre-determined rate of interest.

2.4. Merits and Demerits

- ➢ The main advantage is that FDs from reputed banks are a very safe investment because such banks are carefully regulated by the Reserve Bank of India, RBI, and the banking regulator in India. Company FDs isn't as safe as bank FDs because if the company goes bankrupt you may lose your money. Make sure you check the credit rating of a company before investing in its FDs.
- ➢ A fixed deposit also doesn't offer protection against inflation. If inflation rises steeply during the maturity of the FD your inflation adjusted return will fall.

III. RESEARCH DESIGN

3.1 Sampling Methodology:

The design of the sample is as follows:

- Sample technique: - Convenience sampling.
- Sample Size: 100

a. Type of Research:

Research type of my project will be exploratory research.

b.Method of Data Collection:

Primary data collection: Primary data are collected by interaction (both formal and informal) with the managers of Bank and other officials who are directly associated with the wealth management industry in India

Secondary data collection: Secondary data are collected from the various Annual

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reports of banks, websites, magazines, journals, books.

c. Hypothesis:

Banking sector is successful at wealth management practices.

d.Data analysis tools:

- To analyse the data the researchers have used i.e., Earnings per share (EPS) ,Price to earnings ratio(P/E ratio),Capital ratio.
- The researchers has also used statistical tools like regression analyses.

3.2. LIMITATIONS OF THE STUDY:

- This project is restricted to study purpose only and can be used keeping in view the object that is made for.
- The respondent in the project may not reveal important / confidential information pertaining to the company policy and for this the project should be used keeping in view the said limitation.
- Finding of the study will be based on the assumptions that respondents have given correct information.

IV.INDUSTRY PROFILE& COMPANY PROFILE

As per the Reserve Bank of India (RBI), India's banking sector is sufficiently capitalized and well-regulated. The financial and economic conditions in the country are far superior to any other country in the world. Credit, market and liquidity risk studies suggest that Indian banks are generally resilient and have withstood the global downturn well.

Indian banking industry has recently witnessed the roll out of innovative banking models like payments and small finance banks. RBI's new measures may go a long way in helping the restructuring of the domestic banking industry.

4.1. MARKET SIZE

The Indian banking system consists of 27 public sector banks, 21 private sector banks, 49 foreign banks, 56 regional rural banks, 1,562 urban cooperative banks and 94,384 rural cooperative banks, in addition to cooperative credit institutions. In FY17-18, total lending increased at a Compound Annual Growth Rate (CAGR) of 10.94 per cent and total deposits increased at a CAGR of 11.66 per cent. India's retail credit market is the fourth largest in the emerging countries. It increased to US$ 281 billion on December 2017 from US$ 181 billion on December 2014.

4.2. TRADITIONAL BANKING ACTIVITIES

Banks act as payment agents by conducting checking or current accounts for customers, paying cheques drawn by customers on the bank, and collecting cheques deposited to customers' current accounts. Banks also enable customer payments via other payment methods such as telegraphic transfer, EFTPOS, and ATM.

Banks borrow money by accepting funds deposited on current accounts, by accepting term deposits, and by issuing debt securities such as banknotes and bonds. Banks lend money by making advances to customers on current accounts, by making installment loans, and by investing in marketable debt securities and other forms of money lending.

4.3. TYPES OF BANKS

- Retail Banks
- Investment Banks

- Combined Banks
- Islamic Banks

4.4.COMPANY PROFILE

HDFC bank limited is an Indian banking and financial services company headquartered in Mumbai, Maharashtra. It has 88,253 permanent employees as on 31 March 2018 and has a presence in Bahrain, Hong Kong and Dubai. HDFC Bank is India's largest private sector lender by assets. It is the largest bank in India by market capitalization as of February 2016. It was ranked 69th in 2016 Brands Top 100 Most Valuable Global Brands.

HDFC Bank was incorporated in August 1994. As of June 30, 2018, the Bank had a nationwide distribution network 4,804 branches and 12,808 ATM's in 2,666 cities/towns

4.5. PRODUCTS AND SERVICES

HDFC Bank provides a number of products and services including

- Wholesale banking,
- Retail Banking,
- Treasury,
- Auto Loans,
- Two Wheeler Loans,
- Personal Loans,
- Loans against Property,
- Consumer Durable Loan,
- Lifestyle loan and credit cards.

SCOPE OF STUDY

India represents one of the greatest opportunities to wealth managers over the coming decades. Even in today's financial environment, the wealthy population in India is large and growing.

India has the tenth highest number of dollar millionaires in the world and their rate of growth is higher than in any other country

CONCLUSION

Wealth managers are beginning to investigate innovative segmentation methods to manage the changing client profile. Over the next 20 years wealth managers will hone their segmentation methods. Wealth managers will develop segmentation as a service efficiency initiative. Segmentation models will apply holistic criteria to wealth management. The most important segments globally will be entrepreneurs and SMES/ CEOs. Financial advisers will become an important separate client segment for wealth managers The organization of direct client ownership will also change Availability and flexibility will become vital components of the business model Internal restructuring will aim to integrate client services.

Liability management is currently not part of the wealth management agenda but has proven potential. Clients in developed markets are seeking more holistic wealth management services Liability management is clearly a profitable area with a proven existing client base. The incorporation of lending into wealth management will shift the focus of the service. Specialist forms of lending will also become common additions to the offerings of many wealth managers. Some will fail due to a persistence of the "asset focused" service model and a lack of commitment. There are significant benefits in the area of liability management for the wealthy, and that the importance of liability management as part of wealth management will inevitably grow over the next 20 years, until it becomes a key service area.

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STUDENT PROFILE

ATUKULA NIKITHA SHE IS COMPLETED HER DEGREE FROM IDEAL DEGREE COLLEGE,DILSHUKNAGAR AND NOW PURSING MBA IN TKR COLLEGE OF ENGINEERNING & TECHNOLOGY, HYDERABAD , TELANGANA , INDIA

GUIDE PROFILE

**DR.B.RENUKA M.COM ,MBA,MHRM WORKING AS ASST.PROFESSOR IN TKR COLLEGE OF ENGINEERING & TECHNOLOGY,HYDERABAD,TELANGANA,
INDIA.**