2022

Volume 8

APAS MONTHLY

THIS MONTH

We invite our readers and patrons to visit our wealth of knowledge by tuning into our APAS podcasts – "Demystifying Reforms" and "BFSI insights", where we help demystify the latest reforms and bring market insights of the BFSI sector in India. Hope you will find it insightful. Keep tuning in for more.

https://podcasts.google.com/feed/aHR0cHM6Ly9hdWRpb2Jvb20uY29tL2NoYW5uZWxzLzUwNzEwMDMucnNz?sa=X&ved=0CAMQ4aUDahcKEwjIpO6SwP71AhUAAAAAHQAAAAAQOQ

Also, do visit our APAS blog. It is a place where you will find articles on the latest happenings in the financial sector.

https://ap-as.com/apas-blog/

In this issue, Mr. Paritosh Tripathi, MD & CEO, SBI General Insurance, has presented his thoughts on 'Emerging trends in health and motor insurance'. We thank Mr. Tripathi for his contribution to the APAS Monthly.

This month, the APAS column presents its views on 'Economy and monetary policy outlook'.

The economic indicators showed mixed performance. Manufacturing PMI rose to an 8-month high of 56.4 in July from 53.9 in June. India's annual infrastructure output in July slowed to a 6-month low of 4.5%. India's Index of Industrial Production (IIP) rose 12.3% in June. PMI services fell to a 4-month low of 55.5 in July from 59.2 in June, while composite PMI fell to 56.6 in July from 58.2 in June. CPI inflation edged down to a 5-month low of 6.71% in July from 7.01% in June. WPI inflation eased to 13.93% in July from 15.18% in June.

The Gross Domestic Product (GDP) growth rate for the first quarter (April-June) of 2022-23 grew at 13.5%.

The Reserve Bank of India (RBI) announced interoperable card-less cash withdrawal (ICCW) at ATMs.

Insurance Regulatory Development Authority of India (IRDAI) announced applicability of service tax/GST on services provided by it to insurance intermediaries.

Cabinet approved (i) continuation of Pradhan Mantri Awas Yojana-Urban (PMAY-U) – "Housing for All" Mission up to 31st December 2024 (ii) enhancement in the corpus of Emergency Credit Line Guarantee Scheme for increasing the limit of admissible guarantees and (iii) Interest subvention of 1.5% per annum on Short Term Agriculture Loan up to INR 3 lakh.

Securities and Exchange Board of India (SEBI) constituted FPI Advisory Committee (FAC).

Our newsletter is focused on tracking the performance of the economy and the regulations and laws governing the Banking and Financial Services companies. We hope that this APAS Monthly is insightful.

We welcome your inputs and thoughts and encourage you to share them with us.

Ashvin parekh

On the cover

GUEST COLUMN

Emerging trends in health and motor insurance

Paritosh Tripathi
MD & CEO
SBI General Insurance

APAS COLUMN

Economy and monetary policy outlook

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- *Inflation update – July*
- *PMI update – July*
- *Core Sector – July*
- *GDP – Q1 – FY 22-23*

BANKING

- [Interoperable card-less cash withdrawal (ICCW) at ATMs]

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- Applicability of service tax/GST on services provided by IRDAI to insurance intermediaries

INFRASTRUCTURE & OTHER GOVT. INITIATIVES

- Cabinet approves continuation of Pradhan Mantri Awas Yojana-Urban (PMAY-U) – "Housing for All" Mission up to 31st December 2024
- Cabinet approves enhancement in the corpus of Emergency Credit Line Guarantee Scheme for increasing the limit of admissible guarantees
- Cabinet approves Interest subvention of 1.5% per annum on Short Term Agriculture Loan up to Rupees Three lakh

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CAPITAL MARKETS

- *SEBI constitutes FPI Advisory Committee (FAC)*

CAPITAL MARKETS SNAPSHOT

- *CNX Nifty, BSE Sensex, India VIX, $/₹, GIND 10Y*

Countries	GDP			CPI		Current Account Balance	Budget Balance	Interest Rates
	Latest	2016*	2017*	Latest	2016*	% of GDP, 2016*	% of GDP, 2016*	(10YGov), Latest
Brazil	-2.9Q3	-3.4	0.9	7.0 Nov	8.3	-1.1	-6.4	11.8
Russia	-0.4Q3	-0.5	1.2	5.8 Nov	7.0	2.4	-3.7	8.60
India	**7.3 Q3**	**7.2**	**7.5**	**3.6 Nov**	**4.9**	**-0.9**	**-3.8**	**6.51**
China	6.7 Q3	6.7	6.4	2.3 Nov	2.0	2.5	-3.8	3.10^
S Africa	0.7 Q3	0.4	1.3	6.6 Nov	6.3	-4.0	-3.4	9.00
USA	1.6 Q3	1.6	2.2	1.7 Nov	1.3	-2.6	-3.2	2.56
Canada	1.3 Q3	1.2	1.9	1.5 Oct	1.5	-3.5	-2.5	1.78
Mexico	2.0 Q3	2.1	1.9	3.3 Nov	2.8	-2.8	-3.0	7.31
Euro Area	1.7 Q3	1.6	1.3	0.6 Nov	0.2	3.2	-1.8	0.25
Germany	1.7 Q3	1.8	1.4	0.8 Nov	0.4	8.8	1.0	0.25
Britain	2.3 Q3	2.0	1.1	1.2 Nov	0.6	-5.7	-3.7	1.55
Australia	1.8 Q3	2.9	2.8	1.3 Q3	1.3	-3.5	-2.1	2.86
Indonesia	5.0 Q3	5.0	5.2	3.6 Nov	3.5	-2.1	-2.6	7.93
Malaysia	4.3 Q3	4.3	4.6	1.4 Oct	1.9	1.8	-3.4	4.31
Singapore	1.1 Q3	1.3	2.0	-0.1 Oct	-0.6	21.5	21.5	2.49
S Korea	2.6 Q3	2.7	2.5	1.5 Nov	0.9	7.2	-1.3	2.17

ECONOMIC DATA SNAPSHOT

- *Global GDP, CPI, Current account balance, budget balance, Interest rates*

Emerging Trends in health and motor insurance

Paritosh Tripathi
MD & CEO
SBI General Insurance

As we stride through the contemporary and fast paced times, adaptability is a key measure for modern-day businesses to stay relevant and combat vulnerabilities. The insurance sector of India has set a great precedent and provided an understanding of how adaptability impacts Indian businesses and therefore the economy. Like every other sector of the economy, the Indian insurance sector has also shown how the industry shifted from adaptability mode to now refocusing on steeper growth.

The lines of businesses that have witnessed some drastic changes recently, thereby projecting newer trends are, Health and Motor. A few of them have demanded attention and a place at the table of discussion.

The Key Trends Prevailing in the Health Insurance Sector
The health insurance landscape in the country has seen some new trends emerge and some old ones resurface in the last two and half years. Some prominent trends presently defining the sector are:

1. **Digitalisation to the fore: Increased** emphasis on digitalisation during the global pandemic has revolutionised the insurance sector, especially health because there was unparalleled focus on it. Importance of health and having a health insurance took precedence for people they wanted to be secured by it but from the safety of their homes. Hence, not just buying and renewals but digitalization in terms of telemedicine for pre-policy check-up gained momentum. The transformation is evident from the automation of various processes to the application of Artificial Intelligence in the product delivery and after-sales services in the country's health insurance sector.

2. **Customisation is key:** In the age of customisation, the insurance sector has adapted by bringing more flexibility to its offerings. From the introduction of more add-ons to the availability of top-up insurance, the focal point of the sector has shifted toward delivering more customization in their products.

3. **Innovation is survival:** For a sector as dynamic as health insurance, consistent innovation is of utmost importance. With the emergence of Insurtech companies, the competition and the quality of service delivery in the sector have further improved, as has the focus on designing innovative products. Innovation in product offerings is also a key emerging trend as wellness and preventive healthcare initiatives are gaining prominence in new product constructs. With the initiatives taken by the insurance regulator to ease the process of product approval, we can expect a further acceleration in the pace of product filing.

4. **Chatbots at your service:** When you visit the website of any insurance company, you are highly likely to be greeted by a friendly and informative chatbot. From offering customers relevant information to assisting them, chatbots are proving to be game changers in the health insurance landscape. It is also picking pace in the motor insurance industry, with reports suggesting that chatbots are likely to be involved in 95% of customer interactions by the year 2025.

The Key Trends in the Motor Insurance Sector

The ecosystem of the motor insurance industry has been evolving with the increasing application of technologies such as Artificial Intelligence, Telematics, and the Internet of Things. The most prominent trends prevailing in the motor insurance sector of India are:

1. **Artificial Intelligence to the rescue:** One of the key focal points for the motor insurance sector in India is the delivery of seamless customised offerings and services, which would entail the reduction of the human element and the associated cost and incidence of errors. Artificial Intelligence is, therefore, increasingly being applied to enhance the efficiency of policy issuance and claims processing.

2. **Adoption of Electric Vehicle Policy:** The Electric Vehicle (EV) market has gained acceptance in the country, and IRDAI has mandated incentivizing the purchase of electric vehicle insurance policies. For electric car or bike owners, a third-party insurance policy in India will be 15% lower than the policy for petrol or diesel vehicles. Many of the automobile insurance companies have started to offer EV insurance policies, and once the EVs find a foothold in rural parts of the country, a decrease in the insurance premiums of the EVs can be expected.

3. **The Application of Telematics:** Telematics is revolutionising the face of India's motor insurance sector. The latest cars have monitoring equipment attached to them which helps record their speed, location, performance, and accident incidence. The data thus collected is used by insurance companies to ascertain the right premia for motor insurance policies. Not only are telematics beneficial for insurers, but they can also help promote disciplined driving.

4. **Pay-as-you-drive motor insurance policies:** IRDAI has permitted insurers to launch pay-as-you-drive motor insurance policies with premiums linked to mileage and quality of driving aiming to widen insurance penetration at affordable rates. New age ICE vehicles might also see quick adoption of the 'Pay as you go' model because of the telematics and vehicle health software and electronics being embedded in them.
5. **Machine Learning and higher efficiency:** The application of Machine Learning has helped raise the efficiency of the complaint redressal and claim processing facets of the insurance sector. With this, one of the perennial ailments of the motor insurance segment the long cycle of the insurance claim process, often driven by the lack of the requisite information at the right time, will be shortened.

The Way Forward

New waves of challenges will often emerge considering the current scenario of the world economy. The ability to adapt to such challenges will be the key in the insurance arena. For the accelerated growth of the health and motor insurance sectors in India, emerging trends involving digitalisation, customisation, and consistent innovation are imperative.

Economy and monetary policy outlook

Since the RBI Monetary Policy Committee's meeting in June 2022, the global economic and financial environment has deteriorated with the combined impact of monetary policy tightening across the world and the persisting war in Europe heightening risks of recession. Gripped by risk aversion, global financial markets have experienced surges of volatility and large sell-offs. The US dollar (USD) index soared to a two-decade high in July. Both advanced economies (AEs) and emerging market economies (EMEs) witnessed weakening of their currencies against the USD. EMEs are experiencing capital outflows and reserve losses which are exacerbating risks to their growth and financial stability.

Domestic economic activity remains resilient. As on August 4, 2022, the south-west monsoon rainfall was 6% above the long period average (LPA). Kharif sowing is picking up. High frequency indicators of activity in the industrial and services sectors are holding up. Urban demand is strengthening while rural demand is gradually catching up. Merchandise exports recorded a growth of 24.5% during April-June 2022, with some moderation in July. Non-oil non-gold imports were robust, indicating strengthening domestic demand.

CPI inflation eased to 7% (year-on-year, y-o-y) during May-June 2022 from 7.8% in April, although it persists above the upper tolerance band. Food inflation has registered some moderation, especially with the softening of edible oil prices, and deepening deflation in pulses and eggs. Fuel inflation moved back to double digits in June primarily due to the rise in LPG and kerosene prices. While core inflation (i.e., CPI excluding food and fuel) moderated in May-June due to the full direct impact of the cut in excise duties on petrol and diesel pump prices, effected on May 22, 2022, it remains at elevated levels.

Overall system liquidity continues in surplus, with average daily absorption under the LAF at INR 3.8 lakh crore during June-July. Money supply (M3) and bank credit from commercial banks rose (y-o-y) by 7.9% and 14%, respectively, as on July 15, 2022. India's foreign exchange reserves were placed at USD 573.9 billion as on July 29, 2022.

Spillovers from geopolitical shocks are imparting considerable uncertainty to the inflation trajectory. More recently, food and metal prices have come off their peaks. International crude oil prices have eased in recent weeks but remain elevated and volatile on supply concerns even as the global demand outlook is weakening. The appreciation of the USD can feed into imported inflation pressures. Rising kharif sowing augurs well for the domestic food price outlook. The shortfall in paddy sowing, however, needs to be watched closely, although stocks of rice are well above the buffer norms. Firms polled in the RBI's enterprise surveys expect input cost pressures to soften across sectors in H2. Cost pressures are, however, expected to get increasingly transmitted to output prices across manufacturing and services sectors. Taking into account these factors and on the assumption of a normal monsoon in 2022 and average crude oil price (Indian basket) of USD 105 per barrel, the inflation projection is retained at 6.7% in 2022-23, with Q2 at 7.1%, Q3 at 6.4% and Q4 at 5.8%, and risks evenly balanced. CPI inflation for Q1:2023-24 is projected at 5%.

On the outlook for growth, rural consumption is expected to benefit from the brightening agricultural prospects. The demand for contact-intensive services and the improvement in business and consumer sentiment should bolster discretionary spending and urban consumption. Investment activity is expected to get support from the government's capex push, improving bank credit and rising capacity utilisation. Firms polled in the RBI's industrial outlook survey expect sequential expansion in production volumes and new orders in Q2:2022-23, which is likely to sustain through Q4. On the other hand, elevated risks emanating from protracted geopolitical tensions, the upsurge in global financial market volatility and tightening global financial conditions continue to weigh heavily on the outlook. Taking all these factors into consideration, the real GDP growth projection for 2022-23 is retained at 7.2%, with Q1 at 16.2%; Q2 at 6.2%; Q3 at 4.1% and Q4 at 4%, and risks broadly balanced. Real GDP growth for Q1:2023-24 is projected at 6.7%.

Headline inflation has recently flattened and the supply outlook is improving, helped by some easing of global supply constraints. The MPC, however, noted that inflation is projected to remain above the upper tolerance level of 6% through the first three quarters of 2022-23, entailing the risk of destabilising inflation expectations and triggering second round effects. Given the elevated level of inflation and resilience in domestic economic activity, the MPC took the view that further calibrated monetary policy action is needed to contain inflationary pressures, pull back headline inflation within the tolerance band closer to the target, and keep inflation expectations anchored so as to ensure that growth is sustained. Accordingly, the MPC decided to increase the policy repo rate by 50 basis points to 5.4%. The MPC also decided to remain focused on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth.

The RBI is likely to slow down the pace of hiking policy repo rate going forward. Experts are expecting a much lower rate hike in the September 2022 monetary policy, compared to the previous 3 rate hikes. The RBI has already raised the repo rate by 1.4% in 3 consecutive policies, taking the rate to 5.4% currently, to tame multi-year high inflation. However, India's CPI inflation has moderated for 3 months in a row, raising hopes for a slower pace in rate hikes, which have already made EMIs on loans costlier and deposits attractive.

The experts believe that the risk of a higher rate hike could only emerge from global factors, rather than domestic factors, like continuous rate hikes by US Fed, currency depreciation pressure due to yield differential and any further supply side disruption due to ongoing geopolitical tension.

-APAS

ECONOMY

IIP (Index of Industrial Production) – June

Index of Industrial Production (IIP) or factory output for the month of June 2022 rose 12.3%, compared to 19.6% in May 2022. It grew by 13.8% in June 2021.

The General Index for the month of June 2022 stands at 137.9, which is 12.3% higher as compared to June 2021.

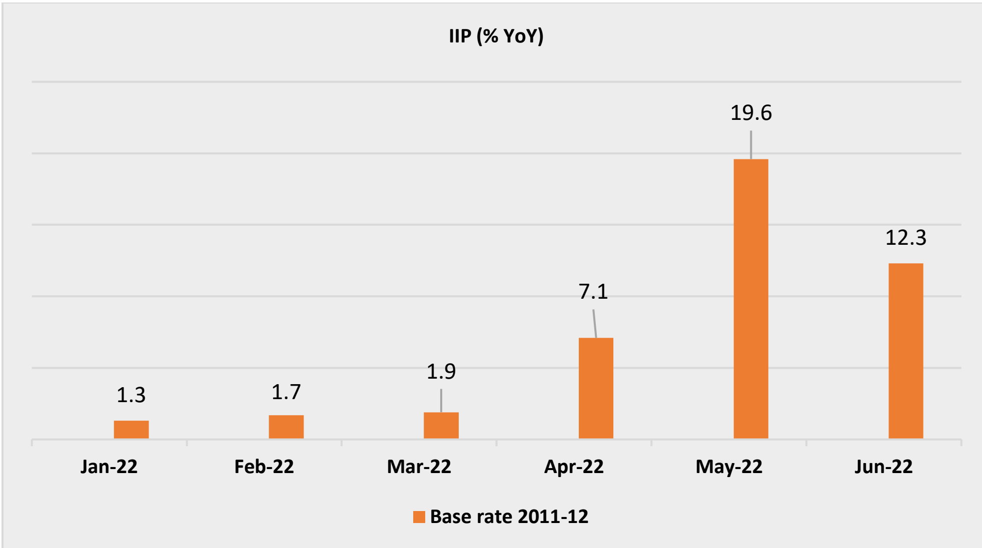
The manufacturing sector, which constitutes 77.63% of the index, grew by 12.5% in June, to 136.3.

Mining sector output grew by 7.5%, to 113.4.

Electricity generation rose by 16.4%, to 196.9.

As per Use-based classification, the indices stand at 139.2 for primary goods, 102.4 for capital goods, 147.3 for intermediate goods and 148.9 for infrastructure/construction goods for June.

Further, the indices for consumer durables and consumer non-durables were at 123.9 and 145.9, respectively.



Source: APAS BRT, www.mospi.gov.in

CPI (Consumer Price Index) – July

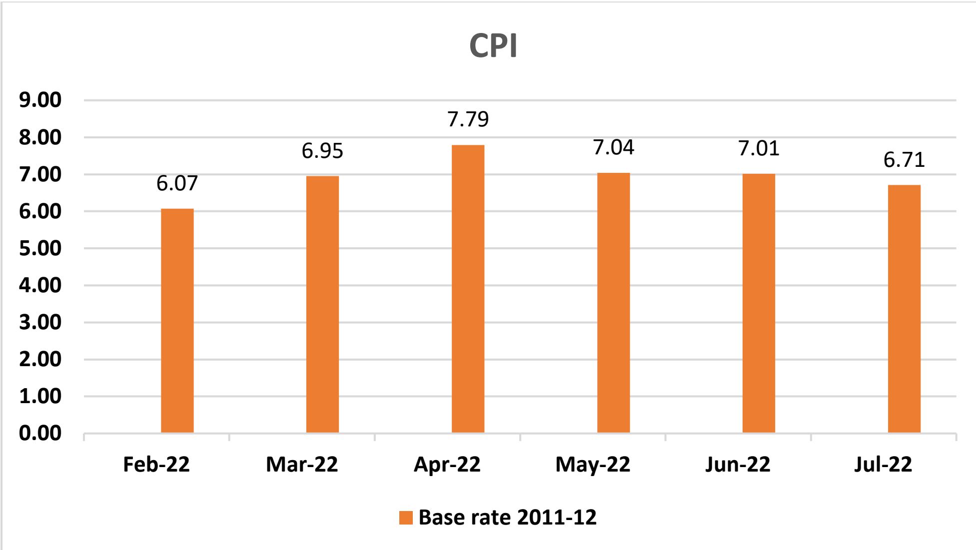
India's consumer price index (CPI) or retail inflation edged down to a 5-month low of 6.71% in July 2022, compared to 7.01% in June 2022. It was 5.59% in July 2021.

The corresponding provisional inflation rates for rural and urban areas are 6.8% and 6.49% respectively.

The Consumer Food Price Index (CFPI) fell to 6.75% in July from 7.75% in June.

A slowdown was seen in cost of food (6.75% vs 7.56% in June), transportation & communication (5.55% vs 6.9%) and health (5.45% vs 5.47%), while inflation accelerated for fuel and light (11.8% vs 10.39%) and education (5.02% vs 4.51%) and was little changed for housing (3.9% vs 3.93%).

Compared to June, prices were up 0.46%.



Source: APAS BRT, www.mospi.gov.in

WPI (Wholesale Price Index) – July

India's wholesale price index (WPI) inflation eased to 13.93% in July 2022, as compared to 15.18% in June 2022. It was 11.57% in July 2021.

The rate of inflation based on WPI Food Index decreased to 9.41% in July 2022 from 12.41% in June 2022.

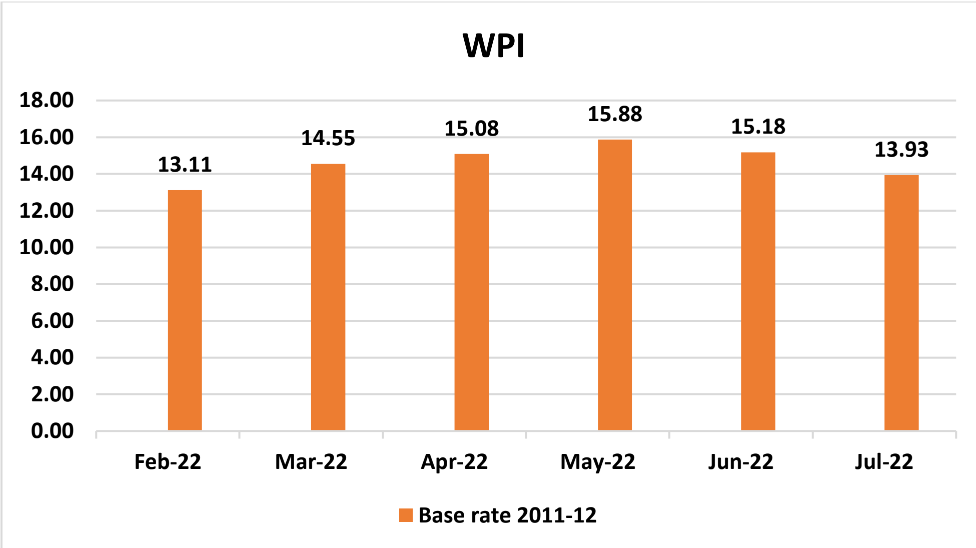
The index for primary articles declined by 2.69% from the previous month.

Prices increased for minerals (0.96%). Prices declined for food articles (2.56%), non-food articles (2.61%) and crude petroleum & natural gas (5.05%).

The index for fuel and power increased by 6.56% from the previous month.

Prices increased for mineral oils (7.95%) and electricity (6.38%).

The index for manufactured products declined by 0.42% from the previous month.



Source: APAS BRT, www.eaindustry.nic.in

Manufacturing PMI – July

The Nikkei India Manufacturing Purchasing Managers' Index (PMI) in July hit the highest level in 8 months, driven by a significant rise in business orders.

The Manufacturing PMI rose to an 8-month high of 56.4 in July 2022 from 53.9 in June 2022. It remained above the 50 level, that separates expansion from contraction, for the 13th straight month.

This was the strongest growth in the sector since last November.

Output expanded at the fastest pace since November, new orders grew substantially and new export orders rose at a moderate pace.

At the same time, input purchasing ticked higher, amid a second consecutive improvement in supplier performance.

Employment rose marginally and broadly similar to those seen in the current 5-month sequence of growth, amid a lack of pressure on operating capacity.

On the price side, input cost inflation eased to an 11-month low, while output price inflation slowed to a 4-month low.

Finally, sentiment improved slightly from June's 27-month low, but was muted in the context of historical data.

Source: www.tradingeconomics.com

Services PMI – July

The Indian services sector activity in July lost momentum, as weaker sales growth and inflationary pressures restricted the latest upturn in business activity.

The Nikkei India Services Purchasing Managers' Index (PMI) Business Activity Index fell to a 4-month low of 55.5 in July 2022 from 59.2 in June 2022. The index stayed above the neutral mark of 50, which separates expansion from contraction, for the 12th straight month.

This was the weakest expansion in the sector since March.

New business inflows rose at the slowest pace in 4 months, with the new international business declining, but the weakest in 6 months.

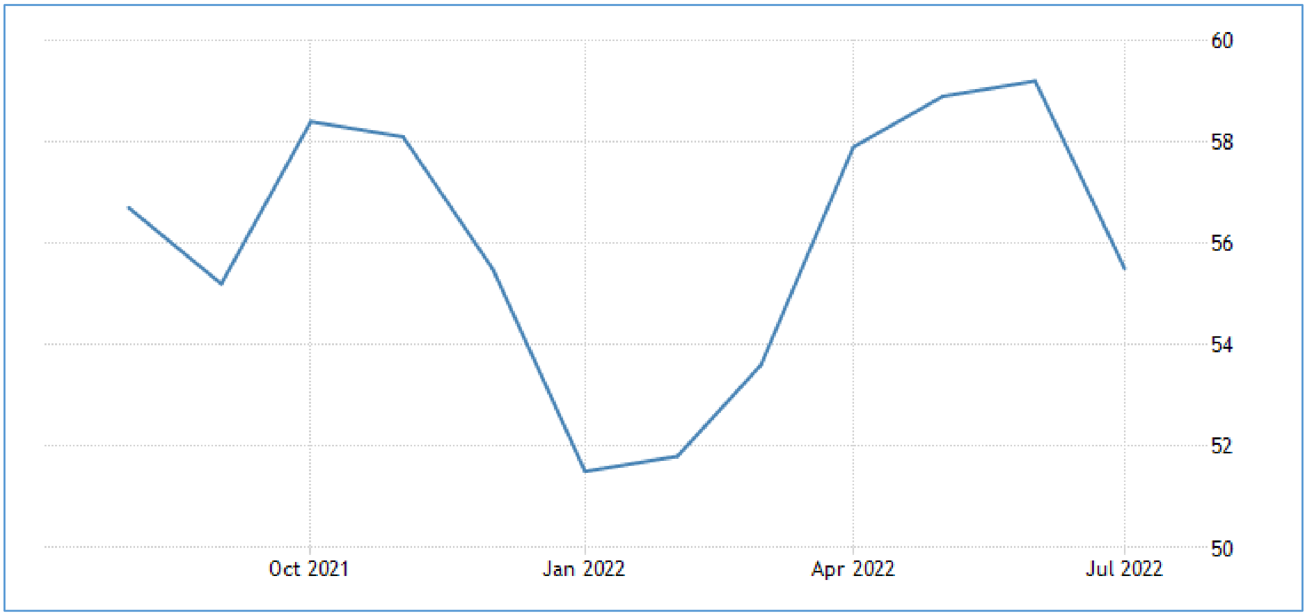
Meanwhile, employment increased fractionally and broadly similar to June.

On the price front, input price inflation eased to the slowest pace in 5 months.

Meanwhile, output cost inflation slowed from June's near 5-year peak, the latest rise was solid and the 17th in successive months.

Looking ahead, sentiment was subdued, amid majority of firms predicting no change in business activity from present levels.

The seasonally adjusted Nikkei India Composite PMI Output Index fell to 56.6 in July from 58.2 in June, highlighting the slowest increase since March.



Source: www.tradingeconomics.com

Core Sector Data – July

Growth of eight infrastructure sectors slowed to a 6-month low of 4.5% in July 2022.

The eight core sectors – coal, crude oil, natural gas, refinery products, fertilizers, steel, cement and electricity – had grown by 13.2% in June 2022 and 9.9% in July 2021.

Apart from crude oil and natural gas, all other six industries recorded an expansion in July 2022.

The production of coal, refinery products, fertilisers, steel, cement and electricity rose by 11.4%, 6.2%, 6.2%, 5.7%, 2.1% and 2.2%, respectively.

Crude oil and natural gas saw contractions of 3.8% and 0.3%, respectively.

Cumulatively, the growth in the eight core sectors during April-July 2022-23 stood at 11.5%, as against 21.4% in the same period last financial year.

Source: APAS BRT, www.eaindustry.nic.in

GDP – Quarter 1 – FY 2022-23

The country's Gross Domestic Product (GDP) for the first quarter (April-June) of fiscal year 2022-23 grew at 13.5%.

The GDP growth rate in Q1 FY 2021-22 was 20.1% and in Q4 FY 2021-22 was 4.1%.

Real GDP at constant (2011-12) prices in Q1 2022-23 is estimated to attain a level of INR 36.85 lakh crore, as against INR 32.46 lakh crore in Q1 2021-22.

Gross value added (GVA) grew by 12.7% to INR 34.41 lakh crore in April-June this year.

The GVA growth in the farm sector is 4.5% in Q1, compared to 2.2% a year ago.

However, GVA growth in the manufacturing sector decelerated sharply to 4.8% during Q1 from 49% a year ago.

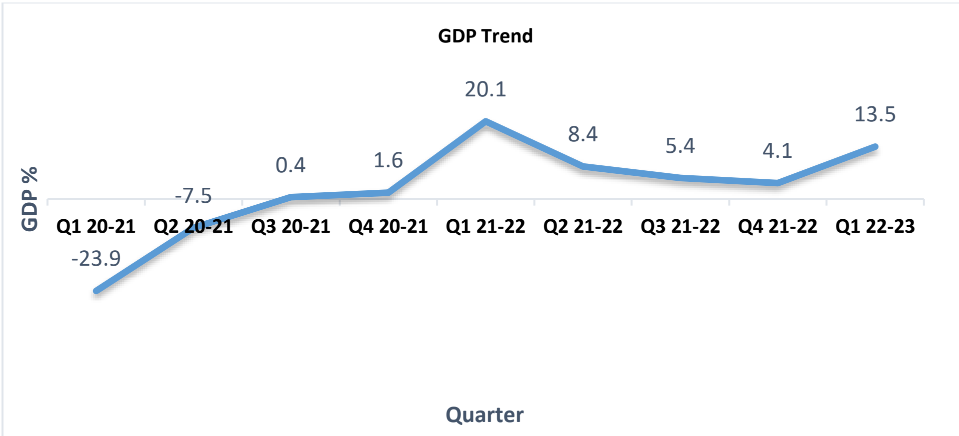
GVA growth in mining is 6.5%, compared to 18%.

GVA in the construction sector also decelerated to 16.8% from 71.3%.

The electricity, gas, water supply and other utility services segment grew by 14.7%, compared to 13.8% a year ago.

GVA in the services sector – trade, hotels, transport, communication and services related to broadcasting – was 25.7%, against 34.3%.

Financial, real estate and professional services grew by 9.2% over 2.3% earlier.



Source: APAS BRT, www.mospi.gov.in

BANKING

Interoperable Card-less Cash Withdrawal (ICCW) at ATMs

All banks, ATM networks and WLAOs may provide the option of ICCW at their ATMs. NPCI has been advised to facilitate Unified Payments Interface (UPI) integration with all banks and ATM networks. While UPI would be used for customer authorisation in such transactions, settlement would be through the National Financial Switch (NFS) / ATM networks. The on-us / off-us ICCW transactions shall be processed without levy of any charges other than those prescribed under the circular on Interchange Fee and Customer Charges.

Withdrawal limits for ICCW transactions shall be in-line with the limits for regular on-us / off-us ATM withdrawals. All other instructions related to Harmonisation of Turn Around Time (TAT) and customer compensation for failed transactions shall continue to be applicable.

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INSURANCE

Applicability of Service Tax / GST on services provided by IRDAI to Insurance intermediaries

As per the Order passed by the Commissioner (Appeals – I) in appeal no. HYD/SVTAX-HYC/APP-025-022-23 (APP1) dated 22/06/2022, it is stated that the services provided by the Authority to Insurance intermediaries are liable for Service Tax / GST.

Therefore, all insurance intermediaries are advised to ensure that any payment made to the Authority towards fees / charges etc., paid / payable on or after 12/08/2022 shall be made along with GST @ 18%. Instructions in respect of Service Tax / GST for the earlier period will be issued separately.

Further, all the insurance intermediaries are directed to submit a copy of their GST registration certificate bearing the Goods and Services Tax Identification Number to the Authority on the e-mail ID, kanthishri@irdai.gov.in and accounts@irdai.gov.in on or before 20th August, 2022 for the purpose of including the same in the invoices generated by the Authority in respect of the fee collection.

INFRASTRUCTURE & OTHER GOVT. INITIATIVES

Cabinet approves continuation of Pradhan Mantri Awas Yojana-Urban (PMAY-U) – "Housing for All" Mission up to 31st December 2024

The Union Cabinet, chaired by the Prime Minister Shri Narendra Modi, has approved the proposal of Ministry of Housing and Urban Affairs (MoHUA) for continuation of Pradhan Mantri Awas Yojana-Urban (PMAY-U) up to 31st December 2024 wherein financial assistance is to be provided for the completion of already sanctioned 122.69 lakh houses till 31st March 2022.

PMAY-U: Housing for All is one of the major flagship programmes being implemented by Government of India to provide all weather pucca houses to all eligible beneficiaries in the urban areas of the country through States/UTs/Central Nodal Agencies. The scheme covers the entire urban area of the country, i.e., all statutory towns as per Census 2011 and towns notified subsequently, including Notified Planning/ Development Areas. The scheme is being implemented through four verticals: Beneficiary Led Construction/ Enhancement (BLC), Affordable Housing in Partnership (AHP), In-situ Slum Redevelopment (ISSR) and Credit Linked Subsidy Scheme (CLSS). While Govt of India provides financial assistance, State Govt/UTs implement the scheme including selection of beneficiaries.

During the period of 2004-2014, 8.04 lakh houses were completed under Urban Housing Scheme. Under the Modi Govt, the issue of providing houses to all eligible Urban dwellers in saturation mode was brought into focus and the scheme of PMAY-Urban was conceptualised. In 2017, the original projected demand was 100 lakh houses. Against this original projected demand, 102 lakh houses have been grounded/under construction. Further, out of these, 62 lakh houses have been completed. Out of the total sanctioned 123 lakh houses, the proposals of 40 lakh houses were received late (during last 2 years of scheme) from the States/UTs which require another two years to complete them. Therefore, based on the requests from the States/UTs, Union Cabinet decided to extend the implementation period of PMAY-U till 31.12.2024.

Central Assistance approved since 2015 is INR 2.03 lakh crore against INR 20,000 crore in 2004-2014. Up to 31st March 2022, Central Assistance/subsidy of INR 1,18,020.46 crore has already been released and INR 85,406 crore will be released as Central Assistance/subsidy till 31st December 2024.

The continuation of the scheme based on the request of States/UTs up to 31st December 2024 will help in completion of already sanctioned houses under BLC, AHP & ISSR verticals.

Cabinet approves enhancement in the corpus of Emergency Credit Line Guarantee Scheme for increasing the limit of admissible guarantees

The Union Cabinet, chaired by the Prime Minister, Shri Narendra Modi has approved the enhancement in the limit of Emergency Credit Line Guarantee Scheme (ECLGS) by INR 50,000 crore from INR 4.5 Lakh crore to INR 5 Lakh crore, with the additional amount being earmarked exclusively for enterprises in hospitality and related sectors. The increase has been done on account of the severe disruptions caused by COVID-19 pandemic on hospitality and related enterprises.

Implementation schedule:

ECLGS is a continuing scheme. The additional amount of INR 50,000 crore would be made applicable to enterprises in hospitality and related sectors till validity of the scheme which is 31.3.2023.

Impact:

ECLGS is an already operational scheme and on account of the disruptions caused by the COVID 19 pandemic on hospitality and related sectors, Government has specifically earmarked an amount of INR 50,000 crore for enterprises in these sectors. The enhancement is expected to provide much needed relief to enterprises in these sectors by incentivizing lending institutions to provide additional credit of up to INR 50,000 crore at low cost, thereby enabling these business enterprises to meet their operational liabilities and continue their businesses.

Loans of about INR 3.67 Lakh crore have been sanctioned under ECLGS till 5.8.2022.

Background:

The ongoing pandemic has adversely impacted contact-intensive sectors, especially the hospitality and related sectors more severely. While other sectors were back faster on the path of recovery, demand continued to be subdued for these sectors for longer period, suggesting the need for suitable interventions for their sustenance and recovery. Further, given their high employment intensity and their direct and indirect linkages with other sectors, their revival is also necessary for supporting overall economic recovery. Recognising this, in Union Budget 2022-23, it was announced to extend validity of ECLGS up to March 2023 and increase in the limit of guaranteed cover of ECLGS by INR 50,000 crore to total cover of INR 5 Lakh core, with the additional amount being earmarked exclusively for the enterprises in hospitality and related sectors.

With high immunization levels, progressive roll-back of restrictions and overall economic recovery, conditions are in place for sustained growth in demand for these sectors as well. This additional guarantee cover is expected to support the recovery of these sectors as well.

Cabinet approves Interest subvention of 1.5% per annum on Short Term Agriculture Loan up to Rupees Three lakh

The Union Cabinet, chaired by the Prime Minister, Shri Narendra Modi has approved to restore Interest Subvention on short term agriculture loans to 1.5% for all financial institutions. Thus, Interest Subvention of 1.5% will be provided to lending institutions (Public Sector Banks, Private Sector Banks, Small Finance Banks, Regional Rural Banks, Cooperative Banks and Computerized PACS directly ceded with commercial banks) for the financial year 2022-23 to 2024-25 for lending short term agri-loans up to INR 3 lakh to the farmers.

This increase in Interest Subvention support requires additional budgetary provisions of INR 34,856 crore for the period of 2022-23 to 2024-25 under the scheme.

Benefits:

Increase in Interest Subvention will ensure sustainability of credit flow in the agriculture sector as well as ensure financial health and viability of the lending institutions especially Regional Rural Banks & Cooperative Banks, ensuring adequate agriculture credit in rural economy.

Banks will be able to absorb increase in cost of funds and will be encouraged to grant loans to farmers for short term agriculture requirements and enable more farmers to get the benefit of agriculture credit. This will also lead to generation of employment since short term agri-loans are provided for all activities including Animal Husbandry, Dairying, Poultry, fisheries.

Farmers will continue to avail short term agriculture credit at interest rate of 4% per annum while repaying the loan in time.

Background:

Ensuring hassle-free credit availability at cheaper rate to farmers has been the top priority of Government of India. Accordingly, Kisan Credit Card scheme was introduced for farmers, to empower them to purchase agriculture products and services on credit at any time. To ensure that the farmers have to pay a minimal interest rate to the bank, the Government of India introduced Interest Subvention Scheme (ISS), now renamed as Modified Interest Subvention Scheme (MISS), to provide short term credit to farmers at subsidized interest rates.

Under this scheme, short term agriculture loan up to INR 3 lakh is available to farmers engaged in Agriculture and other allied activities including Animal Husbandry, Dairying, Poultry, fisheries etc. at the rate of 7% p.a. An additional 3% subvention (Prompt Repayment Incentive - PRI) is also given to the farmers for prompt and timely repayment of loans. Therefore, if a farmer repays his loan on time, he gets credit at the rate of 4% p.a. For enabling this facility to the farmers, Government of India provides Interest Subvention (IS) to the Financial Institutions offering this scheme. This support is 100% funded by the Centre, it is also the second largest scheme of DA&FW as per budget outlay and coverage of beneficiaries.

Recently, under the Aatmanirbhar Bharat campaign, over 3.13 Crore farmers have been issued new Kisan Credit Card (KCC) against the target of 2.5 Crore. Special initiatives such as the KCC Saturation Drive for farmers enrolled under PM-KISAN scheme have also simplified the process and documentation involved for getting the KCC sanctioned.

Keeping in view the changing economic scenario, especially increase in the interest rate and lending rates for the financial institutions especially Cooperative Banks and Regional Rural Banks, the Government has reviewed the rate of Interest subvention provided to these Financial Institutions. It is expected that this will ensure adequate credit flow in agriculture sector to the farmer as well as ensure financial health of lending institutions.

To address this challenge, Government of India has proactively decided to restore Interest Subvention on short term agriculture loans to 1.5% for all financial institutions.

CAPITAL MARKETS

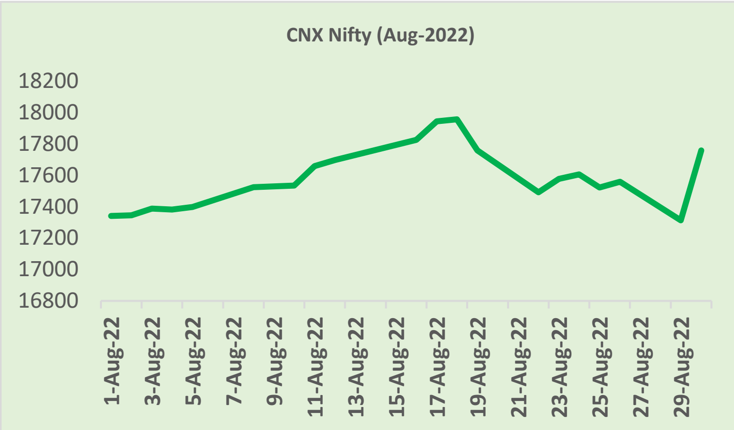
SEBI constitutes ‘FPI Advisory Committee (FAC)’

In order to provide recommendations and advise SEBI on policy matters relating to Foreign Portfolio Investors (‘FPIs’), SEBI has constituted a [Standing Committee for facilitation of FPI investments].

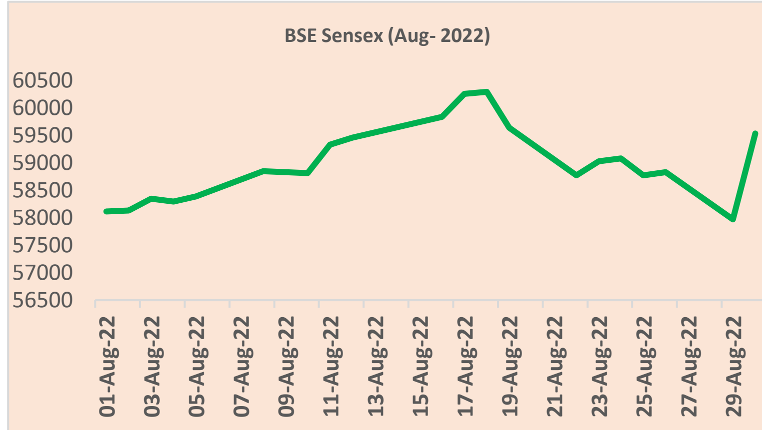
The terms of reference of the Committee include:

a. To advise on issues related to investments and operations of FPIs in the Indian financial markets, including measures to facilitate ease of doing business by FPIs in India
b. To review investment avenues available for FPIs and to advise on feasibility of new investment avenues
c. To advise SEBI on measures required to encourage FPI participation in the bond market
d. To advise SEBI on measures required, if any, in the legal framework for simplification of FPI regulations
e. To advise SEBI on measures required, if any, in the legal framework to enhance transparency
f. To advise SEBI on Custodian related matters pertaining to FPIs
g. To discuss any other issues pertaining to FPIs

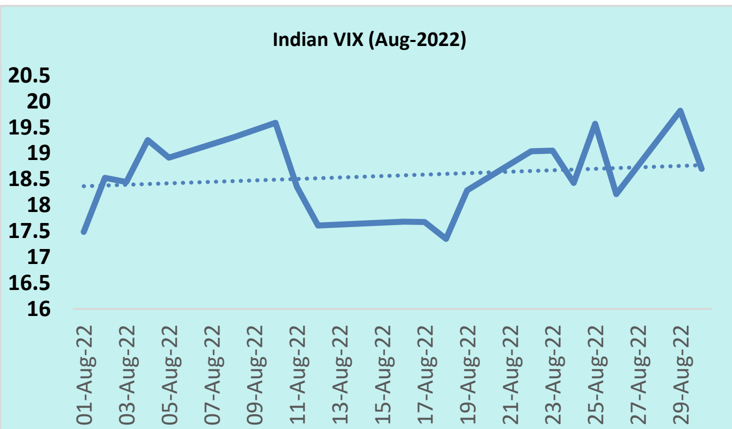
CAPITAL MARKETS SNAPSHOT



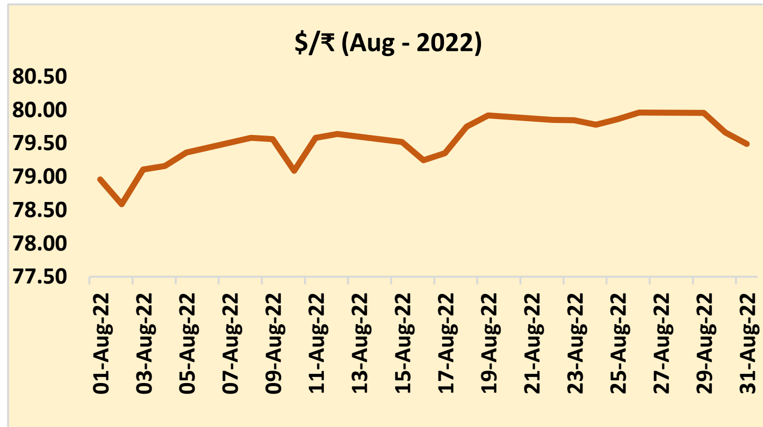
Source: National Stock Exchange



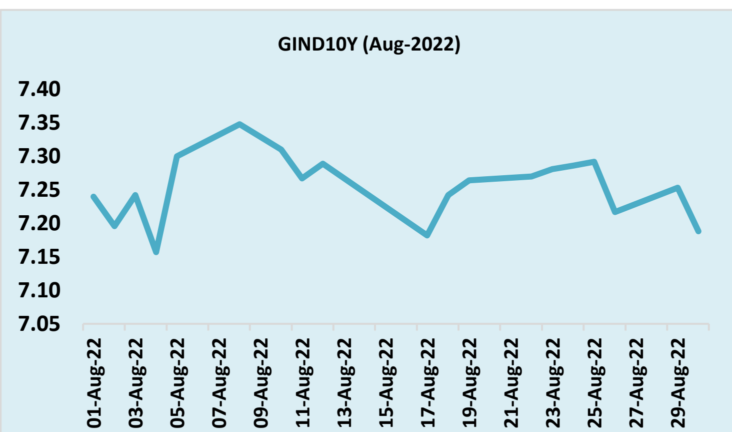
Source: Bombay Stock Exchange



Source: National Stock Exchange



Sources: APAS Business Research Team



Sources: APAS Business Research Team

In August 2022, the Nifty surged by 3.50%. This may look paltry after the 8.73% Nifty returns in July, but this is on a higher base. The mid cap indices did much better than the Nifty in the month of August 2022. For instance, August saw mid-cap index rallying by 6.23% while the small cap index also surged by 4.91%. The big story of the month was the strength shown by the markets as any intermittent correction was offset by aggressive buying. There were several factors that led to the smart rally in the markets in August 2022. The primary driving factor for the rally was the turnaround in FPI sentiments. The turnaround had started in July, but it was in August that the FPI flows gathered momentum.

ECONOMIC DATA SNAPSHOT

Countries	GDP			CPI		Current Account Balance	Budget Balance	Interest Rates
	Latest	2022*	2023*	Latest	2022*	% of GDP, 2022*	% of GDP, 2022*	(10YGov), Latest
Brazil	1.7 Q1	1.3	1.1	11.7 May	10.4	0.0	-6.7	12
Russia	3.5 Q1	-10.0	-2.0	17.1 May	21.0	9.9	-4.4	8.94
India	**4.1 Q1**	**6.9**	**5.0**	**7.0 May**	**7.3**	**-1.5**	**-6.6**	**7.40**
China	4.8 Q1	4.0	5.5	2.1 May	2.1	2.5	-6.2	2.59^
S Africa	3.0 Q1	1.9	2.4	6.6 May	6.0	-1.1	-6.1	10.0
USA	3.5 Q1	2.3	1.3	8.6 May	7.8	-4.3	-5.9	3.16
Canada	2.9 Q1	3.8	2.8	7.7 May	6.2	1.1	-3.6	3.42
Mexico	1.8 Q1	1.9	2.2	7.7 May	7.6	-0.6	-3.2	9.16
Euro Area	5.4 Q1	2.3	1.6	8.1 May	7.1	2.3	-4.4	1.62
Germany	3.8 Q1	1.3	0.9	7.9 May	7.7	6.3	-3.2	1.62
Britain	8.7 Q1	3.6	0.5	9.1 May	7.2	-2.7	-5.5	2.63
Australia	3.3 Q1	3.0	2.5	5.1 Q1	5.0	3.1	-3.2	3.99
Indonesia	5.0 Q1	5.1	4.6	3.6 May	5.3	0.2	-4.8	7.47
Malaysia	5.0 Q1	5.0	4.2	2.3 Apr	3.0	2.8	-6.2	4.27
Singapore	3.7 Q1	3.6	3.1	5.6 May	6.0	18.3	-0.9	3.05
S Korea	3.0 Q1	2.7	2.5	5.4 May	4.4	3.4	-2.3	3.70

Sources: The Economist

**** The Economist poll or Economist Intelligence Unit estimate/forecast;***

^ 5-year yield

Quarter represents a three-month period of a financial year beginning 1st April

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ABOUT APAS

APAS is a management advisory firm specializing in banking, financial services and the insurance space. APAS assists business leaders of some of the leading domestic and global organizations, acting as an extended arm to the management in coping with the ever changing internal and external dynamics. Leveraging deep business insights APAS develops business and operational strategy for its clients. APAS provides transaction advisory services (Buy, sell and merge), and also specializes in governance and board training. APAS facilitates investors and sellers with directional guidelines of pursuing transactions, by utilizing subject knowledge, vast experience and deep market outreach. APAS has capability to identify and analyze key transaction drivers, recognize possible partnerships, and initiate discussions with them for possible growth opportunity. We help major insurance companies, payment institutions, and other financial organizations to identify their growth potential, innovative opportunity and possible benefits of consolidation, and hence comprehend the possible merger or acquisition. Buying or selling a major asset or a business, undertaking a merger, or performing an IPO can be risky and complex especially in this globalization era. Hence, the need of a trusted advisor who can help clients preserve, create and enhance value in transactions.

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