NEWSLETTER

APAS MONTHLY

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ASHVIN PAREKH

THIS MONTH

We invite our readers and patrons to visit our wealth of knowledge e by tuning into our APAS podcasts –

"Demystifying Reforms" and "BFSI insights"

We help demystify the latest reforms and bring market insights of the BFSI sector in India.

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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/

EDITORIAL

In this issue, Mr. Subhash Kelkar - Chief Technology and Digital Officer, ICICI Securities Ltd has presented his thoughts on **'Learnings from digital transformations'**. We thank Mr. Kelkar for his contribution to the APAS Monthly.

This month, the APAS column covers 'Learnings from digital transformations '**Digital transformation of Indian banks'**.

The economic indicators showed mixed performance. Manufacturing PMI fell to a three-month low of 55.4 in January of 2023 from 57.8 in December 2022. Services PMI declined to 57.2 in January 2023 from December's six-month high of 58.5. Infrastructure output in India increased 7.8% year-on-year in January 2023, the most in four months and following a downwardly revised 7% rise in December 2022. Index of Industrial Production (IIP) or factory output recorded increased 4.3% year-on-year in December of 2022, easing from an upwardly revised 7.3% rise in November. India's retail price inflation (CPI) accelerated to 6.52% in January of 2023, the highest in three months, compared to 5.72% in December. India Wholesale Price Index (WPI) number 4.73% (Provisional) for the month of January 2023 (over January 2022) against 4.95% recorded in December 2022.

The Reserve Bank of India (RBI) issued a Statement on the health of Indian Banking sector, Statement on Developmental and Regulatory Policies, and an updated Alert List on unauthorised forex trading platform, RBI released guidelines on Online Payment Aggregators, RBI Working Paper No. 03/2023: competitiveness and Determinants of Agricultural Exports - Evidence from India, RBI releases 'Draft Guidelines on Minimum Capital Requirements for Market Risk – under Basel III', Extending UPI for Inbound Travellers to India, Sectoral Deployment of Bank Credit – January 2023.

Insurance Regulatory Development Authority of India (IRDAI) announced Bima Manthan.

SEBI published statement on Market Stability.

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

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On the cover

GUEST COLUMN

Learnings from digital transformations

Subhash Kelkar,
Chief Technology and Digital Officer
ICICI Securities Ltd.

APAS COLUMN

Digital transformation of Indian banks

ECONOMY

Index of Industrial Production – December
Inflation update – January
PMI update – January
Core Sector – January

BANKING

[RBI issued a statement on the health of Indian Banking sector]

[Statement on Developmental and Regulatory Policies]

[RBI issues an updated Alert List]

[Applications of Online Payment Aggregators received under the Payment and Settlement Systems Act, 2007 - Status]

[RBI Working Paper No. 03/2023: Competitiveness and Determinants of Agricultural Exports - Evidence from India]

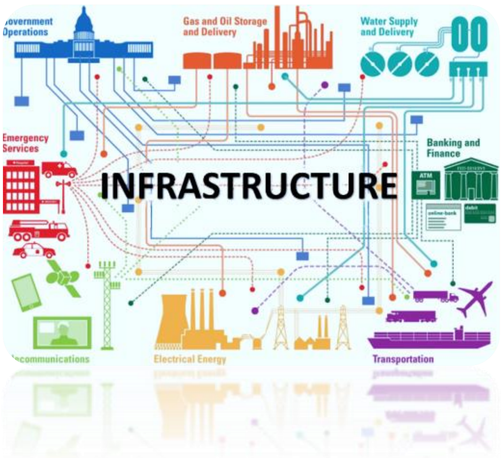
[RBI releases 'Draft Guidelines on Minimum Capital Requirements for Market Risk – under Basel III']

[Extending UPI for Inbound Travellers to India]

[Sectoral Deployment of Bank Credit – January 2023]

INSURANCE

[Bima Manthan]



INFRASTRUCTURE & OTHER GOVT. INITIATIVES

PM lays foundation stone multiple development projects worth more than Rs 2,700 crore in Belagavi, Karnataka

Rs. 3392.98 crore sanctioned for 145 projects under Northeast Special Infrastructure Development Scheme.

Union Minister inaugurates and lays foundation stones for National Highways projects worth Rs 3670 crore in Maharashtra

Union Minister inaugurates 7 National Highway projects with an investment of 6500 crores in Ballia, Uttar Pradesh

Union Minister approves development of 32 km long 6-lane Access Controlled Greenfield Highway on (NH-544G) Bengaluru–Vijayawada Economic Corridor in Hybrid Annuity Mode in Andhra Pradesh worth Rs 1292.65 Crore under Bharatmala Pariyojana

CAPITAL MARKETS SNAPSHOT

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

CAPITAL MARKETS

SEBI statement on Market Stability

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

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Learnings from digital transformations'

Subhash Kelkar,
Chief Technology and Digital Officer
ICICI Securities Ltd.

"Learnings from Digital Transformations" is a very interesting topic indeed. So many things come to mind that it will be difficult to choose from.

The first thing that comes to mind is end to end thinking. Digital transformation is not a lipstick on Gorilla. In addition to technology and digital it may include changes in business processes and possible changes in organizational structures and almost always new Standard Operating Procedures (SOPs). If not thought end to end, it will lead to a fragmented customer experience. Here is a case in point - Hospitality industry app introduced a feature to the guests completing a day tour, to pre-order bath towels and other things to the room on their way back to resort. Resort had to change the business process and SOPs to keep an attendant 24x7 to process and close the room service requests. In addition to building the front-end system to request a service, alert system had to be built to escalate open item created through front end and not addressed yet at the backend.

The second aspect is that the transformation need not be purely digital. It can end up being phygital (physical plus digital) and still it can be a better experience for the customer. Consider BestBuy chain, which competes with Amazon, Apple, and Google. It thrived by providing unique experiences to their customers along with digital online ordering such as in-store pickup and free home consultations. Another example is a bank, opening accounts in an assisted mode on tablets, instead of pure do it yourself (DIY) journeys from mobile app. Some of the companies are assisting customers whose digital journeys are stuck halfway through by accepting documents on WhatsApp and helping customers on call to complete the broken journeys. Chroma follows up with customers post-delivery about installations, demo and warranty plans.

Thirdly, do not decide what the customer wants. The product and software development process has become more sophisticated where you go live with a beta version and release it to a handful of employee customers and after incorporating the first set of feedbacks release it to a closed user customer group. Like continuous integration and continuous deployment (CICD) in DevOps, the new mantra is CFCI – Continuous Feedback-Continuous Improvement. Release the product to say 10000 customers and then to 1 Lakh and then to 5 Lakh and each time fine-tune the product and feature basis the feedback. Be as close to the customer as possible. Provide trigger-based feedback from within app, conduct webinars to explain new features to customers, release YouTube videos and take their inputs and do social media listening, etc. You typically test fast, fail fast, fail cheap but learn fast. Continuously adopt, adjust, and fine-tune the product or feature and thus implement what the customer wants and not what you think customer wants.

Simplicity and speed are very important as well. When a customer comes on digital platform express expectation is zero information overload, not too many options to choose from and maximum 4-click journeys with intelligent defaults. Speedy on-boarding, easy login and super smooth transactions will seal the deal. After the digital interaction, straight through processing of back-end systems is key. Market share of a European broadband service provider increased multi-fold when straight through processing moved from 16% to 95% and cycle time for lead to cash journey became one tenth from 21 days to 2 days. Digital is thinking end-to-end, and with speed and simplicity, it is geometrically more effective.

Security is an important aspect of digital interactions and almost always overlooked. 2FA logins, quick biometric validation before transactions, transparency on last login date and time, OTP, Time based OTP or pop-up on mobile device are some of the easy ways to validate correct identity and significantly increase the security posture. What you are (biometrics) and what you have (your mobile) in addition to what you know (password or pin) is critical.

Digital changes the way we do business for the customers. In-person verification has been replaced by online liveliness check which can be extremely sophisticated. One of the broking platforms, while doing liveliness check, detects scenarios, where it does not proceed further, if customer closes eyes, or there is insufficient light etc. Application further matches face with that on passport photo, thus reducing the error counts during KYC process. Face-id based check-in at the airports is another such example where technology is used to reduce manual errors and fast-track business process.

Digital footprint creates data which can be used in magical ways. You have many more details about your customer interactions than you would have otherwise imagined. You can create micro-segments or different customer cohorts and create personalized offerings. It not only makes your pitch more relevant but also makes it more efficient. One of the companies who creates club members with 25 years of association, analyzed their member data (such as number of club visits, which kind of car they own, what is their age group, marital status, average spend per visit, which type of city they come from, etc.) to get traits that highly correlate to them becoming a member. The top 10 highly correlating traits were then used to rank the leads, increasing the conversion rates.

These are but few learnings from various digital transformations. The list that I have put above is by no means comprehensive but surely important for achieving success in digital transformation.

APAS Column

Digital transformation of Indian banks

If you are a kid from the 90s, I am sure you remember your parent's frequency of visits to the banks. Back then, so many of us have visited banks and transacted so many times in a year. Now I ask you when was the last time you visited a bank or how many times in the last couple of years have you visited a bank. There lies the difference that digitization brought to the Indian banking. Another evidence is in that fact, nearly 40% of the revenues that Indian IT giants such as TCS, Infosys and Cognizant make are from the BFSI segment. From simple data entry and digital record keeping to automation and advanced digital transformation, Indian banks have come a long way. To keep up with the ever-changing market, traditional banks had to adapt to new technologies and operating models that could keep them engaged in the entire customer's journey. A few examples of digital banking transformation are online banking applications, data encryption software, virtual assistants, KYC system software, website optimization, etc. Mobile apps and internet banking has almost become common offerings of many banks. Through active digital transformation, Indian banks are able to keep pace with the global competitors. As per a report by Markets and Markets, the global digital banking platform market size is expected to grow from USD 8.2 billion in 2021 to USD 13.9 billion in 2026 at a CAGR of 11.3%.

Banks are actively working on digital transformation strategy which is critical to analyze, interact, and engage with their customers efficiently. Banks are working actively with fintech companies, and some of the banks are even acquiring fintech's for technological capabilities.

From customer's perspective, digital transformation of banks has revolutionized banking. Digitization enabled extensive range of digital products and services, 24x7 access to banking services, improved process efficiency and reduced human errors, and analytics, thus saving time, cost and effort. As a result of digital transformation, banking has moved from product -centric banking to customer-centric banking.

The current wave of digital transformation is seen in banks adopting technologies including Cloud computing, Artificial Intelligence (AI) & Machine Learning (ML), blockchain, and the Internet of Things (IoT). Application of AI in banking is typically for online assistants/chat bots resolving the customer's issues, data analysis and management, data security and for enhancing customer experience. The biggest application of ML is fraud detection as ML can gather, store and compare user data in real-time. This is used to detect any unusual activity and prevent fraud. Thanks to IoT and its smart connectivity among devices, customers are able to seamlessly make contact less payments. IoT is assisting banks in risk management, authorization processes (biometric sensors), and access to multiple platforms. IoT is further helping banks in collecting real time data and tailoring experiences for the customers. The use of block chain in banking has resulted in secured data transactions and more accuracy. Block chain brought in more transparency and convenience. Cloud-driven service result in improved operations, better productivity, and instant delivery of products and services. With cloud technology, banks are now more open to using banking APIs to promote data sharing. Big Data is enabling banks analyze customer's expenditure, monitor risk, and manage feedback resulting in customer loyalty. Banks are now moving towards investing in system configurations that are cloud-native, no-code and hyper-scalable. The advent of new technologically powered payment methods like digital currency, blockchain and distributed ledger systems has made a huge difference to the banking industry.

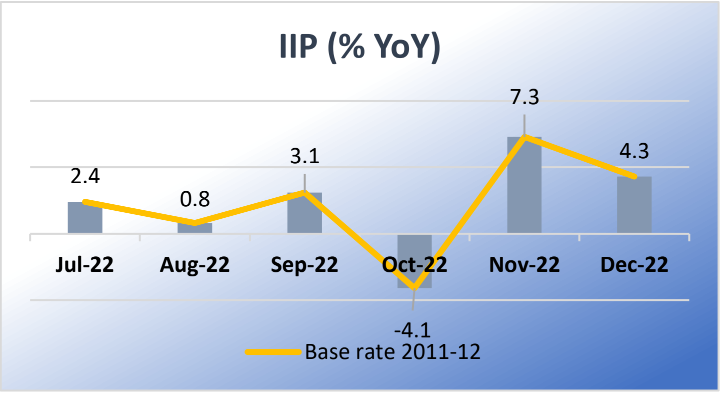
Digital transformation aided Indian banks to survive the challenges, provide continuous services and sustain competition during the pandemic. This in-fact emphasised the need for technology upgradation and continued digital transformation as well. As per a recent report, the digital transformation (DX) spending in India is likely to reach $85 billion by 2026.

India is going through an environment of change in banking and financial technology, supported by abundance of talented technology professionals. With progressive view and support from the government and the watchful eye of RBI, we are sure to see a much more evolved banking.

-APAS

ECONOMY

IIP (Index of Industrial Production) – December



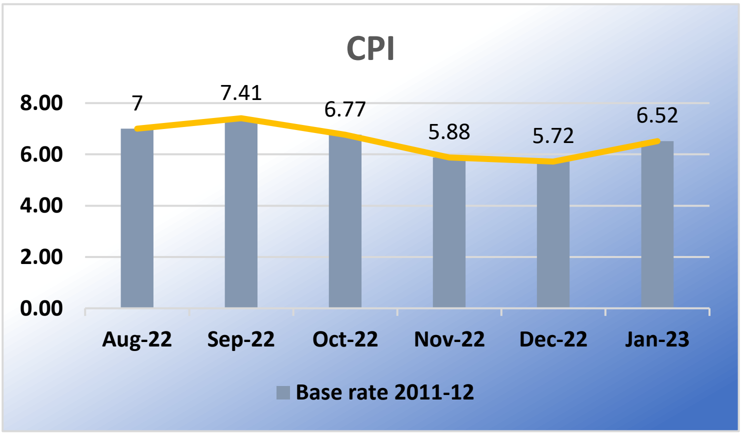
Source: APAS BRT, www.mospi.gov.in

Industrial production in India increased 4.3% year-on-year in December of 2022, easing from an upwardly revised 7.3% rise in November and 0.4% in December 2022.

For the month of December 2022, the Quick Estimates of Index of Industrial Production (IIP) with base 2011-12 stands at 144.7.

The manufacturing sector, which constitutes close to 77 % of the index, increased by 2.6 % in October, to 143.5. Mining sector grew by 9.8 %, to 132.2. Electricity generation grew by 10.4%, to 179.4. As per Use-based classification, the indices stand at 144.8 for Primary Goods, 100.0 for Capital Goods, 151.3 for Intermediate Goods and 166.6 for Infrastructure/ Construction Goods for the month of December 2022. Further, the indices for Consumer durables and Consumer non-durables stand at 112.0 and 161.1 respectively for the month of November 2022.

CPI (Consumer Price Index) – January



Source: APAS BRT. www.eaindustrv.nic.in

India's annual retail price inflation eased 6.52% in January of 2032 from 5.72% in December 2022.

Inflation moved back to above the Reserve Bank of India target of 2-6%.

Food inflation jumped to 5.94% from 4.19%, with the cost of cereals (16.12%) and spices (21.09%) recording the biggest increase.

CPI also rose faster for housing (4.62% vs 4.47%); pan, tobacco, and intoxicants (3.07% vs 2.55%), and miscellaneous (6.21% vs 6.17%) and remained elevated for fuel and light (10.84% vs 10.97%).

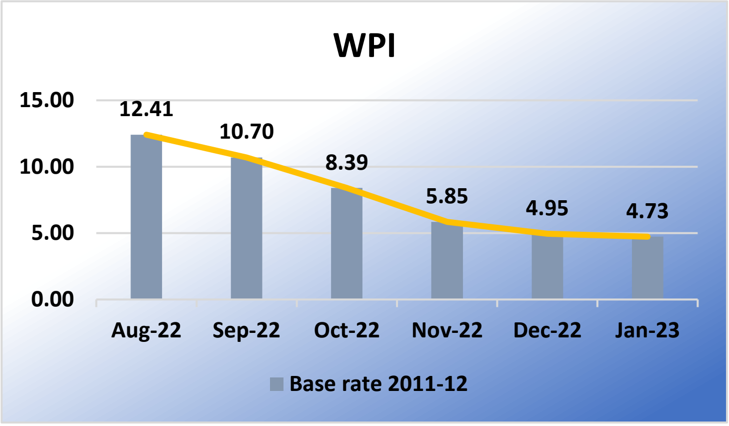
On the other hand, there was a slowdown in the cost of clothing and footwear (9.08% vs 9.58%). Compared to the previous month, the CPI went up 0.46%, reversing a 0.45% fall in December.

WPI (Wholesale Price Index) – January

India Wholesale Price Index (WPI) number is 4.73% (Provisional) for the month of January 2023 (over January 2022) against 4.95% recorded in December 2022.

Decline in the rate of inflation in January 2023 is primarily contributed by mineral oils, chemicals & chemical products, textiles, crude petroleum & natural gas, textiles, and food products.

The month over month change in WPI for the month of January 2023 stood at 0.13 % as compared to December 2022.



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

The index for primary articles increased by 0.93% to 174.0 (provisional) in January 2023 from 172.4 (provisional) for the month of December 2022.

Prices of Crude Petroleum & Natural Gas declined by 0.85% in January 2023 and Non-food Articles (1.58%) increased in January 2023 as compared to December 2022.

The index for fuel and power declined by 1.39% to 155.8 (provisional) in January 2023 from 158.0 (provisional) for the month of December 2022.

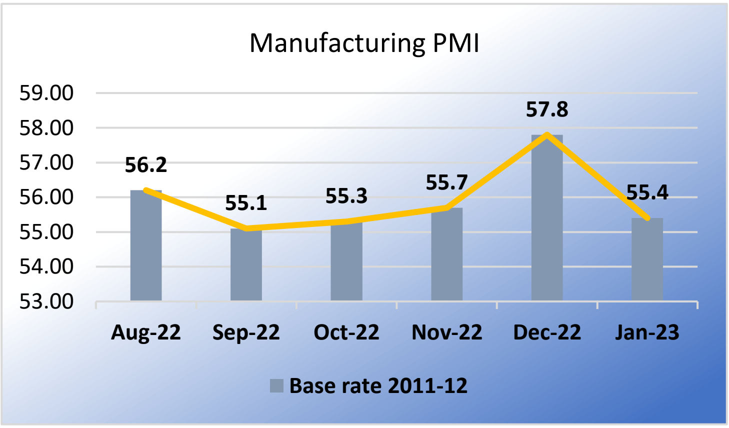
Prices of Mineral Oils (2.62%) increased in January 2023 and Electricity (9.51%) increased in December 2022 November 2022.

The index for manufactured products declined by 0.28% to 141.1 (provisional) in December 2022 from 141.5 (provisional) for the month of November 2022.

Manufacturing PMI – January

The S&P Global India Manufacturing PMI fell to a three-month low of 55.4 in January of 2023 from 57.8 in December while pointing to the 19th straight month of expansion.

Both output and new orders grew at softer paces, with foreign sales increasing the least in ten months, while input buying also eased despite the level of growth remaining strong.



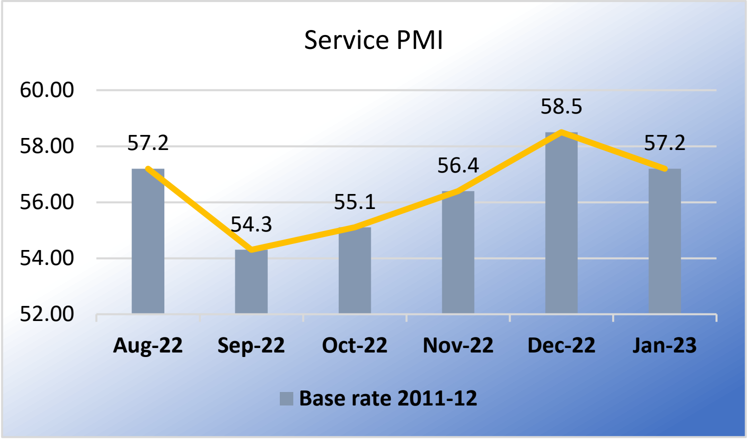
Source: www.tradingeconomics.com

Meanwhile, employment was broadly unchanged, as outstanding business volumes rose at a slight pace that was weaker than in December and historically muted. Firms pointed to a lack of pressure on the capacity of their suppliers, with delivery times shortening.

On the price front, input cost inflation was at a 3-month high, linked to higher prices for items like energy, metal, and electronic components, but was well below its long-run average.

Selling prices, meantime, rose further despite slowing from December. Finally, sentiment slipped to a six-month low, though remained above its long run trend.

Services PMI – January



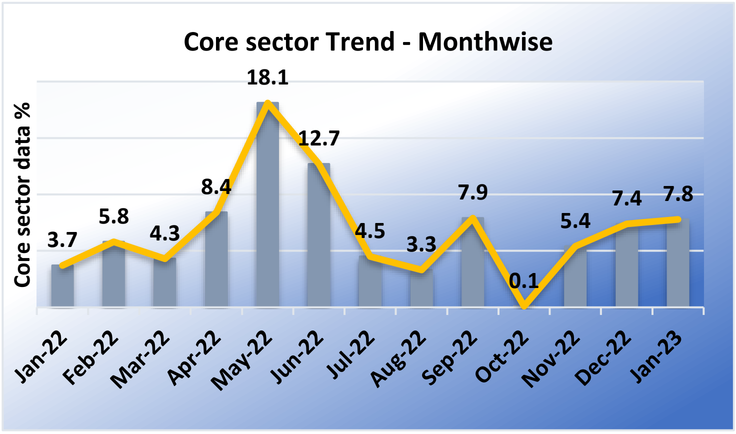
Source: www.tradingeconomics.com

The S&P Global India Services PMI declined to 57.2 in January 2023 from December's six-month high of 58.5, below market forecasts of 58.1, due to softer rises in output and new orders. Despite falling from December, the latest figure remained above its long-run average (53.5) and indicated a sharp rate of growth, amid favourable economic conditions, accommodative demand and marketing efforts supported sales.

Meanwhile, the pace of job creation was above its long-run average, but eased to a five-month low, with the backlogs of work rising at a faster pace. Regarding inflation, input cost inflation accelerated and was above its long-run average, amid higher prices for energy, food, transportation, and wage costs.

Meanwhile, output cost inflation slowed, but remained solid and historically elevated. Finally, business confidence weakened slightly amid concerns over rising cost pressures.

Core Sector Data – January



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

The combined Index of Eight Core Industries (ICI) increased by 7.8 per cent (provisional) in January 2023 as compared to the Index of January 2022. The production of Fertilizers, Coal, Electricity, Steel, Natural Gas, Cement and Refinery Products increased in January 2023 over the corresponding month of last year. ICI measures combined and individual performance of production of eight core industries viz. Coal, Crude Oil, Natural Gas, Refinery Products, Fertilizers, Steel, Cement and Electricity. The Eight Core Industries comprise 40.27 percent of the weight of items included in the Index of Industrial Production (IIP). Details of annual and monthly indices and growth rates are provided at Annex I & II respectively.

The cumulative growth rate of ICI during April-January 2022-23 was 7.9 per cent (provisional) as compared to the corresponding period of last year.

The summary of the Index of Eight Core Industries is given below:

Coal - Coal production (weight: 10.33 per cent) increased by 13.4 per cent in January 2023 over January 2022. Its cumulative index increased by 16.1 per cent during April to January 2022-23 over corresponding period of the previous year.

Crude Oil - Crude Oil production (weight: 8.98 per cent) declined by 1.1 per cent in January 2023 over January 2022. Its cumulative index declined by 1.3 per cent during April to January, 2022-23 over the corresponding period of previous year.

Natural Gas - Natural Gas production (weight: 6.88 per cent) increased by 5.3 per cent in January 2023 over January 2022. Its cumulative index increased by 1.4 per cent during April to January, 2022-23 over the corresponding period of previous year.

Petroleum Refinery Product - Petroleum Refinery production (weight: 28.04 per cent) increased by 4.5 per cent in January 2023 over January 2022. Its cumulative index increased by 5.4 per cent during April to January, 2022-23 over the corresponding period of previous year.

Fertilizers - Fertilizers production (weight: 2.63 per cent) increased by 17.9 per cent in January 2023 over January 2022. Its cumulative index increased by 10.5 per cent during April to January, 2022-23 over the corresponding period of previous year.

Steel - Steel production (weight: 17.92 per cent) increased by 6.2 per cent in January 2023 over January 2022. Its cumulative index increased by 7.1 per cent during April to January, 2022-23 over the corresponding period of previous year.

Cement - Cement production (weight: 5.37 per cent) increased by 4.6 per cent in January 2023 over January 2022. Its cumulative index increased by 10.0 per cent during April to January, 2022-23 over the corresponding period of previous year.

Electricity - Electricity generation (weight: 19.85 per cent) increased by 12.0 per cent in January 2023 over January 2022. Its cumulative index increased by 10.1 per cent during April to January, 2022-23 over the corresponding period of previous year.

BANKING

RBI issued a statement on the health of Indian Banking sector

There have been media reports expressing concern about the exposures of Indian banks to a business conglomerate.

As the regulator and supervisor, the RBI maintains a constant vigil on the banking sector and on individual banks with a view to maintain financial stability. The RBI has a Central Repository of Information on Large Credits (CRILC) database system where the banks report their exposure of ₹5 crore and above which is used for monitoring purposes.

Relating to capital adequacy, asset quality, liquidity, provision coverage and profitability are healthy.

Statement on Developmental and Regulatory Policies

RBI issued a statement on Development and regulatory policies, and it sets out various developmental and regulatory policy measures relating to (i) Financial Markets; (ii) Regulation; (iii) Payment and Settlement Systems and (iv) Currency Management.

RBI issues an updated Alert List

The Reserve Bank of India (RBI), vide Press release dated February 03, 2022 had cautioned the members of public against unauthorised forex trading platforms and vide Press Release dated September 07, 2022, issued an Alert List of entities which are neither authorised to deal in forex under the Foreign Exchange Management Act, 1999 (FEMA) nor authorised to operate electronic trading platforms (ETPs) for forex transactions.

The Alert List has been updated and includes names of entities/platforms/websites which appear to be promoting unauthorised entities/ETPs, including through advertisements of such unauthorised entities or claiming to be providing training/advisory services. The Alert List is not exhaustive. An entity not appearing in the Alert List should not be assumed to be authorised by the RBI to deal in foreign exchange or operate electronic trading platforms for forex transactions. The authorisation status of any person/ETP can be ascertained from the list of authorised persons and authorised ETPs available in the RBI's website.

Residents are cautioned against entities/platforms/websites which appear to be promoting such unauthorised entities/ETPs, including through advertisements of such unauthorised entities or claiming to be providing training/advisory services (e.g., on social media including video streaming platforms) by providing for 'demo trading' in 'simulated environment' and such other indirect means for facilitating and doing forex trading through unauthorised entities.

It is also reiterated that residents using any means to remit/deposit funds, directly or indirectly, in INR or in any other currency, for undertaking forex transactions for purposes other than those permitted under the FEMA or on ETPs not authorised by the RBI shall render themselves liable for penal action under the provisions of FEMA.

Applications of Online Payment Aggregators received under the Payment and Settlement Systems Act, 2007 - Status

With a view to bringing entities undertaking online payment aggregation business within the regulatory fold, Reserve Bank of India (RBI) has issued circulars dated March 17, 2020 and March 31, 2021 on "Guidelines on Regulation of Payment Aggregators and Payment Gateways" (Guidelines). In terms of the Guidelines, online non-bank Payment Aggregators (PAs) – existing as on March 17, 2020 (referred to as existing PAs) – were required to apply to RBI by September 30, 2021[1] for seeking authorisation under the Payment and Settlement Systems Act, 2007 (PSS Act). Further, another extension was allowed to all such PAs to submit their application by September 30, 2022 (circular dated July 28, 2022).

While the exercise of scrutiny of applications of PAs is an ongoing process, for the purpose of disseminating information and ensuring greater transparency, the list of entities who have submitted application to RBI seeking authorisation to act as online PAs under the PSS Act along with the current status of their application as on February 15, 2023 is published, which will be updated on a fortnightly basis.

All stakeholders are advised to transact with only those **existing PAs** (a) who have been granted in-principle authorisation or (b) whose application is currently under process.

Stakeholders may transact with **new PAs only after** these entities have received 'authorisation'[2] under Section 7 of the PSS Act from the Reserve Bank of India.

RBI Working Paper No. 03/2023: Competitiveness and Determinants of Agricultural Exports - Evidence from India

The Reserve Bank of India placed on its website a Working Paper titled, "Competitiveness and Determinants of Agricultural Exports: Evidence from India" under the Reserve Bank of India Working Paper Series[1]. The paper is authored by D. Suganthi.

Domestic and global commodity price cycles influence India's export competitiveness of agricultural commodities. Against this backdrop, this paper examines the relative export competitiveness (REC) of eight agricultural commodities (rice, wheat, maize, gram, groundnut, onion, bovine meat and shrimp) from 1990 to 2020.

The major findings of the paper are:

i. India's rice exports were most competitive during the study period, followed by groundnut, shrimp, gram, onion and bovine meat.

ii. Higher competitiveness elevated global prices relative to domestic prices and a stable export policy contribute to improved agricultural export performance.

iii. India needs to expand its trading partners by shaping alliances through bilateral and free trade agreements. There is a need to increase the value addition and product differentiation through promotion of processed and organic commodity exports. In addition to forming agri-clusters through the scheme 'One District One Product', there is also a need to develop organic or pesticide-free clusters through farmer producer organizations to boost the export of organic products to high-income countries.

RBI releases 'Draft Guidelines on Minimum Capital Requirements for Market Risk – under Basel III'

As part of convergence of the Reserve Bank's regulations for banks with Basel III standards, the Reserve Bank of India has placed on its website 'Draft Guidelines for Minimum Capital Requirements for Market Risk' for comments of stakeholders and members of the public. These guidelines shall be applicable to all Commercial Banks (excluding Local Area Banks, Payments Banks, Regional Rural Banks and Small Finance Banks) and shall come into effect from April 1, 2024. These guidelines are not applicable to Co-operative Banks (i.e., Urban Co-operative Banks, State Co-operative Banks and Central Co-operative Banks).

The comments on the draft guidelines from all stakeholders may be sent by email with the subject line "Comments on Draft Guidelines on Minimum Capital Requirements for Market Risk" by April 15, 2023.

Extending UPI for Inbound Travellers to India

The Reserve Bank of India (RBI) had announced in the Statement on Developmental and Regulatory Policies dated February 08, 2023, a facility to enable all in-bound travellers visiting India to make local payments using Unified Payments Interface (UPI) while they are in India. This facility is made available from Feb 21, 2023.

To start with, it is available to travelers from G-20 countries, at select international airports (Bengaluru, Mumbai and New Delhi). Eligible travellers would be issued Prepaid Payment Instruments (PPI) wallets linked to UPI for making payments at merchant outlets. Delegates from G20 countries can also avail this facility at various meeting venues. To begin with, ICICI Bank, IDFC First Bank and two non-bank PPI issuers, Pine Labs Private Limited and Transcorp International Limited will issue UPI linked wallets.

Travellers visiting India can now experience the convenience of UPI payments at over five crore merchant outlets across India, that accept QR Code-based UPI payments.

Sectoral Deployment of Bank Credit – January 2023

Data on sectoral deployment of bank credit for the month of January 2023[1] collected from 40 select scheduled commercial banks, accounting for about 93 per cent of the total non-food credit deployed by all scheduled commercial banks, are set out in Statements I and II.

On a year-on-year (y-o-y) basis, non-food bank credit[2] registered a growth of 16.7 per cent in January 2023 as compared with 8.3 per cent a year ago.

Highlights of the sectoral deployment of bank credit are given below:

- Credit growth to agriculture and allied activities improved to 14.4 per cent (y-o-y) in January 2023 from 10.4 per cent a year ago.
- Credit to industry registered a growth of 8.7 per cent (y-o-y) in January 2023 as compared with 5.9 per cent in January 2022. Size-wise, credit to large industry grew by 6.5 per cent as compared with 0.2 per cent a year ago. Credit growth of medium industries was 18.1 per cent as against 52.4 per cent last year. Credit to micro and small industries registered a growth of 15.2 per cent in January 2023 (23.3 per cent a year ago).
- Within industry credit growth to 'basic metal & metal products', 'beverage & tobacco', 'cement & cement products', 'chemicals & chemical products', 'food processing', 'glass & glassware', 'mining & quarrying', 'petroleum, coal products & nuclear fuels', 'vehicles, vehicle parts & transport equipment' and 'wood & wood products' accelerated in January 2023 as compared with the corresponding month of the previous year. Credit growth to 'all engineering', 'construction', 'gems & jewellery', 'infrastructure', 'leather & leather products', 'paper & paper products', 'rubber, plastic & their products' and 'textiles' decelerated/contracted.
- Credit to services sector rose by 21.5 per cent (y-o-y) in January 2023 as compared with 5.7 per cent a year ago, primarily due to the improved credit offtake to 'NBFCs'.
- Personal loans growth accelerated to 20.4 per cent (y-o-y) in January 2023 from 12.8 percent a year ago, largely driven by 'housing' and 'vehicle loans'.

INSURANCE

Bima Manthan

The third edition of Bima Manthan took place over a course of 2 days on 1st and 2nd March, 2023 at Hyderabad. In this edition, focussed discussions happened on the performance of the industry in FY 2022-23 (till Jan 23). The industry registered year on year growth rate of 18% till Jan 2023, with general insurance industry recording 17% and life insurance industry clocking 18%. Further, deep dive was made on all major segments of both the life and non-life segments highlighting opportunities in each area. A common consensus existed on prioritizing term insurance, pension and annuity segments in life and health, motor, property in general insurance. It was encouraged to leverage existing government databases and collaborating with other agencies and regulators to expand reach.

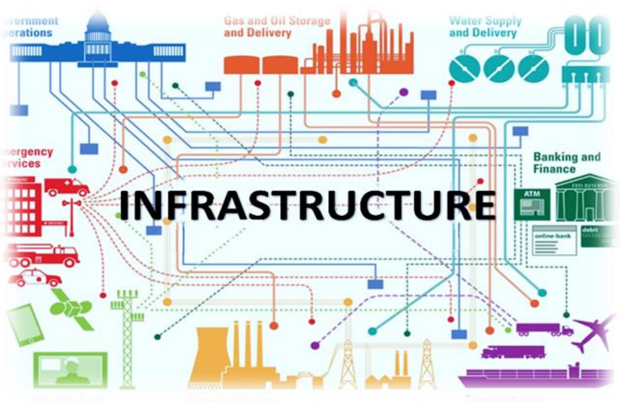
Furthering the mission of maximum insurance inclusion, the progress of industry under State Insurance Plan was deliberated. The insurance industry displayed enthusiasm for the flagship program and committed to actively engage in taking insurance to every nook and corner of the country. Various initiatives by the lead insurers in their respective states were showcased like Jeevan Beema Jagruti Abhiyan in Jharkhand, digital campaign in Ladakh, comprehensive survey on insurance awareness across 10 cities in Chhattisgarh etc. The "Roti, Kapda, Makaan, Aur Jeevan Bima" campaign by SUD Life Insurance Co. Ltd. in Jharkhand resulted in increased awareness about PMJJBY and insurer submitted that its PMJJBY covers increased from 8 lacs to 14 lacs in just 2 months as a result of the campaign. It was agreed to formulate a 5-year plan to increase footprints of lead insurers in their respective states.

Further, IRDAI mission mode teams on Risk Based Capital, Risk Based Supervision Framework, and Convergence to Ind AS/IFRS presented the progress made in the respective areas. The transition to the India Model of RBC & RBSF and adoption of Ind AS is possible only with the active role and participation of the industry and thus the expectation from the industry including continued participation in data submission, testing and pilot stage, prompt responsiveness, better synergies etc. were highlighted. Considering the immense potential of account aggregators, a holistic view of the framework was presented by Sahamati, a non-profit organization engaged in the harmonious adoption of the Account Aggregator framework. The use case studies for insurance sector leveraging account aggregator framework on customer on-boarding & risk assessment, verification process & reducing frauds, claim payments & reduction in unclaimed amounts and for advanced analytics-based products were discussed. Insurance Information Bureau of India (IIBI) also showcased how advanced data analytics can help the industry and presented demo of 'Bima Satark' – a fraud prevention tool created in-house by IIBI for health insurance. The industry was encouraged to put Digital First in their data strategy.

The Health Insurance Consultative Committee also presented their findings on increasing penetration of health insurance and increasing efficiencies in claim servicing. The immediate, short term and medium to long term steps were discussed. The need for prudent health ecosystem collaborations to take the health insurance forward was highlighted. IRDAI stressed upon preference to cashless mode in health insurance over the reimbursement mode.

One of the major focus of this Bima Manthan was discussions around prompt claim settlement and speedy redressal of grievances. IRDAI emphasized on bringing 'EASE', that is Enhanced Access and Service Excellence in delivery of insurance services, in line with banking industry. It envisages creating an environment which provides ease to the policyholder in approaching the insurance company, be it for purchasing, servicing or receiving claims or lodging any complaint or grievance and that the insurance companies must strive to provide maximum excellence in their service delivery. The enhanced responsibility on the insurance companies as well as councils to ensure best market conduct practices and market ethics maximizing customer satisfaction were spelt out. Various strategies to deepen insurance inclusion and enhance penetration across different lines of business were indicated and the industry was encouraged to have more active role in launching new age products and for emerging risks.

All the themes of the 3rd Bima Manthan revolved around customer centricity, confidence and convenience and to support the insurance sector in transition to changing global scenario.



INFRASTRUCTURE & OTHER GOVT. INITIATIVES

PM lays foundation stone multiple development projects, Karnataka

The Prime Minister laid the foundation stone and inaugurated multiple development projects worth more than Rs 2,700 crore in Belagavi, Karnataka. He released the 13th installment amounting to about Rs. 16,000 crores under PM-KISAN.

The Prime Minister laid the foundation stone and inaugurated multiple development projects worth more than Rs 3,600 crore at Shivamogga, Karnataka. He also inaugurated the Shivamogga Airport and took a walk-through of the facilities. The Prime Minister also laid the foundation stone for two railway projects in Shivamogga which include Shivamogga – Shikaripura – Ranebennur new Railway line and Koteganguru Railway coaching depot. He also laid the foundation stone for multiple road development projects to be developed at a cumulative cost of more than Rs 215 crore. He also inaugurated and laid the foundation stone of multi-village schemes worth more than Rs 950 crore under the Jal Jeevan Mission. He also inaugurated 44 Smart City Projects worth more than Rs 895 Crores in Shivamogga city.

Rs. 3392.98 crore sanctioned for 145 projects under Northeast Special Infrastructure Development Scheme.

In all, 145 projects have been approved/sanctioned for a total cost of Rs.3392.98 crore under North East Special Infrastructure Development Scheme (NESIDS) since inception i.e w.e.f. 2017-18 to 2022-23 (as on 09-02-2023).

Union Minister approves National Highway project worth Rs 410.83 Crore on EPC Mode in West Bengal

Union Minister for Road Transport and Highways Shri Nitin Gadkari approved Rs 410.83 Crore for the construction of a 4-lane Raniganj Bypass with a length of 5.261 km on NH-14 (old NH-60) in Paschim Bardhaman district on EPC (Engineering, Procurement and Construction) Mode in West Bengal.

Union Minister inaugurates and lays foundation stones for National Highways projects worth Rs 3670 crore in Maharashtra

In Maharashtra, Union Minister for Road Transport and Highways Shri Nitin Gadkari inaugurated and laid foundation stone for 5 National Highway projects of 212 km length at Nanded worth Rs. 1,575 Crore, 3 National Highway projects worth Rs 1,058 crore and 75 km length at Parbhani, and National Highway project worth Rs 1,037.4 crore at Hingoli.

Union Minister inaugurates 7 National Highway projects with an investment of 6500 crores in Ballia, Uttar Pradesh

Union Minister for Road Transport and Highways Shri Nitin Gadkari inaugurated 7 National Highway projects with an investment of 6500 crores in Chitbada village, Ballia, Uttar Pradesh.

Union Minister approves development of 32 km long 6-lane Access Controlled Greenfield Highway on (NH-544G) Bengaluru–Vijayawada Economic Corridor in Hybrid Annuity Mode in Andhra Pradesh worth Rs 1292.65 Crore under Bharatmala Pariyojana

Union Minister for Road Transport and Highways Shri Nitin Gadkari approved ₹1292.65 Crore under Bharatmala Pariyojana for the development of 32.00 Km long 6-lane Access Controlled Greenfield Highway from Chandrasekharapuram to Polavaram on (NH-544G) Bengaluru–Vijayawada Economic Corridor in Hybrid Annuity Mode in Andhra Pradesh.

CAPITAL MARKETS

SEBI statement on Market Stability

The Indian financial market as represented by Sensex and Nifty has demonstrated ongoing stability and is continuing to function in a transparent, fair and efficient manner.

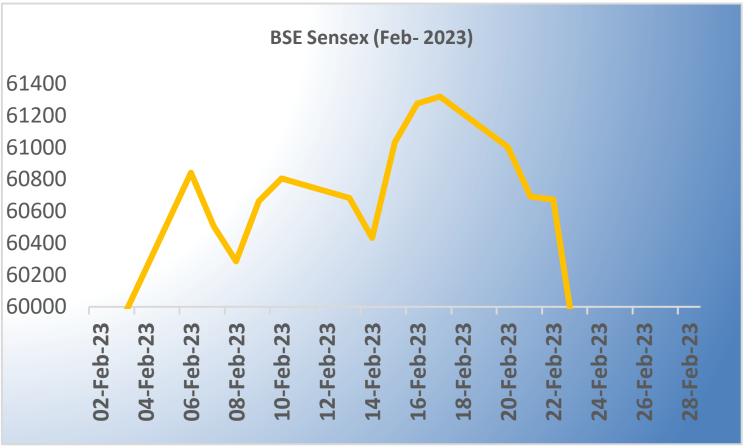
On a longer-term basis also, Indian markets have been viewed positively by investors. Across country comparison of dollar adjusted market returns with both peer and developed countries, during the past 3 years till date, places the Indian Market as a positive outlier.

During the past week, unusual price movement in the stocks of a business conglomerate has been observed. As part of its mandate, SEBI seeks to maintain orderly and efficient functioning of the market and has put in place a set of well defined, publicly available surveillance measures (including the ASM framework) to address excessive volatility in specific stocks. This mechanism gets automatically triggered under certain conditions of price volatility in any stock.

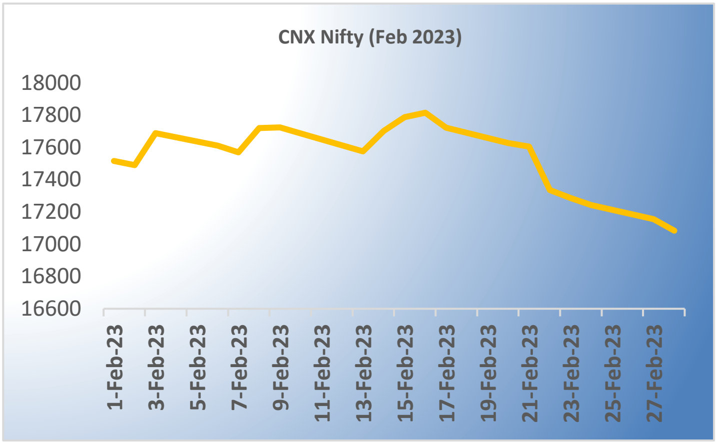
Further, in all specific entity related matters, if any information comes to SEBI's notice, then, as per extant policies, the same is examined and after due examination, appropriate action is taken. SEBI has consistently followed this approach on entity level issues and would continue to do so in future as well.

SEBI is committed to ensuring market integrity and to ensuring that the markets continue to have the appropriate structural strength to function in an uninterrupted, transparent and efficient manner as has been the case so far.

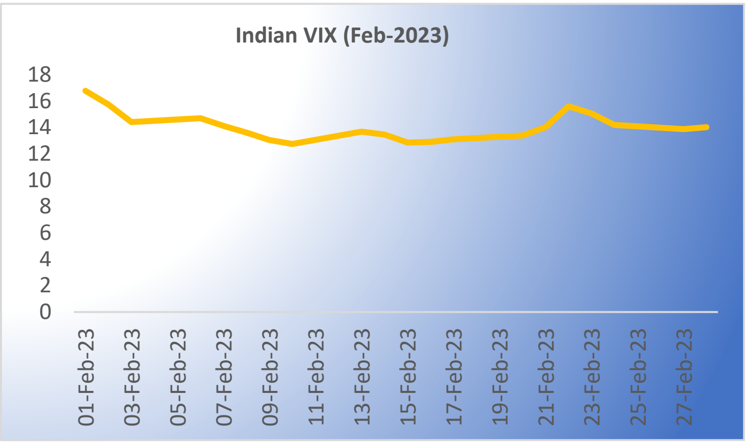
CAPITAL MARKETS SNAPSHOT



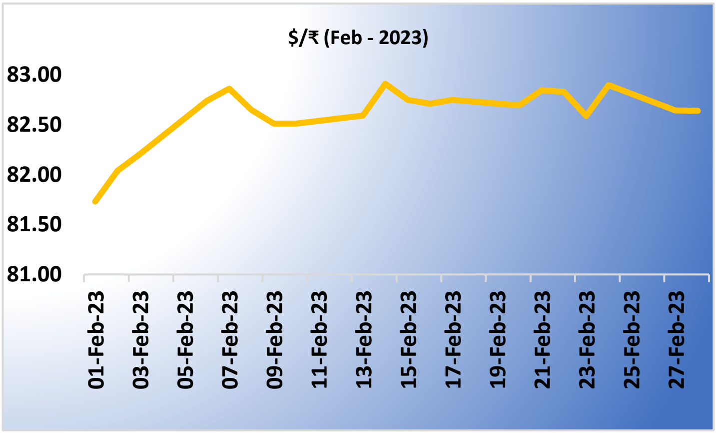
Sources: Bombay Stock Exchange



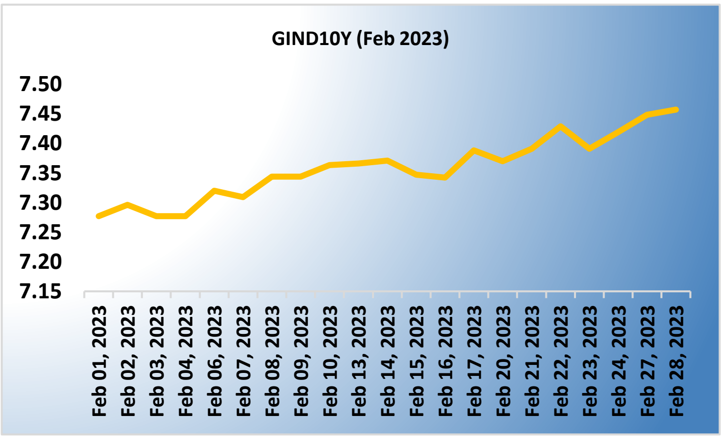
Sources: Bombay Stock Exchange



Source: National Stock Exchange



Sources: APAS Business Research Team



Sources: APAS Business Research Team

The month of February 2023 was another disappointing month for the markets as the fall in the Nifty continued.

In the February policy, the RBI hiked rates by another 25 bps and the minutes of the RBI MPC clearly indicates that the committee would go ahead with rate hikes till inflation came under control.

The RBI repo rates are already at 6.50% and now it looks like the terminal rates for the repo could be well beyond 7% during the current calendar year.

Amidst high volatility, the Nifty 50 index closed 13 points higher at 17,662, while the S&P BSE Sensex ended 50 points higher at 59,550.

February 2023, the markets started off on a strong note with the Union Budget, but it was a rude return to reality. Fears of a global slowdown, sustained hawkishness of central banks, rising inflation and weak quarterly numbers were the key pressure points that the stock markets had to contend with during the month.

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ECONOMIC DATA SNAPSHOT

Countries	GDP		CPI		Current Account Balance	Budget Balance	Interest Rates
	Latest	2022*	Latest	2022*	% of GDP, 2022*	% of GDP, 2022*	(10YGov), Latest
Brazil	3.6 Q3	2.8	5.8 Jan	9.3	-2.9	-4.7	13.3
Russia	3.7 Q3	-2.3	11.8 Jan	13.7	10.9	-2.3	10.8
India	**6.3 Q3**	**6.9**	**6.5 Jan**	**6.7**	**-2.9**	**-6.4**	**7.4**
China	2.9 Q4	3.0	2.1 Jan	1.9	2.2	-5.3	2.7
S Africa	4.1 Q3	2.3	7.2 Jan	7.0	-1.4	-5.5	10.2
USA	1.0 Q4	2.1	6.4 Jan	8.0	-3.4	-5.5	3.9
Canada	3.9 Q3	3.4	5.9 Jan	6.8	-0.6	-2.3	3.4
Mexico	3.5 Q4	3.1	7.9 Jan	7.9	-1.4	-2.5	9.4
Euro Area	1.9 Q4	3.5	8.5 Jan	8.4	0.9	-3.6	2.5
Germany	1.1 Q4	1.9	8.7 Jan	8.7	3.9	-2.4	2.5
Britain	0.4 Q4	4.0	10.1 Jan	7.9	-3.0	-5.3	3.6
Australia	5.9 Q3	3.5	7.8 Jan	6.6	2.0	-1.9	3.9
Indonesia	5.0 Q4	5.1	5.3 Jan	4.2	1.0	-2.4	6.8
Malaysia	7.0 Q4	7.3	3.8 Dec	3.4	2.4	-5.3	3.9
Singapore	2.1 Q4	3.8	6.5 Dec	6.1	19.6	-1.0	3.2
S Korea	1.3 Q4	2.6	5.2 Jan	5.1	1.6	-3.4	3.6

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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