NEWSLETTER

# APAS MONTHLY

April 2023 EDITION – VOLUME 4

## ASHVIN PAREKH

## THIS MONTH

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## EDITORIAL

In this issue, Mr. Chris Harvey – CEO, 22 Degrees North Advisors has presented his thoughts on **'The Role of Fintechs in the Growth of Financial Services'**. We thank Mr. Harvey for his contribution to the APAS Monthly.

This month, the APAS column covers **Fintech market in India – Drivers, emerging trends and challenges**.

The economic indicators showed mixed performance. Manufacturing PMI rose to a 3-month high of 56.4 in March 2023 from 55.3 in the previous month. Services PMI declined to 57.8 in March 2023 from February's 12-year high of 59.4. Infrastructure output in India increased 3.6% year-on-year in March 2023, the least in five months, and easing from an upwardly revised 7.2% advance in the previous month. Index of Industrial Production (IIP) growth accelerated to 5.6 percent year-on-year in February 2023, up from an upwardly revised 5.5 percent the month before and above market expectations of 5.1 percent. India's retail price inflation (CPI) eased to 5.66% in March of 2023, the lowest since December of 2021 from 6.44% in February, and slightly below market forecasts of 5.8%. India Wholesale Price Index (WPI) number 1.34% (Provisional) for the month of March 2023 (over March 2022) against 3.85% recorded in February 2023.

The Reserve Bank of India (RBI) issued the results of Forward-Looking Surveys. RBI released draft circular on Fair Lending Practice - Penal Charges in Loan Accounts.

Insurance Regulatory Development Authority of India (IRDAI) released the data on Life Insurers for March 2023.

SEBI Unveiled the New Logo on the occasion of SEBI Foundation Day 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

APAS
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# On the cover

## GUEST COLUMN

*The Role of Fintechs in the Growth of Financial Services*

*Chris Harvey*
*CEO*
*22 Degrees North Advisors*

## APAS COLUMN

*Fintech market in India – Drivers, emerging trends and challenges*

## ECONOMY

*Index of Industrial Production – February*
*Inflation update – March*
*PMI update – March*
*Core Sector – March*

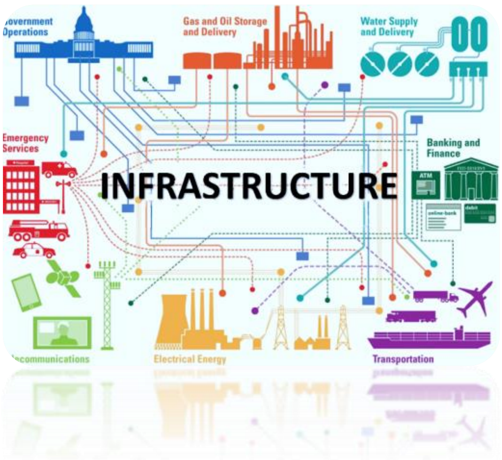

## BANKING

*RBI releases the results of Forward-Looking Surveys*

*RBI releases Draft Circular on Fair Lending Practice - Penal Charges in Loan Accounts*

## INSURANCE

*Life Insurers – March 2023*




## INFRASTRUCTURE & OTHER GOVT. INITIATIVES

*Union Minister for MSME launches the revamped CGTMSE Scheme*


# CAPITAL MARKETS

*SEBI Unveiled the New Logo on the occasion of SEBI Foundation Day*

# 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*

# The Role of Fintechs in the Growth of Financial Services

*Chris Harvey*
*CEO*
*22 Degrees North Advisors*

**Executive Summary**

The last 10 years- and specifically the last 3-4 years- have seen a quiet revolution in Financial Services globally, spurred by technology. In this article, we will briefly examine the key drivers for this growth and some of the current risks and constraints that financial institutions are facing.

**Key Drivers of Growth**

We have identified 4 key drivers for both the speed of adoption and the breadth of impact of the dramatic changes to the digital landscape of financial services that we have seen over the last 3-4 years:

- The impact of the Covid 19 pandemic and the response to it
- Technology advances and the global trend of fintech adoption
- Policy and regulatory changes encouraging digitisation
- The arrival of new digital challengers

*Covid 19*

One of the few positives to come out of the pandemic that has affected the world over the last 3 years has been the acceleration of digitalisation across all sectors of the community. As one observer has put it: “the world advanced 5 years in 10 weeks of Covid”. Measures to combat the virus drove digital adoption at a very rapid rate:

- The introduction of track and trace mechanisms promoted the use of mobile digital technology to enable citizens around the world to conduct a more “normal” life through the pandemic by providing access to shopping, transportation, and places of work and of entertainment. Despite initial misgivings on data security and misuse of data, these measures increased the general populations’ familiarity with and trust in digital and mobile solutions and have provided a solid foundation for greater use of digital solutions for everyday life
- Periods of lockdown and the fear of the transmissibility of the virus encouraged retailers to rapidly develop and roll out digital e- commerce solutions and accelerated the use of contactless transactions: for example, by 2022, over 80% of face-to-face transactions in Hong Kong were contactless using either tap or mobile payments devices. Surveys have indicated that this digital adoption will remain “sticky” and that over 80% of users will stay with their digital means of transacting.
- Lockdown measures further accelerated the trend to new ways of remote working, further stimulating digital adoption in both work and personal life. One Financial institution was able to ensure that 95% of all of its staff members globally were able to work 100% remotely within 6 weeks, something that would have taken years to achieve under more “normal” circumstances.

Despite the obvious and significant negative impact of the pandemic, its effect on the digital landscape has been transformational.

*Technology and Fintech*

Recent years have seen the explosion of Fintech start- ups and new financial institutions that are digital led: access to sources of finance, Fintech incubators, innovation departments in incumbent organisations and regulator- and government- led initiatives to promote the growth of the sector, have been key drivers of this explosion. In many markets the arrival of new virtual banks and digital insurers have provided a huge stimulus to the market.

Additionally, we have seen a number of key technologies reach maturity and broad adoption. Blockchain technology has been deployed in multiple transaction- based use cases, most notably in Trade services. Cloud services for data storage and management provide Financial Institutions with the ability to store and manage an almost infinite quantity of data safely and securely and provides them with the opportunity to better tailor products and services to meet customer needs through the rapid deployment of analytics.

Incumbent financial institutions have countered the threats provided by the new entrants by deploying new technologies and leveraging open banking:

- Banks have focused on improving the digital customer experience both through their apps and through improvements in transaction banking capabilities such as payments, for both consumers and SMEs. For example, one bank in Asia has reported that they integrated over 300 APIs in 2022 alone. Further, supported by regulators, they have been able to improve efficiency and effectiveness through the deployment of Regtech, particularly in the areas of lending and credit scoring, AML, KYC and financial crime prevention.
- Insurers have focused on digitally enabling agents to streamline the sales and servicing process, better ensure the suitability of products for customers and to improving claims management.
- In wealth and asset management, new entrants such as e- brokerages have started to challenge incumbents with the speed and cost of their offerings and wealth management will be a focus area for digital development in 2023.

*Policy and Regulation*

The responsiveness and active support of both regulators and government for the sector has been a clear driver of growth. For example, the introduction of new virtual banks and insurers, new regulations governing data management and availability and the launch of faster payments solutions and open banking have all stimulated innovation and brought new products and services to the market. Recent policy decisions on Crypto in many countries such as Singapore and Hong Kong are designed to ensure that innovation for alternative assets of all kinds continues to grow and develop.

Further government initiatives to digitize government services in many countries have enhanced digital adoption amongst the general population and encouraged financial institutions to develop complimentary capabilities. Many countries are moving towards becoming cashless societies, which will further accelerate the development and adoption of digital financial services.

*New Digital Challengers*

Perhaps surprisingly, incumbent financial institutions have welcomed the introduction and launch of the new digital challenges in both banking and insurance. They have acted as a catalyst and a spur to innovation across the sector and encouraged incumbents to challenge old business models and ways of working. It is still too early to judge the intrinsic success of all of the new challengers: customer acquisition costs remain high and despite the attractive offers, digital- first customer experience and gamification to encourage usage and adoption, primary functions (e.g., primary transaction current accounts) continue to remain broadly with the incumbents.

**Growth Risks and Constraints**

Despite the positive drivers identified above, there remain several risks and constraints that Financial Institutions face to the further adoption of digital products and services:

- For incumbents, legacy complex systems architectures make integration of new capabilities difficult, costly, and complex.
- Financial institutions of all types face increasing cost pressures and are cutting back on discretionary spend and are finding that they are capacity constrained.
- Technology solutions sometimes promise much but for various reasons fail to deliver the promised outcomes. In addition, financial institutions struggle to find the most appropriate solutions for their specific needs and have reverted to a "build" not "buy" strategy.
- Regulation can be either too opaque or too unresponsive to changing market demands
- Customers can be reluctant to adopt new technologies or to switch to new product or service providers: consumer trust remains a key issue. Both regulators and financial institutions are focused on protecting consumers on from risk along several axes:
    - Data Security: security and integrity of personal data
    - Fraud and financial crime including identity theft and on- line scams.
    - Miss- selling and product suitability.

  and continue to act to enhance their capabilities in all these areas.

- Cybercrime at both the personal and institutional level spiked during the pandemic. Insecure home networks and sophisticated intrusion technology combined to create significant risk to both institutions and individuals. Financial Institutions are investing heavily in technology tools to fight cybercrime and in training of staff and communications with customers on the risks and how to mitigate them.
- An overriding constraint, globally, is the severe talent shortage in technology skills. "Fintech" requires a combination of both financial knowledge and technical skills:  bringing these 2 together is one place remains a significant challenge.

**Conclusion**

Despite the recent squeeze on the availability of financing for Fintechs and for the further adoption of new technologies in Financial Institutions, we believe that this revolution will only continue to grow and expand, and that Financial Services will continue to evolve and change, spurred by technology and innovation.

# APAS Column

## *Fintech market in india – drivers, emerging trends and challenges*

India is one of the fastest growing fintech markets in the world, with a market size of $50 billion in 2021 and an estimated $150 billion by 20251. The major segments under fintech include payments, digital lending, insurtech, and wealthtech. India has the highest fintech adoption rate globally of 87%, which is significantly higher than the global average rate of 64%. India also has the largest volume of digital payments in the world, with more than $100 trillion in transaction volume and $50 billion in terms of revenue by 2030.

Indian fintech market is witnessing strong growth and is supported by – A. large and growing population of smartphone and internet users, who are increasingly adopting digital platforms and services for their financial needs. India also has a huge unbanked and underbanked population, who can benefit from the low-cost, convenient, and inclusive solutions offered by fintechs. B. India has a robust digital infrastructure, such as the JAM trinity (Jan Dhan Yojana, Aadhaar, and Mobile), UPI, BBPS, GSTN, etc. that enable fintechs to leverage open API platforms, real-time payments, biometric authentication, and data analytics. India also has a vibrant startup ecosystem and innovation culture, supported by various incubators, accelerators, investors, and mentors. C. India has a huge and diverse market potential for fintechs across various segments, such as payments, lending, insurance, wealth management, etc. India also has a favourable regulatory environment and policy initiatives by the government and the central bank to promote digital financial inclusion, innovation, and security.

It is interesting to note the emergence of new fintech unicorns and startups, especially in the payments and lending segments. India had 11 new fintech unicorns in 2021, second only to the US. There has been an increasing collaboration and integration between fintechs and traditional financial institutions, such as banks, NBFCs, insurance companies, and mutual funds. This enables fintechs to leverage the existing customer base, distribution network, and regulatory compliance of the incumbents, while offering innovative and customized solutions to the customers. There is a rising adoption of digital platforms and technologies by customers, especially in the post-pandemic scenario. This includes the use of smartphones, biometrics, QR codes, UPI, blockchain, artificial intelligence, and cloud computing for accessing various financial services. The supportive regulatory environment and policy initiatives by the government and the central bank to promote digital financial inclusion, innovation, and security. Some of these include the regulatory sandbox framework, the open banking guidelines, the central bank digital currency concept note, and the incentive scheme for promotion of RuPay cards.

The future of fintechs in India is also looking bright given the untapped potential of serving the large unbanked and underbanked population in India, especially in rural areas and tier 2 and tier 3 cities. Fintechs can offer low-cost, convenient, and customized financial products and services to this segment through digital channels.

There is a growing demand for personalized and value-added financial solutions by the millennials and Gen Z customers, who are tech-savvy, aspirational, and socially conscious. Fintechs can leverage data analytics, artificial intelligence, gamification, and social media to cater to this segment. The opportunities for cross-border expansion and collaboration with other emerging markets, especially in Asia-Pacific and Africa are increasing. Fintechs can leverage their expertise, innovation, and scalability to offer solutions that are relevant and adaptable to these markets.

However, the fintech growth is not without any challenges. Fintechs have to comply with the regulatory frameworks and guidelines of various authorities, such as RBI, SEBI, IRDAI, etc. while developing and offering innovative and disruptive solutions. They also have to manage the operational, cyber, fraud, and reputational risks associated with digital platforms and transactions. Fintechs must find ways to generate revenue and profit from their services, without overloading the customers with extra charges or compromising on the quality or security of the services. They should also compete with the incumbents and other fintechs for customer acquisition and retention. Fintechs must overcome the challenges of low digital literacy, awareness, trust, and access among the unbanked and underbanked population in India, especially in rural areas and tier 2 and tier 3 cities. They also need to cater to the diverse needs and preferences of these segments, such as local languages, cultural norms, and behavioural patterns. Fintechs need to harness the power of data analytics, artificial intelligence, blockchain, cloud computing, and other emerging technologies to offer personalised, convenient, and secure financial solutions to the customers. They must ensure the privacy, consent, and protection of the customer data in compliance with the data protection laws and regulations.

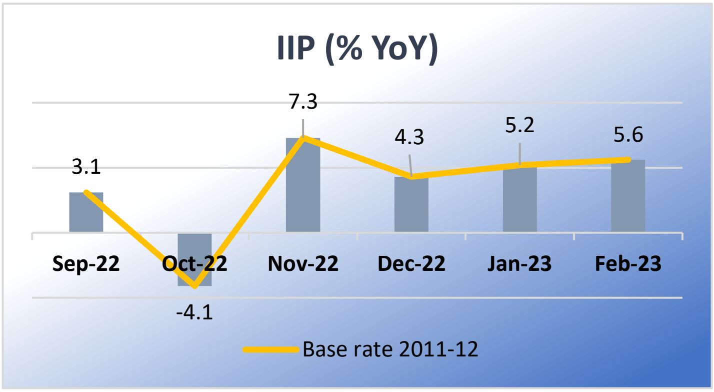
- ***APAS***

# ECONOMY

## *IIP (Index of Industrial Production) – February*

Industrial Production in India increased 5.6% year-on-year in February of 2023, following a 5.2% rise in January 2023.

For the month of Feb 2023, the Quick Estimates of Index of Industrial Production (IIP) with base 2011-12 stands at 138.7.




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

The manufacturing sector, which constitutes close to 77 % of the index, increased by 5.3% in February, to 136.8. Mining sector grew by 4.6 %, to 129.0. Electricity generation grew by 8.2%, to 174.0.

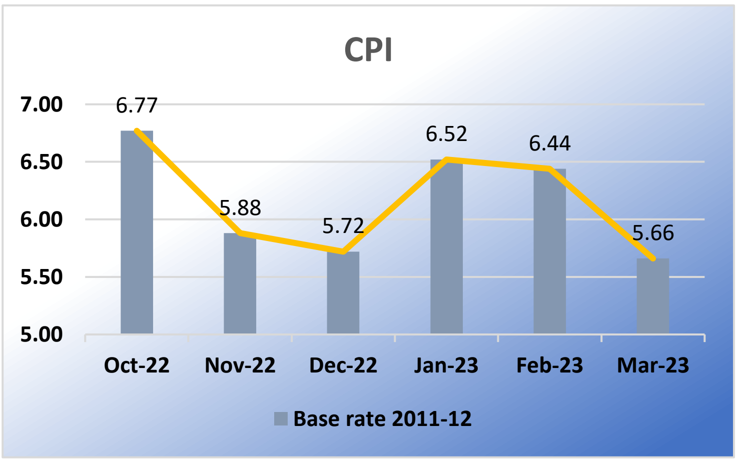
As per Use-based classification, the indices stand at 139.7 for Primary Goods, 104.4 for Capital Goods, 143.2 for Intermediate Goods and 164.0 for Infrastructure/ Construction Goods for the month of February 2023.

Further, the indices for Consumer durables and Consumer non-durables stand at 108.4 and 154.3 respectively for the month of February 2023.

## *CPI (Consumer Price Index) – March*

Annual consumer inflation in India eased to 5.66% in March of 2023, the lowest since December of 2021 from 6.44% in February, and slightly below market forecasts of 5.8%.

The inflation moved back to below the RBI's upper tolerance limit of 6%, due to a slowdown in food costs (4.79% vs 5.95% in February), mainly vegetables (-8.51%), oils and fats (-7.86%) and meat (-1.42%), which partially offset a rise in cost for cereals (15.27%), milk (9.3%) and spices (18.21%).



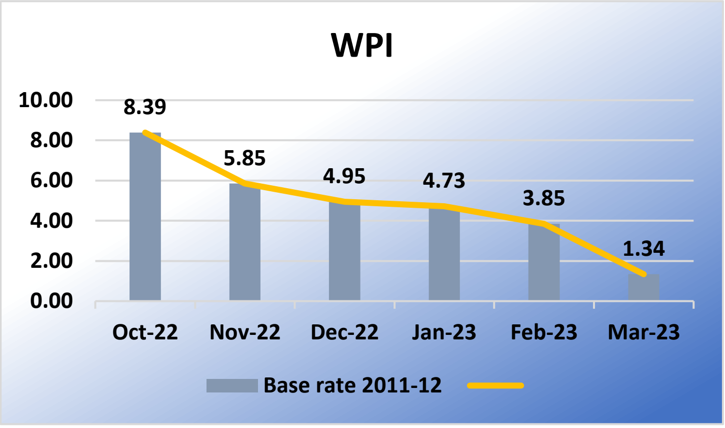

Source: APAS BRT, www.eaindustry.nic.in

Also, cost of sugar and confectionery went up 1%. A slowdown was also seen in cost for fuel and light (8.91% vs 9.9%), miscellaneous (5.77% vs 6.12%), clothing and footwear (8.18% vs 8.8%) and pan, tobacco, and intoxicants (2.99% vs 3.22%).

On the other hand, prices rose faster for housing (4.96% vs 4.83%).

## ***WPI (Wholesale Price Index) – March***

India Wholesale Price Index (WPI) number is 1.34% (Provisional) for the month of March 2023 (over March 2022) against 3.85% recorded in February, 2023.




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

Decline in the rate of inflation in March 2023 is primarily contributed by fall in prices of basic metals, food products, textiles, non-food articles, minerals, rubber & plastic products, crude petroleum & natural gas and paper and paper products.

The month-over-month change in WPI index in March 2023 remains unchanged as compared to February 2023.
The index for primary articles increased by 1.16% to 175.0 (provisional) in March 2023 from 173.0 (provisional) for the month of February 2023.

Prices of Minerals (8.16%), Crude Petroleum & Natural Gas (4.61%) and Food Articles (1.13%) increased in March 2023 as compared to February, 2023.

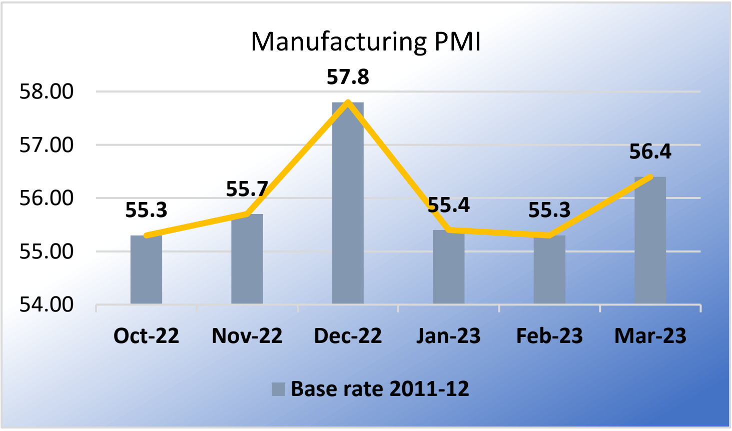
The index for fuel and power declined by 1.26% to 156.8 (provisional) in March 2023 from 158.8 (provisional) for the month of February 2023.

Prices of Coal (0.07%) increased in March 2023 as compared to February 2023. Prices of Mineral Oils and Electricity declined by 0.24% and 4.95% respectively in March 2023 as compared to February 2023.

The index for manufactured products declined by 0.28% to 141.2 (provisional) in March, 2023 from 141.6 (provisional) for the month of February, 2023.

## ***Manufacturing PMI – March***

The S&P Global India Manufacturing PMI rose to a 3-month high of 56.4 in March 2023 from 55.3 in the previous month, topping market forecasts of 55.0. Output rose at the quickest pace since last December and one that outpaced its long-run average, and new order growth was at 3-month peaks.




Source: www.tradingeconomics.com

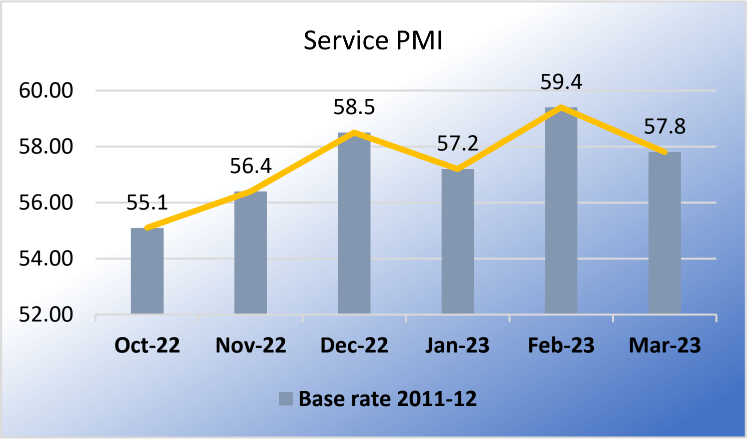
Also, export sales accelerated while purchasing activity rose the most since May 2022. Meantime, goods producers kept payroll numbers largely unchanged amid the weakest rise in a year of outstanding business volumes. Suppliers were reportedly able to deliver purchased materials in a timely manner, pointing to a fractional improvement in vendor performance.

On inflation, March data highlighted the second-weakest increase in input prices in 2-1/2 years, while selling prices rose at a pace broadly similar to that in February.

Finally, sentiment slipped to an eight-month low due to concerns surrounding competitiveness and general inflation.

## Services PMI – March

The S&P Global India Services PMI declined to 57.8 in March 2023 from February's 12-year high of 59.4, below market forecasts of 58.3.




Source: [www.tradingeconomics.com](http://www.tradingeconomics.com)

Still, the latest reading pointed to the twentieth successive month of increase in the service sector. as both output and new orders growth remained solid while international sales showed an expansion.

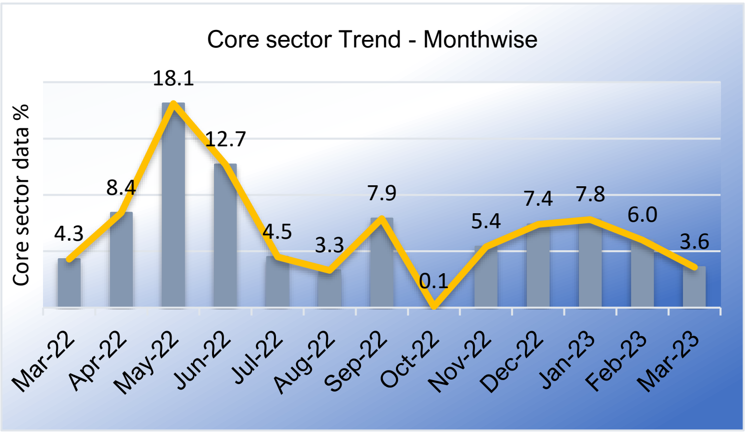
At the same time, employment rose for the 10th month running despite growing only marginally, with backlogs of work accumulating for the 15th month in a row.

On the pricing front, input cost inflation eased to the lowest since September 2020, while output cost inflation accelerated.

Looking ahead, business sentiment deteriorated to an eight-month low, as several firms foresee no change in activity from present levels.

## Core Sector Data – March

The combined Index of Eight Core Industries (ICI) increased by 3.6 per cent (provisional) in March 2023 as compared to the Index of March 2022. The production of Coal, Fertilizers, Steel, Natural Gas and Refinery Products increased in March 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).




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

Final growth rate of Index of Eight Core Industries for December 2022 is revised to 8.3 per cent from its provisional level 7.4 per cent. The cumulative growth rate of ICI during 2022-23 reported 7.6 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 12.2 per cent in March 2023 over March 2022. Its cumulative index increased by 14.8 per cent during 2022-23 over corresponding period of the previous year.

**Crude Oil** - Crude Oil production (weight: 8.98 per cent) declined by 2.8 per cent in March 2023 over March 2022. Its cumulative index declined by 1.7 per cent during 2022-23 over the corresponding period of previous year.

**Natural Gas -** Natural Gas production (weight: 6.88 per cent) increased by 2.8 per cent in March 2023 over March 2022. Its cumulative index increased by 1.6 per cent during 2022-23 over the corresponding period of previous year.

**Petroleum Refinery Products** - Petroleum Refinery production (weight: 28.04 per cent) increased by 1.5 per cent in March 2023 over March, 2022. Its cumulative index increased by 4.8 per cent during 2022-23 over the corresponding period of previous year.

**Fertilizers** - Fertilizers production (weight: 2.63 per cent) increased by 9.7 per cent in March 2023 over March 2022. Its cumulative index increased by 11.3 per cent during 2022-23 over the corresponding period of previous year.

**Steel** - Steel production (weight: 17.92 per cent) increased by 8.8 per cent in March 2023 over March 2022. Its cumulative index increased by 8.6 per cent during 2022-23 over the corresponding period of previous year.

**Cement** - Cement production (weight: 5.37 per cent) declined by 0.8 per cent in March 2023 over March 2022. Its cumulative index increased by 8.6 per cent during 2022-23 over the corresponding period of previous year.

**Electricity** - Electricity generation (weight: 19.85 per cent) declined by 1.8 per cent in March 2023 over March 2022. Its cumulative index increased by 8.9 per cent during 2022-23 over the corresponding period of previous year.


# BANKING

## *RBI releases the results of Forward-Looking Surveys*

The Reserve Bank of India released on its website the results of the following Surveys:

i. Consumer Confidence Survey (CCS) – March 2023
ii. Inflation Expectations Survey of Households (IESH) – March 2023
iii. OBICUS Survey on manufacturing sector – Q3:2022-23
iv. Industrial Outlook Survey of the Manufacturing Sector for Q4:2022-23
v. Survey of Professional Forecasters on Macroeconomic Indicators – Round[1] 81st
vi. Bank Lending Survey for Q4:2022-23
vii. Services and Infrastructure Outlook Survey for Q4:2022-23

The Survey results are based on the feedback received from the respondents to the Surveys and do not necessarily reflect the views of the Reserve Bank of India.

## *RBI releases Draft Circular on Fair Lending Practice - Penal Charges in Loan Accounts*

In pursuance of the announcement made in the Statement on Developmental and Regulatory Policies dated February 08, 2023 regarding the review of extant regulatory guidelines on levy of penal interest, the Reserve Bank of India has released today the Draft Circular on Fair Lending Practice - Penal Charges in Loan Accounts.

Comments by the stakeholders on the 'Draft Circular' may be submitted by May 15, 2023 to the Chief General Manager.

On a review of the practices followed by regulated entities (RE) for charging penal interest/charges on loans, the following instructions are issued for adoption.

(i) Determination of interest rates on credit facilities, including conditions for reset of interest rates, will be strictly governed by the relevant regulatory instructions issued in this regard. REs shall not introduce any additional component to rate of interest.

(ii) Penalty, if charged, for default / non-compliance of material terms and conditions of loan contract by the borrower shall be treated as 'penal charges' and shall not be levied in the form of 'penal interest' that is added to the rate of interest charged on the advances. There shall be no capitalization of penal charges, i.e, no further interest computed on such charges. However, this will not affect the normal procedures for compounding interest in the loan account.

(iii) It needs to be recognized that the rate of interest on a loan includes an appropriate credit risk premium reflecting the credit risk profile of the borrower. If the credit risk profile of the borrower undergoes change, REs will be free to alter credit risk premium as per the contracted terms and conditions, in terms of extant instructions.

(iv) The quantum of penal charges shall be proportional to the defaults/ non-compliance of material terms and conditions of loan contract beyond a threshold. This threshold is to be determined by the REs and shall not be discriminatory within a particular loan / product category.

(v) The penal charges in case of loans sanctioned to individual borrowers, for purposes other than business, shall not be higher than the penal charges applicable to non-individual borrowers.

(vi) Penal charges and the conditions precedent therefor, shall be clearly disclosed by REs to the customers in the loan agreement and most important terms & conditions / Key Fact Statement (KFS) as applicable, in addition to being displayed on REs website under Interest rates and Service Charges.

(vii) Whenever reminders for payment of instalments are sent to borrowers, the applicable penal charges, shall also be communicated.

(viii) The REs shall ensure that there is a clearly laid down Board approved policy on penal charges or similar charges on loans, by whatever name called.

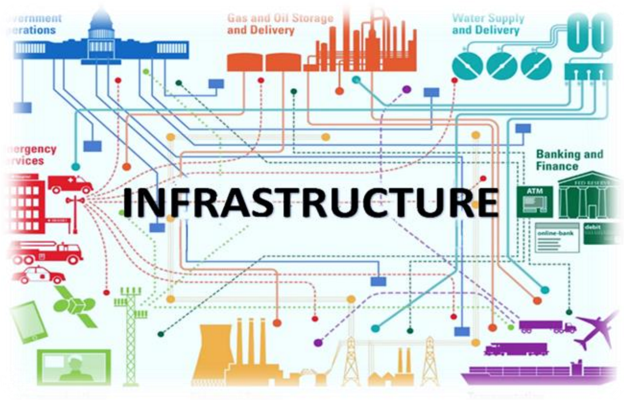
(ix) The operationalization of the ‘penal charges’ in place of ‘penal interest’ will be subject to appropriate review during supervisory examination by the RBI.

(x) These instructions shall come into effect from a date to be indicated in the final circular and REs may carry out appropriate revisions in their policy framework and ensure implementation from the effective date

# INSURANCE

## Life Insurers – March 2023

| New Business Statement of Life Insurers for the Period ended ended 31 Mar, 2023 | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Sl No.** | **Insurer** | **Premium** | | | **No. of Policies / Schemes** | | | **No. of lives covered under Group Schemes** | | |
| | | Up to March , 2023 | Growth in % | Market Share | Up to March , 2023 | Growth in % | Market Share | Up to March , 2023 | Growth in % | Market Share |
| 1 | **Aditya Birla Sun Life** | 7672.22 | *35.42* | *2.07* | 243809 | *7.98* | *0.85* | 5518536 | *115.68* | *2.07* |
| 2 | **Aegas Federal Life** | 911.40 | *11.63* | *0.25* | 47016 | *6.00* | *0.16* | 76065 | *149.11* | *0.03* |
| 3 | **Aegon Life** | 11.45 | *-31.30* | *0.00* | 3026 | *-67.63* | *0.01* | 163180 | *103.40* | *0.06* |
| 4 | **Aviva Life** | 343.95 | *16.12* | *0.09* | 28463 | *14.40* | *0.10* | 733240 | *195.89* | *0.27* |
| 5 | **Bajaj Allianz Life** | 10736.98 | *17.53* | *2.90* | 613528 | *29.11* | *2.15* | 27599343 | *-2.26* | *10.34* |
| 6 | **Bharti Axa Life** | 1016.91 | *8.79* | *0.27* | 105217 | *-13.69* | *0.37* | 477776 | *-3.48* | *0.18* |
| 7 | **Canara HSBC Life** | 3682.01 | *31.61* | *0.99* | 186714 | *4.77* | *0.65* | 5960059 | *47.60* | *2.23* |
| 8 | **Edelweiss Tokio Life** | 543.69 | *13.13* | *0.15* | 56596 | *-13.66* | *0.20* | 273949 | *-21.85* | *0.10* |
| 9 | **Exide Life*** | 435.65 | *-56.56* | *0.12* | 61374 | *-51.98* | *0.22* | 144394 | *-86.90* | *0.05* |
| 10 | **Future Generali Life** | 698.90 | *52.94* | *0.19* | 42469 | *8.64* | *0.15* | 107610 | *-1.95* | *0.04* |
| 11 | **HDFC Life** | 28876.54 | *18.83* | *7.79* | 993398 | *8.53* | *3.48* | 67292907 | *26.55* | *25.21* |
| 12 | **ICICI Prudential Life** | 16921.85 | *12.55* | *4.57* | 603648 | *-7.64* | *2.12* | 47919033 | *47.65* | *17.95* |
| 13 | **India First Life** | 2717.17 | *2.90* | *0.73* | 313273 | *17.88* | *1.10* | 8613049 | *56.95* | *3.23* |
| 14 | **Kotak Mahindra Life** | 7668.67 | *24.84* | *2.07* | 350146 | *2.97* | *1.23* | 23985032 | *13.47* | *8.99* |
| 15 | **Max Life** | 8959.49 | *13.35* | *2.42* | 597338 | *-2.73* | *2.09* | 4179266 | *13.79* | *1.57* |
| 16 | **PNB Met Life** | 3219.29 | *30.44* | *0.87* | 287854 | *11.82* | *1.01* | 2682530 | *8.21* | *1.01* |
| 17 | **Pramerica Life** | 697.09 | *129.13* | *0.19* | 34603 | *19.34* | *0.12* | 2305797 | *119.77* | *0.86* |
| 18 | **Reliance Nippon Life** | 1125.50 | *-12.23* | *0.30* | 148883 | *-4.49* | *0.52* | 329668 | *48.40* | *0.12* |
| 19 | **Sahara Life** | 0.00 | *NA* | *0.00* | 0 | *NA* | *0.00* | 0 | *NA* | *0.00* |
| 20 | **SBI Life** | 29587.60 | *16.22* | *7.98* | 2197656 | *14.27* | *7.71* | 18437007 | *34.69* | *6.91* |
| 21 | **Shriram Life** | 1160.40 | *7.66* | *0.31* | 290156 | *6.26* | *1.02* | 5067383 | *-20.12* | *1.90* |
| 22 | **Star Union Dai-ichi Life** | 3118.01 | *61.86* | *0.84* | 194963 | *51.29* | *0.68* | 6893997 | *18.76* | *2.58* |
| 23 | **Tata AIA Life** | 8539.08 | *59.35* | *2.30* | 651996 | *22.60* | *2.29* | 1518686 | *46.64* | *0.57* |
| | **Private Total** | 138643.85 | *20.03* | *37.42* | 8052126 | *8.81* | *28.24* | 230278507 | *25.28* | *86.28* |
| 24 | **LIC of India** | 231899.17 | *16.67* | *62.58* | 20465055 | *-5.93* | *71.76* | 36622375 | *14.70* | *13.72* |
| | **Grand Total** | 370543.02 | *17.91* | *100.00* | 28517181 | *-2.19* | *100.00* | 266900882 | *23.72* | *100.00* |




# INFRASTRUCTURE & OTHER GOVT. INITIATIVES

## ***Union Minister for MSME Mr. Narayan Rane launches the revamped CGTMSE Scheme***

Union Minister for MSME Shri Narayan Rane launched the revamped CGTMSE Scheme in Mumbai today. CGTMSE has been provided with an additional corpus support of ₹9,000 crore in the Union Budget for FY 2023-24 to revamp its Scheme to provide guarantee for additional ₹2 lakh crore to Micro & Small Enterprises. Accordingly, the major revamp measures were launched and disseminated to the lending institutions. The modifications included reduction in guarantee fees for loans upto ₹1 crore by 50% bringing the minimum guarantee fee to the level of 0.37% pa only. Another major change announced was raising of ceiling for guarantee from ₹2 crore to ₹ 5 crore and enhancing the threshold limit for claim settlement without initiation of legal action to ₹10 lakh.

Shri S Ramann, Chairman and Managing Director, SIDBI (who is also the Chairman of CGTMSE) said that CGTMSE has been taking various initiatives which aims at boosting credit flow to MSEs by making the guarantee Scheme attractive for both MSEs as well as for the lenders. He also indicated that CGTMSE would come out with more schemes and assured the lenders that it would always be nimble footed in responding to their requirements.

Banks which had best utilized the guarantee Scheme were felicitated by the Union Minister. Senior executives of banks and NBFCs appreciated the changes being brought in the Scheme and expressed confidence that these measures will go a long way in facilitating collateral free lending to MSEs in the country and thus to create employment in a big way.

During the function it was announced that CGTMSE will collaborate with National Institute for Micro, Small and Medium Enterprises (ni-msme), Hyderabad for setting up a Centre of Financial Inclusion for MSME.

# CAPITAL MARKETS

## *SEBI Unveiled the New Logo on the occasion of SEBI Foundation Day*

Securities Market regulator, SEBI has a new logo from today. The new logo was unveiled at a function held at SEBI Head Office, Mumbaion the occasion of SEBI Foundation Day in the presence of former Chairmen, former and present Whole Time Members of SEBI.

Unveiling the logo, SEBI Chairperson, Ms. Madhabi Puri Buch said "SEBI's new logo seeks to reflect the unique combination of rich traditions of SEBI and new data and technology based approach to all the three areas of its mandate in the securities market -Development and Regulation of the Securities Market and Investor Protection."

**New SEBI Logo**

SEBI

भारतीय प्रतिभूति और विनिमय बोर्ड
Securities and Exchange Board of India

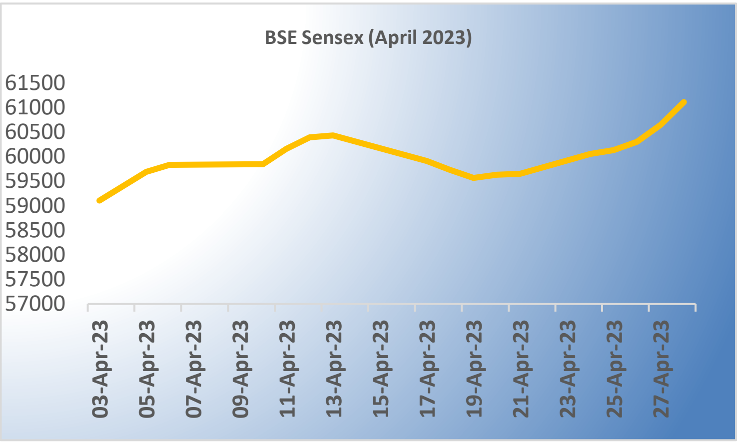
Established on April 12, 1988, SEBI celebrated its 35thFoundation Day today. In its journey of the past 35 years, SEBI has grown and evolved into an institution which facilitates the growth of the markets and Indian economy. Its strong foundations have been built and nurtured over the years, through its eminent leadership and the continued commitment of its employees.

Over the years, while the core purpose of SEBI has remained the same -Development of the Securities Market, Regulation of the Securities Market and Investor Protection, the way in which SEBI carries out its work has morphed significantly. The power of data and technology has allowed the Regulator to multiply the effectiveness of what it does. SEBI has now adopted data and technology as an integral part of its culture.

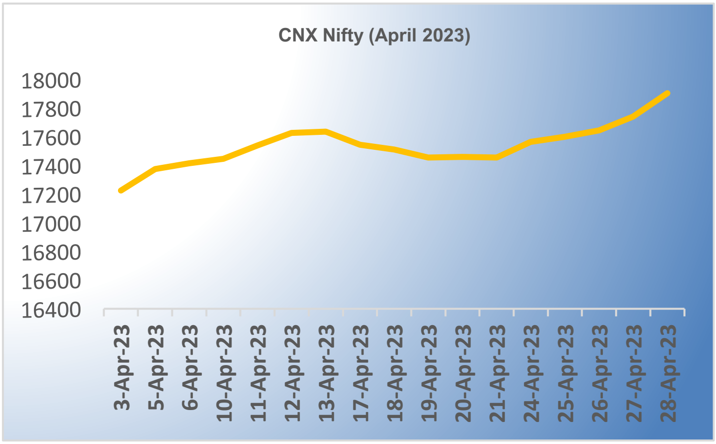
SEBI continues to believe in and follow its rich tradition of consultation and partnership with industry. With this combination of data, technology, consultation and partnership, SEBI is well on the way to establishing global best practices in the Securities Market.

The new logo of SEBI reflects the continuing commitment of SEBI to being a facilitator in the growth of the economy through capital formation and retaining its rich tradition of a consultative approach in policy making while adopting the power of data and technology. The new SEBI logo retains its traditional blue colour palette while also reflecting the aspiration of a new and modern nation that works for the prosperity of every Indian.

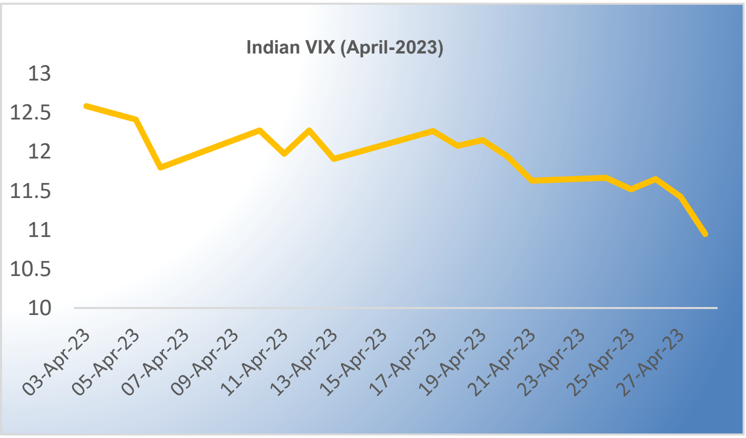
# CAPITAL MARKETS SNAPSHOT



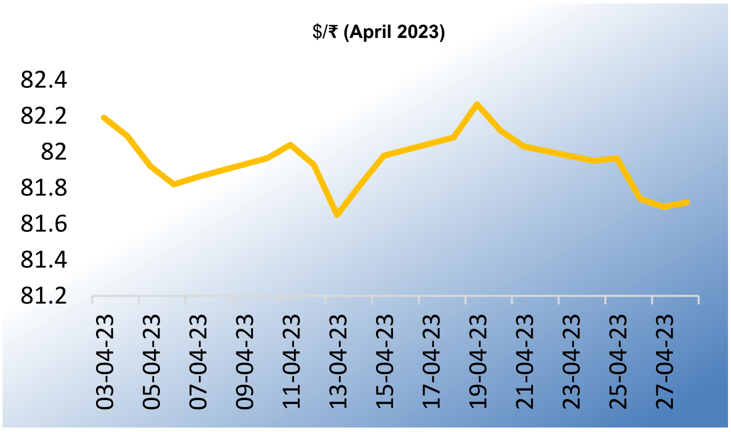

*Sources: Bombay Stock Exchange*



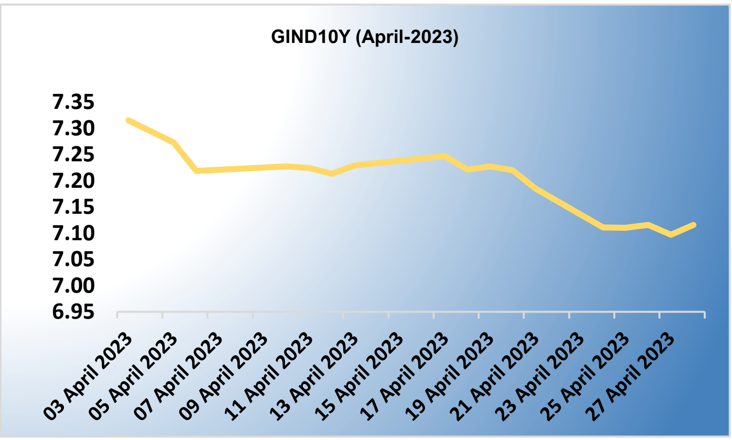

*Sources: Bombay Stock Exchange*




*Source: National Stock Exchange*




*Sources: APAS Business Research Team*




*Sources: APAS Business Research Team*

The month of April 2023 saw up move in the markets and also decisive positive FPI flows.

The FPI inflows in March were attributed to the $1.9 billion investment made by GQG Investments into the Adani group, the $1.41 billion of FPI flows in April 2023 were purely on merit. It was the overall rally across large cap, mid-cap and small cap indices that stood out in April 2023

US GDP growth for March 2023 quarter came in sharply lower at 1.1%; sharply lower than the Q42022 growth of 2.6% which has a visible impact on Indian exports, technology spending and the pricing power of companies.

Among the major gainers were the rate sensitives. The top 6 gaining sectors are all rate sensitive sectors. With the RBI declaring status quo on rates in April 2023, the markets are keen to believe that India may be close to the top. Additionally, infrastructure, oil and metals were major gainers.

The only sectoral laggard for the month was the IT sector, which lost -1.08%. Except IT, April 2023 was a decisively positive month for the stock markets.

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# ECONOMIC DATA SNAPSHOT

| Countries | GDP | | CPI | | Current Account Balance | Budget Balance | Interest Rates |
|---|---|---|---|---|---|---|---|
| | Latest | 2023* | Latest | 2023* | % of GDP, 2023* | % of GDP, 2023* | (10YGov), Latest |
| Brazil | 1.9 Q4 | 1.0 | 4.7 Mar | 5.2 | -2.9 | -7.9 | 12.4 |
| Russia | -2.7 Q4 | -2.1 | 3.5 Mar | 7.5 | 6.8 | -4.4 | 11.0 |
| **India** | **4.4 Q4** | **6.1** | **5.7 Mar** | **5.6** | **-1.4** | **-5.7** | **7.1** |
| China | 4.5 Q1 | 5.7 | 0.7 Mar | 1.7 | 1.7 | -2.9 | 2.6 |
| S Africa | 0.9 Q4 | 0.5 | 7.3 Mar | 5.2 | -2.1 | -4.7 | 10.2 |
| USA | 0.9 Q4 | 0.7 | 5.0 Mar | 4.2 | -3.1 | -5.2 | 3.4 |
| Canada | 2.1 Q4 | 0.7 | 4.3 Mar | 3.3 | -1.0 | -1.5 | 2.9 |
| Mexico | 3.6 Q4 | 1.4 | 6.8 Mar | 5.9 | -1.0 | -3.7 | 8.9 |
| Euro Area | 1.8 Q4 | 0.7 | 6.9 Mar | 5.9 | 1.1 | -3.6 | 2.4 |
| Germany | 0.9 Q4 | -0.1 | 7.4 Mar | 6.2 | 3.5 | -2.1 | 2.4 |
| Britain | 0.6 Q4 | -0.2 | 10.1 Mar | 6.0 | -2.9 | -5.4 | 3.8 |
| Australia | 2.7 Q4 | 1.6 | 7.0 Q1 | 4.6 | 1.7 | -2.3 | 3.3 |
| Indonesia | 5.0 Q4 | 4.7 | 5.0 Mar | 3.9 | 0.8 | -2.9 | 6.5 |
| Malaysia | 7.0 Q4 | 3.5 | 3.4 Mar | 2.3 | 2.7 | -5.2 | 3.9 |
| Singapore | 0.1 Q1 | 1.7 | 5.5 Mr | 5.2 | 18.3 | -0.1 | 2.8 |
| S Korea | 0.9 Q1 | 1.5 | 4.2 Mar | 2.8 | 2.6 | -2.1 | 3.3 |

*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***

# 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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