

APAS MONTHLY

May 2023 EDITION – VOLUME 5

ASHVIN PAREKH

THIS MONTH

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“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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EDITORIAL

In this issue, **Mr. Rakesh Jha, ED, ICICI Bank** has presented his thoughts on **Emerging trends in banking sector**. We thank Mr. Jha for his contribution to the APAS Monthly.

This month, the APAS column covers The AI Revolution in Indian Banking.

The economic indicators showed mixed performance. Manufacturing PMI improved to 58.7 in May 2023 from 57.2 month earlier. Services PMI declined to 61.2 in May 2023 and after April's near 13-year high of 62. Infrastructure output in India stood at 4.3% year-on-year in May 2023, the same pace as in the previous month and below market forecasts of a 4.6% rise. Index of Industrial Production (IIP) rose 4.2 % year-on-year in April 2023, accelerating from an upwardly revised 1.7 % increase in the previous month. India's retail price inflation (CPI) fell to 4.25 % in May of 2023 from 4.7% in the previous month. India Wholesale Price Index (WPI) dropped by 3.48 % year-on-year in May 2023, compared with market estimates of a 2.35 % fall, after a 0.92 % decline in the prior month.

The Reserve Bank of India (RBI) published a statement on developmental and Regulatory Policies. RBI published information about developments in India's Balance of Payments during the Fourth Quarter (January-March) of 2022-23.

From this newsletter onwards we shall cover news and regulations on fintechs each month. I am confident that our readers would enjoy reading regular updates on fintechs. We will also invite thought leaders in the fintech space to contribute a special column in our newsletter.

A new life insurer was registered. Life Insurance product approvals were made easy. Risk Based Supervisory Framework was published by IRDAI.

SEBI published the amendment made to Securities and Exchange Board of India (Informal Guidance) Scheme 2003. The board meeting was held this month.

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

Emerging trends in banking sector

Rakesh Jha

ED

ICICI Bank Ltd.



APAS COLUMN

The AI Revolution in Indian Banking



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Inflation update – May

PMI update – May

Core Sector – May



BANKING

Statement on Developmental and Regulatory Policies

Developments in India's Balance of Payments during the Fourth Quarter (January-March) of 2022-23



FINTECH

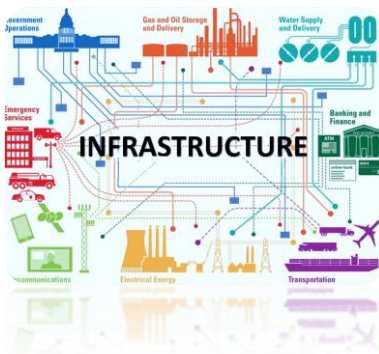
Guidelines on Default Loss Guarantee (DLG) in Digital Lending



INSURANCE

Life Insurance products approvals made easy

Risk Based Supervisory Framework



INFRASTRUCTURE & OTHER

GOVT. INITIATIVES

Gross Direct Tax collections for Financial Year (FY) 2023-24 register a growth of 12.73%

₹1,57,090 crore gross GST revenue collected for May 2023: clocks 12% Year-on-Year growth



CAPITAL MARKETS

SEBI Board Meeting



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*	(10Y Gov), 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	-5.7	8.80
India	2.3 Q3	7.2	7.5	2.5 Nov	4.9	4.9	-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	-1.6	-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	-3.6	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	11.5	11.5	2.49
S.Korea	2.6 Q3	2.7	2.5	1.5 Nov	0.9	7.2	-1.3	2.17

Japan	1.6 Q3	2.2	2.3	2.8 Nov	0.9	3.3	-7.3	0.15
Denmark	1.1 Q3	1.2	1.0	0.1 Nov	0.8	3.2	3.2	1.78
Norway	4.3 Q3	4.3	4.9	1.9 Nov	1.8	1.8	1.8	4.00
Switzerland	1.6 Q3	1.6	1.5	1.6 Nov	1.2	1.2	1.8	1.56
Sweden	1.2 Q3	1.2	1.2	1.1 Nov	1.1	1.1	1.1	1.50

ECONOMIC DATA SNAPSHOT

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



Emerging trends in banking sector

Rakesh Jha
ED
ICICI Bank Ltd.

The Indian Banking sector has seen tremendous changes in the past decade because of transformations in the technological landscape and evolving customer segments. Technological developments such as digital infrastructure connectivity, smartphone penetration, strides made by India Stack and accelerated adoption of digital platforms due to the COVID-19 pandemic have played a pivotal role. Simultaneously, the entry of Gen Z into the workforce, the gig economy and the increasing expectations for convenience and service have further shaped these changes.

From remote identity authentication through Aadhaar to better access to credit, India Stack has ushered the country into the digital era. The trend of increasing digital adoption is evident from the growth of UPI transactions at 82% in volume and 65% in value in the Financial Year 2023. RBI has launched its Digital Currency (CBDC), e-Rupee and are exploring the interoperability with UPI. As the most successful module of India stack, UPI already accounts for the majority of retail digital payments. Real-time cross border transfer between other countries and retail payments with international merchants using UPI are being enabled by NIPL (NPCI International Payments Limited), evidencing its global potential.

Similar to how UPI is continuing to transform payments, Account Aggregator (AA) Network and Open Credit Enablement Network (OCEN) will make accessing credit an instantaneous and secure process. Once the AA framework and protocols are fully established, it will ensure scale-up of secure flow of financial information of the users between regulated institutions to enable easier loan sanctions and money management.

Currently, financial institutions are using real-time data from the GST framework and E-way bills to improve their lending decisions to SMEs. BNPL (Buy Now Pay Later) providers use automated proprietary models using customer data for their underwriting. OCEN will supplement the current system of lending and expand the customer base to give lower income customers and MSMEs better access to formal credit at reasonable interest rates. With the advent of Open Network for Digital Commerce (ONDC), banks will be able to offer credit to new MSMEs and increase credit to existing ones. Access to the transaction data in this elaborate payment network can be leveraged to offer credit to all partners in the supply chain.

RBI's latest campaigns, 'Har Payment Digital', 'Digital Payment Apnao, Auro Ko Bhi Sikhao' and the pilot program launched for Kisan Credit Card to digitalize Rural Finance, reflect India's aspirations for a more inclusive digital economy. Banks have the responsibility to catalyze this journey.

Indian FinTechs solve niche problems in many areas related to user experience while catering to specific customer needs. While remaining compliant to regulatory standards, banks are thinking and acting like technology companies to maintain pace in innovations in customer experience. Collaborating with FinTechs allow banks to utilize their tech stack instead of building from scratch. The unique and complementary strengths of both entities can create win-win scenario and incentivize more partnerships.

Another prominent development in the industry is the increasing emphasis on individualized experiences. Customers' preferences and behavior can be predicted even using semi-structured and unstructured data using

Big Data analytics. With these insights, communication will be tailored based on customers' anticipated needs. Banks will rely heavily on Generative AI for hyper-personalized engagement.

A digital economy brings about efficiency and convenience but also comes with an increase in risks. Banks will have to mitigate risk for themselves as well as their customers. As digital channels become the primary mode of banking, banks have the responsibility to protect the customers' data and assets from emerging security threats. This will be crucial in maintaining customer trust and brand reputation. Generative AI is being explored for proactive fraud detection and in creating Privacy-Preserving Machine Learning Models, which reduce exposure of customer's sensitive data. Behavioral analytics can identify patterns and warn the customer and institutions on potential breach.

Even with two-factor authentication for digital payment transactions, it is essential for banks to educate and warn their customers about new forms of digital frauds. Indian banks are regularly campaigning for raising customer awareness against OTP frauds, screen share malwares and other similar fraudulent activities.

While working strictly within the regulatory guidelines, banks need to foster innovation to keep pace with customer expectations on simplicity and convenience, with no compromise on security aspects.

Customer trust is the foremost ingredient for long-term sustainable growth in banking. Transparency and fairness to customers is essential to build and maintain trust. Customers have diverse needs and varying risk appetite. It is important for banks to be explicit and disclose details that help customers make healthy decisions for themselves.

The Indian economy is ever evolving and new challenges as well as opportunities will keep emerging. Embracing the changing landscape and leveraging them effectively will shape the future of banking. Banks will continue to play the role of a trusted partner offering holistic financial advice and have embarked on a journey of innovation, collaboration and customer-centricity for a remarkable future towards a digitally empowered economy.



APAS Column

The AI Revolution in Indian Banking

Artificial intelligence (AI) is revolutionizing the banking sector in India, opening up new opportunities for innovation, efficiency, and enhanced customer satisfaction. AI encompasses the ability of machines to perform tasks that typically require human intelligence, such as reasoning, learning, decision-making, and natural language processing. In India, AI has the potential to contribute significantly to economic growth and propel the country towards becoming the fastest-growing economy in the world. A report by PwC highlights the enormous potential of AI, estimating that it could add a staggering \$15.7 trillion to the global economy by 2030. India stands to be one of the major beneficiaries, with AI potentially boosting its annual growth rate by 1.3 percentage points. Recognizing this potential, the Indian government has launched various initiatives to promote AI adoption and development, including the National Strategy for Artificial Intelligence, the National AI Portal, and the Responsible AI for Social Empowerment (RAISE) summit.

AI applications in banking are diverse and impactful. Chatbots and voice assistants powered by AI provide round-the-clock customer service, enhancing convenience and accessibility. AI also plays a crucial role in fraud detection and risk management systems, bolstering security and compliance efforts. Furthermore, AI-driven data analytics and personalization tools enable banks to improve marketing strategies and develop customer-centric products. Several leading banks in India have embraced AI to enhance their operations and customer experiences. Institutions such as HDFC Bank, ICICI Bank, Axis Bank, State Bank of India, and Yes Bank have implemented various AI solutions like chatbots, robo-advisors, biometric authentication, facial recognition, sentiment analysis, and predictive analytics. These AI-powered technologies facilitate seamless customer interactions, offer personalized services, and optimize banking processes.

However, the adoption of AI in banking also poses several challenges. Scarcity of skilled talent, data quality and privacy concerns, ethical and social implications, regulatory uncertainties, and infrastructure limitations are some key obstacles. Addressing these challenges requires collaborative efforts among stakeholders, including the government, academia, industry, and civil society. Banks must adopt a human-centric approach to AI, ensuring transparency, accountability, fairness, and inclusiveness.

One revolutionary technology emerging in the Indian banking sector is Generative Artificial Intelligence (GenAI). GenAI has the capability to create new content, such as text, images, audio, or video, from scratch. Its applications in banking are extensive and include chatbots, fraud detection, credit scoring, marketing, and analytics. GenAI enables banks to improve customer service, enhance security measures, optimize operations, and gain valuable insights. Advancements in AI technology are reshaping the banking landscape in India. Enhanced Natural Language Processing (NLP) allows AI-powered chatbots and virtual assistants to better understand and interpret customer queries, leading to more accurate and contextual responses. Explainable AI (XAI) aims to provide transparent explanations for AI systems' decisions and recommendations. AI is also being utilized for regulatory compliance, personalization, advanced fraud detection, wealth management, and collaboration with FinTech startups.

Looking ahead, the future of AI in Indian banking is promising. The integration of edge computing and AI enables real-time data processing and faster decision-making. The collaboration between banks and FinTech startups

will further accelerate AI adoption, benefiting both the institutions and their customers. As AI continues to evolve, it will drive the Indian banking sector towards increased efficiency, profitability, innovation, and customer loyalty.

In conclusion, AI is transforming the Indian banking sector, presenting vast opportunities for growth and development. By harnessing the power of AI, banks can deliver personalized and efficient services, mitigate risks, and improve decision-making processes. However, the successful adoption of AI requires overcoming challenges related to talent, data, ethics, regulations, and infrastructure. With collaborative efforts and a human-centric approach, the banking industry in India can fully leverage AI's potential, revolutionizing the way banking services are delivered and consumed. The future of AI in Indian banking is bright, and it is poised to reshape the industry in profound ways.

APAS



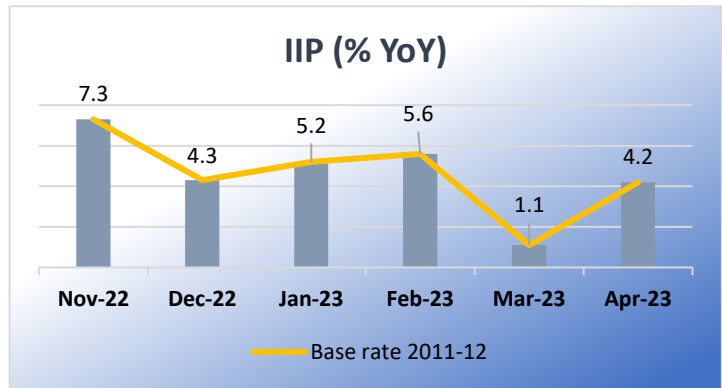
ECONOMY

IIP (Index of Industrial Production) – April

Industrial production in India rose 4.2 percent year-on-year in April 2023, accelerating from an upwardly revised 1.1 percent increase in the previous month and above market expectations of 1.8 percent.

For the month of April 2023, the Quick Estimates of Index of Industrial Production (IIP) with base 2011-12 stands at 140.2.

The manufacturing sector, which constitutes close to 77 % of the index, increased by 4.9% in April, to 138.1. Mining sector grew by 5.1 %, to 122.5. Electricity generation dropped by -1.1%, to 192.3.



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

As per Use-based classification, the indices stand at 142.1 for Primary Goods, 94.0 for Capital Goods, 150.7 for Intermediate Goods and 168.8 for Infrastructure/ Construction Goods for the month of April 2023.

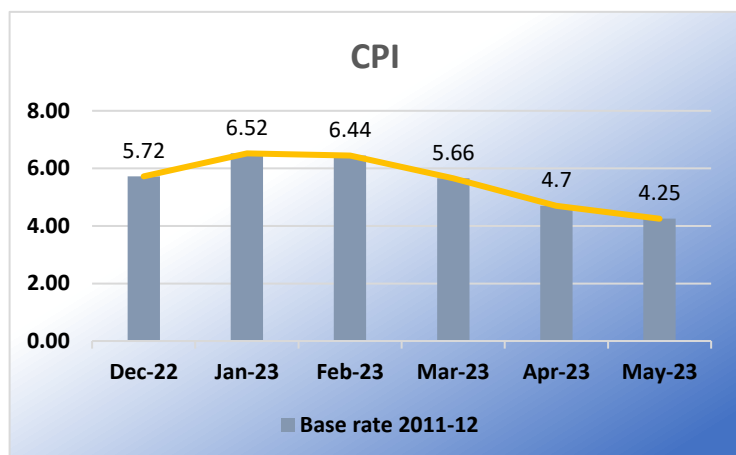
Further, the indices for Consumer durables and Consumer non-durables stand at 106.8 and 153.7 respectively for the month of April 2023.

CPI (Consumer Price Index) – May

The annual inflation rate in India fell to 4.25% in May of 2023 from 4.7% in the previous month, the lowest since April 2021 and firmly below market forecasts of 4.42% amid a fresh slowdown in inflation for food.

The result drove inflation closer to the RBI's target of 4% and extended the decline past the central bank's upper limit of 6%, paring concerns of an eventual resumption of its tightening cycle.

Consumer food inflation fell to 2.91% from 3.84% in the previous month, amid significant deflation for oils and fats (-16.01% vs -12.33% in April), vegetables (-8.18% vs -6.5%), and meat and fish (-1.29% vs -1.23%).



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

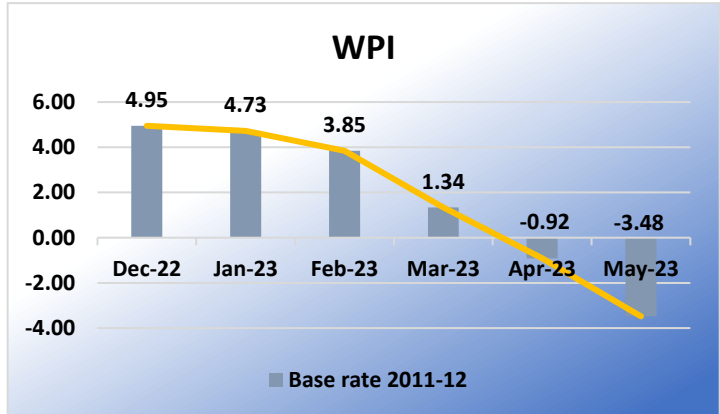
In the meantime, inflation slowed for transport and communication (1.1% vs 1.17%), housing (4.84% vs 4.91%), and fuel and light (4.64% vs 5.52%). On a monthly basis, consumer prices rose at a steady pace from the previous month at 0.51%.

WPI (Wholesale Price Index) – May

India Wholesale Price Index (WPI) number is (-) 3.48% (Provisional) for the month of May 2023 (over May 2022) against (-) 0.92% recorded in April 2023.

Decline in the rate of inflation in May 2023 is primarily contributed by fall in prices of mineral oils, basic metals, food products, textiles, non-food articles, crude petroleum & natural gas, and chemical & chemical products.

The month over month change in WPI for the month of May 2023 stood at (-) 0.86 % as compared to April 2023.



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

The index for this major group declined by 1.13% to 175.3 (provisional) in May 2023 from 177.3 (provisional) for the month of April 2023.

Prices of Minerals (0.90%) increased in May 2023 as compared to April 2023. Prices of Food Articles (-0.22%), Non-food Articles (-1.87%) and Crude Petroleum & Natural Gas (-7.81%) declined in May 2023 as compared to April 2023.

The index for fuel and power declined by 2.62% to 148.6 (provisional) in May 2023 from 152.6 (provisional) for the month of April 2023.

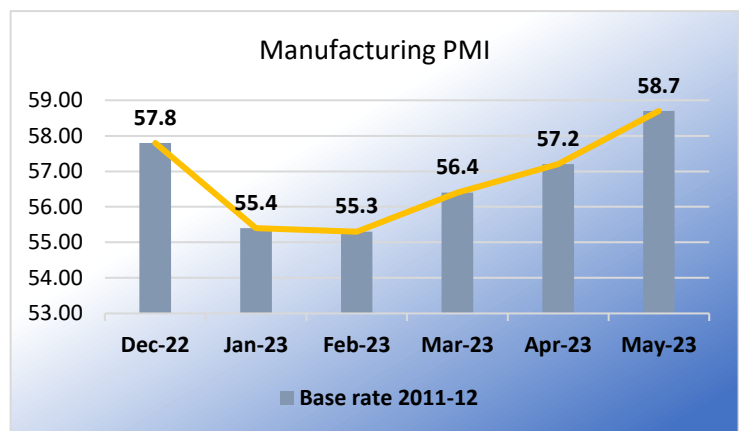
Prices of Coal (-0.67%), Mineral Oils (-2.01%) and Electricity (-5.46%) declined in May 2023 as compared to April 2023.

The index for manufactured products has declined by 0.35% to 140.7 (provisional) in May 2023 from 141.2 (provisional) for the month of April 2023.

Manufacturing PMI – May

The S&P Global India Manufacturing PMI increased to 58.7 in May 2023 from 57.2 a month earlier, exceeding market forecasts of 56.5. This was the strongest improvement in factory activity since October 2020, boosted by strength of demand.

Output growth was at a 28-month high; new orders expanded for the 23rd month running, with the rate of increase the steepest since January 2021; and both overseas orders and employment increased the most in six months.



Source: www.tradingeconomics.com

Meanwhile, the rate of backlog accumulation was slight, but the quickest in seven months. Further, increases in input buying sustained and boosted inventory growth. Average lead times on inputs shortened the most in 8-1/2 years.

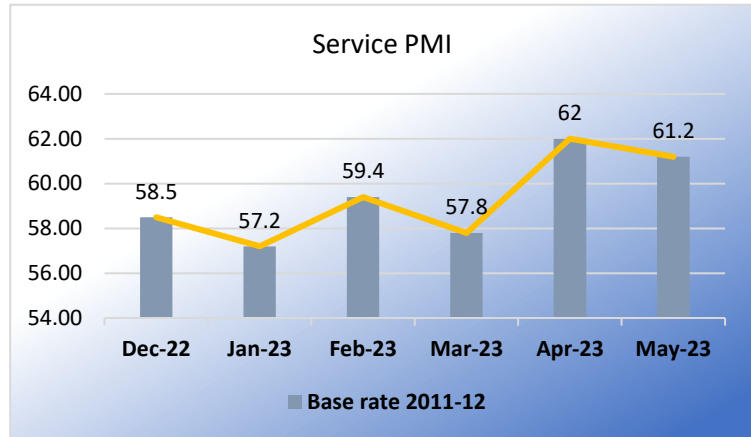
On inflation, cost burdens rose at a moderate rate that was well below its long-run average. However, selling price inflation hit a one-year high on the back of a supportive demand environment.

Finally, sentiment touched a 5-month high, linked to publicity and demand resilience.

Services PMI – May

The S&P Global India Services PMI was at 61.2 in May 2023, compared to market forecasts of 60, and after April's near 13-year high of 62.

The latest reading pointed to the second-fastest pace of expansion in just under 13 years, as output rose at the second-quickest pace since July 2010, supported by the sustained growth of new business in the face of positive demand trends.



The new export business grew for the 4th successive month. Moreover, the pace of expansion was solid and the fastest in the calendar year to date. Employment climbed at a slight rate that was nonetheless the quickest in 2023 so far, with the rate of backlog accumulation being marginal and equal to April.

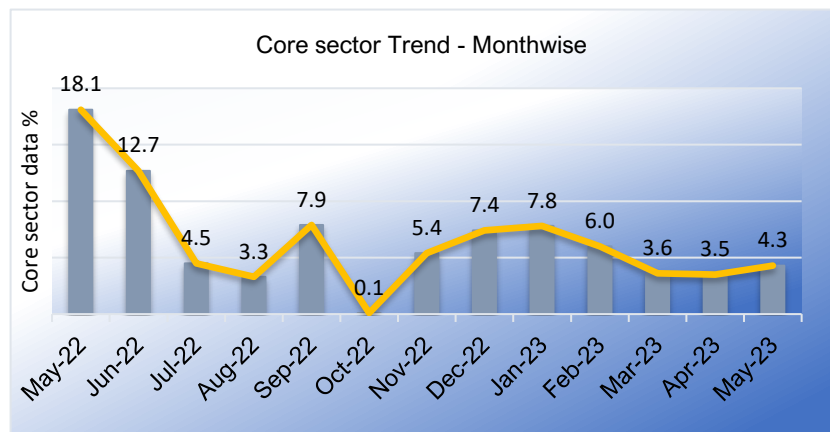
Source: www.tradingeconomics.com

On the pricing front, input cost inflation accelerated to a five-month high due to higher costs of food, transportation, and wages. Meanwhile, output cost inflation rose to the joint-strongest in close to six years.

Looking ahead, business sentiment weakened slightly amid some concerns about competitive pressures.

Core Sector Data – May

The combined Index of Eight Core Industries (ICI) increased by 4.3 per cent (provisional) in May 2023 as compared to the Index of May 2022. The production of Cement, Fertilizers, Steel, Coal, and Refinery Products increased in May 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 February 2023 is revised to 7.4 per cent. The cumulative growth rate of ICI during April-May 2023-24 reported 4.3 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 7.2 per cent in May 2023 over May 2022. Its cumulative index increased by 8.2 per cent during April to May 2023-24 over corresponding period of the previous year.

Crude Oil Crude Oil production (weight: 8.98 per cent) declined by 1.9 per cent in May 2023 over May 2022. Its cumulative index declined by 2.7 per cent during April to May, 2023-24 over the corresponding period of previous year.

Natural Gas - Natural Gas production (weight: 6.88 per cent) declined by 0.3 per cent in May 2023 over May 2022. Its cumulative index declined by 1.5 per cent during April to May, 2023-24 over the corresponding period of previous year.

Petroleum Refinery Products - Petroleum Refinery production (weight: 28.04 per cent) increased by 2.8 per cent in May 2023 over May 2022. Its cumulative index increased by 0.7 per cent during April to May, 2023-24 over the corresponding period of previous year.

Fertilizers - Fertilizers production (weight: 2.63 per cent) increased by 9.7 per cent in May 2023 over May 2022. Its cumulative index increased by 15.7 per cent during April to May, 2023-24 over the corresponding period of previous year.

Steel - Steel production (weight: 17.92 per cent) increased by 9.2 per cent in May 2023 over May 2022. Its cumulative index increased by 12.2 per cent during April to May, 2023-24 over the corresponding period of previous year.

Cement - Cement production (weight: 5.37 per cent) increased by 15.5 per cent in May 2023 over May, 2022. Its cumulative index increased by 13.7 per cent during April to May, 2023-24 over the corresponding period of previous year.

Electricity - Electricity generation (weight: 19.85 per cent) declined by 0.3 per cent in May 2023 over May, 2022. Its cumulative index declined by 0.7 per cent during April to May, 2023-24 over the corresponding period of previous year.



BANKING

Statement on Developmental and Regulatory Policies

RBI released [Statement on Developmental and Regulatory Policies 8th June 2023](#)

This Statement sets out various developmental and regulatory policy measures relating to (i) Financial Markets; (ii) Regulation; and (iii) Payment Systems.

Developments in India's Balance of Payments during the Fourth Quarter (January-March) of 2022-23

Preliminary data on India's balance of payments (BoP) for the fourth quarter (Q4), i.e., January-March 2022-23, are presented in [Statements I \(BPM6 format\)](#) and [II \(old format\)](#).

Key Features of India's BoP in Q4:2022-23 can be referred to using the above link.

BoP during 2022-23

- The current account balance recorded a deficit of 2.0 per cent of GDP in 2022-23 as compared with a deficit of 1.2 per cent in 2021-22 as the trade deficit widened to US\$ 265.3 billion from US\$ 189.5 billion a year ago.
- Net invisible receipts were higher in 2022-23 due to increase in net exports of services and net private transfer receipts, even though net income outgo was higher than a year ago.
- Net FDI inflows at US\$ 28.0 billion in 2022-23 were lower than US\$ 38.6 billion in 2021-22.
- Net FPI recorded an outflow of US\$ 5.2 billion in 2022-23 as compared with an outflow of US\$ 16.8 billion a year ago.
- Net ECBs to India recorded an outflow of US\$ 4.1 billion in 2022-23 as against an inflow of US\$ 7.4 billion in 2021-22.
- In 2022-23, there was a depletion of US\$ 9.1 billion of the foreign exchange reserves (on a BoP basis).

Table 1: Major Items of India's Balance of Payments

	(US\$ Billion)											
	January-March 2023 P			January-March 2022			2022-23 P			2021-22		
	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net	Credit	Debit	Net
A. Current Account	238.0	239.3	-1.3	218.8	232.2	13.4	921.9	988.8	-67.0	798.7	837.4	-38.7
1. Goods	115.8	168.4	52.6	118.0	172.5	54.5	456.1	721.4	265.3	429.2	618.6	189.5
Of which:												
POL	23.8	50.8	27.0	21.3	49.3	28.0	97.4	209.4	112.0	67.5	161.8	-94.3
2. Services	85.8	46.8	39.1	69.9	41.6	28.3	325.3	182.0	143.3	254.5	147.0	107.5
3. Primary Income	7.7	20.3	12.6	7.2	15.6	-8.4	27.8	73.8	-45.9	25.8	63.0	-37.3
4. Secondary Income	28.6	3.9	24.8	23.7	2.6	21.2	112.6	11.7	100.9	89.3	8.8	80.5
B. Capital Account and Financial Account	153.4	152.5	0.9	182.1	167.8	14.3	702.9	634.9	68.0	777.4	739.2	38.2
Of which:												
Change in Reserves [Increase (-)/Decrease (+)]		5.6	-5.6	16.0		16.0	30.4	21.2	9.1	16.0	63.5	-47.5
C. Errors & Omissions (-) (A+B)	0.4		0.4		0.9	-0.9	0.9	1.9	-1.0	1.4	1.0	0.5

P: Preliminary.

Note: Total of sub-components may not tally with aggregate due to rounding off.



FINTECH

Guidelines on Default Loss Guarantee (DLG) in Digital Lending

RBI released [guidelines on Default Loss Guarantee in Digital lending on 8th June 2023](#).

These guidelines are applicable to DLG arrangements entered in ‘Digital Lending¹’ operations undertaken by following entities (hereinafter referred to as ‘Regulated Entities’):

- 1.1. All Commercial Banks (including Small Finance Banks),
- 1.2. Primary (Urban) Co-operative Banks, State Co-operative Banks, Central Co-operative Banks; and
- 1.3. Non-Banking Financial Companies (including Housing Finance Companies)

RBI Press Release “Recommendations of the Working group on Digital Lending – Implementation” dated August 10, 2022 stated that the recommendation pertaining to First Loss Default Guarantee (FLDG) was under examination with the Reserve Bank.

Arrangements between Regulated Entities (REs) and Lending Service Providers (LSPs) or between two REs involving default loss guarantee (DLG), commonly known as FLDG, has since been examined by RBI and it has been decided to permit such arrangements subject to the guidelines laid down in the [Annex](#) to this circular. DLG arrangements conforming to these guidelines shall not be treated as ‘synthetic securitisation¹’ and/or shall also not attract the provisions of ‘loan participation²’.

These directions are issued under sections 21, 35A and 56 of the Banking Regulation Act, 1949, sections 45JA, 45L and 45M of the Reserve Bank of India Act, 1934, section 30A of the National Housing Bank Act, 1987 and section 6 of the Factoring Regulation Act.



INSURANCE

Life Insurance products approvals made easy

ULIP and Combi products under 'Use & File'

Insurance Regulatory and Development Authority of India has extended the 'Use and File' procedure to Group Unit-Linked Insurance products, Individual Unit Linked Insurance products which are offered with new funds and Combi products wherein Life Insurer acts as the lead.

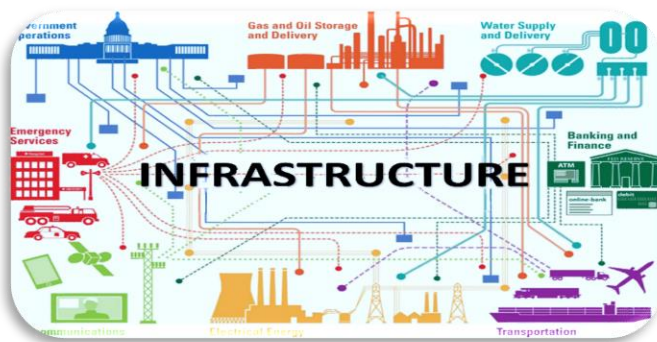
Now, life insurers can launch these products without prior approval, enhancing ease of doing business and encouraging swift response to the market demands. This will boost innovation in the products resulting in better choices for the customers.

This comes after the extension of 'Use & File' procedure for all Term Insurance products, Individual Unit linked products with existing funds and Non-Linked Group Insurance products in October 2022.

Risk Based Supervisory Framework

With a view to promote a 'Principle based Regulatory regime', foster ease of doing business and encourage proactive risk identification and management, the Insurance Regulatory and Development Authority of India (IRDAI) has been working towards developing and implementing 'Risk Based Supervision' (RBS) framework for insurance sector in India. For this purpose, IRDAI has collaborated with M/s Toronto Centre (TC), which is a not-for profit organization, working with mission of promoting strong supervision in order to enhance financial stability, crisis preparedness, and consumer protection.

RBS is a shift towards adopting global best practices for supervision which focuses on proportionality, materiality and relies on holistic analysis of the activities of regulated entity from risk perspective. In order to ensure robust development and smooth implementation of RBS, IRDAI has been engaging with various stakeholders over the past few months. After recent deliberations with TC, the first phase of pilots for RBS are scheduled to commence from July 2023.



INFRASTRUCTURE & OTHER GOVT. INITIATIVES

Gross Direct Tax collections for Financial Year (FY) 2023-24 register a growth of 12.73%

The figures of Direct Tax collections for the Financial Year 2023-24, as on 17.06.2023 show that **net collections are at Rs. 3,79,760 crore, compared to Rs. 3,41,568 crore** in the corresponding period of the preceding Financial Year i.e., FY 2022-23, representing an **increase of 11.18%**.

The Net Direct Tax collection of Rs. 3,79,760 crore (as on 17.06.2023) include Corporation Tax (CIT) at Rs. 1,56,949 crore (net of refund) and Personal Income Tax (PIT) including Securities Transaction Tax (STT) at Rs. 2,22,196 crore (net of refund).

The **Gross collection** of Direct Taxes (before adjusting for refunds) for FY 2023-24 stands at **Rs. 4,19,338 crore** as compared to **Rs. 3,71,982 crore** in the corresponding period of the preceding financial year, registering a **growth of 12.73%** over collections of FY 2022-23.

The Gross collection of Rs. 4,19,338 crore includes Corporation Tax (CIT) at Rs. 1,87,311 crore and Personal Income Tax (PIT) including Securities Transaction Tax (STT) at Rs. 2,31,391 crore. Minor head wise collection comprises Advance Tax of Rs. 1,16,776 crore; Tax Deducted at Source of Rs. 2,71,849 crore; Self-Assessment Tax of Rs. 18,128 crore; Regular Assessment Tax of Rs. 9,977 crore; and Tax under other minor heads of Rs. 2,607 crore.

The Advance Tax collections **for the first quarter of FY 2023-24 stand at Rs. 1,16,776 crore as on 17.06.2023**, against Advance Tax collections of Rs. 1,02,707 crore for the corresponding period of the immediately preceding Financial Year i.e., 2022-23, showing a **growth of 13.70%**. The Advance Tax collection of Rs. 1,16,776 crore as on 17.06.2023 comprises Corporation Tax (CIT) at Rs. 92,784 crore and Personal Income Tax (PIT) at Rs. 23,991 crore.

Refunds amounting to Rs. 39,578 crore have also been issued in the FY 2023-24 till 17.06.2023, as against refunds of Rs. 30,414 crore issued during the corresponding period in the preceding Financial Year 2022-23, showing a growth of 30.13%.

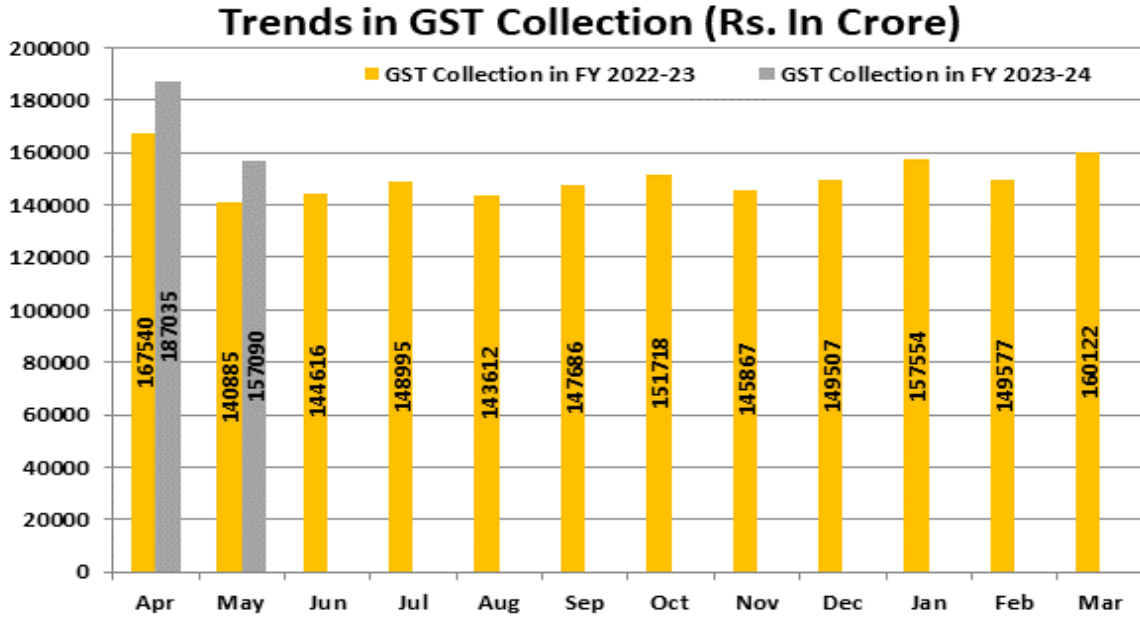
₹1,57,090 crore gross GST revenue collected for May 2023; clocks 12% Year-on-Year growth

The gross Good & Services Tax (GST) revenue collected in the month of May 2023 is **₹1,57,090 crore** of which CGST is **₹28,411 crore**, SGST is **₹35,828 crore**, IGST is **₹81,363 crore** (including ₹41,772 crore collected on import of goods) and cess is **₹11,489 crore** (including ₹1,057 crore collected on import of goods).

The government has settled ₹35,369 crore to CGST and ₹29,769 crore to SGST from IGST. The total revenue of Centre and the States in the month of May 2023 after regular settlement is ₹63,780 crore for CGST and ₹65,597 crore for the SGST.

The revenues for the month of May 2023 are 12% higher than the GST revenues in the same month last year. During the month, revenue from import of goods was 12% higher and the revenues from domestic transactions (including import of services) are 11% higher than the revenues from these sources during the same month last year.

The chart below shows trends in monthly gross GST revenues during the current year. The table shows the state-wise figures of GST collected in each State during the month of May 2023 as compared to May 2022.





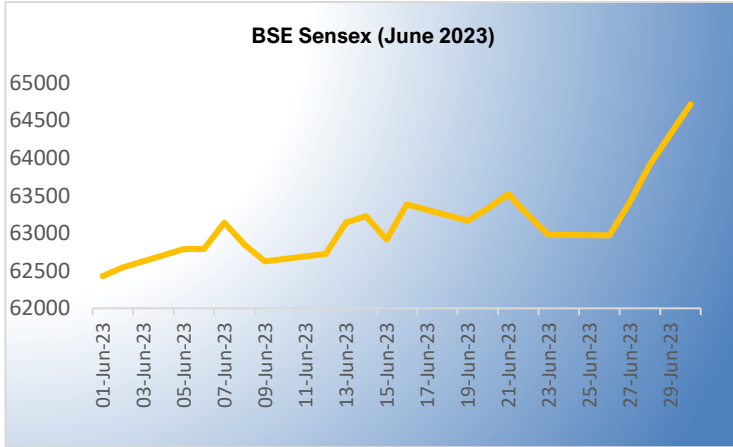
CAPITAL MARKETS

SEBI Board Meeting

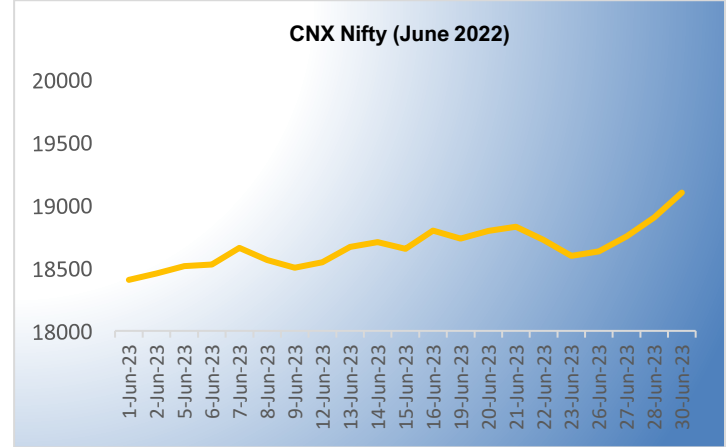
The SEBI Board met in Mumbai and, inter-alia, approved the following decisions:

No.	Particulars	Page No.
Prima Market related		
1	Reduction of timeline for listing of shares in Public Issue from existin T+6 da s to T+3 da s	2
Debt and Hybrids related		
2	Introduction of provisions in respect of (a) listing of non-convertible debt securities and (b) voluntary delisting of non-convertible debt securities	3
3	Enablement of direct participation by participants (clients) in the Limited Purpose Clearin Corporation (LPCC)	5
4	Revision of minimum unitholding requirement for Sponsor(s) and introduction of provision for Self-Sponsored Investment Manager/ Mana er of InviTs/ REITs	5
5	Introduction of board nomination rights to unitholders of InviTs and REITs	7
FPI related		
6	Introduction of provisions for additional disclosures from Foreign Portfolio Investors (FPIs) that fulfil certain objective criteria	8
Investor Grievances Redressal related		
7	Strengthening of investor grievance handling mechanism through SCORES and linking the new platform with the Online Dispute Resolution Mechanism	10
SEBI Annual Report		
8	SEBI Annual Re ort: 2022-23	11

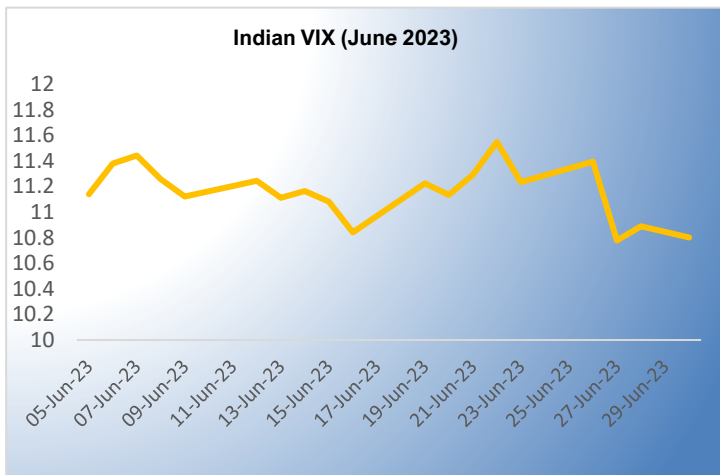
CAPITAL MARKETS SNAPSHOT



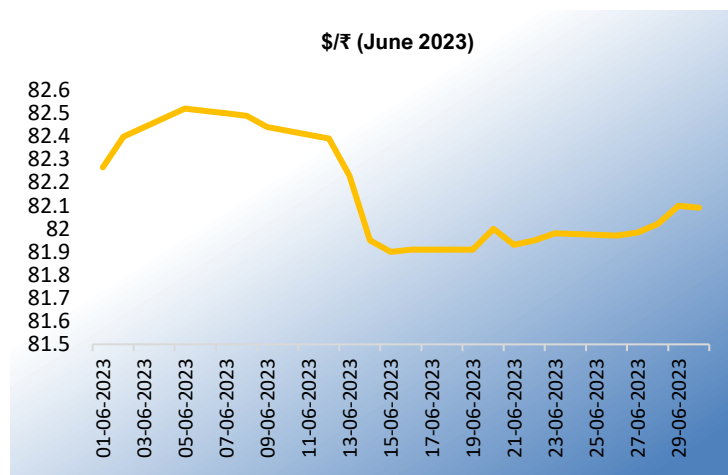
Sources: Bombay Stock Exchange



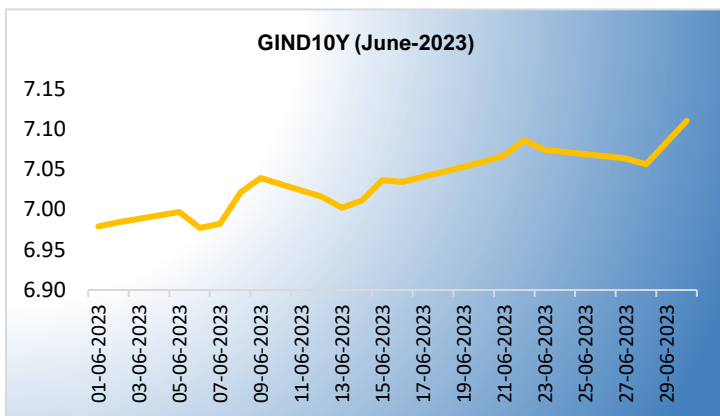
Sources: Bombay Stock Exchange



Source: National Stock Exchange



Sources: APAS Business Research Team



Sources: APAS Business Research Team

FPIs invested ₹47,148 crore in Indian equities in June, making it the best monthly buying in 2023. This marks the fourth consecutive month of net buying by FPIs in Indian stocks. The sustained buying is likely driven by the country's improving macroeconomic conditions.

June becomes the best month with strong FPI inflows in 2023. The foreign portfolio investors (FPIs) pumped in ₹47,148 crore in Indian equities in June, the highest monthly buying of the year.

In June, both Sensex and Nifty 50 hit a new lifetime high of 64,768.58 and 19,201.70 respectively. As per the NSDL data, FPIs invested ₹47,148 crore in Indian equities during June month.

During this month, Sensex has skyrocketed by a whopping 2,171.45 points or 3.47%. While Nifty 50 has zoomed by 654.95 points or 3.53%.

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	4.0 Q1	2.4	3.9 May	4.8	-1.9	-7.5	10.9
Russia	-1.8 Q1	-1.6	2.5 May	6.0	5.0	-4.3	11.1
India	6.1 Q1	6.2	4.3 May	5.3	-1.3	-5.7	7.1
China	4.5 Q1	6.1	0.2 May	1.2	2.5	-3.0	2.5
S Africa	0.2 Q1	0.5	6.6 May	5.7	-1.7	-5.6	10.5
USA	1.6 Q1	1.1	4.0 May	3.9	-3.0	-5.4	3.7
Canada	2.2 Q1	1.2	3.4 May	3.6	-0.7	-1.4	3.2
Mexico	3.7 Q1	2.1	5.8 May	5.5	-1.8	-3.7	8.6
Euro Area	1.0 Q1	0.8	6.1 May	5.7	1.5	-3.5	2.3
Germany	-0.5 Q1	-0.2	6.1 May	6.0	4.4	-2.5	2.3
Britain	0.2 Q1	0.4	8.7 May	6.5	-3.0	-4.8	4.4
Australia	2.3 Q1	1.5	7.0 Q1	5.5	1.1	-0.1	3.9
Indonesia	5.0 Q1	4.9	4.0 May	3.8	0.9	-2.6	6.2
Malaysia	5.6 Q1	3.9	2.8 May	2.7	3.1	-5.0	3.9
Singapore	0.4 Q1	1.0	5.1 May	5.1	16.2	-0.1	3.0
S Korea	1.0 Q1	1.5	3.3 May	3.0	2.5	-2.1	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

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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