APAS MONTHLY NEWSLETTER

November 2023 Edition

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EDITORIAL

In this issue, Mr. Saugata Chatterjee - Chief Business Officer, Nippon Life India Asset Management Ltd, has presented his thoughts on **'Navigating the Growth Trajectory of India's Mutual Fund Industry: A Glimpse into the Future'**. We thank Mr. Chatterjee for his contribution to the APAS Monthly.

This month, the APAS column covers **'Navigating the Indian Wealth Management Landscape: A Comprehensive Overview'**.

The economic indicators showed good performance. Manufacturing PMI unexpectedly dropped to 55.5 in October 2023 from 57.5. Services PMI decreased to 58.4 in October 2023 from 61.0 in September. Infrastructure output in India rose by 12.1% year-on-year in October 2023. Index of Industrial Production (IIP) rose by 5.8% year-on-year in September 2023. India's retail price inflation (CPI) fell to 4.87% in October 2023. India Wholesale Price Index (WPI) is (-) 0.52% (Provisional) for the month of October 2023.

Reserve Bank of India released its quarterly house price index (HPI)1 for Q2:2023-24, based on transaction-level data received from the registration authorities in ten major cities. It also published the Bulletin for the month of November 2023. RBI published its Monetary Policy Committee (MPC) which maintains the policy repo rate at 6.50%.

IRDAI outlined the rules for insurers, intermediaries, and insurance intermediaries in India.

SEBI in its Board Meeting approved measures, including reduced minimum issue and application sizes for not for Profit Organizations on the Social Stock Exchange.

APAS Fintech Services Pvt Ltd. is planning to launch a global marketplace platform – Finbridge Global. We have exclusive franchise rights for the platform for India and will soon register fintechs, institutional users and investors on the platform. Finbridge Global is headquartered in London, UK.

We hope that this APAS Monthly is insightful. We welcome your input and thoughts and encourage you to share them with us.

Ashvin parekh

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Mr. Saugata Chatterjee
Chief Business Officer
Nippon Life India Asset Management Ltd

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Navigating the Growth Trajectory of India's Mutual Fund Industry: A Glimpse into the Future

Mr. Saugata Chatterjee
Chief Business Officer
Nippon Life India Asset Management Ltd

Navigating the Growth Trajectory of India's Mutual Fund Industry: A Glimpse into the Future

India's mutual fund industry has witnessed a remarkable growth over the past decade, transforming into a robust financial sector that plays a pivotal role in mobilizing savings into capital markets and thereby fostering economic growth. With Assets Under Management (AUM) reaching INR 48 trillion as of September 2023, the industry has grown over sixfold in just ten years, highlighting its immense potential and resilience.

Despite this impressive growth, the penetration of mutual funds in India remains relatively low compared to its global counterparts. With a population of approximately 140 crore individuals, there are only around 4 crore mutual fund investors, indicating a penetration rate of less than 3%. This presents a significant opportunity for further growth, as the industry has only scratched the surface of its potential.

Key Growth Enablers

The industry's growth has been fueled by several factors, including:

• The Rise of Systematic Investment Plans (SIPs): SIPs have become a cornerstone of mutual fund investing, providing a disciplined and long-term approach to wealth creation. The popularity of SIPs is evident in the surge in net inflows, reaching Rs. 16,402 crore per month in September 2023, which translates to INR 2 lakh crores annually.

• Mutual Fund Sahi Hai Campaign: This regulator backed and AMFI driven initiative has played a crucial role in enhancing financial awareness and promoting mutual fund investments across the country, particularly among retail investors. The campaign has effectively demystified mutual funds and encouraged regular participation from a broader segment of the population.

• Digitalization and Technological Advancements: Technological advancements have revolutionized the mutual fund industry, making investments more accessible and convenient through online platforms, fast internet connectivity, UPI payments, and widespread smartphone penetration. Digital investment platforms like Zerodha, Groww, Paytm, and ET Money have made mutual funds investment even more accessible which has also resulted into much larger participation especially from retail investors.

• Strong Distribution Networks: A robust distribution network comprising Mutual Fund Distributors, Banks, National Distributors, and Registered Investment Advisors has been instrumental in driving financial awareness and providing handholding support, especially for retail investors.

• Investor-Friendly Regulatory Framework: The Securities and Exchange Board of India (SEBI) has played a pivotal role in regulating and developing the mutual fund industry, prioritizing investor protection, financial inclusion, and overall financial system stability. SEBI's initiatives, such as introducing new fund categories, ensuring nominee updates, and establishing a convenient complaint redressal system, have further strengthened investor confidence.

Key Drivers of Future Growth

Several factors are poised to continue propelling the robust growth of the mutual fund industry:

• Rising Disposable Incomes: As the Indian economy continues to grow, disposable incomes are expected to rise, leading to an increased demand for investment avenues like mutual funds. The substantial increase in demat accounts over the past four years further indicates this trend.

• Enhanced Financial Literacy: There has been a growing emphasis on financial literacy in India, with more individuals recognizing the benefits of mutual funds as a long-term investment option. This shift in mindset is likely to fuel future growth.

• Favorable Demographics: India's young and growing population presents a significant growth opportunity for the mutual fund industry. Young adults are typically more inclined to invest in mutual funds to secure their financial future.

The Shape of Things to Come

The mutual fund industry will continuously evolve in the coming years, driven by technological advancements, evolving consumer preferences, and regulatory reforms. The Indian mutual fund industry stands at the cusp of an exciting growth trajectory, driven by a combination of favorable economic conditions, evolving consumer preferences, and technological advancements.

The mutual fund industry empowers investors to embark on a journey of wealth creation across a diverse spectrum of asset classes, including equity, fixed income, commodities, and international equity, through both active and passive investment strategies. This versatility caters to a wide range of risk appetites and long-term financial goals, making mutual funds an attractive investment option for individuals seeking to navigate the complexities of the financial markets.

The industry is poised to play an increasingly prominent role in shaping India's financial landscape, democratizing access to investment opportunities, and contributing to the nation's economic progress.

APAS COLUMN

Navigating the Indian Wealth Management Landscape: A Comprehensive Overview

India's wealth management industry has witnessed remarkable growth in recent years, fueled by a burgeoning economy, rising disposable incomes, and a growing HNWI (High Net Worth Individual) population. This dynamic sector offers a plethora of services tailored to meet the diverse financial needs of India's affluent individuals and families.

The Indian wealth management industry has undergone a remarkable transformation, evolving from a primarily physical activity to a digital-driven landscape. Initially, clients relied on personalized consultations at wealth managers' offices. However, the ascent of digital technologies has revolutionized service delivery, offering greater accessibility and convenience. Despite initial challenges like limited product offerings, low investor awareness, and regulatory constraints, the industry has witnessed impressive growth. Wealth management services, once confined to high-net-worth individuals, are now readily available to a broader segment of the population, democratizing financial planning and paving the way for a more inclusive future. The Indian wealth management landscape is home to a diverse range of players, including domestic private banks which have access to a wide range of products and services, large network of branches and advisors, Strong financial stability. Foreign banks often have a larger global network and access to a wider range of investment opportunities, both traditional and alternative, across diverse markets and specialized wealth management firms which have Potential for personalized service, lower fees, P greater focus on client needs. These firms offer a comprehensive suite of wealth management services, including investment advisory, portfolio management, estate planning, and tax planning.

Regulatory reforms played a pivotal role in reshaping the wealth management landscape. The Securities and Exchange Board of India (SEBI) introduced progressive measures to enhance transparency, protect investor interests, and foster a more competitive environment. The emergence of the Mutual Fund industry and the introduction of the Registered Investment Advisor (RIA) framework were crucial milestones in this journey.

The integration of technology has been a game-changer for wealth management in India. The advent of FinTech platforms has democratized access to financial services, allowing investors to manage their portfolios with greater ease. Robo-advisors, algorithmic trading, and digital investment platforms have empowered a new generation of investors to participate in the wealth creation process.

In today's digital age, wealth managers have adopted a physical approach, combining the best of physical and digital interactions to provide a seamless client experience. This approach allows wealth managers to leverage technology to enhance efficiency and accessibility while maintaining personalized interactions with clients.

UHNI clients have evolving preferences when it comes to wealth management. They seek personalized, holistic, and transparent services that align with their risk appetite and financial goals. Technology plays a crucial role in meeting these expectations, providing clients with real-time access to information, portfolio performance tracking, and secure communication channels.

Wealth management encompasses a diverse range of services aimed at addressing the unique financial needs of individuals and families. It includes investment advisory, portfolio management, estate planning, tax planning, and succession planning, each tailored to specific client objectives and risk tolerance. Investment advisory involves providing personalized investment recommendations aligned with a client's financial goals and risk appetite. Portfolio management actively manages a client's investment portfolio to optimize returns and mitigate risks. Estate planning ensures seamless wealth transfer, minimizes tax implications, and protects family harmony. Tax planning strategies aim to reduce tax liabilities through strategic investment decisions. Succession planning facilitates the smooth transfer of wealth to future generations while preserving family harmony and business continuity.

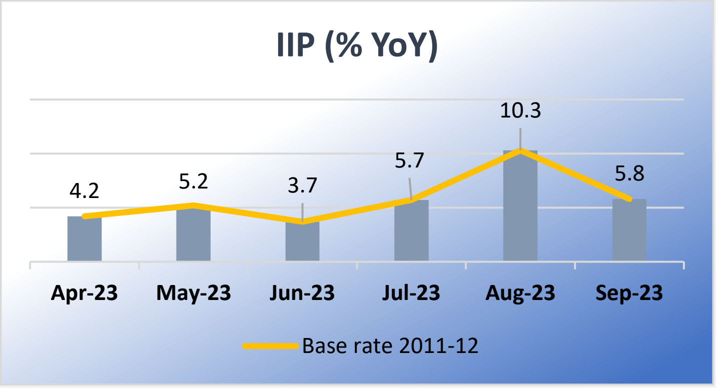
Wealth management in India, though a growing industry, faces a multitude of challenges. Firms grapple with low penetration due to low awareness, regulatory hurdles, intensifying competition, rising operational costs, and a scarcity of qualified professionals. Customers, on the other hand, encounter cost barriers, complexity in understanding wealth management concepts, trust issues stemming from past scams, inadequate financial literacy, and cultural factors that discourage investments.

Despite these hurdles, the wealth management industry in India is poised for growth, fueled by India's robust economic growth, rising disposable incomes, and expanding urbanization. To overcome these challenges, firms must educate potential clients, develop innovative products and services tailored to Indian investors, and cultivate trust. Customers can empower themselves by enhancing their wealth management knowledge, partnering with reputable wealth management firms, and making informed investment decisions. As India's economy continues to grow, the wealth management industry is poised for continued expansion, playing a crucial role in safeguarding and growing the wealth of India's affluent individuals and families.

ECONOMY

IIP (Index of Industrial Production) – Sept

Industrial production in India rose by 5.8% year-on-year in September 2023, marking a slowdown from the 14-month high of 10.3% growth recorded in August and falling below market expectations of 7%.



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

For the month of September 2023, the Quick Estimates of Index of Industrial Production (IIP) with base 2011-12 stands at 141.6. The Indices of Industrial Production for the Mining sector increased by 11.5% to 111.5, Manufacturing sector increased by 4.5% to 140.6 and Electricity sector also increased by 9.9% to 205.9 for the month of September 2023.

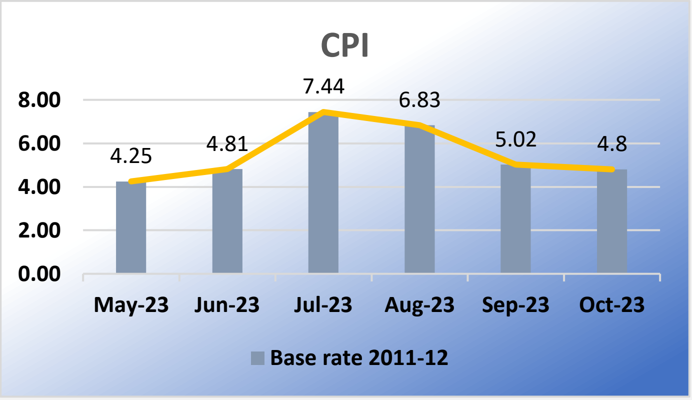
As per Use-based classification, the indices stand at 138.8 for Primary Goods, 111.6 for Capital Goods, 153.8 for Intermediate Goods and 168.7 for Infrastructure/ Construction Goods for the month of September 2023. Further, the indices for Consumer durables and Consumer non-durables stand at 125.0 and 142.6 respectively for the month of September 2023.

CPI (Consumer Price Index) – Oct

Annual retail price inflation in India fell to 4.87% in October 2023, the lowest in four months, compared to 5.02% in September and forecasts of 4.8%.

Prices rose less for pan, tobacco, and intoxicants (3.87% vs. 3.88%), clothing and footwear (4.31% vs. 4.61%), housing (3.8% vs. 3.95%), and miscellaneous (4.4% vs. 4.77%).

Additionally, fuel and light costs fell by 0.39%



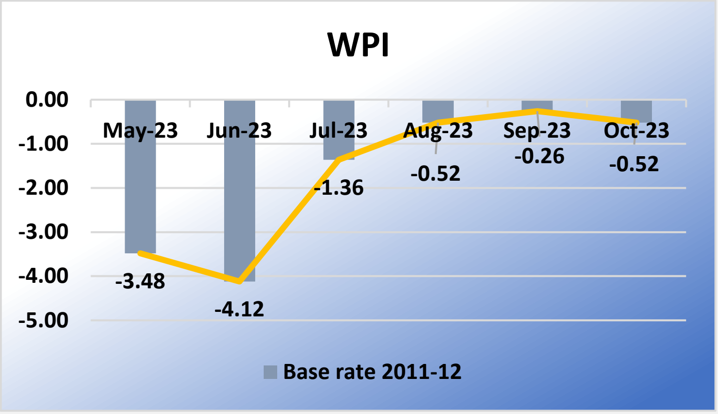
Source: APAS BRT, www.eaindustry.nic.in

after a 0.11% drop in September. Meanwhile, food inflation was little changed at 6.61% from 6.62% in the previous month.

Cost of spices (22.76%), pulses (18.79%), cereals (10.65%), eggs (9.3%) and sugar (5.5%) remain elevated, as El Nino affected the production of kharif crops this season, including pulses, cereals and sugar.

WPI (Wholesale Price Index) – Oct

India Wholesale Price Index (WPI) number is (-) 0.52% (Provisional) for the month of October 2023 (over October 2022) against (-) 0.26% recorded in September 2023. The negative rate of inflation in October 2023 is primarily due to fall in prices of chemicals and chemical products, electricity, textiles, basic metals, food products, paper and paper products, etc. as compared to the corresponding month of previous year.



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

The month-over-month change in WPI index for the month of October 2023 stood at 0.40% as compared to September 2023.

The index for primary articles increased by 1.15% to 184.5 (provisional) in October 2023 from 182.4 (provisional) for the month of September 2023.

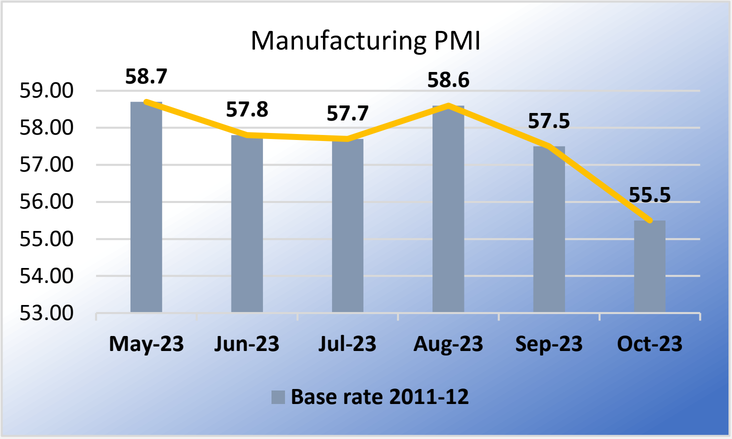
Prices of Minerals (7.81%) and Food Articles (1.33%) increased in October 2023 as compared to September 2023. Prices of Crude Petroleum & Natural Gas (- 0.60%) and Non-food Articles (- 0.24%) declined in October 2023 as compared to September 2023.

Prices for Fuel and Power increased by 0.65% to 154.1 (provisional) in October 2023 from 153.1 (provisional) in the month of September 2023. Prices of Mineral Oils (1.28%) increased in October 2023 as compared to September 2023. Prices of Electricity (-0.73%) declined in October 2023 as compared to September 2023.

The index for manufactured products remained constant at 140.3 (provisional) in October 2023 and September 2023.

Manufacturing PMI – Oct

The S&P Global India Manufacturing PMI unexpectedly dropped to 55.5 in October 2023 from 57.5, missing market consensus of 57.7. It was the 28th straight month of increase in factory activity but the softest pace since February, as output rose the least in 8 months, new order growth hit its lowest level in a year, and foreign sales expanded at the softest pace in 4 months.



Source: www.tradingeconomics.com

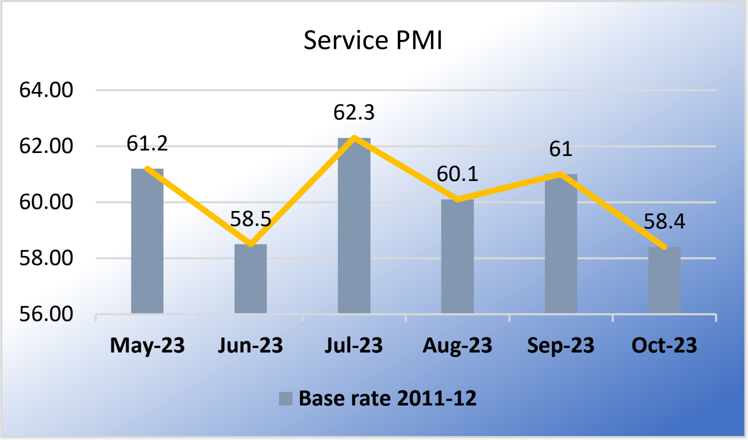
At the same time, the rate of job creation was slight and the slowest since April while backlogs of work were little changed since September. Concurrently, suppliers were often able to deliver inputs on time, with vendor performance being broadly stable. Buying levels remained robust, but the rate of increase was the softest in 8 months.

Price trends were mixed, as both input costs and output charges increased but inflation of the former accelerated while factory gate charges rose to a weaker extent.

Lastly, confidence slipped to a five-month low, amid concerns surrounding the path for inflation and demand.

Services PMI – Oct

The S&P Global India Services PMI decreased to 58.4 in October 2023 from 61.0 in September, below market forecasts of 60.5, pointing to the softest growth in the sector since March, amid subdued demand and price pressures.



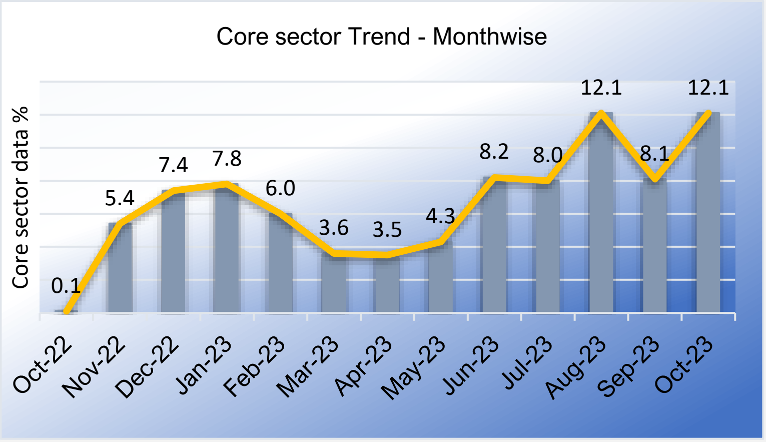
Source: www.tradingeconomics.com

New business rose for the twenty-seventh month in a row. Although the weakest since May, the expansion remained substantial, with export order growth being the second-fastest upturn since the series began in September 2014. Employment continued to rise despite the job creation being the slowest in three months.

On the pricing front, input price inflation accelerated and was above its long-run average but remained softer than most of those registered in the prior fiscal year. Meanwhile, output cost inflation rose to the fastest in close to six-and-a-half years.

Finally, business sentiment deteriorated amid rising inflation expectations.

Core Sector Data – Oct



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

The combined Index of Eight Core Industries (ICI) increased by 12.1 % (provisional) in October 2023 as compared to the Index of October 2022. The production of all eight core industries (namely, Cement, Coal, Crude Oil, Electricity, Fertilizers, Natural Gas, Refinery Products and Steel) recorded positive growth in October 2023 over the corresponding month of last year. The ICI measures combined and individual performance of production of eight core industries viz. Cement, Coal, Crude Oil, Electricity, Fertilizers, Natural Gas, Refinery Products and Steel. The Eight Core Industries comprise 40.27 % of the weight of items included in the Index of Industrial Production (IIP).

The final growth rate of Index of Eight Core Industries for July 2023 is revised to 8.5 %. The cumulative growth rate of ICI during April to October, 2023-24 is 8.6 % (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 %) increased by 18.4 %in October 2023 over October 2022. Its cumulative index increased by 13.1 % during April to October, 2023-24 over corresponding period of the previous year.

Crude Oil - Crude Oil production (weight: 8.98 %) increased by 1.3 %in October 2023 over October 2022. Its cumulative index declined by 0.1 % during April to October, 2023-24 over corresponding period of the previous year.

Natural Gas - Natural Gas production (weight: 6.88 %) increased by 9.9 % in October 2023 over October 2022. Its cumulative index increased by 5.1 % during April to October, 2023-24 over corresponding period of the previous year.

Petroleum Refinery Products - Petroleum Refinery production (weight: 28.04 %) increased by 4.2 %in October 2023 over October 2022. Its cumulative index increased by 4.0 % during April to October, 2023-24 over corresponding period of the previous year.

Fertilizers - Fertilizer production (weight: 2.63 per cent) increased by 5.3 % in October 2023 over October 2022. Its cumulative index increased by 6.7 % during April to October, 2023-24 over corresponding period of the previous year.

Steel - Steel production (weight: 17.92 %) increased by 11.0 % in October 2023 over October 2022. Its cumulative index increased by 14.5 % during April to October, 2023-24 over corresponding period of the previous year.

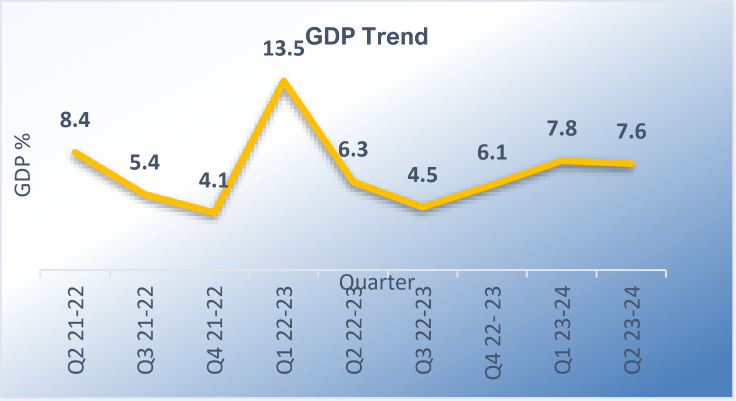
Cement - Cement production (weight: 5.37 %) increased by 17.1 % in October 2023 over October 2022. Its cumulative index increased by 12.2 % during April to October, 2023-24 over corresponding period of the previous year.

Electricity - Electricity generation (weight: 19.85 %) increased by 20.3 % in October 2023 over October 2022. Its cumulative index increased by 7.9 % during April to October, 2023-24 over corresponding period of the previous year.

GDP – Quarter 2 – FY – 2023 - 24

The estimates of Gross Domestic Product (GDP) for the second quarter (July - September) of 2023-24 (Q2), of the ongoing financial year 2023-24 shows a growth of **7.6%.**

Quarterly and Half-yearly estimates of Gross Value Added (GVA) at Basic Prices by kind of economic activity and expenditure components of GDP for the years 2021-22, 202223 and 2023-24 at Constant (2011-12) and Current Prices are given in Statements 1 to 8.



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

Real GDP or GDP at Constant (2011-12) Prices in Q2 2023-24 is estimated to attain a level of ₹41.74 lakh crore, as against ₹38.78 lakh crore in Q2 2022-23, showing a growth of **7.6 %** as compared to 6.2 % crore as against ₹76.22 lakh crore during the corresponding period of previous year, showing a growth of 7.7 % in H1 2023-24 as against 9.5 % in H1 2022-23. GDP at Current Prices in H1 2023-24 is estimated at ₹142.33 lakh crore as against ₹131.09 lakh crore during the corresponding period of previous year, showing a growth of 8.6 % in H1 2023-24 as against 22.2 in H1 2022-23.

Quarterly Estimates of GDP are indicator based and are compiled using the benchmark indicator method, i.e., quarterly estimates available for the previous year referred to as the benchmark year are extrapolated using the relevant indicators reflecting the performance of sectors. Data sourced from various Ministries/ Departments/ Private Agencies serve as valuable inputs in the compilation of these estimates. The sector-wise estimates have been compiled using indicators like (i) Index of Industrial Production (IIP), (ii) Financial performance of listed companies in the Private Corporate Sector based on available quarterly financial results for these companies, (iii) First Advance Estimates of Crop Production for 2023-24, (iv) Production estimates of Major Livestock Products for summer season for 2023-24, (v) Fish Production, (vi) Production/ Consumption of Cement and Steel, (vii) Net Tonne Kilometres and Passenger Kilometres for Railways, (viii) Passenger and Cargo traffic handled by Civil Aviation, (ix) Cargo traffic handled at Major and Minor Sea Ports, (x) Sales of Commercial Vehicles, (xi) Bank Deposits and Credits, (xii) Accounts of Central and State Governments, etc., available for Q2 2023-24. Percentage changes in the main indicators used in the estimation are given in the Annexure.

Improved data coverage and revision in input data made by source agencies would have a bearing on subsequent revisions of these estimates. Estimates are, therefore, likely to undergo revisions for the aforesaid causes in due course, as per the release calendar. Users should take these into consideration while interpreting the figures.

The next release of quarterly GDP estimates for the quarter October-December 2023 (Q3 2023-24) will be on 29.02.2024.

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	3.4 Q2	3.0	4.8 Oct	4.6	-1.6	-7.6	10.9
Russia	5.5 Q3	1.1	6.7 Oct	6.2	2.8	-2.7	11.7
India	**7.8 Q2**	**6.5**	**4.9 Oct**	**5.7**	**-1.3**	**-5.9**	**7.2**
China	4.9 Q3	5.5	-0.2 Oct	0.7	1.8	-3.8	2.6
S Africa	1.6 Q2	0.7	6.1 Oct	5.9	-1.8	-5.2	9.9
USA	3.0 Q3	2.4	3.2 Oct	4.1	-2.8	-6.3	4.3
Canada	1.1 Q2	1.1	3.1 Oct	4.0	-0.4	-1.3	3.5
Mexico	3.3 Q3	3.4	4.3 Oct	5.5	-1.4	-3.8	9.3
Euro Area	0.1 Q3	0.7	2.9 Oct	5.5	2.2	-3.4	2.4
Germany	-0.4 Q3	-0.2	2.3 Nov	6.0	5.5	-2.4	2.4
Britain	0.6 Q3	0.4	4.6 Oct	6.8	-3.2	-3.5	4.3
Australia	2.1 Q2	1.9	5.4 Q3	5.7	0.6	0.5	4.4
Indonesia	3.9 Q3	4.9	2.6 Oct	3.8	0.6	-2.5	6.6
Malaysia	3.3 Q3	4.0	1.8 Oct	2.6	1.7	-5.0	3.9
Singapore	1.1 Q3	0.9	4.7 Oct	4.9	18.8	-0.7	3.0
S Korea	1.2 Q3	1.3	3.8 Oct	3.7	2.2	-2.7	3.6

BANKING

RBI Bulletin – November 2023

The November 2023 issue of the RBI Bulletin includes four articles:

- State of the Economy: The global economy is slowing down and the momentum of GDP growth in India is expected to be higher in Q3:2023-24.
- Reading the Market's Mind: The OIS rate can be used to decode the near-term market expectations of changes in the monetary policy rate.
- Transitioning India's Power Sector: There are risks associated with stranded assets in the coal and fossil fuel sectors, but repurposing coal-fired power plants can help to mitigate these risks.
- Monetary Policy Transmission in India: The EBLR system of loan pricing and robust credit growth have strengthened transmission during the current tightening phase.

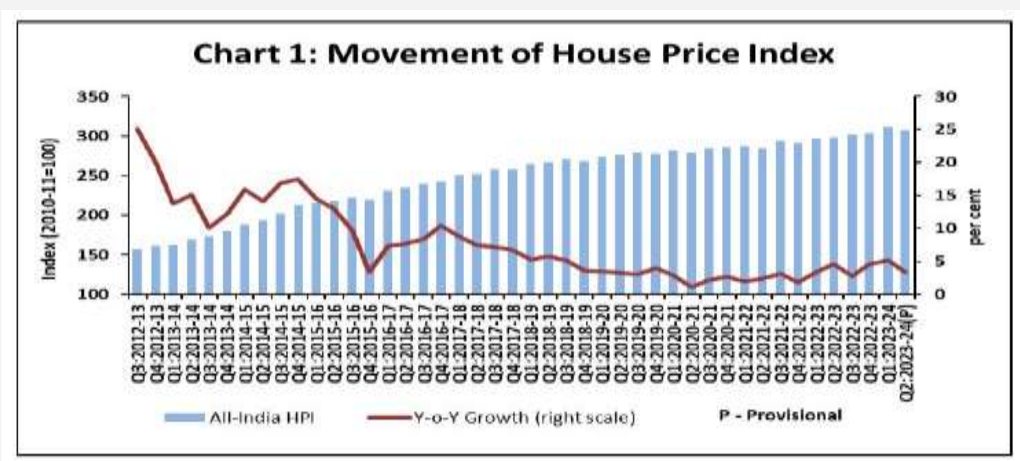
All-India House Price Index (HPI) for Q2:2023-24

The Reserve Bank released its quarterly house price index (HPI)[1] (base: 2010-11=100) for Q2:2023-24, based on transaction-level data received from the registration authorities in ten major cities[2]. Time series data on all-India and city-wise HPIs are available at the Bank's database on Indian economy (DBIE) portal (https://dbieold.rbi.org.in/DBIE/dbie.rbi?site=statistics > Real Sector > Price & Wages> Quarterly).

Highlights:

All-India HPI growth (y-o-y) moderated to 3.4 per cent in Q2:2023-24 from 5.1 per cent in the previous quarter and 4.5 per cent a year ago; annual growth in HPI varied widely across the cities - ranging from the high growth of 6.5 per cent (Chennai) to a contraction of 0.2 per cent (Jaipur).

On a sequential (q-o-q) basis, all-India HPI contracted by 1.2 per cent in Q2:2023-24; seven of the ten cities witnessed price increase in housing registration during the latest quarter.



Monetary Policy Statement, 2023-24 Resolution of the Monetary Policy Committee (MPC) December 6 to 8, 2023

The Monetary Policy Committee (MPC) decided to maintain the policy repo rate at 6.50%, along with unchanged rates for standing deposit and marginal standing facilities. The focus is on withdrawing accommodation to align inflation with the target while supporting economic growth. The global economy shows divergent growth rates, and domestic economic activity remains resilient with a projected real GDP growth of 7.0% for 2023-24. Headline inflation fell to 4.9%, but uncertainties in food prices may lead to a pick-up. The MPC, in a unanimous vote, kept the policy rate unchanged, with a commitment to actively pursue disinflationary measures.

INSURANCE

Insurance Regulatory and Development Authority of India (Minimum Information Required for Investigation and Inspection) Regulations, 2020

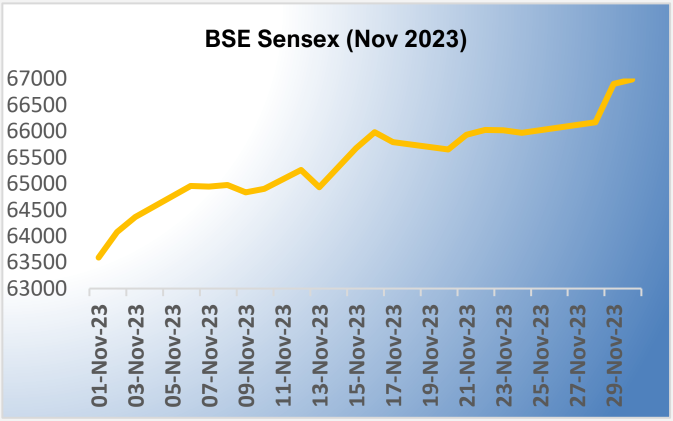
The Insurance Regulatory and Development Authority of India (Minimum Information Required for Investigation and Inspection) Regulations, 2020 outlined the rules for insurers, intermediaries, and insurance intermediaries in India. These regulations, effective six months from the date of publication, are designed to facilitate investigations under section 33 of the Insurance Act, 1938. The objective is to specify the minimum information that insurers and intermediaries must maintain, enabling investigating officers to perform their functions satisfactorily. The regulations cover a wide range of information, including records of insurance proposals, cover-notes, policies, group insurance business, reinsurance business, premiums, endorsements, claims, and various other aspects. The regulations also stipulate the maintenance of records related to employees, agreements with outsourcing entities, cost-benefit analyses, travel expenses, attendance, and legal documentation. The provisions are detailed and tailored to different aspects of the insurance business, ensuring compliance with the regulations for effective investigation and inspection.

CAPITAL MARKET

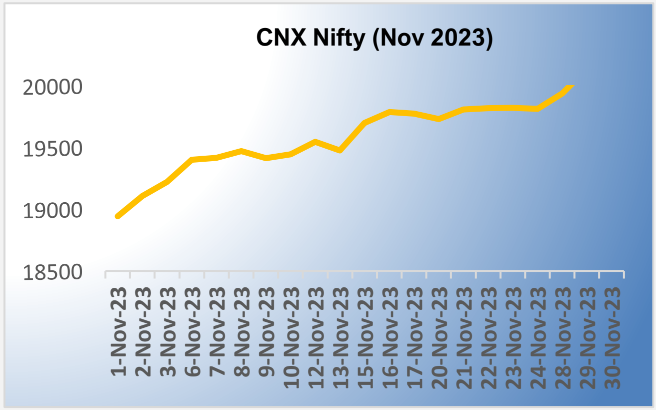
SEBI Board Meeting

In the 203rd Board Meeting, SEBI Board approved measures, including reduced minimum issue and application sizes for Not-for-Profit Organizations on the Social Stock Exchange. A regulatory framework for Index Providers was introduced to enhance transparency and governance in financial benchmarks. Amendments to REIT Regulations aim to facilitate Small & Medium REITs, allowing them to create separate schemes for real estate assets. Additionally, SEBI amended AIF Regulations to mandate dematerialized holdings for fresh investments post-September 2024, and extended the custodian mandate to all Alternative Investment Funds.

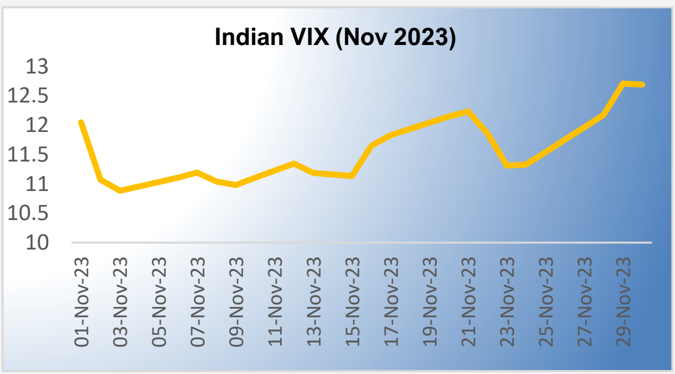
CAPITAL MARKET SNAPSHOT



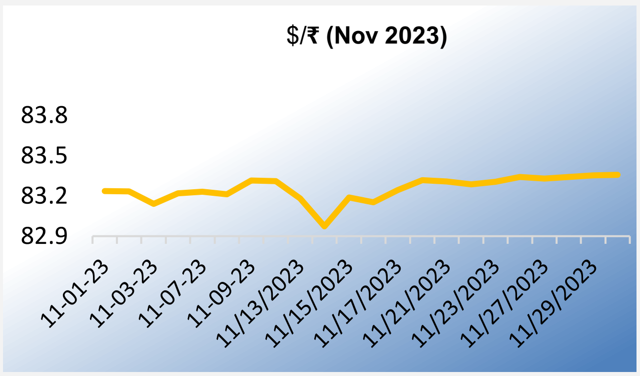
Sources: Bombay Stock Exchange



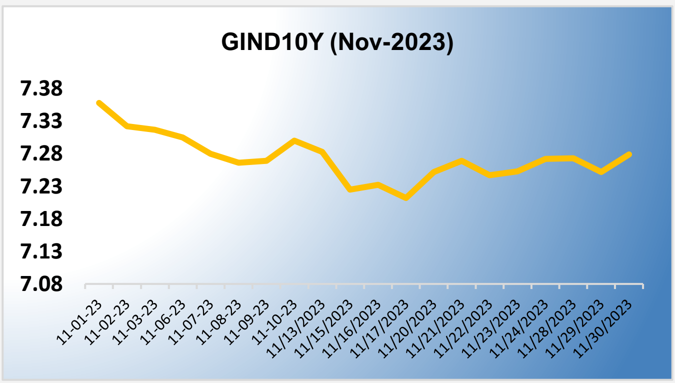
Source: National Stock Exchange



Sources: Bombay Stock Exchange



Sources: APAS Business Research Team



Sources: APAS Business Research Team

The Indian stock market witnessed a bullish trend in November 2023, with both the BSE Sensex and NSE Nifty 50 indices recording significant gains.

The Nifty 50 index closed at 20,133.15 on November 30, 2023, up 5.6 % from the previous month.

The BSE Sensex index closed at 66,988.44 on November 30, 2023, up 4.87% from the previous month.

The Nifty Midcap 100 and Nifty Small cap 100 index had a monthly rise of 10.37% and 12.03% respectively.

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FINTECH

Highlights of the Month

India Issued 560 Mn Card Tokens In The Past One Year After RBI's Directive, Says Report

A Visa report predicts that India's digital payment transactions will reach $5.2 trillion by 2030, growing at a 14% compound annual rate. The country is expected to reach 100 million credit cards by the end of 2023, and debit cards dominate the market with around 92 crore issued as of May 31, 2022. The report emphasizes the significance of card tokenization in enhancing security, with India issuing around 560 million card tokens since October last year. Despite cyberattack concerns, the report envisions a future where tokenization will streamline payments and boost various digital payment use cases, such as transit payments and payments via smartphones and wearables.

Fintechs set to surpass traditional lenders by 2030: RBI CAFRAL

The Centre for Advanced Financial Research and Learning (CAFRAL), established as an independent body by the Reserve Bank of India (RBI) in 2011, predicts that fintech lending will surpass traditional banking by 2030, citing the ability of fintech platforms to meet the diverse credit needs of small to mid-income segments. Fintech's strengths include quick credit assessments, streamlined processes, and rapid fund disbursement through digital platforms and data analytics. The report highlights the potential of fintech lending to extend credit access to a broader population, offering competitive interest rates and personalized loan solutions. However, concerns raised include usurious interest rates, unethical recovery practices, and data privacy issues, emphasizing the need for collaboration with traditional banks to drive transformative change.

FinTech Funding: Global FinTechs raised about $2 bn in Oct'23

In October 2023, global Fintechs secured approximately $1.28 billion in funding, a decline from previous months. Despite the global decrease, Investree led in funding with $231 million, followed by QI Tech, Gojek, and Stampli. In India, InsuranceDekho raised the highest amount at $60 million, contributing to a total of $2 billion raised globally in October. The FinTech sector in India has seen a steady increase, with $7.475 billion raised in 2021, $4.041 billion in 2022, and $2.764 billion from January to October 2023. Industry experts suggest that the funding winter for FinTech is ending, with increased investor focus on quality.

FinTech funding witnesses over 50% decline in October, total $108 mn raised

In October, FinTech funding in India experienced a substantial decline of over 50%, totalling USD 108 million from 12 deals, compared to USD 264 million from 9 deals in the previous month. InsuranceDekho led the fundraising with approximately USD 60 million, followed by OnSurity, which raised about USD 24 million. Despite the monthly drop, the FinTech sector in India has seen an overall positive trend in funding throughout the year, with USD 2764 million raised from January to October 2023. Notably, industry experts suggest that the funding winter is ending, and the sector is poised for improved prospects.

Cross-border norms bring ePay companies directly under RBI watch

The Reserve Bank of India (RBI) has introduced Payment Aggregator-Cross Border (PA-CB) guidelines, bringing players in the Indian digital payments ecosystem under direct supervision. This move aims to regulate and harmonize the entire payments stack, impacting major players like PayPal, Cashfree, and Paymate, as well as startups. The guidelines mandate compliance, and PA-CBs will face penalties if they fail to adhere to regulations, signalling a shift from a light-touch regulatory approach to a fully licensed regime for cross-border payment aggregators. The move is expected to bring clarity but may increase compliance costs for industry players.

Centre losing revenue as crypto trading moves offshore

In India, a study by the Esya Centre reveals that nearly 90% of cryptocurrency trading has moved to offshore platforms following the government's implementation of a 1% tax deducted at source (TDS) on virtual digital asset (VDA) trading from July 2022. Indians traded over Rs 3,50,000 crore on offshore platforms between July 2022 and July 2023, depriving the exchequer of Rs 3,493 crore in revenue. The study suggests that the TDS has not achieved its intended objectives, with millions of Indian users shifting to offshore exchanges to circumvent the tax. The report recommends clarifying TDS applicability, reducing the tax rate, and implementing alternative reporting mechanisms.

Rich Indians a big catch for fintechs, says report

The Elevation Capital and McKinsey India report indicates a growing opportunity for Indian fintech firms as the number of affluent individuals in the country is expected to triple to 30 million by FY30. This surge could double the revenue pool to $80-100 billion. Serving the mass market through formal credit is projected to unlock $25-30 billion in revenue by 2030, with additional opportunities in wealth offerings amounting to $30-40 billion. Fintechs, such as Cred and Dezerv, are well-positioned to tap into this market by addressing the digital banking concerns and offering personalized services to the affluent segment and the underserved population earning $1,000-6,000 per annum.

NPCI Puts Brakes On Inactive UPI IDs; Asks Banks, Payment Apps To Shut Unused Accounts

The National Payments Corporation of India (NPCI) has instructed banks and payment apps to deactivate inactive Unified Payments Interface (UPI) IDs and numbers by the end of the year. NPCI highlights the security threat posed by customers changing phone numbers without updating banking information. To enhance security, UPI applications will now reflect customer names during transactions, rather than the names stored at the application's end. The move aims to ensure a safe and seamless transactional experience and comes amid a surge in UPI payments, exceeding 1,100 transactions and INR 17.16 lakh crore in value in October.

NPCI eyes high-value transactions on UPI through RuPay credit cards

The National Payments Corporation of India (NPCI) plans to expand the Unified Payments Interface (UPI) by integrating RuPay credit cards, targeting larger transactions like hotel bookings and airline tickets. Despite credit card transactions having an average size above Rs 2,000, UPI merchant payments average around Rs 650. NPCI aims to increase UPI transaction sizes by promoting credit card transactions through the platform, urging banks to raise limits for RuPay credit card UPI transactions. This initiative seeks to capture a share of high-value transactions in premium stores and organized retail outlets.

UPI transactions witness decline in volume, slight spike in value for Nov

In November, Unified Payments Interface (UPI) transactions slightly declined to 11.24 billion from October's 11.41 billion, but the total transaction value increased to approximately Rs 17.4 trillion. Compared to the same month the previous year, UPI transactions saw a significant rise of 54% in volume and 46% in value. UPI is expected to surpass 100 crore transactions per day by FY27, dominating 90% of retail digital payments. The Reserve Bank of India highlighted robust growth in payment systems, with a 57.8% increase in transaction volume during 2022-23.

Fintechs, projected to surpass bank loans by 2030, face biggest hit from RBI clampdown on unsecured loans

The Reserve Bank of India's recent regulations requiring banks and NBFCs to increase risk weightage on unsecured loans to 125% from 100% could impact fintech players specializing in personal loans, credit cards, and gold loans. While the move is seen as positive for risk reduction, concerns arise about its potential impact on loan growth in the industry. Fintech firms have played a significant role in consumer lending, with projections suggesting that fintech lending may surpass traditional bank lending by 2030. The regulations highlight a shift toward expected credit loss-based provisioning, impacting the unsecured nature of loans in the face of rapid growth.

INFRASTRUCTURE & GOVT. INITIATIVES

Cabinet approves Terms of Reference for the Sixteenth Finance Commission

The Union Cabinet has approved the Terms of Reference for the Sixteenth Finance Commission. The commission's recommendations, covering the period from April 1, 2026, to be notified later, will focus on the distribution of net tax proceeds between the Union and States, principles governing grants-in-aid, and measures to augment the Consolidated Fund of a State for Panchayats and Municipalities. The report is expected to be available by October 31, 2025, for the five-year period commencing April 1, 2026. The formation of the 16th Finance Commission is in line with constitutional provisions, with an Advance Cell established in the Ministry of Finance for preliminary work.

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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