

APAS MONTHLY - VOLUME 12

APAS MONTHLY NEWSLETTER

December 2023 Edition

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EDITORIAL

Season's Greetings!!

In this issue, Mr. U K Sinha, Former Chairman, SEBI, has presented his thoughts on '**Corporate governance Principles and Practices in India**'. We thank Mr. Sinha for his contribution to the APAS Monthly.

This month, the APAS column covers '**Economic Outlook 2024**'.

The economic indicators showed good performance. Manufacturing PMI rose to 56.0 in November 2023 from October's 8-month low of 55.5. Services PMI declined to 56.9 in November 2023 from 58.4 in the previous month. Infrastructure output in India rose by 7.8% year-on-year in November 2023. Industrial production in India climbed 11.7% year-on-year in October 2023. India's retail price inflation (CPI) went up to 5.55% in November 2023. India Wholesale Price Index (WPI) is 0.26% (Provisional) for the month of November 2023.

Reserve Bank of India held its 605th meeting of the Central Board of Directors. Banks can now reverse transactions made through SDF and MSF even on weekends and holidays wef December 2023. RBI released the report on trend and progress of banking in India 2022-23. RBI released "Statistical Tables relating to Banks in India: 2022-23". RBI updated its D-SIB assessment method for 2024 onwards. RBI announced its Master Direction - RBI Directions, 2023. The Payments Infrastructure Development Fund (PIDF) Scheme was launched by the RBI. Union Finance Minister Smt. Nirmala Sitharaman chairs the meeting to review Public Sector Banks (PSBs) on various parameters.

IRDAI has published Life Insurance data for December 2023.

SEBI has issued a Master Circular for Stock Exchanges and Clearing Corporations, focusing on the framework for 'Short Selling and Securities Lending and Borrowing Scheme.

In December, digital payment transactions witnessed a remarkable CAGR of 45%, reaching 13,462 crores in FY 2022-23. Global fintech funding reached \$2.5 billion in November 2023. A report highlighted that India's Digital Public Infrastructure now empowers 97% of the population, extending beyond Aadhar and UPI. The Financial Intelligence Unit in India has registered over two dozen crypto service providers, and IBDIC is actively working on implementing blockchain for Letter of Credit. ONDC is expected to limit its role as a digital infrastructure enabler, while AI adoption in risk and compliance becomes prominent among fintechs, according to Moody's. Additionally, a report notes a significant number of frauds during the borrowing stage, with Voter ID having the highest tamper rate in KYC lending frauds, and one-fourth of borrowers opting for fully digital loans.

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

Ashvin parekh

On the Cover



GUEST COLUMN

Corporate governance Principles and Practices in India

Mr. U K Sinha
Former Chairman,
Securities and Exchange Board of India
(SEBI)



APAS COLUMN

Economic Outlook in 2024



ECONOMY

Index of Industrial Production – Oct
Inflation update – Nov
PMI update – Nov
Core Sector - Nov

Countries	GDP		CPI		Current Account Balance	Market Balance	Interest Rates
	Latest	2023*	Latest	2023*	% of GDP, 2023*	% of GDP, 2023*	(10Y Govt. Bond)
Brazil	2.4 Trn	3.1	4.8 Aug	5.7	-1.8	-7.6	13.1
France	4.0 Trn	42.5	5.1 Aug	6.5	3.8	-0.8	3.9
India	2.8 Trn	8.5	6.8 Aug	8.6	-1.8	-6.8	7.2
China	1.5 Trn	11.2	10.1 Aug	10.9	3.8	-3.2	2.5
USA	2.8 Trn	17.5	4.8 Aug	5.7	-1.8	-0.7	3.9
UK	3.5 Trn	1.8	3.7 Aug	3.8	-1.8	-1.5	4.5
Canada	2.1 Trn	1.1	4.8 Aug	5.8	-0.8	-1.2	4.5
Japan	4.8 Trn	2.8	4.1 Aug	5.3	-1.8	-1.4	10.1
South Africa	1.1 Trn	11.8	5.2 Aug	5.5	3.8	-1.4	3.9
Germany	4.2 Trn	11.5	6.2 Aug	6.5	3.8	-2.2	3.9
Italy	1.8 Trn	11.8	6.2 Aug	6.9	-1.8	-1.7	4.5
South Korea	1.8 Trn	1.8	6.2 Aug	6.8	3.2	0.8	4.5
Indonesia	1.8 Trn	11.8	3.2 Aug	3.8	0.2	-2.8	6.9
Malaysia	1.1 Trn	11.8	7.8 Aug	7.9	1.9	1.2	11.1

ECONOMIC DATA

SNAPSHOT

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

BANKING

[605th Meeting of Central Board of the Reserve Bank of India](#)

[RBI releases "Statistical Tables relating to Banks in India: 2022-23"](#)

[Report on Trend and Progress of Banking in India 2022-23](#)

[Reversal of Standing Deposit Facility \(SDF\) and Marginal Standing Facility \(MSF\) during weekends/ holidays](#)

[Domestic Systemically Important Bank \(D-SIB\) Framework - Review of the Assessment Methodology](#)

[Master Direction - Reserve Bank of India Directions, 2023](#)

[Payments Infrastructure Development Fund \(PIDF\) – Extension of Scheme, Enhancements and Status Update](#)

[Union Finance Minister Smt. Nirmala Sitharaman chairs meeting to review Public Sector Banks \(PSBs\) on various parameters](#)



INSURANCE

[Life Insurance - Dec 2023](#)



INFRASTRUCTURE

[*CBDT issues guidelines under section 194-O of the Income-tax Act, 1961*](#)

[*PFRDA now allows National Pension System \(NPS\) subscribers to deposit contributions through Unified Payments Interface \(UPI\) QR code for D-Remit*](#)



CAPITAL MARKETS

[*Framework for Short Selling*](#)



CAPITAL MARKETS

SNAPSHOT

[*CNX Nifty, BSE Sensex, India VIX, \\$/₹, GIND 10Y*](#)



FINTECH NEWS

[*Highlights of the Month*](#)



Corporate Governance Principles and Practices in India

Mr. U K Sinha
Former Chairman,
Securities and Exchange Board of India (SEBI)

Corporate Governance Principles and Practices in India

The economic belief that the purpose of a company is to maximize profit for its shareholders has held sway for nearly four decades till the early 2000s. It was only in the last two decades that the thinking started shifting towards safeguarding the interest all the stakeholders-instead of being focused on the shareholders alone. After all, the company derives protection due to its incorporation, the members have limited liability and the assets are accumulated with the contribution from employees, consumers, creditors, and the society. The Companies Act, 2013 expects the board to act “in the best interests of the company, its employees, the shareholders, the community and for the protection of the environment”. The SEBI LODR Regulations have introduced a new principles-based regulation. Chapter II requires the company to act in the best interests of all stakeholders. More importantly, it provides that “in case of any ambiguity or incongruity between the principles and relevant regulation, the principles specified in this regulation shall prevail”. The missing piece about specific inclusion of creditors as stakeholders is covered adequately under the IBC, whereby transactions defrauding creditors or wrongful trading, years before a company goes into distress can invite penal action against the company and individually against its directors.

Operation of the principles:

The actual operation of these principles happens mainly through the following channels: -

- i) Express Directions and prohibitions in Law
- ii) Structural arrangements
- iii) Public Disclosures and Reports
- iv) Gatekeepers
- v) Penal Consequences
- vi) Institutional Investors

The Companies Act, The SEBI Act, The IBC and a host of other related acts and regulations impose mandatory provisions on companies and their employees/directors about the actions they must take, the manner of taking such actions and what they must avoid. Then there are controls exercised through structural provisions. There is the need to have at least one woman ID, or half the strength as IDs in certain cases, restrictions on their tenure and the companies they can join. The constitution of committees of the board are similarly prescribed. Rules for related party transactions, RPTs have been tightened. Disclosure and reporting requirements have also moved up substantially over the last decade. New rules on providing comments on rumours in media will kick in shortly. In order to focus on Environmental, Social and Governance (ESG) issues, Business Responsibility Reports were introduced, Integrated Reporting (IR) was encouraged and a detailed quantitative and comparative Business

Responsibility and Sustainability Reporting (BRSR) was introduced in 2021. An element of reasonable assurance was added through the introduction of BRSR Core.

As per an OECD study, only three out of forty-nine countries have mandatory norms for corporate governance. In the World Bank ranking on minority protection India ranked seven in 2019.

There are elaborate, well-defined penal provisions provided under the Companies Act and the SEBI Act. SEBI can pass cease and desist orders, impose penalties, pass disgorgement orders, recover its dues without going to an external agency, debar a company or its executives from association with any listed company, initiate criminal proceedings and even pass interim orders pending an inquiry.

Institutional Investors can play an important role. There are strict guidelines for mutual funds, insurance companies and pension funds for playing their stewardship role. They must have their voting policies and publish their voting results. However, this is an area where the country must catch up with the advanced economies where catalytic roles on gender diversity, pay anomalies, climate matters and on governance played by investors are forcing the regulators to be more pro-active.

Gatekeepers like IDs, auditors, proxies and credit rating agencies (CRA) can play a significant role in improving the governance standards. Reasonable protection has been provided to IDs. Accountability of auditors has come into sharper focus. There are instances of auditors returning an engagement or refusing to sign the account. Their regulation by an independent agency, National Financial Reporting Authority (NFRA) has also helped in strengthening the situation. India is one of the first few countries where regulations for CRAs are in place for over two decades. Proxies are also regulated by SEBI under the Research Analysts Regulations. It is only in the last couple of years that proxies have come of age and started making an impact. The attempt in the USA to introduce regulations in 2020 could not succeed and was subsequently withdrawn.

The Reality Check and Suggestions:

While substantial progress has been made over the last one and a half decade, ground realities warrant continued progress. An important factor is the ownership factor of listed companies in India. For all listed NSE scrips the promoter holdings continue to be high and remains 50% between March 2017 and March 2023. This is a situation largely unique to India. Minimum public shareholding (MPS) of 25% was enforced over ten years ago. But a 75% promoter holding (either overtly or covertly) gives power to block a special resolution and avoid tough governance actions. There is a case to increase the MPS to a higher level in a transparent and non-disruptive manner. The manner of appointment of directors also needs to change. A wider consultation involving minority shareholders and a bigger pool to choose from is needed. There is a case to revisit SEBI's aborted move to separate the posts of Chairman and CEO and to have an independent chairman in companies having high promoter holding. The bigger concern is the governance in PSUs, where norms of MPS, ratio of IDs and of women directors, consequences of non-publication of accounts or non-repayment of debt in time are regularly at divergence with other companies in law and in practice. In order to have the moral authority to strengthen governance in privately held companies, they need to implement the same in companies they own.



APAS COLUMN

Economic Outlook in 2024

The year 2023 proved to be a watershed moment for India's economic landscape, with significant developments across key sectors. As we step into 2024, it is imperative to dissect and analyze the trajectories of each sector, understanding the opportunities, challenges, and the overarching economic narrative.

Manufacturing Sector:

The year 2023 proved to be a turning point for India's manufacturing sector, propelled by the "Make in India" initiative and the strategic implementation of Production Linked Incentive (PLI) schemes. These schemes, particularly in electronics, pharmaceuticals, and automotive industries, not only fostered growth but also attracted global attention amid widespread supply chain disruptions.

Ground-level outcomes reflected this upward trajectory, with robust growth in manufacturing output and significant investments in key sectors such as steel, cement, pharmaceuticals, electronics, and automobiles. International giants like Apple and Foxconn were drawn in by the allure of PLI schemes, setting the stage for a potential technological manufacturing boom.

As we look forward to 2024, a blend of promise and uncertainty defines the landscape. The government's sustained commitment to "Make in India" and PLI schemes, coupled with forthcoming free trade agreements, creates a favorable environment for growth. The development of industrial corridors and smart cities is expected to provide an additional boost to the manufacturing sector.

The extension of the auto PLI by a year indicates a continued focus on attracting major players. Apple's contract manufacturers establishing assembly units in India signifies a shift towards local production strategies. Furthermore, the textile and garment manufacturing sectors are experiencing increased investment, with global brands revisiting their sourcing strategies to capitalize on India's competitive advantage.

Service Sector:

The service sector experienced a resurgence in 2023, driven by a resurgent domestic market and the continued boom in IT and technology-enabled services. Hospitality, tourism, education, and healthcare witnessed a rebound, adapting to the post-pandemic landscape with innovative models.

As we delve into 2024, the service sector's optimism intensifies. Gen AI is set to transition from theoretical promise to practical reality, revolutionizing service industries with unprecedented levels of automation and intelligence. The metaverse, once a realm of science fiction, is fast becoming a reality, offering new avenues for service delivery, from immersive educational experiences to virtual healthcare consultations.

India's reputation as a global service hub is poised to solidify in 2024, propelled by a young, skilled workforce, robust digital infrastructure, and initiatives like "Digital India." The convergence of Gen AI and the metaverse positions India as a provider of cutting-edge solutions and experiences on the global stage.

However, challenges such as inflationary pressures and global economic uncertainties linger. Armed with Gen AI, embracing the metaverse, and leveraging unique strengths, India's service sector is positioned to redefine the rules of the game in the coming year.

Agriculture Sector:

India's agricultural sector in 2024 presents a complex narrative of promise and potential challenges. Analysts predict healthy growth, yet the specter of the 2024 general elections introduces uncertainties that could impact farmer sentiments and market stability. Erratic monsoon patterns and global inflation trends add layers of concern, potentially affecting food price volatility and squeezing farmer margins.

Amidst these challenges, technology and innovation emerge as beacons of hope. Precision agriculture tools, improved access to credit and market information, and government initiatives for crop diversification and value addition offer avenues to boost farmer incomes and resilience. Sustainable practices, including water conservation and organic farming, could mitigate the impact of climate change and ensure long-term food security.

The success of Indian agriculture in 2024 hinges on delicate balance – navigating political landscapes, mitigating climate risks, and harnessing technology will be crucial to secure a bountiful harvest and ensure sustained sectoral growth.

Geopolitics Sector:

Global geopolitics play a pivotal role in shaping India's economic landscape. The outcomes of the U.S. presidential elections, the UK's political scenario, and geopolitical tensions in Russia can influence global markets, trade flows, and India's economic prospects. The conflicts in 2023, including the Russia-Ukraine war and Israel-Hamas conflict, had far-reaching impacts on India, underscoring the interconnectedness of global economies.

India's resilience, driven by a robust domestic market and government stimulus measures, helped weather the storm. However, as we step into 2024, challenges persist. Inflation, though showing signs of retreat, remains a concern, and the upcoming elections in India, the United States, and the United Kingdom add an additional layer of uncertainty.

The economic outlook for 2024 hinges on geopolitical developments, and a stable political environment in key nations could foster confidence and encourage investment flows, supporting India's growth prospects. Conversely, political uncertainty may exacerbate existing economic challenges.

Defence Sector:

India's defence sector, one of the world's largest spenders, faces a dynamic year in 2024. With a robust budget exceeding \$67.5 billion, the sector presents opportunities for domestic players and international collaborations. The focus on indigenization and initiatives like the PLI scheme is set to fuel domestic defence manufacturing, strengthening self-reliance and opening avenues for private sector participation.

While successes in defence exports showcase global recognition of India's capabilities, challenges persist. Geopolitical tensions, technological advancements, and domestic aspirations pose intricate challenges.

Balancing defence needs with fiscal prudence, ensuring timely project delivery, and fostering innovation and collaboration within the ecosystem are critical for sustained growth.

2024 offers a unique opportunity for India's defence sector to solidify its global leadership. By capitalizing on strengths, addressing challenges, and fostering collaboration, India can secure its borders and emerge as a major player in the global defence market.

Space Sector:

India's space endeavors reached new heights in 2023, with Chandrayaan-3's lunar success and ongoing missions like Aditya-L1 and Mangalyaan-2. The privatization of the sector, exemplified by companies like Skyroot Aerospace, promises to disrupt the satellite launch landscape globally, positioning India as a cost-effective and reliable option.

The human spaceflight program, Gaganyaan, remains a pinnacle of India's aspirations. Despite adjustments to the initial 2024 target, progress is evident, with advanced astronaut training and spacecraft development underway. India's space sector, with ground-breaking missions, a burgeoning private sector, and a commitment to human spaceflight, is set to make an indelible mark in 2024 and beyond.

Infrastructure Sector:

India's infrastructure sector roared back to life in 2023, supported by government spending on ambitious projects. Core sectors like cement, steel, and electricity witnessed impressive growth. As we enter 2024, the focus shifts towards smart infrastructure and sustainability, with technology and innovative financing models taking center stage.

The World Bank's appreciation of India's commitment to infrastructure spending underscores the sector's resilience. Cautiously optimistic, the outlook for 2024 envisions a continued commitment to infrastructure development, fostering economic growth and investor confidence.

In conclusion, as India steps into 2024, the nation navigates a landscape of immense potential and challenges across diverse sectors. From the manufacturing sector's promising trajectory to the service sector's embrace of cutting-edge technologies, and the agricultural, geopolitical, defence, space, and infrastructure sectors, India is poised for a transformative year. The nation's resilience, innovation, and strategic vision will be critical in shaping its economic destiny in the dynamic global landscape of the coming year.

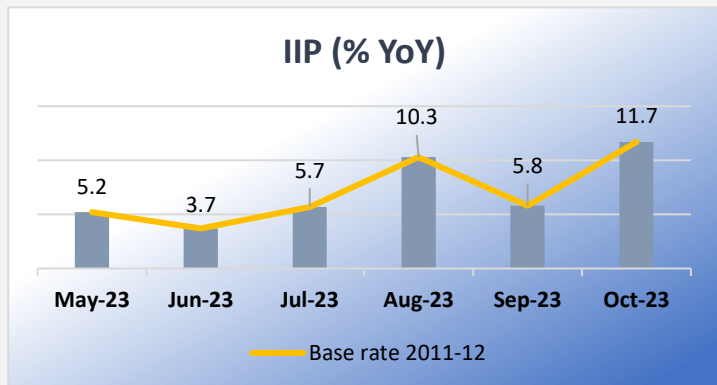


ECONOMY

IIP (Index of Industrial Production) – Oct

Industrial production in India climbed 11.7% year-on-year in October 2023, the highest since June last year, from an upwardly revised 6.2% growth in the previous month and exceeding market expectations of 10%.

For the month of October 2023, the Quick Estimates of Index of Industrial Production (IIP) with base 2011-12 stands at 144.7. The Indices of Industrial Production for the Mining, Manufacturing and Electricity sectors for the month of October 2023 stand at 127.4, 141.8 and 203.8 respectively.



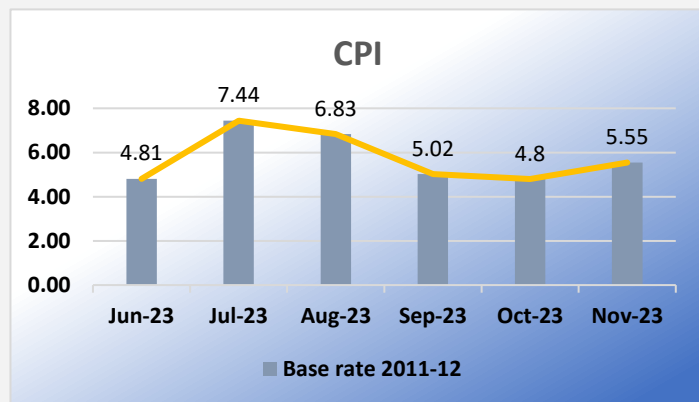
Source: APAS BRT, www.mospi.gov.in

As per Use-based classification, the indices stand at 146.1 for Primary Goods, 106.9 for Capital Goods, 157.8 for Intermediate Goods and 173.9 for Infrastructure/ Construction Goods for the month of October 2023. Further, the indices for Consumer durables and Consumer non-durables stand at 123.0 and 141.5 respectively for the month of October 2023.

CPI (Consumer Price Index) – Nov

Annual retail price inflation in India went up to 5.55% in November 2023, the first increase in four months, from 4.87% in October and compared to market expectations of 5.7%.

Food inflation went up to 8.7%, the highest in three months, from 6.61% in October. Monsoon in India hit five-year low in 2023 due to El Nino, affecting agricultural production.



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

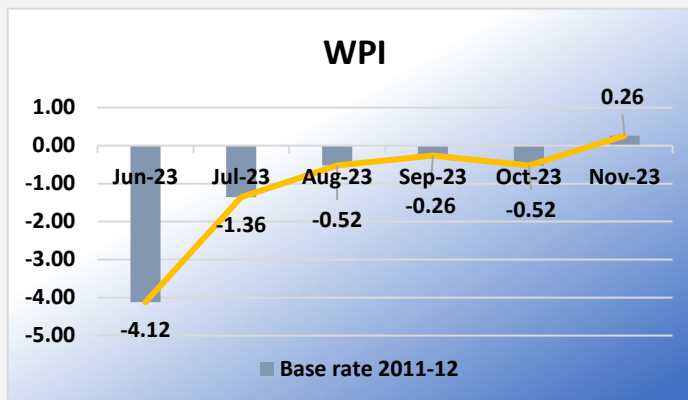
Prices rose the most for spices (21.6%), pulses (20.2%), vegetables (17.7%), namely onions and tomatoes, fruit (11%) and cereals (10.3%) while cost for oils and fats went down 15%.

Meanwhile, a slowdown was seen in prices for pan, tobacco, and intoxicants (3.81% vs. 3.87%), clothing and footwear (3.9% vs. 4.31%), housing (3.55% vs. 3.8%), and miscellaneous (4.38% vs. 4.4%). Additionally, fuel and light costs fell by 0.77% after a 0.39% drop in October.

WPI (Wholesale Price Index) – Nov

India Wholesale Price Index (WPI) number is 0.26% (Provisional) for the month of November 2023 (over November 2022). Positive rate of inflation in November 2023 is primarily due to increase in prices of food articles, minerals, machinery & equipment, computer, electronics & optical products, motor vehicles, other transport equipment and other manufacturing etc.

The month-over-month change in WPI index for the month of November 2023 stood at 0.53% as compared to October 2023.



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

The index for primary articles increased by 1.30% to 186.9 (provisional) in November 2023 from 184.5 (provisional) for the month of October 2023.

Prices of Food Articles (2.62%) increased in November 2023 as compared to October 2023. Prices of Non-food Articles (-0.24%), Minerals (-0.41%) and Crude Petroleum & Natural Gas (-4.79%) declined in November 2023 as compared to October 2023.

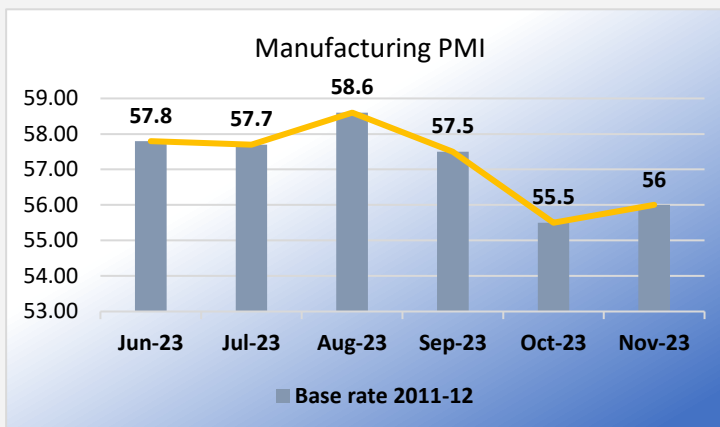
Prices for Fuel & Power increased by 0.78% to 155.3 (provisional) in November 2023 from 154.1 (provisional) for the month of October 2023. Prices of Electricity (9.93%) increased in November 2023 as compared to October 2023. Prices of Mineral Oils (-1.99%) declined in November 2023 as compared to October 2023.

Prices for Manufacturing products increased by 0.07% to 140.4 (provisional) in November 2023 from 140.3 (provisional) for the month of October, 2023.

Manufacturing PMI – Nov

The S&P Global India Manufacturing PMI rose to 56.0 in November 2023 from October's 8-month low of 55.5, in line with market consensus. It was the 29th straight month of increase in factory activity, as output expanded at an above-trend pace.

Also, new order growth improved from October's one-year low and outpaced the series average; while foreign sales gained for the 20th month, albeit at the slowest rate since June.



Source: www.tradingeconomics.com

Further, employment increased for the eighth month, amid a slight rise in outstanding business. Buying activity and stocks of inputs rose, in many cases owing to buoyant demand conditions. The vast majority of panelists reported no change in delivery times since October, amid modest deterioration in vendor performance.

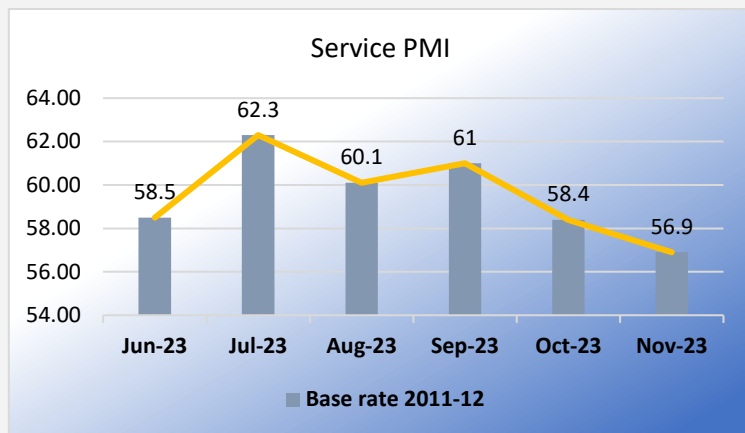
On prices, purchase costs went up the least in 40 months. Meanwhile, charges rose modestly as most firms opted to leave their fees unchanged since October.

Lastly, confidence dipped to a 7-month low, due to rising inflation expectations.

Services PMI – Nov

The S&P Global India Services PMI declined to 56.9 in November 2023 from 58.4 in the previous month, below market forecasts of 58.

The reading pointed to the softest growth in the sector since November last year, amid a slowdown in rates of growth for both new orders and output, with new export orders rising the least in five months. Employment continued to increase despite the job creation being the slowest in seven months.



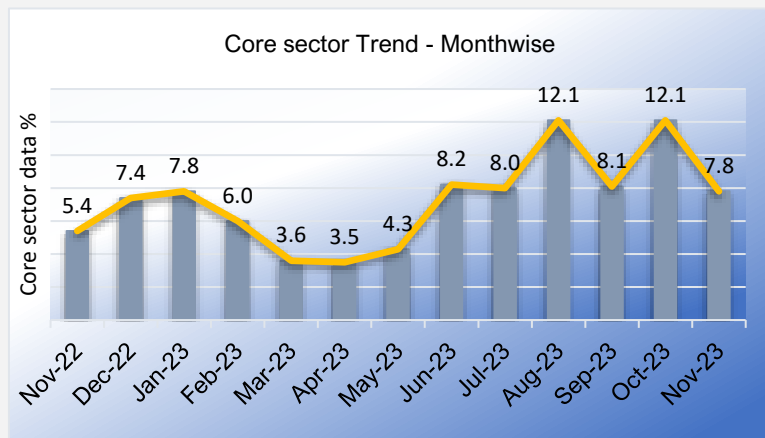
Source: www.tradingeconomics.com

On the pricing front, input price inflation slowed to an eight-month low and was below its long-run average amid a further increase in labour, food, material, and transportation costs. Output cost inflation also eased to the weakest since March, though the rate of increase was above the series trend.

Lastly, business sentiment remained positive, although confidence somewhat faded due to rising inflation expectations.

Core Sector Data – Nov

The combined Index of Eight Core Industries (ICI) increased by 7.8 % (provisional) in November 2023 as compared to the Index of November 2022. The production of Coal, Electricity, Fertilizers, Natural Gas, Refinery Products and Steel recorded positive growth in November 2023. The ICI measures combined and individual performance of production of eight core industries viz. Cement, Coal, Crude Oil, Electricity, Fertilizers, Natural Gas,



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

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 August 2023 is revised to 13.4 %. The cumulative growth rate of ICI during April to November, 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 10.9 % in November 2023 over November 2022. Its cumulative index increased by 12.8 % during April to November, 2023-24 over corresponding period of the previous year.

Crude Oil - Crude Oil production (weight: 8.98 %) decreased by 0.4 % in November 2023 over November 2022. Its cumulative index declined by 0.2 % during April to November, 2023-24 over corresponding period of the previous year.

Natural Gas - Natural Gas production (weight: 6.88 %) increased by 7.6 % in November 2023 over November 2022. Its cumulative index increased by 5.4 % during April to November, 2023-24 over corresponding period of the previous year.

Petroleum Refinery Products - Petroleum Refinery production (weight: 28.04 %) increased by 12.4 % in November 2023 over November 2022. Its cumulative index increased by 5.0 % during April to November, 2023-24 over corresponding period of the previous year.

Fertilizers - Fertilizer production (weight: 2.63 %) increased by 3.4 % in November 2023 over November 2022. Its cumulative index increased by 6.3 % during April to November, 2023-24 over corresponding period of the previous year.

Steel - Steel production (weight: 17.92 %) increased by 9.1 % in November 2023 over November 2022. Its cumulative index increased by 14.2 % during April to November, 2023-24 over corresponding period of the previous year.

Cement - Cement production (weight: 5.37 %) decreased by 3.6 % in November 2023 over November 2022. Its cumulative index increased by 10.3 % during April to November, 2023-24 over corresponding period of the previous year.

Electricity - Electricity generation (weight: 19.85 %) increased by 5.6 % in November 2023 over November 2022. Its cumulative index increased by 7.7 % during April to November, 2023-24 over corresponding period of the previous year.

Countries	GDP		CPI		Current Account Balance	Budget Balance	Interest Rates
	Latest	2023*	Latest	2023*	% of GDP, 2023*	% of GDP, 2023*	(10Y Gov), Latest
Brazil	3.4 Q2	3.1	4.8 Aug	4.7	-1.6	-7.6	12.3
Russia	4.9 Q2	4.5	5.1 Aug	5.5	3.8	-2.8	11.8
India	7.6 Q2	6.6	6.8 Aug	5.3	-1.3	-5.9	7.2
China	6.3 Q2	5.2	0.1 Aug	3.8	1.8	-3.2	2.5
S Africa	1.6 Q2	0.6	4.8 Aug	5.7	-1.8	-5.7	10.8
USA	2.5 Q2	1.8	3.7 Aug	3.3	-2.9	-6.3	4.6
Canada	1.3 Q2	1.1	4.0 Aug	3.8	-0.4	-1.2	4.1
Mexico	3.6 Q2	3.4	4.8 Aug	5.8	-1.8	-3.4	10.1
Euro Area	0.5 Q2	0.6	5.7 Aug	5.5	2.3	-3.3	2.9
Germany	-0.3 Q2	-0.2	6.4 Aug	6.0	5.8	-2.2	2.0
Britain	0.4 Q2	0.4	6.7 Aug	6.8	-2.8	-3.5	3.6
Australia	2.1 Q2	1.6	6.0 Q2	5.6	0.7	0.5	4.4
Indonesia	5.2 Q2	4.9	3.2 Aug	3.8	0.7	-2.5	6.5
Malaysia	2.9 Q2	4.0	2.0 Aug	2.3	1.7	-5.0	4.0
Singapore	0.9 Q2	1.0	4.0 Aug	4.9	18.8	-0.7	2.8
S Korea	0.9 Q2	1.3	3.4 Aug	3.0	1.5	-2.7	3.4

ECONOMIC DATA SNAPSHOT

Countries	GDP		CPI		Current Account Balance	Budget Balance	Interest Rates
	Latest	2023*	Latest	2023*	% of GDP, 2023*	% of GDP, 2023*	(10Y Gov), Latest
Brazil	2.0 Q3	3	4.7 Nov	4.6	-1.6	-7.6	10.5
Russia	5.5 Q3	2.8	7.5 Nov	6.2	3	-2.8	11.7
India	7.6 Q3	6.7	5.6 Nov	5.7	-1.3	-5.9	7.2
China	4.9 Q3	5.5	-0.5 Nov	0.7	2.1	-3.8	2.4
S Africa	-0.7 Q3	0.6	5.6 Nov	6	-2.1	-5.2	9.9
USA	2.9 Q3	2.4	3.1 Nov	4.1	-2.8	-6.3	3.9
Canada	0.5 Q3	1	3.1 Nov	3.8	-0.6	-1.5	3.2
Mexico	3.3 Q3	3.4	4.3 Nov	5.5	-1.4	-3.8	9.1
Euro Area	nil Q3	0.6	2.4 Nov	5.5	2.3	-3.3	2
Germany	-0.4 Q3	-0.2	2.3 Nov	6	5.5	-2.2	2
Britain	0.3 Q3	0.4	3.9 Nov	6.8	-2.9	-3.5	3.6
Australia	2.1 Q3	1.9	5.4 Q3	5.7	0.6	0.5	4
Indonesia	4.9 Q3	4.9	2.6 Dec	3.7	0.8	-2.5	6.5
Malaysia	3.3 Q3	4	1.5 Nov	2.6	1.7	-5	3.8
Singapore	2.8 Q4	0.9	3.6 Nov	4.9	18.8	-0.7	2.8
S Korea	1.3 Q3	1.3	3.2 Dec	3.6	2.1	-2.7	3.3



BANKING

605th Meeting of Central Board of the Reserve Bank of India

The 605th meeting of the Central Board of Directors of Reserve Bank of India was held under the Chairmanship of Shri Shaktikanta Das, Governor.

The Board reviewed the economic and financial scenario, both domestic and global, including the challenges posed by global geopolitical developments. The Board also discussed the activities of select Central Office Departments and the draft Report on Trend and Progress of Banking in India, 2022-23.

Reversal of Standing Deposit Facility (SDF) and Marginal Standing Facility (MSF) during weekends/ holidays

Banks can now reverse transactions made through Standing Deposit Facility (SDF) and Marginal Standing Facility (MSF) even on weekends and holidays, starting December 30, 2023. This gives them more flexibility in managing their liquidity. This update applies to both automatic and manual bids.

Report on Trend and Progress of Banking in India 2022-23

Indian banking thrived in 2023! Strong loan growth in retail and services sectors powered banks' balance sheets, while rising capital and falling bad loans bolstered their health. Both UCBs and NBFCs saw similar trends, expanding loan books and improving profitability. Overall, the Indian financial sector shows robust progress.

RBI releases “Statistical Tables relating to Banks in India: 2022-23”

The Reserve Bank released its web publication entitled '[Statistical Tables relating to Banks in India: 2022-23](#)' covering the activities of the Indian banking sector.

The publication presents entity-wise information on major items of liabilities and assets along with their maturity profile; income and expenses; select financial ratios, number of employees and details of priority sector advances for scheduled commercial banks (excluding regional rural banks). In addition, capital to risk weighted asset ratios (CRARs), non-performing assets (NPAs), exposure to sensitive sectors, contingent liabilities and unclaimed deposits are included. State-wise distribution of consolidated balance sheet of rural co-operative banks are also presented.

The publication can be accessed on the RBI's Database on Indian Economy (DBIE) (<https://dbie.rbi.org.in/>) portal under the [Publication](#) tab, where time series on all the variables have been updated up to 2022-23.

Domestic Systemically Important Bank (D-SIB) Framework - Review of the Assessment Methodology

The RBI updated its D-SIB assessment method for 2024 onwards. Key changes include:

- Digital payments data now carries weight in the "Substitutability" indicator.
- D-SIB announcement shifted to November, with data submission deadline in August.
- Clarifications on data requirements for securities, netting, and other aspects.

Master Direction - Reserve Bank of India (Internal Ombudsman for Regulated Entities) Directions, 2023

As announced in the [Statement on Developmental and Regulatory Policies'](#) issued as part of [Monetary Policy Statement dated October 06, 2023](#), the Reserve Bank, has issued Master Direction - Reserve Bank of India (Internal Ombudsman for Regulated Entities) Directions, 2023 to harmonise the instructions applicable to the various regulated entities on the Internal Ombudsman (IO) mechanism.

This Master Direction brings in uniformity in matters like timeline for escalation of complaints to the IO, exclusions from escalating complaints to the IO, temporary absence of the IO, minimum qualifications for appointing the IO and updation of reporting formats, in addition to introduction of the post of Deputy Internal Ombudsman. These instructions are expected to further strengthen the IO mechanism and in turn, the Internal Grievance Redress system in regulated entities apart from providing ease of compliance.

Payments Infrastructure Development Fund (PIDF) – Extension of Scheme, Enhancements and Status Update

The Payments Infrastructure Development Fund (PIDF) Scheme was launched by the Reserve Bank of India in January 2021 to promote the deployment of payment acceptance infrastructure in underserved areas. The scheme has been extended by two years till December 31, 2025, and its scope has been widened to include beneficiaries of the PM Vishwakarma Scheme and sound box devices and Aadhaar-enabled biometric devices. As of November 30, 2023, the PIDF corpus stands at ₹1026.37 crore and has supported the deployment of over 8.2 million payment acceptance devices across India.

Here are the key highlights of the revised PIDF Scheme:

- Extension of the scheme by two years till December 31, 2025
- Inclusion of beneficiaries of the PM Vishwakarma Scheme in all centres
- Eligibility of sound box devices and Aadhaar-enabled biometric devices for subsidy under the scheme
- Uniform subsidy of 90% of the cost of device for special focus areas, viz., North Eastern states and U.T.s of Jammu & Kashmir and Ladakh

The PIDF Scheme has played a significant role in promoting digital payments in India, and its extension and enhancements are expected to further accelerate the adoption of digital payments in underserved areas.

Union Finance Minister Smt. Nirmala Sitharaman chairs meeting to review Public Sector Banks (PSBs) on various parameters

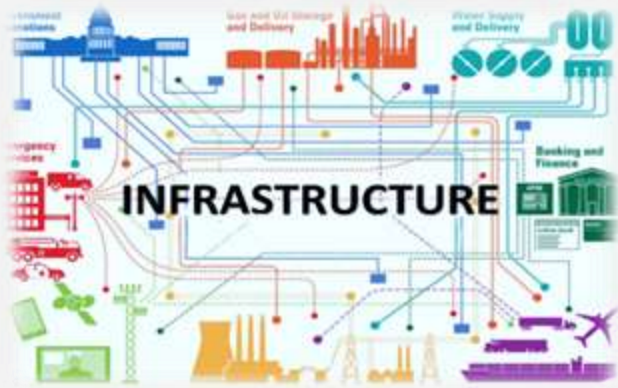
Union Finance Minister Nirmala Sitharaman chaired a meeting in New Delhi to review Public Sector Banks' (PSBs) performance, emphasizing the need for improved acquisition of stressed accounts by the National Asset Reconstruction Company Ltd (NARCL). She urged PSBs to innovate deposit schemes to enhance their deposit base and stressed the importance of fraud prevention activities. Sitharaman directed banks to adopt advanced fraud prevention mechanisms, undertake consumer education measures, and ensure strict administrative action against officials enabling fraud. Cybersecurity measures were also discussed, with a focus on system-wide risks and collaboration among PSBs, security agencies, and regulatory bodies.



INSURANCE

Life Insurance - Dec

New Business Statement of Life Insurers for the Period ended 30th November 2023										
Sl No.	Insurer	First year premium			No. of policies /Schems			Sum Assured		
		Up to November, 2023	Growth in %	Market Share	Up to November, 2023	Growth in %	Market Share	Up to November, 2023	Growth in %	Market Share
1	Aditya Birla Sun Life	4476.01	-3.25	2.11	161172.00	16.96	1.02	187165.31	-3.67	3.32
2	Acko Life Insurance	10.39		0.00	5.00		0.00	861.93		0.02
3	Aegon Life	52.96	1731.92	0.03	13045.00	817.37	0.08	8734.14	1263.53	0.15
4	Ageas Federal Life	646.68	26.16	0.31	32882.00	19.46	0.21	12916.91	33.58	0.23
5	Aviva Life	226.93	37.76	0.11	17361.00	19.29	0.11	40345.22	178.64	0.72
6	Bajaj Allianz Life	6577.15	1.00	3.11	427225.00	23.03	2.69	370322.86	5.74	6.57
7	Bharti Axa Life	479.57	-14.65	0.23	54798.00	-7.50	0.35	10355.92	-22.79	0.18
8	Canara HSBC OBC Life	1781.68	14.83	0.84	108962.00	7.63	0.69	189011.85	50.53	3.35
9	CreditAccess Life	36.83		0.02	69.00		0.00	2208.79		0.04
10	Edelweiss Tokio Life	282.68	12.83	0.13	29582.00	-4.09	0.19	5692.10	-17.04	0.10
11	Exide Life*		-100.00	0.00		-100.00	0.00		-100.00	0.00
12	Future Generali Life	257.75	-35.48	0.12	19487.00	-15.68	0.12	17963.80	-15.96	0.32
13	Go Digit Life	153.10		0.07	273.00		0.00	119150.15		2.11
14	HDFC Life	17501.43	11.51	8.27	652558.00	23.29	4.11	870396.27	53.43	15.44
15	ICICI Prudential Life	10030.00	2.01	4.74	350853.00	-0.12	2.21	648078.62	5.09	11.49
16	India First Life	2256.08	31.30	1.07	185424.00	-1.05	1.17	253389.22	171.93	4.49
17	Kotak Mahindra Life	4317.69	7.59	2.04	162666.00	-5.11	1.03	209777.55	5.90	3.72
18	Max Life	5752.86	24.86	2.72	391819.00	22.19	2.47	304379.72	86.98	5.40
19	PNB Met Life	1872.12	4.53	0.88	167984.00	-0.17	1.06	84068.44	-43.93	1.49
20	Pramerica Life	655.55	85.84	0.31	20811.00	1.66	0.13	54280.38	84.02	0.96
21	Reliance Nippon Life	689.45	7.20	0.33	110647.00	16.34	0.70	18624.76	24.96	0.33
22	SBI Life	21393.15	20.90	10.11	1333790.00	4.35	8.41	465384.75	34.33	8.25
23	Shriram Life	1104.62	71.71	0.52	217468.00	24.02	1.37	66183.81	62.05	1.17
24	Star Union Dai-ichi Life	1898.37	-5.58	0.90	116662.00	-0.20	0.74	117210.47	19.07	2.08
25	Tata AIA Life	4813.28	14.89	2.27	407540.00	9.87	2.57	523763.02	53.93	9.29
	Private Total	87266.33	11.58	41.22	4983083	8.57	31.41	4580266	32.85	81.23
26	LIC of India	124424.31	-24.20	58.78	10880948.00	-1.50	68.59	1058358.28	60.26	18.77
	Grand Total	211690.65	-12.65	100.00	15864031	1.46	100.00	5638624	37.25	100.00



INFRASTRUCTURE & GOVT. INITIATIVES

CBDT issues guidelines under section 194-O of the Income-tax Act, 1961

Section 194-O of the Income-tax Act, 1961 ('the Act') provides that an e-commerce operator shall deduct income-tax at the rate of one per cent of the gross amount of sale of goods or provision of service, or both, facilitated through its digital or electronic facility or platform.

Vide CBDT Circular No. 20/2023 dated 28.12.2023 guidelines have been issued for removal of difficulties and clarity has been provided on various issues pertaining to applicability of section 194-O of the Act in a multiple e-commerce operator model framework, such as the Open Network for Digital Commerce (ONDC). The Circular details several types of situations with examples & provides clarity on multiple issues. Having received representations from various quarters, the CBDT Circular incorporates FAQs on varied issues.

PFRDA now allows National Pension System (NPS) subscribers to deposit contributions through Unified Payments Interface (UPI) QR code for D-Remit

The Pension Fund Regulatory and Development Authority (PFRDA) has introduced a QR code - UPI mechanism for D-Remit, allowing National Pension System (NPS) subscribers to conveniently deposit contributions to their Tier I and II accounts. This move aims to simplify the contribution process, offering benefits such as same-day investment, periodical auto-debit options, and the flexibility of one-time or regular contributions. Additionally, subscribers can now set up a systematic investment plan (SIP) through D-Remit, providing a disciplined approach to retirement savings with the potential for higher returns.



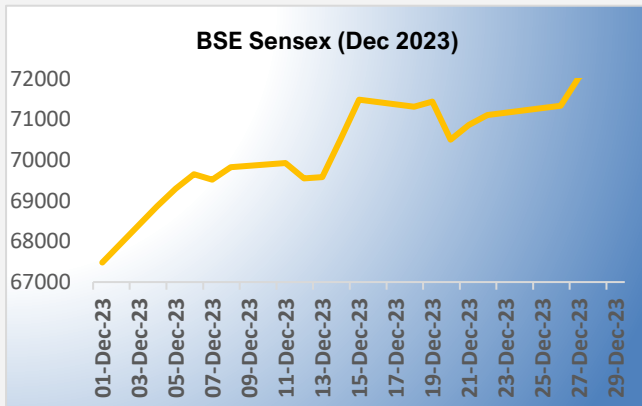
CAPITAL MARKET

Framework for Short Selling

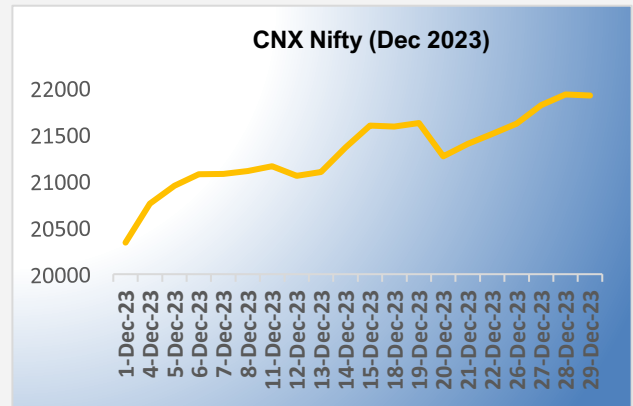
SEBI has issued a Master Circular for Stock Exchanges and Clearing Corporations, focusing on the framework for 'Short Selling and Securities Lending and Borrowing Scheme.' The circular defines short selling, permits all classes of investors to engage in short selling, and prohibits naked short selling in the Indian securities market. Institutional investors are not allowed to engage in day trading, and a Securities Lending and Borrowing (SLB) scheme is introduced to facilitate short selling. The circular also outlines disclosure requirements, mandatory reporting by brokers, and emphasizes stock exchanges' role in implementing deterrent provisions against failure to deliver securities.



CAPITAL MARKET SNAPSHOT



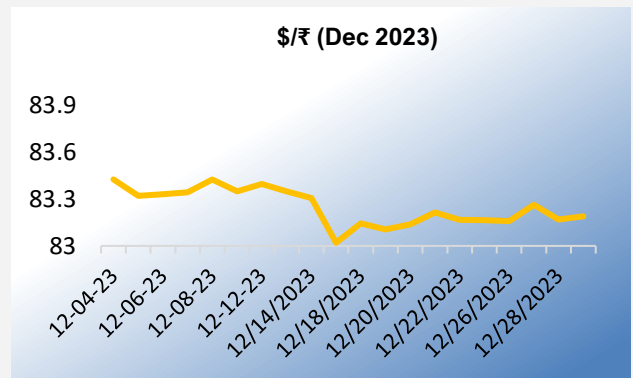
Sources: Bombay Stock Exchange



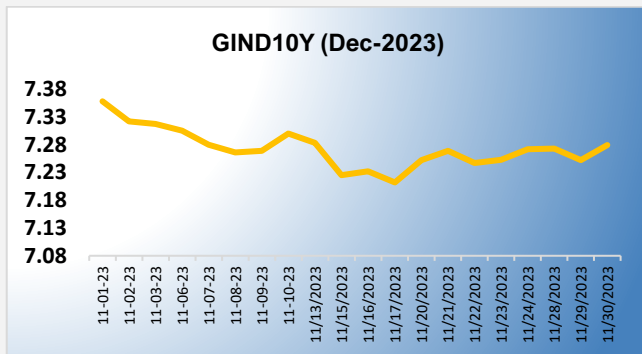
Source: National Stock Exchange



Sources: Bombay Stock Exchange



Sources: APAS Business Research Team



Sources: APAS Business Research Team

The Nifty 50 index finished the year with a gain of 20.03%, experiencing a remarkable surge of more than 65% in the final months of November and December.

The Nifty 50 index closed at 21,731.40 on December 29, 2023, up 7.9 % from the previous month.

The BSE Sensex index closed at 72,240.26 on December 29, 2023, up 7.8% from the previous month.

The Nifty Midcap 100 and Nifty Small cap 100 index had a monthly rise of 7.6% and 6.9% respectively.



FINTECH

Highlights of the Month

[Digital payment transactions volume increase at CAGR of 45% to reach 13462 cr in FY 2022-23.](#)

Digital payments in India have seen a substantial rise, with transactions increasing from 2,071 crore in FY 2017-18 to 13,462 crore in FY 2022-23 at a CAGR of 45%. The government's initiatives, including incentive schemes, advisories, and literacy programs, have contributed to this growth. In response to the surge, the RBI has issued guidelines to banks on limiting customer liabilities in unauthorized electronic transactions, emphasizing digital literacy through financial literacy camps and awareness campaigns. The Ministry of Home Affairs states that states and Union Territories are primarily responsible for preventing and addressing cyber frauds in the financial sector.

[FinTech Funding : Global FinTechs raised about \\$2.5 bn in Nov'23](#)

Global FinTech funding experienced a slight increase in November 2023, with the top 20 FinTechs raising approximately USD 1.94 billion, up from USD 1.28 billion in October. Aleph Alpha led the funding with USD 500 million, followed by Wormhole with USD 225 million and Tabby with USD 200 million. In India, InCred secured the highest funding of USD 60 million in November, contributing to a total of USD 2886 million raised in the country from January to November 2023. The FinTech sector globally and in India is showing a positive trend, signalling the end of a funding winter according to industry experts.

[India's Digital Public Infrastructure empowers 97% of population, expands beyond Aadhaar. UPI: Report](#)

India's Digital Public Infrastructure (DPI) has expanded beyond Aadhaar and UPI, impacting various sectors such as e-commerce, gaming, fintech, banking, and MSMEs, according to a report by Redseer Strategy Consultants. The DPI, championed by Nandan Nilekani, collaborates with Infosys and has not only influenced governance but also the private sector, contributing over \$100 billion in value to the Indian Internet economy. The DPI landscape, now extending beyond the JAM trinity, includes initiatives like Ayushman Bharat Health Account and ONDC. The report highlights the popularity of zero MDR in e-commerce, with UPI gaining traction in various sectors, including MSMEs and gaming, contributing \$27 billion to the online gaming industry. Open Network for Digital Commerce (ONDC) is expected to generate a GMV of \$250-300 billion by 2030.

[India's Financial Intelligence Unit Registers Over Two Dozen Crypto Service Providers](#)

Over two dozen Indian cryptocurrency service providers have registered with the Financial Intelligence Unit (FIU) as mandated by the Finance Ministry, signaling increased regulatory oversight in the country's crypto sector. The move aligns with global efforts to regulate the volatile cryptocurrency market. The registration process includes stringent checks to ensure compliance with anti-money laundering (AML) and combating the financing of terrorism (CFT) guidelines. The development reflects India's commitment to integrating cryptocurrencies responsibly into the formal financial system, addressing concerns about legitimacy and aligning with global financial standards.

[IBDIC working on Letter of Credit on blockchain](#)

The Indian Banks' Digital Infrastructure Company (IBDIC) is exploring the implementation of domestic Letter of Credit issuance on blockchain, according to the Indian Banks' Association (IBA). Minister of State for Finance Bhagwat Karad stated that only a few banks are currently using blockchain technology on a small scale, and the issue of interoperability between banks is not present. The Reserve Bank Innovation Hub (RBIH) conceptualized the idea of an interoperable Distributed Ledger Technology (DLT) platform, conducting a successful proof-of-concept exercise in June 2022. PSB Alliance Private Limited, set up by state-run banks, aims to establish a Digital Balance Confirmation Portal with a common blockchain platform for letters of credit issuance and multi-party underwriting.

[ONDC will eventually limit its role as an enabler of digital infrastructure](#)

The government-backed ONDC (Open Network for Digital Commerce) plans to reduce its role as a digital infrastructure enabler and shift the responsibility to network participants. Chief Business Officer Shireesh Joshi mentioned a 20%-25% reduction in discounts on the network, urging participants to take the lead in driving business. ONDC, which recorded 1.2 million transactions during Diwali, is working to expand its product categories and financial services. However, Deloitte India's Anand Ramanathan highlights challenges for ONDC, including the need to improve convenience for consumers and address hurdles in certain business categories.

[Numerous frauds reported during borrowing stage, Voter ID holds highest tamper rate in KYC lending frauds](#)

The digital lending boom has given rise to fraud, with 39% of loan applicants having name-ID mismatches and 7.6% submitting photos failing verification. A report by IDfy reveals alarming document tampering, with fake employment certificates available for Rs 20,000, enabling 14% to lie about employment. Tampering with Voter IDs (6.78%), Aadhaar IDs (3.11%), and PAN IDs (3.84%) is prevalent. Lenders struggle with inadequate checks, leading to disbursing funds to fraudsters' accounts, exploiting loopholes in the lending process. The report also highlights cases of credit score drops and unwarranted loan repayment calls affecting genuine borrowers.

[Fintechs leading sector for AI adoption in risk and compliance: Moody's](#)

The integration of AI presents both challenges and opportunities for businesses across sectors, with fintech leading in AI adoption for risk and compliance, as revealed by a Moody's study. While 18% of fintech respondents actively use AI, banking follows closely with 12%. Key areas of AI application include data analysis, risk management, and fraud protection. Larger companies are more likely to adopt or trial AI, and the use of large language models varies, with fintechs more open (54%) than banks (25%). McKinsey research indicates that 56% of Indian firms use AI, with fintechs leveraging it for automation and financial inclusion.

[One-fourth of borrowers opt for fully digital loans: Report](#)

In 2023, borrowing trends shifted from household expenses to consumer durables like smartphones and home appliances, constituting 44% of loans. While consumer durable loans decreased by 9%, business-related borrowing increased by 5%, accounting for 19% of middle-class borrowing. The report by Home Credit India also highlighted a growing acceptance of digital financial services, with over one-fourth of borrowers opting for online channels. Younger, small-town borrowers prefer online mediums, with 51% looking forward to completing future loan applications on mobile apps. EMI cards remain the most preferred credit medium at 49%, while WhatsApp is emerging as a digital channel for loans with 59% of borrowers receiving loan messages. However, only 18% of borrowers fully understand data privacy rules. Embedded finance gained traction, but its uptake decreased by 10% due to regulatory constraints.

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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