APAS MONTHLY – VOLUME 9

APAS MONTHLY NEWSLETTER

September 2024 Edition

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EDITORIAL

In this issue, **Mr. Sandeep Bakhshi, MD & CEO ICICI Bank Limited** has presented his thoughts on **'Indian Banking: Opportunities and challenges ahead'**. We thank Mr. Bakhshi for his contribution to the APAS Monthly.

This month, the APAS column covers '**Gradual Erosion of Banking Intermediation in Household Savings'.**

The economic indicators showed mixed performance. Manufacturing PMI dropped to 57.5 in August 2024, compared to the flash estimate of 57.9 and market forecasts of 58. Services PMI was revised to a five-month high of 60.9 in August 2024 from 60.4 in the preliminary estimates. Infrastructure output in India contracted 1.8% year-on-year in August 2024, following a 6.1% growth in the previous month. Industrial output in India rose by 4.8 % on an annual basis in July 2024. India's annual inflation rate in India increased to 3.65% in August 2024 from an upwardly revised 3.6% in July. India Wholesale Price Index (WPI) number is number is 1.31% (Provisional) for the month of August 2024 (over August 2023).

The Reserve Bank of India (RBI) released the data on sectoral deployment of bank credit for the month of August 20241 collected from 41 select scheduled commercial banks, accounting for about 95 % of the total non-food credit deployed by all scheduled commercial banks, are set out in Statements I and II. RBI released the Monetary Policy Statement, 2024-25 Resolution of the Monetary Policy Committee (MPC) October 7 to 9, 2024.

The Insurance Regulatory and Development Authority of India (IRDAI) issued Master Circular on Protection of Policyholders' Interests under the IRDAI (Protection of Policyholders' Interests, Operations, and Allied Matters of Insurers) Regulations, 2024 replacing 30 circulars.

Securities and Exchange Board of India (SEBI) study reveals that 54% of IPO shares allocated to investors (excluding anchor investors) are sold within a week of allotment. SEBI study reveals that 93% of individual traders experienced losses in equity futures and options between FY22 and FY24, with total losses exceeding ₹1.8 lakh crore over three years. SEBI Board met on September 30, 2024, to discuss various regulatory updates and approvals, including amendments to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, aimed at enhancing corporate governance.

India's fintech landscape is poised for remarkable growth, with projections indicating 150 unicorns and a combined valuation of $500 billion by 2030. Indian fintechs raised $507 million in Aug 2024, signaling a recovery from the previous funding slowdown. Fintechs now dominate the personal loans market with a 52% share, disbursing ₹2.76 lakh crore in small loans and significantly enhancing financial inclusion.

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

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On the Cover

GUEST COLUMN

Indian Banking: Opportunities and challenges ahead

Mr. Sandeep Bakhshi
MD & CEO
ICICI Bank Limited

APAS COLUMN

Gradual Erosion of Banking Intermediation in Household Savings

ECONOMY

Index of Industrial Production – July
Inflation update – Aug
PMI update – Aug
Core Sector – Aug

ountries	GDP		CPI		Current Account Balance	Budget Balance	Intere Rates
	Latest	2023*	Latest	2023*	% of GDP, 2023*	% of GDP, 2023*	(10YGov), Latest
Brazil	3.4 Q2	3.1	4.6 Aug	4.7	-1.8	-7.6	12.1
Russia	4.9 Q2	-0.5	5.1 Aug	6.5	1.8	-3.8	11.8
India	7.8 Q2	6.5	6.8 Aug	5.5	-1.3	-5.9	7.2
China	6.3 Q2	5.2	0.1 Aug	0.8	1.8	-3.2	2.5
S Africa	1.6 Q2	0.5	4.8 Aug	5.7	-1.8	-5.7	10.8
USA	2.5 Q2	1.8	3.7 Aug	3.9	-2.9	-5.9	4.6
Canada	1.1 Q2	1.1	4.0 Aug	3.8	-0.4	-1.2	4.1
Mexico	3.6 Q2	2.4	4.6 Aug	5.3	-1.8	-3.4	10.1
Euro Area	0.5 Q2	0.8	5.2 Aug	5.5	2.3	-3.3	2.9
Germany	-0.1 Q2	-0.3	6.4 Aug	6.0	5.8	-2.2	2.9
Britain	0.4 Q2	0.3	6.7 Aug	6.8	-2.8	-4.2	4.3
Australia	2.1 Q2	1.6	6.0 Q2	5.6	1.7	0.3	4.4
ndonesia	5.2 Q2	5.0	3.3 Aug	3.8	0.7	-2.6	6.9
laysia	2.9 Q2	4.0	2.0 Aug	2.5	1.7	-5.0	[illegible]

ECONOMIC DATA SNAPSHOT

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

BANKING

Sectoral Deployment of Bank Credit – August 2024

Monetary Policy Statement, 2024-25

INSURANCE

IRDAI Strengthens measures to empower the Policyholders

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CAPITAL MARKETS

SEBI study reveals that 54% of IPO shares allocated to investors (excluding anchor investors) are sold within a week

Updated SEBI Study Reveals 93% of Individual Traders Incurred Losses in Equity F&O between FY22 and FY24; Aggregate Losses Exceed ₹ 1.8 Lakh Crores Over Three Years

SEBI Board Meeting

CAPITAL MARKETS SNAPSHOT

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

FINTECH NEWS

Highlights of the Month

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Guest Column: Transforming India's Life Insurance Sector: A New Era of Regulation and Opportunity

Mr. Sandeep Bakhshi
MD & CEO
ICICI Bank Limited

Indian Banking: Opportunities and challenges ahead

The Indian economy continues to display resilience and a healthy growth momentum. Over the last several years, the policy makers in India have undertaken major reforms and initiatives for sustainable growth of the economy. These reforms and initiatives have resulted in macroeconomic and financial stability with lower fiscal deficit, contained inflation and healthy corporate and bank balance sheets. This provides a conducive economic environment with improved confidence among economic participants. The key reforms and initiatives with a far-reaching positive impact on the economy are:

- Strengthening of the credit framework in the country with:
    - Maturing credit bureaus providing a strong base for lenders for instituting data-driven underwriting processes and making informed lending decisions, while at the same time strengthening the culture of responsibility among borrowers.

    - Introduction of the Insolvency and Bankruptcy Code (IBC), which not only acts as a recovery framework but has also bought deep-rooted changes to the credit landscape in terms of credit discipline among the borrowers and lenders.

- Growth in the digital public infrastructure and digital payment systems have transformed the business landscape. Key reforms such as India stack, UPI and Account Aggregator have led to rapid increase in adoption of digital modes by businesses and individuals.

- Efforts to formalise the economy by increasing tax compliance through rollout of GST, which has digitised the indirect tax system and grown the tax base.

- Implementation of the RERA has brought a major transformation in the real estate sector by increasing transparency and accountability, resulting in strong growth and development. Further, due to strong linkages of the real estate sector with other sectors, the overall economy has been positively impacted.

- The Government's thrust on developing world-class infrastructure facilities has gained momentum over the last few years. The public capex momentum has increased and acts as a stimulator to growing the economy.

- The Government has also taken measures to boost the domestic manufacturing through various schemes such as credit linked subsidy programme for MSMEs and production-linked incentive (PLI) schemes, which have improved the opportunities for a wide spectrum of businesses.

- Focused, forward-looking and effective regulation and supervision have considerably enhanced the strength of the banking sector in terms of navigating volatility as well as serving customers.

Looking ahead, banks will continue to see opportunities for growth across various market segments.

MSMEs are the backbone of the Indian economy and one of the key growth engines of the future. India's entrepreneurial culture continues to tap into opportunities across industry, agri-related and services sectors, with increasing technology adoption. Banks can tap into this opportunity by expanding the distribution coverage through a combination of branch network and digital channels, backed by appropriate credit underwriting processes.

Growth in the digital public infrastructure and digital payment systems have transformed the business landscape. These present a significant opportunity for banks to streamline the delivery of banking products and services. For this, banks will need to reimagine their existing organisation structures and delivery systems, with a focus on leveraging these new paradigms to eliminate friction and optimize utilization of operating capacity.

Corporates and their ecosystems present numerous opportunities for the banking sector, driven by the country's growing economy, digital transformation, and the increasing interconnection between large businesses, SMEs and supply chains. Expansion in domestic manufacturing will offer significant opportunity for growth in this sector. Further, the real estate sector has significant opportunities for growth with continuous focus on affordable housing and increasing urbanization.

India has a large pool of human capital. This is not only meets the talent needs of Indian organisations, but has emerged as a key resource for the world. The rapid growth of global capability centres set up by large international businesses is providing a further impetus to incomes, demand and growth in the Indian economy.

At the same time, the rapid increase in adoption of digital modes of banking has significantly increased the requirements of operational resilience and effective management of the risks associated with technology in banking. The cybersecurity landscape is highly dynamic and exposes the banks to potential vulnerabilities related to safety and security of customers' money and personal identity. Investment in resilient and reliable delivery of banking services, a strong IT governance framework, robust cybersecurity and data privacy management are essential to maintain and enhance confidence in institutions.

To sum up, there are significant opportunities for growth across various segments of the Indian economy supported by policymaker initiatives, robust regulatory frameworks, digital public infrastructure, positive demographic profile, growing domestic consumption, manufacturing and infrastructure opportunity and investment potential. The banks needs to be cater to these opportunities in an agile, proactive and innovative manner with appropriate risk management strategies. The banks need to maintain high standards of governance and be a trusted financial partner for its customers while creating value for all stakeholders.

APAS COLUMN

Gradual Erosion of Banking Intermediation in Household Savings

The role of banks as intermediaries between household savings and economic growth has long been foundational in financial systems. However, since the pandemic, a subtle but significant shift has occurred, marking the gradual erosion of banking intermediation in household savings. This trend is driven by rising household debt, increased preference for alternative savings instruments, and heightened competition from non-bank financial entities.

Post-Pandemic Shift in Household Financial Behaviour

In the aftermath of the pandemic, households have demonstrated a faster pace of borrowing relative to saving. The pandemic disrupted income flows and raised consumption needs, prompting households to rely more heavily on credit. This phenomenon is reflected in a striking increase in household financial liabilities, which surged from 3.8% of GDP in FY22 to 5.8% in FY23. Easier access to loans, particularly retail credit, and lower interest rates have made borrowing more attractive, while the propensity to save in traditional banking products has dwindled.

As a result, banks are facing a shortfall in household deposits, traditionally their primary source of funds for lending. This change has been driven by a shift in household savings preferences, moving away from bank deposits toward equities, mutual funds, small savings schemes, and physical assets. This diversification into higher-yielding financial products, and tangible investments such as real estate, is increasingly eroding the share of household savings that flows into the banking sector.

Decline in Household Savings in Bank Deposits

Household savings, which make up approximately 60% of the gross domestic savings and account for 18% of India's GDP in 2023, have witnessed a reallocation. A growing portion of these savings is being funneled into instruments outside of bank deposits. Retail investors, in search of better returns and driven by the current low-interest rate environment, are gravitating toward equities, mutual funds, and government-backed small savings schemes. For instance, the popularity of equity markets, mutual funds, and products like National Savings Certificates and Public Provident Fund (PPF) has surged.

At the same time, savings in physical assets such as real estate and gold have also increased post-pandemic, further diminishing the funds channeled through the banking system. This reallocation of savings reflects a broader search for asset classes that promise higher returns or offer inflation hedges, especially as traditional bank deposits have lost their appeal amid historically low interest rates.

Rising Household Debt and Retail Credit Growth

The growth of retail credit has been a key factor contributing to rising household debt. In India, retail credit growth has surged as households seek to finance consumption, purchase homes, and meet other financial obligations. In fact, household borrowing has grown so rapidly that bank loans increased by 13.3% year-on-year as of September 2023. This surge in loans is primarily driven by consumer spending, which continues to rise, particularly during the festive season from October to December.

However, while loan demand has risen sharply, the corresponding growth in deposits has been slower, rising by only 11.1% during the same period. This imbalance between loan growth and deposit growth underscores the challenge facing banks: the gap between lending and the inflow of funds through deposits is widening, leaving banks with potential asset-liability mismatches. This has forced banks to rely more heavily on short-term borrowing instruments, such as certificates of deposit (CDs), to bridge the gap.

Rising Competition from Alternative Financial Products

Banks are also grappling with rising competition from non-bank financial institutions and fintech firms, which have become increasingly adept at attracting household savings. These players are offering more user-friendly and technologically advanced products that cater to modern consumers' needs. Through fintech partnerships, banks are seeking to keep pace with these innovations, but the fintech sector has still managed to siphon off a portion of household savings that would have traditionally been deposited in banks.

Products like peer-to-peer lending platforms, robo-advisors, and mobile investment applications have made it easier for households to invest in alternatives to bank deposits. These platforms offer convenient, often higher-yielding investment options, contributing to the diversion of household savings from banks. Meanwhile, mutual funds and insurance products have gained prominence as household investment vehicles, offering both tax benefits and the potential for better returns compared to fixed deposits and savings accounts.

Banks' Growing Reliance on Short-Term Borrowing

Given the shortfall in retail deposits, banks have increasingly turned to short-term borrowing instruments like certificates of deposit (CDs) to meet their liquidity needs. CDs, which typically have maturities of less than one year, are debt instruments issued by banks and are usually purchased by institutions. The growing reliance on CDs indicates that banks are struggling to attract the long-term, stable deposits that are crucial for sustaining lending activities.

Despite efforts by the Reserve Bank of India (RBI) to encourage banks to raise more long-term funds, the reliance on short-term borrowing is likely to persist in the near term. Banks are facing intense competition for funds, not only from other banks but also from a variety of alternative financial products that are drawing retail savings away from traditional bank deposits.

Outlook: The Road Ahead

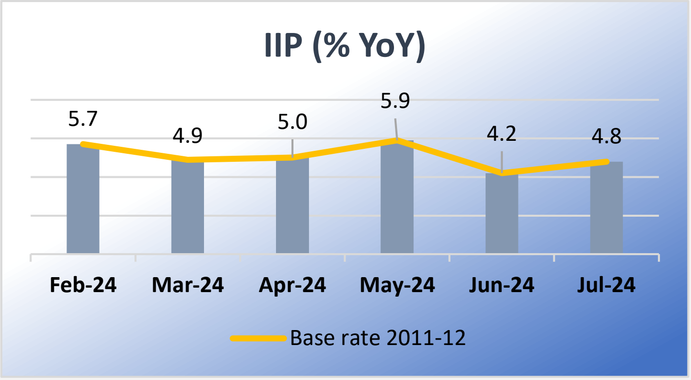
Looking forward, the trend of households shifting away from bank deposits toward alternative financial products is expected to continue. This shift presents significant challenges for banks, which will need to innovate and collaborate with fintech firms to stay competitive. At the same time, banks must address the growing gap between deposit growth and loan demand, as this could exacerbate asset-liability mismatches and put further pressure on banks' liquidity positions.

Moreover, rising household debt, fuelled by the expansion of retail credit, poses potential risks to financial stability. While borrowing can support economic growth in the short term, particularly in consumer-driven sectors, a sustained increase in household liabilities without a corresponding rise in savings could create vulnerabilities in the financial system.

In conclusion, the gradual erosion of banking intermediation in household savings reflects a broader shift in household financial behaviour, driven by increased debt, the search for higher returns, and the rise of alternative financial products. As households continue to diversify their savings, banks will need to adapt to this evolving landscape to remain key players in the financial ecosystem.

ECONOMY

IIP (Index of Industrial Production) – Jul



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

The IIP growth rate for the month of July 2024 is 4.8 % which was 4.7% in the month of June 2024.

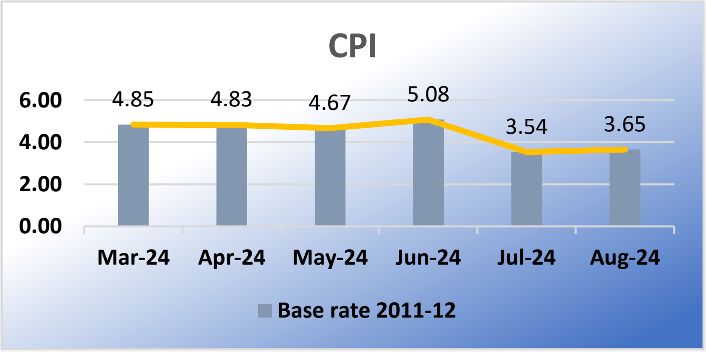
The growth rates of the three sectors, Mining, Manufacturing and Electricity for the month of July 2024 are 3.7 %, 4.6 % and 7.9 % respectively. The Quick Estimates of IIP stands at 149.6 against 142.7 in July 2023. The Indices of Industrial Production for the Mining, Manufacturing and Electricity sectors for the month of July 2024 stand at 116.0, 148.6 and 220.2 respectively.

Within the manufacturing sector, top three positive contributors for the month of Jul y 2024 are – "Manufacture of basic metals" (6.4%), "Manufacture of coke and refined petroleum products" (6.9%), and "Manufacture of electrical equipment" (28.3%). As per the use base classification, the indices stand at 150.1 for Primary Goods, 114.4 for Capital Goods, 164.3 for Intermediate Goods and 178.7 for Infrastructure/ Construction Goods for the month of July 2024. Further, the indices for Consumer durables and Consumer non-durables stand at 126.6 and 146.8 respectively.

The corresponding growth rates of IIP as per Use-based classification in July 2024 over July 2023 are 5.9 % in Primary goods, 12.0 % in Capital goods, 6.8 % in Intermediate goods, 4.9 % in Infrastructure/ Construction Goods, 8.2 % in Consumer durables and -4.4 % in Consumer non-durables. Based on use-based classification, top three positive contributors to the growth of IIP for the month of July 2024 are – Primary goods, Intermediate goods and Consumer durables.

CPI (Consumer Price Index) – Aug

Annual inflation rate in India increased to 3.65% in August 2024 from an upwardly revised 3.6% in July, which was the lowest since August 2019, and above forecasts of 3.55%. Despite the rise, it marks the second consecutive month that inflation stays below the RBI's target of 4% in five years, amid large base effects in food prices.

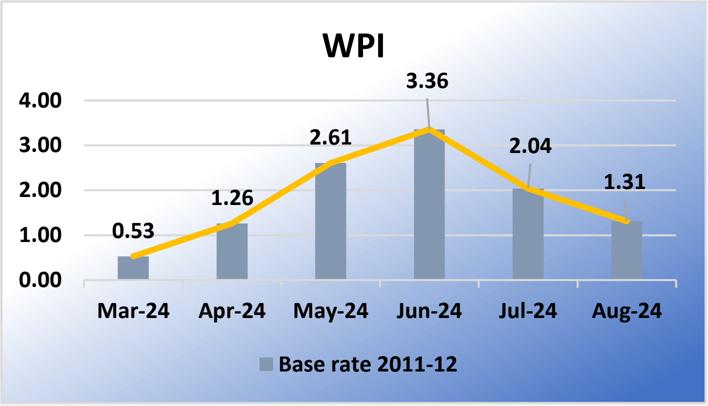


Source: APAS BRT, www.eaindustry.nic.in

The cost of food, which represents half of the Indian consumer basket, rose by 5.66%, compared to 5.42% in July. Pulses and products (13.6%) and vegetables (10.71%) recorded the highest increase. Tomatoes on the other hand, fell the most (-47.91%). In the meantime, prices declined for fuel and light (-5.31% vs -5.48% in June), while inflation remained loosely unchanged for housing (2.66% vs 2.68%). Compared to the previous month, the CPI was little changed.

WPI (Wholesale Price Index) – Aug

Wholesale Price Index (WPI) number is 1.31% (Provisional) for the month of August, 2024 (over August, 2023). Positive rate of inflation in August, 2024 is primarily due to increase in prices of food articles, processed food products, other manufacturing, manufacture of textiles and manufacture of machinery & equipment etc.



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

The month over month change in WPI for the month of August, 2024 stood at (-) 0.45% as compared to July, 2024.

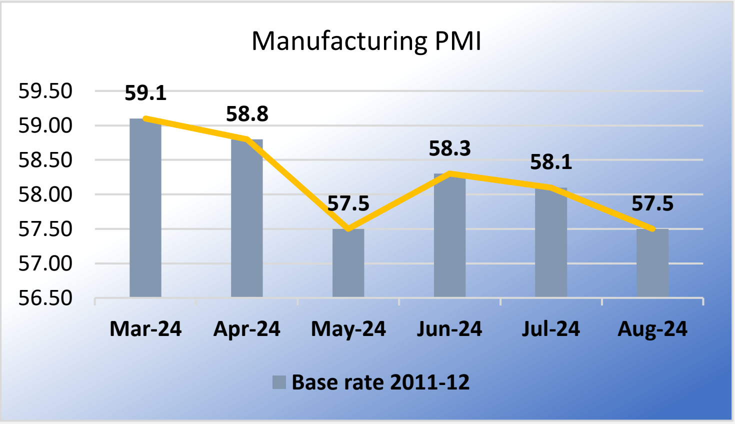
The index for primary articles declined by 1.37% to 194.9 (provisional) in August, 2024 from 197.6 (provisional) for the month of July, 2024. Prices of minerals (-2.66%), crude petroleum and natural gas (-1.84%), and food articles (-1.83%) decreased in August, 2024 as compared to July, 2024. The Price of non-food articles (1.65%) increased in August, 2024 as compared to July, 2024.

Prices for Fuel & Power increased by 0.14% to 148.1 (provisional) in August, 2024 from 147.9 (provisional) for the month of July, 2024. Price of electricity (1.59%) increased and price of mineral oils (-0.32%) decreased in August, 2024 as compared to July, 2024. The price of coal witnessed no change in August, 2024 as compared to July, 2024.

Prices for Manufacturing products declined by 0.07 % to 141.6 (provisional) in August, 2024 from 141.7 (provisional) for the month of July, 2024.

Manufacturing PMI – Aug

The HSBC India Manufacturing PMI dropped to 57.5 in August 2024, compared to the flash estimate of 57.9 and market forecasts of 58. Indian manufacturers recorded softer increases in new orders and output during the month of August, albeit with rates of expansion remaining elevated by historical standards. Meanwhile, input price inflation eased to a five-month low in August, prompting manufacturers to increase their raw material purchases to build safety stocks. This led to one of the

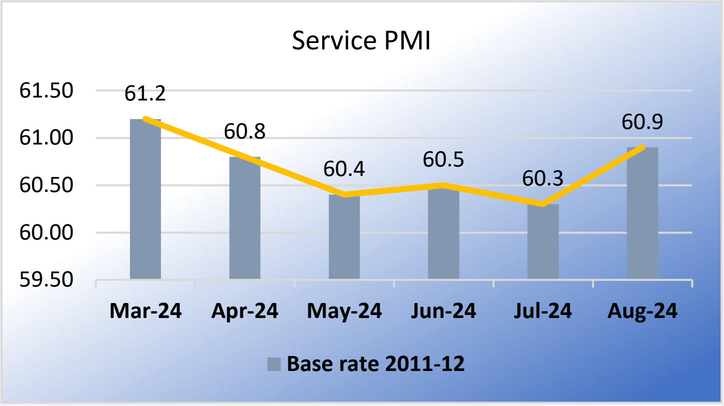


Source: www.tradingeconomics.com

largest rises in input inventories recorded in 19-and-a-half years of data collection. Despite the slowdown in cost pressures, firms reportedly shared additional cost burdens with their clients amid demand resilience. The rate of output cost inflation was the second-fastest in close to 11 years. Lastly, business confidence fell to its lowest level since April 2023, as competitive pressures and inflation concerns weighed heavily on sentiment.

Services PMI – Aug

The HSBC India Services PMI was revised to a five-month high of 60.9 in August 2024 from 60.4 in the preliminary estimates, as the growth of incoming new business ticked higher. The latest result rose from 60.3 in July, marking the 38th consecutive month of growth in services activity, boosted by productivity gains and positive demand trends. New orders grew the most since April, with finance and insurance posting the best-performing, mainly boosted by domestic demand. Outstanding business rose for the thirty-second consecutive month, with the pace of accumulation being mild among the latter and the weakest since February. Employment increased solidly, despite slowing to a four-month low.

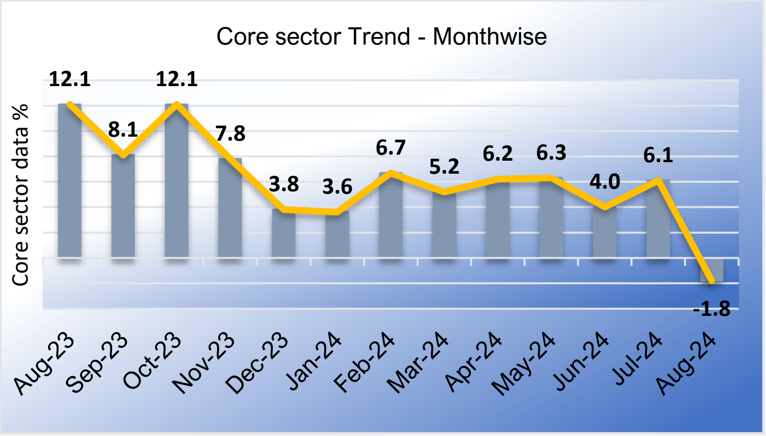


Source: www.tradingeconomics.com

On the price front, input prices rose due to higher food, labor, and transportation costs, but the inflation eased to the weakest since August 2020. As a result, output cost inflation slowed. Finally, business sentiment weakened to a 13-month low amid concerns about competitive pressures.

Core Sector Data – Aug

The combined Index of Eight Core Industries (ICI) declined by 1.8 % (provisional) in August, 2024 as compared to the Index in August, 2023. The production of Steel and Fertilizers recorded positive growth in August 2024. The ICI measures the 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 percent of the weight of items included in the Index of Industrial Production (IIP).



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

The final growth rate of Index of Eight Core Industries for May 2024 stands at 6.9 %. The cumulative growth rate of ICI during April to August, 2024-25 is 4.6 % (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 %) declined by 8.1 % in August 2024 over August, 2023. Its cumulative index increased by 6.5 % during April to August, 2024-25 over corresponding period of the previous year.

Crude Oil - Crude Oil production (weight: 8.98 %) declined by 3.4 % in August 2024 over August, 2023. Its cumulative index declined by 1.7 % during April to August, 2024-25 over corresponding period of the previous year.

Natural Gas - Natural Gas production (weight: 6.88 %) declined by 3.6 % in August 2024 over August 2023. Its cumulative index increased by 2.6 % during April to August, 2024-25 over corresponding period of the previous year.

Petroleum Refinery Products - Petroleum Refinery production (weight: 28.04 %) declined by 1.0 % in August 2024 over August 2023. Its cumulative index increased by 1.7 % during April to August, 2024-25 over corresponding period of the previous year.

Fertilizers - Fertilizer production (weight: 2.63 %) increased by 3.2 % in August 2024 over August 2023. Its cumulative index increased by 1.7 % during April to August, 2024-25 over corresponding period of the previous year.

Steel - Steel production (weight: 17.92 %) increased by 4.5 % in August 2024 over August 2023. Its cumulative index increased by 7.3 % during April to August, 2024-25 over corresponding period of the previous year.

Cement - Cement production (weight: 5.37 %) declined by 3.0 per cent in August 2024 over August 2023. Its cumulative index increased by 0.7 % during April to August, 2024-25 over corresponding period of the previous year.

Electricity - Electricity generation (weight: 19.85 %) declined by 5.0 % in August, 2024 over August, 2023. Its cumulative index increased by 6.8 % during April to August, 2024-25 over corresponding period of the previous year.

ECONOMIC DATA SNAPSHOT

Countries	GDP		CPI		Current Account Balance	Budget Balance	Interes Rates
	Latest	2023*	Latest	2023*	% of GDP, 2023*	% of GDP, 2023*	(10YGov), Latest
Brazil	3.4 Q2	3.1	4.6 Aug	4.7	-1.8	-7.6	12.1
Russia	4.9 Q2	-0.5	5.1 Aug	6.5	1.8	-3.8	11.8
India	7.8 Q2	6.5	6.8 Aug	5.5	-1.3	-5.9	7.2
China	6.3 Q2	5.2	0.1 Aug	0.8	1.8	-3.2	2.5
S Africa	1.6 Q2	0.5	4.8 Aug	5.7	-1.8	-5.7	10.8
USA	2.5 Q2	1.8	3.7 Aug	3.9	-2.9	-5.9	4.6
Canada	1.1 Q2	1.1	4.0 Aug	3.8	-0.4	-1.2	4.1
Mexico	3.6 Q2	2.4	4.6 Aug	5.3	-1.8	-3.4	10.1
Euro Area	0.5 Q2	0.8	5.2 Aug	5.5	2.3	-3.3	2.9
Germany	-0.1 Q2	-0.3	6.4 Aug	6.0	5.8	-2.2	2.9
Britain	0.4 Q2	0.3	6.7 Aug	6.8	-2.8	-4.2	4.3
Australia	2.1 Q2	1.6	6.0 Q2	5.6	1.7	0.3	4.4
Indonesia	5.2 Q2	5.0	3.3 Aug	3.8	0.7	-2.6	6.9
Malaysia	2.9 Q2	4.0	2.0 Aug	2.5	1.7	-5.0	4.0
Singapore	0.5 Q2	1.0	4.0 Aug	4.3	18.8	-0.7	3.4
Korea	0.9 Q2	1.3	3.4 Aug	3.0	1.6	-2.7	4.0

Countries	GDP (% change on year ago)		CPI (%change on year ago)		Current Account Balance % of GDP, 2024*	Budget Balance % of GDP, 2024*	Interest Rates 10-yr gov't bonds Latest,%
	Latest	2024*	Latest	2024*			
Brazil	3.3 Q1	3.0	4.2 Aug	4.2	-1.6	-7.5	12.3
Russia	4.1 Q2	3.6	9.0 Aug	7.5	2.9	-1.2	15.7
India	6.7 Q2	6.9	3.7 Aug	4.7	-0.5	-4.9	6.7
China	4.7 Q2	4.7	0.6 Aug	0.4	1.2	-4.4	1.7
S Africa	0.3 Q2	1.1	4.4 Aug	4.8	-2.0	-5.3	8.8
USA	3.0 Q2	2.4	2.5 Aug	3.0	-3.3	-6.9	3.8
Canada	0.9 Q2	1.3	2.0 Aug	2.4	-1.2	-1.3	3.0
Mexico	2.1 Q2	1.6	5.0 Aug	4.9	-0.3	-5.0	9.3
Euro Area	0.6 Q2	1.0	2.2 Aug	2.5	3.1	-3.1	2.2
Germany	nil Q2	0.2	2.0 Aug	2.6	6.2	-1.6	2.2
Britain	0.9 Q2	1.1	2.2 Aug	2.9	-3.0	-4.1	3.9
Australia	1.0 Q2	1.3	3.8 Q2	3.5	-0.6	-1.5	3.9
Indonesia	5.0 Q2	5.1	2.1 Aug	2.6	-0.1	-2.4	6.5
Malaysia	5.9 Q2	5.1	1.9 Aug	2.0	2.7	-4.5	3.8
Singapore	2.9 Q2	2.7	2.2 Aug	2.6	19.8	0.1	2.6
S Korea	2.3 Q2	2.5	2.0 Aug	2.5	3.4	-1.8	3.0

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BANKING

Sectoral Deployment of Bank Credit – August 2024

Data on sectoral deployment of bank credit for the month of August 2024[1] collected from 41 select scheduled commercial banks, accounting for about 95 per cent of the total non-food credit deployed by all scheduled commercial banks, are set out in Statements I and II.

On a year-on-year (y-o-y) basis, the growth in non-food bank credit[2] in August 2024[3] remained at 15.0 per cent, the same level as recorded a year ago.

Highlights of the sectoral deployment of bank credit are given below:
Credit to agriculture and allied activities continued to be robust with the growth of 17.7 per cent (y-o-y) in August 2024, compared with 16.5 per cent during August 2023.

Credit growth to industry strengthened at 9.8 per cent (y-o-y) in August 2024 compared with 5.3 per cent in August 2023. Among major industries, credit to 'chemicals and chemical products', 'food processing', 'petroleum, coal products and nuclear fuels' and 'infrastructure' recorded a higher growth in August 2024 as compared to their respective growth rates a year ago, while credit growth to 'basic metal and metal product', and 'textiles' moderated.

Credit growth to services sector decelerated to 15.6 per cent (y-o-y) in August 2024 from 21.0 per cent a year ago, primarily due to relatively lower credit growth in 'non-banking financial companies (NBFCs)' and 'trade' segments. Credit growth (y-o-y) in 'commercial real estate' and 'computer software' accelerated during August 2024.

Personal loans growth moderated to 16.9 per cent (y-o-y) in August 2024 as compared to 18.3 per cent a year ago, largely due to decline in growth recorded in 'other personal loans' and 'vehicle loans'.

Monetary Policy Statement, 2024-25 Resolution of the Monetary Policy Committee (MPC) October 7 to 9, 2024

The Monetary Policy Committee (MPC) of India, after assessing the current macroeconomic conditions, has decided to maintain the policy repo rate at 6.50% while keeping the standing deposit facility (SDF) rate at 6.25% and the marginal standing facility (MSF) rate and Bank Rate at 6.75%. The MPC also shifted its stance from "withdrawal of accommodation" to "neutral," signaling a focus on aligning inflation with the target of 4% (±2%) while supporting economic growth. The committee acknowledged the resilience of the domestic economy, with real GDP growth for 2024-25 projected at 7.2%, driven by strong private consumption, investment, and a positive outlook for the agriculture sector. However, risks from geopolitical tensions, volatile financial markets, and global price fluctuations remain.

Inflation has eased to 3.6% and 3.7% in July and August 2024, but the committee expects a near-term uptick in inflation, driven by food prices, before moderating in Q4:2024-25. The overall CPI inflation projection for

2024-25 stands at 4.5%, supported by robust kharif and rabi crops and ample food buffer stocks. The MPC emphasized that price stability is critical for sustainable high growth, and the change in monetary policy stance provides flexibility to manage inflationary risks while ensuring that growth remains supported. While five out of six members voted to keep the repo rate unchanged, one member, Dr. Nagesh Kumar, advocated for a rate reduction. The committee remains vigilant to global uncertainties and domestic price pressures.

INSURANCE

IRDAI Strengthens measures to empower the Policyholders

The Insurance Regulatory and Development Authority of India (IRDAI) as part of steps towards reinforcing empowerment of policyholders has issued Master Circular on Protection of Policyholders' Interests under the IRDAI (Protection of Policyholders' Interests, Operations, and Allied Matters of Insurers) Regulations, 2024 replacing 30 circulars.

This circular consolidates policyholder entitlements into a single reference document and emphasizes measures towards providing seamless, faster and hassle-free claims settlement experience to a policyholder and enhance service standards, to foster a climate of trust and transparency within the insurance sector.

The Circular is divided into two sections.

- Section One: A policyholder/prospect who wishes to know a brief of important and relevant information at various stages of an insurance contract, may visit this section.
- Section Two: specifically focusses on broad requirements to be complied with by an insurer under the Regulations.

Key Features of the Master Circular:

1. Essential Information at various stages of insurance contract: The Circular provides a summary of essential information at various stages of an insurance contract. This includes guidance for prospects, policyholders and customers prior to sale, at the proposal stage, upon receiving policy documents, during the policy's term, and at the time of claim for all insurance segments (Life, General, and Health).
2. Customer Information Sheet (CIS): Insurers are mandated to provide a CIS for all insurance segments, detailing key policy features, benefits, and exclusions.
3. Regional Language Access: Proposal form and CIS must be made available in regional language upon request of the prospect/policyholder.
4. Free Look Period: 30-day Free Look period applies to both Life and Health insurance policies, allowing policyholders to review the policy terms and conditions.
5. Premium /Proposal Deposit: No premium / proposal deposit is required to be paid to the life /health insurer along with the proposal form except in case of policies where risk cover commences immediately on receipt of premium.
6. Verification Tool: Insurers must offer a search tool on their website enabling verification of authorised distribution channels who can sell their insurance products.
7. Assessment of suitability for life insurance is required to be done in case of savings related life insurance products and annuity products, except those annuities purchased from proceeds of NPS and from employer offered superannuation fund.
8. Nominee Details: Proposal forms to collect nominee details including bank account details, to facilitate prompt settlement of claims in the event of the policyholder's death.

9. Digilocker Integration: Insurers to enable their IT systems to interact with Digilocker allowing policyholders to use this service effectively.
10. Citizens' Charter: Each insurer must establish a Citizens' Charter specifying service standards.
11. Turnaround Times specified: Turnaround times are specified for policy processing and claim settlements.
12. Search and access unclaimed amounts: A claimant / policyholder can search for unclaimed amounts at Bima Bharosa website of IRDAI or from the website of the concerned insurer.

By implementing these measures, IRDAI continues to prioritize the interests of policyholders, advance transparency and efficiency of the insurance sector.

CAPITAL MARKET

SEBI study shows 54% of IPO Shares allotted to Investors (excluding anchor investors) are sold within a week

A SEBI study reveals that 54% of IPO shares allocated to investors (excluding anchor investors) are sold within a week of allotment. This indicates a trend of quick exits by non-anchor investors post-listing. The study highlights the behaviour of retail and non-institutional investors regarding IPO trading in the short term.

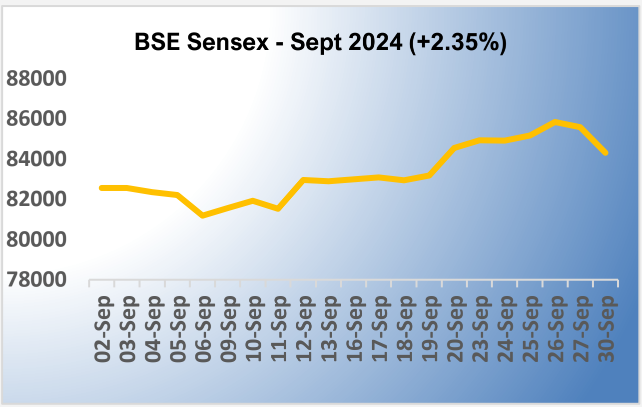
Updated SEBI Study Reveals 93% of Individual Traders Incurred Losses in Equity F&O between FY22 and FY24; Aggregate Losses Exceed ₹ 1.8 Lakh Crores Over Three Years

An updated SEBI study reveals that 93% of individual traders experienced losses in equity futures and options between FY22 and FY24, with total losses exceeding ₹1.8 lakh crore over three years. The findings highlight significant challenges faced by retail investors in these markets, underscoring the need for better education and risk management practices among traders.

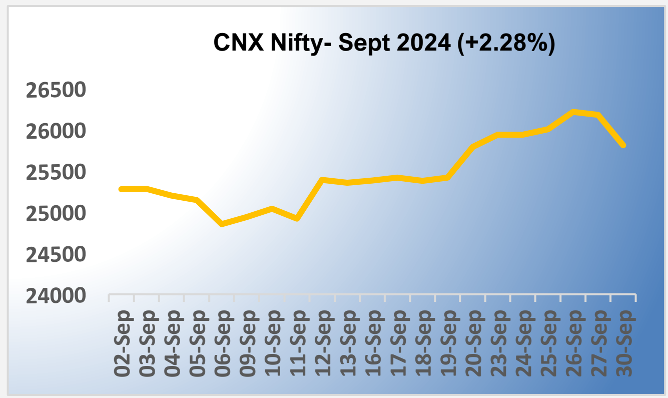
SEBI Board Meeting

The SEBI Board met on September 30, 2024, to discuss various regulatory updates and approvals, including amendments to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, aimed at enhancing corporate governance. The board also reviewed matters related to mutual funds and investor protection measures. Additionally, they addressed the implementation of the Investment Adviser Regulations to further improve the financial advisory landscape.

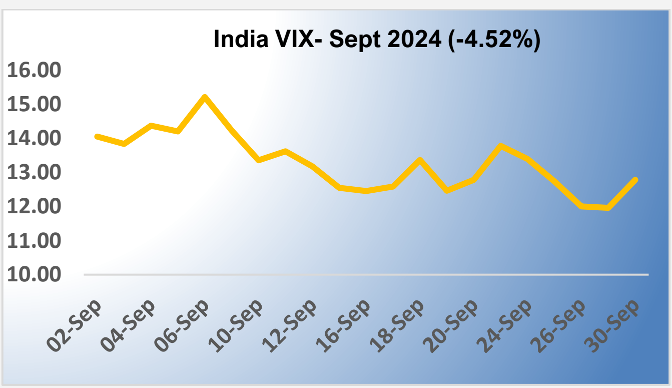
CAPITAL MARKET SNAPSHOT



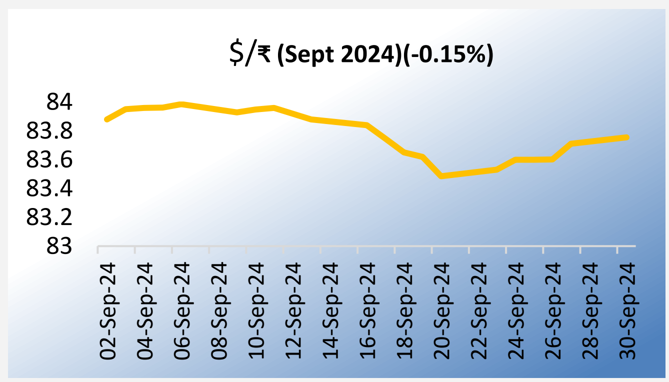
Source: National Stock Exchange



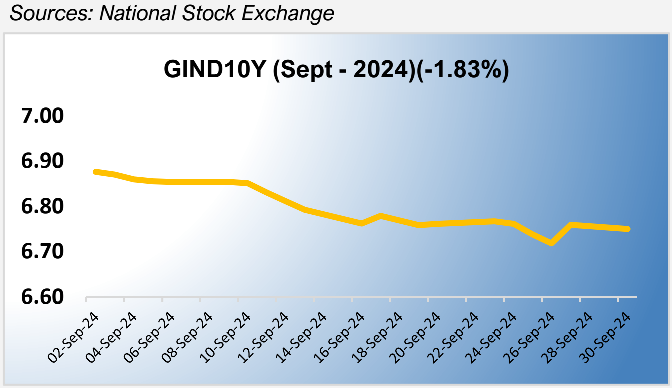
Sources: Bombay Stock Exchange



Sources: National Stock Exchange



Sources: APAS Business Research Team



Sources: APAS Business Research Team

In September 2024, Indian equity markets hit multiple record highs. The Nifty50 reached a peak of 26,277.35 before experiencing some profit-taking, ending the month around 25,810. The BSE Sensex followed a similar trend, soaring to a record intraday high of 85,978 before closing at 84,299 after a sharp correction. Broader indices saw mixed performances, with the Nifty Midcap 100 increasing slightly by 0.15% and the Smallcap 100 decreasing marginally by 0.001%. While large caps led the rally, mid and small caps showed signs of fatigue.

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FINTECH

Highlights of the Month

India to have 150 fintech unicorns with combined $500 billion valuation by 2030

India is projected to have 150 fintech unicorns by 2030, with a combined valuation of $500 billion, according to a report. The growth will be driven by the increasing adoption of digital payments, banking, and insurance services. This boom in fintech is expected to boost financial inclusion and contribute significantly to the economy. The report highlights the country's conducive regulatory environment and technological advancements as key enablers of this growth.

FinTech Funding August 2024: Total $507 mln raised by Indian FinTechs

In August 2024, Indian fintech startups raised $507 million, marking a recovery after a funding slowdown, commonly referred to as the "funding winter." Early-stage startups saw a significant boost in investments, while late-stage funding declined. The largest portion of the funding came from notable deals, with Bengaluru-based startups leading in the number of transactions. This shift highlights a renewed focus on nurturing fintech innovation in the early stages of development.

Fintechs expands to 52% market share in personal loans segment

Fintech companies now hold a 52% market share in India's personal loan segment, largely driven by loans under ₹50,000 to underserved groups such as New-to-Credit and sub-prime borrowers. This growth, enabled by technology like AI and blockchain, has significantly boosted financial inclusion. However, higher risk associated with such lending has led to increased non-performing assets, prompting calls for stronger risk management. Fintechs are expected to continue expanding their customer base through innovation and collaboration with traditional financial institutions.

FinTech Funding : Global FinTechs raised about $1.7 bln in August 2024

In August 2024, global fintech companies raised approximately $1.7 billion in funding. This marked a decline in investment amid ongoing market uncertainty, high interest rates, and subdued investor confidence. Despite this, sectors like payments and blockchain-based technologies continued to attract significant interest from investors. The fintech funding landscape remains under pressure due to macroeconomic challenges, but there are signals of a rebound once market conditions stabilize.

Fintechs drive financial inclusion in India with Rs 2.76 lakh crore in small loans

According to a recent Experian report, fintech companies in India have significantly advanced financial inclusion by disbursing ₹2.76 lakh crore in small loans. These loans, primarily under ₹1 lakh, have been crucial in extending financial services to underserved populations. The report highlights fintech's role in utilizing technology, such as data analytics and AI, to assess creditworthiness and streamline loan processes, especially for those who lack access to traditional banking services. This trend underscores the importance of fintech in bridging the financial gap across different income segments and geographies in India.

Payments & Lending captured lion's share of funding in India

A recent report by Beams FinTech Fund and JM Financial reveals that the payments and digital lending sectors have dominated fintech funding in India, capturing 85% of the total. Payments received $11.8 billion, while digital lending secured $9.8 billion. This surge highlights the fintech sector's rapid growth and investor interest in these key areas, which continue to attract the lion's share of investments in the country.

Fintechs turning to private credit to fund personal loans

Indian fintech firms are increasingly turning to private credit to fund personal loans, as they face tightening regulations from the RBI. The RBI has raised risk weights on unsecured loans, making traditional funding sources such as bank loans more expensive. This shift to private credit, typically from NBFCs or private credit funds, helps fintechs maintain liquidity. However, rising financing costs are expected to impact profitability and may result in higher loan rates for consumers, with some fintechs pulling back from small-ticket loans.

Digital payments surge to Rs 1,669 lakh crore in first five months of FY2025, UPI growth accelerates

India's digital payments reached a staggering ₹1,669 lakh crore in the first five months of FY 2024-25 (April to August 2024), showing continued momentum in the country's shift toward digital transactions. The volume of transactions during this period totaled 8,659 crore. The growth was largely driven by UPI, which alone accounted for ₹101 lakh crore in transaction value. UPI transactions have seen rapid expansion, both domestically and internationally, with the system now being operational in several countries, including the UAE and Singapore.

Digital lenders disbursed 2.64 Cr loans in Q1 FY25, average ticket size declines

In the first quarter of FY25, digital lenders in India disbursed approximately 2.64 crore loans totalling ₹37,676 crore, marking a 27% increase in value year-on-year and a 15% rise in volume. The average ticket size for loans increased to ₹12,997, reflecting a 16% growth from the previous year. Notably, 11 companies were responsible for 93% of the total loan volume, with in-house Non-Bank Financial Companies (NBFCs) contributing to 54% of the disbursals. Despite strong consumer demand, about half of the lenders reported a decline in loan disbursement compared to the previous quarter

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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