APAS MONTHLY – VOLUME 10

APAS MONTHLY NEWSLETTER

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EDITORIAL

In this issue, **Mr. T K Srirang, Joint Managing Director ICICI Securities Limited** has presented his thoughts on **'Investing in the Securities Market: Opportunities and Challenges Ahead'**. We thank Mr. Srirang for his contribution to the APAS Monthly.

This month, the APAS column covers '**Resilience of Domestic Investors Amid Foreign Outflows'.**

The economic indicators showed mixed performance. Manufacturing PMI fell to 56.5 in September 2024, compared to the flash estimate of 56.7 and August's figure of 57.5. Services PMI was revised lower to 57.7 in September 2024 from 58.9 in the preliminary estimates, after a reading of 60.9 in August. Infrastructure output in India expanded 2% year-on-year in September 2024, rebounding from a 1.8% contraction in the previous month. Industrial production in India edged down 0.1% year-on-year in August 2024, the first decline since October 2022, following a downwardly revised 4.7% rise in July. India's annual inflation rate in India rose to 5.49% in September of 2024 from 3.65% in the previous month. India Wholesale Price Index (WPI) number is number is 1.84% (Provisional) for the month of September 2024 (over September 2023).

The Reserve Bank of India (RBI) released on its website the DRG Study titled, "Monetary Policy Transmission and Labour Markets in India". RBI has entered into a Currency Swap Agreement with the Maldives Monetary Authority (MMA) under the SAARC Currency Swap Framework 2024-27. The Reserve Bank of India has introduced a series of regulatory measures aimed at enhancing customer protection and financial stability.

The Insurance Regulatory and Development Authority of India (IRDAI) published life insurance data of September 2024.

Securities and Exchange Board of India (SEBI) has mandated stricter due diligence requirements for Alternative Investment Funds (AIFs) regarding their investors. SEBI has introduced measures to enhance the equity index derivatives framework aimed at boosting investor protection and ensuring market stability.

In September 2024, fintech funding hit $230 million, reflecting global market slowdowns and investor caution. Despite this, the 3rd quarter saw a robust rebound with $778 million, ranking India 2nd globally, led by alternative lending. The fintech space faces challenges in NBFC co-lending and UPI usage oversight. Digital payments through UPI surged to 535 million daily transactions, while cash remains prevalent. Government partnerships aim to combat fraud, and payments firms cut incentives due to funding constraints.

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

Investing in the Securities Market: Opportunities and Challenges Ahead

Mr. T K Srirang
Joint Managing Director
ICICI Securities Limited

APAS COLUMN

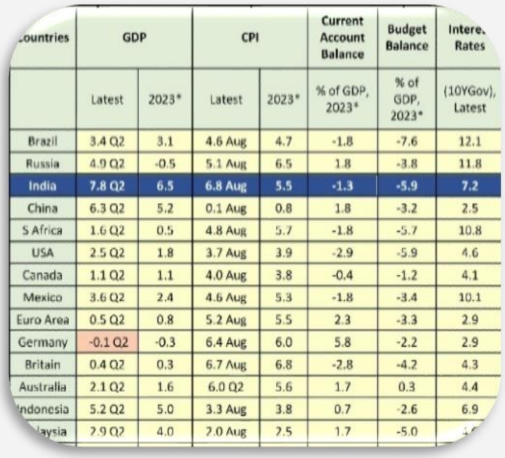
Resilience of Domestic Investors Amid Foreign Outflows

ECONOMY

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

ECONOMIC DATA SNAPSHOT

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



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]

BANKING

DRG Study No. 50: Monetary Policy Transmission and Labour Markets in India

RBI enters into Currency Swap Agreement with Maldives Monetary Authority

Statement on Developmental and Regulatory Policies

INSURANCE

Life Insurance – Sept 2024

CAPITAL MARKETS

Specific due diligence of investors and investments of AIFs

Measures to Strengthen Equity Index Derivatives Framework for Increased Investor Protection and Market Stability

CAPITAL MARKETS SNAPSHOT

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

FINTECH NEWS

Highlights of the Month

Guest Column: Investing in the Securities Market: Opportunities and Challenges Ahead

Mr. T.K. Srirang
Joint Managing Director
ICICI Securities Limited

Investing in the Securities Market: Opportunities and Challenges Ahead

With growth come opportunities and responsibilities

India's securities market is experiencing transformative growth, driven by a combination of government initiatives, increased investor participation, regulatory advancements, and the integration of new technologies. As one of the world's fastest-growing major economies, India is well-positioned for long-term wealth creation through its capital markets.

India's economy has shown impressive resilience in the face of global uncertainties, with a growth rate of 8.2% in FY23/24. This robust performance has been underpinned by government initiatives like *Make in India* and *Digital India* which promote investment in manufacturing and digital transformation respectively. The *Pradhan Mantri Jan Dhan Yojana* has also played a vital role in increasing financial inclusion, broadening the investor base by integrating more of the population into the formal economy.

At the heart of this transformation is the growing participation of younger investors, who now account for nearly 40% of the market. This demographic shift is injecting fresh capital and enthusiasm, while also reflecting India's demographic dividend, which is driving economic growth and investment activity. The growing workforce, with increasing disposable income, is boosting liquidity and laying the groundwork for sustained market growth. India's total market capitalization crossed $5.5 trillion in 2024, and projections suggest it could soar to $45 trillion by 2047, marking a new era of financial opportunities for domestic investors.

This growth has been further supported by regulatory advancements that have significantly improved market efficiency and made the investment process easier for participants. The move to a T+1 settlement cycle—where trade settlements are completed within one business day—has made trading more efficient by ensuring quicker access to funds. Looking forward, Securities and Exchange Board of India (SEBI) is exploring T+0 settlements, which could make the process even faster, providing same-day access to funds and securities.

Another significant development is SEBI's UPI-based block mechanism. This system allows investors to keep funds in their bank accounts while placing trades, providing enhanced security and giving investors more flexibility with their finances. This approach mirrors the ease of the UPI system in everyday payments and brings greater convenience to stock market participants, especially retail investors.

While regulatory efforts have been crucial, technology is also reshaping how investors engage with the market. The rise of mobile trading platforms and innovative financial products, such as exchange-traded funds (ETFs), has made it easier for retail investors to access and participate in the market. This democratization of investment opportunities is empowering individuals to optimize their strategies and make informed decisions in real-time.

However, with the introduction of more sophisticated financial instruments like derivatives, complexity has increased. While SEBI is taking the right steps to regulate the use of derivatives and ensure transparency in these transactions, investor education will remain critical in fully understanding the risks and rewards these instruments carry.

The rapid growth of market participation has heightened the need for regulatory oversight to protect retail investors from misinformation and fraud. The rise of unregistered financial advisors and *finfluencers* has exposed vulnerabilities. SEBI has already removed content from over 15,000 unregulated entities on social media and introduced regulations to prevent regulated firms from associating with unregistered advisors. Investor protection is an absolute must to preserve trust and integrity in the securities market.

As the securities market enters its next phase, the focus must be on balancing innovation, regulation, and responsible investment practices. The combination of favourable government initiatives, demographics, technological advancements, and a resilient economy positions India’s market for long-term success. However, sustained vigilance and adaptability will be essential in addressing the challenges that arise as the market grows.

The future is undoubtedly bright, and thoughtful leadership with a commitment to fostering sustainable growth will be critical in ensuring that India’s securities market reaches its full potential, contributing meaningfully to the nation’s broader economic prosperity.

Sources:

1. India's GDP Growth Rate:
   - Statistic: India's economy grew by 8.2% in FY23/24.
   - Source: World Bank – [https://www.worldbank.org/en/news/press-release/2024/09/03/india-s-economy-to-remain-strong-despite-subdued-global-growth]

2. Younger Investors' Market Participation:
   - Statistic: Younger investors now account for nearly 40% of the market.
   - Source: The Economic Times – [https://economictimes.indiatimes.com/markets/stocks/news/young-investors-continue-to-dominate-stock-market-with-40-per-cent-share-in-investors-number-nse/articleshow/114810787.cms?from=mdr]

3. India's Total Market Capitalization:
   - Statistic: India’s total market capitalization crossed $5.5 trillion in 2024, and projections suggest it could soar to $45 trillion by 2047.
   - Source: Business Today – [https://www.businesstoday.in/magazine/columns/story/indias-stock-market-eyes-45-trillion-a-bull-run-fueled-by-investors-and-tech-growth-444369-2024-09-04]

4. SEBI's Removal of Unregulated Content:
   - Statistic: SEBI has removed content from over 15,000 unregulated entities on social media.
   - Source: Business Today – [https://www.businesstoday.in/personal-finance/investment/story/sebi-tweaks-regulations-for-finfluencers-removes-content-of-over-15000-unregulated-entities-443789-2024-08-31]

APAS COLUMN

Resilience of Domestic Investors Amid Foreign Outflows

The world's equity markets have been turbulent recently, with global shifts making headlines as investors adapt to economic uncertainties. Yet amid this shifting landscape, a remarkable countertrend is unfolding within India. In recent months, Indian equity markets have experienced substantial foreign outflows, yet domestic investors have shown remarkable resilience, absorbing much of this sell-off and keeping market volatility in check. Essentially, what we're seeing is Indian retail and institutional investors stepping up to keep the market stable, even as foreign institutional investors (FIIs) are redirecting their capital to other parts of Asia like Japan, China, South Korea, and Indonesia. This change is pivotal; it's fundamentally transforming the Indian equity landscape, where domestic capital has become a significant stabilizing force, helping markets weather external shocks more effectively than in the past.

Foreign Investors Seek Alternatives in Asia

In October alone, FIIs sold over $11 billion (nearly ₹1 lakh crore) worth of Indian equities, surpassing even the peak selling period during the COVID-19 market crash in March 2020. The primary drivers behind this capital flight include the U.S. Federal Reserve's ongoing monetary tightening, concerns over slowing earnings growth in India, and more favorable opportunities in other Asian markets. Japan and China are at the forefront, but South Korea and Indonesia are also attracting significant attention from global investors due to promising economic prospects, policy stability, and growth potential. Additionally, the FPI outflow from India is likely temporary, driven by two factors: profit-taking after a stellar rally and investors finding more attractive markets. Against this backdrop, India's long-term growth narrative still positions it as an appealing long-term investment destination. However, FIIs are currently seeking alternative opportunities due to high valuations and the potential for better returns elsewhere.

The FII shift is evident in the metrics, with FII holdings in Indian equities around 16.3% in mid-October, slightly above the 16.1% seen in July. While the difference may seem marginal, it reflects the start of a recalibration in the foreign ownership of Indian stocks, with FIIs reallocating to other Asian markets that offer a mix of stability, growth, and diversification benefits.

Domestic Investors Step Up Amid Foreign Outflows

Despite heavy foreign selling, Indian markets have not experienced the sharp declines that were typical in previous FII-led selloffs. Strong domestic inflows from both retail and institutional investors have counterbalanced FII outflows, reflecting a new phase in India's market dynamics. Domestic institutional investors (DIIs) have absorbed much of the FII sales, with substantial contributions from mutual funds, insurance companies, and individual retail investors. This stability is primarily driven by SIPs and other mutual fund flows, which continue to draw significant household savings into equities.

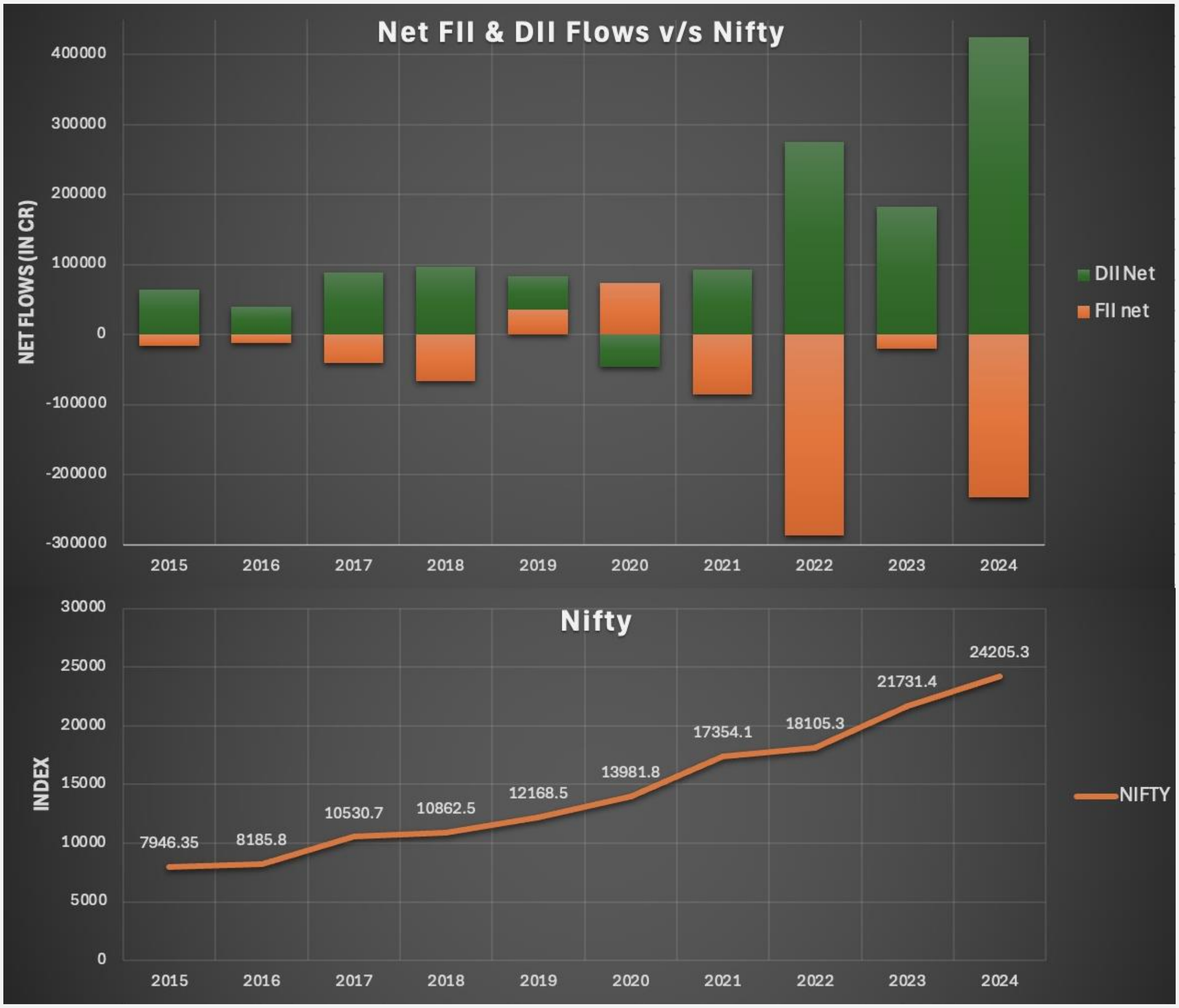
In September, mutual funds saw record inflows, with nearly ₹24,500 crore invested through SIPs. Retail investors, in particular, have shown resilience, sustaining these investments even amid market corrections.

Domestic inflows in 2024 have averaged around $8 billion per month, or over $90 billion annually, a figure that now accounts for more than 25% of household financial savings.

Shifting the Center of Gravity in Indian Equities

This period of significant foreign outflows marks a historic shift in Indian equity markets, where the influence of domestic investors has reached new heights. By September, the ownership gap between FIIs and DIIs narrowed to a record low of 109 basis points, emphasizing a new balance of power. Once heavily reliant on foreign capital, Indian equities are now supported by robust domestic inflows, offering a level of market stability that would have been difficult to achieve a decade ago.

Had this scale of foreign sell-off occurred ten years earlier, the market impact would have likely been far more severe. Back then, domestic participation was limited, and the market would have been more vulnerable to external volatility. However, the growing presence of domestic investors today has transformed the market's ability to withstand FII-driven fluctuations.



Let's examine the trend of Net FII and DII flows over the past decade. It is evident that the primary drivers of the market have shifted from FIIs to DIIs. Since the onset of the COVID-19 pandemic, DII participation has significantly increased. Historically, market movements were largely influenced by FII activity, but we now observe a paradigm shift where DII activity plays a crucial role in maintaining market stability. Even during periods of heavy FII sell-offs, such as in October or other instances, DIIs have consistently stepped in to cushion the impact and sometimes even propel the markets upward, as illustrated in the graph.

The graph highlights that while FIIs have been engaging in substantial selling, they are not withdrawing from India. In fact, they continue to invest heavily year after year. However, the trend suggests that FIIs tend to book profits more quickly, whereas DIIs appear to adopt a longer-term investment approach, providing a stabilizing influence on the market.

Retail Investors and Household Savings as Stabilizing Forces

A significant factor supporting this stability is the shift in household savings away from traditional bank deposits and into equity investments. With lower returns on bank deposits, households are increasingly favoring equities and mutual funds, channeling a portion of their financial savings into the stock market. This change has provided a buffer against FII sell-offs, enabling the market to remain more stable in periods of volatility. Domestic institutions and retail investors are absorbing supply created by FII sales, effectively preventing sharper declines.

Conclusion

The recent market correction, influenced by global factors such as the U.S. Fed’s tightening and FII reallocation to other Asian markets, has been a critical test for India’s domestic investors. Their sustained investments have proven crucial in stabilizing Indian equities, counterbalancing foreign outflows. Monthly inflows from mutual funds, insurance companies, and retail investors have become essential stabilizers, creating a more resilient market structure than seen in previous decades.

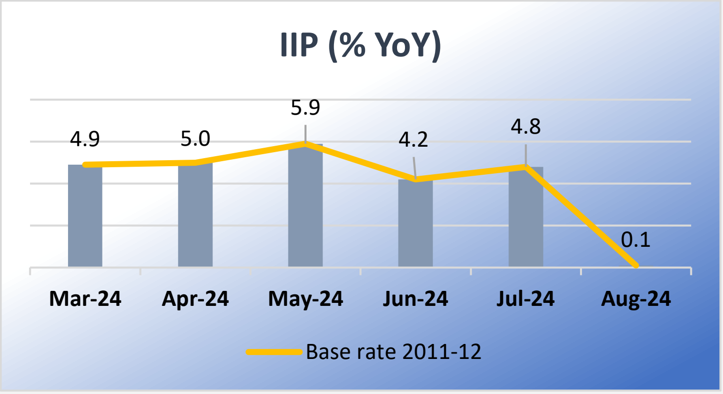
Looking ahead, as India’s economy continues to grow and households invest more in equities, domestic capital is becoming more than just a supplement to FII flows. It’s emerging as a counterbalance. This trend signifies a transformed equity landscape, with Indian markets increasingly equipped to handle global volatility and emphasizing the rising importance of domestic capital in shaping the future of Indian equities.

ECONOMY

IIP (Index of Industrial Production) – Aug

Industrial production in India edged down 0.1% year-on-year in August 2024, the first decline since October 2022, following a downwardly revised 4.7% rise in July.

The mining sector shrank 4.3%, likely due to heavy rainfall in the month and electricity contracted 3.7%. In contract, manufacturing rose 1%, with the biggest upward contributors coming from manufacture of basic metals (3%), manufacture of electrical equipment (17.7%), and manufacture of chemicals and chemical products (2.7%). Considering the April-August period, industrial output increased 4.2%.

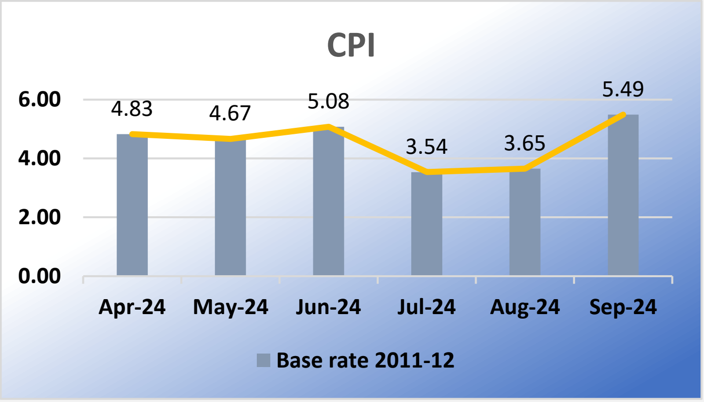


Source: APAS BRT, www.mospi.gov.in

The corresponding growth rates of IIP as per Use-based classification in July 2024 over July 2023 are 5.9 percent in Primary goods, 12.0 percent in Capital goods, 6.8 percent in Intermediate goods, 4.9 percent in Infrastructure/ Construction Goods, 8.2 percent in Consumer durables and -4.4 percent 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) – Sept

The annual inflation rate in India rose to 5.49% in September of 2024 from 3.65% in the previous month, well above market estimates of 5%. It was the highest inflation rate since the start of the year, overshooting the RBI's target of 4% after dropping below the threshold in the first two months of the September quarter, thus jeopardizing previous expectations of the imminent start of rate cuts by the central bank.



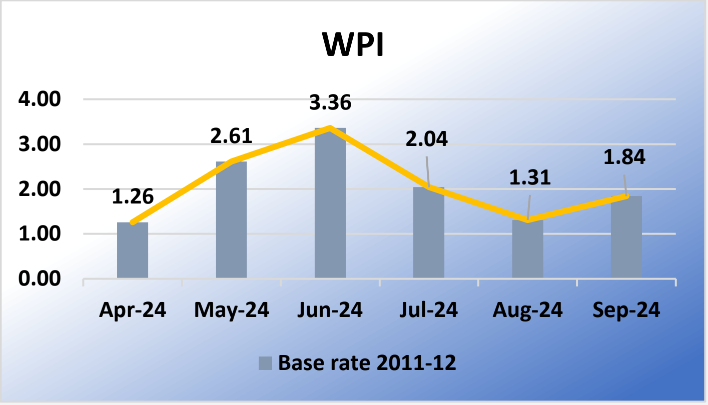
Source: APAS BRT, www.eaindustry.nic.in

Inflation surged for food (9.24% vs 5.66% in August), which represents close to half of the Indian consumer price basket, amid soaring price increases for vegetables (35.99%), pulses and products (9.81%), and (7.65%). Prices also accelerated for housing (2.78% vs 2.66%), and fell at a slower pace for fuel and light (-1.39% bs -5.31%). From the prior month, the Indian CPI rose by 0.6%.

WPI (Wholesale Price Index) – Sept

Wholesale Price Index (WPI) number is 1.84% (Provisional) for the month of September, 2024 (over September, 2023). Positive rate of inflation in September, 2024 is primarily due to increase in prices of food articles, food products, other manufacturing, manufacture of motor vehicles, trailers & semi-trailers, manufacture of machinery & equipment, etc.

The month over month change in WPI index for the month of September, 2024 stood at 0.06% as compared to August, 2024.



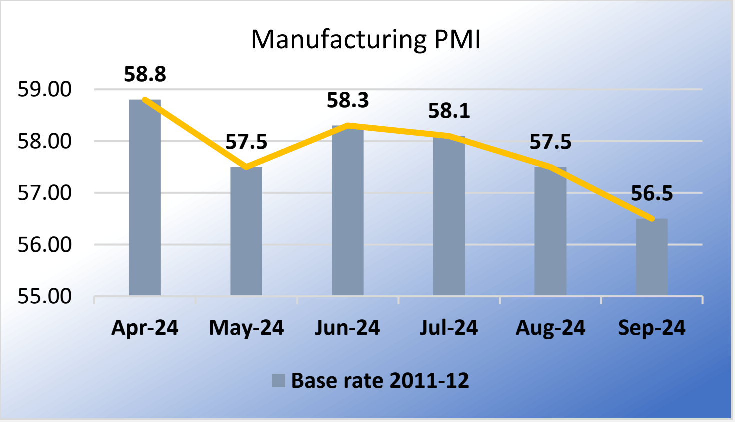
Source: APAS BRT, www.eaindustry.nic.in

The index for primary articles increased by 0.41% to 195.7 (provisional) in September, 2024 from 194.9 (provisional) for the month of August, 2024. Prices of minerals (1.83%), non-food articles (1.31%) and food articles (0.86%) increased in September, 2024 as compared to August, 2024. The prices of crude petroleum and natural gas (-5.74%) declined in September, 2024 as compared to August, 2024.

Prices for Fuel & Power declined by 0.81% to 146.9 (provisional) in September, 2024 from 148.1 (provisional) for the month of August, 2024. Price of electricity (1.34%) increased and price of mineral oils (-1.72%) decreased in September, 2024 as compared to August, 2024. The index for coal remained constant at 135.6 (provisional) in September, 2024 as compared to August, 2024.

Prices for Manufacturing products increased by 0.14 % to 141.8 (provisional) in September, 2024 from 141.6 (provisional) for the month of August, 2024.

Manufacturing PMI – Sept

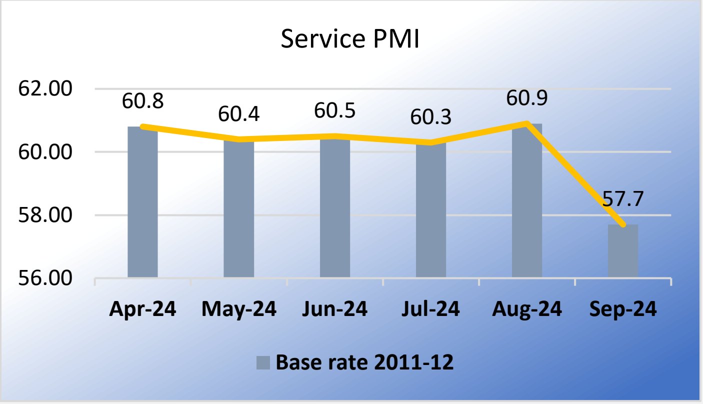


Source: www.tradingeconomics.com

The HSBC India Manufacturing PMI fell to 56.5 in September 2024, compared to the flash estimate of 56.7 and August's figure of 57.5. This marked the softest expansion in factory activity since January as both output and new orders grew at a slower pace. Additionally, new export orders dropped to the lowest level since March 2023. Hiring growth also receded during the month, and input buying expanded at the slowest pace in the calendar year to date. Regarding prices, input prices rose in September while factory gate price inflation eased. Lastly, business confidence fell to its weakest since April 2023, with only

23% of Indian manufacturers forecasting output growth in the year ahead, while the remaining firms predict no change.

Services PMI – Sept

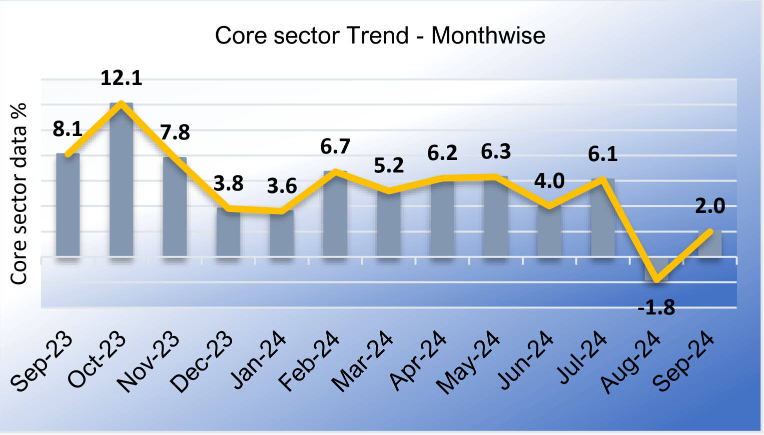


Source: www.tradingeconomics.com

The HSBC India Services PMI was revised lower to 57.7 in September 2024 from 58.9 in the preliminary estimates, after a reading of 60.9 in August, marking the fastest growth in five months. This was the 38th consecutive month of growth in services activity, but at its slowest pace since January 2023, as total new business, international sales, and output all rose at the slowest rates since late 2023. Meanwhile, employment continued to rise, with recruitment of both full- and part-time workers.

On the price front, input cost inflation accelerated due to higher electricity bills, food prices, and the cost of other materials, though inflation remained below its long-run average. Meanwhile, output cost inflation eased to its lowest level in over two-and-a-half years, amid strong competition. Finally, sentiment improved, supported by optimism around pending project approvals and anticipated efficiency gains.

Core Sector Data – Sept



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

The combined Index of Eight Core Industries (ICI) increased by 2.0 % (provisional) in September 2024 as compared to the Index in September 2023. The production of Cement, Refinery Products, Coal, Fertilizers and Steel recorded positive growth in September 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 % of the weight of items included in the Index of Industrial Production (IIP).

The final growth rate of Index of Eight Core Industries for June 2024 stands at 5.0 %. The cumulative growth rate of ICI during April to September, 2024-25 is 4.2 % (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 2.6 % in September 2024 over September 2023. Its cumulative index increased by 5.9 % during April to September, 2024-25 over corresponding period of the previous year.

Crude Oil - Crude Oil production (weight: 8.98 %) declined by 3.9 % in September 2024 over September 2023. Its cumulative index declined by 2.1 % during April to September, 2024-25 over corresponding period of the previous year.

Natural Gas - Natural Gas production (weight: 6.88 %) declined by 1.3 % in September 2024 over September 2023. Its cumulative index increased by 2.0 %during April to September, 2024-25 over corresponding period of the previous year.

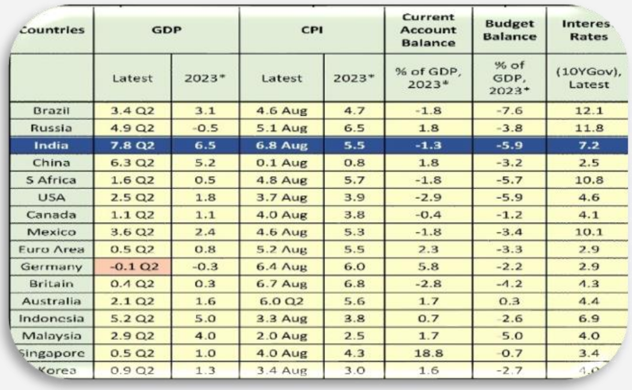
Petroleum Refinery Products - Petroleum Refinery production (weight: 28.04 %) increased by 5.8 % in September 2024 over September 2023. Its cumulative index increased by 2.3 %during April to September, 2024-25 over corresponding period of the previous year.

Fertilizers - Fertilizer production (weight: 2.63 %) increased by 1.9 % in September 2024 over September 2023. Its cumulative index increased by 1.7 %during April to September, 2024-25 over corresponding period of the previous year.

Steel - Steel production (weight: 17.92 %) increased by 1.5 % in September 2024 over September 2023. Its cumulative index increased by 6.1 % during April to September, 2024-25 over corresponding period of the previous year.

Cement - Cement production (weight: 5.37 %) increased by 7.1 % in September 2024 over September 2023. Its cumulative index increased by 1.6 % during April to September, 2024-25 over corresponding period of the previous year.

Electricity - Electricity generation (weight: 19.85 %) declined by 0.5 % in September 2024 over September 2023. Its cumulative index increased by 5.9 % during April to September, 2024-25 over corresponding period of the previous year.



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
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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.

ECONOMIC DATA SNAPSHOT

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 Q2	3.0	4.4 Sep	4.3	-1.5	-7.6	12.8
Russia	4.1 Q2	3.7	8.6 Sep	8.5	3.1	-1.7	16.7
India	6.7 Q2	6.9	5.5 Sep	4.7	-0.5	-4.9	6.8
China	4.6 Q3	4.9	0.4 Sep	0.5	0.7	-4.4	1.8
S Africa	0.3 Q2	1.1	3.7 Sep	4.6	-1.8	-5.2	9.3
USA	2.7 Q3	2.7	2.4 Sep	3.0	-3.4	-7.3	4.3
Canada	0.9 Q2	1.3	1.6 Sep	2.4	-1.2	-1.3	3.2
Mexico	1.5 Q3	1.4	4.6 Sep	4.8	0.3	-5.2	10.1
Euro Area	0.9 Q3	0.8	1.7 Sep	2.4	3.1	-3.1	2.4
Germany	-0.2 Q3	-0.1	2.4 Oct	2.4	6.3	-1.6	2.4
Britain	0.7 Q2	1.1	1.7 Sep	2.9	-3.0	-4.0	4.3
Australia	1.0 Q2	1.1	2.8 Q3	3.4	-1.5	-1.0	4.5
Indonesia	5.0 Q2	5.1	1.8 Sep	2.3	-0.1	-2.5	6.8
Malaysia	5.3 Q3	5.1	1.8 Sep	2.0	2.7	-4.5	4.0
Singapore	4.1 Q3	3.1	2.0 Sep	2.6	19.8	0.2	2.8
S Korea	1.7 Q3	2.5	1.6 Sep	2.5	3.4	-1.8	3.1

BANKING

DRG Study No. 50: Monetary Policy Transmission and Labour Markets in India

The RBI's DRG Study No. 50, titled *"Monetary Policy Transmission and Labour Markets in India,"* co-authored by Chetan Ghate, Satadru Das, Debojyoti Mazumder, Sreerupa Sengupta, and Satyarth Singh, examines the influence of India's informal labour markets on monetary policy under inflation targeting. Analyzing data from 1980-2019 through NSS, PLFS, and CMIE's CPHS, the study finds that economic upturns correlate with rises in formal employment and drops in casual employment. Using a New Keynesian DSGE model, the study shows that contractionary monetary policy reduces inflation, output, and employment. Importantly, it highlights that a larger formal sector enhances policy effectiveness by more effectively curbing inflation and shifting informal employment towards self-employment. This is the first study to rigorously analyze how monetary policy and informality interact within India's inflation-targeting framework.

RBI enters into Currency Swap Agreement with Maldives Monetary Authority

The Reserve Bank of India (RBI) has entered into a Currency Swap Agreement with the Maldives Monetary Authority (MMA) under the SAARC Currency Swap Framework 2024-27, on October 07, 2024, in New Delhi. Under the agreement, the MMA is eligible for financing support from the RBI amounting to USD 400 million under the US Dollar/ Euro Swap Window and INR 30 billion under the INR Swap Window. The agreement would be valid till June 18, 2027.

The SAARC Currency Swap Framework came into operation on November 15, 2012, to provide a backstop line of funding for short term foreign exchange liquidity requirements or short-term balance of payments stress till longer term arrangements are made.

Statement on Developmental and Regulatory Policies

The Reserve Bank of India has introduced a series of regulatory measures aimed at enhancing customer protection and financial stability. These include expanding the ban on foreclosure charges and pre-payment penalties to cover loans extended to Micro and Small Enterprises (MSEs), promoting responsible lending. Furthermore, to strengthen the capital-raising capabilities of Primary (Urban) Co-operative Banks, a discussion paper on additional avenues for capital, including special share issuance, will be open for stakeholder feedback. Additionally, recognizing climate change as a risk to financial stability, the RBI plans to establish the Reserve Bank Climate Risk Information System (RB-CRIS) to consolidate and standardize climate-related data for regulated entities.

In the realm of payment systems, the RBI is increasing transaction limits for UPI123Pay and UPI Lite to encourage broader adoption and utility among users, including those with feature phones. The UPI123Pay limit will rise to ₹10,000 per transaction, while UPI Lite will see its wallet limit expanded to ₹5,000 with a per-transaction limit of ₹1,000. In response to public requests, the RBI is also implementing a 'beneficiary account name look-up facility' for RTGS and NEFT systems, allowing remitters to verify the recipient's name before initiating fund transfers. This feature is expected to enhance customer confidence and reduce erroneous transactions.

INSURANCE

Life Insurance – Sept 2024

	New Business Statement of Life Insurers for the Period ended 30th September 2024									
Sl No	Insurer	First Year Premium			No of Policies/schemes			Sum Assured		
		Up to 30th September, 2024	*Growth in %*	*Market Share*	Up to 30th September, 2024	*Growth in %*	*Market Share*	Up to 30th September, 2024	*Growth in %*	*Market Share*
1	**Acko Life Insurance**	30.29	*1770.72*	*0.02*	780.00	*25900.00*	*0.01*	3324.68	*1687.83*	*0.07*
2	**Aditya Birla Sun Life**	4712.96	*42.78*	*2.49*	150484.00	*26.38*	*1.13*	238109.27	*68.17*	*4.67*
3	**Ageas Federal Life**	670.24	*42.28*	*0.35*	30700.00	*26.54*	*0.23*	13148.92	*42.95*	*0.26*
4	**Aviva Life**	146.69	*-16.33*	*0.08*	7003.00	*-49.05*	*0.05*	39735.22	*31.34*	*0.78*
5	**Bajaj Allianz Life**	5740.79	*15.39*	*3.03*	386126.00	*22.11*	*2.89*	329497.20	*8.36*	*6.47*
6	**Bandhan Life**	60.39	*75.58*	*0.03*	9703.00	*5.62*	*0.07*	6780.63	*6.75*	*0.13*
7	**Bharti Axa Life**	321.35	*-14.88*	*0.17*	35559.00	*-16.72*	*0.27*	5146.78	*-39.13*	*0.10*
8	**Canara HSBC Life**	1425.84	*2.79*	*0.75*	93039.00	*18.58*	*0.70*	148042.90	*-14.46*	*2.91*
9	**CreditAccess Life**	51.39	*155.49*	*0.03*	243.00	*478.57*	*0.00*	3451.21	*179.02*	*0.07*
10	**Edelweiss Tokio Life**	226.32	*5.59*	*0.12*	20603.00	*-7.25*	*0.15*	3349.53	*-23.55*	*0.07*
11	**Future Generali Life**	197.33	*8.87*	*0.10*	14428.00	*-1.61*	*0.11*	17776.14	*29.86*	*0.35*
12	**Go Digit Life**	531.53	*488.02*	*0.28*	821.00	*120.70*	*0.01*	365100.83	*322.44*	*7.17*
13	**HDFC Life**	14706.84	*11.81*	*7.77*	582628.00	*22.28*	*4.36*	677930.49	*4.26*	*13.31*
14	**ICICI Prudential Life**	8697.57	*17.37*	*4.60*	300900.00	*12.48*	*2.25*	567302.47	*15.45*	*11.14*
15	**India First Life**	1364.76	*-26.59*	*0.72*	81663.00	*-41.24*	*0.61*	248816.61	*7.18*	*4.88*
16	**Kotak Mahindra Life**	3458.45	*7.79*	*1.83*	117111.00	*-2.75*	*0.88*	134750.99	*-24.94*	*2.65*
17	**Max Life**	5088.69	*19.02*	*2.69*	358239.00	*22.56*	*2.68*	271614.17	*15.60*	*5.33*
18	**PNB Met Life**	1829.20	*32.43*	*0.97*	149443.00	*17.01*	*1.12*	66427.06	*0.26*	*1.30*
19	**Pramerica Life**	569.36	*18.97*	*0.30*	21008.00	*38.80*	*0.16*	55853.95	*30.32*	*1.10*
20	**Reliance Nippon Life**	561.31	*5.38*	*0.30*	82958.00	*-3.49*	*0.62*	12725.49	*11.48*	*0.25*
21	**SBI Life**	15724.00	*-3.29*	*8.31*	986876.00	*0.27*	*7.38*	358411.18	*-1.77*	*7.04*
22	**Shriram Life**	914.70	*6.48*	*0.48*	281076.00	*96.62*	*2.10*	81397.53	*66.50*	*1.60*
23	**Star Union Dai-ichi Li**	2180.28	*48.84*	*1.15*	80479.00	*-5.92*	*0.60*	41236.72	*-60.28*	*0.81*
24	**Tata AIA Life**	4453.88	*22.91*	*2.35*	389665.00	*26.03*	*2.91*	479976.61	*20.00*	*9.42*
	Private Total	**73664.16**	***12.06***	***38.93***	**4181535**	***13.40***	***31.28***	**4169907**	***15.66***	***81.85***
25	**LIC of India**	115549.88	*24.73*	*61.07*	9187321.00	*13.75*	*68.72*	924501.67	*9.93*	*18.15*
	Grand Total	**189214.04**	***19.47***	***100.00***	**13368856**	***13.64***	***100.00***	**5094408**	***14.58***	***100.00***

CAPITAL MARKET

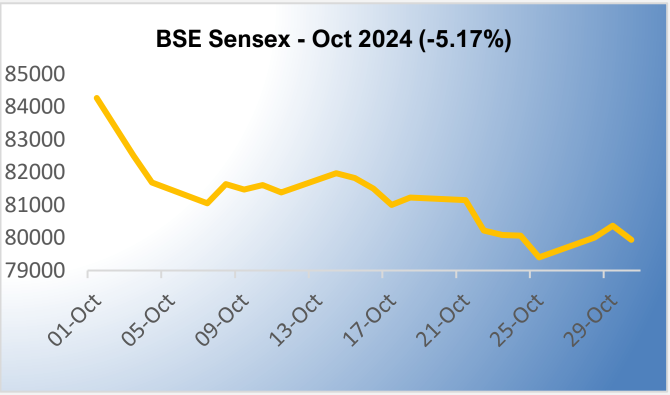
Specific due diligence of investors and investments of AIFs

SEBI has mandated stricter due diligence requirements for Alternative Investment Funds (AIFs) regarding their investors. This includes thorough checks on investors who are not qualified as Qualified Institutional Buyers (QIBs) or Qualified Buyers (QBs) but are part of the AIF, particularly if they contribute 50% or more of the fund’s corpus. Additionally, AIFs must ensure they do not facilitate “evergreening” of stressed loans in compliance with RBI norms. These requirements aim to prevent regulatory circumventions and enhance transparency in the AIF sector.

Measures to Strengthen Equity Index Derivatives Framework for Increased Investor Protection and Market Stability

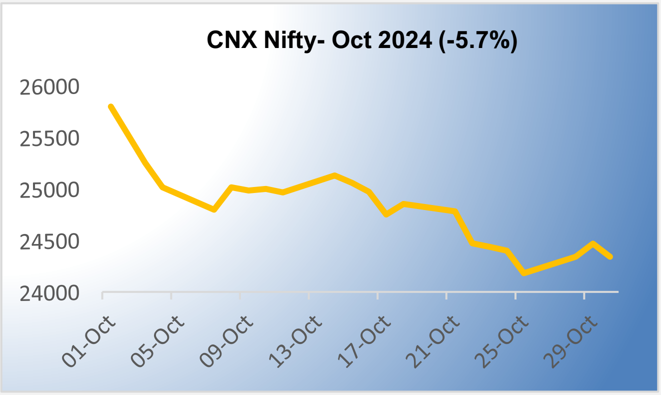
SEBI has introduced measures to enhance the equity index derivatives framework aimed at boosting investor protection and ensuring market stability. Key initiatives include increasing margin requirements for certain products, enhancing risk management practices, and improving transparency in trading processes. These changes are expected to safeguard investor interests and strengthen the overall integrity of the derivatives market.

CAPITAL MARKET SNAPSHOT



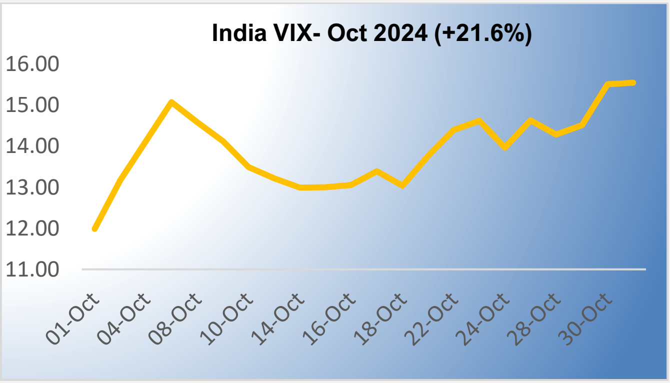
BSE Sensex - Oct 2024 (-5.17%)

Source: National Stock Exchange



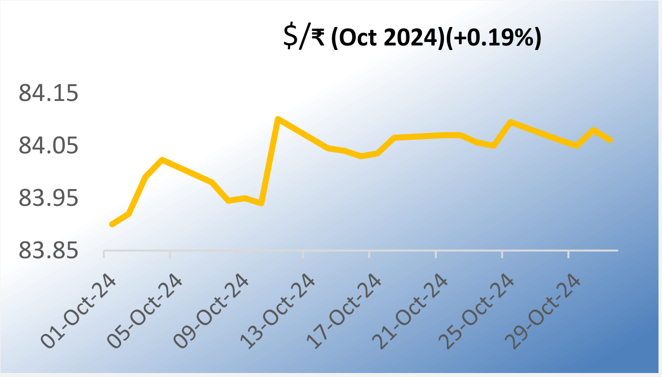
CNX Nifty- Oct 2024 (-5.7%)

Sources: Bombay Stock Exchange



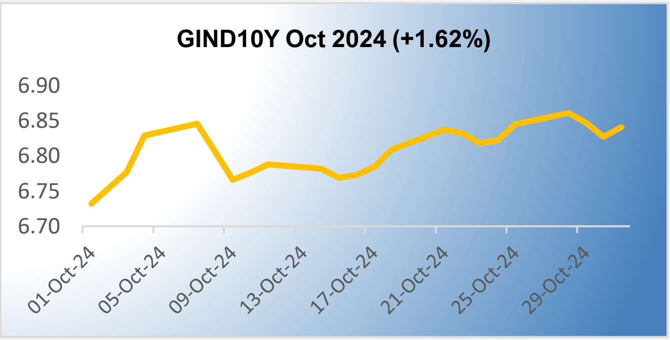
India VIX- Oct 2024 (+21.6%)

Sources: National Stock Exchange



$/₹ (Oct 2024)(+0.19%)

Sources: APAS Business Research Team



GIND10Y Oct 2024 (+1.62%)

Sources: APAS Business Research Team

In Oct 2024, the equity markets experienced a market correction following a prolonged bull run. The primary drivers were the significant outflow of FIIs from India, likely due to high valuations or the pursuit of more lucrative investment opportunities. The Nifty 50 index declined by 5.7%, while the BSE Sensex experienced a reduction of 5.17%. Broader indices also witnessed a decline, with the Midcap index dropping by 6.72% and the Small cap index falling by 3%. Also, the volatility in markets surged by 21%.

FINTECH

Highlights of the Month

FinTech Funding September 2024: Total $230 mln raised by Indian FinTechs

In September 2024, Indian fintechs raised a total of $230 million across ten funding rounds, marking a decline in investment compared to previous months. This trend reflects a broader slowdown in global fintech funding. Notably, Bengaluru remained a key startup hub, while growth-stage investments led the sector, highlighting ongoing investor interest despite the dip in overall funding levels.

Investors warn fintechs of regulatory oversight, thorough diligence to follow

Investors are increasingly cautioning fintech companies about the growing regulatory scrutiny that has contributed to a notable decline in valuations within the Indian fintech sector. As a result, thorough diligence is now crucial in shaping investment decisions, with a heightened focus on navigating the complex regulatory landscape.

Indian fintech sector received $778 mln funding in Q3 CY24, ranks 2nd globally

In the third quarter of 2024, India's fintech sector experienced a significant rebound, securing $778 million in funding, a 66% increase compared to the same period last year. This surge, primarily driven by DMI Finance's $334 million raise, propelled India to the second position globally for quarterly fintech funding, behind only the United States. Key areas of growth included alternative lending, which attracted $517 million, while investment technology saw a sharp decline. However, the number of funding rounds dropped by 25%, and fintech acquisitions fell by 50% year-over-year.

Fintech firms' NBFC co-lending biz under stress after RBI action

Fintech firms engaging in co-lending partnerships with non-banking financial companies (NBFCs) are facing increased stress following the RBI recent action against major players like Navi and DMI Finance. The RBI has halted loan disbursements from these NBFCs due to concerns over excessive interest rates, which may impact the operations of fintech companies that rely heavily on these partnerships. However, industry insiders suggest that while there may be short-term disruptions, fintechs often work with multiple NBFCs, which could mitigate long-term effects.

Govt & Fintech cos join hands for indigenous system to check fraud

The government has partnered with fintechs to develop an indigenous system aimed at combating fraud in the financial sector. This initiative is part of broader efforts to enhance cybersecurity measures and protect consumers from digital scams. The government emphasizes increasing collaboration between regulators and fintech firms to strengthen defences against financial crimes.

Payments firms slash cashbacks, incentives on funding drought

Payments firms in India, including PhonePe, Paytm, Amazon Pay, and Cred, are reducing cashbacks and incentives due to a funding drought and a maturing digital payments market. This shift reflects a strategic focus on cost control and profitability, with companies like Paytm slashing marketing expenses significantly. Industry insiders anticipate potential market shifts as new players emerge amidst this trend.

Background check discrepancies surge in BFSI sector amid digital growth

Background check discrepancies in BFSI sector have risen significantly, reaching 10.4% in FY 2023-24, an 18.1% increase from the previous year. Key issues are employment verification (14.6%), education verification (9.1%), and address verification (6.4%). This surge, highlighted by AuthBridge, reflects the sector's rapid digital growth and challenges in credential verification, spurring the need for AI-driven solutions to mitigate risks associated with identity and employment fraud.

NPCI sends 'warning letter' to fintech companies: Penalty and ban for this 'unauthorized' use of UPI IDs

NPCI has issued a warning to fintechs regarding the unauthorized use of UPI IDs. NPCI emphasized that UPI APIs should only be used for payment transactions and necessary fraud prevention, and not for services such as user authentication or accessing customer data. Companies like Idfy and Cashfree have been cited for misusing these APIs, and the NPCI stated that any violations could result in penalties or the suspension of UPI services

Use of cash still dominant, digital modes catching up

A recent report from the RBI highlights that while cash transactions still account for about 60% of consumer spending as of March 2024, the use of digital payments is rapidly increasing. The share of digital transactions has more than doubled in the past three years, largely due to the rise of the UPI, which has become a preferred method for small-value purchases. Notably, the average transaction size of UPI has decreased, indicating a shift towards more frequent, lower-value digital payments

UPI clocks 535 Mln daily transactions in Oct; crosses 16.58 Bn in volume

UPI in India recorded an impressive 535 million daily transactions in October, reaching a total of 16.58 billion transactions for the month. This growth highlights the ongoing expansion and popularity of digital payments in India, driven by the ease and accessibility of UPI for consumers and businesses.

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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