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From Editorial Desk

Dear Readers,

Welcome to the MAY Edition of FINSCAPE.

In the most eagerly awaited Monetary policy review in April first week, RBI Governor has cut the key repo rate by 0.25%- to 6.50% now - Stating that the inflation objectives are closer to being realised and price-rise will hover around the 5 per cent mark for the remainder of the fiscal, Rajan reaffirmed that the monetary policy will continue to remain accommodative to address the growth concerns. RBI also retained its GDP growth forecast at 7.6 per cent, on the assumption of a normal monsoon and a boost to consumption through the implementation of the Seventh Pay panel recommendations.

The rate cut is mostly as per expected lines and expected to boost the growth and help achieve the forecasted GDP growth rate..

Happy reading.

Regards,

Venugopal Rajamanuri
Co-ordinator- CFS

Prof. Srinivas R Gangidi
Director

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premium income of INR477 billion or 49.5% of the total premiums posted by the non-life market. The 18 private-sector insurers reported INR397 billion of premiums, while two specialised operators - Export Credit Guarantee Corporation (ECGC) and Agricultural Insurance Company - netted INR48.3 billion and the five standalone health insurers reported INR41.5 billion.

Banks now sell more insurance policies than individual agents - The Financial Express – 22nd April 2016.

In the last few years, the life insurance industry has seen high attrition of individual agents largely due to low remuneration. At the same time, the contribution of bank channels in selling life insurance policies has gone up. According to the annual report of the Insurance and Regulatory Development Authority of India (IRDAI), corporate banks had a share of 47.37% of individual new business premium in 2014-15, while the share of private insurers in 2012-13 was 43.08%. On the other hand, individual agents who had share of 39.68% of individual new business premium in 2012-13 came down to 35.73% in 2014-15 for private insurance players

CAPITAL MARKET NEWS

SEBI plans shorter gap between IPO and listing

Capital markets regulator Securities and Exchange Board of India (SEBI) is trying to shorten the gap between an initial public offering (IPO) and the listing of shares to three days from the current six days, according to two people familiar with discussions held by the regulator. Reducing the time between an IPO and listing of shares helps limit risks related to market volatility, which may emerge within that period, and would bring closer to developed markets like the US where the time between an IPO and listing of shares is as low as one day.
Courtesy: Livemint

Foreign Investors Pour in $2.2 Billion In April

Press Trust of India | Last Updated: May 01, 2016 19:52 (IST)

Foreign investors continued to invest in the Indian capital markets for a second month, as they pumped in $2.2 billion in equities and debt in April, driven by hopes of a good monsoon and positive economic data. In the previous month, Foreign Portfolio Investors(FPIs) had invested a staggering Rs 19,967 crore in capital markets - both equities and debt. FPIs turned net buyers of equities in March after pulling out a massive Rs 41,661 crore from the market in the previous four months (November to February).This year so far, FPIs have invested Rs 12,911 crore in equities while withdrawing Rs 939 crore in the debt market, resulting in a net inflow of Rs 11,971 crore. Market experts attributed the huge inflow in April to the rate cut by the Reserve Bank of India (RBI) in its first monetary policy meet of 2016-17 on April 5.
The RBI had reduced the short-term lending rate by 0.25 per cent to an over 5-year low of 6.5 per cent.
Besides, investor sentiment has improved further following positive macroeconomic data, including cooling of inflation and a forecast of an above-normal monsoon this year, igniting hopes of a higher growth and more policy easing by the RBI, experts added.

Indian Companies raised nearly Rs. 20,000 crore by selling shares through the offer for sale (OFS) mechanism in 2015-16, with PSUs accounting for most of the fund mop-up.

They had mobilised Rs 26,935 crore through this route in the 2014-15 fiscal. This mechanism has significantly helped the government's disinvestment drive on account of greater transparency and wider market participation. During 2015-16, companies garnered Rs 19,822 crore via OFS route. The government's divestment move raked in Rs 19,576 crore, according to an analysis. The largest OFS was that of Indian Oil (Rs 9,396 crore) followed by NTPC (Rs 5,032 crore). OFS accounted for as much as 40 per cent of the total fiscal year's public equity markets amount of Rs 48,952 crore. The OFS through stock exchange mechanism was introduced by capital markets regulator Sebi in February 2012, to enable divestment by promoters to achieve minimum public shareholding in listed companies. The OFS framework was subsequently modified based on suggestions received from the market participants to enable disinvestment by government in PSUs.

OTHERS

Government rolls back restrictions on withdrawal of provident fund

Bowing to pressure from trade unions, the government has set aside the controversial provident fund (PF) withdrawal norms that had restricted complete withdrawal from PF account before the retirement age of 58 years. This is the second major step back by the government on provident fund in less than two months and comes close on the heels of it withdrawing the budget announcement of imposing tax on withdrawal from Employee Provident Fund (EPF) account. "The withdrawal restriction imposed under the EPF scheme was at behest of trade unions but now since they don't want it we have withdrawn the notification dated February 10," labour secretary Shankar Agarwal said.Courtesy: The Economic Times

Indian economy can grow at 8.5% in 2016-17: Arun Jaitley:

Finance minister Arun Jaitley said that India's economic growth this year could outpace estimates and accelerate to as much as 8.5% if the monsoon keeps its date with the country after back-to-back years of drought. India's economy could grow by 8-8.5% in 2016-17, if forecasts of normal monsoon rainfall prove correct, Jaitley said at the meeting organized by Citigroup Inc. The India Meteorological Department (IMD) last week projected monsoon rainfall this year at 106% of the long-term average after two consecutive years of below normal rainfall in many parts of the country.
Courtesy: Livemint

BANKING & FINANCE

The Reserve Bank on Tuesday cut the key interest rate by 0.25 per cent

The Reserve Bank on Tuesday cut the key interest rate by 0.25 per cent and introduced a host of measures to smoothen liquidity supply so that banks can lend to the productive sectors indicating accommodative stance going ahead.

Given weak private investment in the face of low capacity utilisation, a reduction in the policy rate by 0.25 per cent will help strengthen growth, RBI Governor Raghuram Rajan said in the first bi-monthly monetary policy review for the 2016-17 fiscal, which began on April 1.

Accordingly, the repo rate, at which RBI lends to the financial system, has come down to 6.5 per cent.

The cut was broadly in line with expectations. However, the stock market reacted negatively and the BSE index, Sensex, was down nearly 300 points.

Rajan also took a host of measures on the liquidity front, starting with the narrowing of the policy rate corridor to 0.50 per cent from the earlier 1 percentage point, which resulted in the reverse repo rate – at which banks can park excess funds with the RBI – being reset at 6 per cent.

Stating that the inflation objectives are closer to being realised and price-rise will hover around the 5 per cent mark for the remainder of the fiscal, Rajan reaffirmed that the monetary policy will continue to remain accommodative to address the growth concerns.

RBI also retained its GDP growth forecast at 7.6 per cent, on the assumption of a normal monsoon and a boost to consumption through the implementation of the Seventh Pay panel recommendations.

Forex reserves surge to a record high as on April 1

As per RBI data, foreign exchange reserves stood at $359.759 billion

By: FE Bureau | Mumbai | Published: April 9, 2016 6:12 AM

India's foreign exchange reserves hit a record level of $359.759 billion as on April 1, data from the Reserve Bank of India (RBI) showed. The previous high was recorded a few weeks back when reserves had touched $355.947 billion.

The central bank data showed that in the week ended April 1, India's forex reserves rose by a whopping $4.2 billion from the previous week.

As on April 1, foreign currency assets (FCA) which form a key component of the reserves rose by $3.539 billion from the previous week to $335.686 billion.

FCAs are maintained in major currencies such as US dollar, euro, pound sterling, Japanese yen, etc. However, the foreign exchange reserves are denominated and expressed in US dollar only.

RBI conducts OMO purchases worth Rs. 15,000 cr

The Reserve Bank of India (RBI) has conducted open market operation (OMO) purchases of government securities worth Rs 15,000 crore on Thursday as a measure to improve the liquidity further.

By: FE Bureau | Mumbai | Published: April 8, 2016 6:14 AM

The RBI conducts OMO purchases to infuse liquidity into the system whenever there is a deficiency, while it conducts OMO sales to suck excess liquidity from the system. OMOs are also intended to keep the short-term interest rates close to the policy rate.

The repo rate currently stands at 6.50%, while the overnight call money rate on Thursday stood at 6.36%.

On Thursday's auction, participants offered Rs 76,299 crore against a notified amount of Rs 15,000 crore by the central bank.

Six government securities—7.83% GS 2018, 8.12% GS 2020, 8.08% GS 2022, 7.72% GS 2025, 8.60% GS 2028 and 7.88% GS 2030 were bought by the central bank.

It is noteworthy that liquidity becomes tighter in the month of March owing to a variety of reasons like advance tax outflows and fiscal end demand because of which the central bank had been regularly conducting OMO purchases.

Postal dept. to launch payments bank by January:

The Department of Post will launch its payments bank by January next year and top management of the new-age venture would be in-place by July, a senior official said today.

The Department of Post (DoP), along with 10 other entities, received in-principle approval from RBI to launch payments banks in August last year. The 'in-principle' approval is valid for a period of 18 months.

By: PTI | New Delhi | Published: April 13, 2016 7:15 PM

Now, transfer your money via SMS

The National Payments Corporation of India (NPCI) has unveiled the Unified Payments Interface (UPI), hailed as a next generation technology in the money transfer space that is set to completely revolutionise payments by making it as simple as sending a text message on a mobile phone. Under the new system, making payments has become simpler than other modes of online money transfer such as Immediate Payments Service (IMPS), National Electronic Funds Transfer (NEFT) or Real-time Gross Settlement (RTGS). Now, one can transfer money to another person through a unique virtual address (virtual addresses are aliases to a bank account allowing a customer's account to be uniquely mapped), or mobile number, or Aadhaar number. Customers do not need to know the payee's IFSC code, bank account details, etc. for transfer of up to Rs 1 lakh per transaction.

Courtesy: Business Standard

INSURANCE

Insurers partner small banks to widen reach – Business Standard – 27th April 2016

Insurance companies are tying up with cooperative banks, microfinance institutions and small finance banks to widen their reach. The Insurance Regulatory and Development Authority of India (IRDAI) had in recent meetings with the industry pointed to a concentration of insurers and their touch points in urban areas. State-owned insurers dominate rural markets with their strong branch presence. The IRDAI has allowed banks to act as agents for multiple insurers.

Bajaj Allianz Life Insurance has signed an agreement with Vakrangee to distribute its policies through 23,000 kendras that provide banking, insurance, e-governance, e-commerce and ATM services to rural customers. “We will reach more rural customers,” said Anuj Agarwal, MD and CEO, Bajaj Allianz Life Insurance. Bajaj Allianz also has an agreement with the Gujarat-headquartered Kalupur Commercial Co-operative Bank to distribute micro insurance.

Birla Sun Life Insurance has a distribution tie-up with the Peerless group. Jayanta Roy, MD and CEO of The Peerless General Finance & Investment, said his group would gain access to a range of financial services for its customers.

HDFC Life has a deal with India bulls Housing Finance to distribute insurance. "This will help us widen our reach," said Amitabh Chaudhry, MD and CEO, HDFC Life. Future Generali India Insurance has tied up with 10 medium and small banks in the Kolhapur and Sangli districts to sell rural and micro-insurance. Cigna TTK Health Insurance has an agreement with the country's largest urban co-operative bank, Saraswat Bank. This will strengthen Cigna TTK's presence in six states.

Insurers may soon have to lower agent commission for 'participating products' - The Hindu Business Line – 22nd April 2016

Insurers may soon have to lower commissions to insurance agents in certain product categories, such as participating products even as they are faced with high agent attrition. Incidentally, to improve the returns on insurance products, the Insurance Regulatory and Development Authority of India (IRDAI) has approved a proposal to bring down insurers' overall expenses by around 15 per cent, said Nilesh Sathe, Member-Life, IRDAI.

“If insurers breach the expense limits defined by the regulator, the excess pay-out will have to come from the shareholders' fund and not from the policyholders' account,” Sathe added.

This comes even as the market regulator SEBI has asked mutual funds to disclose the commission pay out to agents and to disclose to investors the commissions paid to their distributors, including pay outs in the form of gifts, trips and sponsorships.

Pvt life insurers see 14% growth in '15-16 – The Times of India – 28th April 2016

Despite the volatility in business throughout the year, private life insurers recorded a modest growth in premium income for 2015-16. The APE (adjusted premium equivalent) of private life insurers increased 14% year-on-year (y-o-y) to 24,112 crore for the period. The APE of the life insurance industry grew 12% y-o-y to around 52,000 crore during the year. Though the premium earned by most large players slowed down, SBI Life, Canara and HSBC gained market share. While growth slumped to 5%-7% during September, November and December raising concerns of a slowdown, the last quarter of the fiscal provided the much-needed impetus by registering an increase in excess of 11%, data compiled by insurance regulator IRDA, Life Council and Kotak Institutional Equities showed.

Private players reported stable market share in individual business ICICI Prudential Life, which logged the fastest growth of 41% in 2014-15, saw a moderation in 2015-16. The insurer recorded 10% growth in 2015-16.

SBI Life was the largest driver of premium growth for private players, accounting for 40% of the increase in 2015-16. The company reported significant market share gains following a robust 36% growth in APE in 2015-16 compared to 10% in the previous fiscal. This resulted in the insurer's market share in individual APE surging to 18% in 2015-16 from 7% in 2014-15. The company largely focused on ULIPs' the share of ULIPs increased to 60% of APE in the third quarter of 2015-16 from 40% in the previous fiscal. Its average ticket size increased 26% y-o-y due to shift in product mix.

ICICI Prudential Life and HDFC Life have a high share of unit-linked business. LIC continues to have high share of single premium (79% share of its total premium). Private players have generally been selective in this segment — the share of single premium was 35% (33% in February 2016) of their total premium. Bajaj Allianz and SBI Life have a higher share of single premium in their overall business. Private players reported stable market share in group business as well — their market share stood at 17%.

India: Non-life insurance premiums hit US $14.5 bln in FY2015-16 – Asia Insurance Review

The general insurance industry has reported premium revenue of INR964 billion (US$14.5 billion), an increase of 14% for the financial year ended 31 March 2016, driven by motor and health insurance segments which are traditionally the largest segments of the industry. Data from the General Insurance Council shows that the four government-run general insurers reported