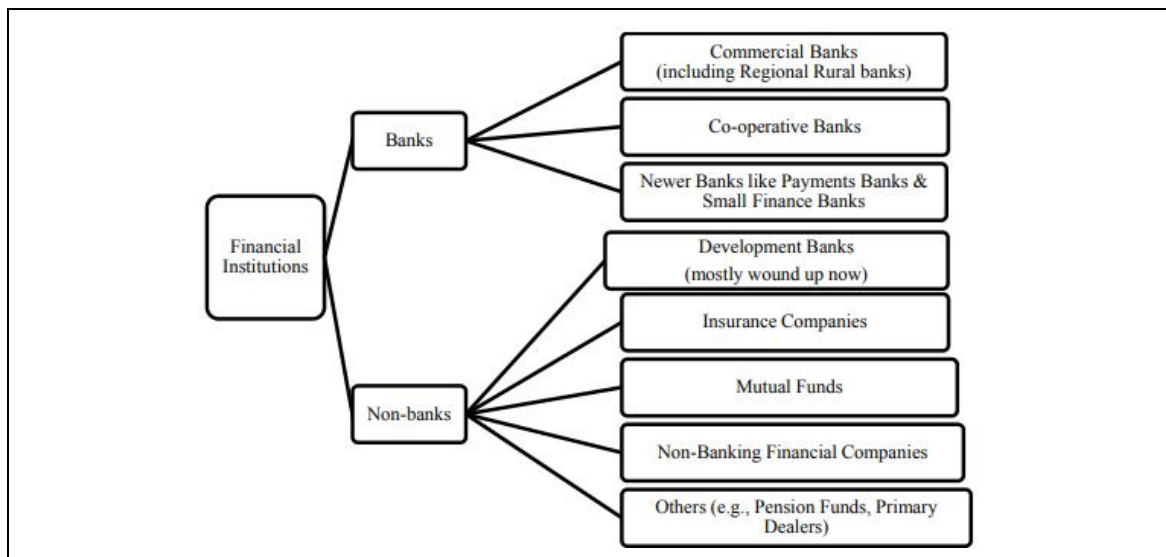


FINANCIAL SERVICES INDUSTRY

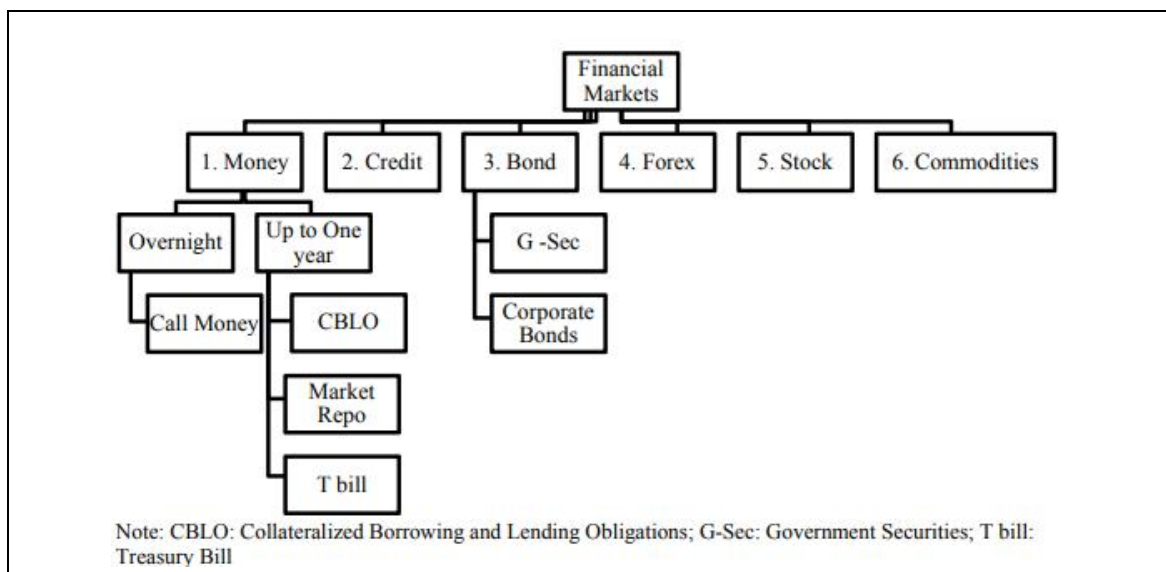
INTRODUCTION

India has a diversified financial sector undergoing rapid expansion, both in terms of strong growth of existing financial services firms and new entities entering the market. The sector comprises commercial banks, insurance companies, non-banking financial companies, co-operatives, pension funds, mutual funds and other smaller financial entities. The banking regulator has allowed new entities such as payments banks to be created recently thereby adding to the types of entities operating in the sector. However, the financial sector in India is predominantly a banking sector with commercial banks accounting for more than 64 per cent of the total assets held by the financial system.

INDUSTRY STRUCTURE



FINANCIAL MARKETS IN INDIA



KEY PLAYERS

In the banking industry, SBI, HDFC Bank and Bank of Baroda are the key players. In the insurance sector, LIC, ICICI Prudential and Reliance are the key players. In the mutual funds industry, Mirae Asset, Canara Robeco Asset Management Company and Axis Asset Management Company are the key players. Bajaj Finserv and HDFC are the major NBFCs in India.

MARKET SIZE

The Mutual Fund (MF) industry in India has seen rapid growth in Assets Under Management (AUM). Total AUM of the industry stood at Rs. 23.80 trillion (US\$ 340.48 billion) between April 2018-February 2019. At the same time the number of Mutual fund (MF) equity portfolios reached a high of 74.6 million as of June 2018. Another crucial component of India's financial industry is the insurance industry. The insurance industry has been expanding at a fast pace. The total first year premium of life insurance companies reached Rs. 214,673 crore (US\$ 30.72 billion) during FY19. Along with the secondary market, the market for Initial Public Offers (IPOs) has also witnessed rapid expansion. The total amount of Initial Public Offerings (IPO) increased to US\$ 1.2 billion raised from 37 between April – June 2018. In H12018, 74 deals of acquisition took place in financial sector. The total value of such transactions was US\$ 4.166 billion.

RECENT DEVELOPMENTS

The private equity and venture capital (PE/VC) investments reached US\$ 25.20 billion between January to October 2018. Investments by Foreign Portfolio Investors (FPIs) in Indian capital markets have reached Rs 6,310 crore (US\$ 899.12 million) up to November 22, 2018. In 2018, more than 20 prominent mutual fund schemes got merged. In July 2019, the government of India announced the merger of three PSU insurance companies namely National Insurance, Oriental India and United India.

GOVERNMENT INITIATIVES

The Government of India launched India Post Payments Bank (IPPB), to provide every district with one branch which will help increase rural penetration. As of August 2018, two branches out of 650 branches are already operational. The Government of India launched India Post Payments Bank (IPPB), to provide every district with one branch which will help increase rural penetration. As of August 2018, two branches out of 650 branches are already operational.

The Government of India has introduced several reforms to liberalize, regulate and enhance this industry. The Government and Reserve Bank of India (RBI) have taken various measures to facilitate easy access to finance for Micro, Small and Medium Enterprises (MSMEs). These measures include launching Credit Guarantee Fund Scheme for Micro and Small Enterprises, issuing guideline to banks regarding collateral requirements and setting up a Micro Units Development and Refinance Agency (MUDRA). With a combined push by both government and private sector, India is undoubtedly one of the world's most vibrant capital markets.

In 2017, a new portal named 'Udyami Mitra' has been launched by the Small Industries Development Bank of India (SIDBI) with the aim of improving credit availability to Micro, Small and Medium Enterprises' (MSMEs) in the country. India has scored a perfect 10 in protecting shareholders' rights on the back of reforms implemented by Securities and Exchange Board of India (SEBI).

MARKET DRIVERS

Increasing incomes, government's approval of new banking licenses and increase in FDI in the insurance sector and rising penetration of credit and insurance in rural India.

ROAD AHEAD

The relaxation of foreign investment rules has received a positive response from the insurance sector, with many companies announcing plans to increase their stakes in joint ventures with Indian companies. Over the coming quarters there could be a series of joint venture deals between global insurance giants and local players.

The Association of Mutual Funds in India (AMFI) is targeting nearly five fold growth in assets under management (AUM) to Rs 95 lakh crore (US\$ 1.47 trillion) and a more than three times growth in investor accounts to 130 million by 2025.

India's mobile wallet industry is estimated to grow at a Compound Annual Growth Rate (CAGR) of 150 per cent to reach US\$ 4.4 billion by 2022 while mobile wallet transactions to touch Rs 32 trillion (USD \$ 492.6 billion) by 2022.

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