Monthly Policy Review

May 2024

Highlights of this Issue

GDP grew by 8.2% in 2023-24 (p. 2)

GDP growth in 2023-24 is estimated to be higher than the previous year (7%). In 2023-24, both manufacturing and construction sectors grew at 9.9%.

SEBI issues norms for sharing real-time price data (p. 2)

Market infrastructure institutions (such as stock exchanges) can only share real time price data for orderly functioning of the securities market or fulfilling regulatory requirements.

RBI notifies framework for self regulatory organisations (SRO) in the FinTech sector (p. 3)

The framework contains the eligibility criteria, scope, and responsibilities of an SRO for the sector. RBI will continue to be the apex regulator. Joining an SRO will not be mandatory but highly encouraged by the RBI.

IRDAI releases master circular for the health insurance sector (p. 3)

The circular supersedes 55 previous regulations on health insurance. Insurers must provide: (i) insurance products for all categories of individuals, and (ii) a customer information sheet with the key details of the policy offered.

RBI seeks comments on prudential framework for project financing (p. 3)

The draft framework seeks to regulate project financing carried out by regulated entities such as banks. It sets forth exposure limits to such projects, norms for stress resolution, and minimum provisioning amounts.

Comments sought on draft Explosives Bill, 2024 (p. 4)

The draft Bill seeks to replace the Explosives Act, 1884. Key changes in the draft Bill include a revision of fines and penal provisions, and changes in the licencing authority.

Dam safety regulations released, (p. 5)

The National Dam Safety Authority released regulations regarding monitoring and inspection of dams. A hydrometeorological station must be established near a dam to measure indicators such as wind and water flow.

Note that the Model Code of Conduct is in place from March 16, 2024 till the completion of elections to the 18th Lok Sabha. The government cannot make major policy decisions during this period without prior approval of the Election Commission of India.

June 3, 2024

PRS Legislative Research ▪ Institute for Policy Research Studies
3rd Floor, Gandharva Mahavidyalaya ▪ 212, Deen Dayal Upadhyaya Marg ▪ New Delhi – 110002
Tel: (011) 23234801, 43434035 ▪ www.prsindia.org

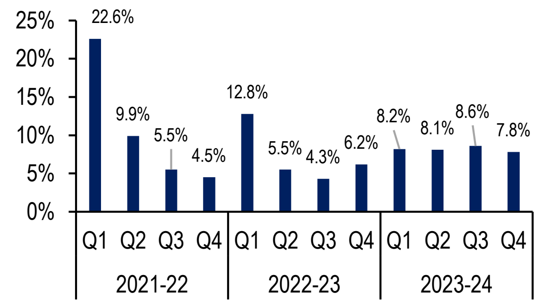
Macroeconomic Development

Tushar Chakrabarty (tushar@prsindia.org)

GDP grew by 8.2% in 2023-24

In 2023-24, Gross Domestic Product (GDP) (at constant 2011-12 prices) is estimated to grow by 8.2%, higher than the previous year (7%). GDP grew by 7.8% in the fourth quarter (January-March) of 2023-24, higher than growth of 6.2% in the fourth quarter of 2022-23.[1] In the third quarter (October-December) of 2023-24, GDP had grown by 8.6%.

Figure 1: Growth in GDP (%, year-on-year)



Note: GDP growth in Q1 of 2021-22 was high on back of a contraction of 23.1% in Q1 of 2020-21 (COVID year).
Sources: Ministry of Statistics and Programme Implementation; PRS.

GDP across economic sectors is measured in terms of Gross Value Added (GVA). In 2023-24, both manufacturing and construction sectors are estimated to grow by 9.9%, followed by the financial services sector at 8.4%. Agriculture sector is estimated to grow by 1.4% in 2023-24. Note that while the growth in GVA is estimated at 7.2%, GDP growth is estimated at 8.2%. This is owing to a 19.1% growth in net taxes. GDP is calculated by adding net taxes to GVA.

Table 1: Growth in GVA across sectors at constant prices (%, year-on-year)

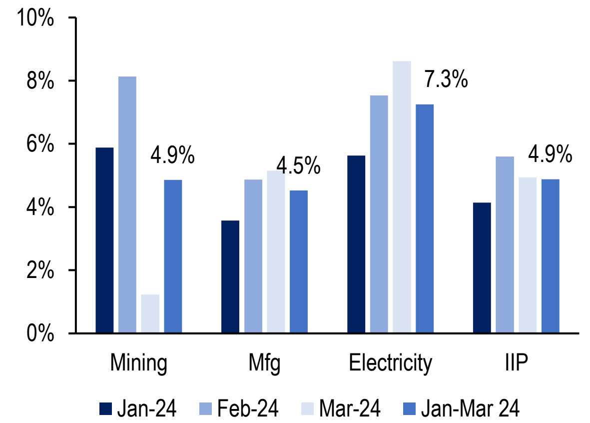
Sectors	2020-21	2021-22	2022-23	2023-24
Agriculture	4.0%	4.6%	4.7%	1.4%
Mining	-8.2%	6.3%	1.9%	7.1%
Manufacturing	3.1%	10.0%	-2.2%	9.9%
Electricity	-4.2%	10.3%	9.4%	7.5%
Construction	-4.6%	19.9%	9.4%	9.9%
Trade	-19.9%	15.2%	12.0%	6.4%
Financial services	1.9%	5.7%	9.1%	8.4%
Public administration	-7.6%	7.5%	8.9%	7.8%
GVA	**-4.1%**	**9.4%**	**6.7%**	**7.2%**
GDP	**-5.8%**	**9.7%**	**7.0%**	**8.2%**

Note: GDP is calculated by adding net taxes to GVA. Net taxes are taxes minus subsidies.
Sources: Ministry of Statistics and Programme Implementation; PRS.

Industrial production grew by 4.9% in fourth quarter of 2023-24

The Index of Industrial Production (IIP) grew by 4.9% in the fourth quarter (January-March) of 2023-24, compared to an increase of 4.5% in the same period in 2022-23.[2,3] Mining increased by 4.9% in the fourth quarter of 2023-24. In the corresponding quarter of 2022-23, mining increased by 6.9%. Manufacturing increased by 4.5% while electricity increased by 7.3% in the fourth quarter of 2023-24.

Figure 2: Growth in IIP (%, year-on-year)



Sources: Ministry of Statistics and Programme Implementation; PRS.

Finance

SEBI issues norms for sharing real time price data with third parties

Tushar Chakrabarty (tushar@prsindia.org)

The Securities and Exchange Board of India (SEBI) issued a circular regarding norms for sharing real time price data to third parties.[4] SEBI noted that certain online gaming platforms provide virtual trading services or fantasy games. Such games are based on movement of real time share prices of listed companies. Some platforms also offer monetary incentives based on the performance of a virtual stock portfolio. As per the circular, market infrastructure institutions (such as stock exchanges) should not share real time price data with third parties. Data can be shared when needed for orderly functioning of the securities market or meeting regulatory requirements. Market institutions or intermediaries must enter into an agreement with entities with whom they want to share real time price data. Such an agreement must specify the activities for which the data is being shared along with the justification of it being needed for orderly functioning of the securities market. Market price data can be shared for investor education and awareness with a lag of one day.

RBI notifies framework for self-regulatory organisations in the FinTech sector

Pratinav Damani (pratinav@prsindia.org)

The Reserve Bank of India (RBI) notified a framework for self-regulatory organisations (SROs) in the FinTech sector.[5] A FinTech company provides technological solutions for the delivery of financial products to businesses and consumers. They can operate in partnership with a traditional financial institution (such as a bank) or otherwise. RBI noted that self-regulation can allow FinTechs to set and adhere to industry standards. Key features of the framework include:

- **Eligibility and membership criteria:** The applicant for a SRO must have a minimum net worth of two crore rupees. This must be achieved within one year of recognition by the RBI or before commencement of operations as an SRO, whichever is earlier. The shareholding of the SRO must be diversified, with no entity (or entities acting in concert) holding more than 10% of shares. The SRO should represent the sector with membership across entities of all sizes, stages, and activities. Membership would be voluntary but RBI would encourage FinTechs to become members of a recognised SRO.
- **Features of the SRO:** The SRO must function objectively under RBI's oversight. It should aim for sustainable development of the sector and, if necessary, identify a glide path for phased regulatory compliance. Other features include: (i) being truly representative of the sector through comprehensive membership agreements, (ii) operate independently and freely from the influence of a single member or group of members, (iii) act as a legitimate arbiter of disputes between members, and (iv) encourage its members to adhere to regulatory priorities.
- **Functions:** The SRO should have objective and consultative processes to make rules and standards. It should also set industry benchmarks and baseline technology standards. SROs should deploy surveillance measures to monitor the sector and to detect and highlight exceptions. They can establish standards of conduct and impose penalties for violations. SROs are also empowered to bar or remove entities as members. They should establish a grievance redressal and dispute resolution framework for their members.

IRDAI releases master circular for health insurance products

Pratinav Damani (pratinav@prsindia.org)

The Insurance and Regulatory Development Authority of India (IRDAI) released a master circular on health insurance products.[6] The master circular supersedes 55 previous circulars and is effective immediately.[7] Existing products not in compliance with the circular must comply by September 30, 2024. Key features of the master circular include:

- **Types of insurance products offered:** Insurers must offer products to provide a wider choice to customers. They must cater to: (i) all ages, (ii) all types of medical conditions, (iii) pre-existing and chronic conditions, (iv) all systems of medicine and treatment, and (v) all types of hospitals and health care providers. Insurance products offered must be in compliance with laws such as: (i) the Mental Healthcare Act, 2017, (ii) the Surrogacy (Regulation) Act, 2021, and (iii) the HIV and AIDS (Prevention and Control) Act, 2017.
- **Claim settlement:** Insurers must aim towards 100% cashless settlements of claims in a time bound manner. Requests for cashless settlements must be decided within one hour of the request. To enable such requests, necessary systems must be implemented by July 31, 2024. Final authorisation must be granted within three hours of discharge authorisation from the hospital. In case of delays, any additional amount charged must be borne by the insurer from the shareholder's fund.
- **Customer information sheet:** Insurers will be required to provide customers with a Customer Information Sheet (CIS) in a format prescribed by IRDAI. The CIS will explain all the features of a policy in a simple language. These include: (i) type of insurance, (ii) sum insured, (iii) summary of exclusions, (iv) deductibles, and (v) sub-limits.
- **Board-approved policies:** Insurers will be required to have board-approved policies on: (i) underwriting, and (ii) empanelment of hospitals and healthcare providers. They must have well-defined claims handling and claims settlement procedures and processes.

RBI invites comments on prudential framework for project finance

Pratinav Damani (pratinav@prsindia.org)

The Reserve Bank of India (RBI) released draft directions that provide a framework for the financing of infrastructure, non-infrastructure, and commercial real estate projects by regulated entities.[8] Regulated entities include banks and non-banking financial companies. Key features of the draft directions include:

- **Conditions for project financing:** Project finance is a method of funding in which revenue generation from a project is the source of repayment and the project itself the collateral for the loan. Such projects can include power plants, mines, and transportation infrastructure. Lenders wishing to have exposure to such projects must have a board approved policy for stress resolution. Further, lenders must ensure that: (i) the date of commencement of operations is given prior to disbursal of funds, (ii) funds are disbursed in proportion to project completion, and (iii) an independent architect or engineer certifies the stages of completion.

- Projects financed by a consortium will have exposure limits. For projects with an aggregate exposure of up to Rs 1,500 crore, every lender must have exposure of at least than 10% of the aggregate exposure. For projects with higher aggregate exposure, the individual exposure must be at least Rs 150 crore or 5% of the aggregate exposure, whichever is higher.
- **Stress resolution:** Lenders are expected to monitor stress in projects. Credit events must be reported to the Central Repository of Information on Large Credit. A credit event is: (i) need for extension in the date of commencement of commercial operations, (ii) need for infusion of additional debt, or (iii) diminution in the net present value of the project. A review of the debtor must be done by the lender within 30 days of the credit event. Based on the outcome, a resolution plan may be implemented.
- **Provisioning for standard assets:** Lenders will be required to provision funds for standard assets (loans that are rated 'standard' based on certain conditions). For projects under construction, 5% of the outstanding funds must be maintained as provisions. Once the project is operational, this amount can be reduced to 2.5%, and then 1%, subject to certain conditions. These include: (i) a positive net operating cash flow to cover obligations to all lenders, and (ii) a reduction of 20% in the total long term debt to the lenders from the date of commencement of operations.

Comments are invited by June 15, 2024.[9]

Consultation paper issued on investments by Indian mutual funds in certain overseas funds

Tushar Chakrabarty (tushar@prsindia.org)

The Securities and Exchange Board of India (SEBI) issued a consultation paper on facilitating investments by Indian mutual funds in overseas funds that invest certain portion of their assets in Indian securities.[10] Currently, mutual funds can invest is several overseas securities. These include: (i) share of Indian or foreign companies traded on foreign stock exchanges, (ii) investment-grade money market instruments, (iii) investment-grade government securities, and (iv) short term deposits with overseas banks. The present framework does not explicitly allow Indian mutual funds to invest in those overseas funds which have invested in Indian securities. Thus, several mutual funds avoid investing in such overseas funds.

SEBI has proposed that that Indian mutual funds be allowed to invest in overseas funds with exposure to Indian securities. However, such exposure should be limited to 20% of the overseas fund's net assets. In case this limit is breached and the overseas fund does not rebalance its portfolio within six months, Indian mutual funds must liquidate their investment in the overseas fund. Liquidation of investments must be done within the next six months.

Comments are invited by June 7, 2024.

Commerce

Shrusti Singh (shrusti@prsindia.org)

Draft Explosive Bill, 2024 released for public feedback

The Ministry of Commerce and Industry released the draft Explosive Bill, 2024 for public feedback.[11,12] The draft Bill seeks to replace the Explosives Act, 1884.[13] The Act regulates the manufacture, possession, use, sale, transport, import, or export of explosives for commercial use. The draft Bill retains several provisions of the Act. Key changes in the draft Bill include:

- **Granting of licence:** As per the Act, persons intending to manufacture, use, sell, export, or import explosives must apply for a license to the licensing authority. The licencing authority shall be the Chief Controller of Explosives or any other authority prescribed. The draft Bill retains this provision. It adds that the licensing authority may grant a license for a prescribed period. The license must specify the quantity of explosives that a licensee can manufacture, sell, transport, import, or export. The Chief Controller of Explosives or other prescribed authority will be the licensing authority under the draft Bill.
- **Penalties for offences:** The draft Bill increases the fines for various offences. For instance, the maximum fine for illegal manufacturing, importing, or exporting explosives has been increased from five thousand rupees to one lakh rupees.

Water Resources

Arpita Mallick (arpita@prsindia.org)

National Dam Safety Authority releases regulations on dam safety and surveillance

The National Dam Safety Authority released the Surveillance, Inspection and Hydrometeorological Station of Specified Dams Regulation, 2024.[14] These Regulations pertain to monitoring of dams and water inflow indicators for safety purposes. These regulations cover dams which are: (i) more than 15 metres in height, or (ii) between 10 and 15 metres with certain structural specifications as mentioned under the Dam Safety Act, 2021.[15] Key features include:

- **Inspection of dams**: Every State Dam Safety Organisation (SDSO) will keep a constant surveillance of all dams under its jurisdiction. SDOs are established under the Dam Safety Act, 2021 to monitor dams and ensure their continued safety. Surveillance is required to observe any anomalies such as cracks in the body of the dam, seepage or any issue related to equipment.
- The regulations provide that SDSOs must carry out inspection of a dam at specified instances. These include: (i) pre and post monsoon inspections, (ii) during or after each one in a 50-year return period flood for barrages and one in a 100-year return period flood for dams, and (iii) after earthquakes or any natural calamities.
- **Hydrometeorological Station**: A hydrometeorological station must be established in the vicinity of a dam. They will be responsible for measuring rainfall, water level and discharge, temperature, and wind velocity and direction. These indicators will be measured at least once a day. The required instruments will be placed at the dam site or around a 250-metre radius from the dam abutment. Dam owners are also required to install an instrumentation network for inflow forecasting and flood warning.

[1] Press Note on Provisional Estimates of Annual GDP for 2023-24 and Quarterly Estimates of GDP for Q4 of 2023-24, National Statistical Office, Ministry of Statistics and Programme Implementation, May 31, 2024, https://www.mospi.gov.in/sites/default/files/press_release/PressNoteGDP31052024.pdf.

[2] India's Index of Industrial Production grows by 4.9 % in March 2024, Ministry of Statistics and Programme Implementation, May 10, 2024, https://pib.gov.in/PressReleasePage.aspx?PRID=2020239.

[3] Statement I: Index of Industrial Production - Sectoral, Ministry of Statistics and Programme Implementation, https://static.pib.gov.in/WriteReadData/specificdocs/documents/2023/may/doc2023512197401.pdf.

[4] Norms for sharing of real time price data to third parties, Securities and Exchange Board of India, May 24, 2024, https://www.sebi.gov.in/legal/circulars/may-2024/norms-for-sharing-of-real-time-price-data-to-third-parties_83572.html.

[5] Framework for Self-Regulatory Organisation(s) in the FinTech Sector, RBI, May 30, 2024, https://rbidocs.rbi.org.in/rdocs/PublicationReport/Pdfs/SRO30052024F5B5DF1DE3C8145A8AC7AD7F14C5F604C.PDF.

[6] Master Circular on Health Insurance Business, IRDAI, May 29, 2024, https://irdai.gov.in/documents/37343/365525/%E0%A4%B8%E0%A5%8D%E0%A4%B5%E0%A4%BE%E0%A4%B8%E0%A5%8D%E0%A4%A5%E0%A5%8D%E0%A4%AF+%E0%A4%AC%E0%A5%80%E0%A4%AE%E0%A4%BE+%E0%A4%B5%E0%A5%8D%E0%A4%AF%E0%A4%B5%E0%A4%B8%E0%A4%BE%E0%A4%AF+%E0%A4%AA%E0%A4%B0+%E0%A4%AE%E0%A4%BE%E0%A4%B8%E0%A5%8D%E0%A4%9F%E0%A4%B0+%E0%A4%AA%E0%A4%B0%E0%A4%BF%E0%A4%AA%E0%A4%A4%E0%A5%8D%E0%A4%B0+_+Master+Circular++on+Health++Insurance+Business++29052024.pdf/5e707a91-b5de-1ec1-cf18-b66273a6839d?version=1.0&t=1716962621002.

[7] Annexures to Master Circular on Health Insurance Business, IRDAI, May 29, 2024, https://irdai.gov.in/documents/37343/991022/%E0%A4%B8%E0%A5%8D%E0%A4%B5%E0%A4%BE%E0%A4%B8%E0%A5%8D%E0%A4%A5%E0%A5%8D%E0%A4%AF+%E0%A4%AC%E0%A5%80%E0%A4%AE%E0%A4%BE+%E0%A4%B5%E0%A5%8D%E0%A4%AF%E0%A4%B5%E0%A4%B8%E0%A4%BE%E0%A4%AF+%E0%A4%AA%E0%A4%B0+%E0%A4%AE%E0%A4%BE%E0%A4%B8%E0%A5%8D%E0%A4%9F%E0%A4%B0+%E0%A4%AA%E0%A4%B0%E0%A4%BF%E0%A4%AA%E0%A4%A4%E0%A5%8D%E0%A4%B0+29052024+%E0%A4%95%E0%A4%BE+%E0%A4%85%E0%A4%A8%E0%A5%81%E0%A4%AC%E0%A4%82%E0%A4%A7+_+Annexure+to+Master+circualr+on+Health+Insurance+Business+29052024.pdf/e65501d8-2731-6f5c-aaed-658f961289e1?version=1.0&t=1716962361813&download=true.

[8] Reserve Bank of India - Prudential Framework for Income Recognition, Asset Classification and Provisioning pertaining to Advances - Projects Under Implementation, Directions, 2024, RBI, May 3, 2024, https://rbidocs.rbi.org.in/rdocs/Content/PDFs/DRAFTPRUDENTIALFRAMEWORKFORIRACP2D1F0D1A32D1442F989223014E803B05.PDF.

[9] RBI releases draft guidelines on 'Prudential Framework for Income Recognition, Asset Classification and Provisioning pertaining to Advances - Projects Under Implementation', RBI, May 3, 2024, https://rbidocs.rbi.org.in/rdocs/PressRelease/PDFs/PR244PRUDENTIALFRAMEWORKF8F044FAC0264AF4BBC62373DF5B945A.PDF.

[10] Consultation paper on facilitating investments by Indian Mutual Funds in such overseas funds that invest certain portion of their assets in Indian securities, Securities and Exchange Board of India, May 17, 2024, https://www.sebi.gov.in/reports-and-statistics/reports/may-2024/consultation-paper-on-facilitating-investments-by-indian-mutual-funds-in-such-overseas-funds-that-invest-certain-portion-of-their-assets-in-indian-securities_83443.html.

[11] Note for Public, Stakeholder Consultation for seeking comments/suggestions on the proposal for Repeal of the Explosives Act 1884, April 15, 2024, https://dpiit.gov.in/sites/default/files/note_StakeholderConsultation_15April2024.pdf.

[12] Note for Public and Stakeholder Consultation for seeking comments/suggestions on the proposal for Repeal of the Explosives Act, 1884 and introduction of the Explosives Bill, 2024, April 29, 2024, https://dpiit.gov.in/sites/default/files/Note_for_Public_Explosive_Dated_29-04-2024.pdf.

[13] The Explosives Act, 1884, https://www.indiacode.nic.in/bitstream/123456789/15371/1/the_explosives_act%2C_1884.pdf.

[14] Surveillance, Inspection and Hydrometeorological Station of Specified Dams Regulation, 2024, National Dam Safety Authority, May 28, 2024, https://egazette.gov.in/WriteReadData/2024/254406.pdf.

[15] The National Dam Safety Act, 2021, https://cdnbbsr.s3waas.gov.in/s3a70dc40477bc2adceef4d2c90f47eb82/uploads/2023/01/2023011887.pdf.