M.L. Dahanukar College of Commerce

THE BAF TIMES

ISSUE I 25 July 2022 VOL IV

COMMERCE	INSURANCE	ECO & TRADE	NEWS & CROSSWORD
2-4	5-8	9-10	11-12

Foreword by the Principal

Idea behind this Monthly Newsletter

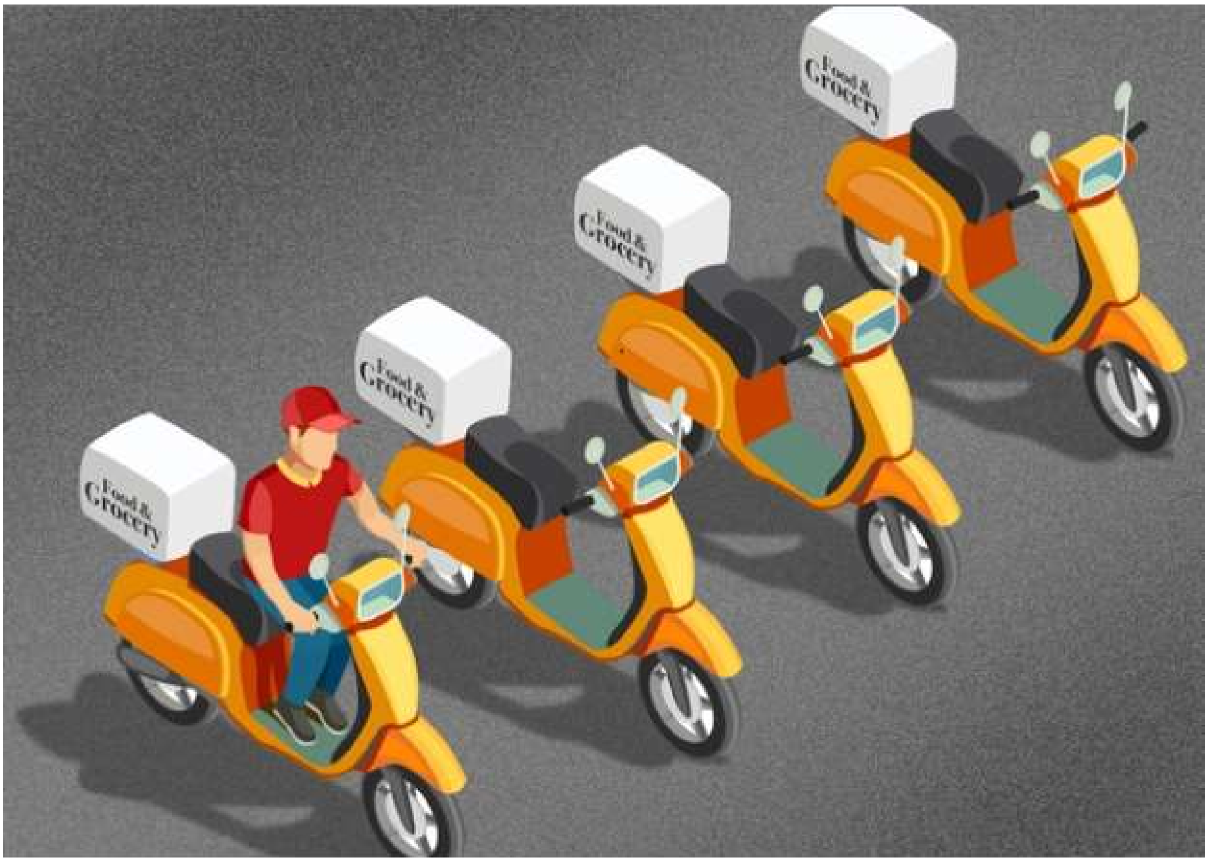
Dr. D.M.Doke
Principal

Being a Commerce College, students are expected to know the changes in the business world. This newsletter will help the students get acquainted with a glimpse of what happened in the month gone by. It will also have insights into various business and commerce related updates which will help you gain in-depth knowledge. Make it a point to read each and every article in this issue and stay updated so that you don't get outdated.

SECTOR UPDATE: COMMERCE

Quick Commerce: A new disruptor in the e-commerce space?

By CA Vidhi Manek



India's quick commerce market is set to hit $5.5 billion by 2025[1]*, reports a consulting firm RedSeer.*

Isn't this exciting? An emergence of a new market means new opportunities for us as Commerce enthusiasts. In order to tap these opportunities, it becomes pertinent for us to first understand the "Quick-commerce" market.

1. What is Quick-commerce?

Quick-commerce also known as "q-commerce" or "on-demand delivery" or "fast-grocers" or "instant commerce" is a unique business model facilitating super-fast delivery of goods ranging from groceries, stationeries, over-the-counter medicines, beauty, and wellness, household care, baby care to pet care etc. It emphasis on the delivery of items in small quantities for consumption within 10-30 minutes of ordering.

[1] https://www.livemint.com/industry/retail/indias-quick-commerce-market-set-to-hit-5-5-billion-by-2025-11646283793255.html

Image credits provided

2. What led to the rise Quick-commerce in India?

Imposition of lockdown during Covid-19 pandemic changed home deliveries from being a desirable comfort or luxury solution to a necessity for essential goods and services. Due to various restrictions on free movement laid by the Government, households felt the need to get their day-to-day items delivered at their doorstep. This classic phenomenon helped the rise of a new category within e-commerce market called as Quick-commerce. Consumers who typically preferred their neighbourhood "kirana store" became subscribers to various q-commerce players.

3. Why is this segment bound to soar upwards?

Customers love faster delivery/shopping experience; it gives them exactly what they want, when they want it, without forcing them to wait days or weeks for delivery. Further, planned trips to the grocery stores have taken a backseat due increasingly fast-paced lifestyle. At the end of the day, for working professionals it is all about speed, reliability and convenience.

"We're presenting consumers with the gift of time, which is something our customers all need more of," said Ken Calwell, Domino's chief marketing officer; back in 2007 when they started 30 minutes delivery of pizza (" You got 30 mins / Pizza in 30 mins nahi toh free") .

4. Who are the major players within q-commerce market in India?

Key players in this space include the following:

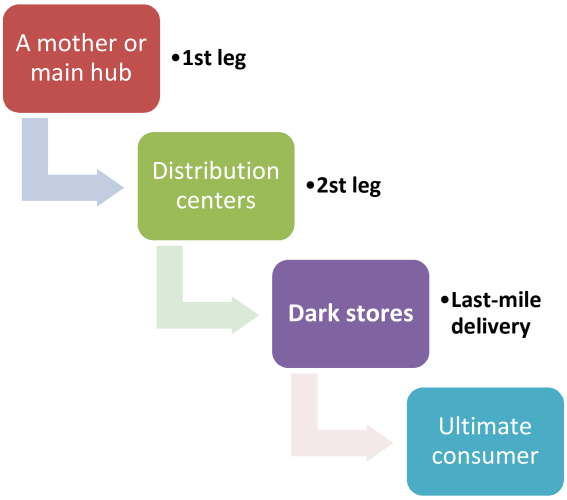
- **Blinkit (earlier known as Grofers)** – based out of Gurgaon
- **BigBasket** – based out of Bangalore
- **Dunzo Daily** – based out of Bangalore
- **Swiggy Instamart** – based out of Bangalore
- **Zepto** – based out of Mumbai

5. Who invested in these budding start-ups?

- Blinkit (earlier known as Grofers) **– recently acquired by Zomato**
- BigBasket **– funded by Tata Digital**
- Dunzo Daily **– funded by Reliance Retail**
- Zepto – **multiple investors including Kaiser Permanente and Y Combinator Continuity Fund.**
- Swiggy instamart **– multiple investors including Invesco, Baron Capital Group (BCG), Axis Growth Avenues.**

6. What is the business model of these players within q-commerce market in India?

The q-commerce business model comprises three components before the items reach the ultimate consumer:



7. What are dark stores?

Dark stores are smaller warehouses that can store between 500 to 2000 items. These warehouses are closer to the ultimate consumers to facilitate fast order fulfilment. Typically, these warehouses are retail spaces previously catering to various purposes, which have been converted into a warehouse or a micro-fulfilment centre for enhancing online deliveries. Once an order is placed, coordination between the distribution centres, dark stores and delivery logistics takes place for order fulfilment.

Aim of dark stores is to shrink the inconvenience caused by unavailability of required items in brick-mortar stores.

8. Will these budding start-ups within the q-commerce space survive in India?

The long-term sustainability of q-commerce players like Swiggy Instamart, Blinkit, Zepto and the likes is often probed because of their high cash burn business models and Indian consumers' unwillingness to pay a convenience fee. Experts say that while some sections of the Indian consumers have gotten used to paying for commerce, it is still a very limited user base.

****

SECTOR UPDATE: INSURANCE

Opportunities & Challenges in the Indian Insurance Industry

In conversation with the Industry Expert – Ms. Nimisha Sankhe

Introduction

The insurance industry in India is more than 200 years old, dating back to its current form in 1818 when it was started to fulfill the needs of the European community in India. Since then, the Indian insurance industry has undergone many changes and has seen the introduction of various acts to regulate the industry. The technological advancements in the last decade have helped the insurance industry grow to a great extent. While the future of the Indian insurance industry looks promising, we have hardly touched the tip of the iceberg when it comes to insurance penetration and density in India as compared to the global figures.

The following interview sheds some light on the opportunities and challenges that lie in front of the Indian insurance industry in the years to come.

Q1. Can you give us a brief overview of the Indian insurance industry and the various players within it?

The Indian insurance market stands at $108 Bn (INR 8.3 lac crores) as of FY 2020-21. This comprises the premiums underwritten by the life and non-life insurance industry. The total premium underwritten by the life industry was $ 78.5 Bn (INR 6.2 lac crores) while the gross direct premium underwritten by the non-life industry was $ 25.2 Bn (INR 2.02 lac crores), indicating that life insurance commands a 75% share in the Indian insurance industry.

The table below will give you a glimpse of the insurers in India as of March 2021, with players from both the private and public sector:

Registered Insurers and Re-insurers			
Type of Insurer	**Public Sector**	**Private Sector**	**Total**
Life	1	23	24
General	6	21	27
Standalone Health	-	5	5
Re-insurers	1	10	11
Total	**8**	**59**	**67**

Q2. What are the different types of insurance products available in India and what is the demand for them? Additionally, which class of business may have a lot of potential to grow in India?

Prior to the 1991 liberalization of the Indian insurance industry, insurance was pitched as a tax saving instrument, further evolving to a goal-based savings instrument and now being viewed as a protection and risk management instrument. Within the life insurance industry, against the three traditional savings products that were available in 2000, there are 250 products the industry sells now, making it appear like a supermarket in the US.

Within life insurance there are products such as life, annuity, pension, health and variable - there are various types depending on the reason for purchase. One may buy life insurance to provide for their family in the event of death, to protect loved ones from paying off debts, to cover funeral expenses, to cover education expenses etc.

Non-life insurance broadly consists of Fire, Motor, Health, and Marine. There are numerous other specialized lines of business such as crop insurance, trade credit insurance, cyber liability etc with their own offshoots. Motor insurance has continued to be the largest non-life insurance segment, followed by Health, Fire and Marine.

The state is giving a big push to the welfare of people and insurance – health, farm, life - is at the heart of it. Pradhan Mantri Suraksha Bima Yojana, Pradhan Mantri Jeevan Jyoti Bima Yojana, and Atal Pension Yojana are among them. In September 2018, the government launched the Ayushman Bharat Yojana, a comprehensive indemnity health insurance scheme with a sum insured of INR 500,000 targeting 10.7 crore families.

The answer to your question on which class of business has the most potential for growth, lies in the severe under-penetration across all product lines. There is a huge under-served market in India. However, the booming Indian economy, rise in disposable incomes, growing awareness of the need for protection post the Covid pandemic and a young insurable population are just few of the reasons which will support the growth of insurance in India. The life insurance industry in India is expected to increase by 14-15% annually in the next 3-5 years.

Q3. What are the challenges insurance providers face in India?

Most of us suffer from the "It won't happen to me" syndrome - meaning we aren't prepared or protected till disaster strikes. Insurance continues to be viewed as a cost instead of an investment or a protection. India has a huge insurable population, a lot of which resides in the rural hinterland, which suffers from inadequate reach or presence of insurers, lack of financial literacy and insurance awareness.

Thankfully the pandemic has caused health insurance to become India's fastest growing service sector. Good communication campaigns are required from insurers to increase insurance awareness, and understanding of products and policies through easy-to-grasp wordings. The growing adoption of tech and digital media will only help to augment the reach of insurance to the last mile.

Q4. What are some exciting opportunities and developments that we can look forward to in the Indian insurance industry?

The biggest development, and an opportunity in its own right, is digital innovation. Today all insurers are fighting for customers who are digitally attuned. A lot of digital disruption is taking place in the insurance space, be it through automation of claims processing processes or generation of accurate pricing models through data collection via telematics.

India is the second-largest insurance technology market in Asia-Pacific, according to S&P Global Market Intelligence data. Every day there is news of major investments and developments happening in the Indian insurance sector, with various partnerships happening, insurtech start-ups receiving funds. All these developments are aimed at improving the customer awareness, experience and ease of buying insurance for themselves. Customer preferences and lifestyles will perhaps be the key elements for the direction of the industry towards differentiated products, services and overall business and risk management practices.

Q5. Do you have any advice to our young students of Finance in terms of employment opportunities in the insurance industry?

As we saw before, the Indian insurance industry is very underpenetrated and has immense opportunities of growth. With new players such as Insurtech firms coming into the insurance space, youngsters can seek opportunities beyond the traditional roles of insurance agents or actuaries. One may seek a masters in insurance business management or undertake a licentiate exam and perform one of various roles such as underwriter, actuary, claims adjuster, surveyor, broker, data analyst, agent, advisor. One may also provide their subject matter expertise to corporates who need to buy insurance to cover their risks such as employees, properties, credit lines etc.

****

About Ms. Nimisha Sankhe

Nimisha Sankhe has over 5 years of work experience in the insurance industry. She has worked with Reliance General Insurance Co as an intern and with Global Insurance Brokers in the MD's Strategy department. Her education comprises an MBA in Marketing from IIM Lucknow and a BE in Electronics from Sardar Patel Inst. of Technology, Mumbai.

****

SECTOR UPDATE: ECONOMY & TRADE

Settle in Indian Rupees (INR) – Why and How?

By CA Prachi Malgaonkar

Why???

SWIFT is the Belgium-based globally secure interbank system. Accepted and used near universally, SWIFT assures payments across banks and countries and facilitates the movement of goods and services.

What this meant for India was that export payments of nearly $500 million due from Russia were blocked. There were also substantial security implications. India is a net importer of goods from Russia. In the backdrop of the conflict, India has increased its imports of Russian crude oil. As per Reuters, India has bought at least 13 million barrels of Russian oil since February 24 this year. India is also awaiting the delivery of air defence systems, MIG 29 jets, and Su-30MKI aircraft from Russia.

Further, there was a regular outflow of foreign exchange from India. While there was no imminent danger, there was a concern. The trade deficit expanded to a record $26.2 billion in June 2022. The trade deficit for Q1FY23 has touched $70.8 billion compared with $31.4 billion in Q1FY22. The trade deficit is expected to only rise further-with some suggesting it could touch a record $250 billion - 7.3 percent of GDP. This would imply a CAD of up to 3 percent of the GDP. The combination of widening CAD and persistent FPI outflows could have a further impact on the Indian rupee going forward. It is in this backdrop that the government had recently hiked import duties on gold and imposed export duties on petroleum products.

So, the announcement permitting international trade settlement in Indian Rupees by the Reserve Bank of India (RBI) earlier this month did not come as a surprise. The RBI circular dated July 11 talks of putting in place an additional arrangement for invoicing, payment, and settlement of exports/imports in the Indian rupee.

Similarly, India had a rupee-rial payment mechanism with Iran when economic sanctions were imposed. This worked well to pay for some portion of our oil imports till product-specific sanctions were imposed by the US.

How???

Under the new international trade settlement norms all exports and imports will be invoiced in Indian rupee and the exchange rates between the trading partners will be market determined, according to RBI.

The RBI said for settlement of trade transactions, the concerned banks will require Special Rupee Vostro Accounts of correspondent bank/s of the partner trading country.

The authorised dealer banks in India have been allowed to open Rupee Vostro Accounts and for settlement of trade transactions authorised dealer banks will open Special Rupee Vostro Accounts of correspondent banks of the partner trading country.

As per RBI norms an Indian importer undertaking imports through this mechanism shall make payment in rupee which shall be credited into the Special Vostro account of the correspondent bank of the partner country, against the invoices for the supply of goods or services from the overseas seller. Indian exporters, undertaking exports of goods and services through this mechanism, shall be paid the export proceeds in rupee from the balances in the designated Special Vostro account of the correspondent bank of the partner country.

This mechanism may enable Indian exporters to receive advance payment against exports from overseas importers in rupees.

Exporters may receive advance payment against exports from overseas importers in Indian rupees. However, before allowing any such receipt of advance payment against exports, Indian Banks shall ensure that available funds in these accounts are first used towards payment obligations arising out of already executed export orders in the pipeline, RBI noted.

Trades undertaken and settled in this manner will be subject to usual documentation and reporting requirements. Letter of Credit (LC) and other trade related documentation may be decided mutually between banks of the partner trading countries.

****

NEWSFLASH OF THE MONTH

HEADLINES THAT MATTER

By Riya Nar – TYBAF (C)

- **Ms. Droupadi Murmu becomes India's Second Woman and First Tribal Woman President –** She was former Governor of Jharkhand and now India's 15^{th} President.

- **The rupee has depreciated about 25% since December 31, 2014 –** The value of the rupee declined from 63.33 against US dollar on December 31, 2014 to a historic low of 80 earlier this week.

- **Maharashtra Political crisis** – Due to the rebellion led by Mr. Eknath Shinde, the Thackeray-led Maha Vikas Aghadi (MVA) government collapsed with resignation of Mr. Uddhav Thackeray as Maharashtra Chief Minister.
  The next day, Mr. Eknath Shinde took oath as the Chief Minister, while BJP's Devendra Fadnavis became his deputy.

- **Employee's Provident Fund Organisation's (EPFO) likely to enhance investment limit in equities to 20%** – At present, EPFO can make investment 5% to 15% of the investible deposits in equity or equity related schemes. The proposal to revise this limit to 20% has been vetted and approved by the EPFOs advisory body Finance Audit and Investment Committee (FAIC). Now, the recommendation of FAIC will be placed before the EPFO apex decision making body -- Central Board of Trustees (CBT) -- for consideration and approval.

- **GST clarification -** The CBIC (Central Board of Indirect Taxes and Customs) issued a list of FAQs and clarified that all pre-packaged items containing a quantity up to 25kg will attract a GST of 5% but the items which are pre-packaged in above 25kg in a single package will be exempt.

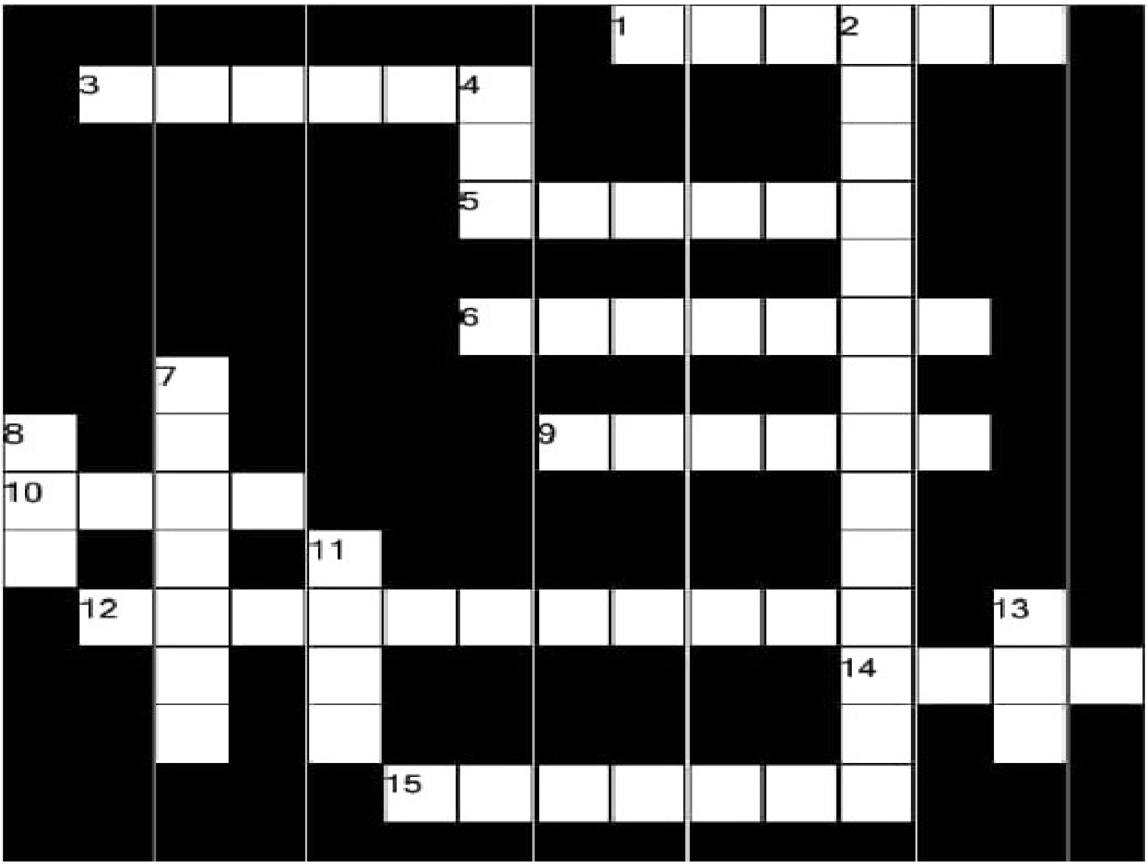
- **73 companies announce bonus issues so far this year** – This is the second highest since 2010. It is important to note that when Bonus shares are issued the share price of the company falls in line with the issue ratio – making it accessible for retail investors.

- **The transaction value under UPI (Unified Payment Interface) or BHIM digital payment stood at Rs 10,14,384 crore in June 2022** – This is downfall by 2.6% from the previous month.

- **Govt launches 3 schemes to strengthen MSMEs (Micro, Small and Medium Enterprises) in pharmaceutical sector** – Schemes are PTUAS (The Pharmaceutical Technology Upgradation Assistance Scheme) , API-CF (Assistance to Pharma Industries for Common Facilities Scheme) , PMPDS (Pharmaceutical and Medical Device Promotion and Development Scheme)

CROSSWORD OF THE MONTH

By Riya Nar – TYBAF (C)
CA Vidhi Manek



ACROSS

1. World's first electronic stock market
3. India's first payments bank
5. Any form of currency that exists digitally
6. Derivative financial contracts that come with an obligation to buy or sell
9. Portmanteau of words coined after a country's decision to leave EU
10. A fixed income security
12. Period when index experiences prolonged price declines
14. Regulator of insurance sector in India
15. Privately held new company with a value over $1 billion

DOWN

2. Act of stripping a currency unit of its legal tender
4. India's largest public sector insurance company
7. Improving and automating the delivery and use of the financial services
8. Apex bank of India
11. Regulator of telecommunication sector in India
13. Total monetary value of all finished goods and services produced within a country within a specified time

Solution will be given on the last page of the newsletter

****

Designed by: CA Vidhi Manek

BAF TIMES Team – Watch this space for our new team!

If you wish to contribute your articles to be featured in the next issue, please mail your articles on vidhim@mldc.edu.in by 10th of every month.

All Articles in this issue are the personal views of the authors and the college does not necessarily subscribe to the personal views of the authors.

Editor-in-Chief

CA Vidhi Manek, Asst. Prof – B.Com.(A&F)

****

CROSSWORD SOLUTION

1. NASDAQ 2. Demonetization 3. Airtel 4. LIC 5. Crypto 6. Futures 7. Fintech 8.RBI 9. BREXIT 10. Bond 11. TRAI 12. Bear market 13. GDP 14. IRDA 15. Unicorn