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- Shrinkflation – Whats in it for Banks!
- Innovative Working Capital Finance Method
- The monopolizing tendency of the big-tech firms and app store operators : Needs Regulation

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Shaktikanta Das
Governor
Reserve Bank of India

"Under the new regulatory arrangement, rule-based guidelines on pricing of loans have been replaced with a principle-based framework based on enhanced disclosures and transparency requirements."

M Rajeshwar Rao
Deputy Governor
Reserve Bank of India

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From The Desk Of Editor-in-Chief

The SEBI is working on guidelines for financial 'influencers' who give advice to stock investors on various social media platforms like twitter, youtube, instagram and facebook. Offlate there has been sharp rise in people advising about financial products. However it is not known what qualification and experience these influencers have while giving their opinion. Common People can be misled due to wrong advice. There must be some mechanism to moderate these contents.

There has also been sharp rise in number of Online fintech apps which are offering instant loans. RBI must regulate these fintech companies as these companies are offering loans at exorbitant rates ranging from 24- 48% or even more depending upon the urgency of the person. These practice are unethical and must be stopped immediately. Once a customer approaches them they keep on harassing the customer to take loan even if they are not interested. They should not operate in the market unless licensed by RBI.

With more and more adoption of technology the risk of fraud is also increasing. Consumers must be made aware about the possible frauds and regular awareness programmes must be organized to prevent the instances of fraud. Police force can also join these programmes.

Till September 30, 2022 Banks, Financial Institutions and other creditors of stressed companies have realized Rs.2.43 lakh crore through NCLT Supervised insolvency resolution processes against total claims of Rs.7.91 lakh Crores.

As per report RRBS are getting irrelevant gradually since their management was not up to the mark by the sponsored banks. RBI should take a conscious decision about fate of these loss making banks.

As per Govt. notification exporters setting Trade in Rupee will get extra incentive whereas govt. has already allowed Trade settlements in Re for export promotion schemes.

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Banking News

Government to sell 1.55% stake in Axis Bank

The Government is planning to sell a 1.55% stake in Axis Bank through an offer for sale, a government investment vehicle, the Specified Undertaking of the Unit Trust of India, said.

SUUTI will sell 46.5 million shares in Axis Bank representing 1.55% of its equity, it said.

The floor price for the offer is 830.63 rupees per share, it added.

Based on shareholding data available on the Bombay Stock Exchange, SUUTI held a 1.55% stake in the bank, suggesting it will completely exit this via the offer for sale.

The shareholding was transferred to the investment vehicle in 2003 when a scheme of the Unit Trust of India failed and was bailed out.

Bombay HC: Prime facie removal of Kochhar as ICICI Bank CEO valid

The Bombay High Court (HC) ruled that Chanda Kochhar's termination from the post of managing director and chief executive officer of ICICI Bank was prima facie valid. It also found invalid the contention Kochhar that once there is cessation of employer and employee relationship then the acceptance of early retirement cannot be revoked.

"Prima facie, I find that the revocation of the early retirement acceptance is valid and do not find, given the facts in the present case, any merit in the contention on behalf of Mrs. Kochhar that once there is cessation of employer and employee relationship, then acceptance of early retirement cannot be revoked", said a single judge bench of Justice R I Chagla.

Small savings rise by Rs. 4.6 trillion

In February this year, small saving deposits stood at Rs. 9.9 trillion, which is only a small fraction of SCB deposits that totaled to Rs. 170.2trillion, as per a report by Bank of Baroda.

"In terms of incremental deposits as well, while deposits by SCB's have increased by Rs. 55.4 lakh crores over the last 5 years, small saving deposits have only increased by Rs. 4.6 lakh crore," the report, authored by economist Aditi Gupta, showed.

However, the silver lining is that the ratio of small savings term deposits to banking term deposits or the same for savings account deposits have been rising gradually but continuously over the last few years.

Data shows that the ratio of small savings deposits to bank deposits has inched up from 4.4% in FY17 to 5.8% in FY22. "While the share is still very low, the gradual rise is significant," the report said.

India pushes Rupee trade beyond Russia

On the lines of an arrangement being worked out with Russia, India is in talks with Sri Lanka, the Maldives and multiple south east Asian, African and Latin American countries to initiate trading in the Indian Rupee.

The countries in these geographies have shown interest in opening Special Rupee Vostro or SRV accounts. A Vostro account is an account held by a bank that allows the customers to deposit money on behalf of another bank.

The Reserve Bank of India had announced guidelines on overseas trade in Indian Rupee in July. In part, this is also aimed at curtailing India's dollar dependence for trade, and indirectly strengthen the domestic currency.

Centre appoints non-executive chairmen to four PSBs

Non Executive Chairman has been appointed on the Boards of four Public Sector Banks - Canara Bank, Punjab National Bank (PNB), Union Bank of India and Punjab & Sind Bank (PSB) respectively following approval given by the Appointments Committee of the Cabinet (ACC).

While Vijay Srirangam has been appointed as part-time Non Official Director as well as Non Executive Chairman of Canara Bank for three years, K G Ananthakrishnan has been appointed as part-time Non Official Director as well as Non Executive Chairman of PNB for a term of three years.

Srinivasan Varadarajan has been appointed as part-time Non-Official Director as well as Non-Executive Chairman of Union Bank of India for a term of three years, according to an order issued by the Department of Personnel & Training. The Centre has also appointed Charan Singh as part-time Non-Official Director as well as Non-Executive Chairman of Punjab & Sind Bank for a term of two years.

Banks' loan growth outpaces deposits

Deposit growth in the system has been trailing credit growth for quite some time now.

According to the Reserve Bank of India (RBI) data, credit growth touched a decadal high of 18 per cent in the fortnight ended October 7 but deposits grew at a much slower pace of 9.6 per cent.

The widening credit-deposit growth gap has exacerbated concern that the slower pace of liabilities growth may prove to be the biggest constraint for loan growth in the system.

HDFC corners 15% of CLSS housing market

With over Rs 7,200 crore in subsidy disbursals, Housing Development Finance Corporation (HDFC) has cornered over 15 per cent of the credit-linked subsidy scheme (CLSS) for affordable housing since its launch in June 2016. The company has also won the best housing finance company award from the government for this for the third time this year.

The company has over 3.13 lakh CLSS customers, who have cumulatively borrowed more than Rs 67,000 crore from them since the launch of the plan under the Pradhan Mantri Awas Yojana (PMAY). These customers have received more than Rs 7,200 crore in subsidies, which is a tad over 15 per cent of the total subsidy of Rs 48,250 crore given by the government.

Axis Bank net profit up 70%

Axis Bank has reported a net profit of Rs 5,329 crore for the September quarter - an increase of 70% over the year-ago period. The profits were driven by an improvement in asset quality that led to lower provisions. On a consolidated basis, net profit was up over 66% at Rs 5,625 crore. Outstanding deposits stood at Rs 8.1 lakh crore, up 10% from the year-ago period, while advances at Rs 7.3 lakh crore were up 17.7%.

Slippages during the quarter were Rs 3,383 crore as compared to Rs 5,464 crore a year ago. Overall provisions declined to Rs 549 crore compared to Rs 1,735 crore to the previous year.

Fresh slippages declined to Rs 3,383 crore as against Rs 5,464 crore in the year-ago period. The bank said that over Rs 700 crore of these came from a low-rated portfolio flagged earlier.

This resulted in overall provisions declining sharply to Rs 549 crore from Rs 1,735 crore in the year-ago period, which helped the bank's bottom line.

PSBs asked to set up one national helpline

The government has asked PSU lenders to set up a "single national helpline" to facilitate expeditious redressal of consumer grievances.

"The helpline number will be preferably of three or four digits, so that in case of need customers dial the given number to reach out to their banks and respective branches or departments by way of a hub-and-spoke model," said a government official.

The move comes following complaints over defunct bank helpline or contact numbers given for consumer redressal.

"A single helpline will help all banks put in place a uniform policy to address customer complaints and turnaround time for their redressal," the official said, adding that a single number is in sync with the government's focus on digitisation in banking.

The banks will engage PSB Alliance Private Limited for coordinating and developing an appropriate system and monitoring the functioning of the helpline.

Indian banks post highest profit

Indian commercial banks have reported a combined profit of nearly Rs 59,000 crore for the September quarter, an increase of 57% over the Rs

37,567 crore net in the year-ago period. This is the highest profit recorded by Indian banks in any quarter.

Private banks have collectively reported a profit of Rs 33,165 crore, which is around 67% more than Rs 19,868 crore in the previous year. Public sector banks have reported a combined net of Rs 25,685 crore for Q2, up 50% from Rs 17,123 crore in FY22.

More than half of the profit has been generated by SBI, which posted its highest quarterly earnings of Rs 13,256 crore, an increase of 74% over previous year. SBI's record net has made it the most profitable company this quarter on a consolidated basis. The consolidated net profit of SBI at Rs 14,752 crore was higher than Reliance Industries' Rs 13,656 crore.

In the private sector, HDFC Bank reported a net profit of Rs 10,605 crore, an increase of 20%. ICICI Bank reported a profit of Rs 7,758 crore (up 37%), Axis Bank Rs 5,330 crore (70% gain) and Kotak Bank Rs 2,581 crore (27% increase).

Banks not pricing in credit risk fairly: SBI report

Banks are not adequately pricing in credit risk as the liquidity condition tightens and interest rates remain high, said State Bank of India in a research report.

Over the last few months, the Reserve Bank of India (RBI) has front-loaded rate hikes and calibrated excess liquidity in the banking system as it seeks to rein in elevated inflation.

While the liquidity conditions have eased in November on the back of the government accelerating spending, the average net durable liquidity injected into the banking system has dropped to Rs 3 trillion from Rs 8.3 trillion in April, SBI research said in its latest 'Ecowrap' report.

"Even as the banking system has moved closer to a calibrated liquidity coupled with higher signaling rates, one thing has still not changed; that is credit risk not getting adequately priced in, even as credit demand is at decadal highs and liquidity remains significantly downsized," said the report by India's largest lender.

"A back of envelope estimate suggests that the core funding cost of the banking system is currently at around 6.2%, while the reverse repo rate is at 5.65%. No wonder, banks are currently engaged in a fierce war to raise deposits, with rates being offered up to 7.75% in select circumstances," it said.

RBI Governor Shaktikanta Das said earlier this year that banks cannot "perennially" rely on the central bank's money to support credit offtake and they must mobilise their own funds and resources.

10 Executive Directors appointed at PSBs

Days after the government increased the tenure of whole-time directors in public sector banks to 10 years, ten executive directors have been appointed to public sector banks for a three-year period, subject to a review after two years.

These are: Lalit Tyagi (Bank of Baroda), Binod Kumar (Punjab National Bank), Ashok Chandra (Canara Bank), Ramasubramanian (Union Bank), Mahesh Bajaj (Indian Bank), M Paramasivan (PNB), Subrat Kumar (Bank of India), Malladi Venkat Murali Krishna (Central Bank of India), Rahendra Saboo (UCO Bank), and Sanjay Mudaliyar (Indian Overseas Bank).

The union government decided to increase the term of wholetime directors in public sector banks, including MD & CEOs, to 10 years, from five years, a move aimed to bring in younger talent in the top position.

A candidate can be appointed for 5 years initially, which can be extended for another five years, the government said in a Gazette. This is also applicable for executive directors who are also wholetime directors.

Nine Russian banks open special vostro accounts for Re trade

As many as nine special vostro accounts by Russian banks have been opened with two Indian banks after the Reserve Bank of India (RBI) gave its permission to do so to facilitate settlement of international trade in rupee. It will pave the way for the settlement of India's trade with Russia in rupees.

Commerce Secretary Sunil Barthwal said: "Nine accounts have been opened. One in UCO Bank, one in Sberbank, one in VTB and 6 with IndusInd Bank."

Russia top two banks-Sberbank and VTB Bank -have emerged as the first foreign lenders to receive the approval. Russia's Gazprom, which does not have its branches in India, has also opened this account with state-run UCo Bank.

"We want to promote rupee trade because that is in the nation's interest. We would also not be looking unnecessarily for dollars. To the extent, rupee trade is possible, we will go for it," Barthwal told reporters here.

The RBI had in July notified the new mechanism to settle international trade in rupees to reduce the depreciation of the rupee against the dollar.

Subsequently, the commerce ministry notified guidelines that will enable exporters to get stipulated benefits under the foreign trade policy even if the export realisation is in the domestic currency, and not dollar.

World Bank: India needs to spend $840 billion to meet urban population needs

To meet the needs of the growing urban population, India needs to increase its annual investment in city infrastructure from an average of $10.6 billion a year in the past decade to an average of $55 billion a year for the next 15 years, a World Bank report released.

The report, titled 'Financing India's Infrastructure Needs: Constraints to Commercial Financing and Prospects for Policy Action', estimated that India would need $840 billion over the next 15 years.

"By 2036, 600 million people will be living in urban cities in India, representing 40% of the population. This is likely to put additional pressure on the already stretched urban infrastructure and services of Indian cities - with more demand for clean drinking water, reliable power supply, efficient and safe road transport amongst others. Currently, the central and state governments finance over 75% of city infrastructure, while urban local bodies (ULB) finance 15% through their own surplus revenues," a World Bank statement said.

Trader loses Rs. 7.4 lakh to 'ombudsman' fraud

A 46-year-old trader, who was allegedly duped in 2019 in the name of insurance, was cheated again and lost Rs 7.4 lakh recently after he had received calls from an RBI "ombudsman" who won his trust by referring to his all policy details.

The victim, Biswajit Sarkar, lodged a complaint with the Electronic Complex police station. The caller promised to help him get back the money, which he had lost to the 2019 fraud.

The accused, who impersonated as an officer of the ombudsman cell, demanded the money as TDS from him. "The victim walked into the trap for second time and paid him the money," said an officer. Cops have started a probe.

DBS Bank moots Singapore-TN corridor for real-time cross-border remittances

DBS Bank India Limited, the wholly-owned subsidiary of Singapore-headquartered DBS Bank Ltd, is exploring establishing a 'Singapore-Tamil Nadu corridor' for real-time cross-border remittances, besides attracting NRI deposits from the large Tamil diaspora in the island city-state.

DBS has "worked on a product", says Bharath Mani, Executive Director and Head-Retail Customer Segment, DBS Bank India. A few other banks in the ecosystem also "want to partner with us", he adds. Mani told mediapersons in Chennai that the bank was examining ways to speed up both commercial and individual remittances "by creating an express highway, with us leading along with other banks".

Essentially, the initiative will make it easier for people in Singapore to send money to India. Singapore, along with the US and the UK, has emerged as one of the important sources of inward remittances, according to a recent report by Reserve Bank of India (RBI). The three countries accounted for 36 per cent of inward remittances in 2020-21.

New Data Protection Bill moots Rs. 500-cr fine for breach

The government has raised the penalty amount to up to Rs. 500 crore, apart from setting up a Data Protection Board of India, under the draft Digital Personal Data Protection (DPDP) Bill, 2022 released.

The draft is open for public comments till December 17.

"If the Board determines at the conclusion of an inquiry that noncompliance by a person is significant, it may, after giving the person a reasonable opportunity of being heard, impose such a financial penalty as specified in Schedule 1, not exceeding rupees five hundred crore in each instance," the draft said.

This penalty amount is much higher than proposed by a previous draft. The draft Personal Data Protection Bill in 2019 proposed a penalty of Rs. 15 crore or four per cent of the global turnover of an entity.

The draft has proposed a graded penalty system for data fiduciary that will process the personal data of data owners only in accordance with the provisions of the Act. The draft proposes a penalty of up to ?250 crore if the Data Fiduciary or Data Processor fails to protect data under its possession from breaches.

The same set of penalties will be applicable to the data processor-which will be an entity that will process data on behalf of the Data Fiduciary, the draft said. ❑

Reserve Bank News

RBI: New microfinance norms will bring down credit risk

The RBI has said that its regulations on microfinance are aimed at improving the credit worthiness of borrowers and enable them to raise loans at lower interest rates.

Under the new regulatory arrangement, rule-based guidelines on pricing of loans have been replaced with a principle-based framework based on enhanced disclosures and transparency requirements, deputy governor M Rajeshwar Rao said.

Speaking at an event, Rao elaborated the key elements of microfinance regulation aimed at bringing down the cost of credit for the borrower.

According to Rao, the cap on repayment obligations is expected to nudge lenders to keep the interest rates low so that the repayment instalments do not exceed the maximum prescribed limit for repayment obligation. Second, measures to check over-indebtedness would also result in improvement of creditworthiness of the borrowers, bringing down the credit-risk premium which should translate into lower interest rates.

RBI Deputy Governor to MFIs: Balance borrowers' interest

Reserve Bank of India deputy governor Rajeshwar Rao warned microfinance lenders against irresponsible lending and asked them to grow business while balancing the interest of vulnerable borrowers.

He said customer protection lies at the RBI's regulation for the microfinance sector and the regulator has zero tolerance for misconduct towards the borrowers.

Speaking at an event, the deputy governor said that exclusive focus on business growth and bottom lines without considering the vulnerabilities of the borrowers by any entity is fraught with pitfalls and irresponsible lending by a few lenders ends up putting the interests of the entire industry at risk.

HDFC Bank, Canara Bank get RBI approval for rupee trade with Russia

HDFC Bank and Canara Bank have got approval from the RBI to open a special Vostro account for trade in rupees and both the approvals are for trade with Russia, banking industry sources said.

So far five Indian banks - UCO Bank, Union Bank, and IndusInd Bank being the other three - have received regulatory clearance for such trade. This apart, two Russian banks - Sber Bank and VTB - have the RBI's approval. Both have branches in India.

According to sources, three banks have opened accounts so far though no deal has been done through this mechanism. The move is aimed at popularising trade in the domestic currency.

UCO Bank was the first Indian bank to receive the RBI's approval to open a special Vostro account with Russia's Gazprombank, which was set up by the world's largest gas producer and exporter, Gazprom.

IndusInd Bank has tied up with six Russian banks while the remaining four Indian banks have done deals with one Russian lender each.

HDFC Bank's counterpart in Russia is MTS Bank, the fintech unit of Russia's largest mobile operator, MTS. On July 11, the RBI had issued a circular allowing trade settlement between India and other countries in rupees. At the current exchange rate, the Russian ruble equals Rs 1.35.

RBI's forex reserve surges

Foreign exchange reserves showed a stellar $14.7 billion surge in the week ended November 11, according to data released by the RBI. Foreign currency assets rose $11.8 billion, while gold and special drawing rights (SDR) grew by $2.8 billion.

The climb in reserves coincides with a 4 percent decrease in the dollar index, which points to a large valuation change. The RBI holds foreign currency assets in liquid foreign currency securities, bank deposits, and deposits with other central banks. The value of the forex pile changes with the movement in prices of market securities as also exchange rates.

The RBI reports reserves after adjusting for these changes. Every time the dollar falls versus other currencies, including the Indian rupee, the RBI gets the benefit of an increase in the value of its forex pile.

NPCI in talks with RBI on volume cap deadline

National Payments Corporation of India, is in talks with the Reserve Bank on implementation of its proposed December 31 deadline for limiting the volume cap of players to 30 per cent.

At present, there is no volume cap. So, two players -- Google Pay and PhonePe -- account for a market share of about 80 per cent.

NPCI in November 2022 had proposed a 30 per cent volume cap for third-party app providers (TPAP) in a bid to avoid concentration risk.

In this regard, sources said, a meeting was convened to comprehensively look at all aspects. Besides NPCI officials, senior officials of the finance ministry and RBI also participated in this.

At the moment, NPCI is evaluating all the possibilities and no final decision has been taken to extend the December 31 deadline, the sources said.

RBI asks Paytm to reapply for payment aggregator licence

India's banking regulator has declined a payment aggregator licence for the One 97 Communications Ltd unit that owns the popular Paytm brand, asking it to reapply with 120 days after meeting certain conditions.

The regulator asked Paytm Payments Services Ltd, a 100% subsidiary of One 97 Communications, to reapply after getting the necessary approvals for foreign direct investment in the company to comply with existing rules, the company said in a notification to stock exchanges on Saturday.

Payment aggregators, platforms that bring together various online payment options, must be licensed by India's central bank and banking regulator, Reserve Bank of India.

In its communication to exchanges, One 97 Communications said it does not expect the delay in securing a payment aggregator licence to impact its business.

The regulator also asked that Paytm Payments Services not bring onboard new online merchants until it reapplies for the licence.

RBI gives conditional nod to Carlyle, Advent for Yes Bank stake buy

India's central bank has given conditional approval to U.S. private equity firms Carlyle Group Inc and Advent International for their purchase of a combined 20% stake in Yes Bank, the private-sector lender said.

"The investors are evaluating the conditions," Mumbai-based Yes Bank said, adding that the bank and the investors will engage with the Reserve Bank of India to seek an early resolution of the conditions and get final approval.

It was not immediately clear what the conditions were. Carlyle, Advent, Yes Bank and the RBI did not immediately respond to Reuters' emailed requests for comment.

Yes Bank had, in July, said it would raise $1.1 billion from Carlyle and Advent for a 10% stake each in the bank, as it looked to boost its capital and fund growth.

The funds were to be raised by issuing shares worth $640 million and share warrants worth $475 million.

The proposed sale to the private equity firms came two years after the RBI stepped in to take control of the bank after a dramatic rise in toxic assets alarmed investors and depositors, posing a systemic risk to India's banking sector.

In September, Yes Bank approved the transfer of stressed assets worth 480 billion rupees ($5.91 billion) to private equity firm J.C. Flowers in an attempt to clean up its balance sheet. ❑

Industry News

I-T dept attaches properties worth Rs. 18,400 crore under Benami Act

The Income Tax Department has attached assets worth over Rs. 18,400 crore till July 21, 2022, under Benami Transaction Prohibition Act. However, it does not have segregated data for transaction made before and after October 24, 2016, when the amendment Act came into force and the cut-off date set by the Supreme Court for a bar on criminal/confiscation proceedings.

The information was in response to an RTI, to elicit details about action under the Act and also on details regarding offences prior to October 26, 2016 and later.

Centre allows export incentives for those settling trade in rupee

The Centre amended the foreign trade policy (FTP) to enable traders to claim export benefits even if payment is settled in the rupee. So far, export incentives were available only when the trade was settled in a foreign currency.

The amendments by the Directorate General of Foreign Trade (DGFT) came into force with immediate effect.

The development comes against the backdrop of the mechanism to settle international trade transactions in the rupee which was unveiled by the Reserve Bank of India (RBI) in July. Given the government's push towards the internationalisation of the rupee, these policy amendments shall help ease international trade transactions in the domestic currency.

Common ITR form with focus on crypto likely

The Central Board of Direct Taxes (CBDT) has proposed a new common income-tax return (ITR), with greater focus on disclosing income from virtual digital assets or crypto assets and foreign equity and debt instruments held by resident Indians.

For non-resident Indians, the draft ITR seeks exhaustive details ranging from nature of business, permanent establishment (PE), business connection, whether the entity has significant economic presence (SEP) in India, along with the number of users in India.

The ITR protocol for NRIs could widen the scope of the SEP principle that was introduced in the Finance Bill 2018-19, and the explicitly defined 'business connection' to include provision of download of data or software, if aggregate payments from such transactions exceed a prescribed amount, or if a multinational's interaction is with a prescribed number of users.

Centre aims to finish Rs.5trillion stalled projects

Even as new infrastructure projects keep getting announced, the Centre has turned the spotlight on projects falling behind for decades and ensure their completion by the end of this fiscal year. The Centre's think tank NITI Aayog has shortlisted 494 projects worth Rs. 5.66 trillion for completion by March 2023, has learnt.

UPI payments up 8% at 730crore

UPI transactions in India surged 7.7 per cent to 730 crore and the total value stood at more than Rs 12.11 lakh crore in October from 678 crore worth Rs 11.16 lakh crore in September.

The number of instant interbank fund transfer through IMPS (Immediate Payment Service) in October stood at 48.25 crore and the value was at Rs 4.66 lakh crore. In terms of transactions, it was higher by 4.3 per cent compared to September, reported PTI citing the monthly data from the National Payments Corporation of India (NPCI) released.

The NETC FASTag, which facilitates automatic toll collection at NHAI's toll booths across the country, registered a 9.3 per cent growth in the number of transactions compared to 28.3 crore in September.

Manufacturing cost in India cheapest globally: Report

India has been ranked as the nation with the cheapest manufacturing cost ahead of China and Vietnam, according to a report.

According to the US News and World Report, out of 85 nations, India has bagged the 31st position in the overall Best Countries ranking.

India featured at the 37th spot in the 'Open for Business' category.

The report evaluates 85 countries across 73 attributes. Attributes are grouped into 10 sub-categories, including adventure, agility, and entrepreneurship, open for business, social purpose and quality of life.

Under the open for business sub-category, India has scored 100 per cent when it comes to cheap manufacturing costs. But in 'favourable tax environment', it has scored 16.2 out of 100; 18.1 in the 'not corrupt' category and 3.5 in 'transparent government policies'.

BrahMos hopes for $5 billion in supersonic missile exports by '25

An India-Russia joint venture that makes nuclear capable supersonic cruise missiles hopes to bag orders worth $5 billion by 2025, its chairman said, having signed its first export deal of $375 million this year with the Philippines.

BrahMos Aerospace is in discussions with Indonesia, Malaysia and Vietnam for new orders, chairman Atul D Rane told.

The joint venture, with a 50.5% Indian and 49.5% Russian partnership, fits into Prime Minister Narendra Modi's flagship make-in-India programme.

India has made Russian MiG fighter planes and Su-30 jets under license and the two have collaborated to make BrahMos missiles in India.

Taiwan co eyes e-bike launch

Taiwanese electric major, Gogoro, which has a partnership with Hero Moto, is ready to join hands with firms such as Bajaj Auto. TVS and Yamaha for its battery swapping stations. It is also studying the prospects or launching its green two-wheelers as a solo venture in India.

The company, which has one of the world's largest swappable battery installation with 3.7 lakh swaps per day, is test-piloting its products in India in partnership with B2B delivery provider Zypp Electric. "The temperatures in India can go to 40 degrees and more, and we want to test out platforms," Horace Luke, founder and CEO of Gogoro, said.

SEBI: Merchant bankers can't undertake any other business

A merchant banker cannot carry on any business other than those pertaining to the securities market, according to the capital markets regulator SEBI.

Providing an informal guidance in this regard to PNB Investment Services, an arm of Punjab National Bank (PNB), the Securities and Exchange Board of India (SEBI) indicated that its views might differ on a case-to-case basis.

The clarification came after PNB Investment Services, which is registered as a merchant banker, sought informal guidance on whether it can act as a direct selling agent by starting a fresh business vertical for marketing retail products such as home loans, car loans on behalf of PNB or other banks.

The applicant was intending to venture into another activity to act as a direct selling agent for PNB and other banks for canvassing the retail customers for generation of leads and conversion of prospects into customers.

5G revenues set to touch $315b in 2023

The global 5G service revenue is expected to reach $315 billion in 2023, rising from $195 billion this year, a new report said. This represents a growth of over 60% in a single year for operator-billed 5G service revenue, according to Juniper Research. "Over 95% of global 5G connections in 2027 will be connected personal devices such as smartphones, tablets and mobile broadband routers," research co-author Olivia Williams said. It forecasts over 600 million new 5G subscriptions will be created next year.

SEBI pegs dues worth over Rs. 67000 crore as 'difficult to recover'

Sebi has segregated dues to the tune of Rs 67,228 crore under "difficult to recover" category at the end of March 2022.

Overall, the regulator has dues worth Rs 96,609 crore that needs to be recovered from entities, including those that failed to pay the fine imposed on them, failed to pay fees due to markets watchdog and did not comply with its direction to refund investors' money, according to Sebi's annual report for 2021-22.

Out of Rs 96,609 crore, the regulator said Rs 63,206 crore, which is 65 per cent of the total, pertains to collective investment scheme and deemed public issues of PACL Ltd and Sahara India Commercial Corporation Ltd.

Also, Rs 68,109 crore, amounting to 70 per cent of the total dues, is subject to parallel proceedings before various courts and courtappointed committees. In these cases, Sebi's recovery proceedings are subject to directions of respective courts or committees.

Massive jump in cash with public

Currency with the public has jumped to a new high of Rs 30.88 lakh crore, illustrating that cash usage is still robust even six years after the demonetisation move.

At Rs 30.88 lakh crore, the currency with the public is 71.84 per cent higher than the level for the fortnight ended November 4, 2016. On November 8, 2016, Prime Minister Narendra Modi had announced the decision to withdraw Rs 500 and Rs 1,000 denomination notes with the ultimate aim of reducing corruption and black money in the economy.

SC upholds 10% quota for poor in 3-2 verdict

The Supreme Court, by a 3:2 verdict, upheld validity of the 103rd constitutional amendment carried out to provide legal sanction to the Modi government's decision to carve out 10% reservation for the economically weaker sections from unreserved classes for admission in educational institutions and government jobs and held that the 50% cap on quota is not inviolable and affirmative action on economic basis may go a long way in eradicating caste-based reservation.

A five-judge bench of Chief Justice UU Lalit and Justices Dinesh Maheshwari, S Ravindra Bhat, Bela M Trivedi and J B Pardiwala approved the amendment by majority (3:2), which would push the total reservation to 59.50% in central institutions.

Sebi brings mutual fund managers, directors under insider trading rules

With several cases of insider trading in mutual funds coming to light recently, the Securities and Exchange Board of India (SEBI) has finally brought fund managers, directors of fund houses, trustees and other connected entities under the ambit of insider trading rules.

Listing detailed guidelines in the gazette, the regulator said connected entities will include board of directors and key management personnel of sponsor of the mutual fund, directors or employees of registrar and share transfer agents and custodians or valuation agencies of the mutual fund who have access or are reasonably expected to have access to unpublished price sensitive information relating to a mutual fund scheme or its units in the course of business operations.

The Sebi board had earlier cleared the proposal. Fund managers of some fund houses had indulged in front running, making a huge money in the manipulation. Front-running, which is illegal in India, involves purchasing a stock based on advance exclusive information regarding an expected large transaction that will affect its price. Sebi has categorised front-running as a form of market manipulation and insider trading, and penalised several fund houses and fund managers in the past over this activity.

Two-thirds of India tech firms hiring gig workers

Two-thirds of organisations in the Indian technology sector are hiring gig workers as they respond to a changing business landscape, said a report by industry organisation NASSCOM and others.

Focus on requirement for specialised skills, employee demand and cost optimization enabled organisations to use the gig model for technology roles traditionally restricted to HR and support functions. Software development, UI/UX design, and data analytics were the top three gig skills the technology sector needed.

The National Association of Software and Services Companies (NASSCOM), in partnership with employment websites Indeed and AON, surveyed 70 organisations in India. Nearly two-third or 65 per cent of the organisations employed gig workers as of 2022. The number was 57 per cent two years ago.

T+1 settlement from Jan 2023

To bring in operational efficiency and ease for market participants, stock exchanges have decided that all stocks on which derivatives contracts are available will be transitioned to T+1 settlement in a single batch from January 2023 instead of two separate batches, according to a joint statement from the exchanges.

As per the earlier schedule, stocks on which futures and options (derivatives) are available are to be transitioned to T+1 settlement in two batches - December 2022 and January 2023. Accordingly, exchanges will revise the original schedule for transition of stocks to T+1 settlement and issue the circular informing the list of stocks to be transitioned in December 2022 and January 2023, the statement said.

Independence of CAs crucial for financial statements: FM

Finance Minister Nirmala Sitharaman said the independence of chartered accountants is very crucial for the trust and integrity of a company's financial statements.

"The independence of chartered accountants is extremely important and significant for the trust and integrity of financial statements. Therefore, their responsibility is not limited just to the shareholders since statutory filings and audit reports are public documents and they are relied on by various stakeholders, including financial institutions, government and common retail investors," Sitharaman said, while addressing the World Congress of Accountants.

Technology driven third-party validation needed: Sebi chief

Securities and Exchange Board of India (Sebi) Chairperson Madhabi Puri Buch pitched for technology driven third-party validation in the process of auditing to evade frauds. "Sebi's thrust on third party validation is driven by the commitment to ensure a true and fair picture of whatever is presented in the markets," Buch said, while speaking at an event organised by Indian Audit and Accounts Department in Mumbai.

She said there are more than 20 websites in the country which auditors can use to validate the claim of the auditee. "While technology is being used as a tool by fraudsters, we can use the same technology to evade fraud. Auditors can use tools like GSTN portal, bank websites etc...," Buch said. If there is transparency, then market forces themselves act in an efficient way and ensure there is no wrong-doing in the market, she added.

Brokers to challenge SEBI's amnesty scheme

Several stock brokers are planning to challenge the Amnesty Scheme 02 of market regulator SEBI. The scheme, which closes on November 21, was made available by SEBI in August as a one-time settlement opportunity to nearly 15,000 entities accused of the same offence, which is unfair trading in illiquid stock options on the BSE.

Brokers told that the scheme lacks legal sanctity since it defies the principles of natural justice by excluding them from the amnesty being extended to their clients. Moreover, the scheme is only limited to one exchange, BSE, while it leaves out other exchanges and their clients and brokers.

A major racket was busted by SEBI in 2015 when its former member Rajeev Kumar Agarwal passed an order against 59 entities for trading in illiquid options of stocks on the BSE. Then, certain entities consistently made losses in trading, executed among themselves and even reversed some of them. In 2018, Madhabi Puri Buch, SEBI's then whole-time member followed it up and promised action against entities for sham transactions.

Analysis showed the entities generated over 70 per cent of their volumes in illiquid options in a year. Agarwal had investigated entities with over Rs. 5 crore in loss or profit, responsible for the non-genuine trades. In the same matter, in 2018, Buch further identified 14,720 entities. As many as 81.41 per cent of the trades executed in the segment were constituted to fall in the purview of unfair trades and the proceedings and entities were imposed with penalties.

Sebi issues framework on tech glitches

The Securities Exchange Board of India (Sebi) issued a framework to deal with technical glitches occurring in the trading systems of stock brokers.

The market regulator said as rapid technological developments have increased the ease of electronic trading in securities markets, technology related interruptions and glitches and their impact on the investors' opportunity to trade have become a major technology related risk.

Under the new framework, which will come into effect from April 1, 2023, stock brokers will have to inform about any malfunction in their system or the one outsourced from any third parties, leading to stoppage, slow down of operations for five minutes or more, to the stock exchanges within one 1 hour from the time of occurrence of the glitch. ❑

Mutual Fund News

Indian mutual funds return to govt bonds as inflation, rates spikes

Indian mutual funds are flocking back to government bonds as inflation is expected to have peaked, leaving limited room for further rate hikes that, in turn, is leading to sharp decline in yields, fund managers said.

"Market is expecting inflation to have peaked and slow into 2023, while growth headwinds have picked up into 2023, especially in the western world," said Vikram Chopra, a fund manager with DSP Investment Managers.

This trend could persist as mutual funds had limited exposure to government bonds over the last few months after the Reserve Bank of India (RBI) aggressively raised interest rates to tackle steep inflation. The central bank has raised rates by an aggregate 190 basis points since May.

Mahindra Manulife Mutual Fund launches small cap fund

Mahindra Manulife Mutual Fund has launched the Mahindra Manulife Small Cap Fund, an open-ended equity scheme predominantly investing in small cap stocks. The scheme will invest a minimum of 65% of net assets in equity and equity related instruments of small cap companies. It may take exposure in equity derivative instruments to the extent of 50% of the equity permitted component. The fund will be managed by Abhinav Khandelwal and Manish Lodha.

According to the fund house, the scheme is suitable for investors seeking long term capital appreciation and Investment predominantly in equity and equity related securities of small cap companies. Small cap mutual funds have potential to create wealth and generate alpha over the long term, as they provide exposure to companies which are potential market leaders in the industries they operate in and are likely to become future midcaps as they scale up.

Sebi notifies rules on dividend, redemption proceeds

Sebi has notified new rules for asset management companies (AMCs) pertaining to transfer of dividend and redemption proceeds to mutual fund unitholders.

Under this, every mutual fund and asset management company would be required to transfer to the unitholders the dividend payments and the redemption or repurchase proceeds within a period specified by Sebi, the regulator said in a notification made public.

In case of failure to transfer the proceeds within the specified period, the AMC would be liable to pay interest to the unitholders for the period of such delay.

It further said that physical despatch of redemption or repurchase proceeds or dividend payments would be carried out only in exceptional circumstances and AMCs would be required to maintain records along with reasons for all such physical dispatches.

To give this effect, the Securities and Exchange Board of India (Sebi) has amended mutual funds rules and the new norms would come into force from January 15.

ICICI Prudential MF launches Nifty Financial Services Ex - Bank ETF

ICICI Prudential Mutual Fund has launched ICICI Prudential Nifty Financial Services Ex-Bank ETF, an open-ended exchange traded fund tracking the Nifty Financial Services Ex-Bank Index. The scheme will invest in the top 30 companies of the financial services sector except banks, based on free float market capitalization from Nifty 500 Index.

Nifty Financial Services Ex-Bank Index is relatively less volatile than Nifty Bank Index across all time frames. The index has outperformed both Nifty 50 index and Nifty Bank index over the last 10 years.

"Financial Services have a huge contribution in the Indian economy becoming one of the fastest growing major economies of the world. There is an increasing participation from all parts of the society in Credit, Investments and Insurance and as a result the sector is poised to witness an unprecedented boom.

We are also in the middle of a digital revolution that has contributed to the growth of financial services companies who are adapting to this change faster. The sector is on rise and the road thus far has been paved by various reforms, FDI policy relaxation, tax exemptions, etc. which will further encourage the industry to spend on expansion. Investors must tap into this universe of companies and gain from their growth through ICICI Prudential Nifty Financial Services Ex-Bank ETF," says Chintan Haria, Head- Product Development & Strategy, ICICI Prudential AMC.

BSE StAR MF contributes 47% of net equity inflow, 53% of new SIPs in October

BSE StAR MF has said that it has contributed 47% of the net equity inflow into mutual funds in October. The platform contributed Rs 4,397 crore of MF investments in October. BSE StAR MF achieved its highest monthly record of 2.10 crore transactions in October 2022 as against its previous high of 2.08 crore transactions in September 2022.

BSE StAR MF processed a record 34.29 lakh transactions on October 10 versus its previous record of 32.48 lakh transactions (on 12th September 2022). The platform also contributed 10.49 lakh new SIP registrations achieving 53% of industry's new SIP registrations of 19.73 lakhs in October 2022. This means that every second SIP being added to the industry is through the BSE StAR MF platform.

BSE StAR MF has achieved a growth of 76% in transactions over the previous FY 22. It has achieved 13.96 Cr. transactions in FY 23 of 18.47 Cr. transactions in FY 22. The platform's MF Distributor network has seen a multifold increase to 73,719 distributors (as on October 2022). Distributors have processed over 86.14 lakh transactions through the BSE StAR MF mobile app since its launch, of value worth Rs 24,555 Cr as on October 22.

IDFC Mutual Fund launches two target maturity funds

IDFC Mutual Fund has launched IDFC CRISIL IBX 90:10 SDL Plus Gilt- November 2026 Index Fund and IDFC CRISIL IBX 90:10 SDL Plus Gilt- April 2032 Index Fund, open-ended Target Maturity Index Funds that will invest in constituents of CRISIL IBX 90:10 SDL plus Gilt Index- November 2026 and CRISIL IBX 90:10 SDL plus Gilt Index- April 2032 respectively.

The funds will be managed by Gautam Kaul and will invest in a mix of state development loans and gilt securities. "The recent increase in market expectation of further monetary policy tightening has resulted in a spike in yields, offering value amidst the volatility. The SDL strategy provides a relatively higher yield compared to G-Sec and PSU AAA bonds.

Given the upward yield shift in the 3-5 year and 10-year maturity bucket, we believe IDFC CRISIL IBX 90:10 SDL Plus Gilt- November 2026 Index Fund and IDFC CRISIL IBX 90:10 SDL Plus Gilt- April 2032 Index Fund could provide an attractive investment opportunity. In our opinion, investors could derive value from this strategy, given that we are in the last leg of the rate hike cycle. The funds are well-positioned to benefit from the market opportunity, making this launch very timely," said Gautam Kaul.

HDFC Mutual Fund launches HDFC Business Cycle Fund

HDFC Asset Management Company has launched HDFC Business Cycle Fund which aims to invest in businesses likely on the cusp or in the midst of a favourable business cycle.

According to the fund house, the fund will manage risks by being adequately diversified across sectors / sub sectors / market cap, and across a number of stocks. It is therefore a well-diversified fund suitable for long term investments via both lumpsum and SIP. The business cycle investing may gain from dual benefits of earnings growth and improvement in valuations. In business cycle investing, one needs an agile investment strategy that dynamically rotates investments based on assessment of stages of business cycles.

"In an era marked by increasing complexities and shortening of business cycles, positioning portfolios well should be a rewarding activity. HDFC

AMC aims to support investors to stay ahead by using a blend of top down and bottom up approach, leveraging strengths in its research and fund management team. The launch of this NFO is a further step in the direction of being the wealth creator for every Indian," says Navneet Munot, Managing Director and Chief Executive Officer, HDFC Asset Management.

IIFL Mutual Fund launches India's first passive tax saver scheme

IIFL Mutual Fund has launched the new fund offer (NFO) of IIFL ELSS Nifty 50 Tax Saver Index Fund, India's first Tax Saver Index Fund. The NFO opens on December 1 and closes on December 21. The scheme will re-open for subscription and redemption on an ongoing basis from January 02. Parijat Garg will be the fund manager for IIFL ELSS Nifty 50 Tax Saver Index Fund.

Like other ELSS funds, the scheme will provide the dual advantage of tax saving under Section 80C and the potential to benefit from a diversified exposure to the equity markets. According to the press release, the scheme aims to have a portfolio that mirrors the Nifty 50 Index, which comprises large cap Indian companies. This is a passive fund that is relatively low cost, compared to actively managed schemes that tend to have a higher expense ratio.

"The Nifty 50 accounts for about 50% of India's market cap. Taking exposure to the Nifty companies through a passive fund is an opportunity for investors to harness the growth potential of equities, reduce tax outgo, lower the cost of investing, and gain diversified exposure," says Parijat Garg, Fund Manager, IIFL AMC.

Edelweiss Mutual Fund launches fourth tranche of 'BHARAT Bond ETF'

Edelweiss Mutual Fund has launched the fourth tranche of BHARAT Bond ETF. The BHARAT Bond ETF is India's first corporate bond ETF and it is an initiative of the Government of India, from the Department of Investment and Public Asset Management and the latter has given the mandate to Edelweiss Mutual Fund to design, launch and manage the product.

This new BHARAT Bond ETF and BHARAT Bond Fund of Fund (FOF) series will mature in April 2033. The NFO will start on December 2 and end on December 8. Through the launch of this new series in the fourth tranche, Edelweiss Mutual Fund proposes to raise an initial amount of Rs. 1,000 cr. with a green shoe option of Rs. 4,000 cr. So far, five maturities of Bharat Bond ETFs have been launched - 2023, 2025, 2030, 2031, & 2032.

"'BHARAT Bond ETF program has received an enthusiastic response from all categories of investors since its launch. BHARAT Bond has created a unique opportunity for all Indian investors to invest in PSU Bonds and fuel India's growth story. Crossing a landmark Rs. 50,000 cr. AUM is a testament that BHARAT Bond has emerged as a trusted investment avenue with better tax efficiency for many Indian investors," says Tuhin Kanta Pandey, Secretary, DIPAM, Ministry of Finance.

BSE StAR MF clocks record 2.32 cr transactions in Nov

Online mutual funds distribution platform BSE StAR MF has surpassed its previous high to process record 2.32 crore transactions in November, clocking a growth of 10% month-on-month and 38% year-on-year. The previous high was October 2022 when 2.1 crore transactions were processed.

Overall, the transactions during the second quarter of FY23 recorded a growth of 36% at 5.91 crore, compared with 4.26 crore in the same period last year.

"Continuing its stellar performance, India's largest regulated Exchange-based online mutual funds distribution platform is moving consistently towards transforming itself into a unique end-to-end-value-based platform," said a release.

For November, the net equity inflows dipped marginally at Rs 3,704 crore when compared with the previous month's inflows of Rs 4,397 crore.

Meanwhile, the turnover in November clocked a growth of 21% month-onmonth at Rs 34,352 crore as against Rs 27,819 crore in October.

ICICI Prudential Equity & Debt Fund completes 23 years

ICICI Prudential Equity & Debt Fund has completed 23 years. The Scheme has an AUM of Rs 21,109.35 crore and is one of the largest offerings in its category in terms of assets.

A lump sum investment of Rs 10 lakh at the time of inception (November 03, 1999) would be worth Rs 2.4 crore as of October 31, 2022. A similar investment in Nifty 50 TRI (additional benchmark of the scheme) would have yielded approximately Rs 1.8 crore.

In terms of SIP performance, a monthly investment of Rs 10,000 via SIP since the inception, which would amount to a total investment of Rs 27.6 lakhs, would have grown to Rs 2.3 crore as of October 31, 2022. ❑

Co-Operative Bank News

Are RRBs serving the objective

The Regional Rural Banks (RRBs), set up in the mid-1970s to provide financial services to agricultural workers and labourers, have been struggling right from the beginning. Several of them are now facing an existential crisis due to dwindling business and soaring bad assets.

Bids made from time to time to prop them up through various means of handholding by the Union and state governments and the sponsoring commercial banks, which jointly own the RRBs, have failed to produce the desired results. Consequently, many of them have either collapsed or got merged with their parent banks.

While the number of RRBs has nearly halved - from 82 to 43 - their non-performing assets have more than doubled - from 2.05 per cent to 4.68 per cent - in the past one decade. This, notably, has happened at a time when the overall business of the rural financial institutions has generally been looking up as indicated by the surge in the share of commercial banks in agricultural loans from 65 per cent in 2010-11 to 76 per cent in 2021-22. The volume of the credit disbursed by the RRBs, on the other hand, has shrunk from 13 per cent to 11 per cent during this period.

It raises a serious question as to how far the RRB's are relevant in current time. Similarly performance of Cooperative Banks also has not been upto the mark. The NPA has been increasing and banks also not performing optimally. RBI needs to give a serious thought on operation of RRB's and Cooperative Banks.

RBI imposes penalties on nine cooperative banks for violating compliances

The Reserve Bank of India has imposed monetary penalties on nine cooperative banks on account of various contraventions or non compliances of laid down guidelines.

These banks are The Berhampur Cooperative Urban Bank, The Kendrapara Urban Co-operative Bank , The Jamshedpur Urban Cooperative Bank, Krishna Mercantile Co-operative Bank, Renuka Nagarik Sahakari Bank Maryadit, Jila Sahakari Kendriya Bank Maryadit, Osmanabad Janata Sahakari Bank, The Santrampur Urban Co-operative Bank, and The Nawanagar Cooperative Bank.

The monetary penalties slapped on these banks range from Rs 25,000 to Rs 3.1 lakh, RBI said in nine standalone statements.

The RBI said this action is based on deficiencies in regulatory compliance and is not intended to pronounce upon the validity of any transaction or agreement entered into by the banks with its customers.

After considering the banks' reply to the notice, the RBI came to the conclusion that the aforesaid charge was substantiated and warranted imposition of monetary penalty.

Man arrested in Chennai for opening 'bank' with forged RBI permission

Police in Chennai have arrested a person for forging RBI permission certificate for running a bank in different parts of Tamil Nadu. Action against the accused, identified as Chandrabose, was taken based on a complaint from the Reserve Bank of India (RBI), PTI reported. Police said there was no permission from RBI for Chandrabose to run the bank and he had forged a permission letter.

Chandrabose reportedly operated the Rural and Agriculture Farmers' Cooperative Bank (RAFC) in Chennai, Erode and 7 other cities. Fake passbooks, deposit forms, debit and credit cards among others were reportedly found in his possession.

RBI imposes Rs 1.25 crore penalty on Zoroastrian Co-operative Bank

The Reserve Bank of India has imposed a penalty of Rs 1.25 crore on Zoroastrian Co-operative Bank, Mumbai for non-compliance with certain directions, including one related to discounting of bills.

In a release, the RBI said the bank had failed to comply with its directions on 'Discounting of Bills by UCBs - Restricted Letters of Credit (LC)' and the provisions of the Rules, as it discounted accommodation bills under LCs without establishing the genuineness of underlying transactions/ documents and failed to preserve records in good order for a period of eight years.

In a separate release, the RBI said a penalty of Rs 20 lakh has been imposed on Indian Mercantile Co-operative Bank, Lucknow for non-compliance with the certain norms related classification of non-performing assets.

RBI comes out with four-tiered regulatory framework for urban cooperative banks

The Reserve Bank of India (RBI) on Thursday announced a four-tiered regulatory framework for categorisation of Urban Co-operative Banks (UCBs),

Besides, the central bank has come out with norms pertaining to the net worth and capital adequacy of these banks.

The four-tiered regulatory framework, based on size of deposits of the UCBs, will come into force with immediate effect.

The extant regulatory framework classifies UCBs into two tiers -- Tier I and Tier II.

In a circular, the RBI said given the heterogeneity in the cooperative sector, a tiered regulatory framework is required.

Such a framework is needed to balance the spirit of mutuality and co-operation more prevalent in banks of smaller sizes and those with limited area of operation vis-a-vis the growth ambitions of the large-sized UCBs and undertake more complex business activities.

"... it has been decided to adopt a four-tiered regulatory framework, as against the existing two-tiered framework, for categorisation of UCBs," it said.

Going forward, the categorisation may be used for differentiated regulatory prescriptions aimed at strengthening the financial soundness of the UCBs.

The RBI has categorised all unit UCBs and salary earners' UCBs (irrespective of deposit size), and all other UCBs having deposits up to Rs 100 crore in Tier 1.

In Tier 2, it has placed UCBs with deposits more than Rs 100 crore and up to Rs 1,000 crore. Tier 3 will cover banks with deposits more than Rs 1,000 crore and up to Rs 10,000 crore.

UCBs with deposits more than Rs 10,000 crore have been categorised in Tier 4.

"If a UCB transits to a higher Tier on account of increase in deposits in any year, it may be provided a glide path of up to a maximum of three years, to comply with higher regulatory requirements...," the RBI said.

In another circular, the RBI has listed out the net worth and capital adequacy requirements of the UCBs.

Tier 1 UCBs operating in a single district should have minimum net worth of Rs 2 crore. For all other UCBs (in Tier 1, 2 and 3) tiers), the minimum net worth should be Rs 5 crore. ❑

Legal News

'Profitable' charitable entities cannot claim tax relief: SC

Any entity or institution involved in any trade or commerce under the guise of 'general public utility' will cease to be a 'charitable institution' and therefore, cannot claim tax exemption under the Income-Tax (I-T) Act, the Supreme Court (SC) ruled.

Two key issues were heard by the apex court. One, scope of the expression 'general public utility' (deals with benefit to a section of the public) for claiming tax exemption as 'charitable institution'.

Two, scope of exemption to educational institutions claiming tax exemption as 'charitable institution'.

The expression 'charitable purpose' has been defined under certain clauses which include relief to the poor, for education and medical relief, preservation of the environment (including watersheds, forests and wildlife), preservation of monuments, and the advancement of any other object of public utility.

Many institutions doing trade/commerce used the 'general public utility' clause to gain exemption for profits on such trade/commerce since the meaning is ambiguous. The court has now clarified if any profit or margin is earned from such an activity, it shall cease to be a charitable activity.

SC gives 4 month time for pension scheme

Eligible employees who had not opted for enhanced pension coverage prior to 2014 can jointly do so with their employers within the next four months after the Supreme Court upheld the Employees' Pension (Amendment) Scheme, 2014.

Employees who were existing EPS members as on September 1, 2014 can contribute up to 8.33 per cent of their 'actual' salaries -- as against 8.33 per cent of the pensionable salary capped at Rs 15,000 a month -- towards pension.

The court struck down the requirement in the 2014 amendments mandating employee contribution of 1.16 per cent of the salary exceeding Rs 15,000 per month. This will facilitate the subscribers to contribute higher to the scheme and get enhanced benefits accordingly.

Trade unions have demanded that the government call an extraordinary meeting of the central board of trustees of the retirement fund body EPFO for quick implementation of the apex court order.

Trip that includes a foreign trip is not eligible for LTC

A recent judgement by the Supreme Court (SC) has underlined the point that Leave Travel Concession (LTC) can be offered only on travel within India.

If the trip involves a foreign leg, the employer must deduct TDS (tax deducted at source) on this payment.

In State Bank of India (SBI) versus Assistant Commissioner of Income Tax, employees of SBI undertook trips that started and ended in India. En route, however, they also visited foreign countries.

One employee, for instance, undertook the following journey: Delhi-Madurai-Colombo-Kuala Lumpur-Singapore-Colombo-Delhi. The SBI paid LTC to such employees without deducting TDS.

The SC dismissed SBI's appeal on two grounds. One, it said, according to the rules governing LTC, travel must be done from one designated place in India to another within India.

Two, the SC said LTC should be paid for the shortest route between the two places. It ruled that SBI should have deducted TDS on LTC before paying its employees. Employees wishing to avail of LTC must ensure they comply with its rules (Rule 2B of I-T Rules). ❑

SBM Bank India has announced a strategic partnership with Asia's first end-to-end Embedded Finance platform, "Zwitch"

SBM Bank India and OPEN Financial Technologies Pvt Ltd today announced a strategic partnership for launching Asia's first end-to-end Embedded Finance platform- Zwitch- to offer a no-code, low-code and full-stack API solution that enables fintechs to build their own financial products using Zwitch's technology stack, comprising of a drag-drop dashboard, low code plugins along with 300+ APIs. Non-fintechs like SaaS platforms, health-techs etc. can also use this platform to embed financial features into their product or service.

This is the first time SBM has opened its rails to an Embedded Finance player to roll out these services to the larger enterprise and startup community. Using a service like Zwitch significantly reduces the go-to-market timelines for these businesses, increases their revenue streams, creates newer avenues to engage with existing and new users. For instance, ERP and payroll companies can embed banking and cards into their products, retail stores can offer co-branded cards or pay later solutions to their customers.

Furthermore, Zwitch is built and operated by Open- the world's fastest-growing digital banking enterprise that serves more than 3 million businesses and processes annual transactions worth more than USD 30 billion.

Speaking of the partnership, OPEN's Co-founder and CEO Anish Achuthan added, "This is a very important partnership that helps democratize fintech for everyone including banks, fintechs, startups, small businesses and more. Through our interactions with businesses, we identified the need to embed financial features like savings accounts, credit & debit cards, lending etc. that can open-up new streams of revenue generation and profitability. If these businesses were to take the traditional route of building the technology and getting the required compliances in place, it will take them more than 18-24 months to get an MVP done apart from the high costs involved. With Zwitch, we have built the technology ensuring businesses can embed financial features in a matter of weeks, at 10x lesser cost using our no-code drag and drop widgets or full stack APIs for developers, and without having to worry about compliances. This is going to democratize fintech for all and redefine the Indian business landscape and we are happy to partner with SBM Bank India to amplify this mission."

Neeraj Sinha, Head – Retail & Consumer Banking, SBM Bank India added, "We have been the most vocal supporters and implementers of digital banking in the country. At SBM Bank India, we believe that a diverse and huge country such as India can have no absolute solution to grow, but a blend of various inclusive, collaborative, customized and consistent strategies, and offerings. Our partnership with Zwitch will enable us to further strengthen our value proposition and open new doors for those aspiring to tap digital banking to make a positive difference in and around them."

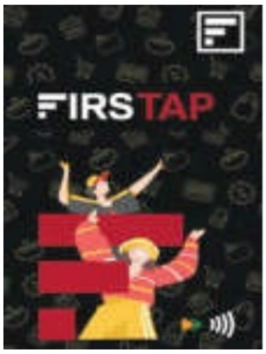
In the past, Zwitch powered Fedo.ai, a health tech company to launch India's first health savings account. Till recently, Zwitch was available only to select clients in limited beta and over 50+ businesses have built their fintech features using the platform. With this partnership, Zwitch's technology and services will be available to the larger business community.

ICICI Bank introduces two new products for NRIs at its GIFT City branch

ICICI Bank today announced the launch of two new products, namely Loan Against Deposits (LAD) and Dollar Bonds, for NRI customers at its branch in GIFT City, the Gujarat-based emerging global financial and IT services hub. ICICI Bank is the first bank to offer these products in GIFT City.

Speaking on the launch, Mr. Sriram H. Iyer, Head – International Banking Group, ICICI Bank said, "We, at ICICI Bank, continue to launch solutions to meet customer needs. In line with this philosophy, we are offering Dollar Bonds and Loan against Deposits to our NRI customers through our branch at GIFT City. Foreign currency bonds are one of the preferred investment options amongst NRI clients. We want to provide our customers with the ease of banking digitally, driving a seamless journey and a hassle-free experience. As we expand our horizons, we are excited to see what lies ahead of us while we continue to create value for our customers across geographies in line with regulatory provisions."

IDFC FIRST Bank Launches FIRSTAP, Country's First Sticker-based Debit Card



IDFC FIRST Bank has launched FIRSTAP, the country's first sticker-based debit card, in association with National Payments Corporation of India (NPCI), to facilitate transactions by simply tapping the sticker on a Near Field Communication (NFC) enabled point-of-sale terminal.

The sticker-based Debit Card is one third the size of a regular debit card, thus making the sticker applicable on a wide range of devices and objects, and significantly enhancing customer convenience. Customers can affix the Sticker-based Debit Card on any surface of their choice, such as cell phones, identity cards, wallets, tabs, airpod cases, etc. The object can be used to tap and pay, thus doing away with the need to carry a Debit Card or adapting to wearable devices such as watches and rings or entering a UPI PIN after scanning a QR code.

The touch-free way to pay enables payments in seconds for transactions up to Rs. 5,000 without a PIN, and those beyond that, with a tap and PIN.

Speaking on the occasion of the launch, Sumit Madan, Head - Retail Liabilities and Branch Banking, IDFC FIRST Bank, said, "The launch of Sticker-based Debit Card is in line with the Bank's customer-centric philosophy. The number of transactions being carried out via contactless cards are growing fast. As a customer-first bank, we are committed to using contactless technology for frictionless digital transactions. With Sticker as the form factor in the wearable category, the debit card is convenient to carry around and enables fast check-out. There are multiple use cases for this form factor and we are very confident of the uptake."

Rajeeth Pillai, Chief Relationship Management and Marketing, NPCI said, "We are delighted to launch the country's first Sticker-based Debit Card on RuPay in partnership with IDFC FIRST Bank. This new innovative offering is an ode to the go-getter, the spirited individuals who are always on the go. RuPay ON-THE-GO is redefining the contactless payments space with its agility and convenience of tap & go. With this new form factor, it seamlessly integrates into the consumers' lifestyle as well as makes it a contemporary choice for modern Indians. At NPCI, we emphasise working with ecosystem partners to bring innovative solutions to any existing latent demand. We are focused on our endeavour of building new, innovative and beneficial products and services for our end-users."

This IDFC FIRST Bank Sticker debit card comes with a complimentary personal accidental cover and 24/7 concierge services with a host of RuPay offers.

India Exim Bank inks pact with RXIL Global to finance export receivables through GIFT City-based ITFS platform

Export-Import Bank of India (India Exim Bank) has signed a Master Agreement with RXIL Global IFSC Ltd. (RXIL Global), a subsidiary of Receivables Exchange of India Limited (RXIL), to finance exports receivables through the ITFS platform situated in GIFT City in Gandhinagar, Gujarat on November 28, 2022. The agreement was signed by Mr. N Ramesh, Deputy Managing Director of India Exim Bank and Mr. Ketan Gaikwad, Managing Director & CEO, of RXIL. ITFS is an initiative of the Government of India to build an electronic platform for facilitating trade financing for exporters and importers by providing access to multiple financiers. This platform shall play an important role in arranging credit for exporters & importers from global institutions through amongst others, Factoring and other trade financing services at a competitive cost.

With the signing of this Agreement, India Exim Bank will be able to offer Factoring and other trade finance products to Indian companies, with an enhanced reach to MSMEs. India Exim Bank will also participate in sandbox transactions of the RXIL's platform. On this occasion, Ketan Gaikwad, MD & CEO of RXIL said, "India Exim Bank is a premier institution and has played a key role in promoting and financing India's exports. India Exim Bank partnering with RXIL Global is a welcome step and will certainly help in shaping ITFS platform for export credit to Indian cross border trade."

COMPETITIVE PRICING IN PAYMENT AGGREGATOR BUSINESS: OPPORTUNITIES AND POSSIBILITIES

Payment Aggregators (PAs) are service providers through which e-commerce merchants can process their payment transactions. Aggregators allow merchants to accept credit/ debit card and bank transfers from the customer without having to set up a merchant account with a bank or card association. The entities who provide technology infrastructure to route and enable processing of an online payment transaction without any involvement in handling of funds are called Payment Gateways (PGs).

Payment aggregators levy various charges on merchants to sustain the business and earn profit. The breakup of Payment gateway charges is:

1) **Setup charges -** Some payment gateways charge one-time setup fee for setting up the merchant account. This fee is charged to cover expenses on on-boarding a merchant like KYC of business, document verification and infrastructure cost.
2) **Annual Maintenance Charge (AMC)-** This fee is charged monthly or annually to the payment gateway as a maintenance charge for software, operation, customer service, version up-gradation, etc. Annual maintenance charges depend on the sort of services merchants have chosen e.g., payment modes, transaction settlement cycles, and integration platforms.
3) **Integration fee -** This fee is charged to integrate the payment gateway on the website or app. These charges depend on the opted platform on which the payment gateway is to be integrated.
4) **Merchant Discount Rate (MDR) -** This is the percentage charged to a merchant as processing fee for payment services. Merchant discount rate is charged by the payment service provider, which is levied for using the payment infrastructure i.e., when a merchant accepts payment from their customers through online payment modes or debit and credit cards in exchange of goods

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and services. The percentage of MDR charges is agreed upon before the merchant agrees to the setting up and utilisation of the services and hereafter, the charges are applicable on the transactions made.

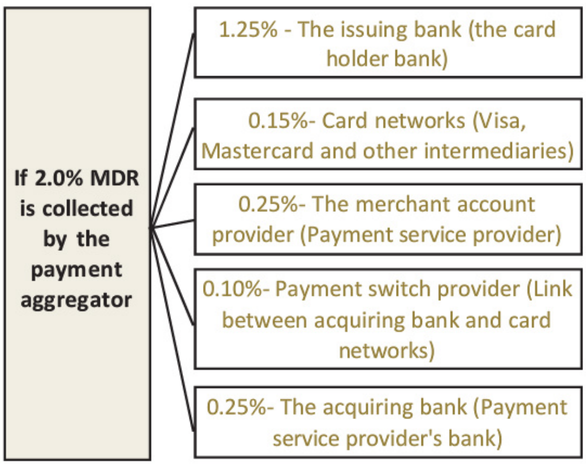
MDR charge may also comprise of switching fee and interchange fees.

a) **Switching Fee -** Switching fee is the fee that the card-issuing institution like, Visa, MasterCard etc. levies and can be referred to as the routing transaction between the parties. RuPay cards, as per government mandate, are free of MDR charges as an initiative to boost the home-grown institution expanding digital payment. Apart from RuPay cards, UPI also doesn't attract any MDR.

b) **Interchange Fee -** Interchange fees include the amount collected by the issuing institution from the acquiring bank. Generally, it consists of a percentage of the total transaction amount and a fixed amount. This fee is charged by the customer's bank from the merchant's bank to process digital transactions.

The merchant tries to pass on the MDR charges to the customers which is called TDR. TDR Stands for Transaction Discount Rate. This fee is charged by the merchants to their customers for making a payment through payment gateway provided by them for collecting funds. A TDR contains processing charges, bank charges, and taxes.

How MDR charges are divided among various entities involved?



Is MDR Charge necessary?

To sustain and nourish the continuity of payment infrastructure, payment processing fees are crucial which are responsible for encouraging global e-commerce. With payment gateways and aggregators being involved in online transactions, MDR charges serve as a profit opportunity for them. Eliminating MDR could potentially kill the industry, leaving no motivation to expand the payment universe.

How aggregator collects charges?

There are three commercial models in practice.

Let's assume: PG Charge = 1%, GST = 18% (Financial Services), Transaction Amount = 1000

1. **Upfront Deduction Model-** Aggregator deducts the charges and GST amount before settling transaction amount to merchant.

   Customer Pays = 1000, aggregator deducts = 11.80 and merchant gets = 988.20

2. **Surcharge Model -** Let us say merchant doesn't want to bear the charges then who will?

   The user, aggregator's charges + GST amount is passed on to the user

   Customer pays = 1011.80, aggregator keeps =11.80 and merchant gets = 1000

3. **Invoicing Model -** Sometimes the model doesn't allow to either deduct money upfront or surcharge to user.

Then, the aggregator raises the invoice to merchant on monthly basis.

Customer Pays: 1000, Merchant Gets = 1000 and Aggregator will invoice amount = 11.80

Opportunities & Possibilities

The market of aggregator business is very competitive. Pricing is one of the deciding factors for the merchants to choose the right aggregator. Payment Aggregators also adopt different strategies for competitive pricing. Charges levied by all Payment Aggregators are almost equivalent. So, apart from levied charges, other factors are also important for gaining the trust of the merchants and grabbing the market share.

1. **Differential pricing strategy for small, medium, and large merchants -** Differential pricing or price discrimination is the practice of setting a different price for the same product in different segments to the market. Price discrimination may improve consumer surplus. PAs need to ensure that they are aware of several factors of the business before proceeding with the strategy of price discrimination. They should have control over the changes they make regarding the price of their product by which they can gain profitability. The price can be decreased or increased at any point of time depending on the fluctuation of the rates.

   In this payment aggregator industry, there is need to segregate merchants in different segments according to their size and the volume of business they are handling. Offering more competitive price to large merchants may be beneficial as they may get less commission per transaction but for overall volume, the income will be significant. Pricing for small and medium merchants may be somewhat premium than the large merchants, as in this aggregator business, volume is the most important factor for getting more income.

2. **Deliver the value (performance, operation support) for long run engagement-** Operational efficiency broadly refers to the ability of an organization to deliver quality services with fewer resources. Making services better will result in satisfied customers. For long run engagement with customers, the value of the services provided is very important.
   - **Performance-** PAsare required to deploy robust system and zero tolerance for downtime. Network and data security should also be strengthened to safeguard the interest of merchants as well as their customers.
   - **Operational support-** In this payment aggregator business, the failure rate of the transactions is 10 to 15%. So, the merchant will need regular support from the aggregator to settle these failed transactions. Non-resolution of these failed transactions will result in dissatisfaction and increased chargebacks complaints.
3. **Choosing which battle, PAs want to fight**
   - **Fight It Out-** Clearly there are times when PAs must engage in a pre-emptive strike and start a price war or respond to a competitor's discount with a matching or deeper price cut of their own. For instance, when a competitor threatens the core business, a retaliatory price cut can be used to signify intention to fight long and hard. Similarly, when they can identify a large and growing segment of price-sensitive customers, when they have a cost advantage, or when their pockets are deeper than competitors' pockets, then engaging in price competition may be smart.
   - **Retreat-** On rare occasions, discretion is the better part of courage. Subsequently, some businesses choose not to fight price wars; in its place, they will give up some market share rather than extend a costly battle.
4. **Better engagements with other stakeholders to avail privileged rates -** The merchant has to bear the charges levied by other entities i.e., card company, customer's bank, merchant's bank etc. Either the merchant bears these charges or pass it on to the customer. There is need to have better engagement with these

stakeholders for more competitive rate for the merchant. As a result, the merchant will be able to increase its income and become loyal customer.

5. **Diversifying product/service portfolio -** Apart from making charges competitive, there is need to diverse the product and services portfolio. Be always well-informed of the market and knowing new and unique services being provided by the competitors is important. The payment aggregator market is evolving very fast, and technology is bringing disruption very frequently. So, the merchant will prefer those aggregators who are providing latest and updated technology solutions.

6. **Creating a niche segment -** There are several niche markets within every industry. If PAs think of a very specific product that serves one of customer's unique needs, it can probably be classified as a niche business idea. five-step niche strategy:
   - **Selecting target customers -** To identify niche, PAs can begin by selecting the general market. A good approach is to focus on an area where they are knowledgeable.
   - **Defining an underserved need -** Analysing target customer and identifying gaps in the marketplace. Products or services should soothe a pain point that the customer is currently experiencing.
   - **Research the customer base -** Researching target customers to understand their needs, goals, motivations, frustrations, and expectations. Getting the customers involved as early as MVP (minimum viable product) development is essential. There is need to perform regular maintenance checks to reassess the customer base and competition.
   - **Creating business plan -** Creating a plan in which PAs define exactly what they'll provide and the need it will meet, describing their ideal customer, and deciding on a pricing model. Fine-tuning business idea to reflect what they have learned about their target audience.
   - **Market business to specific audience -** Just as product or service is niche, their marketing efforts should be focused as well. Targeted ads, blog posts and podcasts are invaluable tools for getting message out to the merchants likely to be interested in their niche business propositions.

Conclusion

Apart from other factors, charges levied by the aggregators are the most important factors which the merchant would be taking into consideration before choosing any aggregator, as it affects the profitability. Therefore, in this fierce market competition, where several aggregators are trying to grab the market share, it is necessary to keep one's charges competitive to become market leader.

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Creditors realise Rs. 2.43L cr via insolvency resolution process

Banks, financial institutions and other creditors of stressed companies have realised Rs 2.43 lakh crore through NCLT-supervised insolvency resolution processes against total claims of Rs 7.91 lakh crore till September 30, 2022. So far 532 CIRPs (Corporate Insolvency Resolution Process) yielded resolution plans, said the quarterly report of the Insolvency and Bankruptcy Board of India (IBBI).

"Till September 30, 2022, the creditors have realised Rs 2.43 lakh crore under the resolution plans. " The fair value of the assets available with these CDs, when they entered the CIRP was estimated at Rs 2.14 lakh crore and liquidation value of Rs 1.37 lakh crore against the total claims of the creditors' worth Rs 7.91 lakh crore," it said.

The creditors have realised 177.55 per cent of the liquidation value and 84 per cent of the fair value (based on 456 cases where fair value has been estimated), the newsletter said. "The haircut for creditors relative to the fair value of assets was less than 16 per cent, while relative to their admitted claims is of around 69 per cent," it added. The report also added till September 2022, 740 CIRPs have been withdrawn under the provisions of section 12A of the Insolvency and Bankruptcy Code. Moreover, the report also highlighted that 64 per cent of the ongoing CIRP has taken more than 270 days, beyond the permissible time frame under the IBC.

COMPLIANCE CULTURE IN BANKS: A KEY TO SUSTAINABLE BANKING

The Reserve Bank of India (RBI) imposed a monetary penalty amounting to Rupees 40 lakhs on a Public Sector Bank in June 2021 for non-compliance with KYC and antimoney laundering guidelines issued by RBI. This is not the only case of penalties being imposed on banks for non-compliance by the RBI, in fact, the RBI has imposed penalties on several other banks including Private, Public Sector and Cooperative Banks as well during this quarter. Such types of penalties seads a wrong message in the public about the bank.

Compliance is defined as the act of conforming to laws, rules, regulations, standards, specifications, various codes of conduct including the voluntary ones and the organization's own internal rules, policies, and procedures. By following prudential norms set by the regulators, the perpetration of frauds and money laundering can be reduced to a great extent if the banks and their employees strictly adhere to compliances and laid down procedures.

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The institution of Banking is of great significance in society and for the nation. They date to ancient times and have continuously prospered and developed with the modern era. Banks are essential to the nation's financial system and control a major portion of the money supply. They deal in public money and have a huge responsibility towards the stakeholders viz customers, regulators, employees, and shareholders.

They face a big challenge of being misused for money laundering and subsequent crimes like drug trafficking and terror financing which follow. Banks are interconnected and the failure of one bank may lead to systemic risk and create a huge crisis for the financial system in a country and sometimes even across multiple countries. That is why the banks are highly controlled institutions in the country and they have to mandatorily comply with many regulations, laws, and policies. In case of noncompliance, they are subjected to sanctions, penalties, and possible financial losses.

The act of not complying with provisions carries with it the risk of legal or regulatory sanctions, financial loss, or loss to reputation a bank may suffer due to perpetration of fraud or bad publicity as a result of its failure to comply with laws, regulations, rules, related self-regulatory organization standards, and codes of conduct applicable to its banking activities. A casual and lax approach towards the concept of compliances and due procedures leads to compliance risk. On the other hand, a strong compliance approach/ culture minimizes the instances of fraud and other errors in paperwork that usually arise in financial transactions.

Regulators can guide the banks, impose penalties, and put sanctions on the banks for non-compliance. The onus of ensuring compliance with the due procedures and other regulations laid down by the RBI and other regulators on the Bank. It is the Bank that stands to lose its reputation or wealth if frauds are perpetrated at its expense or if the bank is being used for engaging in nefarious activities. For this, the bank needs to inculcate and strengthen a culture of compliance in its people and processes.

A strong culture of compliance is regarded as the key to ensuring compliances in the true sense. The importance of compliance in a work culture will be underscored by the illustration below. Here we compare two organisations 'A' and 'B'. A's employees and management understand the need for compliance with the organization's policy, government policies, rules, and everything that needs to be complied with. They also comply willingly with these policies, norms, and rules. The staff is not necessarily required by the organisation to do this, nor is it compelled to engage in this in any manner. The employees have themselves recognised the benefits of adopting a compliance culture and have proactively adopted them. The organisation is proud of its employees for the healthy work environment which they have created and the processes and procedures which they have adopted.

On the other hand, organisation B's employees are the complete opposite and do not understand the need for compliance. They do not take any interest in compliance with the rules. The organisation has itself been arraigned and penalized by the government and the regulators on multiple occasions in the recent past. Furthermore, several cases remain pending against the it in different fora. The organisation hardly questions its employees even in those cases wherein they have committed some mistakes which might have ended up costing the bank and its customers.

In both of these organisations, the staff is almost equally qualified, efficient and selected through a standard procedure. The terms of employment, salary and other conditions are also similar to each other. Despite all this, compliance remains a big challenge for the organisation B whereas organisation A maintains a model work environment and ensures active compliance with rules and procedures.

This gives rise to other questions as to why there is so much difference in their approaches despite not much in their structures? Why is it that the compliance culture is immaculate in one organisation and non-existent in the other? Why are so many Banks lacking in compliance culture?

It is imperative to understand that building a culture makes a big difference among the organisation, small or big, even a country. Here we can take the example of Japan, a country where work culture and cleanliness are inculcated in the public from an early age. The education system and the society actively aim to inculcate good values in the children so that they grow up into responsible adults.

Strengthening compliance in any organisation is of paramount importance. Every organisation should strive hard to inculcate such a healthy and effective compliance culture in itself through training and various forms of communication with the staff.

Though building such a culture may take time but once a culture is built up, then it requires regular adherence, and it sustains for a long time. The most important factor in this exercise of building a compliance culture is that the tone of this compliance culture should be set at the very top and percolate down the management. If the upper management is serious about the culture, then it sets an example for others and creates awareness & accountability within the organisation. If senior officials themselves are not compliant then how can they expect good compliance from others in the organisation. Organisations will have to train and convince the staff in creating a culture of compliance.

This can be understood better by drawing a small parallel which illustrates the importance of change coming from the leadership. When I was in 2nd standard in my school, our curriculum included a small story regarding cleanliness. The story is short and simple but sends a powerful message. In the story, the French President is shown traveling in a car when all of a sudden, he sees a waste paper in the middle of the road. He immediately instructs his driver to stop the car, then he alights from the car, picks up the paper and puts it in a dustbin. This story goes on to show why Paris remains one of the cleanest cities in the world and people yearn to visit it. The French President displayed those values which he expected his countrymen to follow when they looked up to him. The change was driven from the top, hence it reached the very bottom.

The term 'culture' is defined by the online lexicon Merriam Webster as 'a set of shared attitudes, values, goals, and practices that characterizes an institution or organization a corporate culture focused on the bottom line.' There do not seem to be any negatives in a compliance friendly work culture which gives rise to the question as to, why are organisations still lacking in a culture of compliance?

There are several factors which play a role into why organisations do not engage in creating a compliance culture within themselves. These include:

Cost: There is a misperception amongst companies and many organisations remain under the impression that creating and maintaining a compliance-friendly culture will turn out to be a costly affair. But the truth cannot be farther from this, a culture of compliance has been shown to save organisations from massive financial and reputational risk which result from frauds being perpetrated, financial penalties, sanctions, and loss of reputation. Thus, a poor compliance culture may result in heavy costs on the banks which are not limited to mere monetary costs.

Resistance to Change: The employees and the management of an organisation are often too comfortable with the existing relaxed culture and are not comfortable with making any major change in the environment. They are not opposed to the idea of compliance but are mainly opposed to the idea of a change that appears unneeded might bring them out of their comfort zone. They do not have the craze to challenge the status quo.

Focus on business: Several organisations focus more on the business aspect of things and measure success and prospects only in terms of business growth and profits. They do not believe that a culture of compliance is necessitated in order to earn profits and grow business. Many a time it results in conflicts between the departments (business /operational) and compliance departments in the banks.

Dishonesty: There might be another reason why an organisation might be resistant to change. This reason is dishonesty and a culture of financial malpractices which the organisation or its employees might be engaged in. Nobody wants to give up their financial perks and some might find it difficult to forgo dishonest money by bringing in a culture of compliance.

A strong compliance culture should also be inculcated within the employees and ensured in the bank. The act of creating a healthy work environment that adheres to compliances is a long and continuous process and it further involves a very active role by the management, especially the upper echelons of governance. A trickle-down approach needs to be formed and the entire organisation needs to engage in this continuous process which would improve the efficiency and accuracy of the workplace.

It is the responsibility of every section, department, and every employee in the bank to ensure accountability to each other and a culture of compliance. It requires active participation and teamwork to ensure vigilance at each stage of vetting. The staff needs to be vigilant and aware of the latest practices and procedures which are often updated by the RBI. This message regarding the creation of a compliance culture needs to be conveyed to every employee in every bank to minimise risks and protect the financial system and wealth of the nation. ❑

e-RUPI: A MAJOR STEP TOWARDS DIGITAL TRANSFORMATION

e-RUPI is a cashless and contactless instrument for digital payment developed by National Payments Corporation of India(NPCI)in collaboration with the Department of Financial Services(DFS),the Union Health Ministry and the National Health Authority (NHA). Founded on the Unified Payment Interface(UPI) platform created by NPCI , e-RUPI is designed to be a person and purpose specific digital payments solutions . It ensures that government schemes reach ***"intended beneficiaries in a targeted and leak proof manner with limited touch points between the government and the beneficiary"***.

Giving a further boost to the Digital payment system in the country e-RUPI was Launched on August 2nd, 2021 by Honorable Prime Minister Shri Narendra Modi Ji .e-RUPI allows small-ticket person-specific and purpose-specific payments via digital vouchers. The system relies on mobile phones and intended to be seamless , on time payment mechanism. The instrument acts as an e-voucher which is based on a QR code or SMS string, delivered to the mobile phones of recipients which can be redeemed at service provider (e.g. hospital or health care centre) without the need for any card, digital payments app or internet banking access.

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e-RUPI can be used for Covid vaccination process in which government agencies and corporates can issue these vouchers to pay for vaccines . Small ticket subsidies can be transferred using these vouchers. It can also be used for delivering services under schemes meant for providing drugs and nutritional support under Mother and Child welfare schemes, TB eradication programmes, drugs and diagnostics under schemes like Ayushman Bharat Pradhan Mantri Jan Arogya Yojana(the national health insurance scheme for lower income groups), fertiliser subsidies etc. Even the private sector can use this digital voucher as part of their employee welfare and corporate social responsibility programmes. e-RUPI requires no hard copy or copy of voucher for the redemption .

This platform connects the sponsors of the services with the beneficiaries and service providers in a digital manner without any physical interface. It also ensures that payment is made to the service provider only after the transaction is completed. It is pre-paid in nature, so it assures timely payment to the service provider without the involvement of any intermediary. The greatest advantage of using e-RUPI being that the voucher redemption can be tracked by the issuer. It ensures that the money given by any organisation is used for the same work for which it is given.

This e-RUPI voucher is different from other online payment applications in a way that e-RUPI is not a platform. It is a voucher meant for specific services. e-RUPI vouchers are purpose-specific and even if one does not have a bank account or a digital payment app or a smart phone can benefit from these vouchers. According to National Health Authority, eight banks are already live with e-RUPI, including State Bank of India, HDFC, Axis, Punjab National Bank, Bank of Baroda, Canara Bank, IndusInd Bank, ICICI Bank. The financial technologies that are associated with this project includes Pine Labs and Bharat Pe.

Working of e-RUPI :

As far as working is concerned it is based on the following steps enumerated below :

In first step three categories of voucher issuing entities have been duly approved by RBI namely Banks, Payment service Providers which hold licenses for pre-paid instruments . The voucher has a maximum payment limit of Rs.10,000. It is non- transferable and can be used for single transaction only. In the second step fulfilling these above pre-conditions a government agency or corporate can now approach a bank to issue e-RUPI vouchers to the beneficiaries duly identified for the same. Initially the identity will be linked to mobile numbers.

Now in the next step the beneficiaries will be sent QR- code or SMS based vouchers on their registered numbers . This is followed by one time password at the time of redemption of the voucher as a second factor for authentication. There is no requirement of beneficiary bank account details.

In the last step application at merchant's end will be scanned and the e-voucher and the OTP to be accepted.

It is well known that the role of middlemen poses a serious threat in the delivery of government aid to people as it allows leakage and create a huge block that ends up depriving the ultimate beneficiaries. A significant step towards the goal of reducing duplication and fraud in welfare schemes was the launch of the Direct Benefit Transfer (DBT) in the year 2013 , which utilises modern technology and IT tools to achieve faster flow of funds and accurate targeting of beneficiaries.

e-RUPI is easy, safe and secure as it keeps the details of the beneficiaries completely confidential. Here the system is designed in such a way that it enables beneficiaries access government services in a cashless manner thus removing the need of intermediaries. e-RUPI voucher will make digital transactions more prevalent in the country thus playing a vital role in making DBT more effective . e-RUPI will prove a major step in the direction of transparent governance as it will ultimately benefit the targeted beneficiary. It will give a new dimension to the digital governance. ❏

HOW BAD BANKS CAN HELP THE CRIPPLING CRISIS OF NON-PERFORMING ASSETS

The banking sector in India has been affected by the rise in non-performing assets (NPAs) for a long time. This has impacted their profits, and the ongoing pandemic has only made things worse for them. As per a Times of India story, most of the NPAs are from the loans sanctioned by banks to businesses in the mid-2000s when the economy was booming. Many businesses have struggled to repay their loans after the global financial crisis in 2008 as corporate profits decreased, which increased non-performing assets.

According to India's Financial Stability Report released by the Reserve Bank of India (RBI) in January 2021, banks' gross non-performing assets could rise from 7.5% in September 2020 to 14.8% by September 2021 in a severe stress scenario. The Government has recognized the problem, and the Finance Minister announced the creation of a new bad bank in the Union Budget 2021 to resolve the NPA crisis and stabilize the banking sector in India. So now, the question is- What is a bad bank and can it resolve NPA problem?

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What are Bank NPAs?

An Asset becomes non-performing when it stops generating income for the bank. In simple terms, NPAs are loans or advances where the principal or interest payments are not paid by the borrowers for a minimum of 90 days. After 90 days of the non-repayment of interest or principal amount such loan becomes sub-standard assets. Such non-performing assets are classified in to three categories:

Sub Standard Assets: Assets that are remain NPA for the period up to 12 months.

Doubtful Assets: If the non- performing assets remain in sub-standard category for 12 months it will be further classified as Doubtful Assets.

Loss Assets: The non-performing where there is no chance of repayment/ recovery as well as there is no security available in the account.

NPAs impact on Banks:

Banks have to keep aside fund to make a provisioning of prescribed percentage to compensate for the loss due to bad assets. It affects the profitability of banks as they have lesser funds available for lending. As a result of rising NPAs of banks reduce the money supply in the economy and leading to an economic slowdown. As a result of provisioning and losses incurred by the bank capital crisis also occurs which results in capital demand from the Government and the Govt. has to infuse the capital for the credit flow in the economy.

There are some main reasons for the rise in banking NPA's.

Crony capitalism: It is the nexus between political and the business class which have led to the rise of NPAs in banks.

The Government policies: Some of the government policies viz. waiving of agricultural loans have increased NPAs of public sector banks.

Frauds of high magnitude: Some frauds happened in the recent past which leads to rise in NPAs. Such as the Rs.14000 crore scam in Punjab National Bank by Nirav Modi as per the news.

The Global Finance Crisis: The global crisis in 2008 impacted corporate's ability to repay their bank loans which in turn impacted the banks ability to lend more money to corporates.

Bad Lending Practices: When the bank neglect basic factors like repaying capacity the accounts turns NPA in future.

Competition: There is a competition amongst the bank themselves and provide higher quantum of unsecured loan.

What is a bad Bank?

The idea of a Bad bank was first mentioned in Economic survey 2016-17. Public Sector Asset Rehabilitation Agency or PARA, to buy out the NPAs of high value from Indian Banks. Two Models proposed by Shri Viral Acharya; former RBI Dy. Governor in their speech on ways to Resolve Banks Stressed Assets. 1. PAMC- Private Asset Management Company, 2. NAMC- National Asset Management Company. The Indian Banks Association (IBA), have refloated an old idea of creating a bad bank to Finance Ministry and RBI, proposing equity contribution from the govt. and the banks.

Bad bank is an Asset Reconstruction Company which are specialized financial institutions that buy NPAs of banks/ lenders to help clear their balance sheets. Banks sell stressed assets such as delinquent loans to bad banks at a mutually agreeable price to get rid of them and focus on normal banking services. ARCs purchase the rights of banks in loans, debentures and bonds with the main intention of recovering them over time. The banks sell their non-performing assets to ARCs, where they get 15% of the value of these assets in cash upfront as per RBI norms and the remaining 85% through security receipts (SRs) and bonds, which have a maximum maturity period of six years. When ARCs recover the bad loans, they repay the banks after deducting management fees.

As per IBA proposal The Bad Bank will be a 2-tiered structure;

Tier I: ARCs backed by Government

Tier II: ARCs run by Pubic and Private Bodies including banks.

Regulations for Asset Reconstruction Company:

- Asset Reconstruction Company is a company registered under section 3 of the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act 2002.
- It is regulated by Reserve Bank of India as Non-Banking Financial Company (u/s 451(f) (iii) of RBI Act 1934)
- ARCs must have minimum Net Owned Funds of Rs.100 Crore and maintain a Capital Adequacy Ratio (CAR) of 15% of RWA (Risk Weighted Assets).
- The banks must transfer NPAs to ARCs at the net book

value (the assets value minus the bank provisioning against the stressed assets).

How do ARCS get funds:

1. Arcs purchased NPAs from banks at lower price that their actual value
2. Banks transfer NPAs to the ARC along with their respective security (collateral)
3. The ARCs issue Security Receipts (SRs) against these NPAs to raise funds
4. Qualified Institutional buyers (QIBs) invest in these SRs for higher returns as they take a higher risk.
5. ARCs use these funds received from QIBs to make upfront payment while buying NPAs.

How can a Government -backed Bad Bank Solve the NPA crisis?

The Asset Reconstruction Company India, which is owned by financial institutions such as ICICI Bank, IDBI Bank, SBI, PNB and Avenue India Resurgence Pte, is the oldest ARC in India. There are 29 ARCs in India as of March 2021, with the bulk of the assets under management AUM held by the top five ARCs. For instance, 76% of assets under management were held by the top-five ARCs as of March 2020. As per ICRA, Indian banks currently have gross NPAs of around 9.6%, with substantial NPAs of large banks being unresolved for years. The Government can resolve the banking crisis in NPAs through a Government-backed bad bank.

The Government may create a bad bank where the public sector banks are the main stakeholders. It is crucial as many Public Sector Banks (PSBs) hesitate to transfer NPAs to private ARCs, fearing an investigation by government agencies on the reason for these NPAs. PSBs would resolve bad loans through a Government-backed bad bank as they don't fear government interference with their business transactions.

There are some reasons why a government - backed bad bank may resolve the banking NPA crisis:

- ❖ Private ARCs seek deep discounts when purchasing NPAs from individual banks. The government- backed bad bank may help banks get a higher valuation while selling their bad loans.
- ❖ Smaller ARCs with low capital may struggle to conduct cash deals with banks having large NPA accounts. The Government backed bad bank has the funds to purchase the large NPA accounts of banks. Otherwise banks would have to approach the NCLT (National Company Law Tribunal) Court, which is a time-consuming process with the little chance of a resolution.
- ❖ Private ARCs may have to seek approval from many lenders while purchasing consortium loans which causes needless delay and cost overruns. The government-backed bad bank may aggregate the industry's bad loans and ARCs could negotiate with a single entity to purchase NPAs.

The banking sector in India desperately needs a government-backed bad bank to resolve the banking NPA crisis. Banks can easily transfer bad loans to this entity at a higher valuation and focus on productive lending. Moreover, banks have suffered heavy losses by writing off bad loans. The government-backed bad bank could leverage its financial resources to purchase and resolve banking NPAs as the economy recovers from the Covid-19 pandemic.

The advantage of setting up a bad bank, is that it can help consolidate all bad loans of the banks under a single exclusive entity. It will take bad loans off the books of troubled banks, and help free capital of over Rs. 5.00 Lakh Crore that is locked in by banks as provisions against these bad loans. This will give banks the freedom to use the freed- up capital to extend more loans to customer; which in turn will help in economic growth. ❑

REGULATOR'S DIGITAL INITIATIVES AND REGULATIONS

As we all know that digital disruption in Banking and Financial Services is creating plethora of opportunities for service provider to come up with innovative digital products and serve their customers well but at the same time it is a challenging assignment for the Regulators to keep pace with the fast-changing ecosystem for providing safe, secure and cost-effective financial services by creating state-of-the-art payment and settlement systems in the country.

Giving a big push to digital transactions in areas with poor internet connectivity, the Reserve Bank of India (RBI) has recently allowed offline mode of payments using any channel or instrument like cards, wallets or mobile devices.

According to the RBI, transactions are subject to a limit of Rs 200 per transaction and an overall limit of Rs 2,000 for all transactions until balance in the account is replenished. An offline digital payment means a transaction which does not require internet or telecom connectivity. Under this new framework, such payments can be carried out face-to-face (proximity mode) using any channel or instrument like cards, wallets and mobile devices. Such transactions would not require an Additional Factor of Authentication (AFA).

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The Reserve Bank of India (RBI) has created a new department to identify challenges and opportunities in financial technology, particularly around cryptocurrency. The department could be active on the cryptocurrency front, in terms of framing regulations. Apart from cryptocurrency, experts believe the creation of the RBI's central bank digital currency will also fall under its purview.

Likewise, various initiatives were undertaken by RBI to facilitate digital penetration by enhancing acceptance infrastructure across the country and introducing innovative payment options to deepen the reach of payment systems.

A) For improving customer's convenience, some

of the important steps taken by RBI are mentioned below:

1. **Video KYC:**
Video based Customer Identification Process (V-CIP) is an alternate method of customer identification with facial recognition and customer due diligence by an authorised official by undertaking seamless, secure, live, informed-consent based audio-visual interaction with the customer to obtain identification information required for CDD purpose, and to ascertain the veracity of the information furnished by the customer through independent verification and maintaining audit trail of the process. Such processes complying with prescribed standards and procedures shall be treated on par with face-to-face CIP.

2. **Door Step Banking:**
Banks have been asked by the RBI to offer the doorstep banking services on pan India basis and have a framework for determining the nature of branches where these services will be provided mandatorily and those where it will be provided on a best effort basis and make the policy public.

   The list of branches offering such doorstep banking services has to be displayed and updated on the bank's website regularly. Banks will also have to transparently show the charges, in this regard, which needs to be prominently published on their websites.

3. **Online Dispute Resolution (ODR)**
The ODR system was conceptualised as a rule-based technology-driven customer-friendly mechanism for resolving customer grievances and disputes with zero or minimal manual intervention. This will provide a

quick, affordable and accessible dispute resolution system for customers. With the possibility of customer grievances increasing in line with the manifold increase in digital transactions, the ODR system will eliminate the requirement of additional manpower to handle disputes / grievances.

4. **Self-Regulatory Organisation (SRO)**
SRO shall set and enforce rules and standards relating to the conduct of member entities in the industry, with the aim of protecting the customer and promoting ethical and professional standards, including addressing larger concerns, such as protecting customers, furthering training and education and striving for development of members, the industry and the ecosystem as a whole.

5. **Pan-India Cheque Truncation System (CTS)**
To leverage the availability of CTS and provide uniform customer experience irrespective of location of bank branch, banks were advised to ensure that all their branches participate in image-based CTS by September 30, 2021.

6. **24x7 Availability of RTGS System**
The Reserve Bank made available the RTGS system 24x7 on all days of the year from 00:30 hours on December 14, 2020. India has become one of the few countries across the world where RTGS system operates round the clock throughout the year. Round the clock availability of RTGS has provided extended flexibility to businesses for effecting payments and enabled introduction of additional settlement cycles in ancillary payment systems.

7. **Digital Payment Transactions - Streamlining QR Code Infrastructure**
The Reserve Bank mandated that existing proprietary QR codes shall migrate to interoperable QR codes by March 31, 2022 and there shall not be further issuance of proprietary QR codes. These measures are expected to strengthen the acceptance infrastructure and enhance customer convenience due to interoperability and augment system efficiency.

8. **Card Transactions in Contactless Mode - Relaxation in Requirement of Additional Factor of Authentication (AFA)**
The Reserve Bank enhanced the per transaction limit

permitted for contactless transactions (also known as tap and pay transactions) using Near Field Communication enabled EMV chip cards without the need for AFA from Rs. 2,000 to Rs. 5,000.

B) For Ensuring Affordable Costs,important initiatives taken by RBI are as under:

1. Retail Direct Scheme:

Reserve Bank of India (RBI) has notified its retail direct scheme, under which retail participation will be encouraged in government securities by providing prices and quotes to retail direct gilt (RDG) account holders, which will help them in trading in securities.As per the scheme retail investors have the facility to open an online RDG account with RBI.

2. Legal Entity Identifier (LEI)

LEI number facilitates unique identification of the parties involved in financial transactions worldwide, thereby, improving quality and accuracy of financial data systems and ensuring better risk management post the global financial crisis. The Reserve Bank has introduce the LEI number for all payment transactions of value Rs. 50 crore and above, undertaken by entities (non-individuals) using centralised payment systems, viz., RTGS and NEFT.

3. Operationalisation of PIDF

The Reserve Bank operationalised PIDF in January 2021 to encourage acquirers to deploy payment acceptance infrastructure in tier-3 to tier-6 centres and north eastern states.The scheme envisages creation of 30 lakh new touch points every year for digital payments across the country during 2021-23.

C) For Increasing Customer Confidence RBI has taken following steps:

1. Digital Payments Index (DPI)

The Reserve Bank constructed and published a composite DPI to effectively capture the extent of digitisation of payments across the country.The RBI-DPI index has demonstrated significant growth in the index representing the rapid adoption and deepening of digital payments across the country in recent years.

2. Positive Pay System for CTS

In order to augment customer safety in cheque payments and reduce instances of fraud occurring on

account of tampering of cheque leaves, the Reserve Bank announced a concept of Positive Pay Mechanism for all cheques of value Rs. 50,000 and above. Under this mechanism, cheques are processed for payment by the drawee bank based on information passed on by its customer at the time of issuance of cheque.

3. Guidelines on Regulation of Payment Aggregators (PAs) and Payment Gateways (PGs)

In terms of extant instructions issued by the Reserve Bank on regulation of PAs and PGs, PAs cannot store customer card credentials within their database or the server [i.e. Card-on-File (COF)]. Similarly, their on-boarded merchants cannot store the payment data of their customers.

4. Geo-tagging of Payment System Touch Points

The Reserve Bank has established a framework to capture the location and business details of commercial bank branches, ATMs and business correspondents (BCs). It is envisaged to extend a similar framework to capture and maintain information about PoS terminals and other payment system touch points as well.

D) Other Developments:

1. UPI/RuPay International Outreach Initiatives

The Reserve Bank participated in regional outreach programmes organised by the Bank for International Settlements (BIS), where the possibility of leveraging UPI system to facilitate cross-border transactions was presented to participants.

2. Developments in CCIL

CCIL improved risk management by fixing lower limits based on internal rating and stepping up haircut rates for weaker entities; and also extended the FX-Retail platform by introducing booking and cancelling facility for forward contracts for bank customers besides operationalising 'Request for Quote' (RFQ) module on negotiated dealing system (order matching).

3. **e-Baat Programmes and Awareness Campaigns**
The Reserve Bank has been conducting electronic banking awareness and training (e-BAAT) programmes regularly for the benefit of cross-section of customers/ bankers/students/ public.

4. **RegTech Solutions for Effective and Focused Regulations**
The Reserve Bank has joined the Global Financial Innovation Network (GFIN), a network of over 50 organisations committed to support financial innovation.

5. **Sarthi - Electronic Document Management System (EDMS)**
The Reserve Bank introduced its Electronic Document Management System, named as Sarthi, to facilitate and automate the various facets of document processing and management in a safe and secure manner.

6. **Implementation of Next-Generation e-Kuber:**
e-Kuber system is being refreshed to improve the functionalities by leveraging on technological developments and will facilitate enhanced automation of processes, flexibility of integration with external and internal systems, ease of change management, enhanced modularity, reporting with comprehensive real time dashboards, front end improvements for enhancing productivity and robust controls.

Conclusion

In sum, the Reserve Bank continued its efforts to develop state-of-the-art payment and settlement systems in the country and enhance the digital payment experience of the consumers, while ensuring adequate security measures. These initiatives have facilitated smooth transition towards a less cash society with improved transaction efficiency and a delightful digital experience. ❑

SEBI plans regulations for 'finfluencers,

The Securities and Exchange Board of India (Sebi) is working on guidelines for financial influencers — popularly known as 'finfluencers' — who give advice to stock investors on various social media platforms like Twitter, Youtube, Instagram and Facebook.

"We are working on the guidelines for financial influencers," Sebi Whole-time Member S K Mohanty said on the sidelines of a CII conference on 'Corporate Frauds: Governance and Risk Management'. The Sebi move follows a sharp rise in the number of various 'unregistered' investment advisors giving unsolicited social media 'stock' tips on various social media platforms. There were also reports that certain companies used social media platforms to boost their share prices through such finfluencers. Finfluencers are people with public social media platforms offering advice and sharing personal experiences about money and investment in stocks. Their videos cover budgeting, investing, property buying, cryptocurrency advice and financial trend tracking.

Mohanty said frauds are neutral and can take place in any company irrespective of whether it is listed or not, more so, in the wake of instances of digital data thefts and technological risks. He expressed concern on eroding trust of retail investors against the backdrop of an increasing capital markets investor base.

He said the rate of corporate frauds is increasing at a high pace. Stating that the Sebi has been constantly upgrading surveillance and technology, he said diversion of funds/ assets not only leads to erosion of wealth for shareholders, creates anarchy and financial crisis but also leads to ethical crisis and reputational risk.

Some of these finfluencers have lakhs of followers with their investment advice being closely followed by millions of people across the country. They post videos in English, Hindi and a mix of English and Hindi. What has raised concern is that scamsters are using this route to manipulate share prices. "Saw an article by an online portal claiming that finfluencers get paid Rs 7 to 9 lakh per endorsement to push financial products on social media. All investors, please do your own due diligence and check the credentials of financial influencers giving the advice," a fund manager tweeted.

SHRINKFLATION – WHATS IN IT FOR BANKS!

The global economy is on the mend albeit with some aberrations. The correction in the economy could have been faster had it not been because of the ensuing Russia Ukraine war. The supply disruptions, the flight of capital, the falling valuations of currencies and the burgeoning inflation are the spoils for all to keep. The last couple of years have been disastrous for the International Business Landscape. The aftermath of all this chaos is skewed, while many corporations and Industries are back on their feet after some resuscitation, there are some that have perished.

For both Institutions and Individuals, what is adding to their already filled cup of woes, is Inflation. Even if supply levels of raw materials are back to pre-covid levels, the cost of procurement has risen. This additional cost is partially negated by passing it onto the consumers and by downsizing workforce. The question that begs to be answered is the severed workforce redeployed back completely or not? There is more to the official unemployment data that meets the eye!

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Corporations are watchful and treading the path cautiously. Is it that simple for companies to pass on the burden to the consumers? The answers can be aplenty. It will depend on the inherent utility and necessity a product actually possesses or is, as perceived by the consumer. This is bordering on simple economics but in reality the companies are playing it stealthily as customers are spoiled for choices. If we just look within, our country is experiencing Shrinkflation where in the price of actual consumer goods is maintained at steady levels whereas the packaging is modified. For eg: A toothpaste tube weighing 250gms which perhaps measured 15 cms earlier is now about 13 cms but with no change in price. Consumers are proven price negotiators and an upward revision in prices catches their immediate attention.This grammage trimming or shrinkage along with manipulation in packaging is a respite for companies now, as this invariably goes unnoticed by the consumers.

Shrinkflation as a concept isn't unethical but some would liken it to playing a 'cheeky' shot in cricket. This concept of Shrinkflation has gained prominence now and the unversed are visibly flabbergasted. Butthis is an age old practice. Few notable instances of Shrinkflation related to the past, are as under:

a) In 2014, Coca-Cola reduced the size of its large bottle from 2 liters to 1.75 liters.
b) In 2010, Kraft slashed the weight of Toblerone bars from 200 grams to 170 grams.
c) In 2010, Tetley reduced the number of teabags sold in one box from 100 to 88.

The major benefits companies visualize through shrinkage is that the demand for their products remain unchanged.

Now let's steer towards the Indian Banking Industry and super impose the concept of Shrinkflation on it. While the concept is widely extended to manufacturing companies, can banks also take a leaf out of it? Will it be viable?

It can be best decided by the readers, however an attempt to conjure up the shrinkage possibilities with unchanged cost structure is as follows:

a) Can banks resize the debit and credit cards
b) Can banks resize the cheque books?
c) Can banks resize the deposit and withdrawal challans?

While banks have resorted to cost effective measures by hosting banking transactions on digital medium, further shrinkage in physical accessories may improve their bottom lines. Banks are struggling with their margins more than before since now the rates are linked to Repo, the revision of which is in the hands of RBI. Banks will have to maintain certain consistency in deposit rates in order to strengthen their advance base.

On the other hand lending rates can't be tweaked much as it will impact the lending businesses. This given that the lending business in India hasn't really peaked post pandemic. Banks are therefore left with commission/fee based income and digitalization to spruce their financials. The residual portion pertaining to cost shocks can further be absorbed through shrinkage in tangible products.

While the concept of Shrinkflation is yet in its infancy in terms of application in banks, the prevalent and prevailing conditions in the country and elsewhere may force or compel banks to think on similar lines very quickly. What is to be seen is how banks maneuver through this phase and realign their strategies. Banks in India have to be in all preparedness because after the introduction of Digital Currency, the deposit base may also take a dent and to retain physical deposits, banks will have to shell out more. While the expenses will amplify on certain fronts, the reduction of it on certain fronts shall help banks remain favorably poised. This seemingly is the feasible way ahead.

The views expressed in this article entirely belongs to the author and the employer bears no responsibility. ❑

ECB may have to cool growth to control inflation, says Lagarde

The European Central Bank may need to raise interest rates so much that they dampen growth as it fights sky-high inflation, while any runoff in the ECB's bond holdings must be "measured and predictable", its chief Christine Lagarde said. The ECB has raised rates by an unprecedented 200 basis points since July and flagged yet more policy tightening via rate hikes, the reduction of its 5 trillion euro ($5.2 trillion) debt holdings and more expensive bank funding. "We expect to raise rates further - and withdrawing accommodation may not be enough," Lagarde said in a speech at a conference.

"Interest rates are, and will remain, the main tool for adjusting our policy stance," she said. "Acknowledging that interest rates remain the most effective tool for shaping our policy stance, it is appropriate that the balance sheet is normalised in a measured and predictable way."

The comments suggest the euro zone's central bank aims to shrink its 3.3 trillion euro Asset Purchase Programme of mostly government debt passively, possibly putting it on auto pilot instead of using it to actively manage the ECB's policy stance.

INNOVATIVE WORKING CAPITAL FINANCE METHOD

"A Way Forward"

Introduction

Banks are playing a crucial role in national development. By way of extending credit, Banks provide necessary assistance in developing industries and trade, resulting in increased production, employment and profits thereby paving the way for prosperity of the nation with growth in GDP and National Income.

With changing time and economic ecosystem, the pattern of funding to businesses through various assessment methods has also witnessed many changes. Credit assessment methodologies ought to be dynamic in tune with this economic dynamics.

This article is an attempt to present an innovative and flexible way of assessment of working capital needs of a business unit with this transformed economic era especially after Liberalisation, Privatisation and Globalisation (LPG) in 1990's and with coming up of new refined definitions of Priority sector lending and MSME quite recently in the year 2020. Further, with this COVID pandemic that has adversely affected the business environment, this flexible approach of credit assessment for working capital requirement will definitely find a favourable place.

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Working Capital refers to the current assets of an enterprise. The assets representing working capital rapidly converts from one form to another in a short period of time. The quantum of working capital requirements may depend on various factors like operating efficiency, technology employed, level of quality control, demand and supply gap, nature of activity, availability of raw material, labour, power & fuel etc.

With changing business dynamics, different methods of working capital assessment got evolved as per the requirement and demand of industries.

Important FBF is different

Flexible Bank Finance (FBF) method is a re-engineered version of Maximum Permissible Bank Finance (MPBF) Method with borrower friendly approach where the scope of Current Assets is broadened.

Under Flexible Bank Finance (FBF) method a more liberal approach is adopted in working out current assets with changed business scenario and economic ecosystem in our country.

Various Assessment Methods for Working Capital Requirement

The prevalent Working Capital assessment methods are -

1) Maximum Permissible Bank Finance (MPBF) Method
2) Turnover Method
3) Cash Budget Method

A working Group headed by Shri P. L. Tandon was constituted by RBI in July 1974 to suggest methods for effective delivery of industrial credit based on performance and projections of borrower. This committee came out with inventory and receivables norms meaning thereby that borrowing entity should maintain only required level of current assets and move towards leaner inventory and receivables holding period. Concept of Maximum Permissible Bank Finance (MPBF) was enunciated by the committee for assessment of working capital and suggested methods to ensure judicious allocation of bank credit.

Turnover Method was prescribed by Shri. P.R.Nayak and is based on sales cycle of an industry, where bank credit to the borrowers' margin should be maintained in the range of 80:20 i.e working capital limit shall be computed at 20% of the projected sales turnover accepted by the bank. The most important and basic assumption of this method was the working cycle which was accepted to be of 3 months (90 days).

Cash Budget Method is adopted in case of specific industries/ seasonal activities such as Software development, Construction industry, Film industry, Sugar, Fertilizers etc and working capital short term loans. Here, required finance is arrived at from the projected cash flows and not from the projected values of assets and liabilities.

Features of MPBF METHOD

Tandon Committee came up with the findings and recommendations on financing working capital requirements and suggested three approaches (report submitted in year 1975)

I. Committee considered bank credit as the source of last resort which should be tapped only after all the internal (promoter's contribution) and external sourced (Sundry Creditors) of funding working capital requirement at the disposal of enterprise is exhausted. The role of NWC as promoter's margin towards WC requirement is firmly established in the process.

II. In view of the above observations Tandon committee prescribed three alternative methods of WC finance also known as MPBF (Maximum Permissible Bank Finance).

III. All three methods recognised that banks would lend only a portion of working capital gap (WCG), which is the value of acceptable level of CA after netting of the other sources of funding WC requirement.

First Method of Lending

Under this method, margin contribution of borrowing enterprise which would be at minimum level of 25% of WCG. Such margin is contributed by NWC of enterprise. This method required current ratio at a minimum level of 1.17:1.

Second Method of Lending

Under this method, borrower contribution is minimum 25% of total current assets requiring current ratio at a minimum level of 1.33:1.

Third Method of Lending

Under this method, borrower's contribution is to the extent of entire core current assets comprising of absolute minimum level of raw materials, stock in process, finished goods and stores to ensure continuity of production and a minimum of 25% of balance current assets is financed out of the long term funds and term borrowings. This method was not accepted for implementation and is of academic interest only.

Some prescriptions of Tandon Committee in above methods were very stringent and could not find place in Indian business environment, post liberalisation of Indian economy and hence RBI made it optional in 1997, giving greater operational freedom to banks in dispensation of credit.

Hence banks started devising their own way of financing working capital and thus came an innovative method "Flexible Bank Finance Method" which is being used by some banks like Union Bank of India.

Features of Flexible Bank Finance Method

Flexible Bank Finance Method is an extension of permissible Bank Finance (PBF) Method with customer friendly approach in as much as the scope of Current Assets is made broad based and for evaluating projected liquidity, acceptable level of Current Ratio (Current assets/ Current liabilities) is taken at 1.17:1

Flexible Bank Finance (FBF) method shall be applicable as per amount of exposure as under-

1) MSE accounts- Above Rs.5.00 Cr
2) Non MSE accounts- Above Rs.1.00 Cr

Under FBF method, there is uniformity in classification of current assets and current liabilities as per CMA format.

The assessment of credit requirement of a party shall be made based on the projected study of the borrower's business operations vis-à-vis the production / processing cycle of the industry. The projected level of inventory and receivables shall be examined in relation to the past trend of unit, market developments and industry trend.

FBF method is based on the assessment of limit as the difference between Working capital gap and Projected Net working capital.

The GAP in required level of resources to maintain the projected level of current assets and the manner in which the current assets are managed need to be examined.

Assessment under Flexible Bank Finance (FBF) method

Firstly, we need to analyse non financial parameters of borrowing entity, like proper due diligence including KYC compliance of borrowers, guarantors, property/ ies offered as security, audit observations and operational aspects (in case of existing accounts).

Alongside, we need to focus on financial parameters like financial due diligence, sanctity of data and information submitted by the prospective borrower. Assessing authorities now insist upon obtaining financial statements, various certificates etc issued by Chartered Accountants (CA).

For assessment of working capital limit under FBF method, there is need to understand and evaluate three components as under-

1) Obtaining financial data in CMA format (Credit Monitoring Arrangement).
2) Operating cycle of the business.
3) Holding period of current assets and creditors in the business.

CMA format consists of the following 6 parts/ forms-

Form-I: Particulars of existing/ proposed limits from the banking system

Form-II: Operating statement

Form-III: Analysis of balance sheet

Form-IV: Comparative statement of Current assets/ Current liabilities

Form-V: Computation of MPBF for working capital

Form-VI: Funds Flow statement

Information provided in Form II, III, IV, and VI serves the detailed financial analysis. Form V shall be used for computation of FBF. In Form-I information relating to working capital and term loan borrowings (existing and proposed) is obtained. Additional information regarding borrowings from Non Bank Finance Companies (NBFC), borrowings from Term Lending Institutions for working

capital purpose, Inter Corporate deposits taken, Lease finance availed shall also be collected in Form-I.

How to calculate working capital limit under Flexible Bank Finance method

The quantum of finance is calculated as under-

Sr No		Particulars
1		Total Current Assets (TCA)
2	Less	Current Liabilities (other than Bank Borrowings)
3		The resultant is Working Capital Gap (WCG)
4	Less	Less Actual / Projected Net Working Capital (NWC)
5		The resultant is eligible finance (FBF)

To find out whether there is sufficient margin in the system, the following calculations in % terms are also made immediately after the arrival of Flexible Bank Finance

1. NWC (margin) to Total Current Assets (TCA) (%)
2. FBF (Limits) to Total Current Assets (TCA) (%)
3. Other Current liabilities to TCA (%)

Classification of Current Assets/ Current Liabilities (Form-III)

Under Flexible Bank Finance (FBF) method a more liberal approach has been adopted for classification of current assets and includes the following as part of current assets-

I. Margin in the form of cash deposits for LCs (Letter of Credit) and Bank guarantees.

II. Fixed deposits with banks and government.

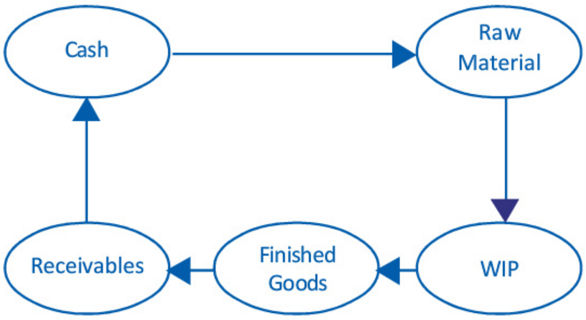
III. Temporary investments like
   i) CP (Commercial paper)
   ii) CD (Certificate of Deposit)
   iii) MMMF (Money Market Mutual Funds), that are made with prior consent of the bank for parking short term funds

Verification of levels of Inventory/ Receivables/ Sundry creditors

The projected level of these is to be examined with reference to the borrower's specific operational strengths and weaknesses, their need to hold the current assets at projected levels and their ability to absorb costing involved in carrying inventory/ receivables at the projected level.

II. Concept of working capital operating cycle

In simple terms, Operating Cycle means the length of time required to convert "Non Cash current assets like raw material, work-in-progress, finished goods and receivables into cash.



III. Holding period/ level

Holding level means the period of a particular current asset or current liability after which it is converted or realized or is paid.

The justification of holding period holds the crucial part of the FBF system of finance.

A business unit needs to hold the stock of raw materials, work-in-progress, finished goods (stock in case of traded goods) for a length of time in the workplace before despatching the final products to the customers.

The holding levels are studied in comparison with the holding levels of similar units in the industry, wherever available. The study of the requirements / holding levels of raw materials, finished goods, stores, stocks in process etc. should be based on the past trend of the concern. The levels of projection to be examined with reference to the borrower's specific operational strengths and weakness, their need to hold the current assets at the levels projected and their ability to absorb cost of carrying inventory / receivables at the levels proposed.

Normally the holding period is calculated for the following items of current assets and current liabilities for examining the projected level of inventory and receivables and creditors.

Components of current assets

- Raw materials consumed
- Other consumable spares
- Stocks in process
- Finished Goods
- Export Receivables
- Other Receivables

Components of current liabilities

- Creditors for purchases

Calculation of Holding period

Raw Material Holding period:

Holding period of raw material (RM) in months is measured by the Average stock of RM divided by RM consumption multiplied by 12.

a) RM Holding Period = Average stock of raw materials *12 / Raw Material Consumption

b) Raw material consumption is measured by Opening stock of Raw Material plus Purchase of Raw Material minus Closing stock of raw material.

c) Average stock of RM is measured by Opening stock of RM plus Closing stock / 2

Work In Progress Holding period:

Holding period of Wok-in-Progress (WIP) in months is measured by the Average stock of WIP divided by Cost of production (CoP) multiplied by 12.

a) WIP Holding Period = Average stock of WIP * 12 / Cost of Production

b) Average stock of WIP is measured by Opening balance of WIP plus Closing stock of WIP divided by 2.

c) Cost of Production is measured by Raw Material consumed + Manufacturing expenses + Depreciation + Opening stock of WIP - Closing stock of WIP.

Finished Goods Holding period:

Holding period of Finished Goods (FG) in months is measured by the Average stock of FG divided by Cost of Sales (CoS) multiplied by 12.

a) Holding period of FG = Average stock of FG x 12 / Cost of sales

b) Average stock of FG is measured by Opening balance of FG plus Closing stock of FG divided by 2

c) Cost of Sales = Cost of Production + Opening stock of FG - Closing stock of FG.

Receivables Holding period:

Holding period of receivables/ Debt Collection period in months is calculated is measured by Average Receivables Outstanding multiplied by 12 and divided by Gross Credit Sales.

a) Debt collection (in months) = Average Receivables Outstanding x 12/ Gross credit sale

b) Average receivables outstanding = Sundry debtors + bills receivables inland + bills purchased and discounted by banks inland.

Creditors Holding period:

Creditors' holding period in months is measured by multiplying Trade Payables by 12 and dividing by Purchase

a) Creditors holding period = Trade Payables *12 / Purchase

Monitoring of Working Capital Advance sanctioned under FBF method

It is important that the sanctioned working capital facility is monitored properly and on a continuous basis. Banks have devised certain tools for monitoring of the account.

In order to monitor performance in working capital facilities certain statements need to be scrutinised as under-

1) MSOD: Monthly Select Operational Data
2) QPR: Quarterly Progress Report
3) CA certified Book Debt statements

Conclusion

We need to work in synergy with economic dynamics and we cannot stick to any particular model of working capital assessment. With the changing economic arena worldwide, the businesses in India need to be oriented in that direction. For that, it is pertinent that new models are created for funding business enterprises that should be flexible enough to assimilate ground realities of business, meaning by, Development should be intrinsic in these methods. Flexible Bank Finance method is an effort for that intent. It will pave a way for more liberal approach for development of enterprises in tune with liberalised economy and is worth being implemented across banks and Financial Institutions. ❑

THE MONOPOLIZING TENDENCY OF THE BIG-TECH FIRMS AND APP STORE OPERATORS : NEEDS REGULATION

Big-tech firms that is Internet based companies and social media firms such as face book, whatsapp, apple, goggle, microsoft and even amazon and netflix have been leveraging their tremendous market share to establish their own monopolies in their respective domains. In this regard the functioning of app store operators such as apple and google has come into question, as they are seeking to monopolize the app based economy.

The global economy has largely turned into an app based economy because the consumers are availing various goods and services through apps or mobile applications, be it for ordering food, or for booking a cab, or for booking movie tickets or for shopping online. The consumers rely on mobile applications and all these mobile apps, which are developed by third party app developers, are placed on the app stores. There are app stores such as the play store of google or apple store of apple, where the consumers download these third party applications to access digital commerce and to avail ourselves of these various economic services. So all the third party apps that are developed, they are stored on the app stores which are run and maintained by these big tech companies, that is goggle and apple and essentially they have become the gatekeepers, who are regulating access to the app based economy.

So this gives these companies tremendous powers as they not only get to monopolize the massive amounts of data that they are collecting but they can also leverage their dominant position in the market and misuse it to create an unfair advantage for themselves thereby placing the third party app developers at severe disadvantage because of their dominant position in the market and since they function as gatekeepers to the app based economy all the app developers are dependent on the app store operators and even we as consumers have come to entirely rely upon these app store operators. It has been noticed that these app store operators they have been forcing the other app developers to

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mandatorily make use of their instore payment system and if a third party app developer tries to develop their own payment system they are even removed from the app stores by citing their internal policies and terms and conditions.

So such force full and mandatory usage of instore payment systems essentially qualifies to be seen as an anti-competitive, anti-trust policy which unfairly affects the app developers and allows the high-tech companies to establish a complete monopoly where they get to dominate the app based economy. Such anti-competitive, anti-trust practices of the big tech firms affects not just the small app developers and the third parties but it even has a significant impact on the consumer because such monopolization affects the choice that we have in the market. These companies which have a dominant position in the market they can choose to determine what kind of access and choice we as consumers have in the market.

This in turn stifles competition and even innovation and once choice and competition reduces automatically the cost will go up for the consumer because that is exactly what will happen in case of a monopoly so the third party applications developers and the small app developers and the consumers would be placed at a severe disadvantage and they would be placed at the mercy of these monopolies. So this is a grave concern that has emerged with regard to functioning of big tech firms and around the world. The governments are seeking to take action against the big tech firms by bringing their policies and their services under the strict regulation.

Recently South Korea became the first country to bring out one such regulatory policy which has been termed as the anti-google law. South Korea recently amended its telecommunications business act in order to prevent app

store operators like google and apple from forcing app developers to mandatorily use there instore payment system. The law enacted by South Korea represents the global momentum that is gaining towards regulating the big tech monopolies.

Even in Australia recently a law was brought out which mandates internet platform and social media firms like face book and the others to pay media outlets for publishing their content. Then in the European Union a draft law is being worked out on similar lines to regulate the functioning of big-tech firms like google, apple, facebook and the others have even faced several anti-trust, anti-competition investigations in the European jurisdictions.

In the United States as well, a group of senators have proposed a bill to regulate the functioning of the big-tech firms around the world, they are even facing several legal cases and legal challenges and in many jurisdictions anti-trust, anti-competition investigations have been opened against the big-tech companies.

Even in India the Competition Commission of India is looking to open similar investigations against the likes of apple and google. So in this context, it is the right time to say that the time is right for India as well to follow the global trend and bring out an effective law to regulate the big tech companies which are seeking to establish their monopolies and create a legal framework especially to regulate the functioning of app store operators.

The Indian government has recently extended support to the establishment of the Open Network for Digital Commerce, which is seeking to democratize e-commerce around the world and recently the Indian government has shown the willingness and intentions to further regulate internet and tech based companies. So if we have to protect the truly open and democratic nature of the internet, then governments will have to actively prevent the emergence of such monopolies which end up stifling choice competition and raising costs which affects the consumer and as well as the whole industry.

Hence this is the appropriate opportunity which is calling upon India, to make use of this momentum to bring in adequate regulatory policies and laws to prevent the formation of these monopolies in order to protect technological innovation and the consumer choice in today's app based economy. ❑

Why Boeing is investing $200m in India R&D centre

Todd Citron, chief technology officer and VP & GM of Boeing Research & Technology (BR&T), says the aircraft maker's India R&D team has been central to a number of the company's products. It's now strengthening these capabilities with a $200-million, 43- acre wholly-owned engineering and technology campus in Bengaluru. This will be Boeing's largest facility of its kind outside the US.

"The tremendous talent here is contributing to both our defence and commercial sides, not in just support roles, but also in design and development of products," Citron told Times Techies from the US.

The Boeing India Engineering & Technology Centre (BIETC) currently has some 4,000 employees, of which over 3,000 are engineers. The company plans to increase the strength by 25%.

Through a joint venture in the US called Wisk, Boeing is currently working on an autonomous fourseater electric vertical takeoff and landing (eVTOL) air taxi designed for passenger transport. Citron said over time, the company will leverage the India capability to support Wisk.

The India centre is currently playing a significant role in Boeing's efforts to achieve net zero emissions. The aviation industry has to get there by 2050. Sustainable aviation fuel (SAF), Citron said, will contribute to 70% of the reduction required to get to net zero. "Our aircraft are compatible with 50% SAF blending. By 2030, we expect aircraft to be compatible with 100% SAF. Thekey thing to focus on, however, is the availability of SAF. We are working on hydrogen (as a fuel) also," he said, adding, "One of the advanced tech we are pursuing is truss-braced wings that are very thin wings for significantly higher aerodynamic efficiency. "

The India team, he said, is extremely good in the use of cutting edge technologies, including AI and ML, to address such issues and create new opportunities. "They are developing the technologies for the future, whether it's with software or electrical/structural design," he said.

For instance, BIETC has been working on improving efficiency of aircraft maintenance through AI/ ML. Thousands of wires are tucked inside aircraft walls that require regular checks. While each wire has a specific purpose, reducing their numbers makes maintenance easier, and reduces chances of human error. But doing that requires transitioning from legacy formats to digital enterprise data standards. Manual data formatting is painful and long.

On average, it takes 18 hours to transfer a single design while synchronising wiring data, capturing cable length, and adding individual component part numbers. BIETC, in collaboration with teams in the US, applied ML and automation tools to improve and accelerate this transition of wiring designs.

ML is now helping automatically correct wiring design, and validate design without extensive rework. This has enabled improved production and maintenance of Boeing aircraft, with substantial savings in labour hours and cost. ❑

Net worth of Tirupati temple more than that of Wipro, ONGC

Tirupati's world famous Lord Venkateswara temple's net worth of over Rs 2.5 lakh crore (about USD 30 billion) is more than the market capitalisation of IT services firm Wipro, food and beverage company Nestle and state-owned oil giants ONGC and IOC.

Tirumala Tirupati Devasthanams, keeper of the temple dedicated to Tirupati's presiding deity, for the first time since its founding in 1933 declared its net worth.

Its assets include 10.25 tonnes of gold deposits in banks, 2.5 tonnes of gold jewellery, about Rs 16,000 crore of deposits in banks, and 960 properties across India. All these total to over Rs 2.5 lakh crore.

At current trading price, the networth of Tirupati temple is more than several blue-chip Indian firms, according to stock exchange data.

Bengaluru-based Wipro had a market cap of Rs 2.14 lakh crore at close of trading, while UltraTech Cement had a market value of Rs 1.99 lakh crore.

Swiss multinational food and drink major Nestle's India unit, with a market cap of Rs 1.96 lakh crore, too was valued below it.

State-owned oil behemoths Oil and Natural Gas Corporation (ONGC) and Indian Oil Corporation (IOC) too were valued less than the temple trust and so was power giant NTPC Ltd, auto makers Mahindra and Mahindra and Tata Motors, world's largest coal producer Coal India Ltd, mining conglomerate Vedanta, real estate firm DLF and several others.

Only about two dozen companies have market valuation larger than the temple trust's networth.

These include billionaire Mukesh Ambani's Reliance Industries Ltd (Rs 17.53 lakh crore), Tata Consultancy Services (Rs 11.76 lakh crore), HDFC Bank (Rs 8.34 lakh crore), Infosys (Rs 6.37 lakh crore), ICICI Bank (Rs 6.31 lakh crore), Hindustan Unilever Ltd (Rs 5.92 lakh crore), State Bank of India (Rs 5.29 lakh crore), Bharti Airtel (Rs 4.54 lakh crore) and ITC (Rs 4.38 lakh crore).

Tirumala Tirupati Devasthanams (TTD) is growing richer and richer as the cash and gold offerings made by devotees at the hill temple continue to rise and fixed deposits in banks are also generating more income in view of increase in interest rates, a temple official said.

The assets owned by TTD include land parcels, buildings, cash and gold deposits in the banks, given as offerings to the temple by devotees.

Assigning a value to priceless antique jewellery and properties including cottages and guest houses on the seven hills to provide amenities to devotees could be misleading and hence does not form part of the estimated general asset value, temple officials said.

The sprawling seven hills are held sacred by devotees and are revered as the abode of Lord Venkateswara.

In its about Rs 3,100 crore annual budget for 2022-23 presented in February, the TTD has projected over Rs 668 crore as income in the form of interests from cash deposits in banks. Also, Rs 1,000 crore income was predicted in the form of cash offerings alone -- by about 2.5 crore devotees -- in the hundi of the hill temple.

TTD administers a large number of temples in Andhra Pradesh, Tamil Nadu, Telangana, Odisha, Haryana, Maharashtra and New Delhi. *(Source: BS)*

How family members or legal heirs can trace deceased person's assets

Some people are very organized about their investments-they maintain records, specify nominees, and even keep their families informed. But there are many who spend much time agonizing over where to invest, and also do not pass on the information about their assets to their family members. What happens when individuals die without giving their families any clues about their investments? Are there ways to unearth information about a deceased's investments?

Family members or legal heirs of a deceased can start by searching for any physical documents, or get in touch with their chartered accountant (CA) or tax advisor, if any. Else, they can rely on the deceased's income tax return (ITR) or Annual Information Statement(AIS). But, for these, one needs access to that person's mobile phone and PAN. If you do not have the PAN, is there a way out? According to Nadiya Sarguroh, principal associate, MZM Legal, LLP one way to do this could be to apply for re-issue of the deceased's PAN card as his legal heir. "This application will most likely get rejected as there is no defined process for re-issuance of a deceased's PAN card. If it is rejected, you could possibly reach out to the courts in a writ jurisdiction to issue a directive to the I-T authorities to re-issue the deceased's PAN to the family members," says Sarguroh.

Physical documents and IDs: One can begin by searching for bank and other investment documents at home such as the deceased's bank passbooks or cheque books, diaries with notes, or PAN card and bank locker keys-all of which can come in handy for tracing assets.

"We have seen that even people who are relatively less organized, tend to collect all their disorganized material (documents) in one place. This could be a drawer, box or shelf, the one place where they put everything," says Vishal Dhawan, founder & CEO, Plan Ahead Wealth Advisors. Past bank statements can provide a mine of information on income, expenses and investments, including interest income from deposits and dividends from shares. Gaining access to the bank account, however, will depend on whether the claimant is a nominee or not.

CA /tax advisor: Yet another crucial source of information can be the deceased person's CA or tax advisor. "The CA is likely to have lot more details about a person's investments. He can give clues on bank accounts, the kind of incomes filed in the income tax return (ITR), which, in turn, can be used to trace investments made, "says, Nishant Agarwal, senior managing partner, CFP - Advisory, ASK Private Wealth.

ITR: If the deceased person was filing returns on his own, then the family members can try accessing the deceased person's tax returns on the Income Tax (I-T) portal. ❑

Income tax on gifts: Gift received from relatives is tax free

Indian festivals are incomplete without exchanging gifts. A lot of gifts ranging from cash, gold, diamonds, financial gifts such as shares, land etc. are exchanged between friends and families. The gifts that you receive might not always be tax free. You will be required to pay taxes on them if the gift value exceeds Rs. 50,000. Gifts received up to Rs. 50,000 are completely tax free but if this amount is breached, the whole amount of gifts become taxable.

For an instance, if you have received Rs. 55,000 worth of gifts during a financial year, complete amount of Rs. 55,000 will be taxable under the head ' income from other sources.' Section 56(2) of the Income Tax provides for taxation of gifts received during the year in case aggregate value of all the gifts, whether in cash or in kind during a year, exceed fifty thousand rupees.

The threshold amount of Rs. 50,000 applies to aggregate of gifts received during a financial year. The taxability of the gift is determined on the basis of the aggregate value of gift received during the year and not on the basis of individual gift. If the aggregate value of gifts received during the year exceeds Rs. 50,000, then aggregate value of such gifts received during the year will be charged to tax.

Gifts exempt from tax

Gifts received from relatives are exempt from tax. by virtue of Section 56 of the Income Tax Act. According to the IT Act, following persons would be considered as relative -- spouse, brother or sister, brother or sister of the spouse, brother or sister of either of the parents, any lineal ascendant or descendent, any lineal ascendant or descendent of the spouse, spouse of the persons referred above.

Friends do not come under 'relative' and any gifts received from them are taxable.

Further, gifts received at the time of marriage are exempt from tax. But, gift received on occasions like birthday, anniversary, etc. of an individual will be charged to tax.

Gifts received under will/ by way of inheritance and gifts received in contemplation of death of the donor are also tax free. *(Source: Mint)*

Forex reserves zoom $14.72 b to $544.71 b

India's foreign exchange reserves skyrocketed by $14.721 billion in the week ended November 11 to $544.715 billion. Experts say the RBI would have bought dollars during the reporting week as the greenback weakened on expectations the US Fed would temper rate hikes due to the decline in October consumer prices.

In the reporting week, all four components of the reserves rose — foreign currency assets (up by $11.80 billion), gold ($2.639 billion), special drawing rights ($165 million), and reserve positions in the IMF ($116 million). Since March-end 2022, the forex reserves have declined by $62.594 billion.

Why has FinMin proposed common income tax return?

In a bid to make tax return filing simpler and less time-consuming, finance ministry has proposed a common ITR form by merging all the existing returns of income except ITR 7.

However, the current ITR 1 and ITR 4 will continue, according to the ministry notification. With this, the taxpayers will have an option to either file the return in the existing (ITR1 or ITR4) or the proposed common ITR, at their convenience.

Under the common ITR, all the taxpayers will have to give certain basic information and details of bank accounts. Schedules for computation of total income, computation of tax, and a schedule for the tax payments will be applicable for all.

The tax department says that new proposed ITR has been designed in a much user-friendly way.

"The taxpayers will not be required to see the schedules that do not apply to them. It intends the smart design of schedules in a user-friendly manner with a better arrangement, logical flow, and increased scope of pre-filling. It will also facilitate the proper reconciliation of third-party data available with the department vis-a-vis the data to be reported in the ITR to reduce the compliance burden on the taxpayers," the notification stated.

Under the existing system, there are seven kinds of Income Tax Returns forms - ITR-1 to ITR-7. taxpayers can choose from one of the seven depending on their source of income. "The new common ITR form would be available in parallel to old forms in ITR-1 and ITR-4 and the assesse belonging to ITR-1 and ITR-4 categories could choose to file old forms or the new, depending on convenience. Taxpayers filing return of income in Forms ITR-2, ITR-3, ITR-5 and ITR-6 would not have an option to file the old forms, once the new common form and related utility are notified," according to the Sandeep Jhunjhunwala, Partner, Nangia Andersen LLP.

As per Jhunjhunwala, the proposed draft of the new ITR form is designed to facilitate suitable reconciliation of third-party data available with the Income-tax Department vis-à-vis data to be reported in ITR, to reduce compliance burden on taxpayers. *(Source: The Indian Express)*

Direct tax collection up 31% to Rs. 10.54 lakh crore

The provisional figures of direct tax collections up to 10 November 2022 stood at Rs 10.54 lakh crore which is 30.69% higher than the gross collections for the corresponding period of last year.

Direct tax collection, net of refunds, stood at Rs 8.71 lakh crore which is 25.71% higher than the net collections for the corresponding period of last year. This collection is 61.31% of the total Budget Estimates of Direct Taxes for F.Y. 2022-23.

In terms of gross revenue collections, the growth rate for Corporate Income Tax (CIT) is 22.03% while that for Personal Income Tax (PIT) [including securities transaction tax (STT)] is 40.64%. After adjustment of refunds, the net growth in CIT collections is 24.51% and that in PIT collections is 28.06% (PIT only) 27% (PIT including STT).

Refunds amounting to Rs 1.83 lakh crore have been issued during 1st April 2022 to 10th November 2022, which are 61.07% higher than refunds issued during the same period in the preceding year.

RBI CIRCULAR

Basel III Framework on Liquidity Standards – Standing Deposit Facility

November 23, 2022

1. Please refer to circular DBOD.BP.BC.No.120/21.04.098/2013-14 dated June 09, 2014 on 'Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR), Liquidity Risk Monitoring Tools and LCR Disclosure Standards' and the Press Release 2022-2023/41 dated April 08, 2022 on operationalising of Standing Deposit Facility (SDF).
2. We have received queries from banks seeking clarification on the treatment of SDF under Liquidity Risk Management Framework.
3. Accordingly, it is advised that the overnight balances held by banks with RBI under SDF shall be eligible as 'Level 1 High Quality Liquid Assets (HQLA)' for computation of LCR.

Applicability

4. This circular is applicable to all Commercial Banks (excluding Local Area Banks, Regional Rural Banks and Payments Banks).
5. These instructions shall come into force with immediate effect.

Inclusion of Goods and Service Tax Network (GSTN) as a Financial Information Provider under Account Aggregator Framework

November 23, 2022

1. Please refer to the Master Direction – Non-Banking Financial Company - Account Aggregator (Reserve Bank) Directions, 2016 dated September 02, 2016.
2. With a view to facilitate cash flow-based lending to MSMEs, it has been decided to include Goods and Services Tax Network (GSTN) as a Financial Information Provider (FIP) under the Account Aggregator (AA) framework. Department of Revenue shall be the regulator of GSTN for this specific purpose and Goods and Services Tax (GST) Returns, viz. Form GSTR-1 and Form GSTR-3B, shall be the Financial Information.
3. Accordingly, the select instructions contained in the Master Direction referred to above have been amended, as detailed in the Annex.

Exim Bank's GoI supported Line of Credit of USD 300 Mn to the SBM (Mauritius) Infrastructure Development Company Ltd. for Construction of Phase-IV of the Mauritius Metro Express Project in Mauritius

November 17, 2022

1. Export-Import Bank of India (Exim Bank) has entered into an agreement dated October 17, 2022 with the SBM (Mauritius) Infrastructure Development Company Ltd (SBMIDCL), for making available to the latter, Government of India supported Line of Credit (LoC) of USD 300 million (USD Three Hundred Million Only) for

the purpose of financing its participation through Redeemable Preference Shares in public sector entities to implement the construction of Phase-IV of the Metro Express Project in Mauritius. The export of eligible goods and services from India for the purpose of the construction of Phase-IV of the Metro Express Project in Mauritius, as defined under the agreement, would be allowed subject to their eligibility under the Foreign Trade Policy of the Government of India and whose purchase may be agreed to be financed by the Exim Bank under this agreement. Out of the total credit by Exim Bank under the agreement, goods, works and services of the value of at least 75 per cent of the contract price shall be supplied by the seller from India, and the remaining 25 per cent of goods and services may be procured by the seller for the purpose of the eligible contract from outside India.

2. The Agreement under the LoC is effective from November 07, 2022. Under the LoC, the terminal utilization period is 48 months from the scheduled completion date of the project.
3. Shipments under the LoC shall be declared in Export Declaration Form/Shipping Bill as per instructions issued by the Reserve Bank from time to time.
4. No agency commission is payable for export under the above LoC. However, if required, the exporter may use his own resources or utilize balances in his Exchange Earners' Foreign Currency Account for payment of commission in free foreign exchange. Authorised Dealer (AD) Category- I banks may allow such remittance after realization of full eligible value of export subject to compliance with the extant instructions for payment of agency commission.
5. AD Category – I banks may bring the contents of this circular to the notice of their exporter constituents and advise them to obtain complete details of the LoC from the Exim Bank's office at Centre One, Floor 21, World Trade Centre Complex, Cuffe Parade, Mumbai 400 005 or from their website www.eximbankindia.in
6. The directions contained in this circular have been issued under section 10(4) and 11(1) of the Foreign Exchange Management Act (FEMA), 1999 (42 of 1999) and are without prejudice to permissions/ approvals, if any, required under any other law.

Agency Commission for Direct Tax collection under TIN 2.0 regime

November 14, 2022

1. Please refer to Para 21 of our Master Circular on Conduct of Government Business by Agency Banks - Payment of Agency Commission dated April 1, 2022 related to claiming of agency commission.
2. After implementation of TIN 2.0 regime for collection of direct taxes, it has been decided to modify paragraph 21 of the captioned Master Circular. The modified paragraph 21 will read as follows:

   "Agency banks are required to submit their claims for agency commission in the prescribed format to CAS Nagpur in respect of Central government transactions and the respective Regional Office of Reserve Bank of India for State government transactions. However, agency commission claims with respect to GST receipt transactions and transactions related to direct tax collection under TIN 2.0 regime will be settled at Mumbai Regional Office of Reserve Bank of India only and accordingly all agency banks, authorized to collect GST and direct tax collection under TIN 2.0, are advised to submit their agency commission claims pertaining to the respective receipt transactions at Mumbai Regional Office only. The agency commission for transactions related to direct tax under OLTAS will be continued to be settled at CAS, Nagpur, RBI. The formats for claiming agency commission for all agency banks and separate and distinctive set of certificates to be signed by the branch officials and Chartered Accountants or Cost Accountants are given in Annex 2, Annex 2A and Annex 2B respectively. These certificates would be in addition to the usual Certificate from ED / CGM (in charge of government business) to the effect that there are no pension arrears to be credited / delays in crediting regular pension / arrears thereof."
3. All other instructions of the said Master Circular remain unchanged.

DIRECT INSTITUTIONAL CREDIT FOR AGRICULTURE AND ALLIED ACTIVITIES - TOTAL (Short-term and Long-term)

(Rs. Crores)

Year	Loans Issued					Loans Outstanding			
	Co-operatives ments	State Govern-	SCBs	RRBs (2 to 5)	Total	Co-operatives	SCBs	RRBs (7 to 9)	Total
1	2	3	4	5	6	7	8	9	10
1991-92	5797	339	4806	596	11538	12176	16981	1984	31142
1992-93	6484	389	4960	698	12530	13769	18288	2206	34263
1993-94	8484	377	5400	752	15013	15316	19113	2560	36988
1994-95	9876	407	7408	1083	18773	16810	20920	3009	40738
1995-96	12483	554	9274	1381	23692	19126	23427	3467	46020
1996-97	13254	668	10675	1748	26345	20556	26327	4038	50921
1997-98	14159	858	11537	2103	28656	21390	28445	4683	54518
1998-99	15099	420	14663	2515	32697	22199	29819	5389	57408
1999-00	25678	520	16350	2985	45534	41950	33442	5991	81383
2000-01	27295	487	16440	3966	48187	46135	38270	7249	91654
2001-02	30569	443	18638	4546	54195	52110	45106	8286	105502
2002-03	34040	---	25256	5879	65175	59064	53804	10261	123129
2003-04	40049	---	36203	7175	83427	71403	68103	11721	151228
2004-05	45009	---	48367	11927	105303	78822	95519	16709	191050
2005-06	48123	---	80599	15300	144021	82327	135603	21510	239439
2006-07	54019	---	115266	20228	189513	89443	169018	27452	285913
2007-08	57643	---	113472	23838	194953	65666	202796	33216	301678
2008-09	58787	---	160690	26499	245976	64045	256119	37367	357531
2009-10	63497	---	188253	34640	286390	59791	315436	46282	421509
2010-11	78121	---	222792	43965	344878	76674	357584	55067	489325
2011-12	87963	---	312877	54450	455290	92458	443298	70385	606140
2012-13	111203	---	484499	63681	659383	119775	522478	79500	721752
2013-14	119964	---	---	82653	---	135245	503532	98207	736984
2014-15	138470	---	---	102483	---	154287	683969	112604	950860
2015-16	153294	---	---	119261	---	156121	814841	133401	1104363
2016-17	142758	---	---	123216	---	226698	668109	153416	1048223
2017-18	150321	---	---	141216	---	184396	924084	171301	1279781
2018-19	152340	---	---	149667	---	178820	995114	197432	44579
2019-20	149694	---	---	162857	---	151176	---	508985	---

SCBs : Scheduled Commercial Banks. ***RRBs :*** Regional Rural Banks.

Notes : 1. Data for 2019-20 are provisional

2. Data up to 1990-91 pertain to the period July-June and April-March thereafter. In case of SCBs, data for all the years pertain to July-June period.
3. RRBs came into existence in 1975-76.
4. The data since 1999-2000 are strictly not comparable with the earlier years as it covers not only PACS but also SCARDBs and PCARDBs, while the earlier period covers PACS only.

Also see Notes on Tables.

Sources : 1. Reserve Bank of India. 2. National Bank for Agriculture and Rural Development.

SCHEDULED COMMERCIAL BANKS' ADVANCES TO AGRICULTURE - OUTSTANDING

(Rs. Billion)

Year	Indirect Finance						
(end-March) Direct Finance Inputs	Total of Fertilisers and other LAMPS	Distribution Electricity Boards PACS/FSS/	Loans to Farmers through	Loans to of Indirect Finance (3+4+5+6)	Other type Indirect Finance (2+7)	Total & Indirect Finance	Total Direct
1	2	3	4	5	6	7	8
1991-92	17397	241	655	177	360	1433	18830
1992-93	18949	268	708	183	392	1552	20501
1993-94	19465	364	896	205	635	2099	21564
1994-95	21334	536	1165	224	940	2865	24199
1995-96	23814	756	1058	285	1575	3674	27488
1996-97	27448	968	1233	285	2500	4986	32434
1997-98	29443	1200	1417	363	3355	6335	35778
1998-99	33094	1491	1627	407	4592	8117	41211
1999-00	36466	1675	1723	449	9121	12968	49434
2000-01	40485	2304	1697	377	14447	18825	59310
2001-02	46581	3303	1841	928	12166	18238	64819
2002-03	56857	3241	2966	949	16534	23690	80547
2003-04	70781	4118	3533	723	20146	28520	99301
2004-05	95565	5134	4174	861	25902	36071	131636
2005-06	134798	6440	6464	769	43501	57175	191973
2006-07	172128	8516	11319	1360	61369	82564	254692
2007-08	214644	---	---	1542	91901	93443	308087
2008-09	264893	---	---	599	110103	110702	375595
2009-10	317767	---	---	1294	78504	145554	463321
2010-11	360253	---	---	880	62159	146923	507176
2011-12	440758	---	---	797	63771	142585	583343
2012-13	534331	---	---	---	---	111102	645433
2013-14	---	---	---	---	---	---	892067
2014-15	---	---	---	---	---	---	970575
2015-16	---	---	---	---	---	---	1173098
2016-17	---	---	---	---	---	---	1265250
2017-18	---	---	---	---	---	---	1369456
2018-19	---	---	---	---	---	---	1580568
2019-20	---	---	---	---	---	---	160375

PACS : Primary Agricultural Credit Societies, FSS : Farmers' Service Societies

LAMPS : Large-sized Adivasi Multipurpose Societies

Notes : On account of revised guidelines on PSA lending w.e.f. September 2007 and revised reporting system w.e.f. April 1, 2013 break- up of indirect finances is not available.

Also see Notes on Tables.

Source : Reserve Bank of India.


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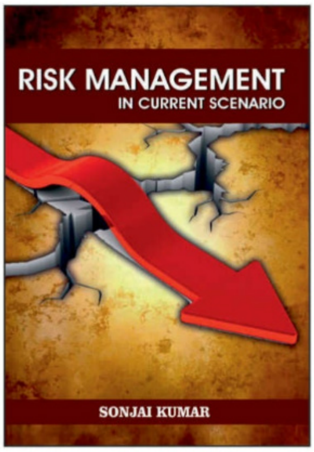

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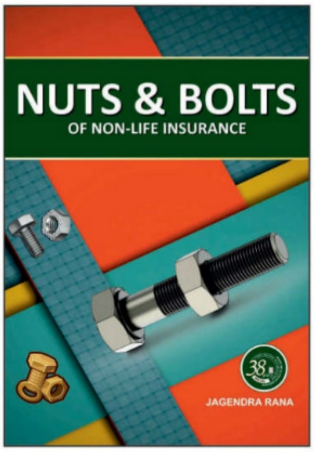

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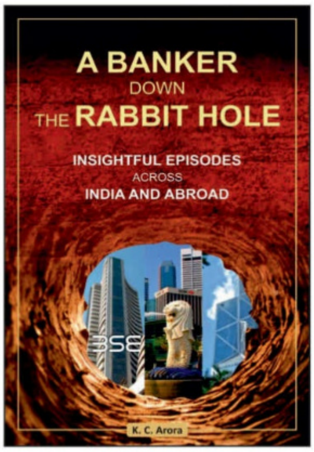

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