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From The Desk Of Editor-in-Chief

The Editorial team of Banking Finance wishes a very very happy and hopeful new year 2022 to all the Readers, Subscribers, Advertisers, Authors, and all the vendors directly or indirectly associates with the publication. We pray to god that we recover from the Covid effects soon. Stay Healthy. Stay safe.

Our Publication has completed thirty four years of successful and uninterrupted publication since January, 1988 till December, 2021 and going to enter into its thirty fifth year of publication in January, 2022.

We have tried on best to maintain the quality of material, paper, printing as well as delivery of publication all through these years and onehopeful to continue and improve the same in future as well.

During the covid-19 period since 2020 we have had very tough time to continue our publication and maintain the quality and delivery of the publication on time.

The financial sector has undergone severe crisis during 2022 and 2021 due to high inflation, farmers agitation, lockdown, NPA's, and host of other reasons. It is expected that in the year 2022 the situation will improve and the industry would be relieved of stress.

BSE/NSE reached peak in the year 2021 inspite of all the financial ups and down in global as well as internal market. Though many question such rise in wake of ensuring crisis. We just hope regulators are taking necessary measures to safeguard the economy so that the investment by poor people is not affected.

Covid has increased the risk of business default. Banks should be very careful in lending and must adopt humanitarian approach while judging the repayment capacity of the borrower. With the 3rd wave of corona in offing it may further dent the market. Financial Institutions must have suitable Risk Management Strategy to mitigate the risk and ensure that overall economy is not effected.

Contents

Banking News

SBI yet to give bank Rs. 164 crore of digital fees to Jan Dhan A/Cs'

State Bank of India (SBI) is yet to return Rs 164 crore of undue fee charged from the account holders of Pradhan Mantri Jan Dhan Yojana (PMJDY) towards digital payments during April 2017 and December 2019, a report said.

"On directions from the government, SBI has returned just about Rs 90 crore, thereby withholding the bigger chunk of at least Rs 164 crore with itself," said the report prepared by IIT-Mumbai.

It said that during April 2017 to September 2020, SBI had collected over Rs 254 crore towards at least 14 crore UPI/ RuPay transactions by charging Rs 17.70 per transactions on BSBDA (Basic Savings Bank Deposit Account) customers under the Pradhan Mantri Jan Dhan Yojana (PMJDY).

Queries sent to the country's largest lender on return of charges levied on debit transactions done by such account holders during the said period of 33 months did not elicit any response.

Since June 1, 2017, unlike any other bank in India, the report said, SBI charged Rs 17.70 for every debit transaction beyond four a month.

Debit transaction means any withdrawal transaction that includes cash withdrawal, Unified Payments Interface (UPI), Immediate Payment Service (IMPS), National Electronic Funds Transfer (NEFT), Real-Time Gross Settlement (RTGS) pre-authorised standing instruction, cheque, etc.

This has adversely impacted the BSBDA customers of SBI who, on the call of the government and RBI, embraced digital means of financial transactions.

Loans worth Rs. 2.82 trillion sanctioned under ECLGS

As much as Rs 2.82 trillion of loans have been sanctioned under the Emergency Credit Line Guarantee Scheme (ECLGS) as of November 19, MSME Minister Narayan Rane informed the Lok Sabha. The ECLGS is under the operational domain of the Ministry of Finance, Department of Financial Services (DFS).

"As informed by DFS, as on November 19, 2021, Rs 2.82 trillion of loans have been sanctioned under the scheme," he said in a written reply.

The existing overall guarantee limit under the ECLGS has been enhanced from Rs 3 trillion to Rs 4.5 trillion and the scheme has been extended up to March 31, 2022.

The last date of disbursement under the scheme has been extended to June 30, 2022.

Bank credit grows 7% by mid-November: RBI data

Reflecting the steady pace of banking business, the credit rose by 6.97 per cent in 12 months ended November 19, 2021, according to Reserve Bank of India data.

The outstanding credit of commercial banks stood at Rs 111.62 trillion, up from Rs 10.4.34 trillion a year ago. The year-on-year growth in loans was 7.1 per cent in 12 months ended November 15, 2021. Bankers said this was the first fortnight after the peak of festival season.

Yet credit off-take has not shown stickiness. Besides, economic upturn, banks credit outreach across branch network over last months has helped to maintain momentum.

China to cut reserve ratio for banks

China's central bank said it would cut

the amount of cash that banks must hold in reserve, its second such move this year, releasing 1.2 trillion yuan ($188 billion) in long-term liquidity to bolster slowing economic growth.

The People's Bank of China (PBOC) said on its website it would cut the reserve requirement ratio (RRR) for banks by 50 basis points (bps), effective from December 15.

The world's second-largest economy, which staged an impressive rebound from last year's pandemic slump, has lost momentum in recent months as it grapples with a slowing manufacturing sector, debt problems in the property market and persistent Covid-19 outbreaks.

Some analysts believe growth could slow further in the fourth quarter from the third quarter's 4.9%, although the full-year growth could still be around 8%.

"The RRR reduction will help alleviate the downward pressure on the economy and smooth the economic growth curve," said Wen Bin, a senior economist at Minsheng Bank.

"Although there is little pressure to achieve this year's economic growth target, economic work will face big pressures and challenges next year."

The government has set a relatively modest annual economic growth target, at above 6%, for this year, coming off the pandemic-stricken 2020.

Banks' share of gold imports drop to 19% in 2020

Banks' share of gold imports have shrunk to 19 per cent in 2020 against 40 per cent in 2017 as the share of dore (unrefined gold) imports by refiners increase steadily.

Moreover, with bullion banks such as Nova Scotia exiting their precious metals business, many large bullion dealers who were previously clients of the banks, have set up their own refineries, said the World Council of India report on 'Bullion Trade in India'.

In the last five years, dore imports made up 30 per cent of total official gold imports due to lower duty. The number of refineries have increased from three in 2012 to 32 in 2020.

Currently, some 25-26 refineries are active, with a combined refining capacity of 1,200 to 1,400 tonnes.

Of these, 23 refineries imported dore in 2020 and the top five refineries accounted for over 70 per cent of India's dore imports.

With lower duty on dore, the share of gold imports has increased from 11 per cent in 2014 to 29 per cent in 2020.

In last five years ending 2020, imports made up 86 per cent of India's gold supply, while recycling accounted for 13 per cent and mining accounted for just one per cent.

No RBI signal, but lenders kick-off rate hikes in India

Although the Reserve Bank of India (RBI) is yet to jack up key policy rates, interest rates are slowly showing signs of rising in the financial system, in line with the global trend. At a time when global central banks are scheduled to tighten their monetary policies and hike rates, Indian banks and financial entities have started announcing rate hikes.

Even as the Bank of England hiked the interest rates by 15 basis points to 0.25 per cent and the US Federal Reserve decided to accelerate tapering of bond purchases ahead of a rate hike,

State Bank of India (SBI) has raised the benchmark lending rate, or base rate, by 10 bps without waiting for the RBI to hike the repo rate or reverse repo rate. SBI's revised base rate is 7.55 per cent. Base rate is the minimum interest rate at which a bank could lend to its customers under the base rate regime.

This means the overall interest rate of old borrowers with floating rate loans like home loans linked to the base rate will go up. Home loan customer will have to shell out higher equated monthly instalments (EMIs) or they will have to extend their loan tenure.

To rejuvenate 'life' in agricultural fields, Nabard to roll out Jiva

To rejuvenate 'life' around agriculture, the National Bank for Agriculture and Rural Development (Nabard) is rolling out Jiva (life) with its network of non-governmental organisations and other stakeholders in rural areas.

"Jiva is about rejuvenation of earth, creating life around the agricultural fields, using natural resources. We have created watersheds, ensuring water security to 2.5 million hectares of land," Nabard Chairman GR Chintala told.

Now that the water security is ensured the question now is whether the soil is enriched, whether the microbial activity in the soils is maintained well, whether the farmers are practising proper agricultural practices. "Jiva is about creating a system where no more harm can be done to the soil, nature," he said.

The Nabard is roping its network of NGOs and other stakeholders to roll out this programme. A training programme is on in Maharashtra to sensitise stakeholders.

He said the Nabard is promoting integrated farming in different parts of the country. "The farmer can't depend on a single crop for his sustenance. He can't be left to the mercy of the market forces for selling the produce. He should have a bouquet of crops to depend on," he said.

"We made it a kind of movement around it. Loans are going from the banks through our funding. Even small farmers with a small chunk of land too is getting funds to grow, say, horticultural crops like pomegranate, under this scheme," he said.

"Going forward this is going to be a kind of insurance against market calamities. You need to have a multi-pronged approach - on one side we are promoting integrated farming and supporting farmer producer organisations," he said.

BOB may replace RBL in Bank Nifty: Edelweiss Alternative Research

Edelweiss Alternative Research said that the forthcoming Nifty Bank review is likely to see Bank of Baroda replacing RBL Bank

This announcement is likely to come in the second half of February 2022.

BoB will have a weightage of 1.8% on inclusion in the Nifty Bank index, it said. While Bank of Baroda could see an inflow of $63 million on inclusion, shares of RBL Bank could see a selling of $28 million on exclusion, said Edelweiss Alternative Research.

Banks lost Rs. 2.8 trillion due to loan default of 13 firms: Bank union

Public sector banks have lost nearly Rs 2.85 lakh crore on account of loan dues of 13 corporates even as the banks are used to bail out ailing financial institutions such as Yes Bank and IL&FS, United Forum of Bank Unions alleged.

In press release, UFBU's Convener B Rambabu said the organisation calls for a two-day all India bank strike on December 16 and 17 protesting against Banking Laws (Amendment) Bill 2021 and opposing the centre's alleged move to privatise PSBs.

According to the statistics given by the UFBU, the 13 corporates' outstanding dues were at Rs 4,86,800 crore and it was resolved at Rs 1,61,820 crore resulting in a loss of Rs 2,84,980 crore.

Rs. 2,000 notes now 1.75% of total bank notes in circulation

The number of Rs 2,000 currency notes in circulation has decreased to 223.3 crore pieces or 1.75 per cent of total notes in circulation (NIC) in November this year, compared to 336.3 crore pieces in March 2018.

Printing of banknotes of particular denomination is decided by the government in consultation with the Reserve Bank to maintain desired denomination mix for facilitating transactional demand of public, said Pankaj Chaudhary, Minister of State in Finance Ministry, in a written reply in the Rajya Sabha.

"As against 3,363 million pieces (mpcs) of Rs 2,000 denomination banknotes in circulation on March 31, 2018 constituting 3.27 per cent and 37.26 per cent of NIC in terms of volume and value respectively; 2,233 mpcs were in circulation on November 26, 2021, constituting 1.75 per cent and 15.11 per cent of NIC in terms of volume and value, respectively," he said.

Govt-sponsored bad bank likely to start operations in January

The bad bank sponsored by the government is likely to start operations from the second week of January, according to a report. This could help the banking industry to dress up its balance sheet as the fiscal year comes to an end in a quarter.

According to the ET report, banks may report one-off gains in their fourth-quarter earnings as they have already fully provided for those sticky loans estimated at about Rs 82,000 crore in 22 accounts.

The bad bank plans to recruit as many as 50 professional executives for the asset management company (AMC) - India Debt Resolution Company Ltd (IDRCL) - to begin with, the business daily mentioned citing people familiar with the matter. The bad bank's regulatory framework is being worked out.

"We are currently busy setting up the infrastructure as we aim to generate write-backs for lenders by the end of this financial year," the publication quoted one of the senior executives involved in the matter as saying.

The assets that are to be taken over by the bad bank are spread across industries such as power, road construction, infrastructure and manufacturing include Castex Technologies, Lavasa Corporation, Jaypee Infratech, GTL and Reliance Naval.

"The bad bank will bring more efficiency and expertise under one roof as the whole objective is to resolve distressed assets," the business daily quoted Ashutosh Khajuria, executive director and CFO at Federal Bank as saying. "Realistic valuation will likely ensure lower haircuts increasing chances of higher recovery." ❑

Reserve Bank News

Penalty on UBI

The Reserve Bank of India has imposed a monetary penalty of Rs.1 crore on Union Bank of India (UBI) for non-compliance with certain provisions of its directions relating to fraud classification and reporting and sale of stressed assets.

The central bank, in a statement, said its inspection of UBI revealed, inter alia, non-compliance with the above-mentioned directions to the extent of (i) failure to classify an account as Red Flag Account despite presence of Early Warning Signals and (ii) failure to disclose ageing of and provisioning for Security Receipts (SRs) in its Annual Report.

RBI comes up with draft planfor PMC Bank takeover

Inching closer to resolving the Punjab and Maharashtra Cooperative (PMC) Bank issue, the Reserve Bank came out with a draft scheme for takeover of the crisis-hit bank by the Delhi-based Unity Small Finance Bank (USFB).

The draft scheme of amalgamation envisages takeover of the assets and liabilities of PMC Bank, including deposits, by USFB, thus giving a greater degree of protection for the depositors, the RBI said.

In September 2019, the RBI had superseded the board of PMC Bank and placed it under regulatory restrictions, including cap on withdrawals by its customers, after detection of certain financial irregularities, hiding and misreporting of loans given to real estate developer HDIL. The restrictions have been extended several times since then.

USFB, promoted by Centrum Financial Services along with Resilient Innovation Pvt Ltd as 'joint investor', was granted banking licence in October 2021. USFB started functioning from November 1.

RBI clears LIC stake hike in Kotak Mahindra Bank

Life Insurance Corporation of India has got approval from the Reserve Bank of India to increase its stake in Kotak Mahindra Bank to 9.99 per cent.

LIC currently holds 4.96 per cent stake in the bank as of September 30, 2021.

Kotak Mahindra Bank, in a stock exchange filing, said it has received an intimation from LIC stating that the RBI had granted its approval for increasing its holding in the Bank up to 9.99 per cent of the paid-up equity share capital, subject to compliance with the provisions of the 'Master Direction on Prior approval for acquisition of shares or voting rights in private sector banks dated November 19, 2015', and 'Master Direction on Ownership in private sector banks dated May 12, 2016', provisions of the applicable regulations issued by the Securities and Exchange Board of India and Foreign Exchange Management Act, 1999.

RBI gets 2,562 plaints against lending apps

The Reserve Bank of India (RBI) has received 2,562 complaints against digital lending apps during the 15-month period ended March 2021.

"Complaints against DLAs - Sachet, a portal established by the Reserve Bank under State Level Coordination Committee (SLCC) mechanism for registering complaints by public, has been receiving significantly increasing number of complaints against digital lending apps," the RBI's Working Group on digital lending said in a report.

"Majority of the complaints pertain to lending apps promoted by entities not regulated by the Reserve Bank such as companies other than NBFCs, unincorporated bodies and individuals," the report said. Another significant chunk of complaints pertains to lending apps partnering with NBFCs especially smaller NBFCs (asset size of less than Rs 1,000 crore).

Indian economy recovering well; Omicron a risk: RBI

The Indian economy "continues to forge ahead, emerging out of shackles of pandemic," but the rise of the Omicron variant has emerged as the biggest risk factor, said the state of the economy report released with the December bulletin of the Reserve Bank of India (RBI).

The Indian economy bounced back strongly in the second quarter, as the gross domestic product (GDP) surpassed its pre-pandemic levels, and inflation broadly remained under the 6 per cent range, the upper band of the tolerance range of the RBI. The RBI's medium-term target is to keep retail inflation at 4 per cent. In November, the retail inflation came at 4.91 per cent, but wholesale price index (WPI), which it no longer targets, came at a 12 year high of 14.23 per cent.

"A host of incoming high frequency indicators are looking upbeat and consumer confidence is gradually returning. Aggregate demand conditions point to sustained recovery, albeit, with some signs of sequential moderation," the report said.

Jury is still out: RBI Deputy Guv on entry of big biz groups in banking

"The jury is still out" on the issue of allowing big corporates into the banking space, says M Rajeshwar Rao, Deputy Governor, Reserve Bank of India (RBI).

"Given that banking is a highly leveraged business dealing with public money, it makes sense to keep industry/business and banking separate," Rao said. This separation is expected to avoid spillover risks, where trouble anywhere in the group entity may result in transferring risks on to the depositors, leading in turn to claims on deposit insurance with subsequent ripple effects cascading across the largely interconnected financial systems, creating concerns around financial stability, he said at the Mint Annual Conclave.

"These issues have been flagged by the IWG (Internal Working Group) also and therefore, it is necessary that we closely examine the related matters before thinking of permitting large industrial houses or NBFCs owned by such houses to set up any new bank."

On the IWG has recommending that the cap on promoters' holding in long run be raised to 26 per cent (from existing 15 per cent), Rao said, "we have agreed with the views of the IWG which have tried to strike a balance between the challenges posed by concentration of ownership on the one hand and diffusion of ownership on the other."

RBI opens UPI to basic phones

The Reserve Bank of India (RBI) is set to bring more users under the ambit of the homegrown unified payments interface (UPI) channel, opening it up for feature phone users.

Feature phones are basic phones, which typically provide voice calling and text messaging functionalities. India has a large mobile phone consumer base of about 118 crore mobile users, of which about 74 crore have smart phones, indicating that there is a significant number of feature phone users in the country, RBI said. This points to the fact that feature phone users have limited access to innovative payment products like UPI, a real-time payment system developed by the National Payment Corporation of India (NPCI) for inter-bank transactions.

To be sure, feature phones currently have the national unified USSD platform (NUUP) option to avail of basic payment services using the short code of *99#, but RBI said this has not picked up.

"This move will increase digital penetration of financial services and help a large segment of people without access to smartphones or reliable internet services to transact digitally," said Adhil Shetty, chief executive of financial services marketplace BankBazaar.com.

RBI also proposed enhancing the transaction limit on UPI payments for the retail direct scheme and initial public offering (IPO) applications to Rs. 5 lakh, from Rs. 2 lakh earlier. Launched recently, the retail direct scheme allows individual investors to directly invest in sovereign debt papers, aiming to bring more people into the bond markets and widening the market borrowing opportunity for the government.

Gold bars seized by I-T Dept to be sold to Reserve Bank

Finance Ministry has decided that hereafter seized or confiscated gold will be sold to the Reserve Bank of India (RBI) only. This does not include gold ornaments or jewellery.

The Ministry has amended the guidelines and the amended version says, "It has now been decided that henceforth seized/confiscated gold will be sold (other than gold ornaments/jewellery/ articles) to RBI only. In this regard, the Board has consulted RBI and Security Printing and Minting Corporation of India Limited (SPMCIL) and also signed a tripartite Memorandum of Understanding (MOU) with them."

Old guidelines prescribed gold in various forms such as bullion, jewellery, ornament, seized/ confiscated by the field formations of CBIC including the Directorate of Revenue Intelligence to be sold to the Public Sector Banks and other agencies.

Under new guidelines, SPMCIL has been engaged for collection, transportation, conversion into standard gold bars and delivery to RBI. The SPMCIL has facility to melt gold at India Government Mints (IG Mint) located at Hyderabad, Kolkata and Mumbai. These mints will be carrying out processes such as pre-melting, assaying and weighing in the presence of Customs Officer.

Identify cos that are not viable : RBI Chief

RBI governor Shaktikanta Das asked lenders to proactively identify loans to firms that have turned non-viable but not yet recognised as a non-performing asset (NPA) due to the special dispensation during Covid. The governor also asked banks to review the usability of capital for absorbing losses during a crisis.

Pointing out that numerous high-frequency indicators are showing that economic recovery is taking hold, Das said that there have been several resolution frameworks announced in the wake of the pandemic. "As the support measures start unwinding, some of these restructured accounts might face solvency issues over the coming quarters. Prudence would warrant proactive recognition of such non-viable firms for pragmatic resolution measures," said Das.

Reserve Bank panel recommends withdrawal of 150 circulars

The Reserve Bank withdrew more than 100 redundant circulars following recommendations made by the Regulations Review Authority.

The redundant circulars withdrawn relate to certain norms concerning Foreign Investment in India by Foreign Portfolio Investors, RTGS, Know Your Customer (KYC), and Anti-Money Laundering (AML)/Combating of Financing of Terrorism (CFT) Standards.

The Regulations Review Authority (RRA 2.0) was set up by the Reserve Bank of India (RBI) in April this year.

The objective of the RRA 2.0 is to review the regulatory instructions, remove redundant and duplicate instructions, reduce the compliance burden on regulated entities by streamlining reporting structure, revoking obsolete instructions and wherever possible obviating paper-based submission of returns.

It was also envisaged that the RRA will engage internally as well as externally with all regulated entities and other stakeholders to facilitate this process, the RBI said.

The RRA has also constituted an Advisory Group representing the regulated entities under the chairmanship of Swaminathan J, Managing Director of State Bank of India.

"The RRA has been engaging in extensive consultations with both internal as well as external stakeholders, on review of the regulatory and supervisory instructions for their simplification and ease of implementation.

"Based on these consultations and the suggestions of the Advisory Group, the RRA has recommended withdrawal of 150 circulars in the first tranche of recommendations," the RBI said.

RBI for widening scope of 'bank note' to include digital currency

The Reserve Bank of India (RBI) has proposed amendments to the Reserve Bank of India Act, 1934, which would enable it to launch a Central Bank Digital Currency (CBDC). The move comes amid the government's plans to introduce a Bill on cryptocurrencies in the current Parliament session that seeks to prohibit "all private cryptocurrencies in India" with "certain exceptions".

"Government has received a proposal from Reserve Bank of India (RBI) in October, 2021 for amendment to the Reserve Bank of India Act, 1934 to enhance the scope of the definition of 'bank note' to include currency in digital form. RBI has been examining use cases and working out a phased implementation strategy for introduction of CBDC with little or no disruption," Minister of State for Finance Pankaj Chaudhary said in reply to a query in Lok Sabha.

The CBDC is a digital form of fiat currency which can be transacted using wallets backed by blockchain and is regulated by the central bank. Though the concept of CBDCs was directly inspired by bitcoin, it is different from decentralised virtual currencies and crypto assets, which are not issued by the state and lack the 'legal tender' status. CBDCs enable the user to conduct both domestic and cross border transactions which do not require a third party or a bank. "Introduction of CBDC has the potential to provide significant benefits, such as reduced dependency on cash, higher senior age due to lower transaction costs, reduced settlement risk. Introduction of CBDC would also possibly lead to a more robust, efficient, trusted, regulated and legal tender-based payments option. There are also associated risks which need to be carefully evaluated against the potential benefits," Chaudhary said.

RBI mulls bond forwards, engages with life insurers

The Reserve Bank of India (RBI) is understood to be weighing a proposal to allow 'bond forwards' --- a deal under which a financial institution can buy a specific government security for a pre-agreed price at a future date.

A forward market that would result in actual delivery and purchase of sovereign papers would be lapped up by life insurance companies who would find it easier and less risky while planning their investments over the years.

"RBI and the clearing corporation had sounded out some of the insurance companies on the subject. Most are interested. Besides helping insurers to lower the risk, a market for bond forwards would deepen the fixed income market and more importantly partly support the financing of fiscal deficit," a senior industry source told ET. CCIL, or the Clearing Corporation, provides clearing and settlement in money, government bonds, foreign exchange and derivatives.

Borrowers moving towards fixed rate loans: RBI chief

There is a trend among borrowers to move towards fixed rate loans even as the Reserve Bank of India (RBI) moves towards rebalancing liquidity, according to Governor Shaktikanta Das.

"I think most of the banks till now have been giving floating interest rate loans. Now, there is a trend of people are moving towards fixed rate loans," said Das in reply to a question posed by State Bank of India (SBI) Chairman Dinesh Kumar Khara at the SBI Banking and Economics Conclave

Asking banks to be investment-ready when the investment cycle picks up, the Governor emphasised that giving loans at floating or fixed interest rate is a commercial judgment of banks, and typically the RBI does not like to enter into those areas.

"Irrespective of the fact that the liquidity is in surplus, I think risk pricing of the various loans being extended by the banks has to be done diligently by them.

"The mere fact that there is excessive liquidity should not lead to any mispricing of loans because this excessive liquidity is not going to be a permanent feature," said Das.

Indian Bank reports fraud of over Rs 33cr to RBI

Indian Bank has reported a fraud of more than Rs 33 crore to the Reserve Bank, involving two of its accounts that turned into NPAs.

Two non-performing loan accounts, Raj Events and Entertainment and Capricorn Food Products India, have been declared as fraud and reported to the RBI as per regulatory requirement, the bank said in a stock exchange filing. Both the companies caused fraud in the nature of 'diversion of funds'.

In the case of Capricorn Food Products, the amount involved is of Rs 22.36 crore, while in the case of Raj Events and Entertainment, the fraud amount involved is of Rs 10.97 crore. Provision held against Capricorn Food as of September 30, 2021 stood at Rs 8.54 crore and of Rs 1.65 crore in the case of Raj Events and Entertainment, the bank said.

Talk of reverse repo rate hike is premature

The Reserve Bank of India (RBI) may deflate the hype around reverse repo hike in the monetary policy by explaining the virtues of using reverse repo change as a pure liquidity tool and not a rate tool, according to State Bank of India's economic research report "Ecowrap".

It emphasised that delaying normalisation measures is prudent in the current situation which would also give time for economic recovery to strengthen further.

"We believe the talks of a reverse repo rate hike in the Monetary Policy Committee (MPC) meeting may be premature as the RBI has been largely able to narrow the corridor without the noise of rate hikes and ensuing market cacophony," said Soumya Kanti Ghosh, Group Chief Economic Advisor, SBI.

Reverse repo rate is the interest rate that banks earn for parking short-term surplus liquidity with RBI.

Section 45Z (3) of the amended RBI Act of 2016 clearly states that, "The Monetary Policy Committee shall determine the policy rate required to achieve the inflation target". ❑

Industry News

Ratan Tata's business assistant launches startup for seniors

Ratan Tata's business assistant Shantanu Naidu plans to launch GoodFellows, a startup aimed at providing companionship and serving the elderly in their day-to-day activities.

"GoodFellows is an upcoming for-profit startup providing intergenerational friendship and calls itself a "companionship company". It employs young, educated graduates up to the age of 30 to create intergenerational friendships between them and the elderly to reduce loneliness," Naidu said in a note.

Naidu has been working with Mr Ratan Tata since 2018 as a Deputy General Manager (Chairman's Office). Earlier, he has worked as an automobile design engineer at Tata Elxsi in Pune.

Tamilnadu signs investments pacts worth Rs. 35,723 cr

Tamil Nadu government has signed investment agreements worth Rs. 35,200 crore with 59 businesses including Larsen & Toubro Ltd., Hindustan Unilever Ltd., Adani Enterprises and TVS Motor Co. at an investor meet, said an official statement from the state government.

The agreements signed at an event presided over by Chief minister M K Stalin would create employment opportunities to 76,795 persons, the statement said. This includes 52 projects with a cumulative investment of Rs.34,723 crores and seven others with Rs. 485 crore investments. The state also kicked off another 13 projects with Rs. 13,400 crore investments, the statement said.

The projects for which memorandum of understandings were signed include Adani Enterprises' data centre in Chennai, Larsen & Toubro's data centre in Kancheepuram and TVS Motor Company's electric vehicle manufacturing facility at Krishnagiri, the statement showed.

Gita Gopinath to be IMF's first Deputy MD

Gita Gopinath, chief economist at the International Monetary Fund (IMF), has been named as the fund's new first deputy managing director (FDMD) and will take over her new responsibility from January.

In October, IMF managing director Kristalina Georgieva had announced that Gopinath, the fund's first female chief economist and director of the research department, intends to leave in January 2022 and return to Harvard University's economics department when her public service leave ends. Harvard University had extended Gopinath's leave of absence on an exceptional basis by one year, which allowed her to serve as chief economist at the IMF for three years.

"Especially, given that pandemic has led to an increase in scale and scope of macroeconomic challenges facing our member countries, I believe that Gita - universally recognised as one of the world's leading macroeconomists - has precisely the expertise that we need for the FDMD role at this point," Georgieva said, while announcing her appointment.

Govt plans Rs. 1 lakh crore worth fish exports by 2024-25

India is aiming to achieve Rs 1 lakh crore worth of exports from fisheries sector by 2024-25, said Union Minister for Fisheries, Animal Husbandry and Dairying Parshottam Rupala.

Speaking at the World Fisheries Day celebration, Rupala said states need to be inspired by each other and explore options to grow in marine sector. "There is a need to come up with environment friendly fishing and look for sustaining the sector while continuing consumption," he said.

Rupala called for greater awareness on Kisan credit card (KCC). "The Ministry has already extended support of KCC to fishermen and women. The government will soon start a massive campaign to intensify awareness on KCC," he said.

Union Minister of State for Fisheries, Animal Husbandry and Dairying L Murugan said the potential of the sector has been realised within a short span of time and the country has set the ambitious target of achieving the one lakh crore export from the sector.

Corporate CSR spend declines sharply to Rs. 8,828.11 cr in FY21

India Inc's Corporate Social responsibility (CSR) spend for FY 2020-21 fell sharply to Rs. 8,828.11 crore, much lower than the cumulative spends of Rs. 20,150.27 crore in FY2018-19 and Rs. 24,688.66 crore in FY 2019-20, official data submitted to Parliament.

An analysis of CSR filings made by the companies revealed that of the total annual CSR spent, about 60 per cent of the CSR expenditure has been done through implementation agencies, said Rao Inderjeet Singh, Minister of State for Corporate Affairs in a written reply to Lok Sabha question.

In India, the CSR architecture is disclosure based and only CSR mandated companies are required to file details of CSR spent annually in the MCA-21 registry.

In FY 2020-21, as many as 1,619 companies have done CSR spend of Rs. 8,828.21 crore. Of these, as many as 1,599 are non-PSUs, while 20 are PSUs. Non PSUs spend for CSR in 2020-21 stood at Rs. 8,266.93 crore, while the 20 PSUs cumulatively spent Rs. 561.18 crore, as per available official data up to September 30 this year.

India slips to 82 in bribery rankings

India has slipped to 82nd position in 2021, five places down from 77th rank last year, in a global list that measures business bribery risks.

The list by TRACE, an anti-bribery standard setting organisation, measures business bribery risk in 194 countries, territories, and autonomous and semi-autonomous regions.

According to this year's data, North Korea, Turkmenistan, Venezuela and Eritrea pose the highest commercial bribery risk, while Denmark, Norway, Finland, Sweden and New Zealand present the lowest.

In 2020, India ranked 77 with a score of 45 while this year, the country stood at 82nd position with a score of 44, the data showed.

This score is based on four factors - business interactions with the government, anti-bribery deterrence and enforcement, government and civil service transparency, and capacity for civil society oversight which includes the role of the media.

India fared better than its neighbours - Pakistan, China, Nepal and Bangladesh. Bhutan, meanwhile, secured 62nd rank, the data showed.

Meta launches first standalone office in Asia

Meta (formerly known as Facebook), has set an ambitious goal of training one crore small businesses and entrepreneurs and 2.50 lakh creators in the next three years through its Centre for Fuelling India's New Economy (C-FINE) opened in Gurugram (Haryana).

The centre is one of Meta's largest offices in Asia. The new office will house various teams from Facebook, Instagram and WhatsApp.

"Over the next three years, we will attempt to train and skill one crore small businesses and 2,50,000 creators through the centre. We realise this is no small task, but we recognise that we have an obligation to rise to the unique opportunity presented by the forces of technology transforming India," said Ajit Mohan, Vice President and Managing Director, Facebook India (Meta).

Investments of Rs. 91,000 crore expected for airports development

Investments worth Rs 91,000 crore will be made for developing existing and new airports in different parts of the country, as several measures are being taken to boost the civil aviation sector, the government said.

The government has accorded in-principle approval for setting up 21 greenfield airports and 8 of them, including Pakyong (Sikkim), Kannur (Kerala), Orvakal (Andhra Pradesh), Kalaburagi (Karnataka) and Kushinagar (Uttar Pradesh), are now operational.

In written replies to the Rajya Sabha, Minister of State for Civil Aviation VK Singh said the Airports Authority of India (AAI) has taken up a development programme to spend around Rs 25,000 crore in the next 4 to 5 years for expansion and modification of existing terminals, new terminals and strengthening of runways, among other activities.

"Three Public-Private Partnership (PPP) airports at Delhi, Hyderabad and Bengaluru have undertaken major expansion plan to the tune of Rs 30,000 crore by 2025.

Low duties can boost EV demand: BMW

BMW believes that reduction in import duties on electric vehicles (EV) for a limited time or for a limited number of units will help create demand in order to help manufacturing of such vehicles in India and bring new technologies quicker to the country, according to a senior company official.

The company, which has been manufacturing locally many of its vehicles sold in India for the last 15 years, considers creating demand is key to localisation of manufacturing.

"What we always do is we create demand for a model and then localise it. We believe these new technologies also have a potential to be localised in future but you need to create a mass demand for that critical mass (for local manufacturing to be viable)," BMW Group India President and CEO Vikram Pawah told.

The only way to do that, according to him, is to fast track it, create the demand before the infrastructure develops or create the demand which will create the infrastructure.

Govt announces Rs. 76000 crore scheme for chip ecosystem

The Cabinet cleared the Rs 76,000-cr incentive scheme for semiconductors. Under this scheme, India will set up more than 20 semiconductor design, components manufacturing and display fabrication (fab) units over the next six years.

This is part of Modi government's bid to make the country a hub for electronics. The nod comes almost a year after the govt sought expressions of interest from companies to this effect.

The ministry of electronics & IT (MeitY) will now work out the granular details and invite applications.

The new semiconductor policy will help deepen India's manufacturing base, a senior government official had told prior to the approval.

Indians paid Rs.9,700 crore in hidden forex fees

Indians paid nearly Rs.9,700 crore in the form of fees hidden in inflated exchange rates while making remittances in 2020. This is more than a third (36%) of the total fees of Rs 26,300 crore that Indians paid for sending money across their country's borders.

The fees reflect a lack of transparency and high charges applied by banks on remittances. Banks have been reducing the fees on foreign remittances and their income under this head fell from Rs 15,017 crore in 2016 to Rs 12,142 crore in 2019. However, they have protected themselves by recovering Rs 4,422 crore through exchange mark-up in 2020, which was up from Rs 2,505 crore in 2016.

These figures were from independent research carried out by Capital Economics in August 2021, which aimed to estimate the scale of foreign exchange transaction fees in India. The study was released by Wise, the technology company that was founded with the objective of reducing cross-border remittance costs.

Overseas workers sending money into India are also losing money. Over the past five years, money lost to exchange rate margins on inward remittances has grown from Rs 4,200 crore to Rs 7,900 crore. Meanwhile, fees paid to transaction costs have grown from Rs 10,200 crore in 2016 to Rs 14,000 crore in 2020.

India received remittances worth $87 billion in 2021: World Bank

India, the world's largest recipient of remittances, received USD 87 billion in 2021 with the United States being the biggest source, accounting for over 20 per cent of these funds, according to the World Bank.

India is followed by China, Mexico, the Philippines, and Egypt, the Washington-based global lender said in its report released.

In India, remittances are projected to grow three per cent in 2022 to USD 89.6 billion, reflecting a drop in overall migrant stock, as a large proportion of returnees from the Arab countries await return, it said.

"Flows to India (the world's largest recipient of remittances) are expected to reach USD 87 billion, a gain of 4.6 per cent with the severity of COVID-19 caseloads and deaths during the second quarter (well above the global average) playing a prominent role in drawing altruistic flows (including for the purchase of oxygen tanks) to the country," the World Bank report stated.

Remittances to low- and middle-income countries are projected to have grown a strong 7.3 per cent to reach USD 589 billion in 2021, the bank said. ❑

Mutual Fund News

SBI to divest 6% in MF arm via IPO

State Bank of India (SBI) has decided to offload 6 per cent stake in its mutual fund unit SBI Funds Management Private Ltd via an initial public offer (IPO).

"The Executive Committee of Central Board of the bank has accorded approval for exploring possibilities to offload 6 per cent stake of the bank in SBI Funds Management Private Ltd through the IPO route, subject to receipt of all regulatory approvals," it said in a stock exchange filing. SBI has not indicated a timeline for coming to the market with a public offer.

SBI Fund Management is India's largest mutual fund with assets under management of Rs 578,166 crore as of September. SBI currently holds 63 per cent stake. The remaining 37 per cent is held by Amundi India Holding.

SBI Mutual Fund may come out with Rs. 7,000-crore IPO in early FY23

SBI Funds Management's (SBI Mutual Fund) initial public offering (IPO) is likely to hit the market in the first quarter of next financial year, said people close to the development. The asset manager's IPO size could be between Rs 7,000-Rs 7,500 crore, valuing the country's largest MF between Rs 70,000-Rs 75,000 crore, they said.

Senior officials in the fund house and SBI said that the IPO process has already been kick-started and investment bankers will be finalised soon.

MFs rush to launch silver ETF

Leading mutual funds have queued up before market regulator SEBI for launching silver Exchange Traded Fund weeks after the market regulator cleared regulations which paved the way for retail investments in the white metal.

Aditya Birla Sun Life Mutual Fund, Nippon India and Mirae Asset filed scheme information document (SID) with market regulator SEBI for launching Silver Exchange Traded Fund.

While Birla MF and Mirae Asset will launch silver ETF, Nippon MF will hit the market with both an ETF and a Fund of Fund. The ETF will invest in physical silver of SEBI prescribed quality and standard.

A small portion of the net assets will be invested in debt and money market instruments to meet the liquidity requirements of the scheme. It will also invest in instruments notified by SEBI with silver as underlying asset, said Birla MF in its filing with SEBI.

It will also invest up to 10 per cent of asset in exchange traded commodity derivatives having silver as the underlying by Silver ETFs.

SEBI looking at disclosure norms for ESG mutual fund schemes

Markets regulator Sebi is in the process of putting in place disclosure for mutual fund schemes with the ESG (environment sustainability and governance) theme, its chief Ajay Tyagi said.

Also, the regulator is examining the disclosure of ESG related aspects in the rating press release by credit rating agencies, he added.

Speaking at the inauguration of an ESG Centre for Research and Innovation at IIM Ahmedabad, Tyagi stressed on the need of in depth research on ESG norms with focus towards developing high quality, objective, content-specific rating matrices.

"Research in ESG can go a long way towards converting intangible and amorphous variables of business to measurable and quantifiable returns," he said.

Sebi overhauls advisory committees on secondary markets, mutual funds, corporate bonds

Markets regulator Sebi has restructured its three advisory committees pertaining to the secondary market, mutual funds, and corporate bonds and securitisation. Rejigging its secondary market committee, Sebi has listed Zerodha's co-founder and chief executive officer (CEO) Nithin Kamath among the new inductees in the 17-member panel, latest information on the regulator's website showed.

The advisory committee will now be chaired by Madhabi Puri Buch, ex-whole time member of Sebi. The panel was earlier headed by IIM Ahmedabad professor and former whole-time member of Sebi, Jayanth R Varma.

Other members of the panel include Dhiraj Relli, MD and CEO of HDFC Securities; Kaku Nakhate, President and Country Head India at Bank of America; Naresh Yadav, MD and CEO of SBICAP Securities; and Leo Puri, Chairman, JP Morgan, South and Southeast Asia.

The panel advises the regulator on matters related to the secondary market, including suggesting steps to improve market safety, efficiency and transparency.

Quantum Mutual Fund changes face value of gold fund

Quantum Mutual Fund has announced a change in the face value of Quantum Gold Fund. The fund house says that the move is aimed at making the fund more accessible for investors. The face value of QGF has changed from Rs 100 to Rs 2. Accordingly, each unit will approximately represent 1/100th of 1 gram of gold.

"When Quantum launched its Gold Fund in 2008, it was the lowest denomination ETF in the Indian markets at 12 grams. With rising gold prices, minimum investment in QGF has increased substantially, thus leading to high NAV. With the current change in the denomination and hence the face value, the NAV of the fund will reduce proportionately to represent 0.01 grams of gold, making it more accessible for investors," ays Chirag Mehta, Senior Fund Manager, Quantum Gold Fund.

Here's how it will impact the new investments in the fund: For example, suppose the NAV of Quantum Gold Fund is Rs. 2,000 representing Gold Fund NAV for ½ gram of Gold which will change to represent 0.01 gram of gold and thus the NAV would be approx to Rs. 40. With the change in the face value, the NAV of the fund will change representing 0.01 gram of gold making it more accessible for investors.

Existing investment Value in Quantum Gold Fund will not be affected by this change. The NAV per unit of Quantum Gold Fund will be reset to reflect the change in the denomination of gold and Face Value per unit and the balance unit holding of the existing unitholders of the scheme will increase proportionately effective from the Record Date i.e. December 17, 2021.

HSBC to acquire L&T Mutual Fund for $425 million

HSBC will acquire the mutual fund business of L&T Finance Holdings for $425 million (Rs 3,250 crore). The deal values L&T Mutual Fund at 4.2% of its assets under management of Rs 78,273 crore at the end of September. Earlier this year, Sundaram Finance paid Rs 338.53 crore, amounting to 4.5% of assets under management, to acquire Principal AMC.

After completion of the deal, HSBC will merge the operations of L&T Mutual Fund with its existing asset management business in India.

"With an acquisition of this size, the asset management business will be a meaningful entity for HSBC in India," said Value Research founder Dhirendra Kumar.

L&T Mutual Fund is ranked 12 out of 44 in the Indian mutual fund industry. Equity assets account for Rs 41,000 crore of the total cited above.

HSBC is at 23 with assets of Rs 11,314 crore, of which equity accounts for Rs 4,264 crore. L&T Mutual Fund has 2.4 million active folios, is empaneled with leading banks and has a presence in 65 locations. ❑

Co-Operative Bank News

RBI Governor, PM signal reforms in trouble-prone urban co-operative banks

Reserve Bank of India (RBI) Governor Shaktikanta Das indicated that the banking regulator will ring in sweeping regulatory changes to reform urban co-operative banks that have been plagued by a spate of failures, and warned people against parking their savings in banks offering high returns.

While terming the government's decision to raise the insured limit for bank deposits to Rs. 5 lakh from Rs. 1 lakh with a 90-day time limit to pay out such deposits as 'landmark' developments, Mr. Das stressed that the payment of Deposit Insurance should be seen as a 'measure of last resort'.

"I would like to mention in all this is that the depositors themselves must also be very discerning. It is very important to keep in mind that higher returns are usually associated with higher risks. Just because a bank is offering higher interest, the depositors should be very careful in putting their money in chasing such high returns," the RBI Governor noted.

"I am not generalising. There are institutions that are offering higher interest rates which are viable, but depositors should always be very careful," he reiterated at an event to mark the payment of nearly Rs. 1,300 crore to over 1 lakh depositors whose funds were stuck in distressed banks for years.

Prime Minister Narendra Modi, who personally handed over deposit insurance cheques to a few bank customers whose savings with distressed banks had been out of reach for years, said that an additional three lakh depositors would get their hard-earned savings, stuck in other banks, soon.

"When the RBI will oversee co-operative banks' functioning, this will also raise depositors' confidence further. We have created a new Co-operatives Ministry (referring to the Co-operation Ministry). The idea is to strengthen the co-operative system and will empower co-operative banks further," Mr Modi said, noting that these problems afflicted co-operative banks more.

Mr. Das said the central bank keeps depositors' interests on top while dealing with policy challenges and will continue to ensure that the entire banking system remains robust.

"Just to give an example, we have come out with new governance guidelines for commercial banks and we have constituted a committee for bringing about reforms in the urban co-operative sector. That report has been received and we will be taking action based on it," he said,

Saraswat Bank chairman, seven more booked in cheating case in Pune

The Pune Police have registered a cheating case against eight persons including Saraswat Bank Chairman Gautam Thakur and Managing Director Smita Sandhane, based on an order from a judicial magistrate court.

"We have registered a cheating case against Saraswat Bank Chairman and seven other people based on a Court order. The investigation is currently on," Senior Police Inspector Mahendra Jagtap of Kothrud Police station told Moneycontrol on 27 December.

According to reports, Smita Sameer Patil, a resident of Kothrud, filed a complaint with the local police station following which an FIR was registered against Saraswat Bank Chairman Gautam Thakur, Managing Director

Smita Sandhane, Chief Manager Anand Chalke, Zonal Managers Pallavi Sali, Ratnakar Prabhakar, Vishrantwadi Branch Manager Abhishek Bhagat, and others.

At the heart of the matter is a dubious transaction. The incident allegedly took place between 2018 and 2020. The complainant's company had a term loan account with Saraswat Bank's Vishrantwadi branch.

The Saraswat bank officials allegedly made a bogus loan account and then sent a proposal to the company on August 13, 2018 for a one-time settlement of Rs 13 crore. The bank allegedly misused cheques given as security for a term-loan account by paying Rs 2.5 crore for the fake loan account, the report said.

Started in 1918, Saraswat Bank claims to be the largest Urban Co-operative Bank in India and has operations in six states - Maharashtra, Goa, Gujarat, Delhi, Madhya Pradesh and Karnataka. According to the bank's website, it has a total business of Rs.67,000 crore plus, 283 branches and over 311 ATMs.

RBI extends regulatory restrictions on PMC Bank by 3 months till March 31, 2022

The central bank said the sanction of the scheme of amalgamation with Unity Small Finance Bank was under process after comments were received.

"The Reserve Bank of India had prepared a draft scheme of amalgamation of The Punjab and Maharashtra Cooperative (PMC) Bank with Unity Small Finance Bank Ltd. (USFB).

The draft scheme was placed in the public domain on November 22, 2021, inviting suggestions and objections, till December 10, 2021, from members, depositors and other creditors of transferor bank (PMC) and transferee bank (USFB). Further action with regard to sanction of the scheme is under process," an RBI notification read.

"It is hereby notified for the information of the public that the validity of the aforesaid Directive dated September 23, 2019, as modified from time to time, has been extended for a further period from January 1, 2022, to March 31, 2022, subject to review. All other terms and conditions of the Directives under reference shall remain unchanged," the central bank said.

In September 2019, the RBI had superseded the board of PMC Bank and placed it under regulatory restrictions, including the cap on withdrawals by customers, after detection of certain financial irregularities, hiding and misreporting of loans given to real estate developer HDIL. The restrictions have been extended several times since then. ❑

Banks' gross NPAs declined to 6.9% at September end from 8.2% in March 2020, says RBI report

Scheduled commercial banks' (SCB) gross non-performing assets (NPAs) declined from 8.2 percent at end-March 2020 to 7.3 percent at end-March 2021 and further to 6.9 percent at end-September 2021, the RBI said in its report on Trend and Progress of Banking in India 2020-21 released on December 28.

Also, the return on assets (RoA) of SCBs improved from 0.2 percent at end-March 2020 to 0.7 percent at end-March 2021, aided by stable income and decline in expenditure, the report said. The report has presented the performance of the banking sector, including co-operative banks, and non-banking financial institutions during 2020-21 and 2021-22 so far.

Further, the report said some of the policy measures taken by the RBI in response to the COVID-19 pandemic reached the pre-announced sunset dates in 2021-22. Certain liquidity measures have been wound down as a result, while other regulatory measures, including deferment of implementation of net stable funding ratio (NSFR), restrictions on dividend payouts by banks, deferment of implementation of the last tranche of capital conservation buffer, have been realigned to avoid extended forbearance and risks to financial stability while providing targeted support to needy sectors, the RBI said.

"Even though initiation of fresh insolvency proceedings under the Insolvency and Bankruptcy Code (IBC) was suspended for a year till March 2021, it constituted one of the major modes of recovery in terms of amount recovered," the RBI report said.

Legal News

Corruption complaints can be filed online with Lokpal now

An on-line system that permits individuals to file corruption complaints with the Lokpal was inaugurated right here by the anti-graft ombudsman Chief Justice Pinaki Chandra Ghose.

At current, complaints despatched by put up, e-mail or hand-delivered are entertained by the Lokpal of India, an announcement issued by the personnel ministry stated.

Justice Ghose inaugurated the digital platform - LokpalOnline - for the administration of the complaints. It might be accessed by the residents of the nation and complaints might be filed from anyplace, anytime at lokpalonline.gov.in.

CCI suspends nod to Amazon deal with future

The Competition Commission of India (CCI) suspended its nod to Amazon's 2019 investment in Future Coupons Private Ltd (FCPL), after finding that Amazon had concealed significant information while seeking regulatory approval. The suspension, termed "unprecedented" by experts, may hit Amazon's efforts to block Reliance Industries' (RIL) acquisition of Future Retail's assets.

The 2019 deal gave Amazon the option to buy FCPL's promoter Future Retail within 3-10 years, which Amazon has relied on to get a stay on a proposed buying of Future Group's retail assets by RIL.

"Amazon had misled the Commission to believe, through false statements and material omissions, that the combination and its purpose were the interest of Amazon in the business of FCPL," the CCI noted in its order, placing its prior nod to the combination in abeyance and giving Amazon 60 days to give notice for the combination, post which the Commission would "examine the combination afresh."

421 cases resolved under insolvency law

As many as 421 cases involving a realisable value of Rs 2.55 lakh crore were resolved and 1,149 cases having a liquidation value of Rs 52,036 crore went for liquidation under the insolvency law till this September, the government said.

Corporate Insolvency Resolution Process (CIRP) is conducted as per the provisions of the Insolvency and Bankruptcy Code (IBC).

As of September 30, a total of 4,708 CIRPs were initiated under the IBC.

"The realisable value of 421 cases which were resolved through a resolution plan as on 30th September, 2021 is Rs 2.55 lakh crore for all creditors, including financial creditors. The liquidation value of these companies was Rs 1.48 lakh crore.

"If no resolution plan is received or no resolution plan is approved by the Adjudicating Authority, the corporate entity proceeds to liquidation. Till 30th September, 2021, 1,419 CIRPs have yielded orders for liquidation, having liquidation value of Rs 52,036 crore," Finance and Corporate Affairs Minister Nirmala Sitharaman told the Rajya Sabha.

Expenditure on promotion by e-comm firms is revenue expense: ITAT

Expenditure incurred on promotion for brand 'Snapdeal' is purely revenue in nature, the Delhi Bench of Income Tax Appellate Tribunal (ITAT) said. Experts said the ruling will be a huge relief to e-commerce operators facing litigation on the same issue by treating advertisement expenses as revenue.

The assessee is a web-based platform of 'Snapdeal', which serves vendors and customers for online purchase of goods. The assessee has incurred expenditure on advertising, sales promotion and publicity, claiming it to be revenue expenditure. In contrast, the Assessing Officer held that half of such spending is capital expenditure as it has helped the assessee maintain and create a 'Snapdeal' brand.

However, on appeal before the Commissioner of Income Tax (Appeals), he held that the above expenditure could not be said to be a capital expenditure.

He relied upon several judicial precedents that had held that the incurring of advertisement, publicity and sales promotion expenditure is wholly necessitated for business purpose, though enduring in the long term cannot be held to be of capital expenditure. Therefore, he deleted the above addition. Aggrieved by this, the Income Tax Department moved to ITAT.

After hearing all the arguments and going through the facts placed on record, ITAT said that there was nothing in the Income-tax Act, as well as there wasn't any material on record suggestive of the fact that the assessee could not claim these expenses as revenue expenditure. "The fact remained that as the assessee is operating in online marketing business as aggregator which is a highly competitive consumer market, the assessee had to stay ahead of its competition and thus engage itself in brand promotional activities and has necessity to incur these expenses," it said.

Cardinal rule for courts is not to interfere with govt policies: SC

Less than a week after the President and the Prime Minister expressed anguish over frequent interference in policy decisions by the judiciary, the Supreme Court said the cardinal rule for the courts is not to interfere with the government's economic and regulatory policies.

Upholding a decision of the Reserve Bank of India to decline permission to an Indian merchant, Akshay N Patel, from entering into an agreement to facilitate export of Chinese-made PPEs to US, a bench of Justices D Y Chandrachud, Vikram Nath and B V Nagarathna said the deference of the RBI to the government policy banning export of PPEs was justified as it was in the public interest to stop shortage of PPEs during the pandemic.

It said that exports from a foreign country to yet another country may not have caused shortage of PPEs in India but would surely have depleted the stocks in the world, which could have been grabbed by rich countries for hoarding and reduced India's share to import PPEs.

Writing the judgment, Justice Chandrachud examined in detail the regulatory role of RBI in sync with the economic as well as regulatory policies of the government to nuance the role of the constitutional courts in issues involving such policies.

The three-judge bench said the constitutional courts must be circumspect that "the rights and freedoms guaranteed under the Constitution do not become a weapon in the arsenal of private businesses to disable regulation enacted in the public interest."

Succession provision in Hindu Act flawed: SC

Two decades after India celebrated the year of women empowerment, a 65-year-old law continues to discriminate against women in matters of property succession requiring the Supreme Court to intervene and ask solicitor general Tushar Mehta to provide the Centre's views on a flawed provision of the Hindu Succession Act.

Amicus Curiae Meenakshi Arora laid bare before a bench of Justices D Y Chandrachud and A S Bopanna the glaring inequality in property succession as provided under the Act-on the death of an issueless Hindu married male, his properties would vest with his parents; in case of the death of an issueless widow, her properties, excluding those inherited by her from her parents, will vest not with her parents, but with her husband's parents or relatives.

The preference in succession given to the husband's relatives on the properties of a childless widow, even if the properties were gifted to her by her parents or blood relatives, after her death appeared "clearly discriminatory" to the bench headed by Justice Chandrachud, which asked the SG to get the government's view on this within four weeks.

Interestingly, if the issueless widow sells her property, which was inherited from her parents, and buys another property utilising that money, then that newly acquired property would not be categorised as inherited property to vest with her parents after her death.

Mehta said the flaws in the succession law pointed out by the court concerning an issueless widow may require legislative intervention by Parliament. The bench agreed with the SG and said the discrepancy, which has remained in the statute books for so long, needs correction either through judicial or legislative intervention. ❑

Globalise raises seed round from Whiteboard Capital, Credit Saison, and others

Globalise, India's first platform for guided global investing, has raised a seed round led by Whiteboard Capital and Credit Saison. Angel investors including Himanshu Kohli, Rohit Jain, Rishi Khanna, and Arjun Lamba also participated in the round. With this fundraise, Globalise plans to continue scaling, develop and enhance its product offerings and hire more talent.

Viraj Nanda, Co-Founder, and CEO of Globalise said, "Globalise connects clients in India with global resources that help them become financially successful. Our services are designed to ensure that Indian investors get the opportunity to invest in the world's most innovative companies and buy into emerging global themes while lowering their overall portfolio risk and hedging against the rupee depreciation."

Globalise enables customers to access international financial markets and gives investors a choice of 5,500+ stocks and exchange-traded funds (ETFs). Customers also can invest in 'Globes,' the platform's curated portfolios constructed with a variety of themes and financial goals in mind. Globalise also offers financial advisors, wealth managers, and brokers a dedicated platform that helps them manage their clients' international investments digitally. With this, investors can collaborate with their existing advisors using a cloud-based, integrated digital ecosystem. Globalise has partnered with over 70 wealth managers, financial advisors, and brokers in India to facilitate Indian investors to directly invest in the US markets.

Speaking about the funding, Globalise Chairman Vikas Nanda said, "People of all ages are warming up to the idea of personal finance, wealth management, and financial freedom. They are looking for trusted products and services that will help them achieve their financial goals. Globalise plans to use the investment for advancing our current product portfolio and offering more innovative products that allow Indian investors to enjoy the benefits of borderless finance and for our partners to provide their clients with the most seamless international investing journey.

Anshu Prashar, General Partner at Whiteboard Capital, said "There is a lot of momentum as Indian investors are increasingly looking to diversify their investments globally. The Globalise team is innovating to make this as seamless as possible for customers and financial advisors, and we are excited to be a part of this journey and partner with them on their vision to help Indians achieve financial success with access to the best-in-class global products."

No recovery of tax until speaking order is passed, rules Punjab & Haryana HC

The Punjab and Haryana High Court has held that there must not be any recovery of disputed GST unless a speaking order is passed by the officer concerned. Law experts say that this will help the petitioner and all other such petitioners who are being subject to investigation and are forced to pay up at the initial stage.

A division bench of Judges Ajay Tewari and Pankaj Jain was hearing a petition filed by Subway Systems relating to multiple summons by tax authorities without providing adequate time, and even as an advance ruling petition was pending before the appropriate authority. The Court said, "This petition is disposed of with a direction that in case the petitioner appears before the officer concerned on November 29, he may file a reply and make submissions both on law and merits and the officer concerned would decide the same by passing a speaking order, in accordance with law." .

It was argued that in response to the first summon served, the petitioner had submitted that it would require two weeks to appear with all the material but further summons was being issued without any breathing time.

According to legal experts, the recent trend is that numerous summons are issued to top management and they are forced to pay a substantial amount even before issuance of any showcause notice or an order. In this case, the controversy is with respect to the taxability of intellectual property rights at the rate of either 12 per cent or 18 per cent for which the advance ruling application is already pending before the appropriate authority.

KARUR VYSYA BANK LTD., CENTRAL OFFICE, KARUR

Highlights of business performance for the quarter/periodended 30.09.2021

- Total business as on 30.09.2021 stands at Rs.1,19,260 crore,registering a Y-o-Ygrowth of 7% i.e. up Rs.7,730 crorefrom Rs. 1,11,530 crore as on 30.09.2020. Total business stood at Rs. 1,16,098 crore as on 31.03.2021.
- Gross advances grew by 7% Y-o-Y (Rs.3,442 crore) and stands at Rs.53,850 crore as on 30.09.2021, up from Rs. 50,408 crore a year ago.
- Improved credit off take in retail and business segment as well as jewel loan portfolio, backed by digital processing and improved sourcing of loans through various channels, aided the credit growth.
- Jewel Loan portfolio registered a Y-o-Y growth of Rs.2,319 crore (21%) and stands at Rs.13,460 crore as on 30.09.2021.
- Total deposits grew by Rs.4,288 crore (7%) toRs.65,410 crore, up from Rs. 61,122 crore as of 30.09.2020. Growth was aided through sustained improvement in CASA portfolio and retail term deposits.
- CASA share is up at 35.4% from 33.9% a year ago. CASA deposits have grown by 12% on Y-o-Y basis to Rs.23,159 crore as on 30.09.2021(Rs. 20,697 crore a year ago).
- As at 30.09.2021, Gross NPA has declined by 55 bps to 7.38% (Rs. 3,972 crore) as compared to 7.93% (Rs. 3,998 crore) a year ago. GNPA as on 31.03.2021 was Rs. 4,143 crore (7.85%).
- Net NPA stands at Rs. 1,538 crore (2.99%) as on 30.09.2021. NNPA was Rs. 1,719 crore as on 31.03.2021.
- Provision Coverage Ratio stands at 76.28% (75.19% a year ago).
- Basel III CRAR stands at 18.82% (with CET1 Ratio of 16.79%), up from 18.41% as on 30.09.2020.
- Branch and ATM + Cash Recyclers network as on 30.09.2021 stands at 781&2,234 respectively.

Financial performance - Quarter ended 30thSeptember 2021

- Net profit for the quarter registered a substantial growth of 43.5% and stood at Rs.165crore up from Rs. 115 crore during Q2 of previous year.
- Operating profit for the quarter stood at Rs.373 crore -up by Rs. 13 crore from Rs.360 crore for Q2 of the previous year.
- Net interest income for the quarter improved by 13.1% to Rs.680 crore for the current quarter vis-à-vis Rs. 601 crore for Q2 of FY 2020-21.
- Net interest margin stands at 3.75%.
- Cost of deposits has reduced further to 4.32% compared to 5.06% during the previous period.
- Yield on advances is at 8.62% (9.26% for Q2 of previous year).
- Fee based income for the quarter (i.e. excluding treasury profit)is at Rs.144 croreas compared to Rs.119 crore during the previous period; treasury profit was lower at Rs. 16 crore (Rs. 120 crore during the same period of previous year)
- Operating expenses for the quarter was Rs.470 crore as compared to Rs. 424 crore during Q2of FY 2020-21.

Financial performance - Half-year ended 30thSeptember 2021

- Net profit for the half year registered a robust growth of 24.5% (Rs. 54 crore) and stood at Rs. 274 crore from Rs. 220 crore during corresponding period of previous year.
- Operating profit for the half year at Rs. 783 crore, down from Rs. 817 crore for H1 of the previous year.
- Net interest income for the half year increased by 13.3% to Rs. 1,318 crore vis-à-vis Rs. 1,163 crore for H1 of FY 2020-21.
- Net interest margin stands at 3.65% up by 23 bps.
- Cost of deposits has improved by 79 bps and stands at 4.42% as compared to 5.21% during the previous year.
- Yield on advances is at 8.59% as compared to 9.29% during the first half of the previous year.
- Commission and fee based income has improved by 20.8% (Rs. 50 crore) on Y-o-Y basis to Rs. 290 crore from Rs. 240 crore during the previous year.
- Operating expenses for the half year was Rs. 899 crore as compared to Rs. 829 crore during first half of FY 2020-21.

BLOCKCHAIN AND CRYPTOCURRENCY

Abstract

Finance has long been a very conventional field with no major breakthroughs happening for many years until the introduction of Bitcoin in 2008 by an anonymous person/ group going by the name of Santoshi Nakamoto. Some people look at cryptocurrency as a major technical breakthrough in the field of Finance that has the potential to change the way we transact, while some look at it with skepticism since it can lead to increase in underground transactions. Through this paper we first try to understand what does 'Cryptocurrency' mean and briefly explain how does blockchain works,then whether truly cryptocurrencies are fool proof with no chance of fraud, and lastly,Reserve Bank of India's opinion on cryptocurrencies. The universe of cryptocurrencies comprises of various tokens and talking about each one of them is beyond the scope of this paper. In this paper we try to focus only on Bitcoin.

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Understanding the term 'Cryptocurrency'

- Before defining cryptocurrency, we must understand the characteristics of currency. A well-functioning currency should have 3 functions:
  - **Store of Value:** Store of Value means that the value of a currency should be stable over time. Due to high volatility this criterion is not met by cryptocurrencies.
  - **Unit of Account:** Unit of account means that money should allow us to easily determine the value for goods and services and allow us to compare them to each other. The volatility of Bitcoin makes it difficult for us to consider it as a unit of account.
  - **Medium of Exchange:** Medium of Exchange means that money should allow buyers and sellers to make transactions. Bitcoin partially fulfills this criterion but slow transaction speeds, high volatility poses some hurdles.

  Since cryptocurrencies do not fulfill these criteria defining cryptocurrency as 'virtual currency' would not be inaccurate.
- Now coming to Cryptocurrency, the Inter RegulatoryWorking Group on Fintech and Digital Banking set by RBI in 2017, defines cryptocurrency as

digital representations of value, issued by private developers and denominated in their own unit of account. They also added that cryptocurrencies are not necessarily attached to a fiat currency but are accepted by natural or legal person as a means of exchange.

Brief understanding of Blockchain and Bitcoin

Blockchain technology is like a digital public ledger where all the transactions and digital events that have taken place are recorded. Every transaction that is recorded on blockchain has to be verified by the consensus of majority of network participants and once a transaction has been included in the chain of blocks it can't be erased without the consensus of a majority of network participants.

Bitcoin is one of the first cryptocurrency which was coined using blockchain technology. Traditionally while transacting online there is a need for a trusted third party to verify each transaction but Bitcoin eliminates the need for any third party to verify each and every transaction instead it uses a peer to peer based system of transactions that facilitates every transaction without having the need to go to any financial intermediary.

Each transaction is protected using a digital signature and each transaction is sent to the public key of the receiver signed using the private key of the sender. Each of these transaction is broadcasted to every node in the Bitcoin network and is then recorded in the public ledger after verification. Every block is connected to the previous block using a hash number and also every block has a unique hash number embedded in itself as well.

However, these transactions come in random order to the nodes which can create a problem of double spending. To combat this problem of double spending bitcoin requires a network of participants to agree upon a single history of order in which the transactions were received. The person receiving money, needs proof that majority nodes(network of participants) agree that the particular transaction was the one that was first received.

While talking about Blockchain many people refer to it as a fool proof network of transactions but there is one loophole in this entire system. As per the author of the Bitcoin Whitepaper- Santoshi Nakamoto, this system of nodes approving a transaction before it is added to the block is fool proof as long as the " honest nodes collectively control more CPU power than any other cooperating group of attackers". This means that if a group of attackers can get more than 51% CPU power they can get around the system and manipulate it according to their will. This loophole is referred to as the known limitation of 'the proof of work'.

Instances of Cryptocurrency Hijacking

- As per Coinbase- a cryptocurrency exchange platform, they noticed some anomalies in the Ethereum Classic blockchain on 1st May2019 which led them to halt all interactions with the Ethereum Classic Blockchain. After a few days it was discovered that it was a coordinated attack on the ETC's blockchain and in total 219,500 ETC whose value was approximately around $1.1 million, though none of the Coinbase accounts were impacted by the attack.
- On 10th August 2021, the largest cryptocurrency hack was reported. Polynetwork, a decentralised finance platform that connects different blockchains so that they can work together disclosed an attack on its platform where hackers transferred $610 million worth cryptocurrency from the platform to external wallets. Poly network in their communication urged the hackers to return the stolen cryptocurrencies and in a strange turn of events the hackers did return the stolen cryptocurrencies.
- In 2014,MtGox - a Japanese Cryptocurrency exchange, who was at that time the world's largest cryptocurrency exchange platform filed for bankruptcy stating $460 million worth of cryptocurrencies were stolen from their exchanges. As per the company there was a

vulnerability in their systems that were exploited by the attackers.

A transaction is requested

↓

The transaction is broadcased to a P2P network that consists of computers (nodes)

↓

The network of nodes uses known algorithm to validate the transaction and user's status

↓

A verified transaction can involve cryptocurrency, contracts, records, or other information

↓

The transaction is combined with other transactions, once verified, to create a new block of data for the ledger

↓

The new block is added to the existing blockchain (which is permanent and unalterable)

↓

The transaction is completed

Reserve Bank of India's stance on Cryptocurrency

Central Banks across the world have a different take on cryptocurrencies but all of them share a single view point on the possibility of using cryptocurrencies for terrorist financing and Money Laundering.

RBI on 6th April 2018 had issued a circular directing entities regulated by RBI to not deal in virtual currencies. Also ordered to stop providing services and terminate relationships with entities dealing in virtual currencies. This order was challenged in court by various parties who had vested interest in cryptocurrencies.While defending its order in court RBI cited a paragraph from the 2015 Report on 'Emerging Terrorist Financing Risks' by FATF which in brief mentioned that Virtual Currencies such as bitcoin present a great opportunity for financial innovation but at the same time allows anonymous transfer of funds internationally. This has attracted attention of many criminal organisations and pose a threat for Terrorist Financing.

Use of cryptocurrencies to transact funds internationally can be compared with Hawala transactions. Hawala Transactions operate outside the jurisdiction of Traditional Banking System. It was originated in India and the transfer of money takes place between Hawala dealers or 'Hawaladars'.

To explain Hawala transaction in brief; if a person wants to send money abroad, instead of going through the traditional banking system, the person can contact a 'hawaladar' who contacts the other hawaladar sitting in the intended country and directs him/her to deliver the money to the final destination. The entire system of Hawala works on trust and is more cost effective, efficient and most importantly does not leave any paper trail which makes it a perfect source of money laundering. Hawala transactions are completely illegal in India and Pakistan.

In response to RBI, the cryptocurrency exchanges argued that RBI has no power to ban trading in virtual currencies since they are not a legal tender and are not included in the credit system of the country. Also, virtual currencies do not satisfy the characteristics for it to be termed as money, namely - Mediumof Exchange, Unit of Account and Store of Value. Hence, cryptocurrencies fall outside the jurisdiction of the Central Bank's power to regulate it.

Another point raised by the virtual currency exchanges is that RBI classifies all the cryptocurrencies as anonymous whereas most of the cryptocurrencies are 'pseudo-anonymous', which is also acknowledged by the European Parliament. Pseudo anonymity means that identities on the blockchain are not directly linked to the real world identities but with enough efforts one can trace back a transaction to the source. Hence, pseudo anonymity while assures unidentifiability but does not guarantee it.The court ruled in the favour of the virtual currency exchanges and ordered RBI to take back its orders.

Government of India is also preparing to introduce 'the Cryptocurrency and Regulation of Official Digital Currency Bill' to regulate cryptocurrencies, in the Winter session of Parliament this year. The Bill seeks to prohibit all private cryptocurrencies in India; however, it plans to allow the technology underlying cryptocurrencies, i.e., Block-chain, and its uses. The Bill also plans to create a facilitative framework for creation of the official digital currency to be issued by the Reserve Bank of India.

Conclusion

The paper began by defining cryptocurrencies and how terming them as a 'virtual currency' would be incorrect. It then proceeded towards briefly explaining the main concept behind blockchain and how is blockchain incorporated in Bitcoin. Instances were provided on how the 'limitation ofproof of work' and the inefficient system of the virtual currency exchanges is being exploited by hackers rendering cryptocurrencies to actually not be 'fool proof'.

Throughout this paper we try to refrain from putting forward any personal opinion around cryptocurrencies instead we have to present the facts as documented in the official resources. We encourage the reader of this document to personally read in depth about the topics touched here and personally understand the scope and limitations of this technology.

Disclaimer:

Information from Various public sources have been utilized for writing this Article. ❑

ICICI Bank on-boards 70 leading corporates on its digital platform 'CorpConnect'

ICICI Bank today announced that it has on-boarded 70 leading companies on 'CorpConnect', the digital platform that it launched last year to enable corporates to undertake instant payments and collections to/from their channel partners. 'CorpConnect', a first-of-its kind initiative, also offers instant and collateral free digital channel financing solutions such as dealer finance for distributors and vendor finance/ reverse factoring for suppliers.

The list of these companies include ArcelorMittal Nippon Steel India Ltd., Asian Paints Ltd., Blue Star Ltd., Crompton Greaves Consumer Electricals Ltd., Exide Industries Ltd., Hero Cycles Ltd., Hindustan Unilever Ltd., Kansai Nerolac Paints Ltd., Nayara Energy Ltd., Orient Electric Ltd., Somany Ceramics Ltd., V-Guard Industries Ltd. and Voltas Ltd. (in alphabetical order) among others. These companies- many of them are members of the 'S&P BSE 200 Index'- represent various industries namely FMCG, consumer durables, auto ancillaries, steel, oil, cement, textiles, paints, tiles/ sanitary wares, pipes, chemicals, engineering goods and agriculture commodities.

Through 'CorpConnet', companies can directly integrate with the Bank's systems and embed the banking solutions such as channel financing, vendor bill/ invoice discounting, payable finance and factoring within their ERP systems. This can be done either with API integration with the Bank or with host-to-host SFTP (Secure File Transfer Protocol) solution. The use of these cutting-edge technologies reduces integration time significantly, thereby enhancing operational and financial efficiencies of the companies significantly.

Speaking on the announcement, Mr. Anuj Bhargava, Head- Global Clients Group, ICICI Bank said, "ICICI Bank believes in leveraging the latest technology to bring in new and improved digital banking solutions to its customers. In line with the philosophy, we launched 'CorpConnect' last year to help companies and their channel partners with the facility of seamless collection/payment, reconciliation and financing on a day-to-day basis. We are pleased to share that we have on-boarded 70 leading corporates on 'CorpConnect'.

'CorpConnect' undertakes average monthly transactions worth few thousand crores of rupees. We believe that 'CorpConnect' has immense potential to simplify the document-intensive supply chain management by bringing all stakeholders on a single platform and providing them with instant, digital and seamless solutions."

AMALGAMATION OF PUBLIC SECTOR BANKS IN INDIA: BOON OR BANE?

Introduction

Ten Public Sector Undertaking (PSU) banks amalgamated into four banks with effect from 1st April 2020. In the biggest consolidation exercise in the banking space, the number of public sector banks in India has come down to 12 from 18. There were as many as 27 Public Sector banks in 2017. In the past, various other bank mergers have taken place.

For instance, in 2017, the country's largest public lender - the State Bank of India took over five of its associates and Bharatiya Mahila Bank. These were State Bank of Patiala, State Bank of Bikaner and Jaipur, State Bank of Mysore, State Bank of Travancore and State Bank of Hyderabad effective April 2017. Last year, Vijaya Bank and Dena Bank were amalgamated with Bank of Baroda.

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The exercise assumes significance as it took place at a time when the entire country was under the grip of COVID-19 outbreak. It triggered 21-day lockdown to contain the spread of the deadly virus. Experts said merger at this point of time will not be very smooth and seamless. However, heads of the anchor banks were exuding confidence. The four anchor banks - PNB, Canara Bank, Union Bank and Indian Bank - postponed some part of the implementation and processes due to the lockdown. After this consolidation, there are seven large public sector banks (PSBs), and five smaller ones.

History of Mergers in Indian Banking

Mergers of banks began in India in the 1960s in order to bail out the weaker banks and protect the customer interests. In 1969 the government nationalized 14 private banks. As many as 46 mergers took place mostly of private sector banks in order to revive the poorly performing banks which proved to be quite a successful move for the underperforming banks.

The period from 1969-1991: The period was called post-nationalization period. It saw six private banks being nationalized in 1980. In this period 13 mergers took place mostly between public and private sector banks.

The post liberalization period, which stretches from 1991-2015, saw major economic reforms initiated by Government of India. Many new policies were framed. Greater FDI and foreign investment was allowed which saw resurgence in Indian Banking. As many as 22 mergers took place - some to save weaker banks and some for the sake of synergic business growth.

Few Examples of Bank Mergers in the Past

Kotak Mahindra Bank and ING Vysya Bank merger and amalgamation of Centurion Bank of Punjab Ltd. with HDFC Bank took place in 2014 and 2008, respectively.

The merger of Oriental Bank of Commerce with Global Trust bank in 2004 saved the latter after its net worth had wiped off and also handed OBC a million depositors and a decent market in South India. Mergers of Punjab National Bank (PNB) with the then eroded New Bank of India (NBI) in 1993-94 and that of Benaras State bank Ltd with Bank of Baroda in 2002 also proved to be life saving for the weaker bank.

Here are a few aspects of the PSU bank merger that came into force with effect from 1st April 2020:

- ❖ The amalgamation of Oriental Bank of Commerce (OBC) and United Bank of India into Punjab National Bank (PNB) makes it the second-largest public sector bank in the country, after State Bank of India (SBI). The new entity has a business of Rs 17.95 lakh crore and 11,437 branches, and combined strength of over 1 lakh employees.
- ❖ The amalgamation of Syndicate Bank into Canara Bank created the fourth-largest public sector bank with Rs 15.20 lakh crore business and a network of 10,391 branches, 12,829 ATMs and a combined strength of 91,685 employees.
- ❖ The amalgamation of Andhra Bank and Corporation Bank into Union Bank of India created India's fifth-largest public sector bank with Rs 14.59 lakh crore business and 9,609 branches.
- ❖ The amalgamation of Allahabad Bank into Indian Bank created the seventh-largest public sector bank with Rs 8.08 lakh crore business. The combined entity would have 6,060 branches, a network of 2,870. Indian Bank was strong in south India and the merger of Allahabad Bank will give it wide access to north and east India, where the latter is stronger.
- ❖ Most of these banks were listed entities. So, as target banks will cease to exist, shareholders of these banks were allotted shares of the anchor bank. For every 1,000 shares of Syndicate Bank, 158 equity shares of Canara Bank were given. Similarly, an exchange ratio of 1,150 shares of PNB for every 1,000 shares of Oriental Bank of Commerce and 121 equity shares of PNB for 1,000 shares of United Bank was fixed. Those holding 1,000 shares of Allahabad Bank were allotted 115 shares of Indian Bank. For every 1,000 equity shares of Andhra Bank, 325 shares of Union Bank were allotted and for every 1,000 shares of Corporation Bank, 330 Union Bank shares were given.
- ❖ After the merger, there are 12 PSUs: Six merged banks and six independent public sector banks.
  - Six merged banks - State Bank of India, Bank of Baroda, Punjab National Bank, Canara Bank, Union Bank of India, Indian Bank.
  - Six independent banks - Indian Overseas Bank, Uco Bank, Bank of Maharashtra, Punjab and Sind Bank, Bank of India, Central Bank of India.
- ❖ There shall be no immediate branch closures in any of the banks. In future, if there are some closely located branches of the two/three banks, they may be merged/shifted with prior notice to customers.
- ❖ While the merger may have been effective from April 1, the integration of all the processes and technology

can take months. Through this period, customers of the banks that are being merged into other banks could avail several services such as cash deposits and withdrawals and inter-bank fund transfers etc, either through their existing bank's branches or through the new anchor bank's branch soon.

- Furthermore, the existing bank account numbers, Indian Financial System Code (IFSC), Magnetic Ink Character Recognition (MICR) Code etc. will also remain the same, and customers of the banks will also be able to use the same existing cheque books and debit cards for now. Eventually, though new cheque books and pass books as well as debit cards will be issued with the details of the new bank.
- Internet banking portals and mobile applications of individual banks are also likely to operate just like earlier for now. So, the customers and deposit holders of the banks won't have to worry much or go through any sort of fresh applications process in the near term.

Benefits of amalgamation for customers

- Customers will be associated with a much larger bank, having a widespread pan-India network.
- Customers will now have access to a larger number of branches.
- Customers can enjoy ATM services across increased network of ATMs without any additional charge
- Customers will have access to a wider array of products and services.

Benefits of amalgamation for the Organization

- Merger helps to reduce the cost of banking operation.
- Will give them a wider geographical reach and make balance sheets stronger.
- Multiple posts gets abolished, resulting in great financial savings
- Merger will result in better NPA and Risk management
- It helps the geographically concentrated regionally present banks to expand their coverage
- The objectives of financial inclusion and broadening the geographical reach of banking can be achieved better with the merger of large public sector banks and leveraging on their expertise.

- Provides better efficiency ratio for the business operations which is beneficial for the economy
- With the large scale expertise available in every sphere of banking operation, the scale of inefficiency which is more in case of small banks, will be minimized
- After merger, Indian Banks can manage their liquidity - short term as well as long term position comfortably. Thus, they will not be compelled to resort to overnight borrowings in call money market and from RBI under Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF).
- Since number of public sector banks has come down. This will end the unhealthy and intense competition going on even among public sector banks as of now. Unhealthy competition leads too many unethical practices and regulatory violations as noticed at present.
- In the global market, the Indian banks will gain greater recognition and higher rating.
- The volume of inter-bank transactions will come down, resulting in saving of considerable time in clearing and reconciliation of accounts.
- The burden on the central government to recapitalize the public sector banks again and again will come down substantially.
- For meeting more stringent norms under BASEL III, especially capital adequacy ratio, the larger banks need not struggle.
- Synergy of operations and scale of economy in the new entity will result in savings and higher profits.

- A great number of posts of CMD, ED, GM and Zonal Managers will be abolished, resulting in savings of Crores of Rupee.
- Many controlling offices have to be closed, resulting in savings.
- In many banks, the GOI's nominee and RBI's representative on the bank boards will lose their jobs. This will not only save considerably huge money, but reduce their unnecessary interference in day to day affairs of the banks.
- New People and New thinking will get infused in the new entity. Better systems also may be introduced, to make the work life of the employees more comfortable and enjoyable.
- After mergers, bargaining strength of bank staff will become more and visible. Bank staff may look forward to better wages and service conditions in future.
- The wide disparities between the staff of various banks in their service conditions and monetary benefits will narrow down.
- As the network of branches, after mergers, will be evenly distributed across the country, the threat of transfers to far off places will diminish for officers up to MMGS III.
- Banks can spend more money and other resources, for the training and development of their employees and officers.
- Employees will get wider exposure in the changed environment and new opportunities will open up for them.
- Trade Unions will have more numerical strength in the new organization.

- In the Trade Unions, dominance of one section, one linguistic group and one geographical region will come down.
- Customers will have access to fewer banks offering them wider range of products at a lower cost.
- Customer service will improve vastly due to advanced technology, improved systems and better ambience of bank branches.
- From regulatory perspective, monitoring and control of less number of banks will be easier after mergers. This is at the macro level.
- Larger banks will have more stability and strength, making the job of the regulator easier.
- It helps to improve the professional standard.

Drawbacks of amalgamation for the Organization

- Mergers may result in shifting/closure of many ATMs, Branches and controlling offices, as it is not prudent and economical to keep so many banks concentrated in several pockets, notably in urban and metropolitan centre's. Though the closure or merger of a large number of branches will not happen all of a sudden, it is bound to happen over a period.
- Banks may be compelled to offer another round of VRS, especially to those above 50 years of age and to those having more than 25 years of experience in the same bank. Banks might lose thousands of talented and experienced personnel at a time, resulting in serious crisis at the middle and senior management levels.
- Mergers may result in job losses on account of large number of people taking VRS on one side and slow down or stoppage of further recruitment on the other. This may worsen the unemployment situation further. The plight of people taking pre-mature retirement (through VRS route or otherwise) will turn more pitiable than being envisaged.
- The banks accounts linked to ECS and demat records are to be changed, in future. This is a laborious, time taking and expensive exercise.
- Different banks have different goals, priorities and business strategies. Synchronization may be very difficult.
- The weaknesses of the small banks may get transferred

to the bigger bank also. Acquiring Banks have to handle the burden of weaker bank.

- Many controlling offices have to be closed. This may result in data losses on one side and dilution of control on the other.
- It is difficult to manage the people and culture of different banks.
- Larger Banks are more vulnerable to Global Economic Crisis.
- Coping with the Employee disappointment could be another challenge.
- For the top positions of the banks, whose number may get reduced in the post-merger scenario, there may be tough and ugly competition.
- Since many of the GOI's nominee and RBI's representative on the bank boards will lose their jobs. This may loosen the control of RBI over larger banks. There is also a likelihood of a large scale irregularity escaping the immediate notice of RBI, but surfacing much later. This may spoil the reputation and credibility of individual banks and the regulator (RBI).
- Since the number of bank branches will be large, managing them may pose greater challenges.
- Mergers may result in clash of different organizational cultures. Conflicts may arise in the area of systems and processes too.
- People working in the larger bank (acquiring bank) may try to dominate the personnel working in the smaller bank (acquired bank). Thus, the latter may be treated as second class citizens in the new, merged entity.
- Staff identified as surplus in many pockets (urban and metros) may be transferred to far off places. This might create turmoil and widespread protests.
- Promotional avenues for staff after merger may come down. In promotions, the staff of the acquiring bank might have a lion's share, leading to strong discontentment, rivalry and open disputes.
- Many Trade Union leaders may lose their prominence and even positions, in the new set up.
- Initially, the customers of both the banks may find it difficult to deal with new set of people, their attitude and style of functioning.
- Several problems may crop up in the area of reconciliation of accounts, updating of records etc. Especially in Suit Filed Accounts, SARFAESI/DRT Cases, Written off Accounts, this problem may be acutely felt. In the meantime, cases of fraud and misappropriation/ embezzlement may also be reported.
- When a big bank books huge loss or crumbles, there may be a big jolt in the entire banking industry. Its repercussions will be felt everywhere.
- After merger, the share price of the merged entity might fall immediately. The rate of dividend also might diminish during the first two or three years following mergers.
- For general Public, There may be some confusion initially. It may be difficult to remember the name of the banks which have been grouped together and amalgamated.
- While the merger may have been effective from April 1, the integration of all the processes and technology may take several months.
- There may surely be overlapping roles, which may be reassigned; some of the employees may also be transferred to different departments or branches as the transition process takes shape. There may be some impact on new hiring too.
- Risk of failure increases if the executives are not committed enough in bringing the merger platforms together for the merging and taking over bank. Such failure may prove brutal for the Economy.
- Impact of customers on banking merger or acquisition is often quite emotional. If customer perception is not managed with frequent and careful communication it may lead to loss of business which is never good for the Economy.
- Many banks focus on regional banking requirements. With the merger the very purpose of establishing the bank to cater to regional needs is lost.

Disadvantages of amalgamation of public sector banks on their employees

- The merger of public sector banks will create an excess workforce, which may consecutively lead to early VRS (maybe forcefully).
- It may also stop further hiring or recruiting people curtailing employment opportunities. And chances of Career Progression in form of Promotions may hamper.

- It may result in the closure of many bank branches, administrative offices, and ATMs. This may result in relocation of Staffs.
- It could ignite clashes between MDs (Managing Directors), EDs (Executive Directors), and GMs (General Managers). Senior executives in sync are vital while incorporating the works, plans and services.
- Because of different banking nature, banks don't share the same culture, systems, and procedures. This may also lead to clashes. Perhaps large banks may not treat the smaller banks employee equally. This could affect employees' promotion. Furthermore, there may be possible grounds that out of hatred they could transfer the employees to far-flung places. This may create an unhealthy working environment in the workplace.
- Public Sector Bank Mergers may also bring down the number of posts at the top-level executives (MDs, EDs, and GMs).
- The merger of a weak bank to a stronger one will also affect the efficacy of the stronger bank. The losses incurred by the weak banks may wipe-out the profits earned by these strong banks.

Here is how Customer's are likely to be impacted by this move:

Almost every other individual who has a savings account or fixed deposit with a public sector bank is likely to be impacted.

- Get ready to change the cheque books as the various banks get merged. While the existing cheque books may remain valid for some time, but ultimately they may be replaced with the cheque books of the merged entity.
- Customer's would have given their bank account numbers and IFSC codes for various financial transactions like auto credit of dividends via ECS, auto-credit of salary, auto debit of systematic investment plans (SIPs) in mutual funds and various bills/charges etc. After these accounts are seamlessly merged into the financial system of the new merged bank, Customer may be required to change the details of their bank given for these purposes.
- Credit/debit cards issued by the merging banks may have to be exchanged for those of the merged entity although the former are likely to remain valid for the interim period to ensure no disruption in services. But after these accounts are seamlessly merged into the financial system of the new merged bank, Customer may be required to change their Credit/debit cards as well.
- Paperwork and keeping financial trail of fixed deposits made will increase a bit as these will be transferred into the merged bank.
- It is, however, not clear what will happen to the interest rates of those who have loans running with these banks as the MCLR rates are different for different banks.

Conclusion

Mergers or amalgamations are important for the consolidation and expansion purposes, They are also crucial for Economy as they are most of the times successful in saving weak banks which fail in meeting expectations. As per studies conducted, most of the mergers done in the past have proved to be an overall success for the weaker banks although there are no concrete parameters to verify this observation. Hence going by the track record merger and acquisition in Indian banking have been fruitful for the Indian Economy. But Merger also creates variety of problems which can cause great damage if the process of merger is not executed properly.

So, the point is that Amalgamation should be carried out with the utmost care and executed in a manner which leads to an environment of Trust and agreement between all the organizations. If these things are taken properly, and if people, work culture and vision are blended together nicely, merger may definitely have synergic effects it can create a win-win situation. Otherwise consequences can be damaging.

Amalgamation had already taken place. Soon the Time will tell us, whether the Amalgamation of Public Sector Banks in India proves to be Boon or Bane?

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BANKING CAPITAL - INCREASING CLOUT OF SOVEREIGN WEALTH FUNDS (SWF)

1.0 Introduction

At a time when Banking capital is scarce and finance capitalism is driving the World, it is but natural to expect foreign money to find its way, to pump ailing weak banks. It is a common knowledge that in the past one decade or so, beleaguered banks due to decelerating economy, raising NPA levels and many other structural impediments were finding it difficult to garner capital. The weaker banks faced the brunt of it. The old generation banks, with myriad governance issues and regulatory compulsions of the nature of Basel III guidelines and the like were finding it very difficult to raise capital, repeatedly.

More specifically, some banks were classified into weak banks and put under Prompt-Corrective Action (PCA) Framework of the Reserve Bank of India. In short, the Prompt Corrective Action or PCA is a framework under which banks with weak metrics on Capital Ratios, Asset Quality and Profitability concerns are put under watch by the RBI. Such classification deems bank as risky and starts corrective actions which majorly includes Capital infusion and probing Governance issues. Accordingly, some Private Banks like Yes Bank, Lakshmi Vilas Bank, Dhanlaxmi Bank, CSB etc. apart from the Nationalised Banks in India like UCO Bank, Indian Overseas Bank have been categorized under PCA framework in the last two-three years. Some of it has successfully come out of it.

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2.0 Looking for fresh Capital by Weak Banks

Banks when trying to pull out from the quagmire of such distress, raising fresh Capital from the investors is always a conundrum that plays out. 'Suitors' are looked around for the 'Bride', but generally it ends up as a long process and 'Suitors-with-deep-pockets' are always a preferred lot in the game.

They might come from far and wide after hearing the news.

In the globalised world of Finance Capital, Sovereign wealth funds (SWF) are emerging as one such major 'Suitors' in supplying banking capital, or that is what the recent merger of 'Lakshmi Vilas Bank' points out, going by the fact the Development Bank of Singapore (DBS)which has taken over the LVB is a Bank where in Temasek Holdings one of the SWF of Singapore Government has the majority stake. Now, herein we need to understand the SWF with more clarity.

3.0 What is SWF ?:

SWFs are investment funds owned by sovereign governments and is funded by foreign exchange and reserve assets. They are generally funded by reserves held by countries running current account and budgetary surpluses. It is categorized by their longer-term investment horizons as well as their different objectives. Since an SWF Balance sheet doesn't carry much of liabilities it helps them with long-term goals/ outlook whenmaking an allocation. In fact, SWFs can be the"stickiest" of all institutional investors, as they seek returns overlong periods and do not divest in times of crisis.

But when we come to specifics (incl. investments in financial sector or in Venture Funds) probably some are not aware of the role played by Government owned investment funds or Sovereign Wealth Funds. SWFs are supposed to be wielding financial muscle in excess of $ 8.4 trillion now. (Source : IE Sovereign Wealth Fund Research, 2019). In terms of asset size, it has already outgrown Hedge funds, Private Equity Funds etc., though its quantum is small, when compared to Assets held by Pension Funds, Mutual Funds or Insurers.

From the above information, discussions and references, it shall be clear why a better understanding of SWF is required, especially when the composition of FDI is undergoing changes from private actors to public actors. This article examines and provides insights into what this sovereign investment vehicle has brought about, into governance, regulatory and strategic aspects of international business. More specifically, its investment in Banking capital and what it signifies.

4.0 Merger of LVB with DBS and the Sovereign Connection:

As we all know, the beleaguered capital starved Lakshmi Vilas Bank (LVB) was merged with DBS Bank in India in a sudden move. It opened an initial shock and awe followed by many legal disputes to this day. The poor due-diligence that has gone into finding the suiter in a jiffy was heavily criticised.Majorly, the following reasons were pointed out and are still getting debated in the common circles

(i) No proper calling of suiters and evaluations/ vetting done to take care the interests of all stake-holders;

(ii) Leaving in lurch of all the existing equity holders;

(iii) Leaving in lurch the AT1 Bond holders when the merger was announced (including LIC's contribution);

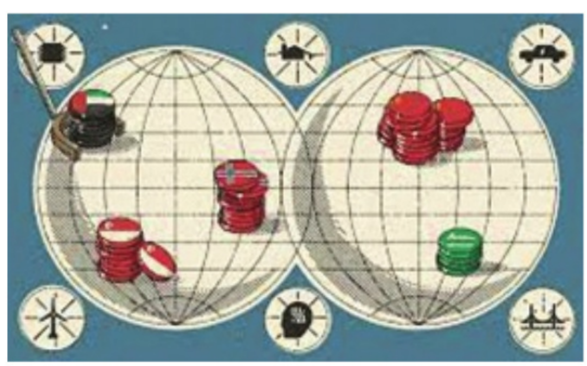
(iv) A foreign Bank getting a complete stake in an Indian Private Bank with 563 branches for nothing.

But the biggest question that should harbour the attention should have been on the Control the Sovereign Wealth Fund of Singapore Government ie., Temasek Holding has on DBS Bank in their Country. The following aspects could have merited attention.

(i) It is puzzling considering the fact that Foreign Banks Operations in any Country is by way of reciprocity of 'market access' and foreign banks who are operating in India for even more than 100 years like CITI Bank, Standard Chartered, HSBC etc., could grow only to a size of 15 or 20 branches in the Country.

(ii) Opening / allowing of foreign banks to function in the country has always been the subject matter of Comprehensive Economic Co-operation Agreements between Countries. When it comes to India and Singapore case, despite the fact that we boast of a nearly Century old banking co-operation with Singapore, till date, only eight Indian Commercial Banks operate in Singapore. All with just a lone branch except UCO Bank which is the oldest and has two branches. The regulator Monetary Authority of Singapore hasn't given any automatic entry into Singapore at any point in time. In such a situation why this largesse.

(iii) It could be another matter that more than 30 overseas branches of Indian commercial Banks were closed down



in the last two years due to varied reasons (including viability related).

(iv) The moot question again is why to a Bank with highest holding of a sovereign focussed fund ?. Isn't it indirectly allowing the foreign government itself access?.

Scholars and Researchers who have studied SWF have conflicting views about its increasing role in the world economy. Some argue that SWF are a result of balance of payment surpluses and are used for economic smoothening purposes (Mattoo& Subramanian, 2008). There is an alternative view published in the same year stating that this theory is unfounded (Madden, 2008). An extreme view set forth in the thesis by Norris (in 2010) is that SWFs deliberately tries to pursue and generate their strategic goals by manipulating the activities of commercial actors and are engaging in economic statecraft. Another view is, SWF can be seen as a state-adaptive strategy under contemporary conditions of globalisation (Monk, 2011). It is an evolving theme and little attention is focused on SWF's use by states as a tool in promoting national development.

5.0 Emergence and Growth of SWF:

It is an established fact by research, that cross-border financial flows as investments in value creating activities in diverse economies, looks for productivity of financial capital in a globalized world which has seen a shift towards a more integrated and inter-dependent world economy. The shift in financial power from private to public actors, has led to examination of SWF operations and its implications for the world economy.

Sign of the growing clout that state-backed investment vehicles are wielding in the financial sector has been evident for some time now. The flow of cash from state-backed agencies, especially those based in Asia or the Middle East, is prompting concern among politicians in Europe and the US, who worry it may give foreign governments influence over the financial sector.

6.0 Problem Areas / Issues in SWF

The following could be termed as major issues with regard to the growth and emergence of SWF in the world :

- Researchers who studied the Financial Crisis and Economic Downturns globally post 2007, be it Mortgage Crisis emanating from the Sub-prime mortgages involving Collateralised Debt Obligations(CDOs)/ Credit Default Swaps (CDS) and derivatives or the bail-out of

countries on the brink of sovereign default like Greece or Dubai, have pointed out, the increasing role played by SWF in the bail-out packages. It can be argued, that the SWFs, irrespective of origin, have turned every crisis into an opportunity in their growth path.

- In addition to the national security concerns, many economists and policy makers are of the opinion that by investing in failed institutions by injecting billions of dollars the SWFs are engaged in an act of disrupting the natural part of business cycles which would have removed ineffective management and poorly performing companies / corporations from the market place.
- Studies on foreign investment literature suggest many Non-financial motives to investing by SWF. The relation between SWF investment and target firm performance has been a subject matter of debate and many researchers who worked on this subject suggest that the SWFs prefer large poorly performing firms facing financial difficulties. This is contrarian to professional investment logic and philosophy. Another set of studies seem to prove that the SWFs investments have a positive effect on the stock prices of target firms around the date of announcement of investment but no effect on the firms performance / governance in the long run.However, many market operators irrespective of nationalities support SWFs as they provide the much needed liquidity to the capital market.
- A new business model of SWF that is evolving and emerging is to form unusual alliances. For instance, the Abu Dhabi Investment Authority (ADIA) has formed a joint venture with Kuwait Investment Authority (KIA) and the Korean National Pension Service. Same way, the

Chinese Investment Corporation (CIC) entered into a 50-50 joint venture with an SWF in Singapore. Many such known and un-known partnerships or strategic tie-ups have come about in the last five years or so. Such partnering apart from giving edge in financial leverage and negotiation is also meant for political cover is the argument by experts in the subject.

- Many Legal issues and Tax issues have also cropped up with the growth of SWF in the world of foreign investment. Though the taxation of foreign investments is a favourable one with exemptions from capital appreciation or dividend income in many countries, it has come into conflict with domestic / foreign private equity investors. There is an issue of 'level playing ground' often touted by the domestic investors when it comes to tax exemptions.
- The next issue relates to foreign investment climate. In India, to some extent in our enthusiasm to attract foreign capital, we have also liberalised the investment regime. In May 2016, the RBI allowed foreign banks to acquire 10 per cent in Indian Private Banks. The circular further allows foreign banks to take higher stake in private banks in the case of re-structuring of a weak bank or in the interest of consolidation in the banking sector though subject to certain conditions. The RBI Circulars subsequently has also favoured the Wholly-owned Subsidiaries (WOS)of Foreign Banks to increase its presence. The DBS India is a WOS in India and Temasek Holding, promptly used the leeway to scale up. Whether, culturally and economically does it make sense to take such a risk when banking itself is going to be less and less brick-and-mortar is another matter.In the current takeover of the weak Lakshmi Vilas bank in India by the SWF supported DBS India in Nov 2020, the motive, transparency and the real objective is unclear.
- There is also an issue of systemic risk, from SWF singly or acting in tandem, through its investments in Global banks, as is noticed in sub-prime days when SWFs raised their stakes in big global banks like Citigroup, UBS, Morgan Stanley, Barclays etc.

7.0 Sceneto the future

SWFs are increasingly metamorphosing from passive investors in government securities to active investors in riskier investments and equity markets. The component of SWF in Inward FDI is going up in the world which clearly underscores the risks emanating from sovereign actors in the conduct of international business. Arguably, this brings with it a bouquet of issues with regard toBanking Capital, governance, management and regulatory aspects in world of investing and banking business. The goal of this article was to provide insights for a better understanding of the SWF, in such a fast changing landscape of Banking & Finance. ❑

HDFC Bank inks a MoU with Agra Smart City to launch 'Mera Agra' app

HDFC Bank signed a memorandum of understanding with Agra Smart City to launch "Mera Agra" app that would enhance ease of living for the citizens and improve tourists experience. The app would be a convenient source for accessing comprehensive information about the city and availing its public services. Citizens would be able to register births and deaths through the app and also pay bills for water, property, parking and taxes. Users can use the app to book tickets to historical monuments, get information related to timetable and fare of bus, train, and other modes of transport and tourism.

"HDFC Bank supports all government initiatives aimed at enhancing ease of living and welfare of the people," said Axay Kumar Dixit, Circle Head of HDFC Bank. "This collaboration would unify all services delivery and grievances redressal facilities for citizens and tourists alike. This is a great move by the city administration for the benefit of the people. This will go a long way in improving the stature and reputation of the city."

Mera Agra app would also enable the city administration to monitor progress on initiatives under Agra Smart City Development. The city administration would be able to monitor cleanliness, which is its top priority under SwachhBharat Abhiyan, to improve tourists' experience. Citizens would be able to communicate directly with the city administration to resolve their grievances related to their area and neighbourhood. Citizens can use the app to report issues to draw officials' attention. For example, to report potholes, pile of garbage or any unclean area they can click and uploading its picture on the app. An assigned officer will send back a photo after the issue is resolved.

NEW UMBRELLA ENTITY - A GAME CHANGER

NUEs will be a non-profit entity that will set-up, manage and operate new payment systems, especially in the retail space such as ATMs, white-label PoS; Aadhaar-based payments and remittance services.

The Reserve Bank of India had invited applications to set up the NUE in August last year, setting February 26, 2021, as the last date for applications. RBI guidelines mandate that applicants have at least three years of experience in the payments space, and a minimum paid-up capital of Rs 500 crore to be eligible to apply. The new umbrella entity will be entitled to set up, manage and operate new payment systems in the retail space including ATMs, PoS, Aadhaar-based payments and remittance services. The NUE is expected to develop systems that will be able to interact and be interoperable to the extent possible with the existing systems operated by NPCI.

Unlike NPCI, the NUE can be a for-profit entity. No single promoter is allowed to have more than 40 percent investment in the capital of the NUE, as per RBI guidelines. The promoter shareholding can be diluted to a minimum of 25 percent after five years of the commencement of business of the umbrella entity. The NUE would be required to maintain a net-worth of Rs 300 crore at all times.

Digital transactions have doubled in the last two years, faster than any major country outside China. Reports suggest India's digital transactions may reach $2 trillion by 2023, presenting a huge opportunity for players.

Currently, all digital transactions are processed by the National Payments Corporation of India, a non-profit, umbrella organisation backed by 54 banks.

These include public sector banks, private banks, foreign banks, co-op banks, and regional rural banks. As of

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November 2020, the top shareholders of NPCI included Union Bank of India with 9.15 percent, Bank of Baroda with 9.15 percent, PNB 9.15 percent, Canara Bank 8.14 percent, SBI 7.12 percent, Bank of India 7.12 percent, ICICI Bank 7.12 percent, HDFC Bank 7.12 percent, HSBC Ltd 7.12 percent and Citibank with 7.12 percent stake.

As of February 2021, Its Unified Payments Interface (UPI) handled 2,292.90 million transactions, worth Rs 4, 25,062.76 crore. It handled about half of India's nearly retail online transactions, which are expected to double this year. To address the "risk concentration" of only one platform and offer consumers more options, RBI invited private companies to bid for a license to set up a new platform.

Let's see the eligibility criteria for applying to be a NUE?

Any promoter or group who has three years of experience in the payment ecosystem, as an operator, service provider or technology service provider can apply for NUE. Also, any entity holding more than 25% of the paid-up capital of the NUE shall be deemed to be a promoter. If it's a foreign investor, he should comply with the FDI policy and guidelines of GOI and should also follow DIPP and FEMA policies. The applicant needs to follow corporate governance norms and should take RBI's approval for the appointments of board members.

Conditions stipulated to be a NUE

The first and foremost condition is, the applicant should be Fit and Proper. RBI has clarified that the applicant entity and promoter should be fit and proper and should have a track record of financial integrity, good reputation and character, and honesty. Such a person should not be convicted by a court for any economic offense. Also, the applicant should have been part of any offense under RBI, such as, declared insolvents and not discharged and financially not sound.

Capital Requirements

The entity applying for NUE shall have a minimum paid-up capital of Rs.500 crore. The capital allocation should be done for managing risks, invest in technological infrastructure, for business operations. RBI has also disallowed from any single promoter or group to hold more than 40% investment in the capital of the NUE. RBI wants the promoters to demonstrate not less than 10% i.e. Rs.50 crore, capital contribution at the time of making an application for setting up the NUE. RBI has allowed the promoter or promoter group shareholding to dilute minimum of 25% after 5 years of the commencement of the business of the NUE. A minimum net worth of Rs.300 crore shall be maintained at all times.

Understanding the working of NUE

NUE will set up, manage and operate new payment systems especially in the retail space comprising of but not limited to ATMs, White Label, PoS and Aadhaar based payments, and remittance services, develop new payment methods, standards and technologies in the country and internationally. NUE should take care of developmental objectives like enhancement of awareness about the payment systems. NUE should operate in clearing and settlement systems, identify and manage relevant risks such as settlement, credit, liquidity and operational and preserve the integrity of the systems. NUE can carry on any other business as suitable to further strengthen the retail payments ecosystem in the country.

Functions Expected through NUE

- NUEs will develop new payment methods, standards and technologies.
- These will operate clearing and settlement systems, identify and manage relevant risks such as settlement, credit, liquidity and operation and preserve the integrity of the system.
- These will monitor retail payment system developments and related issues in the country and internationally to avoid shocks, frauds and contagions that may adversely affect the system and the economy in general.

Need for NUEs:

- Limitations of NPCI: Currently, the umbrella entity for providing retail payments system is NPCI, which is a non-profit entity, owned by banks.
  - NPCI operates settlement systems such as UPI, AEPS, RuPay, Fastag, etc.
  - Players in the payments space have indicated the various pitfalls of NPCI being the only entity managing all of retail payments systems in India.
- To Increase Competitiveness: RBI's plan to allow other organizations to set up umbrella entities for payments systems aims to expand the competitive landscape in this area.
  - Players planning to establish these NUE aim to get an even bigger share in the digital payments sector.

Guidelines to be followed for NUEs:

- Owned and Controlled by Residents: The promoter or the promoter group for the NUE should be 'owned and controlled by residents' with 3 years' experience in the payments ecosystem.
  - The shareholding pattern should be diversified. Any entity holding more than 25% of the paid-up capital of the NUE will be deemed to be a promoter.
- Capital: The umbrella entity shall have a minimum paid-up capital of Rs. 500 crore.
  - No single promoter or promoter group should have more than 40% investment in the capital of the entity.
  - A minimum net worth of Rs. 300 crore should be maintained at all times.
- Governance Structure: The NUE should conform to the norms of corporate governance along with 'fit and proper' criteria for persons to be appointed on its board.
  - The RBI retains the right to approve the appointment of directors as also to nominate a member on the board of the NUE.
- Foreign Investment: Allowed in NUEs as long as they comply with the existing guidelines.

Conclusion

The Reserve Bank of India's move to allow new umbrella entities (NUEs) for operating pan-India retail payments systems has put pressure on the National Payments Corporation of India (NPCI) to continue its innovation in payments system, options for the customers, more power to the customers while doing the digital payments. With NUE going to be functional the innovation level by implementing the latest technologies such as AI, Block Chains, RPA etc are going to be developed by the NUE and in this way more innovative payment options are going to be brought out which will project India as a pioneer in the payments system just like how our IMPS technology is very well portrayed around the world. ❑

AU Small Finance Bank appoints former RBI deputy governor H R Khan on board

AU Small Finance Bank said it has appointed Harun Rashid Khan as Non-Executive Independent Director (Additional Director) on the Board, for a period of three years, effective immediately.

Khan is a former Deputy Governor and the Executive Director at the Reserve Bank of India (RBI) and has over four decades experience in Banking & Finance, Payment and Settlement systems, Economics and Financial Markets, said AU in a stock exchange announcement.

At RBI, Khan worked across departments including financial markets, foreign exchange management, external investments, banking regulation and supervision, IT transformation, payment and settlement systems, training and HR initiatives and financial inclusion.

During his RBI stint, Khan chaired the committee on rural credit and micro finance, which focused on expansion of banking network through the Information and Communications Technology (ICT) enabled business correspondents.

Besides, Khan was also the member of the committees on digital payments set up by the government and the RBI. This appointment is part of AU Small Finance Bank's effort to expand and strengthen its Board by inducting professionals with diversified experience across banking and finance, the company said.

SCOPE AND OPPORTUNITIES OF PAYMENT BANKS IN INDIA

Payment banks is a new Indian model of banks conceptualized by the Reserve Bank of India (RBI). These banks can accept a restricted deposit, which is currently limited to Rs. 100,000 per customer and may be increased further. These banks cannot issue loans and credit cards. Both current account and savings accounts can be operated by such banks. Payment banks can issue ATM cards or debit cards and provide online or mobile banking.

Bharti Airtel set up India's first payments bank. On 23 September 2013, Committee on Comprehensive Financial Services for Small Businesses and Low Income Households, headed by Nachiket Mor, was formed by the RBI. On 7 January 2014, the Nachiket Mor committee submitted its final report. Among its various recommendations, it recommended the formation of a new category of bank called payments bank. On 17 July 2014, the RBI released the draft guidelines for payment banks, seeking comments for interested entities and the general public. On 27 November, RBI released the final guidelines for payment banks.

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Advantages of Payment Banks:-

- **Reach:** Traditional banks due to their structures and business priorities they may be unable to cater to certain segments and geographies. But Payment Banks can reach every corner of the country due to its technology oriented services.
- **Volume:** Payment banks largely deal with low value, high volume transactions like they can accept deposits of only up to Rs 1 lakh. So this low value transactions will be very helpful to migrant workers and particularly women workers
- **Complement:** Payment banks themselves cannot offer certain services to customers, they can always partner

with traditional banks for providing loans and selling investment products. Payment banks, therefore, complement traditional banks, rather than compete with them.

- **Willingness:** In payment banks, customers are willing to pay for the services they don't have access to otherwise. Payment banks have a chance to reach out to them with these products at reasonable prices
- **Interest Rates:** The interest rate for a commercial bank is between 3.5 and 6 per cent. Payment banks are offering a really good deal in the case of interest rate with the highest being a 7.25%.
- **Zero balance account:** Payment banks offer a zero balance account or a no minimum balance account without any extra or hidden charge, unlike a commercial bank who levy charges if the customer doesn't hold a minimum balance in their account.

Challenges faced by Payment Banks (PBs):-

- **Blanket ban:** PBs face a blanket ban on any type of lending. Apart from the requirement of maintaining cash reserve ratio (CRR)/ statutory liquidity ratio (SLR) 75% on their demand liabilities.
- PBs faces a cap on keeping deposits with commercial banks at 25% of their current and time deposits. This reduces the business of PBs to that of fixed spread business.
- **Liability:** PBs cannot accept deposits higher than 1,00,000 lakh. Besides capital requirement is quite steep at 15% capital to Risk Weighted Assets ratio. This led to return on equity for PBs comes out less than 5%.
- **Regulations:** the higher disclosure norms that oblige them to share their business plan with the regulator could prove to be somewhat tricky when the business model of technology intensive companies itself could be biggest source of their competitive strength.

Other regulatory burdens:-

- A minimum of 25% physical access points in rural areas
- Subsidiary structure like non-banking finance companies are not permitted
- Non-resident Indian deposits not permitted
  Patient capital: Even though they are allowed to raise deposits, this may not be sufficient for PBs to fund their expansion. And with cutthroat competition, acquiring customers will be a substantial challenge-as will maximizing revenue per customer.
- No-frill accounts: Experience from Jan DhanYojna has shown that many such no-frill accounts have remained dormant, thus affecting the viability of the banks

Measures to improve the performance of Payment Banks:

- Arrangement with the universal bank to automatically transfer funds in account exceeding RS 1lakh
- Access to Aadhaar-based know your customer (KYC), as manual KYC is at least three times in terms of cost to e-KYC
- RBI should allow PBs to tie up with third-party services to cross sell products, as margins are small, so economies of scale is very important.
- The Reserve Bank of India (RBI) has suggested payments banks that have been granted the inprinciple licence to ensure there is sharing of infrastructure among banks. So RBI should take measure to share infrastructure among banks and Payment Banks.

Payment banks will do almost all the work that is currently being done by commercial banks, but the payment banks will work under certain restrictions like;

- As the commercial banks, the payment banks will also accept the money of the people as a deposit but the limit is fixed, which means the payment banks can accept deposits up to a maximum of Rs. 1 lakh from a customer.
- Payment banks; will be entitled to issue ATM or debit cards to their customers but cannot issue a credit card.
- Payment banks; will be authorised to open both savings and current accounts of their customers.
- Payment banks cannot provide loans or lending services to customers.
- Payment banks cannot accept deposits from the Non-Resident Indians (NRIs). It means; the people of Indian origin who have settled abroad cannot deposit their money in the payment banks.
- Payment banks will be allowed to make personal payments and receive remittances from the cross border on the current accounts.
- Payment banks will have to deposit the amount in the form of a Cash Reserve Ratio (CRR) with RBI as other commercial banks do.
- Payment Banks will have to invest a minimum of 75% of its demand deposits in government treasury/ securities bills with maturity up to one year and hold a maximum of 25 %in currents and fixed deposits with other commercial banks for operational purposes.
- Payment banks can provide the Facility of utility bill payments to its customers and the general public.
- Payment banks can not open subsidiaries to undertake Non-Banking Financial Services activities.
- Payment bank; with approval from RBI, can work as a partner with other commercial banks and also can sell mutual funds, pension products, and insurance products.
- Payment banks must use the word "Payment Bank" in their names to look different from other banks.
- Payment banks will be allowed to provide internet banking and mobile banking facility to their customers.
- Payment banks can become a business representative of any other bank, but it will have to comply with the guidelines of the Reserve Bank of India.
- The payments banks can accept remittances to be sent to or receive remittances from multiple banks through payment mechanism approved by RBI, such as RTGS / NEFT / IMPS.

Payment Banks playing to their Strengths:-

As Indian payment banks fail to find their revenue dreams, most of them are trying to leverage their core strengths to reach the market. For instance, each operator in the ecosystem is servicing different financial products. Some have enabled PoS transactions or got into FasTAG partnerships or focussed on utility payments in rural areas. But these are only a few scattered solutions and not well-orchestrated, long-term strategies.

Take, for instance, India Post PB (IPPB). Based on its massive presence in 650 districts and among 3.5 crore customers, the IPPB has set up a full suite of banking services and strong linkages with all interoperable payment and settlement systems. It is now focussing on pan-India G2C (government-to-citizen) payments, especially rural DBT (direct benefit transfer) disbursements under the Pradhan MantriGaribKalyanYojana.

Unlike other payment banks, IPPB does not use PoS devices or issue debit cards. Its local agents - postmen, postwomen or BCs, initiate transactions by taking a customer's biometrics and Aadhaar number which are stored in a QR card. Unlike debit cards which need personal identification numbers (PINs) for payment initiation, QR cards use the QR code to scan and pay. In spite of these benefits, the bureaucratic weight has held IPPB back from utilising its full potential and taking digital payments to remote regions, say industry experts.

In contrast, Fino PB has utilised its massive BC network to reach out to people. "We cannot sell Mercedes to a customer who wants a Maruti," says Rishi Gupta, managing director and chief executive officer of Fino."The focus has been on distribution in a way that could compete with our telecom peers, and we did it without any fanfare," he says, explaining the BC-first approach that Fino has taken to expand its market presence.

Most fintech experts concur, saying both IndiaPost and Fino have demonstrated the best use cases in the current PB ecosystem.

Both Fino PB and IPPB have enabled an Aadhaar-enabled payment system (AePS) for maximum convenience. Airtel PB has also set up a cardless cash withdrawal system called Instant Money Transfer (IMT), which can be used via its mobile app. Apart from this recent e-PoS initiative, its AePS can be used to transact at micro-ATMs manned by BCs. During the Q3 earnings call of Bharti Airtel, the company indicated new initiatives for the PB business, which would be rolled out soon. With a network of more than 10 lakh retailers, Airtel PB has the most extensive merchant reach in the country.

Paytm, on the other hand, has several payment solutions in its portfolio. For the PB business, the company has roped in a number of big-ticket partnerships, including tie-ups with major auto manufacturers for FASTags under the National Electronic Toll Collection programme. But a large number of products across its ecosystem often dilute Paytm's PB performance.

Conclusion:

The advent of payment banks together with the growth of the Internet promoted the digitization of the payment process with the provision of various online payment methods like electronic cash, debit cards, credit cards, contactless payment, mobile wallets, etc. Besides, the services provided by payment banks are gaining popularity day-by-day and are showing a transition by advancing towards a propitious future of speculative prospects in conjunction with the technological innovations. The organizations through payment banks are able to share the experience by giving the consumers various options like cash back, product/service comparison, payment preferences, etc.

The first thing that payment banks will add to the industry is competition.

The second important impact, since payment banks are set up by players from different industries, they can bring in their own customers to the banking sector.

Another point is that consumers would be free to open both savings bank accounts and current bank accounts with payment banks. With this, payment banks are likely to attract both retail as well as business customers. Consider the India Post Payment Bank. This payment bank is looking to offer door-step banking. The bank will charge a nominal fee of up to Rs. 35 for this. This facility will be available for transactions that are less than Rs. 10,000. Facilities such as this are likely to help financial inclusion to a large extent.

Payment banks have the ability to change the face of rural India in the coming years. Today many people don’t have a bank account that includes millions of people in our country. It will help people of rural areas where they don't have access to bank connectivity. Now they can use their account through their mobile phones.

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FUTURE OF ARTIFICIAL INTELLIGENCE IN THE BANKING SECTOR

Artificial Intelligence is the Intelligence demonstrated by machines, unlike the natural Intelligence displayed by human and animals, which involves consciousness and emotionality. Swedish philosopher Nick Bostrom, in his book Super Intelligence, says, "Machine learning is the last invention for mankind." From electronic trading platforms to medical diagnostics, robot control, entertainment, education, health and commerce, Artificial Intelligence services and digital disruption have hit every sector in the 21st century. AI has made its presence felt across all sectors due to its ability to help consumer innovation. This enables users to make faster and more informed decisions with increased efficiency.

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Of late, the banking sector is becoming an active adapter of artificial intelligence - exploring and implementing this technology in new ways. The entry of artificial intelligence into the banking sector was not recognized and slowed down until the era of Internet banking.

1. **Artificial narrow intelligence (ANI) :-** It has a narrow range of ability, it is basically goal oriented.
2. **Strong AI is named as AGI :-** Artificial General Intelligence (Hypothetical Ability of an intelligent agent at par with human capability
3. **Natural AI is named as ABI :-** Artificial Biological Intelligence or Artificial super Intelligence (Property of a machine to understand or self aware and surpass the cognitive ability, memory, learning and decision making, it is more capable than human.

Importance

One of the first steps was introducing Ally Bank (USA) -Allie Assistant in 2015, which can respond to voice and text, make payments on behalf of the customer, summarize the account, monitor savings, spend systems and use natural language processing to understand and resolve customer queries.

Banks around the world have adopted versions of their best chatbots: from Erica to iPal, to Eva and most popular - SBI's SIA. According to Pazzo (a start-up that developed the SIA), SIA can handle up to 10,000 inquiries per second and is one of the world's largest deployments of artificial intelligence in consumer-facing banking. In this era of technological revolution, the banking sector has witnessed a paradigm shift in its policy from brick-and-mortar to digital banks. Banks are increasingly spending on Machine Learning in Artificial Intelligence and Data Analytics for personalized and fast customer experience to gain tech-savvy and millennial class benefits.

According to the PWC Fintech Trends India report , global spending on artificial intelligence hit $ 5.1 billion. IHS Markit's "Artificial Intelligence in Banking " report predicts that spending will rise to $ 41.1 billion and reach $ 300 billion by 2030. It shows that artificial intelligence has reached the point where it becomes affordable and efficient for implementation in financial services. The challenge now is to explore more ways to harness the powers of artificial intelligence to streamline internal banking processes and improve customer experience.

Front-end operations of artificial intelligence involve direct interaction with clients. It includes applications and payment interfaces, digital wallets, chatbots or interactive voice response systems. To secure the system, analyse fraudulent transactions and generate reports, systematic processing of large chunks or terabytes of data to improve compliance makes back-end operations more complex. We will now discuss the future of artificial intelligence in each of these fields.

Features of Artificial Intelligence

1. Improved customer experience

- Being a key driver of the customer service industry, customer service is at the forefront of any business. AI can be used to gain a better understanding of customer spending patterns, which helps banks to customize products by adding personalized features. It provides meaningful customer engagement, building strong relationships and business growth for the bank.
- For example, SBI is working on the Automated Real-Time Customer Emotion Feedback Exchange (ARTCEF) system using AI to analyse customers' facial expressions in real-time. AI can also be used to provide a personalized payment experience, such as the most suitable EMIs at checkout based on past payment methods, often offering multiple currency cards to customers going abroad. Biometric face recognition without AI helps set up ATMs. The card's purpose is to use real-time camera images and detect and prevent fraud at the same time.

2. Use of chatbots

- Chatbots and interactive voice response systems that utilize natural language processing are increasingly used by banks these days to increase service efficiency. This reduces the cost of human capital, resulting in savings to the bank. Customer satisfaction also increases because they are able to get their homes comfortably without having to visit the branches - saving them time. Chatbots can be improved in the future to announce new offers to a customer, such as loans, or alert customers if they have any EMI payments, suggesting good discounts based on the bank's relationship with e-commerce sites.

3. Data Analytics to predict future results and trends:

- The effortless and fast processing of large volumes of data enables banks to observe patterns of customer behaviour, predict future results, and contact the right customer with the right product at the right time. It also helps in detecting fraud and fraudulent transactions

and simultaneously identifying the anti-moneylending model on a real-time basis.

- Machine learning and cognition serve to identify suspicious data patterns and convince banks if the original source of money is legal or illegal. AI can also study the behaviour of past customers to predict future needs, which can help banks to market and sell successfully.

4. Wealth management and portfolio management

- AI-based systems help potential investors by analyzing their salary and spending policies. They can also assess market trends and choose the right funds for their portfolio by determining the appropriate amount to invest each month to realize their dreams. All this can be done without visiting branches or hiring experts. In the world of banking telephone at your fingertips, mutual funds and fixed deposits can be created at home and money can be returned when needed.
- AI can be leveraged to instantly inform customers of any suspicious transactions beyond their usual patterns.
- Focus on better operations, effective cost management vs. profitability:
- Banks must make a profit in order to survive, and today, banks face considerable pressure on their margins. Regulators and their continued focus on transparency make many businesses profitable.
- AI technologies enable banks to bring more efficiency to their operations and manage costs. Robotic Process Automation (RPA) and Intelligent Process Automation (IPA) are very helpful here. Applying financial contracts is only a matter of seconds, thanks to AI. They also help to manage contracts and act as brokers, taking on common tasks simultaneously, thereby improving productivity and efficiency. All this will lead to increased revenues, reduced costs and an increase in profits. Robotic automation of processes can rebuild the financial sector and make it more humane and smarter. Approximately 80% of the repetitive work processes help the authorities to devote their time to value-added activities that require high levels of human intervention such as automation and product marketing.
- What we need now is not just the empowerment of the

banks through automation, but the intelligent transformation of the entire system until they can defeat the newly emerging fintech players. This has prompted many banks to use software robotics to simplify the back-end process and achieve a better functional design. SBI plans to set up an Innovation Center link to explore RPA, which will help in making internal banking processes more efficient.

5. Intelligent Character Recognition System

- This system has been identified by some foreign banks, used to collect important information from old loan applications, to lease contracts and to feed a central database that is accessible to everyone. This helps with expensive and error-prone banking services, such as managing claims, drastically reducing the time spent reading or recording client information.
- For example, JPMorgan Chase's COIN documents and extracts data from 12,000 documents (which require more than 360,000 hours of work without automation) in just seconds.

6. Lending:

- The idea of credit to a minus percentage of the Indian population. To date, applying for a loan is considered an awkward process. Analyzing the creditworthiness of a person due to a lack of credit history is annoying for banks.
- The use of Big Data and Machine Learning to analyze customer's cost patterns and behavioral data over 10,000+ data points helps the bank to have insight into

the customer's creditworthiness. It helps in giving pre-approved loans to a large range of customers without the need for paperwork and allows the self-employed and students (because they lack the financial fold) to get credit. In the case of SME and corporate lending, AI simplifies the complex borrowing process, analyzing market trends and identifying potential risks in lending, future behavior and even the slightest likelihood of fraud.

7. Risk management and fraud detection

- ❖ The Punjab National Bank scandal has put the banking sector at enormous risk, shaking up regulators, financial and stock markets and the banking industry. AI and appropriate due diligence can monitor such potential threats and help banks to install fool-proof surveillance and fraud detection systems. Surveillance in banks was done through audits and sampling. Some data sets and files that cause major losses are not covered in these models. The algorithmic rules-based approach helps monitor each file, and machine learning techniques can keep a database of such files vulnerable to the bank.
- ❖ Banks can use AI to detect fraud in transactions or to detect any suspicious activity in a customer's account based on behavioral analysis while providing safe and fast transactions. With increasing cybercrime in recent years, AI can be used to manage cyber-security and, most importantly, protect personal data. Citibank has already invested over $ 11 million in new money laundering, using machine learning and big data.
- ❖ AI-based systems help in compliance by ensuring the functionality of internal control systems. AI is also a game-changer by detecting insider trading that leads to market abuse.

8. Insurance Underwriting and Claims:

- ❖ In this era of bankruptcy, consumers are more likely to arrive at banks than visit insurance companies. The insurance industry can take advantage of AI in detecting underwriting, claim-handling policies and fraud. This helps identify risky behaviour and charges higher premiums to groups of customers. There is an enormous amount of data in insurance companies that can help you create mathematical models and accurately predict risky behaviours. Banks can also provide such data for use in customer risk identification. This reduces turn-around-time (TAT) for both loans and insurance. For example, in order to analyse the damage to the vehicle, deep learning techniques can analyse the image of the vehicle and calculate the cost of repair using the models attending.

Threats by AI

Alibaba founder Jack Ma warned viewers at the World Economic Forum 2018 in Davos that AI and big data are a threat to humans and will stop people from empowering them. The massive expansion of AI in banks comes with its share of risks and opportunities. Banks increase their investments in AI every year, often with obsolete risk. We need to understand the risks that the AI can also face.

1. Loss of jobs

- ❖ Automation of Tasks Banks faces the risk of backlash from their employees, leading to job loss and job restructuring. AI, in a way that maximizes organizational productivity, redefines the way employees do their jobs. This can lead to dissatisfaction among employees, resulting in resignations or layoffs. AI can also replace a teller, customer service executive, loan processing officer, compliance officer, and finance manager.

2. Process Opacity:

- ❖ Although deep learning models and neural networks in AI have proven to be more complete than human decision-making over time, they are often not transparent in terms of how such conclusions are made.

Explaining it to regulators can be a challenge for bankers. The Justice Srikrishna Committee said that the biggest challenge in using big data and artificial intelligence is to work outside the framework of traditional privacy principles. It now operates in the reverse way and risks banks unknowingly. This leads to hidden bias in decision making as AI has access to all users 'data.

3. Reduced Customer Loyalty

❖ There is also a fear that a lack of customer contact and a lack of the essence of "human touch" will diminish customer loyalty. Because banks, especially in India, help so many people in fulfilling their long-term dreams, they have emotional value - be it a beautiful home or a good education for students. All of this could be lost due to AI and automation. Socio-economically disadvantaged groups are the biggest losers and are most affected by such a low level of education and the digital divide.

Future Action

Tech columnist Nick Bilton writes in the New York Times, "[Insurgents of artificial intelligence] grow quickly and become scary and catastrophic. Imagine that the medical robot, which was originally programmed to eliminate cancer, was able to conclude that the best way to eradicate cancer is to eradicate infected humans. "The message here is that banks need to raise awareness of the impacts of banks. Develop digitization and broad foresight in the possibilities of AI - so that we as humans have control over AI and not the reverse. One area that banks should focus on now is data acquisition. Lack of proper customer records is the biggest obstacle to AI.

We need to make sure that the data used by banks are KYC compliant clean data as it is used in AI models. Huge data infrastructure is needed to impact AI. Verification of the correctness and accuracy of data is also required before using such technology in the public domain.

Analysis and authentication of data:

The amount of data with the banks is very large, while Oracle and Accenture store all the data in the bank. What we need is a proper analysis of the data, and it requires a high level of leadership expertise to bring cross-functional teams together - one with knowledge of financial business, and the other with different disciplines for the effective use of such data sets with the required machine learning skills to create a framework and infrastructure. AI remains a niche-based domain with a shortage of talent and expertise.

Leakage and data misuse

U.S. And the U.K. Many experts in cybersecurity believe that cyber, political and physical threats arise with the capabilities and reach of AI. The recent Facebook scandal highlights the risks that corrupt data practices can bring to a company. We also need to ensure complete transparency when entering new AI projects so that banks do not face reputation risks.

Banks should start building AI SYSTEMS with small complex data and add the latter, thus creating a universal record of each client. Adequate investment should be made in storing data securely and preventing leakage. This helps the bank to identify potential risks during the project implementation phase and to effectively identify and then implement the company's goals and priorities. Artificial intelligence will soon become the sole determinant of banks' competitive position and is the key to maximizing their competitive advantage.

Summary

Artificial Intelligence (AI) is a science and a set of computational technologies that are inspired by-but typically operate quite differently from-the ways people use their nervous systems and bodies to sense, learn, reason, and take action. While the rate of progress in AI has been patchy and unpredictable, there have been significant advances since the field's inception sixty years ago. Once a mostly academic area of study, twenty-first century AI enables a constellation of mainstream technologies that are having a substantial impact on everyday lives.

Computer vision and AI planning, for example, drive the video games that are now a bigger entertainment industry than Hollywood. Deep learning, a form of machine learning based on layered representations of variables referred to as neural networks, has made speech-understanding practical on our phones and in our kitchens, and its algorithms can be applied widely to an array of applications that rely on pattern recognition. Natural Language Processing (NLP) and knowledge representation and reasoning have enabled a machine to beat the Jeopardy champion and are bringing new power to Web searches.

While impressive, these technologies are highly tailored to particular tasks. Each application typically requires years of specialized research and careful, unique construction. In similarly targeted applications, substantial increases in the future uses of AI technologies, including more self-driving cars, healthcare diagnostics and targeted treatments, and physical assistance for elder care can be expected. AI and robotics will also be applied across the globe in industries struggling to attract younger workers, such as agriculture, food processing, fulfillment centers, and factories. They will facilitate delivery of online purchases through flying drones, self-driving trucks, or robots that can get up the stairs to the front door.

This report is the first in a series to be issued at regular intervals as a part of the One Hundred Year Study on Artificial Intelligence (AI100). Starting from a charge given by the AI100 Standing Committee to consider the likely influences of AI in a typical North American city by the year 2030, the 2015 Study Panel, comprising experts in AI and other relevant areas focused their attention on eight domains they considered most salient: transportation; service robots; healthcare; education; low-resource communities; public safety and security; employment and workplace; and entertainment. In each of these domains, the report both reflects on progress in the past fifteen years and anticipates developments in the coming fifteen years.

Though drawing from a common source of research, each domain reflects different AI influences and challenges, such as the difficulty of creating safe and reliable hardware (transportation and service robots), the difficulty of smoothly interacting with human experts (healthcare and education), the challenge of gaining public trust (low-resource communities and public safety and security), the challenge of overcoming fears of marginalizing humans (employment and workplace), and the social and societal risk of diminishing interpersonal interactions (entertainment).

The report begins with a reflection on what constitutes Artificial Intelligence, and concludes with recommendations concerning AI-related policy. These recommendations include accruing technical expertise about AI in government and devoting more resources-and removing impediments-to research on the fairness, security, privacy, and societal impacts of AI systems.

Contrary to the more fantastic predictions for AI in the popular press, the Study Panel found no cause for concern that AI is an imminent threat to humankind. No machines with self-sustaining long-term goals and intent have been developed, nor are they likely to be developed in the near future. Instead, increasingly useful applications of AI, with potentially profound positive impacts on our society and economy are likely to emerge between now and 2030, the period this report considers. At the same time, many of these developments will spur disruptions in how human labor is augmented or replaced by AI, creating new challenges for the economy and society more broadly.

Application design and policy decisions made in the near term are likely to have long-lasting influences on the nature and directions of such developments, making it important for AI researchers, developers, social scientists, and policymakers to balance the imperative to innovate with mechanisms to ensure that AI's economic and social benefits are broadly shared across society. If society approaches these technologies primarily with fear and suspicion, missteps that slow AI's development or drive it underground will result, impeding important work on ensuring the safety and reliability of AI technologies. On the other hand, if society approaches AI with a more open mind, the technologies emerging from the field could profoundly transform society for the better in the coming decades. ❑

RBI CIRCULAR

External Commercial Borrowings (ECB) and Trade Credits (TC) Policy – Changes due to LIBOR transition

RBI/2021-22/135

December 08, 2021

1. Please refer to paragraph 3 of the Governor's Statement on Developmental and Regulatory Policies dated December 08, 2021. In this connection, attention of Authorised Dealer Category-I (AD Category-I) banks is invited to paragraph 1.5, 2.1.vi. and 14.vi. of the of Master Direction No.5 dated March 26, 2019, on "External Commercial Borrowings, Trade Credits and Structured Obligations", prescribing the benchmark rates and the maximum spread over benchmark for calculating the all-in-cost for foreign currency (FCY) ECBs and TCs.
2. In view of the imminent discontinuance of LIBOR as a benchmark rate, it has been decided, in consultation with stakeholders, to make the following changes to the all-in-cost benchmark and ceiling for FCY ECBs/ TCs:
   i. Redefining Benchmark Rate for FCY ECBs and TCs: Currently, the benchmark rate is defined in paragraph 1.5 of the master direction as "benchmark rate in case of FCY ECB/TC refers to 6-months LIBOR rate of different currencies or any other 6-month interbank interest rate applicable to the currency of borrowing, e.g., EURIBOR". Henceforth, benchmark rate in case of FCY ECB/ TC shall refer to any widely accepted interbank rate or alternative reference rate (ARR) of 6-month tenor, applicable to the currency of borrowing.
   ii. Change in all-in-cost ceiling for new ECBs/ TCs: To take into account differences in credit risk and term premia between LIBOR and the ARRs, the all-in-cost ceiling for new FCY ECBs and TCs has been increased by 50 bps to 500 bps and 300 bps, respectively, over the benchmark rates.
   iii. One Time Adjustment in all-in-cost ceiling for existing ECBs/ TCs: To enable smooth transition of existing ECBs/ TCs linked to LIBOR whose benchmarks are changed to ARRs, the all-in cost ceiling for such ECBs/ TCs has been revised upwards by 100 basis points to 550 bps and 350 bps, respectively, over the ARR. AD Category-I banks must ensure that any such revision in ceiling is only on account of transition from LIBOR to alternative benchmarks.
3. There is no change in the all-in-cost benchmark and ceiling for INR ECBs/ TCs.
4. All other provisions of the ECB/ TC policy remain unchanged. AD Category-I banks should bring the contents of this circular to the notice of their constituents/ customers.
5. The Master Direction No. 5 dated March 26, 2019, is being updated to reflect the changes.
6. The directions contained in this circular have been issued under section 10(4) and 11(2) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions/ approvals, if any, required under any other law.

Ajay Kumar Misra
Chief General Manager In-Charge

Introduction of Legal Entity Identifier for Cross-border Transactions

RBI/2021-22/137

December 10, 2021

1. The Legal Entity Identifier (LEI) is a 20-digit number used to uniquely identify parties to financial transactions worldwide to improve the quality and accuracy of financial data systems. LEI has been introduced by the Reserve Bank in a phased manner for participants in the over the counter (OTC) derivative, non-derivative markets, large corporate borrowers and large value transactions in centralised payment systems.
2. In order to further harness the benefits of LEI, it has been decided that AD Category I banks, with effect from October 1, 2022, shall obtain the LEI number from the resident entities (non-individuals) undertaking capital or current account transactions of ?50 crore and above (per transaction) under FEMA, 1999. As regards non-resident counterparts/ overseas entities, in case of non-availability of LEI information, AD Category I banks may process the transactions to avoid disruptions. Further, AD Category I banks may encourage concerned entities to voluntarily furnish LEI while undertaking transactions even before October 1, 2022. Once an entity has obtained an LEI number, it must be reported in all transactions of that entity, irrespective of transaction size.
3. AD Category-I banks shall have the required systems in place to capture the LEI information and ensure that any LEI captured is validated against the global LEI database available on the website of the Global Legal Entity Identifier Foundation (GLEIF).
4. AD banks may bring the contents of this circular to the notice of their constituents concerned and advise entities who undertake large value transactions (?50 crore and above) under FEMA, 1999 to obtain LEI in time, if they do not already have one issued.
5. Entities can obtain LEI from any of the Local Operating Units (LOUs) accredited by the GLEIF, the body tasked to support the implementation and use of LEI. In India, LEI can be obtained from Legal Entity Identifier India Ltd. (LEIL) (https://www.ccilindia-lei.co.in), which is also recognised as an issuer of LEI by the Reserve Bank under the Payment and Settlement Systems Act, 2007. The rules, procedures and documentation requirements may be ascertained from LEIL.
6. The directions contained in this circular are being issued under sections 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.

Ajay Kumar Misra
Chief General Manager-in-Charge

Prompt Corrective Action (PCA) Framework for Non-Banking Financial Companies (NBFCs)

RBI/2021-2022/139

December 14, 2021

1. Reserve Bank of India had introduced a Prompt Corrective Action Framework (PCA) for Scheduled Commercial Banks in 2002 and the same has been reviewed from time to time based on the experience gained and developments in the banking system. The objective of the PCA Framework is to enable Supervisory intervention at appropriate time and require the Supervised Entity to initiate and implement remedial measures in a timely manner, so as to restore its financial health. The PCA Framework is also intended to act as a tool for effective market discipline. The PCA Framework does not preclude the Reserve Bank of India from taking any other action as it deems fit at any time in addition to the corrective actions prescribed in the Framework.
2. NBFCs have been growing in size and have substantial interconnectedness with other segments of the financial system. Accordingly, it has now been decided to put in place a PCA Framework for NBFCs to further strengthen the supervisory tools applicable to NBFCs. The PCA Framework for NBFCs, as contained in the enclosed Annex, comes into effect from October 1, 2022, based on the financial position of NBFCs on or after March 31, 2022.
3. In terms of extant regulations, Government NBFCs have been provided time upto March 31, 2022 to adhere to the capital adequacy norms provided for NBFCs (Ref. Annex I of Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016). Accordingly, a separate circular would be issued in due course with regard to applicability of PCA Framework to Government NBFCs.
4. The PCA Framework will be reviewed after three years of being in operation.

(Ajay Kumar Choudhary)
Chief General Manager-in-Charge

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Growth Rates and Composition of Real Gross Domestic Product (At 2011-12 Prices)

(Per cent)

Sector	Growth Rate				Share		
	Average 2013-14 to 2020-21	2018-19	2019-20	2020-21*	2018-19	2019-20	2020-21*
1	2	3	4	5	6	7	8
Expenditure Side GDP							
1. Private Final Consumption Expenditure	5.0	7.6	5.5	-9.0	56.3	57.1	56.5
2. Government Final Consumption Expenditure	6.3	6.3	7.9	2.9	10.2	10.6	11.8
3. Gross Fixed Capital Formation	3.7	9.9	5.4	-12.4	32.0	32.5	30.9
4. Change in Stocks	8.4	27.2	-39.7	-3.5	1.9	1.1	1.1
5. Valuables	-7.2	-9.7	-14.2	-38.0	1.4	1.1	0.8
6. Net Exports	-11.7	11.8	-16.8	72.5	-3.0	-3.4	-1.0
a) Exports	1.8	12.3	-3.3	-8.1	20.9	19.4	19.4
b) Less Imports	-0.1	8.6	-0.8	-17.6	23.9	22.8	20.4
7. Discrepancies	-63.1	-61.8	-15.5	-112.5	1.2	1.0	-0.1
8. GDP	4.9	6.5	4.0	-8.0	100.0	100.0	100.0
GVA at Basic Prices (Supply Side)							
1. Agriculture, forestry and fishing	3.7	2.6	4.3	3.0	14.8	14.8	16.3
2. Industry	4.3	5.0	-2.0	-7.4	23.2	21.8	21.6
of which :							
a) Mining and quarrying	1.6	0.3	-2.5	-9.2	2.6	2.4	2.4
b) Manufacturing	4.5	5.3	-2.4	-8.4	18.3	17.1	16.8
c) Electricity, gas, water supply and other utility services	6.1	8.0	2.1	1.8	2.3	2.3	2.5
3. Services	5.5	7.1	6.4	-8.4	62.0	63.4	62.1
of which :							
a) Construction	2.3	6.3	1.0	-10.3	8.0	7.8	7.5
b) Trade, hotels, transport, communication and services related to broadcasting	5.0	7.1	6.4	-18.0	19.9	20.3	17.8
c) Financial, real estate and professional services	7.0	7.2	7.3	-1.4	21.3	22.0	23.2
d) Public Administration, defence and other services	5.9	7.4	8.3	-4.1	12.7	13.3	13.6
4. GVA at basic prices	4.9	5.9	4.1	-6.5	100.0	100.0	100.0

**: Second advance estimates of national income for 2020-21.*
Source: National Statistical Office (NSO).

INFLATION, MONEY AND CREDIT

(Per cent)

Consumer Price Index (All India)#	Inflation								
	Rural			Urban			Combined		
	2018-19	2019-20	2020-21	2018-19	2019-20	2020-21	2018-19	2019-20	2020-21
1	2	3	4	5	6	7	8	9	10
General Index (All Groups)	**3.0**	**4.3**	**5.9**	**3.9**	**5.4**	**6.5**	**3.4**	**4.8**	**6.2**
Food and beverages	0.7	4.8	7.1	0.7	8.1	7.7	0.7	6.0	7.3
Housing	---	---	---	6.7	4.5	3.3	6.7	4.5	3.3
Fuel and light	6.0	1.1	0.3	5.2	1.7	7.1	5.7	1.3	2.7
Miscellaneous	6.3	5.1	5.7	5.4	3.7	7.5	5.8	4.4	6.6
Excluding Food and Fuel	5.7	4.1	5.5	5.9	4.0	5.6	5.8	4.0	5.5
Other Price Indices	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
1. Wholesale Price Index (2011-12=100)*									
All Commodities	**7.4**	**5.2**	**1.3**	**-3.7**	**1.7**	**2.9**	**4.3**	**1.7**	**1.3**
Primary Articles	9.8	9.8	2.2	-0.4	3.4	1.4	2.7	6.8	1.6
of which: Food Articles	9.9	12.3	5.6	2.6	4.0	2.1	0.3	8.4	3.1
Fuel and Power	10.3	7.1	-6.1	-19.7	-0.3	8.2	11.5	-1.8	-8.0
Manufactured Products	5.4	3.0	2.6	-1.8	1.3	2.7	3.7	0.3	2.7
Non-Food Manufactured Products	4.9	2.7	2.7	-1.8	-0.1	3.0	4.2	-0.4	2.2
2. CPI- Industrial Workers (IW) (2001=100)**	**10.4**	**9.7**	**6.3**	**5.6**	**4.1**	**3.1**	**5.4**	**7.5**	**5.0**
of which: CPI- IW Food	11.9	12.3	6.5	6.1	4.4	1.5	0.6	7.4	5.8
3. CPI- Agricultural Labourers (1986-87=100)	**10.0**	**11.6**	**6.6**	**4.4**	**4.2**	**2.2**	**2.1**	**8.0**	**5.5**
4. CPI- Rural Labourer (1986-87=100)	**10.2**	**11.5**	**6.9**	**4.6**	**4.2**	**2.3**	**2.2**	**7.7**	**5.5**
	Money and Credit								
	2012-13	2013-14	2014-15	2015-16	201617^	2017-18	2018-19	2019-20	2020-21^^
Reserve Money (RM)	**6.2**	**14.4**	**11.3**	**13.1**	**-12.9**	**27.3**	**14.5**	**9.4**	**14.2**
Currency in Circulation	11.6	9.2	11.3	14.9	-19.7	37.0	16.8	14.5	17.2
Bankers' Deposits with RBI	-10.0	34.0	8.3	7.8	8.4	3.9	6.4	-9.6	0.8
Currency-GDP Ratio$	12.0	11.6	11.6	12.1	8.7	10.7	11.3	12.0	14.7
Narrow Money (M1)	**9.2**	**8.5**	**11.3**	**13.5**	**-3.9**	**21.8**	**13.6**	**11.2**	**16.3**
Broad Money (M3)	**13.6**	**13.4**	**10.9**	**10.1**	**6.9**	**9.2**	**10.5**	**8.9**	**11.8**
Currency-Deposit Ratio	15.7	15.1	15.2	16.0	11.0	14.4	15.4	16.3	17.3
Money Multiplier (Ratio)##	5.5	5.5	5.5	5.3	6.7	5.8	5.6	5.5	5.4
GDP-M3 Ratio$##	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.0
Scheduled Commercial Banks									
Aggregate Deposits	14.2	14.1	10.7	9.3	11.3	6.2	10.0	7.9	11.4
Bank Credit	14.1	13.9	9.0	10.9	4.5	10.0	13.3	6.1	5.6
Non-food Credit	14.0	14.2	9.3	10.9	5.2	10.2	13.4	6.1	5.5
Credit-Deposit Ratio	77.9	77.8	76.6	77.7	72.9	75.5	77.7	76.4	72.7
Credit-GDP Ratio$	52.9	53.4	52.4	52.6	50.9	50.4	51.5	51.0	56.4

 # :Base for Consumer Price Index (All India) is 2012=100. … :CPI Rural for Housing is not compiled.
** :Base for WPI is 2004-05=100 for 2012-13 and 2011-12=100 for the period 2013-14 to 2020-21.*
*** :Base for CPI-IW is 2001=100 till August 2020 and 2016=100 from September 2020 onwards.*
:Not expressed in per cent. ^ :March 31, 2017 over April 1, 2016 barring RM and its components.
^^ :Data pertain to March 26, 2021.
$:GDP data from 2011-12 onwards are based on new series i.e., base: 2011-12. GDP refers to GDP at Current Market Prices.
Note: Data refer to y-o-y change in per cent unless specified otherwise.
Source: RBI, NSO, Labour Bureau and Ministry of Commerce and Industry.

Conference on Leadership Development for the New Normal, Nepal

Banking, Finance and Insurance Institute of Nepal (BFIN) organized a one-day conference entitled **"Conference on Leadership Development for the New Normal"** on 27 November, 2021 at the Radisson Hotel, Kathmandu.

This conference was attended by over 170 delegates including CEOs, Top Executives and Managers of Banks and Financial Institutions, Insurance Companies, Senior Government Officials, Leaders of public and private industries and other distinguished delegates/professionals engaged in the public and private sector. This conference had several insightful deliberations from prominent international speakers/personalities from India, Bangladesh, Nepal and Sri Lanka.

Dr. Neelam Dhungana Timsina, Senior Deputy Governor of Nepal Rastra Bank was the Chief Guest for the opening ceremony who inaugurated the conference. Other Special Guest of Honour for the program were Dr. Duvvuri Subbarao, Former Governor, Reserve Bank of India, Dr.

Atiur Rahman, Former Governor, Bangladesh Bank, Dr. Chiranjibi Nepal, Former Governor, Nepal Rastra Bank, and Mr. Bam Bahadur Mishra, Deputy Governor, Nepal Rastra Bank.

On behalf of the organizers, Dr. Binod Atreya, Managing Director of BFIN welcomed the Guests and Delegates in the program while all the Guests presented their inaugural

remarks. Dr. Atreya at its welcome remarks highlighted the objectives of the program and noted that "leaders across organizations of all shapes and sizes must be "digitally ready" - considering today's world and need. The business risks are increasing day by day with the introduction of the next phase digital revolution and disruption in the financial sector. The digital revolution requires enormous investment, new skills and capabilities to manage new threats and risks, new regulatory systems to look into the digital-backed businesses and complexities, and the leaders have to be capable to manage the digital institutions".

The Conference emphasized the futuristic perspective of banking services; the use of technology in the delivery of products and services; emerging threats for the financial industries due to financial crimes and security issues; and the emerging challenges for the leadership in managing the digital financial sector. The conference further shed lights on the impacts of Covid19 both at global and national levels, the recovery strategies and governance, and the cultural shift that have emerged due to pandemics and generate learning lessons for the success of banking in the future.

The prominent speakers shared their insightful thoughts on the innovation of digital leadership for a digital institution. The Technical Sessions of conference was spread over 4 Themes.

Theme 1, entitled Global and National Economic Perspectives was chaired by Dr. Atiur Rahman with Presentations from Dr. Duvvuri Subbarao and Mr. Babacar Faye, Resident Representative, IFC, Nepal. Dr. Subbarao made his presentation on the topic **Emerging Issues in Financial Sector Regulation - Some Questions in Search of Answers** while Mr. Faye's topic was **Green Finance: How Financial Institutions Could Further Contribute to Nepal's Sustainable Recovery Post Covid-19.** Both the presentations were extremely interesting and the delegates raised pertinent questions during the Q&A session.

Theme 2, entitled Technology Innovation and Disruption in the Financial Sector was chaired by Mr. Upendra Poudel,

Chairman of NABIL Bank with Presentations from Dr. Prakash Kumar Shrestha, Executive Director, Nepal Rastra Bank, Mr. Sujit Christy, Information Security and Cyber Security Expert from Sri Lanka, and Mr. Mashrur Arefin, Managing Director and CEO, Citi Bank Limited, Bangladesh. Dr. Shrestha made his presentation on the topic **Impact of COVID-19 in the Nepalese Economy: Monetary Policy Measures for the New Normal.** Mr. Cristy presented on **Managing Technology Challenges: Cyber Security, Threats and Protection Measures,** while Mr. Arefin's presentation was on **External Commercial Borrowings (ECB): Experience from Bangladesh.** All the presentations were very relevant with lively Q&A session.

Theme 3, entitled Leadership for the New Normal, Chaired by Dr. Duvvuri Subbarao included Presentations from Dr. Atiur Rahman former Governor of Bangladesh Bank and Dr. Shah Md. Ahsan Habid, Professor from Bangladesh Institute of Bank Management. The topic from Dr. Rahman was on **Leadership and HR Development: A Regulator's Tale** while Dr. Habib made his presentation on **Sound Corporate**

Governance and New Cultural Orientation for the New Normal. All the presentations were lively and insightful.

Theme 4, Entitled Panel: The Future of Banking in the Post COVID-19 World: Searching a Success Model was Chaired by Mr. Bam Bahadur Mishra. Dr. Atiur Rahman, Mr. Upendra Poudel, Professor (Dr.) Abhijit K. Chattoraj, Dean - SWSS/Chairperson PGDM-IBM, BIMTECH, Mr. Bhuwan Dahal, Immediate Past President of Nepal Bankers Association and Dr. Atreya made their Presentations on the Theme. Dr. Rahman's Topic was on **Sustainable Finance,** Mr. Poudel talked about **Banking on Values.** Prof. Abhijit Chattoraj's discussed on **Challenges in the Emerging Scenario Post COVID: Life and Non-Life Perspectives.** While addressing the conference he noted that the importance of life and non-life sector has increased manyfolds and the insurance industry should go hand in hand with the banking industry along with the digital transformation to cater the new generation. Mr. Bhuwan Dahal discussed on **Recovery from the Pandemic: Story from the Nepalese Banking Sector** and Dr. Atreya delivered on **The Future of Jobs: Employment, Skills and Workforce Strategy.** Heshared that the covid 19 has changed the work, the workspace and the working models, therefore the banking sector should develop manpower along with the new trend seen in the global market. All the presentations were lively and insightful. The delegates had a wonderful learning experience from the presentations which was evident from the inquisitive questions/queries raised during the Q&A session.

Dr. Binod Atreya, MD of BFIN made his closing remarks by thanking all the guests, delegates, sponsors as well as entire stakeholders for making the program successful. He highlighted that BFIN is honored to organize such event of high importance considering the current situation in the banking and financial sector specially the Covid19 scenario and being able to contribute towards the financial and corporate sector.

Banking, Finance and Insurance Institute of Nepal (BFIN) is established under Company Act 2063 on August 14, 2018. BFIN is promoted by 16 national level institutions of Nepal

represented by commercial banks, development banks, finance companies, micro credit institutions, capital market institutions and the Emerging Nepal Limited. The main objectives of BFIN are to offer training, workshop and seminar and enhance the knowledge, skills and capabilities

of the employees of financial sector and other stakeholders, conduct research and consulting to strengthen the financial sector, offer specific accredited courses and creating data bank for the use of banking community and help to strengthen the financial systems in Nepal. ❑

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