A leading monthly journal on Banking & Finance

Banking Finance

₹85/-

VOL.XXXV - NO.06 - June 2022 - ISSN-0917-4498

In this issue

CELEBRATING 35 YEARS OF PUBLICATION SINCE 1988

"Nabard is planning to raise Rs 3.5-3.6 trillion, including Rs 45,000 crore through long-term bonds, in FY23."

G R Chintala
Chairman
Nabard

"We should have a system where the entire company is not tarnished because of a small diversion of funds and its entire borrowing is declared as 'fraud'."

Sunil Mehta
Chief Executive of the industry body
Indian Banks Association

BANKING FINANCE
A LEADING MONTHLY JOURNAL ON BANKING & FINANCE

VOL. XXXV NO. 06
June 2022, ISSN - 0971-4498

Correspondence Address
25/1, Baranashi Ghosh Street,
Kolkata- 700007, India
Phone : 033-4007 8378/2218 4184/2269 6035
E-mail : insurance.kolkata@gmail.com
Website : www.sashipublications.com
Portal: www.bankingfinance.in

Registered Office
31/1, Sadananda Road, P.S. Kalighat,
Kolkata -700 026, India

Single Copy ₹ 85/-
Annual Subscription ₹ 990/- (Ord.) / ₹ 1340/- (Regd.)
Foreign air mail US$ 125
3 years subscription ₹ 2460/-
5 years subscription ₹ 3825/-

All the payment must be made by DD favouring **BANKING FINANCE** payable at Kolkata, India.
Please do not make any cash payment for journal/books to any person representing **BANKING FINANCE** and we shall not be responsible for the cash payments.

Publisher Sushil Kumar Agarwala, 31/1, Sadananda Road, P.S. Kalighat, Kolkata -700 026, India. Printed by Satyajug Employee Co Operative Industrial Ltd, 13, Prafulla Sarkar Street, Kolkata - 700 072.

From The Desk Of Editor-in-Chief

Stock markets have seen a steep fall in last few months in wake of Russia/Ukraine war and weak market sentiments. There has been a lot of volatility and uncertainty in the market.Ukraine – Russia war is creating chaos, with the world powers coming face to face. The crude oil/natural gas is touching all time highand the export /import hasalso been severely affected.

The conditions of neighbors like Srilanka, Nepal, Bangladesh is also not good. This will also adversely affect the economy.

Indian Rupee has become all time low vis a vis US dollar wherein one dollar is ruling for Rs.77.50 paise. However due to this import would be costly but the export will be beneficial.

RBI's rate hike of .40 has become talk of the day wherein the Banks and Financial Institutional lending rate as well as EMI rate will increase with immediate effect. This rate hike has put pressure on the borrowings by the public.

Banking services are being digitized fast but still many banks have lot of issues with Internet banking. In some PSU Banks digital banking is still not upto the mark and they have very high TAT for regular banking requests. Banks must also think of reducing minimum balance charges which is punching hole in pockets of customers.

As per recent decision of Supreme Court henceforth lenders can invoke personal guarantees in IBC Cases. Hopefully this move will ensure better recovery for the lenders.

Off late there has been a spurious growth of online apps offering short-term loans. These apps are charging anywhere from 24% - 48% for loan repayment. RBI should carefully monitor these apps and bring them under regulation so that they do not cheat the common public. At the time of economic instability when the common man is fighting for survival, these apps taking advantage of their financial position are extorting super high-interest rates which is not ethical.

Contents

Banking News

Tata Group may abandon plans to enter banking

The Tata Group is understood to have done a rethink on its banking business plans and may now not go ahead with it, said executives close to the development.

The group had considered getting into banking through Tata Capital, its financial services arm, after a working group of the Reserve Bank of India (RBI) in November 2020 recommended granting banking licences to industrial houses. However, the executives said the restrictions and regulations that come with a banking licence would lead to operational issues for the conglomerate and also the costs would far outweigh the benefits of having a bank as part of the group.

Since the rules for non-banking financial companies (NBFCs) and banks are also converging, there is still an advantage in being a standalone finance company, as the operational costs for banks are much higher, they said.

Canara Bank to invest Rs. 1K crore to build digital banking backbone

Public sector lender Canara Bank plans to invest about Rs 1,000 crore over the next three years for building a digital banking ecosystem including a super app. The bank will unveil its super app next month. This would involve revamping the mobile banking platform with 262 features replicating branch banking.

Punjab & Sind Bank declares SREI group firms dues as fraud

Punjab & Sind Bank has declared outstanding dues of SREI companies as fraud, it said in a notice to the stock exchanges.

In its filing, the bank said that the NPA accounts, SREI Infrastructure Finance (SIFL) with outstanding dues of Rs 510.16 crore and SREI Equipment Finance Limited (SEFL) with outstanding dues of Rs 724.18 crore have been declared as fraud and reported to the RBI as per regulatory requirement.

With this, the bank became the first to classify SIFL and SEFL as fraud accounts, according to sources.

In its filing, the bank also said that the accounts have been fully provided for as per prescribed prudential norms.

Sources close to SREI promoters said that it was unfortunate that a public sector bank had taken such a step even when the KPMG report - on which the decision is seemingly based - is still sub-judice. "Necessary legal steps will be initiated in this regard," they said.

Central Bank to shut 600 branches by March 2023

Central Bank of India, plans to shut 13% of its branches to improve its financial health, which has been under pressure for several years, according to sources and a document seen by Reuters.

The bank is looking to reduce the number of branches by 600 by either shutting down or merging loss-making branches by the end of March 2023, according to the copy of a document reviewed by Reuters.

It is the most drastic step the lender has taken to improve its finances and will be followed by the sale of non-core assets such as real estate, said a government source who did not want to be named.

The closure of the branches has not been reported previously. The more than 100-year old lender currently has a network of 4,594 branches.

Central Bank along with a clutch of other lenders was placed under RBI's prompt corrective action (PCA) in 2017 after the regulator found some state-run lenders were in breach of its rules on regulatory capital, bad loans and leverage ratios.

Ravi Mittal is IBBI chief

Ravi Mittal took charge as chairperson of the Insolvency and Bankruptcy Board of India (IBBI). IBBI is a key institution in implementing the Insolvency and Bankruptcy Code (IBC).

"Prior to joining the IBBI as chairperson, he superannuated from the position of Secretary, Department of Sports, Ministry of Youth Affairs and Sports," IBBI said in a release.

He had also served as secretary, Ministry of Information & Broadcasting and Special Secretary, Department of Financial Services, Ministry of Finance, among other positions.

A 1986-batch IAS officer of Bihar cadre, Mittal holds degrees of B.E. in Mechanical Engineering and M.Phil. in Environmental Science. Mittal is the second full-time chairperson of IBBI.

HDFC Bank declares 1550% dividend for shareholders

HDFC Bank declared a 1,550%, or 15.50 per share dividend, to its shareholders for the financial year 2021-22.

The board, at its meeting, has recommended a dividend of Rs. 15.50 per equity share of Rs. 1 [1,550%] out of the net profits for the year ended March 31, 2022, HDFC Bank said in a regulatory filing.

This is subject to the approval of the shareholders at the ensuing Annual General Meeting, the lender said.

The country's largest private sector lender HDFC Bank reported a 23% jump in standalone net profit to Rs. 10,055.20 crore for the March quarter, led by growth in loan demand across categories and lower provisioning as bad loans were trimmed.

SBM Bank India raises Rs. 125 crore via bonds

SBM Bank India, a wholly-owned subsidiary of State Bank of Mauritius, announced that it has raised Rs 125 crore through sales of bonds.

The bank raised money by issuing Basel-III compliant Tier-II bonds having maturity period of 10 years, it said in a statement.

Additionally, it also raised Rs 300 crore through an automatic refinance facility of the National Bank for Agriculture and Rural Development (NABARD), it said.

The fresh funds will be deployed for expansion plans, the statement said.

SBM Bank India is leveraging on its position as a universal bank to tie up with fintech firms for extending services, which helps it with fees income and data mining, it said.

Exim Bank profit jumps 3-fold in FY22

Export Import Bank of India (EXIM Bank) reported a nearly threefold jump in its profit after tax (PAT) to Rs 738 crore in the fiscal ended in March 2022 compared to Rs 254 crore in the year-ago period.

The development finance institution sanctioned loans aggregating to Rs 68,863 crore under various lending programmes during FY2022.

Its net loan portfolio registered a growth of 13.26 per cent to Rs 1,17,619 crore from Rs 1,03,851 crore last year.

In the current financial year (fiscal 2023), the bank is targeting a 12 percent growth in loan, its Managing Director Harsha Bangari told.

Non-fund portfolio rose by 7.15 per cent to Rs 15,247 crore from Rs 14,229 crore in FY2021.

Its total business grew by 5.69 percent to Rs 2,51,246 crore as against Rs 2,37,714 crore in FY21.

Bangari said the bank was able to halve its gross non-performing assets (NPAs) to 3.56 percent in the fiscal ended March 31, 2022. Its slippage ratio reduced by 128 basis points to 0.24 per cent in FY22 from 1.52 percent in FY21.

PAN must for cash withdrawal, deposit of Rs. 20 lakh or more a year

The government has made it mandatory to quote either PAN or Aadhaar for depositing or withdrawing over Rs.20 lakh in a financial year. The Central Board of Direct Taxes (CBDT), in a notification, said furnishing the Permanent Account Number or biometric Aadhaar will be mandatory for such high-value deposits or withdrawals from banks in a financial year, or opening of a current account or cash credit account with a bank or post office.

Exim Bank gets $100m Japanese funding for healthcare support

The Export-Import Bank of India (Exim Bank) said it had concluded a $100 million loan agreement with Japan Bank for International Cooperation (JBIC), along with three Japanese private financial institutions MUFG Bank, the Bank of Kyoto and the Hachijuni Bank on the side-lines of the Quad Summit.

The purpose of the loan is to support the Indian healthcare sector related to combating Covid-19, including but not limited to vaccine manufacturers, pharmaceutical companies, manufacturers of personal protective equipment, medical oxygen or other medical devices, hospitals, and other related activities.

Exim Bank has been supporting the healthcare sector and all the segments in the pharmaceutical value chain.

Public sector banks post 81% rise in Q4 net profit

Public sector lenders have posted an 81 per cent year-on-year (YoY) increase in net profit in the fourth quarter ended March 2022 (Q4FY22) on improvement in net interest income (NII) and reduction in provisions for bad loans. For FY22, net profit rose by 91.3 per cent.

Nine of the 12 public sector banks have announced results so far. NII, which is earnings from loans minus what is paid on deposits, rose 18.5 per cent YoY to Rs 70,825 crore in Q4FY22. While low interest rates on loans shrank interest income, banks benefited from a fall in the cost of funds amid abundant liquidity in the system as the Reserve Bank of India pumped in resources to support economic revival and growth.

Nabard plans to raise Rs. 3.5 trillion in FY23

Nabard is planning to raise Rs 3.5-3.6 trillion, including Rs 45,000 crore through long-term bonds, in FY23.

The balance will be from the shortfall in priority sector lending (PSL) and short-term instruments. G R Chintala, chairman, Nabard, said the scale of fund raising in FY23 was similar to what the institution did in FY22.

The yield on long-term paper has hardened in markets in tandem with the change in the rate cycle and inflation. Outstanding long-term borrowing rose to Rs 2.8 trillion in March 2022 from Rs 2.18 trillion in March 2021.

Banks to seek change in 'Fraud' definition

All high-street banks will jointly move the Reserve Bank of India (RBI) to urge a change in the sweeping definition of 'fraud' which cripples businesses, scares away financiers and results in legal tangles.

A rigid regulation requires all banks to label a borrowing company and all its accounts as 'fraud account (s)' when one lender puts a fraud tag. It sets off a process where lenders have to file police complaints and take a knock-which is often disproportionately higher than the size of the fraud -on their bottom lines.

The combined action rapidly worsens the fortunes of the borrowing corporate, driving away creditors, suppliers, investors and other stakeholders. And lenders which place all the information in public domain may face legal action - as some of the court battles bear out - when angry borrowers think they were disgraced without being properly heard.

Bank CEOs decided to make a representation to RBI at a meeting held a few weeks ago to discuss certain issues faced by the lenders, two senior bank officials told.

When contacted, Sunil Mehta, chief executive of the industry body Indian Banks Association, said, "We should have a system where the entire company is not tarnished because of a small diversion of funds and its entire borrowing is declared as 'fraud'.

Aditya Birla ARC, Arcil among companies eyeing SBI's KSK Mahanadi loan

Aditya Birla Asset Reconstruction Company, Kotak Mahindra Bank-backed Phoenix ARC and Avenue Capital-backed Arcil are among a dozen applicants interested in acquiring a Rs 3,815 crore KSK Mahanadi Power loan from State Bank of India, said people aware of the matter.

This is the largest stressed loan sale by a bank seeking upfront payment from the buyer. SBI has set a Rs 1,544 crore reserve price on the outstanding loan.

So far, most big-ticket distressed loan sales were structured deals involving part payment in the form of security receipts that would be redeemed upon recovery from defaulting borrowers.

"The timing of SBI's proposed loan sale of KSK Mahanadi indicates that lenders are no longer confident of timely resolution under the Insolvency and Bankruptcy Code-driven process," said a lender.

KSK Mahanadi Power has been undergoing insolvency proceedings for over two and a half years. The resolution professional, Sumit Binani, backed by PricewaterhouseCoopers, has extended the deadline to submit a firm bid to July 8 from April 29. ❑

Reserve Bank News

RBI rejects 6 applications for setting up banks

RBI rejected the applications of six entities that were seeking permission to start universal and small finance banks under the "on-tap" licence policy.

Among them is one from Sachin Bansal's Chaitanya India Fin Credit Private Limited. The micro-lender had applied for a universal bank licence in April 2021.

"The examination of six applications has now been completed as per the procedure laid down under these guidelines," the RBI said in a statement.

"Based on the assessment of the applications, (six) applicants were not found suitable for granting of in-principle approval to set up banks."

The other applications for universal bank licence that were rejected are those of former Citi banker Pankaj Vaish, Repco Bank and UAE Exchange and Financial Services. UAE Exchange was the first to apply for the licence in 2017 when the RBI made the process on-tap.

The regulator also rejected the applications of VSoft Technologies and Calicut City Service Co-operative Bank, which had sought licences for small finance banks. The names of the applicants were mentioned in the RBI's statement.

RBI names Ranjan, Pattanaik as executive directors

The Reserve Bank said Sitikantha Pattanaik and Rajiv Ranjan have been appointed as executive directors with effect from May 1.

Ranjan will also serve as an ex-officio member of the rate-setting panel Monetary Policy Committee (MPC).

Prior to being promoted as ED, Pattanaik was an adviser in the department of economic and policy research (DEPR), while Ranjan was serving as adviser-in-charge of monetary policy department and secretary to the MPC.

RBI said as executive director (ED), Pattanaik will look after the Department of Economic and Policy Research, while Ranjan will take care of the monetary policy department.

Ranjan has a PhD in economics from Mumbai University and holds a Masters degree in economics from the Delhi School of Economics.

Pattanaik has a PhD in economics from the University of Mumbai.

PFRDA opens licensing window for pension fund managers

Pension regulator PFRDA has recently opened an on-tap licensing window for awarding licences to sponsors of pension funds.

This is the second year in a row when Pension Fund Regulatory and Development Authority (PFRDA) has opened such a window in a bid to enhance the number of pension fund managers in the country. The window, which opened in mid-April, will be open till May 17, Supratim Bandyopadhyay, Chairman, PFRDA, told.

The PFRDA had last year opened an on tap window from July 1-31 for awarding licences to sponsors of pension funds. After this window closed, some players had approached the body evincing interest to become pension fund managers.

RBI aligns exposure, disclosure norms for NBFCs with banks

RBI has laid down a set of rules for non-bank financiers on large exposures, lending to directors and sought additional disclosures in their notes to accounts. These guidelines are meant to further harmonize regulations between banks and non-banks.

In October last year, RBI had announced scale-based regulations for non-banking financial companies (NBFCs), with effect from October this year. The regulatory structure for NBFCs will be divided into four layers based on their size, activity, and perceived riskiness. The lowest layer is base layer, followed by middle, upper and top layers.

RBI said that aggregate exposure of an upper layer NBFC to any entity must not be higher than 20% of its capital base, although the board can approve an additional 5% to take it to 25%. However, for infrastructure finance companies, the aggregate limit will be 30% to a single entity. To a group of connected entities, aggregate exposure will be limited to 25% of the capital base (unless on account of an infra loan) for all upper layer NBFCs apart from infrastructure finance companies where it will be 35%.

RBI sets 3-year time table for non-individual borrowers to get legal entity identifier codes

The Reserve Bank of India set a three-year timetable for non-individual borrowers with aggregate exposures of Rs 5 crore or more to obtain Legal Entity Identifier (LEI) codes.

The LEI is a 20-character alpha-numeric code used to uniquely identify parties to financial transactions worldwide. It is being implemented to improve the quality and accuracy of financial data reporting systems for better risk management.

It is used to create a global reference data system that uniquely identifies every legal entity in any jurisdiction that is party to a financial transaction.

Those with exposure above Rs 25 crore from banks and financial institutions will have to get LEI code on or before April 30, 2023.

For those with exposure between Rs 10 to 25 crore will get more year (till April 30, 2024) and those with Rs five and upto Rs 10 crore have to get LEI code on or before April 30, 2025.

RBI said borrowers who fail to obtain LEI codes from an authorized Local Operating Unit (LOU) will not get sanctions for any new exposure. They will not be granted renewal/enhancement of any existing exposure.

However, departments and agencies of Central and State Governments shall be exempted from this provision. The RBI has decided to extend guidelines for LEI to Urban Cooperative Banks and non-banking finance companies.

12 yrs to recover from pandemic losses: RBI

RBI expects the Indian economy to overcome losses arising out of the pandemic only by 2034-35. The output losses on account of the pandemic are estimated to be over Rs 52 lakh crore over the last three years.

In its first detailed analysis of the impact of the pandemic, the RBI published a report 'Scars of the pandemic' in its annual publication on currency and finance. According to the report, the capital expenditure push in the FY23 Budget can help achieve sustainable high growth by enhancing productive capacity, crowding in private investment and strengthening aggregate demand. While private consumption expenditure and investment marginally surpassed their respective pre-pandemic levels in FY22, the RBI said there is a need to strengthen the growth momentum to compensate for the lost output.

"Taking the actual growth rate of -6.6% for FY21, 8.9% for FY22 and assuming a growth rate of 7.2% for FY23 and 7.5% beyond that, India is expected to overcome Covid losses in FY35," the RBI said in its forecast. Here, FY34 refers to the year the economy will be in the same position it would have been had there been no Covid.

RBI okays trade transactions settlement with Lanka in INR

In view of difficulties being faced by exporters in getting payments from crisis-hit Sri Lanka, the RBI allowed settlement of trade transactions in Indian rupee outside the Asian Clearing Union (ACU) mechanism.

In March, the government had guaranteed a term loan of USD 1 billion extended by the State Bank of India (SBI) to Sri Lanka for financing purchase of essential goods by the island nation from India.

"In view of the difficulties being experienced by exporters in receipt of export proceeds from Sri Lanka and SBI's credit facility...it has been decided that such trade transactions with Sri Lanka, falling under the said arrangement, may be settled in INR outside the ACU mechanism," the RBI said in a circular.

Under the arrangement, financing of export of eligible goods and services from India would be allowed subject conditions and whose purchase may be agreed to be financed by SBI under the agreement.

RBI may now be more open for credit card licences to NBFCs: Report

RBI might be more open to granting

licenses to various large players and non-banks like Bajaj Finance thereby increasing competition in the segment, said Macquarie Research in a note.

In its master direction, the RBI said, "The co-branding partner shall not have access to information relating to transactions undertaken through the co-branded card".

"The role of the co-branding partner entity under the tie-up arrangement shall be limited to marketing/distribution of the cards and providing access to the cardholder for the goods/services that are offered," the RBI further said.

RBI also made it clear that NBFCs will have to take prior approval from the RBI for issuing credit cards to their customers.

Banks tie up with various entities, including non-banks, e-commerce companies, food delivery apps, airline companies, and others, to issue co-branded credit cards.

RBI raises repo rate by 40 bps

Monetary Policy Committee (MPC) of the RBI unanimously decided to increase the repo rate by 40 basis points (bps) in an off-cycle meeting, citing inflation concern.

This was followed by a 50 bps hike in the cash reserve ratio to 4.5 per cent, which will drain out Rs 87,000 crore liquidity from the banking system.

This was the first repo rate hike in 45 months -- since August 2018. The increase in the repo rate will lead to lending rates getting pushed up because 40 per cent of the loans of commercial banks are linked to it.

The 10-year government bond shot up 26 bps, with the street expecting another rate hike in the June policy. As a result, the standing deposit facility (SDF) rate is now at 4.15 per cent and the marginal standing facility (MSF) rate at 4.65 per cent.

Sharp rise in expenses, reverse repo hit RBI surplus in FY22

The Reserve Bank of India's (RBI) surplus to be transferred to the government in the fiscal year ended March 2022 fell primarily due to a sharp rise in expenditure, the central bank's annual report showed.

While income for the year increased by 20%, expenditure increased by 280% which resulted in the overall surplus transferred to the government decreasing 69% to Rs 30,307.45 crore from Rs 99,122 crore in the previous year.

Total expenditure increased to Rs 1.29 lakh crore from Rs 34,147 crore a year ago. Expenditure included agency commissions to banks for processing government receipts and payments which increased 48% to Rs 3859 crore from Rs 2,611.05 crore in 2020-21. Expenditure incurred on printing of bank notes increased 24% to Rs 4985 crore from Rs 4,012.09 crore in 2020-21.

Besides the higher operational expenditure, RBI also had to pay interest on the excess funds kept by banks with it through the reverse repo window. This interest outgo nearly doubled to Rs 35,601 crore at the end of March 2022 from Rs 17,958 crore in March 2021.

RBI to review medium term debt strategy for GoI

The Reserve Bank of India is set to review the Medium Term Debt Strategy for the government with an aim to make government borrowings efficient at low over medium to long term with the right risk balance.

The central bank will review Medium-Term Debt Management Strategy (MTDS) for management of public debt of the government with an objective “to mobilise market borrowings at low cost over medium to long-term, with prudent levels of risk and a stable debt structure, while also developing a liquid and wellfunctioning domestic debt market.”

The weighted average maturity of primary issuances increased to 16.99 years from 14.49 years in the previous year.

Going forward, the key areas of focus of the Reserve Bank for the year 2022-23 will be smooth completion of the government borrowing programme in line with the guiding principles of debt management, while ensuring a stable debt structure and proactively taking appropriate policy actions, if necessary.

The weighted average yield (WAY) of G-sec issuances during the year increased by 49 basis points from a year ago. A basis point is 0.01 percentage point.

Around one-third of general government debt pertains to sub-national governments. However, a document outlining the strategy of debt management for efficient and effective management at sub-national government is lacking.

“A pilot MTDS for a few states is proposed to be drafted reflecting the state governments’ plan for financing their activities, while taking due account of constraints and potential risks,” RBI said in the annual report. ❑

Industry News

93.7% rise in new manufacturing projects

New project announcements in the manufacturing sector have improved significantly to Rs 6.2 lakh crore in FY22, a rise of 93.75 percent, as against Rs 3.2 lakh crore in FY20, a Bank of Baroda (BoB) study has said.

This was led by improvement in machinery, chemicals and textiles. "Services and the construction sector still seem to be lagging from losses suffered during multiple waves of Covid-19 pandemic, with new project announcements running below their pre-pandemic levels," the study said.

Sonal Badhan, economist, BoB said, "In FY20, new projects announced in the manufacturing sector had fallen to 17.8%, but rose sharply to 38.3% in FY21 and rose further to 43.5% in FY22. FY22 print is the highest since FY05. This could be the case as the manufacturing sector was less hit by subsequent waves of Covid-19, compared with services sector."

Sanjiv Bajaj takes over as CII President

Sanjiv Bajaj, Chairman and Managing Director for Bajaj Finserv Limited, took charge as the President of Confederation of Indian Industry (CII) for 2022-23.

Sanjiv has previously engaged with CII at the state, regional and national level. He was the President-Designate for 2021-22 and the Chairman of the Western region during 2019-20.

He has also led CII National Committees on Insurance and Pensions and CII taskforce on Fintech.

Bajaj is an alumnus of the Harvard Business School, USA and a Member of the Board of Indian School of Business (ISB), Member of the International Advisory Board (IAB), Allianz SE and the International Technology Advisory Panel (ITAP) of Monetary Authority of Singapore (MAS) and Regional Stewardship Board for India and South Asia 2019-2020 of the World Economic Forum.

Scrutiny of all tax cases where enforcement agencies give info

The income tax department has issued guidelines for selection of I-T returns for complete scrutiny in the current fiscal and said such scrutiny would be applicable in cases where information about tax evasion is available from any other authority. The guidelines for selection for complete scrutiny have also added an additional limb of obtaining prior administrative approval of the Principal Commissioner/ Principal Director/ Commissioner / Director in certain cases, for selection of such cases for complete scrutiny.

For instance, cases pertaining to survey, search and seizure and cases where charitable trusts have claimed exemption without a valid approval have been made subject to prior approval before transmission to the National Faceless Assessment Centre (NaFAC) for serving necessary scrutiny notices.

Under complete scrutiny, a detailed scrutiny of the return of income is carried out by tax officers to confirm the genuineness of various claims, deductions, etc made by the taxpayer.

The objective of this is to confirm that the taxpayer has not understated the income, computed excessive loss or underpaid the tax in any manner.

Maruti plans new unit at Sonipat, to invest Rs. 11000 crore

Maruti Suzuki will spend Rs 11,000

crore to set up a new manufacturing facility in Haryana, its third in the state and spread over an 800-acre area, as the country's largest carmaker looks to add a fresh 10 lakh units to its capacity from the location over the coming years.

The company, which currently has an annual installed capacity of 22.5 lakh units across its existing two plants in Haryana (Gurgaon and Manesar) and one in Gujarat (owned by parent Suzuki), will start with an initial capacity of 2.5 lakh units at the new location at IMT Kharkhoda in Sonipat district from 2025. This will thereafter be scaled up to 10 lakh units progressively, as the market expands.

"The first plant with a manufacturing capacity of 2.5 lakh vehicles per annum is expected to be commissioned in 2025, subject to administrative approvals," the company said.

Cryptos can lead to dollarisation of economy

Cryptocurrencies can lead to "dollarisation" of a part of the economy which would be against India's sovereign interest, top officials of the RBI have told a parliamentary panel, according to sources.

Briefing the Parliamentary Standing Committee on Finance chaired by former minister of state for finance Jayant Sinha, top officials of the RBI, including its governor Shaktikanta Das, clearly expressed their apprehensions about cryptocurrencies and said these pose challenges to the stability of the financial system, sources told PTI.

"It will seriously undermine the RBI's capacity to determine monetary policy and regulate the monetary system of the country," a member of the panel quoted RBI officials as saying.

Pointing out that cryptocurrencies have the potential to be a medium of exchange and replace the rupee in financial transactions both domestic and cross border, central bank officials said these currencies "can replace a part of monetary system it will also undermine the RBI's capacity to regulate the flow of money in the system".

CBDT to I-T: Do not reopen sub-Rs. 50L cases for AYs '14-16

The Central Board of Direct Taxes (CBDT) has issued exhaustive instructions to its income tax (I-T) cadre on reopening of cases to implement the recent Supreme Court order. These instructions will keep small cases relating to some past years from being reopened.

As had been reported by TOI, according to this order, nearly 90,000 re-assessment notices that were issued by the I-T department after April 1, 2021 under the provisions of the unamended section 148 were held valid.

However, the order provided that safeguards under the new provisions introduced by the Finance Act, 2021 should be followed.

To begin with, CBDT's instructions state that notices cannot be issued in cases for assessment years (AYs) 2013-14, 2014-15 and 2015-16 if the income escaping assessment is likely to be less than Rs 50 lakh.

In cases of income that have escaped assessment, under section 148 (old regime) the I-T officer could reopen cases dating back to six years. Under section 148A (introduced by the Finance Act, 2021), cases dating back to 10 years can be reopened only if the income that has escaped assessment is over Rs 50 lakh and if a proper process is followed.

For AYs 2016-17 and 2017-18, the CBDT has clarified in its instructions that fresh notices can be issued with approval of the higher officers, as the time limit of three years has not lapsed.

Dhruva Advisors partner Ajay Rotti told, "CBDT's issuance of these instructions is a welcome move."

Over 167,000 businesses set up in FY 22, the highest in 3 years

The number of businesses set up in the year ended 31 March rose to the highest in three years, led by the services sector, ministry of corporate affairs data showed, signaling a steady rise in entrepreneurial activity despite the disruptions caused by the pandemic.

As many as 167,076 companies were set up in FY22, a 7.5% increase from the 155,377 companies created in the previous year, according to data compiled by the corporate affairs ministry. Around 122,721 companies were set up in FY20.

The steady rise in entrepreneurial activity points to improving sentiment about business prospects and confidence that economic growth will rebound despite the pandemic.

The increase in the number of new businesses is also a good sign for the economy and the jobs market.

"The growth in new registrations has slowed down in FY22. This was expected as the economy opened up and companies started operating, there were job openings across sectors," said Madan Sabnavis, chief economist at Bank of Baroda. ❑

Mutual Fund News

Terminated fund manager sends legal notice to Axis Mutual Fund

Viresh Joshi, ex-fund manager and chief dealer at Axis Mutual Fund, has sent a legal notice to the fund house against his 'unlawful termination'. "We are in communication with Axis Mutual Fund on behalf of our client Mr Viresh Joshi and have duly replied to the unlawful termination notice," said Chirag M. Shah, Counsel, Mansukhlal Hiralal & Co,

Axis Mutual Fund released a statement on May 19 which had stated that "Axis AMC has been conducting a suo moto internal investigation since February 2022, using reputed external advisors to assist with this ongoing investigation.

Further to our investigation, his conduct and following the decision to suspend him, the employment of Mr. Viresh Joshi has been terminated with effect from May 18, 2022."

AMFI asks asset managers to ask key persons to work from office

AMFI has advised all asset managers to ask executives holding key responsibilities to start working from the office by June 10. The move is aimed at greater vigilance against wrongdoing and comes in the wake of allegations of front running by two fund managers at Axis Mutual Fund, said sources.

One of the reasons why the alleged activities by the Axis executives had gone unnoticed is said to have been the investment team working from home for over two years on account of Covid-related movement restrictions.

"Flexibility is given to employees to work from homes, especially those handling critical functions that deal with the markets, such as investments, dealing, operations, compliance / risk management etc. may be withdrawn," said the AMFI communication to fund houses. "This may be implemented at the earliest, but no later than June 10, 2022." reviewed a copy of the AMFI letter.

Axis Mutual Fund hires Deloitte to investigate irregularities

Axis Mutual Fund has hired Deloitte as a second investigator in the frontrunning case after the fund widened the scope of the probe, according to sources. Alvarez and Marsal (A&M) is already investigating the matter for Axis Mutual Fund.

The fund house has widened the scope of the investigation to include the investment patterns or fund deployment and if more people were involved in the front-running.

According to sources, the market regulator had asked Axis Mutual Fund to pin down the precise modus operandi in the case and widen the scope of investigations.

"Sebi probably wants to look into similar fact patterns in other cases too where there could be front-running allegations," the person said.

Sebi allows mutual fund houses to launch passive ELSS

SEBI has modified the "Categorization and Rationalization of Mutual Fund Schemes" to allow fund houses to launch passive equity linked saving schemes. Investors can now invest in passive tax saving scheme schemes to save taxes under Section 80C of the Income Tax Act.

In a circular released, Sebi has said that mutual funds can launch either of the following ELSS schemes in the open ended scheme category, subject to compliance with guidelines on Equity Linked Saving Scheme, 2005 notified by the Ministry of Finance.

The fund houses can either launch an active ELSS Scheme or a passive ELSS scheme (through Index Fund). The passive ELSS scheme shall be based on one of the indices comprising equity shares from top 250 companies in terms of market capitalization.

"I think it is a good move. Always good to add options for investors. It also shows the keenness of the regulator to promote passive amongst investors across categories. I hope in the future they allow AMCs to have both passive as well as active ELSS and leave the choice to the investor," says Swarup Mohanty, CEO, Mirae Asset Mutual Fund.

Sebi lays down operating norms for debt index funds and ETFs

Sebi has released new norms for passively-managed debt funds. Sebi has said that Debt ETFs/ Index Funds could be based on indices comprising of Corporate Debt Securities; or Government Securities, t-bills and/or State Development Loans (SDLs) (G-sec indices); or a combination of all.

"The new circular by SEBI on passive funds has some fantastic changes that will drive further transparency, liquidity and innovation. In particular the regulations on debt passives are a big positive for this fast growing category," said Radhika Gupta, CEO, Edelweiss Mutual Fund.

According to the new norms, the constituents of the index in debt index funds should have adequate liquidity and diversification at issuer level. The constituents of the index shall be periodically reviewed also.

Axis Mutual Fund sacks 2nd fund manager-Deepak Agrawal for alleged frontrunning

Axis Mutual Fund has asked fund manager Deepak Agrawal to leave the firm from May 20 on the heels of an investigation into alleged wrongdoings by him and chief trader and fund manager Viresh Joshi. The fund house said it had terminated the employment of Joshi.

"The employment of Deepak Agrawal - fund manager with Axis AMC - has been terminated with effect from May 20, 2022. Consequently, he ceases to be a key person of Axis AMC," said an Axis Mutual statement.

Agrawal was the co-fund manager for three funds - Axis Value Fund, Axis Quant Fund, and Axis Consumption ETF.

The fund house, the seventh largest in terms of assets under management, had suspended Agrawal and Joshi earlier this month as it was investigating alleged frontrunning cases against them.

HDFC MF merges three fixed maturity plans with two open-ended funds

HDFC Mutual Fund has announced the merger of three Fixed Maturity Plan (FMP) - HDFC FMP- Series 42-1381D September 2018 (1), HDFC FMP- Series 42-1372D September 2018 (1) with HDFC Corporate Bond Fund and HDFC FMP- Series 43-1344D October 2018 (1) with HDFC Medium Term Debt Fund.

The effective date of the merger for the first two FMPs is June 30, 2022 and for the third FMP mentioned above, the date of the merger is June 28, 2022.

As per SEBI categorisation of funds, corporate bond funds invest in 80% of total assets only in the highest-rated corporate bonds. While the medium duration fund makes investments in debt & money market instruments such that the macaulay duration of the portfolio is between 3 years - 4 years.

Mutual Fund companies collect Rs. 1.08 lakh crore via NFO in FY22

Riding on intense retail investors' interest and a sharp rally in equity markets, asset management companies (AMCs) launched 176 new fund offerings (NFOs) in 2021-22, garnering a whopping Rs. 1.08 lakh crore.

With liquidity tightening, interest rates on the rise, stock market consolidation in progress, return to work from office, there could be subdued interest in NFOs going forward. While fixed maturity plans (FMPs) category could see considerable launches, the same cannot be expected from other categories, Gopal Kavalireddi, Head of Research at FYERS, said.

Also, almost all AMCs have launched new schemes across most categories, thereby fillings the earlier existing product gaps that was created post-recategorization, he said.

"Gaps in investment objectives, interest of investor in specific themes, availability of funds for deployment, credibility and reputation of fund managers, and performance of stock markets could dictate the quantum of new launches," he added. ❑

Co-Operative Bank News

DICGC doles out Rs 3.5K crore to 22 UCBS

As per the RBI Annual Report 21-22, settlement of claims of liquidated urban co-operative banks totaling Rs 1,225 crore and Rs 3,792 crore was provided to Unity Small Finance Bank for making payment to the depositors of erstwhile Punjab and Maharashtra Co-operative Bank.

It is worth mentioning that an amendment to the DICGC Act in 2021-22 (relating to interim payments) helped settle claims worth Rs. 3,457 crore relating to 22 urban cooperative banks under AID.

The DICGC settles claims of depositors of banks liquidated/ amalgamated and banks under RBI's all-inclusive direction (AID). Once AID is imposed on an urban cooperative bank, the bank cannot discharge its liabilities except as allowed by RBI.

RBI imposes penalty on Co-operative Banks

RBI said it has imposed a penalty of Rs 58 lakh on Abhyudaya Co-operative Bank Limited, Mumbai for noncompliance with several directions, including on NPA related norms.

The penalty has been imposed for non-compliance of the directions issued by RBI on 'Placement of Deposits with other banks', 'Monitoring and Reporting Mechanism of Frauds', 'Income Recognition, Asset Classification, Provisioning and Other Related Matters (IRAC norms)' and 'Management of Advances'.

In a separate statement, the RBI said a penalty of Rs 1 lakh has been imposed on the Noida Commercial Co-operative Bank, Ghaziabad for contravention of certain norms of the Banking Regulation Act, 1949.

In both case, the penalties are based on deficiencies in regulatory compliance and is not intended to pronounce upon the validity of any transaction or agreement entered into by them with their customers, the RBI said.

Kangra Central Cooperative Bank ex-chief booked for graft

The Vigilance and Anti-Corruption Bureau has booked former chairman of the Kangra Central Cooperative Bank (KCCB) Jagdish Chand Sapiya under Sections 13(2) of the Prevention of Corruption Act.

Sapiya has been accused of illegally appointing Jaswant Singh Rana from the Dehra zone as director of the KCCB during the stint of the previous Congress government.

The FIR states that a vacancy was created in the board of directors of the bank after the death of Ramesh Chand Chambiyal, director of the bank, from the Dehra zone.

The case was registered after the special investigating unit of the vigilance found Sapiya guilty of violating rules while appointing Rana as director.

RBI restricts withdrawals from Maharashtra's Shankarrao cooperative bank

The RBI imposed several restrictions on Shankarrao Pujari Nutan Nagari Sahakari Bank Limited, Ichalkaranji, Kolhapur, including on withdrawals, in view of the lender's worsening financial position.

However, 99.84 per cent of the depositors are fully covered by the DICGC insurance scheme. Under the Deposit Insurance and Credit Guarantee Corporation (DICGC) insurance scheme, deposits of up to Rs 5 lakh are insured.

The RBI, in a statement, said the restrictions will remain in force for a period of six months from the close of business on May 13, 2022 and are subject to review.

"Considering the bank's present liquidity position, no amount from the total balance across all savings bank or current accounts or any other account of a depositor, may be allowed to be withdrawn, but are allowed to set off loans against deposits subject to the conditions...," it said.

It further said the issuance of the directions should not per se be construed as cancellation of the banking licence by RBI.

RBI directs UCBs to not confer honorary titles

The Reserve Bank asked Urban Cooperative Banks (UCBs) not to create create any honorary position or title such Chairman Emeritus and Group Chairman at the board level as it results in creation of a shadow authority.

The RBI has directed these banks to eliminate such positions within one year.

While such positions or titles may be indicative of certain privileges or rights for the incumbent to access all board materials and participate in board or committee meetings, enforcing liability or obligations on such person may be difficult, the RBI said in a notification.

"Such positions may be seen as creating conflicts of interest as well as creation of a parallel or shadow authority impeding effective and independent functioning of the legally constituted board in the best interest of all its stakeholders," it said.

Depositors of Lucknow co-operative bank to get money from DICGC on April 27

The Deposit Insurance and Credit Guarantee Corporation (DICGC) will be making payments to the eligible depositors of Lucknow-based Indian Mercantile Cooperative Bank on April 27, according to a notice.

Depositors of Beed-based Dwarakadas Mantri Nagari Sahakari Bank will get payments on June 6. DICGC, a wholly-owned subsidiary of the RBI, provides an insurance cover of up to Rs 5 lakh on bank deposits.

Depositors of the two banks, submitting valid documents, as mentioned above, will be paid by credit to the alternate bank account specified by depositors, or on their consent, to their Aadhaar linked bank accounts, said a DICGC notice.

In the fiscal ended March 2022, the corporation had settled main claims of eight cooperative banks, including nearly Rs 136 crores of 32,221 depositors of Goa-based The Madgaum Urban Co-op Bank, Rs 374 crores of 38,325 depositors of Maharashtra-based Karnala Nagri Sahakari Bank, and Rs 330 crore of 39,032 deposits of Maharashtra-based Karad Janata Sahakari Bank.

Initially, under the provisions of Section 16(1) of the DICGC Act, the insurance cover was limited to Rs 1,500 only per depositor. It was gradually increased to Rs 1 lakh with effect from May 1, 1993 onwards. The insurance cover was later increased to Rs 5 lakh with effect from February 4 onwards.

DICGC insures all bank deposits, such as saving, fixed, current, and, recurring, except deposits of foreign Governments; deposits of Central/State Governments; Inter-bank deposits, and deposits of the State Land Development Banks with the State co-operative banks. ❑

Equity MF inflows jump 43%

NET INFLOWS into equity-linked schemes rose over 43% month-on-month (m-o-m) in March to Rs 28,463.49 crore amid sustained interest from retail investors in the equity markets despite global headwinds, Association of Mutual Funds in India (AMFI) said.

Equity inflows in March were the highest in the last four years. According to the data, all 11 categories in the equity funds witnessed positive flows during the month. Multicap funds saw net inflows to the tune of Rs 9,694.56 crore, the highest among all other categories of equity funds.

"Perhaps, this is due to the continued interest in retail and HNI investors to make use of market opportunities and enter into corrections for better valuations. Ongoing Russia- Ukraine crisis has kept the market volatile giving advantage to investors in making higher allocations or re-balance their existing allocations," said Akhil Chaturvedi, chief business officer, Motilal Oswal AMC.

The monthly SIP (systematic investment plan) contribution was also at a lifetime high in March, as it stood at Rs 12,327.9 crores.

Legal News

Employee needn't return increment wrongly given: SC

Can increments granted to an employee can be recovered from him after his retirement on the ground that they were granted erroneously? The Supreme Court said it cannot be done if there was no misrepresentation made or fraud committed by the employee.

A bench of Justices S Abdul Nazeer and Vikram Nath came to the rescue of a government teacher from Kerala against whom recovery proceedings were initiated by the state for wrongly granting him increments. The SC brought to an end his legal battle of 20 years during which he had lost the case in the Kerala High Court.

"This court in a catena of decisions has consistently held that if the excess amount was not paid on account of any misrepresentation or fraud of the employee or if such excess payment was made by the employer by applying a wrong principle for calculating the pay/ allowance or on the basis of a particular interpretation of rule/order which is subsequently found to be erroneous, such excess payment of emoluments or allowances are not recoverable," the bench said.

SC wants special courts in five States for cheque bounce cases

In a relief to victims in cheque-bounce cases, the Supreme Court ordered setting up of special courts headed by retired judges in the five states with the most number of pending cases. The three-judge Bench of Justice L Nageswara Rao, Justice B R Gavai, and Justice S Ravindra Bhat in this suo motu case said the special courts would be set up from September 1 in Delhi, Gujarat, Maharashtra, Rajasthan, and Uttar Pradesh, to hear such cases under Section 138 of the Negotiable Instruments Act (cheque dishonour).

"We have incorporated the suggestions of the amicus curiae (friend of the court) concerning the setting up of the pilot courts in the five districts in each of the five states and we have given the timelines also," the bench said.

The court directed its secretary-general to communicate the order to the registrar general of the High Courts of the five states and directed them to file an affidavit on compliance by July 21, 2022. The next hearing on the matter has been slated for July 26. The report submitted by Amicus read, "It is suggested that the high courts must utilise the services of retired judicial officers for this purpose. This scheme could be tested on a pilot basis in five states with the highest pendency."

The amici curiae had reported on May 1 that there has been an increase in pendency of 737,124 cheque dishonour cases in just five months. Pending cases increased from 2,607,166 in November last year to 3,344,290 as of April 13, 2022.

The states with the highest pendency of cases are Rajasthan (479,774), Gujarat (437,979), Delhi (408,992), and Uttar Pradesh (266,777).

SC stay on guarantee invocation may delay personal insolvencies

A recent Supreme Court stay on a personal guarantor case is likely to be used across the country in all personal guarantee cases pending before various national company law tribunals, legal experts said.

In the matter, Gurmeet Sodhi, a personal guarantor, filed a petition before the Supreme Court, raising a constitutional challenge to the personal insolvency provision under the Insolvency and Bankruptcy Code (IBC).

The case will be key for personal guarantors as it will require the court to explore the subject of personal guarantor rights, said advocate Srijan Sinha.

On the other hand, Anushkaa Arora, principal and founder of ABA Law Office, said that though there won't be any direct impact on other cases of NCLT, an implied effect can be seen in cases involving similar questions or points of law. "This can be a catch for guarantors of pending cases for obtaining interim relief on the same lines," she said.

"In granting interim relief to Sodhi, the top court took a forward step displaying its intention to decide the matter on merits. We will have to wait for a few more months to see how the law will evolve with respect to personal guarantors," Arora said, adding that if the issue is not decided within six months, the interim relief will automatically get vacated. However, the court indicated that the issue of personal guarantors in IBC would be decided soon.

According to Insolvency and Bankruptcy Board of India data, applications invoking personal guarantees against corporate debtors filed by creditors surged to 637 as of March 2022 from 191 in FY21 and 16 in FY20. The total debt currently stands at Rs. 95,656.6 crore, while the guaranteed amount is Rs. 71,672.65 crore.

Ajay Shaw, partner, DSK Legal, said the Supreme Court order may result in other personal guarantors wanting to tag along to the matter filed by Sodhi, so that the proceeding against them under IBC is stayed till a final order is passed.

Cheque bounce cases: SC moots loan waiver-like plan

With over 33 lakh criminal cases relating to dishonour of cheques choking the justice delivery system, the Supreme Court asked the Centre and states whether they could devise a scheme akin to loan waiver to drop prosecution in cheque-bouncing cases involving small sums of money.

A bench of Justices L N Rao, B R Gavai and S R Bhat said many past innovations, like evening courts attempted by the high courts, have failed to arrest the burgeoning number of cheque-bouncing cases under Section 138 of the Negotiable Instruments Act.

Of the 33.4 lakh pending cheque bouncing cases, Maharashtra accounted for the highest with 5.6 lakh cases. It was followed by Rajasthan with 4.8 lakh, Gujarat 4.4 lakh, Delhi 4.1 lakh, U.7 lakh, Haryana 2.36 lakh, Punjab 1.8 lakh and Madhya Pradesh 1.7 lakh. Surprisingly, a large state like West Bengal has just 309 cheque bouncing cases pending in courts.

Referring to a note submitted by amici curiae, advocate Sidharth Luthra and advocate K Parameshwar, the bench said, "Find out how many of such loans, declared bad because of cheque bouncing and non-payment, have been written off. If the banks have written off small amounts, why should the courts be continuing with the trial".

The bench said the government could put a ceiling of Rs 10,000 or Rs 5,000 for dropping the cases. But, additional solicitor general S V Raju put a caveat. "In loan repayments based on repayment through equated monthly instalments, a single cheque-bouncing may be of small amount but the entire loan amount may be a large sum."

I-T reassessment notices valid: SC

The Supreme Court (SC) ruled in favour of the Revenue Department in the reassessment dispute case. The top court reversed the earlier high court orders that had quashed income-tax notices issued after March 31, 2021, under the old reassessment regime.

The SC ruling has come as a setback for thousands of taxpayers who had got favourable orders from several high courts on reassessment.

The apex court held that notices issued under the old regime will not be invalid and shall be deemed to have been issued under new provision of the reassessment regime introduced in the Finance Act, 2021.

….."in order to strike a balance between the rights of I-T and taxpayers and to prevent the loss of public exchequer, the Supreme Court, as one-time exception has directed that notices issued earlier under Section 148 to be deemed to have been issued under Section 148A of the Act under the new law," the Supreme Court said in the order.

The new reassessment law had capped the period for issuing notices with respect to reopening past cases at three years, down from six years earlier.

Even as the new regime kicked in from April 1, 2021, the tax department had issued over 90,000 notices between April 1 and June 30, 2021, for earlier years.

The notices were issued based on the government's notification extending the time limit to June 30, 2021, citing the second wave of the pandemic. Following this, 9,000 plus writ petitions were filed in many courts challenging validation of the notices.

The tax department had issued these notices under section 148, alleging under-reporting and misreporting of income for years prior to the last three assessment years.

"Introduction of section 148A (new regime) of the IT Act can be said to be a game changer with an aim to achieve the ultimate object of simplifying the tax administration, ease compliance and reduce litigation," the apex court said. ❑

IDFC FIRST Bank Pledges Funds for Social Causes on Behalf of 10K Finishers at TCS World 10K Bengaluru

IDFC FIRST Bank announced a pledge to contribute to social causes on behalf of every participant completing the 10K run in one hour at TCS World 10K Bengaluru. The initiative aligns with the Bank's philosophy of being a force for social good and with the 10K Bengaluru's theme of social inclusion.

IDFC FIRST Bank will contribute Rs. 1000 to non-profits on behalf of every participant who completes 10K within 1 hour and Rs. 2000 if the participant is an IDFC FIRST Bank customer. The pledge enables qualifying participants to choose from a wide array of social causes and non-profits supported by IDFC FIRST Bank.

IDFC FIRST Bank's pledge will be fulfilled under its FIRST Impact social responsibility programme.

Naarayan TV, Chief Marketing Officer, IDFC FIRST Bank, said, "As the Associate Sponsor of the TCS World 10K Bengaluru, we want to not only energize participants after a long gap caused by the pandemic, but also make their run more meaningful and enable them to create a positive social impact."

Commenting on the initiative, Vivek Singh, JT. MD, Procam International, said, "Philanthropy is an integral pillar of the TCS World 10K and it is heartening to see our Associate Sponsor IDFC FIRST Bank echo the same sentiment and utilize the event's platform to make a tangible difference. Their initiative will have a lasting impact on society. We are sure this will further motivate the runners to participate and give their best performance."

IDFC FIRST Bank has partnered for four global distance running events as the Associate Sponsor - Tata Mumbai Marathon, Tata Consultancy Services World 10K Bengaluru, Delhi Half Marathon, Tata Steel Kolkata 25K as well as Sunfeast India Move As One. The first in the series is the TCS World 10K Bengaluru scheduled to take place on May 15.

Social good is one of the founding pillars of IDFC FIRST Bank and is demonstrated through the Bank's diverse social responsibility programs but is also deeply rooted in the way it conducts its business. The Bank's corporate social responsibility programme is focused on five areas: Education, Livelihoods, Women Empowerment, Health and Financial Inclusion. The Bank considers and implements social responsibility programs that have a potential to create sustained social change.

Flexi-cap funds see Rs 35000 crore inflow in FY22

The newly-created flexi-cap category -- which requires mutual funds to invest at least 65 per cent of the corpus in equity without any restrictions on investing in large, mid or small-cap stock - registered a net inflow of Rs 35,877 crore in 2021-22. This was the highest net inflow among the equity categories, data from the Association of Mutual Funds in India (Amfi) showed. Since the creation of the flexi-cap category by capital markets regulator Sebi in November 2020, many asset management companies (AMCs) that had realigned their existing funds into the flexi-cap category have launched multi-cap funds, while those AMCs that had retained their funds in the multi-cap category have started flexi-cap funds, according to Morningstar India.

Of the Rs 35,877 crore, flexi-cap funds saw a net inflow of Rs 2,478 crore in the three months ended June 2021, Rs 18,258 crore for the quarter ended September 2021, Rs 6,191 crore for the quarter ended December 2021 and Rs 8,950 crore for three months ended March 2022.

ICICI Prudential Life Insurance launches new annuity plan: ICICI Pru Guaranteed Pension Plan Flexi

ICICI Prudential Life Insurance has launched ICICI Pru Guaranteed Pension Plan Flexi, a regular premium payment annuity product, which enables customers to systematically save and build retirement savings over the long-term.

This product has been specifically designed to address the need of customers to make regular contributions towards building a savings pool and receive a life-long guaranteed income to lead a financially independent retired life.

To cater to the varied needs of customers, ICICI Pru Guaranteed Pension Plan Flexi is available in seven variants, the unique ones being Life Annuity with Accelerated Health Boosters and Life Annuity with Booster Payouts. These unique variants have been designed for customers seeking annuity products that offer guaranteed life-long income along with additional liquidity to meet their healthcare and lifestyle needs.

With the Accelerated Health Booster option, the customer gets additional payout on being diagnosed with difficulties in performing activities of daily living. This additional cash flow is useful as it can enable customers to meet expenses towards medical care.

The Booster Payout option provides individuals with five lump sum payments in addition to their annuity. This can help customers to plan and achieve their post-retirement goals, such as travelling, starting a hobby, or gifting a grandchild using these periodic payouts.

The ICICI Pru Guaranteed Pension Plan Flexi Joint Life Annuity option comes with the Waiver of Premium benefit which is useful in case of the demise of the first holder during the premium paying term. In such a scenario, all future premiums are waived off while ensuring the second or joint holder receives a life-long guaranteed regular income upon conclusion of the deferment period. Upon the demise of the joint holder, the total premiums invested are paid out to the nominee(s), which can act as a legacy planning tool.

The product also allows for the Return of Premium and the option to surrender the policy upon diagnosis of specific critical illnesses or permanent disabilities. This ensures that customers can use the funds for medical treatment.

Mr. Amit Palta, Chief Distribution Officer, ICICI Prudential Life Insurance, said, “The pandemic has disrupted livelihoods leading individuals to lay greater emphasis on safeguarding savings and income, especially on retirement. Typically, annuity products can be purchased by making a lump sum premium payment. Therefore, ICICI Pru Guaranteed Pension Plan Flexi has been specifically designed to provide flexibility to customers to make wallet-friendly regular contributions over the long-term to build the desired retirement savings pool. We believe the option to make regular premium payments will enable a larger section of the country’s population to plan for their golden years in advance. This is in line with our vision of building an enduring institution that serves the protection and long-term saving needs of customers with sensitivity. As a customer-centric organisation, we constantly endeavour to develop products that address the needs of customers while our digital platform provides them with an immersive and hassle-free experience across the policy life-cycle.

ICICI Pru Guaranteed Pension Plan Flexi, a multi-purpose and innovative annuity product, provides additional liquidity by making payouts which enable customers to achieve financial goals or meet expenses towards medical treatment, as the case may be. As a rule of thumb, individuals require between 70%-90% of their pre-retirement income to lead a comfortable retired life. With rising prices, increasing healthcare costs and higher life expectancy, it is imperative that individuals have an annuity plan in their financial portfolio.”

A HOLISTIC APPROACH IN ASSESSMENT OF NON-FUND BASED LIMITS AND IT'S PRECAUTIONARY MEASURES

In assessment of the working capital of a borrower, banks shall consider the two types of facilities i.e. Fund based and Non-fund Based facilities. Fund based facilities refer to the facilities for drawing cash and funds as per requirement of the concerned borrower. In other Non-fund based facilities given by the bank where actual funds are not involved. Through these facilities banks facilitate trade transactions by offering their commitment/ promise/undertaking to pay in case the buyer (banks customer) fails to pay the seller and seller remains unpaid.

The financial guarantee/ assurance is offered by banks to facilitate the trade transaction through a suitable instrument to cater to the needs of buyer and seller. Non-funded instruments are designed in such a way whereby the seller of the goods or services gets financial commitment by a solvent person like bank subject to the compliance of terms and conditions as mentioned in the related trade instrument.

About the author

N Mohammad Ali
Msc (Agri), CAIIB, Chief Manager (Faculty)
Union Bank of India
Staff College, Bengaluru

Non fund based facilities are not sanctioned in isolation. For example, a customer wanting to import machine would be sanctioned a term loan and the LC will be opened to import the machinery. Alternatively, it could be a customer with working capital who will need to open an LC for importing some material. A guarantee will be given to a customer who is executing an order and is enjoying a working capital or term lending facilities.

Given this non-fund facilities will, eventually get converted into term loan or working capital. In view of this non-fund facilities will call for almost equal level of credit appraisal. In addition to it there will be due diligence which is unique to the type of non-fund limit. The non-fund facilities are divided in to three broad categories as under:

- Letter of Credit
- Guarantees
- Co-acceptance of Bills

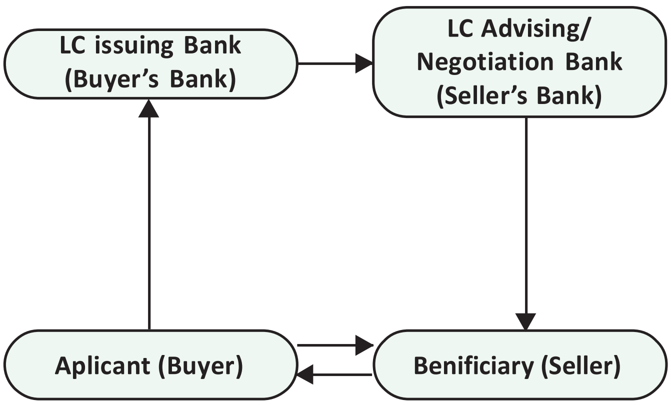
How the non-fund limits play a role in Business:

- Facilitates trade: domestic & international
- Helps in reducing fund based working capital requirement
- Helps seller to get immediate payment though credit extended by seller's Bank
- Bank intermediates and earns income through commission

Letter of Credit: (definition)

An arrangement by means of which a bank (issuing bank) acting at there quest of a customer (applicant) undertakes to pay to a third party (beneficiary) an amount by a given predetermined date according to agreed terms and conditions against presentation of stipulated documents.

LC Mechanisim



Underlying Transaction

Factors influencing in Assessment Non-fund based limits:

- Means and standing of applicant; Known through by compiling net worth/ means report the prospective borrower
- What purpose the facility serves in business operation, Bank to understand business model of the borrower.
- Study on working capital cycle of the business
- Source of repayment (retire / honor facilities on due date)
- Amount of purchases under given facility such as amount raw purchase under letter of credit etc.
- Business turnover of the firm
- Assessments details & maximum expected outstanding
- Nature of goods: Marketability, Seasonality, Susceptibility to price changes
- Import duty on purchases
- Currency fluctuations/ risk
- Crystallization facilities on failure / default of the borrower

Assessment of Letter of Credit:

Working capital limit under letter of credit depends on how much of raw material procured under LC and time period required for completion of one LC transaction. Before knowing on time required for one LC transaction, we have to understand two terminologies i.e. Lead time and Usance period.

Lead time:

This is the time taken for supply of goods (to be purchased on LC basis) from the date of placing order till goods reaches to the customer. This period depends upon certain factors such as nature of product, demand and supply situation, distance between place of customer and of supplier, mode of transport i.e. by road, air, water etc. For example buyer place order to buy 100 units from it's suppler x. The supplier x said, he required one month time to procure raw material to produce good and then required further 15 days time to transport goods. It means the total lead time in this case is 45 days (i.e. 30+15 days)

Usance Period:

This is the period of credit given by the supplier to make the payment for the goods supplied which depends upon the nature of business practice and mutual agreement of the customer and supplier. In other terms it is credit period extended by the supplier.

This is done in case of DA LC (Documents against Acceptance) where documents are delivered to buyer to get goods delivered against acceptance that the payment shall be paid on due date. Unlike in case of DP LC (documents against Payment), no credit is extended by the supplier and documents (title to goods) delivered only after receipt of the payment.

Particulars	LC Requirement
Raw Material purchased under LC	Rs.300 Lakh
Lead time (in months)	1.50
Usance period (Credit period)-75 days	2.50
Total time period to complete LC transaction	4.00
How many times the LC can be utilized in a year	12/4=3 times
LC limit eligible	Rs.300 lakhs/3 = Rs.100 Lakh

As shown above example the customer is eligible for LC limit of Rs.100 lakhs. For instance no credit period is allowed by supplier i.e. usance period is zero as the case we saw in DP LC. The limit shall be arrived at Rs.37.50 Lakh considering time period of 1.50 month for one LC transaction and with eight LC transactions in a year.

Whenever limit assessed under MPFB (Maximum Permissible Bank Finance), it takes care entire working capital requirement of the borrower. In instance LC also meant for meeting working capital need (purchase of raw material), Bank to carve out the LC facility from the total limit arrived under MPBF and balance portion of the limit is extended in form of fund based exposure i.e. cash credit facility. Few cases the borrower may be request for with-in-which facility of fund based limit. Under such circumstance, limit are permitted after working out the eligibility under each head of facility and over all exposure shall be within MPFB.

While assessing the limits in larger borrower accounts where the requirement of LC is very huge running into crores, where Bank to ensure how the LC are honoured on due date and availability of cash flows are checked even by obtaining cash budget or increase the margin component upfront or step-up method so the bills are retired on due date with out resorting to development of the LC. In all cases of opening of letters of credit, the LC opening bank has to ensure that the customer is able to retire the bills drawn under LC as per the financial arrangement already finalised.

While extending LC for procuring the capital goods, Bank to ensure a proper term loan tie-up is made to retire the bills are due date.

Treatment to stock covered by Usance LC:

- ❖ Lien should be earmarked against advance value of stock for the outstanding usance LC bills.
- ❖ This ensure provisions of margin on the stock covered by usance LCs right from the time the stocks bought on credit backed by the Bank's commitment.
- ❖ Thus it ensures that the margin is available well before the cash credit account is debited for the matured LC bills
- ❖ In some cases it is quite possible that the units may not be in a position to provide margin right from the time of purchase against LCs. In such cases, based on merits, earmarking of lien for the value of usance LC bills outstanding against the aggregate market value of all the securities (including the LC stocks) may be permitted instead of against the advance value of securities.

Development of LC (precautions):

- ❖ The limits for demand LCs and usance LCs should be assessed separately with ample justifications.
- ❖ The usance period should not generally exceed the product cycle.
- ❖ In case of bulk imports establishments of LCs for longer usance period may be considered selectively.
- ❖ When liability under LC is met by creating an irregularily in the cash credit account. The relative LC limit should not be released for opening further LCs till the account is adjusted.
- ❖ In other words the liability should not be marked off in LC liability registered within 15 days or if the LC devolved earlier is not adjusted, no further LCs should be opened without adequate margin

Scrutiny:

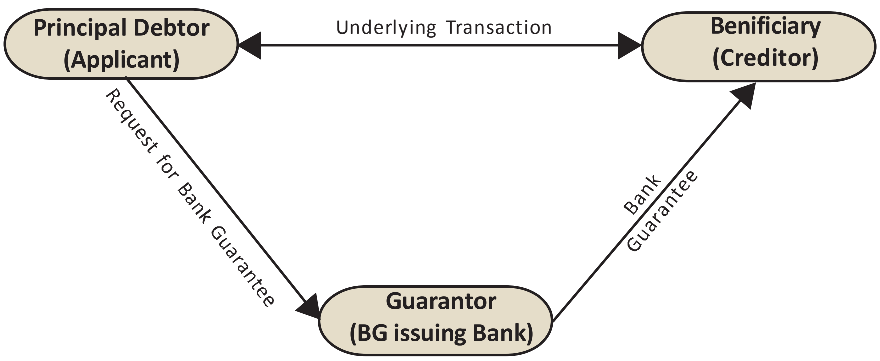
- ❖ Level of sundry creditors in the accepted projections in case of Usance LCs
- ❖ Compare with operating cycle
- ❖ Margin & security depending on track availability of funds
- ❖ Irregularity to be rectified before fresh LCs are opened
- ❖ Continuous development is a warning signal

Bank Guarantee: (definition)

Bank Guarantee is the commitment given by the issuing Bank (Guarantor) to the beneficiary. If the claim is made by the beneficiary within the guarantee period and as per the terms and conditions of the Bank Guarantee, then the Bank should make the payment without fail and also without any delay.

Bank guarantees can be Inland (which are issued in favour of Beneficiary within the country) as well as Foreign (which are issued in favour of Beneficiary outside the country)

Parties to Bank Guarantee



Necessity for Bank Guarantee:

- ❖ In lieu of security deposit/ earnest money deposits for participating in tender
- ❖ Mobilizing advance/ advance money before commencement of the project and for money to be received in various stages of project implementation.
- ❖ In respect of raw material supplies or for advances by the buyers
- ❖ In respect of due performance of specific contracts by the borrower and for obtaining full payment of the bills
- ❖ Performance guarantee for warranty period on completion of contract which would enable the suppliers to realize the proceeds without waiting for warrantee period to be over
- ❖ To allow unit to draw funds from time to time from the concerned indentors against part execution of contracts etc.

Appraisal of Bank Guarantee:

- ❖ Nature of the business
- ❖ Purpose - for genuine business requirement
- ❖ Need for BG -Related to normal trade/business
- ❖ Nature of Bank Guarantee - Financial / Performance
- ❖ Amount of BG - needs to be specific
- ❖ Applicant's financial strength / capacity
- ❖ Past record in respect of BGs issued earlier
- ❖ Present outstanding on account of BGs already issued
- ❖ Margin
- ❖ Collateral security offered

Assessment of Bank Guarantee:

There are no prescribed norms for assessment of Bank Guarantee requirements, it should be need based. Need based assessment of Non-Fund Based facilities shall be done in the same fashion and care should be taken like Fund Based limits as these limits also have a financial implication. Requirement of Bank Guarantee (BG) limits by way of performance / EMD / Bid Bond etc. are supplementary support to business and the same should not be factored within the MPBF.

Assessment of limit in case of contractor is explained as under to have clear understanding.

Particulars	Amount (Rs. In Lakh)	
Projected level of tenders for reviewing period	1000	1000
Success rate	20%	200
Percentage of EMD to be furnished for participating in tenders	2% (it required on 1000)	20
Amount of Bank Guarantee to be furnished on successful allotment	20% (it is on 200)	40
Total Bank Guarantee requirement		**60**

If at all any existing exposure outstanding same to be added to limit assessed as above and Bank guarantees getting expired/ returned during the review period shall be deducted so that total Bank Guarantee eligibility could be assessed.

The above example is pertaining to contractor, who required regular Bank Guarantee limit to meet business requirement. In few cases the requirement of Bank guarantee is only supplementary to business such as Bank guarantee may require to obtain licenses, furnish to customers to get rebate on custom duty on achieving certain level of exports, to meet a disputed liability with sales tax/ customs/ court in such situations Bankers to sanctioned limit on need based.

In recent past availing Bank guarantee for procuring raw material from supplier has become regular trend under such circumstances Bankers to thorough study on business model of the business so that at any point of time there shall not be any double finance extended to borrower by way of Bank guarantee and fund based Cash credit as the bank guarantee serves in get the raw material from their whole sale dealer to extend of the Bank guarantee furnished.

To meet long term requirement Banks may sanction Deferred Payment Guarantee (DPG) in lieu of term loan and same procedure followed as we are sanctioning a term loan.

Precautions:

- Should not be opened ended (auto renewal)
- Should stipulate maximum liability - crystallized liability on invocation
- Should not contain onerous clauses
- Ensure customer's ability to reimburse - available margin/ collateral security
- Other Bank customer - ask why?
- Performance guarantee - assess capacity of customer, means to carry out contract, experience in line of activity
- Guarantee liability to have reasonable relation to equity of borrower
- Counter guarantee by authorized person

Invocation of Bank Guarantee:

- The Bank liability under BG is absolute and independent and exclusive of any other contract entered into by the applicant and beneficiary
- It is therefore obligation on the part of the Bank to pay to beneficiary without delay and demur the amount of BG on its invocation in accordance with the terms and conditions of the guarantee deeds
- It is not necessary for the beneficiary to satisfy the Bank about the default or the amount of actual loss suffered by him

Co-acceptance of Bills: (definition)

Facilities of co-acceptance of bills and deferred payment guarantees are generally required for acquiring plant and machinery technically. These are taken as a substitute of term loan which requires detailed appraisal of the borrower's needs and financial position as required in a sanction of term loan proposal. The effect of such facility is that once the bank co-accepts the bill it becomes commitment of the bank guaranteeing payment to beneficiaries. So the banker needs to be very careful in granting such facilities as banks undertake to pay on co-accepted bills despite funds position of the clients. RBI guidelines being as under:

i. Detailed appraisal of the customer's requirement be completed and the bank needs to fully satisfy about genuineness of the need of the customer.

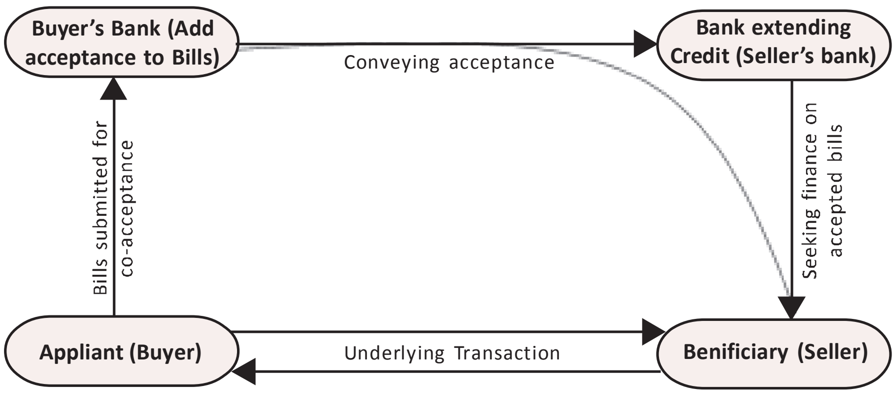
ii. Genuine trade bill of bona fide transaction only should be co-accepted. House bill/accommodation bill drawn on good concerns needs to be abided.

iii. Co-acceptance facilities will normally not be sanctioned to the customers enjoying credit limit with other banks.

iv. Before discounting/ purchasing bills co-accepted by other Bank, Bank should obtain written confirmation of the concern controlling office of accepting Bank.

v. Once the bill is co-accepted a non-fund liability entry needs to be recorded in the books of the bank engaging the customers' liability for the transaction

Co-acceptance



Co-acceptance of Bills:

- To ensure that co-acceptance facility is given to only those customers enjoying other credit facilities with the Bank.
- Only genuine trade bills should be co-accepted and it is to be ensured that the borrower has received the stock represented by the bills.
- To ensure that goods represented by the bills are not over valued
- No accommodation bills should ever be co-accepted
- Proper records of bills co-accepted must be maintained by the branches and appropriate charges are collected from the borrower for bills co-accepted
- Proper periodical returns of the bills co-accepted are filed with controlling authorities

Assessment:

While extending facility under co-acceptance, Banks ensure whether it is meant for capital goods or to meet the working capital. Same precaution as enumerated above are taken so that at any point of time there shall not be any double finance. Limit under co-acceptance is depending on extend of bills co-accepted. ❑

Over Rs. 50,000 cr of fake input tax credit claims detected in 18-month special drive

The Centre, with support from States, has managed to detect fake Input Tax Credit (ITC) amounting to over Rs. 50,000 crore in a period of 18 months. However, the recovery has been much less and experts have called for more such initiatives to check fake invoices.

Vivek Johri, Chairman of the Central Board of Indirect Taxes & Custom (CBIC), said the special drive, which commenced in November 2020 along with States, has so far resulted in the booking of more than 6,700 cases and arrests of over 650 persons. More than 20,000 fake GSTNs have been unearthed and over Rs. 50,000 crore fake ITC detected.

“We have recovered over Rs. 2,400 crore through this drive and attempts are on to improve recovery,” he said while talking to people from industries. As per Section 132 of the CGST Act, 2017, issuance of an invoice or bill without supply of goods or services and wrongful availing or utilisation of ITC is a cognisable and non-bailable offence, if the amount is over Rs. 5 crore.

Though experts acknowledge the success achieved so far, through the special drive, they suggest further initiatives. MS Mani, Partner with Deloitte India, said several businesses that take input tax credits based on their vendors' invoices have already put in place stringent tax processes to weed out suspicious vendors. This will need to become a way of life for all businesses in order to end the menace of fake invoices. “In addition, there would be increased scrutiny on invoices issued to related parties,” he said.

RBI'S ACCOUNT AGGREGATORS FRAMEWORK WILL REVOLUTIONISE FINANCIAL INCLUSION

Last year in September, India's latest financial data-sharing system went live with the unveiling of the Account Aggregators network. This launch marked a major milestone in our nation's journey towards enabling financial inclusion for all its citizens. As the government press note said, the network "could revolutionise investing and credit, giving millions of consumers greater access and control over their financial records."

Under this framework, India now has a set of Account Aggregators, a new type of RBI-licensed and regulated entities. Individuals like you and me can choose any of the Account Aggregators to securely share information from any bank or a financial institution that we have an account with, to any other bank or financial institution, provided both parties have joined the AA network.

In other words, AA are a type of data intermediaries that facilitate sharing of financial information in a real-time data-blind manner between regulated entities. Specifically, they enable data flow between Financial Information Providers (FIPs) and Financial Information Users (FIUs). FIPs hold the customer data, and FIUs consume data to offer better service and underwrite loans.

About the author

Ankit Ratan

Cofounder and CEO

Signzy, a leading banking infrastructure enabler

The system currently enables sharing only of banking transaction data (for example, bank statements from a current or savings account) with other entities. Gradually, it will make all financial data available for sharing, including tax data, pensions data, securities data (mutual funds and brokerage), and insurance data. The long term vision is to expand the AA network beyond financial services to even include healthcare and telecom data.

Democratising Credit

Before account aggregators came into the picture, entities used a process called screen scraping, where third party applications collect screen data and translate it to display on another application. Additionally, sensitive information was exposed through the screen scraping process. AA was the natural solution to it in the form of user consent driven architecture, as no data can be shared by any AA without the consent of the individual involved.

The AA ecosystem makes it a regulated and legitimate process with all regulated entities involved. The system solves the problem of a customer's data scattered across banks and financial institutions and enables it to be accessible at a single place, with explicit customer consent. The AAs themselves are data-blind, meaning they cannot view or process the data of individual users.

From a banking perspective, the Account Aggregator system has the potential to make lending and wealth management a lot faster, cheaper and more efficient. As the government note stated, the AA framework is the first step towards bringing open banking in India. It will also expand the potential pool of customers for lenders and fintech companies.

Also, the AA network will help curb financial fraud - as information will be shared securely and digitally among regulated entities. Previously, this information sharing involved paper-based workflows as individuals had to get their bank statements printed, stamped, and sometimes even notarized to prove the authenticity.

Further, we expect the AA framework to catalyse the growth of micro and small businesses in India by opening up a new pool of potential borrowers who typically lack credit history, and otherwise find it difficult to avail formal credit from banks. Most SMEs seeking loans are left out of the formal sector simply because of their inability to prove their creditworthiness. This is because of a lack of detailed and audited financial statements and investments and adherence to regulatory procedures and compliances.

Even for those micro or small businesses who qualify for a bank loan, availing one is a complicated and long-drawn process due to two critical factors concerning the formal sector's credit assessment process. The framework would be of particular benefit to first-time entrepreneurs or micro business owners.

Challenges

User consent and data security remain two key concerns under the AA framework. Given that a substantial number of potential users and individual beneficiaries may not fully understand the implications of their consent, we believe that all stakeholders including the RBI need to undertake a sustained awareness campaign to ensure that the user consent is informed, and not just a tick in the box.

Further, the framework allows for sharing of all sensitive personal and financial data with an unbounded set of entities for no specific purpose. Some researchers have questioned the need for such sweeping mandates, especially when there is no guarantee of providing any specific financial services. The self-regulation of AAs is also a cause of concern.

Also, with AAs being classified as NBFC-AA by the RBI, they are the only NBFC (among eleven other types of NBFCs) that are not directly tied to any financial service and only facilitates the flow of financial information. Therefore, they may also fall beyond any RBI regulation. Some experts have proposed setting up an independent industry body that regulates AAs and ensures strict security while sharing confidential financial data of borrowers.

Way forward

In general, the AA framework is likely to be advantageous to all stakeholders in the formal financial system. For the BFSI and fintech industries, the framework has opened up whole new opportunities to innovate to facilitate safer and easier credit.

Emerging technologies like AI and ML could now be applied to data shared by AAs in order to make credit access more inclusive and disbursals much faster, saving both time and costs for all stakeholders. Moreover, it could completely overhaul the credit-seeking process, especially in remote areas, where proximity to physical bank branches is still distant. Fintechs, too, can hugely contribute to development of new and robust business models around the Account Aggregator ecosystem in India.

The AA system holds perhaps the biggest advantages and opportunities for end consumers, both individuals and businesses. It will not only remove unnecessary hassles and privacy risks in sharing confidential financial data, but also improve the availability of instant loans and other financial products at much better terms - which as we noted earlier, will be a huge boost for micro and small businesses with no credit history.

However, there is equally an urgent need to educate ordinary consumers about the AA system and the system of informed consent. We believe both the government as well as RBI must focus on expanding their digital literacy programmes to all parts of the country. To maximise the AA framework's potential, it is imperative for end consumers to become informed and more empowered users of their own data. ❑

CENTRAL BANK DIGITAL CURRENCY

(Virtual form of a fiat currency)

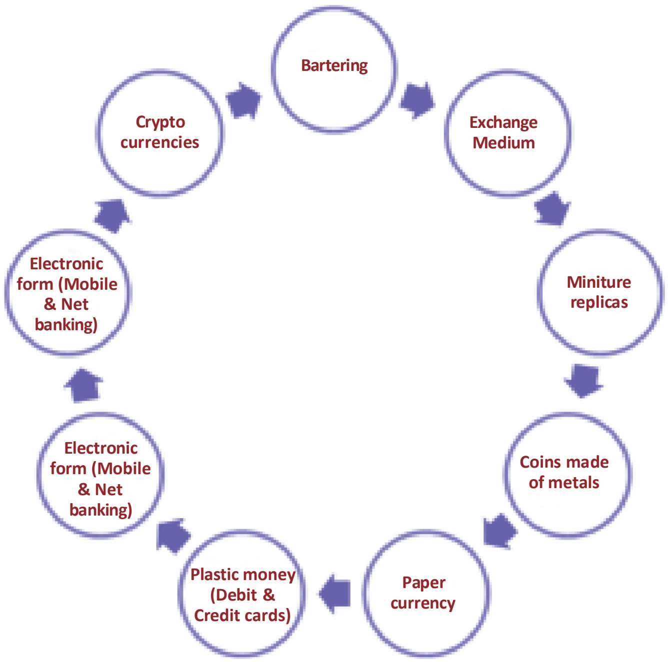
Background

Money is not everything in life but it is hard to imagine life without Money. Money is an object that is generally accepted as

- ❖ Payment for goods & services
- ❖ Medium of exchange
- ❖ Store value
- ❖ Repayment of a debt
- ❖ Unit for measurement of economy

Evolution of money to the present form

Over the last few years, there is growing interest in cryptocurrencies like Bit-coin, Litecoin and Dogecoin which work on a distributed ledger technology known as the block



chain network. Cypto-currency is a type of digital currency that exists electronically. Such virtual currencies have gained immense popularity due to its decentralized and regulation-

About the author

D. Surendranath
Chief Manager & Faculty
Union Bank of India Staff College,
Kalkere, Bangalore

free nature. There is no transparent method about any suitable reserve maintenance to back-up the valuation of crypto currency. The popularity and continued launch of new crypto currencies has also raised concerns about the possibility of scam, theft & hacks. The rise in use of crypto-currencies is a possible threat to banking system and Central Bank is also unable to control the growth & influence of such crypto currencies. Many Central Banks across the globe are working-on or intending to launch their own version of regulated digital currencies.

These regulated crypto currencies are called Central Bank Digital Currencies (CBDC) and will be operated by the respective monetary authority or Central Bank of a particular country.

Central Bank Digital Currency (CBDC) is centralized electronic record or digital token which represents the virtual form of a fiat currency. It belongs to a particular nation or region backed by a suitable amount of monetary reserves like gold or foreign currency reserves which is issued & regulated by the competent monetary Authority of a country.

Each CBDC unit will act as a

1. secure digital instrument equivalent to a paper bill
2. can be used as a mode of payment
3. a store of value
4. an official unit of account

Like a paper-based currency note that carries a unique serial

number, each CBDC unit will also be distinguishable to prevent imitation. Since it will be a part of the money supply controlled by the Central Bank of the respective country, it will work beside other forms of regulated money like coins, bills, notes & bonds. It aims to bring in the best of both worlds i.e., convenience & security of digital form like crypto currencies but regulated and also backed by reserves. Central Bank or other Monetary Authority of the country will be solely responsible and liable for its circulation and operations.

Knowing the history of CBDC

- It is a known concept in the field of economics. However, the present concept of "CBDC" may have been partially inspired by Bit-coin & similar block chain based crypto-currencies.
- Bank for International Settlements published a report in Dec-2020 listing the known wholesale & retail projects of CBDC. By April 2021 there are about 80 different Central Banks in the world that are looking at digital currencies.

Examples of CBDC

- To date, no country has officially launched a CBDC. Many Central Banks, however, have launched pilot programs & research projects aimed at determining a CBDC's viability & usability
- Since 2014, China's Central Bank has been working on a project called Digital Currency Electronic Payment (DCEP)
- The DCEP is often referred to as the "Digital Yuan" as it would be backed by the Yuan
- In 2017, the People's Bank of China organized a programme for Banks & Institutions to jointly develop DCEP system
- In April 2020, DCEP began testing in 4 Chinese cities (Shenzhen, Suzhou, Xiong'an& Chengdu)
- It is aimed to have the currency put into usefor the Winter Olympics - 2022

Approach

- A Central Bank Digital Currency would likely be implemented using a database run by the Central Bank, Government or approved private-sector entities

❖ The database would keep a record (with appropriate privacy & cryptographic protections) of the amount of money held by every entity, such as People & Corporations

❖ In contrast to crypto currencies, CBDC would be centrally controlled and so a block-chain or other distributed ledger would likely not be required or useful even as they were the original inspiration for the concept

❖ Researchers propose multiple ways that a retail CBDC could be technologically implemented

Characteristics

❖ CBDC is a high-security digital instrument like paper bank notes

❖ it is a means of payment, a unit of account & a store of value and like paper currency, each unit is uniquely identifiable to prevent counterfeit

❖ Digital fiat currency is part of the base money supply together with other forms of the currency. As such, DFC is a liability of the central bank just as physical currency is

❖ It's a digital bearer instrument that can be stored, transferred & transmitted by all kinds of digital payment systems & services.

❖ The validity of the digital fiat currency is independent of the digital payment systems

❖ Proposals for CBDC implementation often involve the provision of Universal Bank accounts at Central Bank for all citizens

❖ There are two types of CBDCs
1. Retail: Retail CBCDs are meant for use by individuals, Households & Corporations
2. Wholesale: Wholesale CBCDs are meant for use by Financial Institutions

Potential advantages of CBDC

1. **Technological efficiency:** instead of relying on intermediaries such as banks & clearing houses, money transfers & payments could be made in real time, directly from the payer to the payee. Being real time has a couple of major advantages:
   - **Reduces risk:** Payment for goods & services needs to be done in a timely manner. With instant payments, Merchants no longer need to use intermediaries to handle the risk or to absorb the risk cost themselves
   - **Reduces complexity:** Merchants will not need to separately keep track of transactions that are slow, (where the customer claims to have paid but the money has not arrived yet) therefore eliminate the waiting queue, which could simplify the transaction process

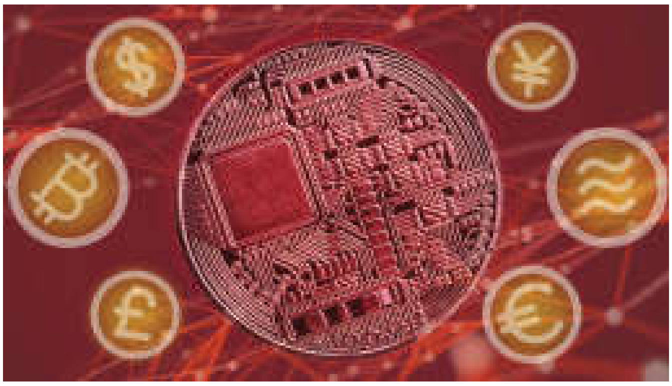
❖ **Financial inclusion:** Safe money accounts allowing any legal resident or citizen to be provided with a free or low-cost basic bank account

❖ **Preventing illicit activity:** CBDC makes it feasible for a Central Bank to keep track of the exact location of every unit of the currency. This tracking has a couple of major advantages
   - It makes tax avoidance & tax evasion much more difficult, since it would become impossible to use methods such as off-shore banking and unreported employment to hide financial activity from the central bank or government
   - Combating crime: It makes it much easier to spot criminal activity and thus put an end to it. (in cases where criminal activity has already occurred, tracking makes it much harder to successfully launder money, and it would often be straightforward to instantly reverse a transaction & return money to the victim of the crime)

❖ **Proof of transaction:** a digital record exists to prove that money changed hands between two parties which avoids problems inherent to cash such as short-changing, cash theft & conflicting testimonies

- **Protection of money as a public utility:** digital currencies issued by Central Bank would provide a modern alternative to physical cash - whose abolition is currently being envisaged
- **Safety of payments systems:** Secure & Standard interoperable digital payment instrument issued & governed by Central Bank boosts confidence and increases trust in the entire national payment system
- **Preservation of seigniorage income:** Avoid a predictable reduction of seigniorage income for Government in the event of a disappearance of physical cash. (Seigniorage income is essentially the profit earned by the Government by printing currency)
- **Banking competition:** the provision of free bank accounts at the Central Bank offering complete safety of money could attract bank deposits
- **Monetary policy transmission:** Issuance of Central Bank base money through transfers to public could constitute a new channel for monetary policy transmission (helicopter money) which would allow more direct control of money supply than indirect tools such as quantitative easing and interest rates. (Mr. Milton Fiedman used the term, Helicopter money to signify "unexpectedly dumping money onto a struggling economy with the intention to shock it out of a deep slump"
- **Financial safety:** CBDC would potentially render deposit guarantee schemes less needed

Though there is good number of advantages, there is potential risks too



- A general concern is that the introduction of a CBDC would precipitate banks' funding position weaker
- Since CBDCs are centralized, the controller of CBDC can add or remove money from anyone's account with a flip of a switch

By knowing the difference between CBDC and Cypto-currency, we can understand the concept in a better way

Point	CBDC	Crypto currency
Support	Government backed money	Private money
Block chain type	Use permissioned (private) blockchains	Use permission-less (public) block chain
Anonymity	Users will have their identity tied up to an existing bank account and an equal amount of personal information	Users enjoy anonymity
Decentralisation	Central Bank decides the rules	Authority is delegated to the user base
Use case	Can be used for payments and other monetary transactions	Used for speculative purposes and for payments as well
Data privacy & security	Less likely emphasize privacy and data	Undoubtedly independent with peer to peer model

No country has officially launched virtual form of a fiat currency. But several countries are looking into the viability of creating & issuing CBDC.

References:

1. Wikipedia
2. Investopedia
3. Financial Express
4. Jagranjosh

NEW UMBRELLA ENTITY: USHERING PAYMENT REVOLUTION

India has been on the cusp of a technological revolution driven by fintech companies. The last decade has seen tremendous growth in the retail payment segment in our country and the definitive push from government of India like demonetization and GST implementation has propelled this segment to the next orbit. The pandemic has accelerated the adoption of digital payments in India, especially retail digital payments. In the past year, retail digital payments have seen huge growth as more people gravitated towards digital modes of transaction owing to fear of contracting the virus and convenience.

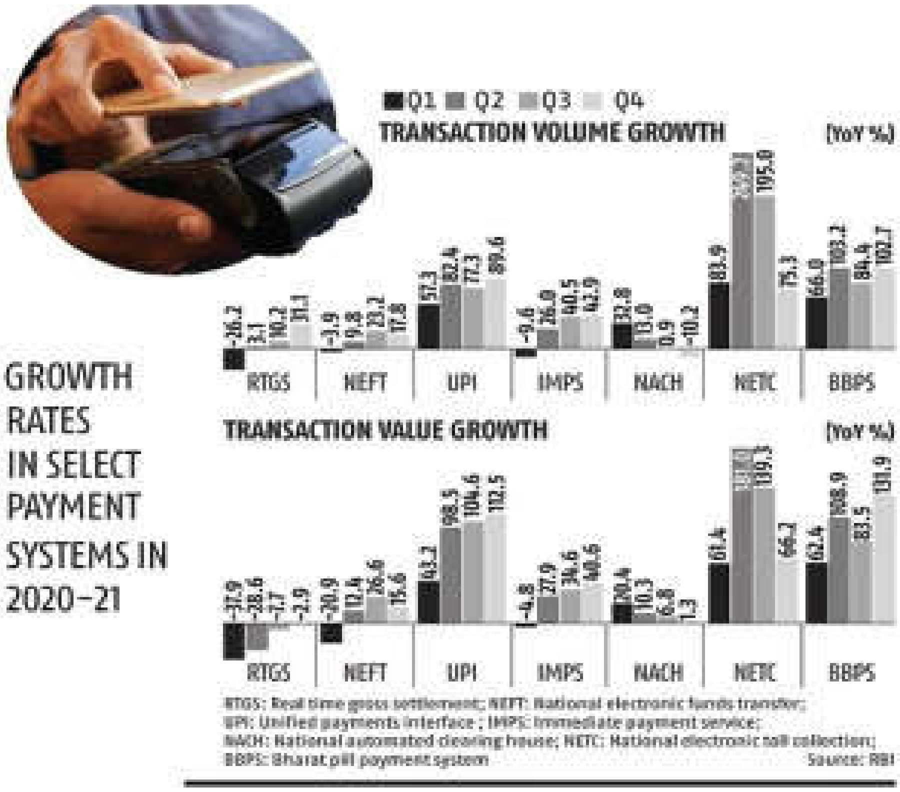
Transactions through National Electronic Funds Transfer (NEFT), National Electronic Toll Collection (NETC), and the Bharat Bill Payment System (BBPS) registered acceleration over the previous year. Other retail payment platforms such as Unified Payments Interface (UPI), Immediate Payment Service (IMPS), and National Automated Clearing House (NACH) saw a near doubling of both transaction volume from 12.5 billion to 22.3 billion, and value from Rs 21.3 trillion to Rs 41 trillion between FY2020 and 2021.The entire retail payment architecture in India is dominated by state owned NPCI via its UPI system.

The recent approval of new umbrella entities (NUE) licensing by the Reserve Bank of India (RBI) will lead to increased private participation in the Indian digital payments space. To further develop digital payment infrastructure and increase competition RBI introduced framework for entry of private players for retail payments in August 2020. The framework enables private companies to apply for NUE license and create a retail payment system against UPI. Unlike NPCI, which is a non-profit entity, NUE will be for profit, enabling entities to charge fees for online transactions.

This has attracted big Indian business houses like Reliance and Tata, as well as global giants like Amazon, Facebook and Google. Technology giants Facebook Inc., Amazon.com

About the author

Uday Kumar Khazane
Assistant General Manager
Union Bank Of India



RTGS: Real time gross settlement; NEFT: National electronic funds transfer;
UPI: Unified payments interface; IMPS: Immediate payment service;
NACH: National automated clearing house; NETC: National electronic toll collection;
BBPS: Bharat pill payment system Source: RBI

Inc. and Google and credit-card providers Visa Inc. and Mastercard Inc. are among those vying for unprecedented access to India's burgeoning digital retail payments market. The companies are part of four consortia preparing to apply for licenses to operate retail payments and settlement systems in the country, people familiar with the matter said. More companies could band together before a March 31 application deadline.

In a market where cash is still king, digital payments are quickly gaining ground as India's 1.3 billion people are starting to embrace online shopping and services such as online gaming and streaming. With India's Smartphone user base approaching 1 billion and Credit Suisse Group AG predicting $1 trillion in online payments in the country in 2023, the companies chosen to enable such transactions stand to reap lucrative commissions.

What is the need for NUE now?

Currently, the umbrella entity for providing retail payments system is NPCI, which is a non-profit entity, owned by banks. The monopoly also restricts the vision for future growth as there is no challenge from peers. NPCI operates settlement systems such as UPI, AEPS, RuPay, 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. RBI's plan to allow other organizations to set up umbrella entities for payments systems aims to expand the competitive landscape in this area. For the players planning to establish these NUEs, the aim is to get an even bigger share in the digital payments sector. The new players will come with new innovations and technology which will again facilitate retail payments which will in turn benefit to the customers.

What would be the structure?

The entity shall be a Company incorporated in India under the Companies Act, 2013 and may be a 'for-profit' or a Section 8 Company as may be decided by it. The umbrella entity shall be a Company authorised by Reserve Bank of India (RBI) under Section 4 of the PSS Act, 2007. It shall be governed by the provisions of the PSS Act and other relevant statutes and directives, prudential regulations and other guidelines / instructions. All entities eligible to apply as promoter /

promoter group of the umbrella entity shall be owned and controlled by resident Indian citizens' with 3 years' experience in the payments ecosystem as Payment System Operator (PSO) / Payment Service Provider (PSP) / Technology Service Provider (TSP)2.

The shareholding pattern shall be diversified. Any entity holding more than 25% of the paid-up capital of the umbrella entity shall be deemed to be a Promoter. The umbrella entity shall have a minimum paid-up capital of Rs. 500 crore. No single Promoter / Promoter Group shall have more than 40% investment in the capital of the umbrella entity. The Promoters / Promoter Groups shall upfront demonstrate capital contribution of not less than 10% i.e., Rs. 50 crore at the time of making an application for setting up of the umbrella entity. The balance capital shall be secured at the time of commencement of business / operations. The Promoter / Promoter Group shareholding can be diluted to a minimum of 25% after 5 years of the commencement of business of the umbrella entity. A minimum net-worth of Rs. 300 crore shall be maintained at all times.

What would be the scope of their activity?

- Set-up, manage and operate new payment system(s) in the retail space comprising of but not limited to ATMs, White Label PoS; Aadhaar based payments and remittance services; newer payment methods, standards and technologies; monitor related issues in the country and internationally; take care of developmental objectives like enhancement of awareness about the payment systems.
- They will operate clearing and settlement systems for participating banks and non-banks; identify and manage relevant risks such as settlement, credit, liquidity and operational and preserve the integrity of the system.
- Carry on any other business as suitable to further strengthen the retail payments ecosystem in the country. It is expected that the umbrella entity shall offer innovative payment systems to include hitherto excluded cross-sections of the society and which enhance access, customer convenience and safety and the same shall be distinct yet interoperable.
- It is also expected to interact and be interoperable, to the extent possible, with the systems operated by NPCI.
- Fulfill its policy objectives and ensure that principles of fairness, equity and competitive neutrality are applied in determining participation in the system; frame necessary rules and the related processes to ensure that the system is safe and sound, and that payments are exchanged efficiently.

Going forward:

The apparent benefits of introducing another pan-India UE, as envisaged in the Framework, focusing on retail payment systems are multi-fold. The first, and perhaps the most apparent intent is to bring in competition from non-banking players in a market which presently has a sole player backed by only banking entities. With the introduction of such non-banking entities in the proposed UE, the non-banking entities may introduce their indigenous system for payments over NPCI products, with MobiKwik already showing interest, along with PSOs and TSPs like Billdesk and RazorPay. Additionally, it is expected that introducing more UEs can address the risks relating to concentration, which would, in turn, contribute to the country's financial stability.

The RBI's attempt to invigorate the retail payment system is commendable yet retains some creases which need to be ironed out for smoothly transitioning to a multi-player system. The stated objective of this umbrella entity would be inter alia for the setting-up, management, and operation of new retail payment systems which is clearly seen in Section H of the Framework. Therefore, as the Framework does not provide for any mechanism on governing the existing payment systems, it is clear that the NPCI deservingly gets to retain control over its own products yet shall lose monopoly over the retail payment ecosystem. However, it is unclear as to how the NPCI and the UEs would co-exist. ❑

LOCAL AREA BANKS - IS SMALL NOT BEAUTIFUL?

On 24th December 2020, RBI cancelled the licence of Subhadra Local Area Bank Ltd, Kolhapur as the affairs of the bank was conducted in a manner detrimental to the interests of its present and future depositors and the bank had breached the minimum net worth requirements. RBI has also initiated winding up proceedings before the High Court of Maharashtra. With the exit of one more Local Area Bank(LAB) , currently only two LABs are operating in the banking firmament in India.

The Local Area Bank Scheme was introduced in August 1996.The then finance minister Shri P. Chidambaram in his budget speech in 1996 said that "it has been agreed with RBI to promote the setting up of new private local area banks with jurisdiction over two or three contiguous districts.

About the author

Manickam Ravindran

Director, Bankers Lyceum

The author is a retired banker from Indian Overseas Bank

This would enable the mobilisation of rural savings by local institutions and at the same time, make them available in the rural areas".

Initially ten banks were licensed under Section 22 of the Banking Regulation Act ,1949 and currently only two banks are functioning. The minimum start-up capital was fixed at Rs.5 crores which was later raised to Rs.25 crores. The promoters of a LAB could be individuals, corporate entities and societies and share of NRI promoters was not to exceed 20% of the total number of promoters.

Scope of activities

The area of operation of a LAB was initially restricted to 3 geographically contiguous districts which was later raised to 5 districts with focus predominantly on rural and semi - urban areas to bridge the credit gap in agriculture and allied activities,SMEs, agro-industrial activities,trading activities and non-farm sector.

The LABs would be governed by the provisions of RBI Act,1934 and Banking Regulation Act ,1949 but in regard to liquidity requirements and interest rates, they are governed by the provisions applicable to RRBs under Regional Rural Bank Act,1976.

The 10 LABs that were given in principle sanction by RBI in 1996 were as follows, but a couple of them surrendered their licenses and did not take off. :

Name of the bank	Head Quarters	State
The Capital Local Area Bank Ltd	Phagwara	Punjab
Central Gujarat-Dabhoi	Vadodara	Gujarat
The Coastal Area Bank Ltd	Vijaywada	Andhra Pradesh Pradesh
The South Gujarat Local Area bank Ltd	Navsari	Gujarat
Krishna Bhima Samrudhi Local Area Bank Ltd	Mahabubnagar	Andhrapradesh
Vinayak Local Area Bank Ltd	Sikar	Rajasthan
Priyadharashni LAB	Jalgaon, Jalna, Aurangabad	Maharashtra
Manipal LAB	Dk,UK,Shimoga	Karnataka
Kongunadu Salem	Salem	Tamilnadu
Subhadra LAB	Sangli,Kolhapur and Belgaum	Maharashtra

Source: RBI data on banking outlets 2002

Performance review:

Out of the 10 LABS, only two LABs have survived as of 2020. It is obvious that LABs have not made any impact on the local communities, amongst whom they are functioning ,in terms of, depositmobilisation, credit deployment, customer acquisition etc.

RBI constituted a Review Group in July 2002 to study and recommend measures to strengthen LABs under the chairmanship of Shri. G.Ramachandran (Former Finance Secretary ,Govt of India) and the expert group recommended ,inter alia, that there should be no new licensing of LABs and the existing ones should reach a share capital of Rs.25 cr from Rs.5 cr over a period of five to seven years and the capital adequacy ratio should be raised to 15% and LABs need to be treated like any other commercial banks.

Despite the fact that LABs are in existence for more than 24 years, LABS have not grown in size and scale over the years and currently enjoy a market share of less than one percent in deposits.

Market Share of Banks as on 31/3/2019

Category of Banks	Deposits (in Rs. Cr)	% Share
Public sector Banks	84,86,215	63.29
Private sector Banks	37,70,013	28.29
Foreign Banks	5,81,857	4.36
Regional Rural Banks	4,34,445	3.26
Small Finance Banks	49,178	0.36
Payment Banks	883	0 .0066
Local Area Banks	747	0.0056

Source: Trends and Progress Report of RBI

It was felt that the LABs would have a restricted area of operation and a bad harvest in the area of operation would adversely impact loan recovery of the branches and savings of the locals and their growth was dependent on deepening of financial services and meet the credit gaps in the districts they operated. Most of the LABs were set up in districts which was adequately banked and they had to compete with the stronger players with limited resources at their disposal.

LABs were conceived as low-cost structures with a 15% capital adequacy ratio and their business model was found

to be inherently weak with small ticket loans where returns from assets and the spread was not generating good returns to the shareholders. Their size and scale of operation hampered their ability to borrow at cheaper rates in the market and through repos. Their cost to income ratio was generally high. Their deposit growth was zig-zag and uneven and loan growth was constricted by limited resources and many had to be closed down because licenses were cancelled by RBI for breach of norms.

The two well-functioning LABS are located in Andhra Pradesh and Telengana states but they have not experienced steady and sustained growth over their 20 years of existence. They are not able to match their counterparts in terms of product offerings, technology infusion due to investment involved and have not capitalised on the local sentiments.

Another important aspect is the role of promoters and the 'fit and proper criterion' and the professionalism needed to perform in the highly competitive banking landscape. They have not been able to capitalise on the competitive edge by virtue of their being a local bank for meeting the needs of the local people. The performance of the remaining two LABs that are operating in AP and Telangana is given below:

Key Business Statistics as on 31/3/2020	Coastal Bank (LAB)	Krishna Bhima Samruddhi Bank (LAB)
Deposits in Rs. Cr	551.23	282.93
Advances in Rs. Cr	456.84	199.71
Profit in Rs. Cr	19.43	2.66
No. Of Branches	50	29
No. Of Employees	333	358

Source: respective websites of banks

In these days of merger and consolidation, the future of LABs solely rests on their ability to compete with the other players in terms of innovative product offerings, digital supremacy and mobilisation of low cost resources. It would be an uphill task to maintain their individuality and identity. It is only a matter of time before the LABs are cannibalised by the more established players in the market. ❑

Indian MF industry scores 'average' on fees and expense scorecard

The Rs 39-trillion domestic mutual fund (MF) industry has scored an 'average' on Morningstar Inc's fees and expense scorecard - indicating there is more legroom to bring down the cost of investing in MFs.

In 2019, India's score improved from 'below average' to 'average', thanks to investor-friendly regulations introduced by the Securities and Exchange Board of India, such as a ban on entry loads, up-front commissions, and overall reduction in so-called total expense ratios (TERs).

Australia, The Netherlands and the United States are currently in the top-quadrant. The Morningstar study says the TER for India is higher as still a large number of investors prefer services of MF distributors. Meanwhile, the countries that scored better have a commission-free model but investors pay a separate fee for advice.

"As such, India largely follows the bundled expense ratio structure with commissions embedded into the expense ratios of funds. Investors do not incur any additional costs such as advisory fees, platform fees, or front-end loads when purchasing distributor share classes," says Morningstar.

With rising popularity of 'direct' plans and a shift towards a distribution and advisory activities could help India improve its ranking going ahead, said experts.

"BUSINESS CORRESPONDENT MODEL- UNDER FINANCIAL INCLUSION", ISSUES & STRATEGIES FOR MAKING IT A SUCCESS

Introduction:

Financial inclusion is a process of providing access to appropriate banking and financial products and services to the vulnerable groups in particular such as weaker sections, low income groups at an affordable cost. In simple terms bringing vast sections of society who were excluded from availing banking services in to the folds of formal banking. In business angle, it is tapping of untapped business opportunities in way of creation of strong base and foundation for good volume of low cost deposits for the bank in the long run. From peoples point of view getting a banking facility is costly, hence if such service available at an affordable cost and available at suitable location most of the people will start doing banking.

About the author

N V Gupta

Senior Manager (Faculty Member),
Union Bank of India staff training center,
Visakhapatnam.

It is an obligation from RBI also to implement FI in the country either by establishing brick and mortar branches or in any other way, but the service must reach.

So in this paper, an attempt made to discuss different issues faced by banks while scaling up BC model and strategies for making it a success.

Let us discuss:

During 2008, based on the recommendations of Rangarajan committee RBI has advised banks to establish a road map for implementation of FI, either by establishing brick and mortar branch or BC/Kiosk point in villages with population >2000, <2000, over a period of time.

The focus of financial inclusion is to ensure coverage of each household in the country under banking umbrella by providing banking services such as

- Opening Saving account
- Micro credit
- RuPay card

- Aadhar based services
- Financial literacy
- Empowerment of women
- Direct benefit transfer
- Insurance and Pension services

Establishment of brick and mortar branches is an expensive arrangement due to high capital expenditure which causes serious concern on profitability of the banks. So banks are in search of other alternatives to establish a win - win situation where in financial services shall be made available at door steps in unbanked /under banked locations at an affordable cost without establishing regular branches. ICT (Information and Communication Technology) has made the job easy.

Different models which different banks have adopted are as follows,

1. Business correspondent model
2. Bank Mitra model
3. Customer Service provider (CSP)model
4. Kiosk model etc.,

Out of the above said models most of the PSBs using Business correspondent model to implement Financial Inclusion.

Business correspondent model: Business Correspondents (BCs) are retail agents engaged by banks for providing banking services at locations other than a bank branch or ATM. BCs enable a bank to provide a limited range of banking services at low cost and are hence, instrumental in promoting FI. They will provide banking service at a designated places or their own locations based on their convenience.

Banks usually go through a process of RFP (Request For Proposal), to appoint corporate BC at apex level. This will be taken care by central offices of banks. Banks have established financial inclusion departments to look after overall financial inclusion implementation.

Either by capex or opex model bank will choose corporate BC. The corporate BC will in turn appoint individual business correspondents to serve at desired locations.

Corporate BC will enter an agreement with bank to provide services on commission basis.

Issues faced by banks while scaling up of BC model:

At Corporate BC level:

- Delayed procedures in appointments of corporate BCs
- Inadequate experience of corporate BCs
- Inadequate procedures to appoint honest BCs in field
- Low commission earnings
- In active BCs
- Technology support
- Infrastructure issues
- Training issues
- Handling multiple services of different banks

i. **Delayed procedures in appointment of corporate BCs:** Being public sector entities, banks while appointing corporate BCs, need to follow, fair and transparent practices. Judging the corporate BC capacity to establish individual BC locations is of a great concern at the time of appointment. Now, many payment banks are also offering corporate BC services like FINO, IPPB etc., Delay in appointment of corporate BC lead to delayed implementation of financial inclusion.

ii. **Inadequate experience of corporate BC:** it is a point of concern in establishing BC network. Forming suitable office structure to handle issues like, suitable technology finalisation, developing infrastructure like POS machines, establishment of connectivity, appointment of staff at different levels for monitoring, co ordination & maintaining liaison with bank etc., will become late.

iii. **Inadequate procedures to appoint honest BCs in field:** Integrity is of high value in successful implementation. Corporate BCs while appointing individual BCs, to select honest individual belonging to that particular location. It is a difficult task to establish honesty at the initial stages.

iv. **Low commission earnings:** It will take lot of time to establish a BC network, which earn ample commission income. During early stages, due to low income, in lieu of high establishment expenditure, corporate BC may shut his operations.

v. **Inactive individual BCs:** During early stages, people may not trust the BCs as banking outlet and level of operations also very less. Due to this bank may treat the BC location as in active BC if he is not operating for 22 days in a month or atleast 200 transactions in a month. If more than 70% of the individual BCs are active then only corporate BC will be treated as active on daily basis.

vi. **Technology, infrastructure and training issues:** Selection of suitable software, purchase of POS machines in bulk involves high capital expenditure. Training to all individual BCs is also a major task during initial stages.

vii. **Handling multiple services of different banks:** BC may enter in to different contracts with >1 bank, to offer different services. It may lead to confusion among individual BCs.

At Individual BC level:

- Credit, operational, legal, and reputation risk for banks
- Difficulty in assessing integrity of the BCs
- Low coverage by individual BCs due to financial constraints
- Low income from BC operations associated with low volume of business and high operational costs
- Lack of professionalism

i. **Credit, operational, legal, and reputation risk for banks:** As BC is a third party, different inherent risks which are associated with for the bank. Due to failure in recoveries of small value loans given by BCs, dishonest BCs, failure of technology these risks are associated with. Failure of BC leads to reputation loss for the bank.

ii. **Difficulty in assessing integrity of BCs:** Honesty at every level is very important. Selection of honest BCs is a difficult task. Failure in monitoring branch staff on BC point lead to diversion of funds by BC.

iii. **Low income from BC operations:** Corporate BCs, will take major portion of commission earned from bank and offer a very less percentage to individual BCs. During initial stages, due to very low income he may not move out also due to financial constraints. These twin factors lead to diversion of BCs from main activity to others also some times. BC need to bear operational expenditure like, rents, electricity bills, etc., from his little earnings.

iv. **Lack of professionalism:** while appointing individual BCs, major thrust will be given to nativity, so finding suitable person, giving training in the aspect of dealing with customers is important. Professionalism brings trust easily. Wearing uniform, dealing in a polite manner etc., need to be inculcated which is lacking in BC sometimes.

Strategies for scaling up of BC model:

For Bank:

1. Board approved financial inclusion policy and a separate financial inclusion department at apex level and at all controlling office levels for monitoring of BCs.
2. Appointment of experienced and prudent corporate BC
3. Suitable instructions to be given to corporate BC for timely establishment of BC points with honest BCs, procurement of POS machines, including giving advance notice to bank well in advance if corporate BC wants to terminate relationship with bank, to implement BCP(Business continuity plan)
4. BC locations shall be identified by Banks, in such a way that they are within 5km radius from bank branch. It helps in providing uninterrupted or minimal disruption service in the BC location.
5. Developing micro products which suit the needs of financially excluded individuals. Now a day's needs of individuals are changing continuously, hence suitable products to be developed on continuous basis.

6. Settlement of transactions on real time basis improves liquidity at BC.
7. Negotiating with corporate BC for nurturing, training, monitoring of BCs on continuous basis.
8. Investment in R&D by banks, for better outreach. Like innovation of banking apps in local languages, provision for increasing service range through bio metric authentication at BC locations Ex. life certificate service, etc.
9. Employee mind set should be changed from a burden view point to opportunity view point by conducting workshops, trainings by duly explaining statistical figures in terms of gains in the journey of financial inclusion. 'If we don't somebody else will serve and earn'' principle shall be inculcated among staff.

For Bank branches:

1. Owning of BC locations by branches from day 1 of their establishment
2. Regular visits of branch manager / staff to BC location not only help to monitor but also to bring confidence in the public.
3. Timely attendance to grievances of BC like, failure of transactions, etc.,
4. Inculcate honesty during frequent interactions
5. Timely support by providing small loans for procurement of POS machines & for creation of good ambience at BC location etc.,
6. Educating BCs with regard to financial literacy, product knowledge etc., by conducting frequent meetings with all BCs in branch location. Competitive environment may be created among different BCs by giving targets in account opening, social security scheme mobilization, recovery of bank dues, RD account openings, turn over etc., will lead to improvement in overall efficiency of BC.

For Corporate BC:

1. Being a business entity it always looks for higher margins. But these margins not at the cost of service.
2. Identification of suitable technology partner, establishment of strong network of individual BCs, formation of control structures to monitor and address issues of BCs at different levels are the key issues with corporate BC.
3. Strong monitoring will help in reduction of inactive BCs; thereby increase in FI transactions ultimately leads to higher income.
4. Location specific tie ups with different banks will help to scale up their business.

For individual BCs:

1. He/she must be honest in discharging his duties.
2. Working during demand hours like early mornings, evenings etc., if customers are farmers
3. Maintenance of proper dress code, providing door step services for Senior citizens, maintaining good ambience in the BC location, keeping required stationery ready on daily basis, visiting and depositing excess money regularly in bank are some of the important strategies at BC level.

For Government:

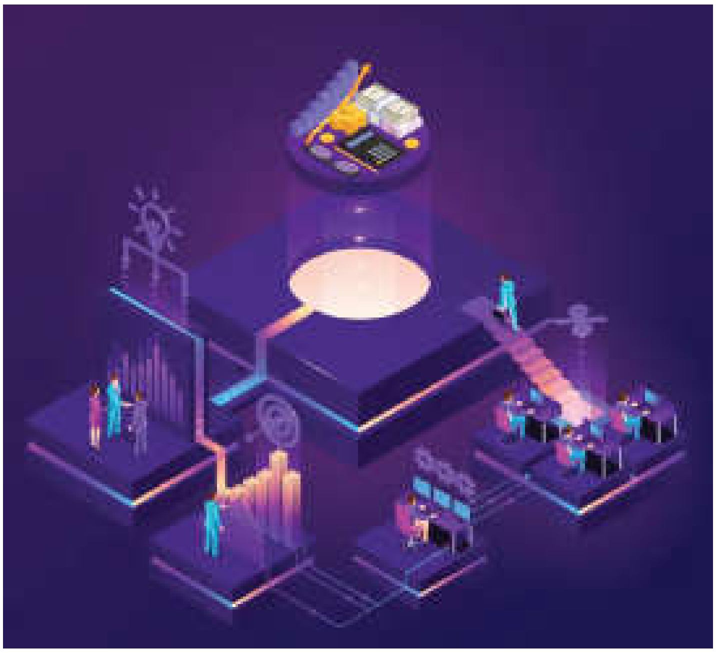
Being an aggregator, government can utilize DBT for more number of services so that customer base at BC point can be increased. Short advertisements in mass media for the BC model can improve confidence among public.

Conclusion:

BC is a cost effective model, can be implemented in lieu of regular branches by the banks to implement FI plan. BCs can be used to penetrate banking services both horizontally and vertically in the unbanked/under banked areas. BCs further can be utilised for generating leads, conducting due diligence, recovery of loans etc. by offering a little extra amount along with their regular activities. A bank can tap the untapped opportunities by investing in R&D by developing suitable micro products in deposits as well as advances which suits for small customers.

A bank which can focus on nurturing & Training BCs & Bank staff will be always a head in employee involvement. Monitoring is king among all factors, hence proper structures at all levels to monitor BCs to be established. Branches to own BC points & should try for high turnover at BC locations. Finally for effective financial inclusion every stake holder should work with integrity and honesty to have a better financially included society tomorrow. Financial Inclusion is not a service, it is a responsibility! ❑

ROLE OF FINTECH AS KEY DRIVER OF DIGITAL FINANCIAL INCLUSION



Introduction:

Somewhere remote in a low-income coastal area of Kerala, in the early hours of the morning, a woman street vendor uses her cell phone to borrow a very small amount of money digitally to buy a basket of fishes in the wholesale fish market. During the day, she will sell those fishes in her small shop located in the outskirts of the town.

Few customers will pay her using their mobile wallet, others with cash. She will transfer the cash onto her phone at the shop next door, where the merchant is also a business mobile money agent. At the end of the day, she will be able to pay back her loan taken by the bank/fintech agency and keep her profit in her mobile wallet. She can use this mobile money to pay for the gas she uses to cook dinner, as the utility company has recently connected its payment system to the mobile money infrastructure.

About the author

Deepak N S
Faculty, Staff Training College
Union Bank of India
Aluva

These above facts that preceded the COVID-19 pandemic illustrate the ways in which fintech has enhanced financial inclusion at different stages of development.

Digital finance is increasing financial inclusion, complementing or substituting traditional finance. While digital financial services are still small relative to traditional services, they are growing rapidly and at varying speed across regions and countries.

Globally more than 1.7 billion people have no access to a bank account and small- and medium-sized enterprises (SMEs) (95 percent of companies worldwide) provide employment to more than 60 percent of workers, yet struggle to access finance. In this environment, fintech (technological innovation in the financial sector) is creating significant opportunities, helped by the growing ownership of mobile phones and access to internet.

The COVID-19 health crisis has created new opportunities for digital financial services to accelerate financial inclusion. The health crisis led to the "Great Lockdown," as country heads have opted for restrictive containment measures like lockdowns, quarantines, travel restrictions, and other social distancing measures to bring the contagion of the virus under control.

Fintech, including mobile money, can help people and firms to maintain and increase access to financial services during lockdowns and the reopening of businesses, given growing preference for cashless and contactless transactions to mitigate the spread. Many countries have encouraged its use by introducing measures to lower cost and increasing the limits on transactions for digital transactions.

These developments could help to accelerate the shift towards digital financial services from traditional financial services. For instance, the severe acute respiratory syndrome (SARS) epidemic in 2003 accelerated China's launching of digital payments and e-commerce (World Economic Forum).

Many evidence depicts that fintech is already playing an important role in mitigating the economic impact of the COVID-19, by facilitating targeted fiscal measures to be deployed efficiently and quickly to their intended beneficiaries, even the unbanked. By reducing or eliminating the need for physical interactions and the need for cash, fintech is helping governments to reach people quickly and securely.

Impact and Implications of Digital financial inclusion :

a) **Digital finance is increasing financial inclusion, even where traditional financial inclusion is declining :**
Digital financial inclusion tends to fill a gap where the traditional delivery of financial services is less present. Many study reports says that in some countries fintech lenders participate in the government schemes to support credit extension to SMEs, whereas in other countries many fintech firms are scaling down new lending in response to weak demand and to focus on preserving liquidity and managing credit risks.

b) **Digital financial inclusion is associated with higher GDP growth:**
Adoption of digital payments is significantly and positively associated with growth, consistent with the notion that fintech might contribute to growth. Fintech could thus play an important role in mitigating the economic impact of the COVID-19 pandemic, and support the recovery, as countries with higher digital financial inclusion will find it relatively easier to:
- ❖ Ensure continued access to financial services, including by maintaining credit flows to households and businesses while keeping people safe.
- ❖ Deliver government support effectively and securely; and
- ❖ Support consumption, innovation, and hence productivity through digital economy developments.

c) **Fintech is contributing toward closing gender gaps in financial inclusion :**
This is something which many initiatives couldn't do but fintech did its best as huge opportunities opened up to women in the form of work from home (WFH), online classes, flexible timings, online credits/ loans and online sales etc.

d) **The safe development of digital financial inclusion rests on a combination of factors :**
Rapid financial inclusion without proper regulation and financial literacy can lead to financial instability, as witnessed during the global financial crisis. Regulators warned that cybersecurity risks or inappropriate lending practices by under regulated institutions could jeopardize trust in this context, consumer protection, digital identification, and financial/digital literacy were high on their agenda. Fintech companies highlighted the supply of skilled labor for fintech companies and availability of digital financial infrastructure as major constraints.

e) **Digital finance can create new risks to financial inclusion:**
Those risks stem from inequal access to digital infrastructure, constraints to financial and digital literacy, and potential biases amplified by new data

sources and data analytics. The current model of lightly regulated digital lending could, in turn, threaten financial stability. Indirect risks relate to the possible disruption of financial inclusion through microfinance institutions, and to the consequences of a demise in trust in digital technology. All of these risks are even more important in light of the rapid and abrupt shift toward digital financial services amidst the COVID-19 crisis.

Are Fintech Companies Disrupting Traditional Providers?

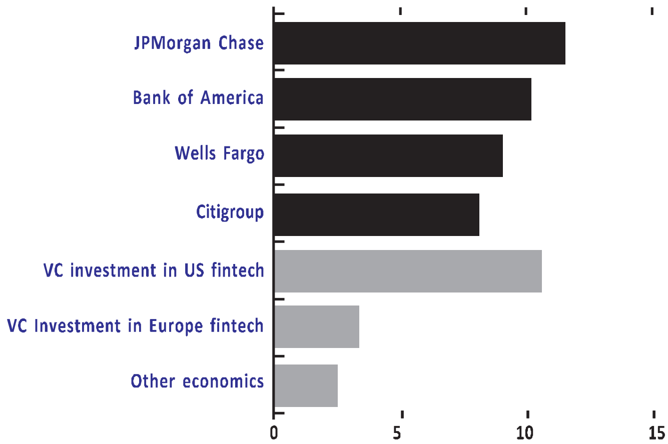
The fintech companies that target the under and unserved populations have had a limited disruptive impact on traditional bank operations so far. The services that fintech companies are providing (for instance, small loans at short duration or aggregator of services of various companies on their digital platform) are typically not services that traditional banks provide to small clients. The 24/7 access to online lending platforms is allowing small SMEs to seek financing outside of business hours. In some sense, the fintech companies are complementing the services of traditional providers who focus on big clients and larger loans for longer duration. In advanced economies, for instance, where fintech lenders target the underserved borrowers, fintech. companies do not compete with the broad spectrum of services provided by banks, but rather provide "pointed technical solutions" in niche areas.

Fintech companies are increasingly collaborating with banks and creating a variety of business models. Fintech companies are partnering with banks to benefit from their experience and expertise in regulatory compliance and to facilitate scaling up. In turn, fintech companies provide banks with the state-of-the-art platform for reaching out to new customers. In some cases, especially digital microcredit is operated by fintech companies that manage the lending on behalf of the banks.

Big banks are also inviting fintech companies to set up in-house incubator and innovation labs (for example, Barclays and Lloyds). In Korea, which has a very high penetration of credit cards, some fintech companies offer platforms that serve as aggregators and connectors to the services provided by credit card companies. In India ICICI Bank recently (Feb 2021) said it will buy stakes in two fintech companies -- CityCash and Thillais Analytical Solutions. CityCash is a bus transit-focused payments technology company which provides ticketing system technology to state transport corporations (Table. 1 Depicts the surge in Tech spending in fintech by various global banks).

The above factors depicts that it is limited disruption of traditional providers so far and it is also complementary between fintech and banks. Indeed, digital solutions appear to be "filling the gap" left by traditional financial institutions.

Table 1. Tech spending in Fintech, 2019



Source: Bank disclosures, data compiled by Faux, 2020, KPMG Pulse of Fintect Report & Innovate Finance Investment landscape report, based on Pitchbook Data.
Note: Venture capital (VC) investment data based on 2018 levels. Other economies include Brazil, Canada, Hong Kong SAR, India and Japan.

Fintech payment services tend to be supplied more, and used more, where traditional access is limited. Many works on digital payments reveals that the availability of traditional means of financial inclusion (such as access to bank branches and ATMs) is negatively associated with both the supply and usage of digital payments.

While this may in part reflect the shift by banks toward digital means of service provision (e.g., mobile and online banking), it suggests that digital financial inclusion tends to be higher where there is a gap in the existing supply of traditional financial services or when the traditional banking sector is inefficient.

Fintech credit also tends to emerge where traditional services are limited, i.e., where bank branches are few, and financial depth is lower.

That said, competition between traditional and nontraditional providers, though nascent, is emerging. For instance, purely digital banks are coming up, directly competing for traditional bank customers and attracting new ones due to their technological advantages and low-cost services. Similarly, fintech lenders now compete directly with informal money lenders, microfinance institutions, and small banks in both payment and credit. Big banks, too, are beginning to feel the competitive pressure and are responding in different ways. Some are buying up small fintech companies or investing heavily in fintech. This trend could be further strengthened as they adopt to lockdowns and social distancing measures to contain the COVID-19 pandemic by accelerating the shift toward digital delivery services.

What Are the Factors that Enable and Constrain Digital Financial Inclusion?

These include:

- Customer identification,
- Digital infrastructure,
- Financial literacy, and
- A supportive regulatory and legal environment for making progress in digital financial inclusion.

Customer identification is a first step for promoting financial inclusion. Financial services require accurate identification of customers, including to prevent fraudulent activities. Many creative solutions are emerging: in EMDEs(Emerging Market and Developing Economies), telephone numbers are often used as a source of identification for providing basic services such as payments; countries are developing centralized database for customer due diligence identification. In some advanced economies, fintech companies are working with regulatory authorities (such as the Financial Conduct Authority in the United Kingdom.) to set up "digital portable identity" in order to help small businesses expand rapidly.

These digital identities can be stored in smart phones and used across institutions and borders. The introduction of the Aadhaar card in India, a national system of biometric identification issued to more than 1 billion people, has been a game changer. Its potential usage is high, ranging from delivering national services (pension, health, insurance, and social welfare payments) to digital financial services to satisfying regulatory requirements on customers' identity. Biometric identification has also been introduced in developing Pacific countries, such as Papua New Guinea or Samoa, allowing unregistered persons to use fintech-based payments. A key regulatory and legal issue in many countries is to balance between information sharing and privacy protection. Many fintech companies have expressed two major constraints: uncertainty of the regulatory environment and lack of technological expertise the "coders."

Uncertainty or frequent changes in the regulatory environment was, in some sense, more of a constraint than a clear road map with tighter regulation. In some countries, the regulatory support measures, implemented as a response to the COVID-19 shock, are designed to be channeled mainly through the banking sector, which could further exacerbate these constraints. The shortage of technological expertise, the coders, is also increasingly weighing on their minds, particularly in EMDEs. Further, although many fintech firms rely on alternative data to assess creditworthiness, they thought credit bureaus could help augment their assessments. Fintech firms seeking to expand globally also noted the lack of universal credit scores and legal frameworks for loan recovery as impediments.

Funding constraints, especially to scale-up, were also mentioned by many fintech companies, and is even more evident during the COVID-19 crisis. Initial support or funding typically comes through incubators or accelerator programs or from angel investors and crowdfunding. Some are increasingly being funded through private equity, venture capital, and hedge funds, while a few successful ones are already being publicly listed on stock exchanges.

Regulatory authorities are also facing wide range of challenges. These includes catching up with the fast-changing landscape, facing budgetary constraints or lack of expertise, and managing lobbying pressures from traditional financial institutions. Regulators are also responding to the development of fintech by encouraging and adopting RegTech (The use of information technologies (IT) to enhance regulatory processes) and SupTech (the use of IT to enhance supervision). From the financial service providers perspective, the automation and data-driven analysis of internal control systems and reporting are enhancing cost-efficiency. From the supervisors' perspective, it allows for risk-based supervision of vast amounts of data. According to one RegTech company, the cost of compliance for one of their clients went down from £18 million to £0.5 million per annum by switching to their technology.

Factors that facilitate or impede digital financial inclusion:

- Better access to digital infrastructure (measured by the availability of the internet and mobile phones) is associated with higher usage of digital payments and credit. In fact, we find a monotonic and positive relationship at all levels of digital infrastructure. Similarly, increasing the number of mobile money agents in the same proportion would also lead to improvements in digital financial inclusion (although the magnitude would be smaller).
- The efficiency of traditional providers also matters. More inefficient banking systems (with higher overhead costs to total assets) are associated with more digital financial inclusion. The usage of fintech payment services is higher where there is already a high usage of traditional financial services. This could reflect higher financial literacy, as well as trust in the financial system in general.
- Institutions matter, at least for the development of mobile money agents, and the quality of governance is positively associated with the availability of mobile money agents.
- Finally, a more consumer-friendly environment (i.e., higher mobile money regulation index) is, as expected, associated with greater adoption of mobile money.
- On the credit side, the availability of borrower information and higher protection of legal rights tend to support the emergence and development of fintech credit. Perhaps big data would help in a great way as far as credit off take is concerned.

The priorities in promoting digital financial inclusion should depend on country circumstances. For example, for countries where traditional access is low, there is room to improve financial inclusion through fintech, irrespective of the level of usage. Conversely, for countries where traditional usage is low, enhancing financial literacy and, more broadly, familiarity with financial services, is essential to support financial inclusion, irrespective of access.

The experience with the COVID-19 crisis underscores the importance of promoting digital services to the most needy. Fiscal policy should include investment in digital infrastructure such as access to electricity, mobile, and internet coverage, digital ID among others. In some countries where digital access is higher, the crisis could provide the needed push to accelerate initiatives already in the pipeline in areas related to building conducive regulatory and institutional frameworks. These efforts should be complemented by the promotion of consumer and data protection, cybersecurity, interoperability, and financial and digital literacy.

What Are the Risks of Fintech to Financial Inclusion?

Regulators around the globe have begun to assess the fintech-related risks and formulate policies, and these should be accelerated during and after the COVID-19 crisis. At the international level, the Financial Stability Board (FSB) has concluded that fintech and Big Tech do not yet present systemic risks (FSB 2019). At the same time, it is worth recalling that the push for financial inclusion without proper regulation contributed to the 2008 global financial crisis. The development of digital lending is already raising concerns about predatory lending practices in some countries, which could become even more prevalent in the ongoing COVID-19 crisis (Faux 2020).

For instance, fintech borrowers who are unable to make loan repayments due to sudden loss of income, might be subject to aggressive debt collection practices and high late payment/default fees. In Indonesia, the Financial Services Authority has identified and closed down more than 1,000 illegal peer-to-peer lenders recently that were offering prohibited financial services or operating without a proper license. Therefore, a sound policy approach at both the global and domestic level is crucial. Global cooperation is needed to mitigate risks related to the possible emergence of global monopolies such as the Big Techs, regulatory arbitrage and race to the bottom, cross-border activities, cybersecurity, and money laundering. At the domestic level, the list is also long: it includes protecting data; preventing cyber risk; facilitating digital infrastructure; strengthening regulatory and supervisory frameworks; upgrading payment and securities settlement systems; ensuring standardization and interoperability; and developing effective user protection and contingency planning.

Whether the Fintech Create Direct Risks to Financial Inclusion?

Reaping the benefits of fintech requires a minimum level of investment and those who do not have the means may find themselves financially excluded. Investment here includes "tech capital" (e.g., mobile phones, internet access) as well as the human capital required to use digital financial services. As fintech develops and becomes more sophisticated, uneven access to the needed physical infrastructure, or insufficient human capital, could create a new source of financial exclusion, notably among women, the poor, and the elderly, in both EMDEs and advanced economies (G20).

The COVID-19 shock has induced a strong shift toward digital financial services, a trend that could exacerbate financial exclusion of those groups left behind. Moreover, "easy" digital credit creates risks for people with limited financial literacy.

The use of big data analytics could become a source of financial exclusion if the initial data entry is biased, or if algorithms are imperfectly calibrated. Fintech firms' use of big data and algorithms to profile consumers can allow them to reach customers who, until then, had been excluded from the traditional financial sector because of no or limited credit history. But there are concerns that it may also entrench biases present in historical data, and this in turn could perpetuate the unfair treatment and exclusion of some categories of consumers. Furthermore, the unprecedented economic impact brought by the COVID-19 shock will likely test the reliability of existing models and indicators in the downturn, potentially requiring adjustments and recalibrations.

The Financial Action Task Force (FATF) standard on ML/TF (Money Laundering and Terrorist Financing) promotes a risk-based approach that encourages countries to design measures that meet the national goal of financial inclusion without undermining the measures that exist for fighting ML/TF. However, an improper or disproportionate implementation of the risk-based approach to ML/TF, including through the use of big data analytics, may aggravate financial exclusion (e.g., blanket exclusion of categories of customers associated with higherrisks of terrorist financing).Financial inclusion through fintech could be more procyclical than financial inclusion through traditional means, as is already being observed in some regions following the COVID-19 crisis. The small size of fintech credit limits the potential impact of a fintech credit cycle on the economy. But fintech lending is growing rapidly, in part because the automation of credit decisions makes credit extension more frequent and much faster.

In so far as credit provision based on large and frequently updated datasets allows for a robust evaluation of creditworthiness, such credit could be resilient to the economic cycle. At the same time, automation could also lead to procyclicality to the extent that algorithms do not substitute for long term relationship with clients, more automated credit decisions could also lead to faster contraction during a downturn.

The procyclicality could further be exacerbated by the tightening of funding conditions of fintech lenders, as some are starting to experience during the current health crisis. Many of these firms are new and less established, with less liquidity and balance sheet buffers. They could retrench their operations more sharply in downturns, curtailing access to financial services for SMEs and low-income households disproportionately. If this results in consolidation, the fintech industry could become more concentrated with a few large firms emerging as dominant players.

Finally, where fintech and big tech companies intermediate small deposits, banks funding structure may become more dependent on wholesale deposits, which could be more volatile. Swings in bank funding could lead to contraction in credit, which could be particularly detrimental to the marginal borrowers. Altogether, these effects could lead to procyclical swings in financial inclusion.

Whether Fintech Create Indirect Risks to Financial Inclusion?

As fintech develops, the microfinance institutions and small banks that have traditionally catered to the financially vulnerable may suffer. Some of those financial institutions including, in many cases, the traditional money lenders in low-income countries embraced the digital transformation early on, collaborating with fintech companies. But the pressure from fintech could put the business models of the laggards at risk: digital credit and saving solutions, fully online banks, or money transfer solutions are making inroads into some of their business lines.

These institutions have less resources to respond to competitive pressures they face from nimble fintech companies. If they were to scale back their operations before fintech companies have sufficiently scaled up, the risk of financial exclusion could increase. The COVID-19 crisis could increase this risk: in addition to their clients being likely to be hit harder by the economic fallout of the pandemic, many microfinance institutions lack the expertise and resources to expand digital operations at least in the near term.

A loss of trust in digital technologies could setback progress in financial inclusion. The progress in digital financial inclusion rests on the delicate balance of convenience provided by the technology and trust placed by customers in fintech. For instance, the increased availability of personal data can play an important role in facilitating identification of the people most adversely impacted by the COVID-19 crisis, such as by mobile wallet providers in China and Kenya. However, loopholes or fraud in the handling of private data can erode trust.

Data privacy or cyber security concerns might prompt consumers to look for ways to reduce fintech companies' access to their data, thereby reducing the ability of fintech to support financial inclusion. Recognizing these risks, some regulators noted that a code-of-conduct directive for fintech firms was in order, especially those dealing with retail customers. Inadequate user protection could also undermine digital financial inclusion. Households must trust that mobile money or e-wallets are a reliable means of payment.

However, risks exist. The mobile money operator could go bankrupt. Alternatively, the bank holding its funds as deposits (which are the aggregation of mobile money users' funds) could fail. In these scenarios, mobile money users may not fully recover their balances. However, some of these risks can be mitigated. Legal structures ensuring the segregation of customer funds from other creditors of the mobile money operator should be explored. Also, customer funds should be invested in highly safe and liquid assets and should be diversified across the safest banks to the extent they are held as deposits of the mobile money operator. Another option is for central banks to require that mobile money operators hold customer funds as central bank reserves.

Conclusion and way forward:

As fintech develops, policymakers are facing questions relevant for inclusive growth, financial stability, and regulation. The G20 has identified the need to "provide an enabling and proportionate legal and regulatory framework for digital financial inclusion" as one if its High-Level Principles for Digital Financial Inclusion, and there is an active effort by all stakeholders, including think tanks, to think through the contribution of regulation to the safe development of fintech which preserves financial integrity . This is an important point, as fintech is often allowing the development of unregulated substitutes to highly regulated activities, such as currency issuance or consumer finance.

Currently, there are no internationally agreed regulatory standards, but country authorities around the globe are responding, with China, India, Mexico, Singapore, and the United Kingdom, among the countries that are taking a more proactive role. The United Nations Secretary-General's Special Advocate for Inclusive Finance for Development (UNSGSA 2019) identifies several preconditions for raising digital financial inclusion safely and competitively. These include data privacy, cybersecurity, digital identification, fair competition, physical infrastructure (agents network, connectivity, interoperability), and financial and digital literacy.

Though a tall order, it provides a clear set of goals for policymakers to pursue. In this context, ensuring high-quality supervision and regulation, particularly of nonbank financial institutions is important. Supervisors have recognized the need to adapt regulatory approaches that strike the right balance between enabling financial innovation and addressing challenges and risks to financial integrity, consumer protection, and financial stability.

Examples include the adoption of mechanisms such as innovation hubs and, where appropriate, regulatory sandboxes. Importantly, regulation should remain proportionate to the risks and should support the safe use of innovative technologies. It is becoming imperative that international agreements are needed to address data privacy, cybersecurity, cross-border digital currencies, and digital identification.

A valuable benefit of fintech: it offers the ability to conduct transactions securely and cheaply. Big Tech firms such as Alibaba, Amazon, Apple, Facebook, Google, and Tencent bring value in terms of speed, efficiency, and economies of scale. At the same time, with their global footprint and funding advantages, they could easily put smaller companies out of business and be formidable competitors to established financial institutions. With an abundance of cash and business lines that fit well with the COVID-19 demands, Big Techs are doubling down on acquisitions and research and development.

With smaller companies being hard hit by the tighter funding conditions, it is important to ensure that the fintech landscape remains sufficiently competitive after the COVID-19 crisis. Furthermore, the entry of Big Tech companies is raising questions from a number of perspectives (loss of sovereignty, cost of global monopolies, and others).

On the policy side, there is a concern that small countries and their regulatory policies could ultimately be captured by these giants. Financial and digital literacy is as much of a scarcity in advanced economies as in EMDEs. Emerging markets with younger populations seem to be adapting to fintech much better than aging advanced economies.

But common across regions is the fact that few countries mandate courses in financial literacy in high school or college. One country official in an emerging market reported introducing such a course as a high school graduation requirement, but then pointed out that they quickly ran out of teachers who had the qualifications or experience to teach high school students. Challenges for countries with larger populations, remote regions, or cultural resistance to the use of digital communication means, remain immense. Authorities should undertake measures to increase financial and digital literacy, including through creating incentives for private digital service providers to educate customers. There are also several macrofinancial risks related to fintech that need to be addressed. Fintech adds to the interconnectedness of the financial system and brings banks and unregulated nonbanks even closer, posing risks for both. Even when fintech companies are unleveraged, they could be affected by spillovers from turbulences in the banking or capital markets.

And that, in turn, could put financial inclusion at risk. Finally, fintech could lead to "excessive" financial inclusion (such as the US subprime lending crisis or the more recent rise in default rate to nearly 20 percent on mobile bank loans in Kenya) when access to credit grows under insufficient regulation and supervision. In crafting new laws, it would be important to ensure proportionality in regulation of small fintech firms, while being mindful that unsecured digital credit combined with the light regulation of some digital financial service providers may raise complex issues of crisis management.

These issues are even more relevant as fintech companies go through the economic downturn triggered by the pandemic. For instance, individuals may seek fast access to credit, including digital credit, to meet immediate living expenses. This practice may expose consumers to less scrupulous credit providers, unfavorable terms and conditions, and increase over-indebtedness.

Fintech's potential to help counter the impact of the COVID-19 pandemic and support the eventual economic recovery is large but cannot be taken for granted. Fintech is proving to be a useful tool in ensuring access to financial services and helping deliver governments' support measures. Its role in the recovery phase, however, will depend on the industry's resilience to the shock and how the fintech landscape evolves post-COVID-19.

Hence it is concluded that with careful regulation and supervision, as well as addressing the several constraints that the expansion of financial inclusion facing can attain the promise of fintech to serve greater proportions of the population in realizing their dreams of upward mobility.

References:

Various Sources. ❑

HERE'S ALL ABOUT RBI'S NEW REGULATIONS FOR CREDIT CARDS

The Reserve Bank of India (RBI) recently issued regulations aimed at safeguarding the interests of credit card customers.

These regulations mandate lenders to take consent of customers on various issues pertaining to credit cards and also strengthens the grievance redressal mechanism.

Many issuers are already following most of these practices but with the regulations, there is a governance mechanism in place now. "Currently, there are checks and balances, but the regulatory framework by RBI is more robust with consequences and the timeline, which is very important. The central bank has made it clear that the credit card issuing entities have to follow the regulations both in letter and spirit," said Mayank Mehta, partner at Pioneer Legal.

Here are a few of the important regulations that will come into effect from 1 July.

Customer consent

Credit card issuers, either banks or other entities, have to now mandatorily take the explicit consent of the customer for issuing credit cards, upgrading their features, enhancing the credit limit, and for offering other products/services along with the card.

For example, banks must obtain the consent of cardholders, either in writing or in digal mode, for introducing an insurance cover to take care of the liabilities arising out of lost cards, card frauds, etc.

If consent is not taken, the issuers are liable to not only reverse the charges levied but also pay a penalty to the customers. For instance, if an existing card is upgraded without consent and the customer is billed for the same, the card issuer will be liable to pay a penalty amounting to twice the value of the charges levied.

Further, if customers approach the RBI Ombudsman for resolution of any grievance, the amount of compensation payable by the card-issuer to the customers will be decided by the latter, in most cases, based on the loss of complainant's time, expenses incurred, harassment and mental anguish suffered by them.

Card issuers are also obliged to complete requests by customers seeking closure of the credit card within seven working days when there is no outstanding liability. Note that, if a credit card is not used for more than one year, the card will be closed after 30 days from the date of intimation to the cardholder.

No hidden charges

Credit card issuers allow you to defer your outstanding liability by paying only a portion of your monthly outstanding due, called minimum amount due (MAD). Making only the minimum payment every month can result in the repayment term stretching over months/years and the resultant compounding interest payment piling up. This is in addition to the impact on customer's credit score and loss of interest-free period. The issuer is now obliged to give more disclosures with illustrations about the impact of choosing to pay only MAD in the billing statements.

Further, any changes in charges being levied on credit cards can be made only with prospective effect giving prior notice of at least one month. There will not be any hidden charges, too, when credit cards are issued free of charge.

More options

Cardholders will now be given a one-time option to modify their billing cycle of the credit card as per their convenience.

Also, if the cardholder protests any bill in the statement, the card issuer must provide an explanation on this within 30 days of the date of complaint. Further, no charges (including interest) shall be levied on transactions disputed as 'fraud' by the cardholder until the dispute is resolved. The regulations also opened doors for NBFCs to issue credit cards. But "NBFCs may have higher flexibility in reaching out to customers, who should be wary of cross-selling of products," said Sachin Vasudeva, AD & business head (cards), Paisabazaar. *(Source: Mint)*

BANK LIABLE FOR BREAK-IN AND THEFT FROM LOCKER

Gopal Prasad Mahanty and his daughter Rupali had been customers of State Bank of India's Bokaro Steel City Branch in Jharkhand for nearly four decades. They had a savings bank account, several high-value fixed deposits, and a locker. On the night between December 25 and 26, 2017, a theft took place in the bank.

Several lockers were broken open, including the one rented by Mahanty. Items such as jewellery, postal deposit instruments, and other valuables kept in the locker were stolen. Mahanty learnt about the theft through the news telecast on 26th evening. Next morning, his daughter and he rushed to the bank to fine three lists posted on the wall of the main entrance. Their locker (number 1/46) was listed as one of those that had been broken open. The bank officer asked them to furnish a list of their valuables. The assessed the loss of gold jewellery at Rs. 32 lakh and silver at Rs. 1,85,000, excluding the antique value, and wrist watches worth Rs. 34,000. Bank and postal documents were also stolen.

To recover the loss of these valuables, Mahanty and his daughter filed a complaint before the Jharkhand State Commission. They alleged that the bank had failed to follow the guidelines prescribed by the Reserve Bank of India. The bank contested the complaint, denying all the allegations made against it. It claimed that it had followed the Reserve Bank's guidelines and had installed a fire detection system, a security alarm system and CCTVs, both inside and outside its premises, and these were functional when the theft occurred. It argued that there was no deficiency in service. The bank sought a dismissal of the complaint.

The State Commission observed that the bank had merely rented out space and had no knowledge of the contents of the locker, and even Mahanty was not in a position to prove what was stored in it. So, it concluded that it would be impossible to adjudicate the value of the loss when the contents could not be determined. Nevertheless, it was evident that a huge loss must have been caused due to the breaking open of the locker, which had been taken on rent in good faith to secure valuables. So, the State Commission awarded Rs. 30 lakh as compensation for the mental trauma suffered due to the loss. This amount was ordered to be paid one month, or along with 6 per cent interest, if payment was delayed.

Both the bank and Mahanty challenged this order in cross-appeal. The bank claimed that the policy had recovered a part of the stolen property from the thieves, and this had been identified by Mahanty. It also reiterated its defence and contended that it was wrongly being held liable.

Mahanty pointed out that the police had recovered only a small quantity of the lost jewellery, much of which had been damaged during the theft.

The National Commission observed that a locker is hired because safety is assured. When a locker is broken open by thieves, it constitutes a breach of the assurance of safety, resulting in a deficiency in service. The Commission further held that the bank could not be absolved of its liability merely because some of the jewellery had been recovered, and that too in a damaged state.

Accordingly, by its order of April 7, 2022, delivered by the bench of Justice R. K. Agrawal and S. M. Kantikar, the National Commission dismissed the cross-appeals, holding that the lump sum compensation awarded by the State Commission was reasonable and proper. *(Source: Business Standard)*

RBI CIRCULAR

Bharat Bill Payment System – Amendment to guidelines

RBI/2022-2023/58

May 26, 2022

1. This has reference to the guidelines on Bharat Bill Payment System (BBPS) issued by the Reserve Bank of India (RBI) vide circular DPSS.CO.PD.No.940/02.27.020/ 2014-2015 dated November 28, 2014. As announced in the Statement on Development and Regulatory Policies dated April 08, 2022, the minimum net-worth requirement for non-bank Bharat Bill Payment Operating Units (BBPOUs) stands reduced to ?25 crore. The BBPS guidelines have been suitably amended.
2. This circular is issued under Section 10 (2) read with Section 18 of the Payment and Settlement Systems Act, 2007 (Act 51 of 2007), and shall come into effect immediately.

(P. Vasudevan)
Chief General Manager

Interoperable Card-less Cash Withdrawal (ICCW) at ATMs

RBI/2022-23/54

May 19, 2022

1. Please refer to paragraph 7 of Statement on Development and Regulatory Policies dated April 08, 2022, wherein the Reserve Bank of India (RBI) had announced introduction of ICCW.
2. All banks, ATM networks and WLAOs may provide the option of ICCW at their ATMs. NPCI has been advised to facilitate Unified Payments Interface (UPI) integration with all banks and ATM networks. While UPI would be used for customer authorisation in such transactions, settlement would be through the National Financial Switch (NFS) / ATM networks. The on-us / off-us ICCW transactions shall be processed without levy of any charges other than those prescribed under the circular on Interchange Fee and Customer Charges.
3. Withdrawal limits for ICCW transactions shall be in-line with the limits for regular on-us / off-us ATM withdrawals. All other instructions related to Harmonisation of Turn Around Time (TAT) and customer compensation for failed transactions shall continue to be applicable.
4. This directive is issued under Section 10(2) read with Section 18 of the Payment and Settlement Systems Act, 2007 (Act 51 of 2007).

(P. Vasudevan)
Chief General Manager

Government of India guaranteed term loan extended by SBI to the Government of Sri Lanka- Settlement in INR

RBI/2022-2023/53

May 19, 2022

1. Attention of Authorised Dealer Category – I (AD Category-I) banks is invited to Regulations 3 and 5 of Foreign Exchange Management (Manner of Receipt and Payment) Regulations, 2016 in terms of which export / import transactions between ACU member countries are to be routed through the ACU mechanism.
2. In view of the difficulties being experienced by exporters in receipt of export proceeds from Sri Lanka and State Bank of India's credit facility agreement dated March 17, 2022 with the Government of Sri Lanka for sanction of Government of India guaranteed USD 1000 million

term loan to the latter for financing purchase of essential goods by Sri Lanka from India, it has been decided that such trade transactions with Sri Lanka, falling under the said arrangement, may be settled in INR outside the ACU mechanism.

3. Under the arrangement, financing of export of eligible goods and services from India, as defined under the agreement, would be allowed subject to their being eligible for export under the Foreign Trade Policy of the Government of India and whose purchase may be agreed to be financed by SBI under this agreement.

4. The above instructions shall come into force with immediate effect. AD Category-I banks may bring the contents of this circular to the notice of their constituents concerned and advise them to obtain complete details of the credit facility agreement from State Bank of India's office at International Banking Group, Corporate Centre, State Bank Bhavan, Madame Cama Road, Nariman Point, Mumbai- 400021 or from their website https://sbi.co.in/web/international-banking/credit-finance/commercial-loans.

5. The directions contained in this circular have been 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.

(Vivek Srivastava)
Chief General Manager

New Definition of Micro, Small and Medium Enterprises - Clarification

RBI/2022-23/52

May 19, 2022

1. Please refer to our circulars FIDD.MSME & NFS.BC.No.3/06.02.31/2020-21 dated July 2, 2020, FIDD.MSME & NFS.BC.No.4/06.02.31/2020-21 dated August 21, 2020 and FIDD.MSME & NFS.BC.No.16/ 06.02.31/2021-22 dated February 18, 2022, regarding revised criteria for classification of Micro, Small and Medium Enterprises.

2. Government of India, vide Gazette Notification S.O. 2134(E) dated May 06, 2022, has notified amendments in sub paragraph (3) paragraph (7) of the notification of Government of India, Ministry of Micro, Small and Medium Enterprises number S.O. 2119 (E), dated June 26, 2020, published in the Gazette of India.

3. In view of the above amendment, it is clarified that:
   i) the existing Entrepreneurs Memorandum (EM) Part II and Udyog Aadhaar Memorandum (UAM) of the MSMEs obtained till June 30, 2020 shall remain valid till June 30, 2022 for classification as MSMEs; and
   ii) the validity of documents obtained in terms of O.M. No.12(4)/ 2017-SME dated March 8, 2017 (RBI Circular FIDD.MSME & NFS.BC.No.10/ 06.02.31/2017-18 dated July 13, 2017), for classification of MSMEs upto June 30, 2020, has been extended upto June 30, 2022.

(Nisha Nambiar)
Chief General Manager

Kisan Credit Card Scheme - Eligibility criteria for farmers engaged in fisheries/ aquaculture

RBI/2022-23/51

May 18, 2022

1. Please refer to Para 3.1.1.2 of our circular FIDD.CO.FSD.BC.12/05.05.010/2018-19 dated February 04, 2019 on Kisan Credit Card (KCC) Scheme: Working Capital for Animal Husbandry and Fisheries. It has been brought to our notice that licensing/authorisation related requirements pertaining to fishing/aquaculture in inland water bodies vary across states. Accordingly, the eligibility criteria for inland fisheries and aquaculture under Para 3.1.1.2 of the circular stand modified as follows:

   The beneficiaries must own or lease any fisheries related assets such as ponds, tanks, open water bodies, raceways, hatcheries, rearing units, boats, nets and such other fishing gear as the case may be and possess necessary authorisation/certification as may be applicable in respective states for fish farming and fishing related activities and for any other state specific fisheries and allied activities.

2. All other terms and conditions of the scheme remain unchanged.

(Nisha Nambiar)
Chief General Manager

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.

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).

Published on 1st of Every Month
Date : 01-06-2022

Declaration No. 86
Dated 14-12-2017

R. No. KOL RMS/269/2022-2024
RNI No. 44184/1988

Owner Sushil Kumar Agarwala, Printer Sushil Kumar Agarwala, Publisher Sushil Kumar Agarwala, Published from 31/1, Sadananda Road, P.S. Kalighat, Kolkata - 700026, West Bengal and Printed from Satyajug Employees Co-operative Industrial Society Ltd., 13, Prafulla Sarkar St., Kolkata - 72, West Bengal, Editor - CA Rakesh Agarwal