A leading monthly journal on Banking & Finance

₹85/-

Banking Finance

VOL.XXXV - NO.05 - May 2022 - ISSN-0917-4498

In this issue

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BANKING FINANCE
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VOL. XXXV NO. 05
May 2022, ISSN - 0971-4498

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

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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

IMD has declared normal monsoon during F.Y.2022-23 which is supposed to support the Indian economy in all respect. India is lucky enough to receive normal monsoon during the last four years.

Corporate Ministry within Central Govt. is supposed to strengthen the cooperative movement in India by helping states to regulate the cooperative sector in the best interest of the economy. NPCI is going to introduce E-Resolution online to resolve the disputes within least time and cost.

As per Central Govt. decision postal department in India is going to be digital for their account holders which will ease of doing banking business in the post offices all over the country.

IMF (International Monetary Fund) has declared that the india has almost eradicated extreme property in the country during the previous years.

Finance Ministry Govt. of India has said the Central Direct and Indirect Tax collection has jumped to 34% 27.07 trillion in 21-22 F.Y. which is a healthy sign of improving economic activities in the country in spite of Covid-19 pandemic during 20-21 & 21-22.

The Indian economy may take more than a decade to overcome the losses emanating from the COVID-19 pandemic, said a report published by the Reserve Bank of India.

In an analysis of the impact of COVID-19 on the economy, the report has estimated the output losses during the pandemic period at around Rs 52 lakh crore.

The repeated waves of COVID-19 have come in the way of sustained recovery and the quarterly trends in GDP essentially followed the ebbs and flows of the pandemic, said the chapter 'Scars of the Pandemic' in the Report on Currency and Finance (RCF) for the year 2021-22.

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Banking News

Regional rural banks may be allowed to graduate as SFBs

Regional Rural Banks (RRBs) should be given the option to graduate into small finance banks (SFBs) in line with cooperative banks or be granted on-tap licenses to become SFBs, State Bank of India (SBI) Research said in its report. "In keeping with the fast-paced changes in the banking space and to facilitate growth, a scheme for voluntary transition of Urban Co-operative Banks (UCBs) into SFBs was introduced in September 2018.

RRBs may also be permitted to graduate into SFB in line with Cooperative banks or granted on-tap license to RRBs to become SFBs", the report said. In fact, some of the large regional rural banks are bigger than the SFBs operating the market. India's largest RRB in terms of size of business - Baroda U.P. Bank (Rs. 72,015 crore) is bigger than the largest SFB (AU SFB) - which has business (deposits + advances) size of Rs. 70,588 crore as of March 2021.

Bank board picks MDs for four banks

The Banks Board Bureau, the body which selects chief executives for financial entities in the public sector, has identified managing directors for four lenders - Union Bank of India, Indian Overseas Bank, Punjab & Sind Bank and State Bank of India.

The board has shortlisted A Manimekhalai for MD & CEO of Union Bank of India, Ajay Kumar Srivastava for the position of MD & CEO of Indian Overseas Bank and Swaroop Kumar Saha for Punjab & Sind Bank. Alok Kumar Choudhary has been recommended for the position of MD in the State Bank of India. The final appointments will be notified by the government based on these recommendations.

Central Banks should regulate cryptos

Central banks across the world should look at bringing cryptocurrencies in the regulated space though non-fungible tokens (NFT) or stable coins will not replace fiat currency, said DBS Bank Group CEO Piyush Gupta during an interaction.

UPI lite announced for offline transactions

The National Payment Corporation of India's (NPCI) Unified Payment Interface (UPI) has become one of the most widely accepted digital payment mode because of its ease and convenience. UPI apps such as GooglePay, Phonepe, Paytm, are now ruling the online payment industry. However, NPCI now wants to make small value transactions through UPI offline. This is called 'UPI lite - On-Device wallet'.

It should be noted that NPCI has not revealed any specific date for the launch of UPI Lite. "UPI Lite will be initially launched as a pilot with multiple banks and app providers, and after a due comfort is achieved, the full scale commercial launch with compliance timeliness for on-boarding for the issuers and app providers will be declared," NPCI added.

According to NPCI, India processes one billion UPI transaction every day, and to facilitate these growing transactions, banks have to upgrade their infrastructure and this requires better technical grip and huge investments. The NPCI took charge of this problem and has designed the 'UPI lite functionality for UPI users. This means you can now send payments exactly how you used to do but the only difference payments under this will work offline.

ECLGS to include new borrowers

The Finance Ministry expanded the scope of the Rs 5 lakh-crore Emergency Credit Line Guarantee Scheme (ECLGS) to support MSMEs engaged in travel, tourism and hospitality sectors to overcome the impact of the COVID-19 pandemic impact.

The coverage, scope and extent of benefits under ECLGS 3.0 pertaining to hospitality, travel, tourism and civil aviation sectors have been expanded, the ministry said in a statement.

Finance Minister Nirmala Sitharaman while announcing the Budget 2022-23 had extended the validity of the scheme by another one year till March 2023, and also increased the total amount to be sanctioned under the scheme from Rs 4.5 lakh crore to Rs 5 lakh crore.

As per the latest modification, new borrowers, in the sectors covered under ECLGS 3.0, who have borrowed between March 31, 2021, and January 31, 2022, will now be eligible to avail the emergency credit facilities. Also, the credit limit for eligible borrowers has been increased to 50 per cent of their fund-based credit outstanding from 40 per cent earlier.

Gupta, who was speaking at Global Business Summit, said that there is a better use case of wholesale cross-border central bank digital currencies (CBDC).

"I don't think that crypto currencies will become money as we know it, but it can be an alternative to gold and its value," Gupta said. "The other big challenge is volatility in value. If you want to use this to pay for something, you don't know what it's costing you. Cryptos are a potential source of speculated value, it's unlikely that this is a source of money as we know it."

In a 1st, UPI transactions hit 5 billion in March

Transactions under the Unified Payments Interface (UPI) crossed the 5-billion count for the first time in March 2022 - two days ahead of the month end.

According to data shared by the National Payments Corporation of India (NCPI), UPI recorded 504 crore transactions up to March 29 for a value of Rs 8,88,169 crore. The account-to-account fund transfer platform had crossed 400 crore transactions in the month of October 2021, hitting a new record.

The record numbers for four weeks in March comes after a marginal decline in February this year when the value of retail transactions dipped to Rs 8.27 lakh crore from Rs 8.32 lakh crore in January 2022.

The number of transactions in February also dipped marginally to 452 crore from 461 crore in January. The payment channel, which is only five years old, grew from zero in June 2016 to a billion transactions a month in October 2019.

SBI raises $500 million via IFSC Gift City branch

State Bank of India (SBI) said it has raised USD 500 million (over Rs 3,800 crore) through its IFSC Gift City branch. This is the first offshore USD Secured Overnight Financing Rate (SOFR) linked syndicated loan raised by SBI through its Gift City branch, a release said. The facility is for USD 400 million plus USD 100 million as a green shoe option.

"The successful launch of syndicated loan at such a fine pricing demonstrates the kind of reputation SBI has created for itself in offshore financial markets allowing it to efficiently raise funds even during ongoing turbulence in the markets caused by geopolitical tensions and rate hike expectations by US Federal Reserve and other central banks across the globe," its Managing Director Ashwini Tewari said.

MUFG, Bank of America and JP Morgan were the joint lenders for this offering whereas Fist Abu Dhabi Bank acted as the facility agent. It is another step towards the bank's commitment to develop IFSC Gift City as an international financial hub, the release said.

Coins worth Rs. 11 crore missing from SBI vaults; CBI to probe

The CBI has taken over the probe into the case of coins worth Rs 11 crore going missing from the vaults of the SBI branch in Mehandipur Balaji in Rajasthan, officials said.

State Bank of India (SBI) had approached the Rajasthan High Court seeking a CBI probe into the matter as the missing amount was higher than Rs 3 crore, the threshold for seeking a probe by the agency.

On the high court's directions, the CBI has taken over the FIR earlier registered by the Rajasthan Police.

The matter came to light after the SBI branch decided to carry out counting of money after a preliminary enquiry indicated discrepancy in the cash reserve at the bank.

E-resolution for payment dispute by Sept: NPCI

The National Payments Corporation of India (NPCI) has asked all banks, payment service providers (PSPs) & third-party application providers (TPAPs) to implement an online dispute resolution system by September 2022, failing which it will ban the onboarding of new customers.

The corporation has also asked all Unified Payments Interface (UPI) participants to make available international merchant payments through the platform before September. If this is not done, the corporation will impose penalties. The NPCI has been working with offshore entities to promote acceptance of UPI by overseas merchants. Last year, it had partnered with Liquid group in Singapore to enable UPI QR-based payments' acceptance in 10 markets.

Deposit insurance law: Rs. 15000 crore paid in 6 months

The new deposit insurance law is helping depositors in bankrupt banks in getting quick payments, with nearly Rs. 1,500 crore being paid out in less than six months of its enactment. This is more than a quarter of what Deposit Insurance Corp has paid out in 60 years since it came into existence in 1961. "Since the Act came into force, over Rs. 1,500 crore has been paid to over 1.2 lakh depositors.. as of early January 2022," this survey said.

Paytm bank yet to appoint IT auditor

Paytm Payments Bank is yet to appoint a firm to conduct an audit of its information technology (IT) systems, minister of state for finance Bhagwat Karad told the Lok Sabha.

"The RBI (Reserve Bank of India) has further informed that the Paytm Payments Bank Limited has not yet appointed the IT audit firm to conduct a comprehensive System Audit of the IT system of the bank," Karad said.

The RBI on March 11 barred SoftBank-backed Paytm Payments Bank from adding new customers due to likely gaps in its technology systems.

"Onboarding of new customers by Paytm Payments Bank Ltd will be subject to specific permission to be granted by the Reserve Bank of India (RBI) after reviewing (the) report of the IT auditors," the central bank said in a statement.

Transaction volumes on UPI cross 500 crore in March

The widely popular Unified Payments Interface (UPI) crossed the 500 crore mark in terms of volume and was close to touching the Rs. 10-lakh crore milestone in value terms in March this year. UPI processed as many as 540.56 crore payments last month, amounting to Rs. 9,60,581.66 crore, data from the National Payments Corporation of India (NPCI) revealed.

In contrast, it had processed 452.74 crore transactions worth Rs.8,26,843 crore in February this year. For the full fiscal 2021-22, it crossed the $1-trillion mark at Rs. 84,17,572.48 crore payments. UPI had crossed the 100 crore mark in volume terms in October 2019 and after a dip in April 2020, and has since been gaining widespread adoption. There were as many as 315 banks live on the UPI platform by March this year. On a daily basis, UPI has been processing a high value of transactions. Recent data reveal that over 17 crore payments, worth over Rs. 20,000 crore, have been made via UPI on a daily basis.

DICGC settles PMCBL claim of Rs. 3,792 crore

The Deposit Insurance and Credit Guarantee Corporation (DICGC) said it has settled the main claim aggregating Rs. 3,791.55 crore of Punjab& Maharashtra Cooperative Bank Ltd (PMCBL) for 8,47,506 traceable depositors.

DICGC asked depositors of the erstwhile PMCBL (transferor bank) to contact the transferee bank (Unity Small Finance Bank) for receipt of their claim amount.

Scam-hit PMCBL was merged with Unity SFB with effect from January 25, 2022 (the appointed date for the merger), as per a scheme of amalgamation.

Exim Bank plans to raise $3 billion through overseas bonds in FY23

Export Import (Exim) Bank of India plans to raise around $3 billion in 2022-23 (FY23) via overseas bonds to support fresh lending and refinance a portion of the old debt. Harsha Bangari, managing director, India Exim Bank, said that treasury rates (yields on government bonds) have started going up in international markets.

The bank, said Bangari, will keep an eye on the markets. If the benefit of low cost comes in, the bank will take it. Else the normal borrowing programme will remain. Half the money is to be used for fresh lending and the balance to refinance maturing debt. Last year, the bank tried to refinance high-cost liabilities. The fund costs have come down and extended the duration.

Banks, financial institutions, and corporates have taken the benefit of a benign interest-rate environment the world over due to huge liquidity in the system infused by central banks and governments to battle the impact of the Covid-19 pandemic. ❑

Reserve Bank News

RBI's innovation hub is an investment for the future

The Reserve Bank of India's (RBI) innovation hub, set up with an initial capital contribution of Rs 100 crore, to encourage and nurture innovation across the financial sector, is expected to build an ecosystem for development of prototypes, patents, proofs of concept, and promote cross thinking spanning regulatory domains, Shaktikanta Das, Governor, RBI, said.

Speaking at the inauguration of Reserve Bank Inauguration Hub (RBIH), Das said, "The RBIH is an investment for the future".

"With its own independent Board comprising eminent members from industry and academia, I am sure RBIH is perfectly positioned to facilitate convergence of ideas among various stakeholders", the governor said.

He also said that the focus of RBIH should be to promote access to financial services and products for the low-income population of the country. "It should be our duty to promote such innovation that not only improves process efficiencies but also transforms the society", he said.

RBIH has plans of identifying and mentoring start-ups having maximum potential. The hub will also collaborate with various government ministries and departments as well as academia to identify problem statements in different domains and explore potential solutions.

Committee to review customer service in regulated entities

RBI will soon set up a committee to examine and review the current state of customer service in the RBI-regulated entities.

"In view of the transformation underway in the financial landscape due to innovations in products and services, deepening of digital penetration and emergence of various service providers, it is proposed to set up a committee to examine and review the current state of customer service in the RBI-regulated entities, adequacy of customer service regulations and suggest measure to improve the same," said RBI Governor Shaktikanta Das.

The committee will examine and review the state of customer service in REs and adequacy of customer service regulations, and suggest measures to improve these issues, said the Statement on Developmental and Regulatory Policies.

The RBI has, over the years, taken a number of measures, including laying down an elaborate regulatory framework on customer service and internal grievance redress at REs, and also putting in place the Ombudsman framework to ensure overarching protection for customers.

RBI to allow cardless cash withdrawals

The Reserve Bank of India (RBI) proposed to make card-less cash withdrawal facility available across all banks and ATM networks using the Unified Payments Interface (UPI).

At present, the facility of card-less cash withdrawal through ATMs is limited to only to a few banks. As per the central bank, card-less cash withdrawal through ATMs is a permitted mode of transaction offered by a few banks in the country on an on-us basis (for their customers at their own ATMs).

"Now you can send money from a bank account to anyone in India with a valid mobile phone number through cardless cash withdrawal. The beneficiary can then withdraw cash from the ATM without using a debit or an ATM card," said Adhil Shetty, chief executive officer, Bankbazaar.com.

RBI guidelines on Digital banking unit norms

RBI released the guidelines on establishment of digital banking units (DBUs) after Finance Minister Nirmala Sitharaman, in her Budget speech for fiscal 2022-2023, had announced setting up of 75 DBUs in 75 districts to commemorate 75 years of independence of the country.

DBU is a specialised fixed point business unit or hub housing certain minimum digital infrastructure for delivering digital banking products and services as well as servicing existing financial products and services digitally in self-service mode at any time, all year round, the RBI said.

Commercial banks (other than RRBs, payment banks and LABs) with past digital banking experience are permitted to open DBUs in tier 1 to tier 6 centres, unless otherwise specifically restricted, without having the need to take permission from the RBI in each case, the central bank added.

India nears self-reliance in banknotes, says RBI governor

RBI governor Shaktikanta Das said that the country has made substantial progress in achieving self-sufficiency in the production of banknotes while launching a facility for manufacturing specialised currency ink.

The governor inaugurated Varnika, the ink manufacturing unit of Bharatiya Reserve Bank Note Mudran (BRBNMPL), a subsidiary of the central bank. He emphasised the importance of continuously building capacity, research & development and innovation to achieve 100% self-sufficiency in banknote manufacturing soon.

Varnika can manufacture 1,500 metric tonnes of specialised ink, which enhances the security features of banknotes. "It is a boost to the 'Make in India' initiative. It ensures that the entire requirement of banknote printing inks is produced in-house. This unit also manufactures Colour Shift Intaglio Ink (CSII) and meets all the requirements of banknote printing presses in India, which has resulted in cost-efficiency and self-sufficiency in banknote ink production," the RBI said in a statement.

RBI permits banks to outsource e-banking units

The RBI has announced guidelines for banks to set up specialised digital banking units (DBUs) distinct from regular bank branches using the outsourced model. The new norms are in line with a Budget announcement and are based on the recommendation of a panel comprising members of the RBI and banking industry.

"Scheduled commercial banks (other than regional rural banks, payment banks and local area banks) with past digital banking experience are permitted to open DBUs in tier-1 to -6 centres, unless otherwise specifically restricted, without having the need to take permission from the RBI in each case," the central bank said.

The RBI said that banks are free to adopt either an insourced or outsourced model for operations of the DBUs. These are also allowed to use application programming interfaces (APIs) to connect with external third-party app providers. However, these apps have to be tested in an isolated environment before being integrated with the bank's systems.

The minimum bouquet of products that the DBUs are expected to provide include account-opening kits, digital kits for mobile banking, internet banking, debit cards, credit card and mass transit system cards. In her Budget speech, finance minister Nirmala Sitharaman had said that to ensure that benefits of digital banking reach every nook and corner of the country in a consumer-friendly manner, it is proposed to set up 75 DBUs in 75 districts by scheduled commercial banks.

RBI imposes restrictions on Indian Mercantile Co-operative Bank Ltd

The Reserve Bank said it has imposed several restrictions on Indian Mercantile Cooperative Bank Ltd, Lucknow, including a cap of Rs 1 lakh on withdrawals.

The restrictions came into force from closure of business hours on January 28, 2022.

In a statement, RBI said the Lucknow-based co-operative bank will not, without its prior approval, grant or renew any loans and advances, or make any investment.

"In particular, a sum not exceeding Rs 1 lakh of the total balance across all savings bank or current accounts or any other account of a depositor, may be allowed to be withdrawn...", subject to certain conditions, it added.

The central bank, however, added the directions should not per se be construed as a cancellation of the banking licence by the RBI.

"The bank will continue to undertake banking business with restrictions till further notification from RBI. The Reserve Bank may consider modifications of these directions depending upon circumstances," it noted.

RBI warns public on KYC frauds

RBI has asked members of the public not to respond to offers for getting their KYC (know-your-customer) details updated. The fresh warning comes in the wake of unscrupulous elements innovating their modus operandi for frauds, including social media techniques.

"Any phone call/email threatening the blocking of your account on the pretext of nonupdation of KYC and suggestion to click a link for updating the same is a common modus operandi of fraudsters," the RBI said in its note on safe digital banking practices.

"Always access the official website of your bank/ NBFC/ e-wallet provider or contact the branch," the note added.

Reiterating the warning against sharing one-time passwords (OTPs) or card details, the central bank highlighted vishing, phishing and remote access as some of the common measures used by fraudsters. Vishing refers to phone calls from fraudsters aimed at luring customers into sharing their confidential details for either KYC, account activation, unblocking SIM cards or crediting money to customer accounts.

Phishing frauds involve spoofed emails or SMS aimed at duping customers into believing that it has originated from their bank or e-wallet provider to extract confidential details.

The other standard method is getting the customer to download an application for remote access on their mobile phones or computers to grant the fraudsters access. There have also been cases of the collect request feature of UPI being misused by sending fake collect requests and passing them off as payment messages.

Net worth requirement for bill payments to be lowered to Rs.25 crore

With the growing popularity of Bharat Bill Payment System (BBPS), the RBI has decided to lower the net worth requirement of operating units to Rs. 25 crore from the current limit set at Rs. 100 crore.

"To further facilitate greater penetration of bill payments through BBPS and to encourage participation of a greater number of non-bank Bharat Bill Payment Operating Units in the BBPS, it is proposed to reduce the net worth requirement of such entities from Rs. 100 crore to Rs. 25 crore," said RBI Governor Shaktikanta Das.

The Statement on Developmental and Regulatory Policies noted that while BBPS has seen an increase in the volume of transactions and number of onboarded billers, there has not been a corresponding growth in the number of non-bank Bharat Bill Payment Operating Units (BBPOUs). "The current requirement of net worth for a non-bank BBPOU to obtain authorisation is Rs. 100 crore and it is viewed as a constraint to greater participation," it said, adding that necessary amendments to regulations will be carried out shortly. BBPS is an interoperable platform for bill payments and coversall categories of billers who raise recurring bills.

RBI warns using forex limits to trade in dollars

The Reserve Bank of India (RBI) has cautioned against the use of its liberalised remittance scheme (LRS), which allows individuals to send up to $250,000 abroad annually, to trade in forex platforms. RBI's caution comes at a time when remittances under the scheme are picking up. They reached almost $2 billion a month in August and September 2021.

The central bank has said that there are unauthorised electronic trading platforms (ETPs) that have engaged agents to lure people to undertake forex trading with promises of 'exorbitant returns'. "Further, there have been reports of frauds committed by such unauthorised ETPs / portals and many residents losing money through such trading / schemes," the central bank said. It added that these schemes are being pushed through social media platforms, search engines, gaming apps and over-the-top platforms.

The RBI has said that while permitted forex transactions can be executed electronically, they should be undertaken only on ETPs authorised for the purpose by the central bank or on recognised stock exchanges (NSE, BSE and Metropolitan Stock Exchange of India). ❑

Industry News

Cabinet nod for Rs. 6,062 crore MSME scheme

The Union Cabinet approved Rs 6,062 crore for World Bank assisted programme for the MSME sector, which is meant to improve their access to market and credit, address issues related to delayed payments and greening of the sector apart from strengthening governance.

Raising and Accelerating MSME Performance (RAMP) scheme is to be implemented in the next financial year and is meant to address Covid-19 and generic challenges faced by the sector.

MSMEs have been among the worst hit segments of the economy during the pandemic period with several units shutting down due to payment and credit issues.

WHO establishes traditional medicine centre in India

The World Health Organization (WHO) and the Indian government have signed an agreement to establish the WHO Global Centre for Traditional Medicine.

This global knowledge centre for traditional medicine, supported by an investment of $250 million from the central government, aims to harness the potential of traditional medicine globally through modern science and technology to improve the health of people and the planet, the WHO said in a note.

Around 80 per cent of the world's population is estimated to use traditional medicine. To date, 170 of the 194 WHO Member States have reported the use of traditional medicine, and their governments have asked for WHO's support in creating a body of reliable evidence and data on traditional medicine practices and products, the UN health agency said.

I-T dept has made highest tax mop-up in history: CBDT chief

The Income Tax department has made the "highest" collection in its history, CBDT Chairman J B Mohaptra said when the direct tax mop up jumped over 48 per cent in the current fiscal backed by a 41 per cent surge in advance tax payments. The net collection numbers currently is Rs 13.63 lakh crore which is against Rs 11.18 lakh crore of 2018-19, Rs 10.28 lakh crore of 2019-20 and Rs 9.24 lakh crore of 2020-21, he said.

"The year-on-year net collections today is more by 48.4 per cent over 2020-21, over 42.5 per cent of 2019-20 and 35 per cent over 2018-19. In the block of last four years, the net collection numbers are the highest," the chief of the Central Board of Direct Taxes (CBDT) said.

"It beats the previous high by as much as Rs 2.5 lakh crore. This is the highest number of income tax collections thus far in the history of the department," he told.

TDS imposed to track crypto transactions: Sitharaman

Union finance minister Nirmala Sitharaman said the government has decided to impose a 1% tax at source on the transfer of crypto or digital assets to track the transactions.

There is no confusion in terms of the roadmap for regulation of crypto as discussions are under way on the subject over whether the crypto market should be regulated or banned totally,

Centre's direct tax collections in FY22 top revised estimates

Direct tax collections touched nearly Rs. 14 trillion in the just-ended fiscal, exceeding the revised estimates (RE) by Rs. 1.5 trillion and nearly hitting the estimates for the next fiscal, an unprecedented level of mop-up that gives the government more spending options amid a high deficit and galloping prices.

According to the latest figures compiled by the central board of direct taxes (CBDT), the mop-up for FY22 is only about Rs. 38,000 crore short of the 2022-23 budget estimates (BE), which means direct tax collections will need to grow by only 3.2% to meet this year's target. Corporate tax collections for FY22 has already reached the budget target for FY23, while income tax collections exceeded the BE for FY22 by 33,000 crore. Securities transaction tax mop-up stood at Rs. 23,000 crore, topping the revised estimate of Rs. 20,000 crore. The target for STT for FY23 is Rs. 20,000 crore.

Sitharaman said during the discussion on Finance Bill 2022 in the Lok Sabha.

"There is no confusing signal. We are very clear that there are consultations going on as to whether we want to regulate it or regulate it to some extent, or very much or totally ban it. After the consultations are concluded, the matter will come out, but till then we are taxing it as lot of transactions are happening there," she said.

Kia planning to make small e-SUV in India

Having broken into top five carmakers in India in just 3 years, South Korean car major Kia wants to make it into the mainstream electric vehicle (EV) space with a small SUV EV planned for emerging markets based out of India.

According to several people in the know, the development work for a small SUV codenamed AY has kicked off which will hit the roads in 2025.

Interestingly it is not a pure EV, it is based on a flexible platform that will also offer Kia a space into the mass market petrol SUV space at the entry level.

ED attaches Amway assets worth Rs.757 crore

The Enforcement Directorate (ED) has provisionally attached assets worth 757 crore belonging to Amway, and accused the country's largest direct selling company of "running a pyramid fraud".

The attached properties include land and factories of Amway in Tamil Nadu, plant and machineries, vehicles, bank accounts, and fixed deposits.

The agency claimed that a money-laundering probe by it "revealed that Amway is running a pyramid fraud in the guise of a direct selling multi-level marketing network".

An Amway India spokesperson said the development is in connection with an investigation launched in 2011 and that the company has been cooperating with the authorities. "We will continue to cooperate with the relevant government authorities and the law officials towards a fair, legal, and logical conclusion of the outstanding issues."

Data protection Bill

The Internet and Mobile Association of India (IAMAI), which represents domestic and global companies such as Meta, Google, Disney Star, Dell and Reliance Jio, has opposed 18 as the age of consent for children under the proposed Personal Data Protection Bill 2021.

The age requirement will impede the growth of industries that offer tailored knowledge as well as entertainment products and services for children, IAMAI says. Instead, it has suggested that the definition of a "child" should be reduced from 18 years, based on global norms.

40 Chinese among 60 foreigners booked for various corporate offences

The Economic Offences Wing (EOW) of the Mumbai Police has registered 34 FIRs against 150 people, including 60 foreigners - 40 of them from China - for allegedly violating laws regarding the registration of new companies and for fraudulently becoming directors of Indian companies, a police official said.

The official said the FIRs were registered between April 1 to 15 and added that four more First Information Reports will be registered.

Among the 60 foreigners against whom the cases are filed, 40 are from China and the rest from Singapore, the UK, Taiwan, the USA, Cyprus, the UAE, and South Korea.

As per the preliminary investigation, the accused had given false statements to the ROC (Registrar of Companies), Mumbai, an EOW official said.

Two out of five new companies opted for 15% tax in 2019-20

Two out of every five new domestic manufacturing companies incorporated in 2019-20 (April-March) opted for the 15 per cent concessional corporate tax rate announced by the Union government in September 2019. These companies, numbering 1,244 in 2019-20, cumulatively accounted for just Rs 35.13 crore in total income, government data showed.

For 2019-20, the number of new manufacturing companies that filed corporate tax returns has been taken as 3,219 (the difference between 1,36,909 manufacturing companies that filed corporate tax returns for 2019-20 and 1,33,691 companies that filed returns for 2018-19).

Normal monsoon this year, predicts skymet

India will receive "normal" rainfall this monsoon season, Skymet Weather, a private weather forecasting company said adding that the rainfall will be 98% of the Long Period Average (LPA).

The long period average for June to September period is 880.6mm, based on the average between 1961-2010. Normal rainfall is categorised as between 96-104% of LPA. Last year, monsoon rainfall was 99% of LPA in the "normal" category and in 2020, monsoon was 109% of LPA in "above normal" category.

New norms for MFs investing in commodity markets

Sebi came out with a new framework for evaluating risk level of commodities -- gold and gold- related instruments -- in which mutual funds are permitted to invest on risk-o-meter.

In a circular, the markets regulator said it has been decided that investment in such commodities by the mutual fund schemes will be assigned a risk score corresponding to the annualized volatility of the price of such commodities.

The annualized volatility will be computed quarterly based on past 15 years' prices of benchmark index of a commodity and risk score for such commodity will be categorized in four levels ranging from "moderate" to "very high", Sebi said in a circular.

Annualized volatility of less than 10 per cent, 10-15 per cent, 15-20 per cent and more than 20 per cent, will have risk score of 3 (moderate), 4 (moderately high), 5 (high) and 6 (very high), respectively.

SEBI penalises BSE, NSE for 'lapses' in Karvy scandal

The Securities and Exchange Board of India (Sebi) has slapped a penalty of Rs 3 crore on the BSE and Rs 2 crore on the National Stock Exchange (NSE) for "laxity" in detecting misconduct by Karvy Stock Broking (KSBL).

The Hyderabad-based broking outfit misused securities worth Rs 2,300 crore belonging to over 95,000 clients through unauthorised pledging. These funds were used by the brokerage and its group entities to raise Rs 851 crore from eight banks.

This marks a rare instance where the regulator has charged stock exchanges -considered to be the first-level regulators - for the misconduct of a broker.

CBDT notifies ITR forms for assessment year 2022-23

The Central Board of Direct Taxes (CBDT) notified five income tax return (ITR) forms for assessment year 2022-23, requiring more disclosures, including details of investment in unincorporated entities, and income from overseas retirement benefit accounts from taxpayers.

The ITR Form 1-Sahaj and ITR Form 4-Sugam are forms that cater to a large number of small and medium taxpayers, the CBDT said. The notification gives enough time to assessees to file timely returns, it said. "It is one of those unusual occurrences when the

Co-operative societies now on a par with companies; to be taxed at 15%

Cooperative societies will now have to pay a lower Alternate Minimum Tax, Finance Minister Nirmala Sitharaman announced, in a relief to the groups with members mostly from rural areas and the farming communities.

AMT brings into the tax net companies or groups who, in spite of earning profits, pay "zero tax" due to various concessions under tax laws.

"Currently, cooperative societies are required to pay Alternate Minimum Tax (AMT) at the rate of 18.5 per cent. However, companies pay the same at the rate of 15 per cent. To provide a level playing field between co-operative societies and companies, I propose to reduce this rate for the cooperative societies also to 15 per cent," Sitharaman said in her budget speech.

For cooperatives with a total income above Rs 1 crore up to Rs 10 crore, the Finance Minister also proposed to reduce the surcharge from the present 12 per cent to 7 per cent. "This would help in enhancing the income of cooperative societies and its members who are mostly from rural and farming communities," she said.

CBDT has notified all the ITR forms (except the form for charitable trust) on the first day of the relevant year (AY 2022-23). The just notified ITR forms have additional particulars of disclosures to provide more information at the time of filing of return of income itself," said Om Rajpurohit, director, AMRG & Associates.

Foreign trade policy extended till September 30

The government has further extended the existing Foreign Trade Policy (FTP) till September 30 this year, according to a commerce ministry notification. FTP provides guidelines for enhancing exports to push economic growth and create jobs.

On March 31, 2020, the government had extended the Foreign Trade Policy 2015-20 for one year till March 31, 2021, amid the coronavirus outbreak and the lockdown. In the policy, the government announces support measures for both goods and services exporters.

"The existing Foreign Trade Policy 2015-20 which is valid up to March 31, 2022 is extended up to September 30, 2022," the Directorate General of Foreign Trade (DGFT) said in the notification.

Exports touch new peak of $418 b in FY22

India's merchandise exports spurted to a record high of $418 billion in the 2021-22 fiscal on higher shipments of petroleum products, engineering goods, gem and jewellery and chemicals, according to official data released.

Outbound shipments touched an all-time high of $40 billion in a month in March 2022, Commerce and Industry Minister Piyush Goyal told reporters here. Exports stood at $34 billion in March 2021.

Merchandise exports were worth $292 billion in FY2020-21. India's merchandise exports had breached the targeted $400 billion mark on March 23 this year. The key export sectors, which contributed to record healthy growth, include petroleum products, engineering, gems and jewellery, chemicals and pharmaceuticals.

The top five export destinations are the US, UAE, China, Bangladesh and the Netherlands. Hailing the country's success in achieving the goods export target, Prime Minister Narendra Modi had said that this is a key milestone in India's 'Aatmanirbhar Bharat' journey.

March GST mop-up at new high of Rs. 1.42 trn

GST collection in March touched an all-time high of over Rs 1.42 trillion, an increase of 15% annually, on the back of rate rationalisation and anti-evasion steps, the finance ministry said.

With the record collection, the Centre's Goods and Services Tax (GST) mop-up has exceeded the revised budget target of Rs 5.7 trillion set for the previous fiscal ended March 31, 2022.

The gross GST revenue collected in March 2022 is Rs 1.42 trillion, of which CGST is Rs 25,830 crore, SGST is Rs 32,378 crore, IGST is Rs 74,470 crore (including Rs 39,131 crore collected on import of goods) and cess is Rs 9,417 crore (including Rs 981 crore collected on import of goods).

The gross GST collection in March 2022 is all-time high, breaching an earlier record of nearly Rs 1.41 trillion collected in January.

SEBI forms panel to strengthen governance of stock exchanges

Capital markets regulator Sebi constituted a committee for reviewing and making recommendations for further strengthening of governance norms at stock exchange and other market infrastructure institutions (MIIs).

The development comes in the backdrop of alleged corporate governance lapses at NSE, with several issues coming to the fore following a Sebi order that disclosed the existence of a 'Himalayan yogi' who influenced the decisions of the exchange's former MD and CEO Chitra Ramkrishna.

Apart from this, Ramkrishna had shared certain internal confidential information, including financial and business plans of NSE, dividend scenario, financial results with the yogi and even consulted him over the performance appraisals of the exchange's employees.

Net direct tax collection rises 50% in FY22

Direct taxes, comprising income tax and corporation tax, have broken all records and touched Rs 13.81 trillion in FY22. Collection jumped more than 49 per cent over that of the previous fiscal year, mainly due to a low base effect. In FY21, net collection stood at Rs 9.23 trillion.

However, collection in FY22 is even higher by 34 per cent and 23 per cent over the pre-pandemic levels of FY19 and FY20. In FY20, net collection was Rs 10.28 trillion and in FY19 Rs 11.18 trillion. Gross collection in FY22 touched Rs 15.83 trillion, which too is a historic high, according to the officials. This was mainly driven by corporation tax, which as no March 31st stood at Rs. 8.48 trillion and personal income tax added Rs. 7.08 trillion. Refunds aggregating Rs. 2.01 trillion were issued last fiscal year. ❑

Mutual Fund News

AUM of domestic funds hit a record Rs. 20 lakh crore

Though India's market capitalization has fallen by nearly 8% from the peak, the equity value of the domestic mutual funds or the Assets Under Management (AUM) hit a record Rs.20 lakh crore in March following sustained inflow, according to the NSDL data. This includes equity funds, arbitrage funds, equity exposure in balance funds and exchange traded funds (ETFs).

The local funds had the second largest equity AUM at the end of March 2022 following foreign portfolio investors (FPIs) with an AUM of Rs 47 lakh crore. The share of local mutual funds in the country's market capitalization rose by 300 basis points to 8% over the past year.

The AUM of local equity funds has nearly doubled over the past two years buoyed by a strong inflow. Indian savers invested over Rs 3 lakh crore in FY22 in equity mutual funds through active and passive schemes. The AUM share of domestic funds in the total institutional equities rose by nearly 160 basis points to 17.4% in March. The total institutional equity AUM at Rs 117.7 lakh crore accounted for nearly half of India's market capitalization.

LIC MF aims to be amongst top 10 over the next five years

LIC Mutual Fund, aims to be amongst the top 10 mutual fund houses over a five year period.

"We want to increase penetration of mutual funds and focus on SIPs. We are strengthening our team and market positioning," says TS Ramakrishnan, MD & CEO LIC MF. Ramakrishnan points out that few big distribution partners are closely observing their scheme performance and expects them to start selling their products soon. Currently the fund house has an AUM of Rs 17,817 crore as of March 2022 and ranks 22 in the 43 player MF industry.

While the fund house is looking to boost its digital presence to reach out to new investors, it has also recently opened branches in two tier and three tier centres like Varanasi, Indore, Gurugram, Ludhiana . It will also open branches in Vijayawada & Noida soon.

On competition coming from new age fintech players like Zerodha , Paytm and Orowealth who plan to enter the mutual fund space Ramkrishnan believes new players expand the market and reach out to new potential investors.

Mutual funds add over 3 crore folios in FY22

Increasing awareness about mutual funds, ease of transactions through digitisation and sharp surge in equity markets have aided asset management companies to add a staggering 3.17 crore investor accounts in 2021-22, with experts saying the trend is likely to continue this fiscal as well.

This was a significant rise from 2020-21 when 81 lakh accounts (or folios in mutual fund parlance) were opened, data with the Association of Mutual Funds in India (AMFI) showed.

The ongoing financial year too appears to be promising in terms of folios as increase in investor accounts will enable people to move beyond fixed deposits and savings accounts, said Priti Rathi Gupta, founder of LXME, a financial platform for women.

Market conditions, geopolitical situations, inflation rates, financialisation of investments and increasing awareness among the people are some of the elements that may have an impact on this industry, she added.

MFs go long on new-age companies, beaten-down stocks

Top mutual funds lapped up beaten-down shares of recently-listed companies in March. SBI Mutual Fund, ICICI Prudential, Nippon India and UTI bought One97 Communications - parent of Paytm, which has been under selling pressure since its listing on November 18. The stock had fallen to a low of Rs 520 on March 23, more than 75% below its IPO price of Rs 2,150. Since then, it has recovered 32% to Rs.688.

During the month, these funds also bought afresh shares of PB Fintech (Policybazaar), Zomato Star Health, which too were out of favour on Dalal Street.

Amidst rising inflows into equity funds, fund managers bet on the 're-opening trade', buying shares of airlines, hotels, malls, entertainment and logistics. Prominent companies such as Indian Hotels, KPR Mill, V-Mart Retail, Sundaram Finance, Bharat Forge, PVR, and Barbeque-Nation Hospitality have been bought by fund managers of leading fund houses for their March 2022 portfolio.

BSE's StAR MF platform sees record 29.9 lakh single-day transactions

BSE's mutual fund distribution platform StAR MF processed a record 29.9 lakh transactions in a single day.

The platform has surpassed its previous best single-day record of 26.65 lakh transactions registered on January 10, the exchange said in a statement.

Snehal Dixit, Business Head-Mutual Funds BSE StAR MF, said that reaching new heights by adding many more transactions is possible since mutual fund has become a product of the masses.

"Distribution is spreading due to digitisation, area and the scope for distributors, which is increasing with new investors entering the MF market," he added.

In March, BSE StAR MF processed a record number of 1.97 crore transactions against its previous best of 1.87 crore transactions in January.

In the entire FY22, the mutual fund distribution platform processed 18.47 crore transactions as against 9.38 crore achieved in the preceding financial year.

Besides, the platform registered 10.89 lakh new systematic investment plans amounting to Rs 250 crore last month.

Equity mutual funds see Rs 1.64 lakh crore net inflow in FY22

Strong SIP book and lower returns from traditional investments made equity mutual funds an attractive investment destination for investors with equity-oriented funds receiving a staggering net inflow of Rs 1.64 lakh crore in 2021-22.

This comes following a net outflow of Rs 25,966 crore during 2020-21, data with Association of Mutual Funds in India (AMFI) showed.

Going ahead, we expect the growing inflow trends in equity mutual funds to sustain given the current economic condition and markets, Manish Kothari, CEO and Co-Founder, ZFunds, said. According to the data, equity mutual funds witnessed a net inflow of Rs 1,64,399 crore in the entire 2021-22. This included an all-time high inflow of Rs 28,464 crore last month.

Bandhan-led group to buy IDFC MF, deal valued at Rs. 4,500 crore

Bandhan Financial Holdings won the bid to buy IDFC Asset Management Company in a deal valued at 4,500 crore, marking the entry of a financier that began its life as a bottom-of-the-pyramid lender into the ritzy business of asset management dominated by bulge-bracket financial groupings such as ICICI, HDFC and the State Bank of India. This is the largest deal to date in the Indian asset management space.

The consortium led by the Kolkata-based owner of Bandhan Bank trumped the US based Invesco that partnered with buyout firm Warburg Pincus and Kedaara Capital, paying 3.6% of the assets under management. The winning group includes Lathe Investments Pte. Ltd, an affiliate of Singapore sovereign wealth fund GIC, and local private equity fund ChrysCapital.

JM Financial was advising the Bandhan-led consortium in the deal.

Addition of mutual funds business to Bandhan's portfolio of tiny, small-ticket and housing loans would improve its ability to cross sell financial products to millions of customers who do not have access to savings instruments. ❑

Co-Operative Bank News

Rural Co-op Banks allowed to raise more funds

The Reserve Bank of India has allowed Rural Cooperative Banks (RCBs) to raise funds from people in their area of operation or existing shareholders through a variety of instruments.

RCBs, which include state co-operative banks and district central co-operative banks, can raise funds from preference shares and debt instruments, RBI said in a notification.

RBI said the review is being done following the rural co-operative banks coming under the ambit of the amended Banking Regulation Act.

Such lenders can augment their capital through the issue of preference shares, which can include issue of perpetual non-cumulative preference shares which will be eligible for inclusion in core tier I capital. Besides, tier-II capital instruments, including perpetual cumulative preference shares, redeemable non-cumulative preference shares and redeemable cumulative preference shares can also be utilised.

RRBs need uniform regulations

Regional Rural Banks (RRBs) need to be brought under uniform regulations along with co-operative banks and even public sector banks, according to a report by the economists at State Bank of India. It also said that several regulations for RRBs need to keep abreast with changing times and need to be updated.

"We believe it might be better to clearly separate the outcome-based regulation from rule-based regulation" report titled "The fallacy of using outcome based intervention as a yardstick for rule based regulatory intervention in Regional Rural Banks - Key Issues & Recommendations" said.

The RRBs are at present subjected to a hybrid regulation: a combination of using specific outcomes to mandate rule-based regulations. This may have queered the pitch for RRBs in terms of performance indicators. " We believe it might thus be better to clearly separate the outcome-based regulation from rule-based regulation" the report said. In a rule based regulatory framework, the regulator sets rules that needs to be adhered to by regulated entities. The rules in themselves aim to "force" a specific outcome.

In an outcome based regulatory framework, there is a clear move away from adherence to prescriptive rules to high level outcomes that need to be achieved. An outcome-based regulation eliminates one size fits all ap-

RBI imposes penalties on 3 Co-Operative banks

RBI has imposed penalties totalingR.5 lakh on three cooperative banks for various non compliances.

A penalty of Rs.2 lakh has been imposed on The Yashwant Cooperative Bank Limited, Phaltan for contravention of non-compliance with directions issued by it on Income Recognition, Asset Classification, Provisioning and other related Matters, the RBI said in a statement.

In another statement, the central bank said a penalty of Rs 2 lakh has been imposed on Kokan Mercantile Co-operative Bank Ltd., Mumbai for similar non-compliance.

The RBI has also imposed a penalty of Rs 1 lakh on the Samata Cooperative Development Bank Limited, Kolkata, for contravention of directions issued by it on 'Exposure Norms & Statutory/Other Restrictions-UCBs', the RBI said in a separate filing.

proach to regulation and enables entities to have a more focused approach.

The report called for the need for alignment of business and investment rules of RRBs set two and a half decade back with best practices and in sync with Cooperative Banks and even PSBs.

The RRBs also need to partner effectively with state governments to strive for the continued improvement in credit culture and thereby need to adapt to the fast-changing economic landscape and reorient their business model accordingly.

RRBs agriculture outstanding is Rs 2.3 lakh crore as of Mar'21, of which 99.3% of lending went to farm credit only. " This indicates RRBs have been reluctant to lend beyond the farm credit. The share of agriculture infrastructure lending is only 0.3% of total agriculture lending. RRBs should thus focus more on allied activities in order to diversify their lending portfolio. RRBs should explore tie-up with the government owned agri/ allied, agri activities like dairy etc) and agribased fintech Companies besides exploring SHG/JLG linkages, where NPA in the portfolio is low" the report 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.

It also does not cover any amount due on account of and deposit received outside India, and amount which has been specifically exempted by the corporation with the previous approval of the RBI.

At the end of last fiscal, 252.6 crore accounts were covered. Of these, 98.1 per cent were fully protected accounts and remaining were partly protected. As per the corporation, the amount of assessable deposits stood at Rs 1,49,67,770 crore at end-March 2022.

The Deposit Insurance and Credit Guarantee Corporation (Amendment) Act, passed by Parliament in 2021, made significant changes in the landscape of deposit insurance in India.

Under the Act, the Corporation is liable to pay the insured deposit amount to depositors of an insured bank. Such liability may arise when an insured bank undergoes liquidation, reconstruction or any other arrangement under a scheme, and merger or acquisition by another bank.

Unity Small Finance Bank pays Rs 3,800 crore to 8.5 lakh PMC Bank depositors

Unity Small Finance Bank paid around Rs 3,800 crore to depositors of the scam-hit Punjab and Maharashtra Co-operative Bank (PMC Bank) after the Deposit Insurance and Credit Guarantee Corporation (DICGC) had certified about 850,000 such valid accounts earlier in the day.

"Unity SFB received from DICGC a certified list of erstwhile PMC Bank depositors who are eligible to receive up to Rs.5 lakh of their deposits, post banking hours," Jaspal Bindra, executive chairman, Centrum Group told.

A depositor received her money subject to a maximum ceiling of Rs5 lakh as per the insurance cover. This means, if the total deposit outstanding is less than the benchmark size, the saver receives the full money back.

Unity SFB has instantly credited the deposit sum in all those depositors' bank accounts with their holders sending confirmation of their credit balance on the Unity Bank App. ❑

Legal News

Dishonor of Cheques

The reach of Section 138 of the Negotiable Instruments Act, which deals with dishonoring of cheques, was put to test in a case before the Supreme Court, Sunil Todi & others Vs State of Gujarat.

The appellants were directors and Managing Director in RL Steels & Energy Ltd, a company to which Gujarat was supplying electricity. The appellants had given a post-dated cheque for Rs. 2.68 crore with an endorsement that read "to be deposited after confirmation only for security purpose."

However, the company defaulted on paying its electricity bill and the state deposited the cheque; the bank (Karur Vysya Bank, Aurangabad) returned the cheque saying that the drawer had stopped payment.

The state of Gujarat filed a criminal complaint, seeking issue of summons and imposing a fine of Rs. 5.35 crore.

The legal question before the apex court was whether this issue was covered by Sec 138 of the NI Act. The appellants contended that the section did not cover those cheques given as 'security', which "should not have been deposited for encashment in the first place."

The Supreme Court disagreed. It noted that just by labelling the cheque as 'security' would not mean it was not an instrument designed to meet a legally enforceable debt or liability. Once the electricity supply had been made, the dues became payable.

It said that the very purpose of the NI Act was to enhance the acceptability of cheques and instill faith in negotiable instruments. The purpose of the provision of the said Act would become otiose if the provision of the said Act was interpreted to exclude cases where debt was incurred after the drawing of the cheque but before its encashment.

Embezzlement - not a loss in business

A business that suffers embezzlement of funds by its staff cannot claim the loss as a 'loss in business income' to calculate income tax, because it is an unascertained liability, the Income Tax Appellate Tribunal Bengaluru, has held.

Avijit Dewanjee, who runs the Honda dealership, Max Motors, wanted the Rs. 2.24 crore misappropriated by his staff to be treated as a loss in the course of business. Dewanjee has complained to the police. The auditors have observed that the management only suspects fraud by the employees and a complaint has been lodged with the police. The Assessing officer disallowed the loss. "It is not ascertained liability in the assessment year under consideration. Accordingly, we reject the claim of the assesse," the ITAT said.

Resolution plan NCLT

It is an established principle of law that once an adjudicating authority (NCLT) approves a resolution plan, all other claims stand extinguished from that moment. But apparently, the Income Tax department needed to learn this by losing a case.

Oasis Textiles went into insolvency and was later liquidated, on June 30, 2020. The Official Liquidator informed the income tax department of the proceedings at every step, practically giving a ball-by-ball commentary. However, the department did nothing to participate in the proceedings and stake its claim as an owed party. But later, the IT department made a claim for tax dues.

The Income Tax Appellate Tribunal (ITAT), Ahmedabad bench, said, 'sorry, you are not entitled to recover any dues'. Noting that the Official Liquidator had "intimated the IT department from time to time in writing" the Tribunal pointed out, "but no action has been taken by the department."

"Once a company is dissolved, it becomes a non-existent party and therefore no action can be brought in its name. Therefore, in view of the overriding effect of IBC, we hold that the Revenue is not entitled to recover the claim," ITAT said.

The precedent cited in this case was a decision of the Supreme Court of India, in the case of Ghanshyam Mishra & Sons Vs Edelweiss Asset Reconstruction. In that case, the apex court had said: "when the resolution plan is approved by NCLT, the claims, which are not part of the resolution plan, shall stand extinguished and the proceedings related thereto shall stand terminated."

SC: Laundering more heinous than murder

Observing that the offence of money laundering cannot be treated lightly, the Supreme Court said that it was a more serious and heinous crime than murder as it affected the entire economy whose growth could be put on hold or derailed because of it.

The court is examining the constitutional validity of various provisions of Prevention of Money Laundering Act (PMLA) for allegedly being violative of basic principles of natural justice and criminal jurisprudence.

While hearing a batch of petitions, including those filed by Congress leader Karti Chidambaram and former Maharashtra home minister Anil Deshmukh, the court said such crime affects the integrity and sovereignty of the country and that was the purpose for bringing the Act.

No proceedings against Moser Baer

If a personal guarantor passes away, the proceedings against him shall abate, the New Delhi bench of the National Company Law Tribunal (NCLT) has held, in the case of Alchemist Asset Reconstruction Company Vs Deepak Puri. Puri was the personal guarantor of the corporate debtor, Moser Baer India Ltd.

The financial creditor, in this case, had filed an application under Section 95 of the IBC to initiate corporate insolvency resolution process (CIRP) against Puri. It later came to the notice of the Resolution Professional that the personal guarantor Deepak Puri had passed away.

The Resolution Professional recommended that the proceedings against the personal guarantor be closed. Deepak Puri, Chairman of Moser Baer, recipient of Padma Shri award in 2010, was being investigated by the CBI in a Rs. 727.25 crore bank fraud case. He died in California on October 2, 2021.

Buyer shouldn't pay for bank's mistake

Pandav Roy had entered into an agreement with Merlin Projects for the purchase of a row house in a complex called "The Terrace" at Merlin Greens in South 24 Parganas. The total consideration was Rs 14,25,000, of which Roy paid Rs 2,43,750 as earnest money.

Roy approached Union Bank of India to obtain a home loan of Rs 15 lakh. Upon sanction, a tripartite agreement was executed on January 21, 2004, which required the bank to pay the builder the balance of Rs 13,81,250 towards the row house, and the remaining amount of Rs 1,18,850 for registration of deed of conveyance.

Roy also paid an additional Rs. 2 lakh as contribution towards the corpus fund and for maintenance and other charges. He received possession of the row house on April 20, 2004, along with amenities such as water supply, electricity, generator, and security services.

Pay penalty for failing to keep books of accounts

The Pune Bench of the Income-Tax Appellate Tribunal recently confirmed the penalty imposed on a doctor under Section 271A of the Income-Tax (I-T) Act, 1961, for not maintaining books of accounts.

Suresh Surana, founder, RSM India, says, "According to Section 271A of the I-T Act, if any person fails to maintain books of accounts and other documents for any financial year, as required by Section 44AA and Rule 6F, or retain them for seven financial years, tax authorities can direct him/her to pay penalty."

Sections 44AA and 271A of the Act, are interconnected. The former requires professionals and business persons to maintain books of accounts, the latter spells out the consequences of not doing so.

Ajit Shah, partner, N. A. Shah Associates, says, "Failure to maintain these records or retain them for six years from the end of the relevant assessment year can result in a penalty of Rs. 25,000."

Sameer Jain, managing partner, PSL Advocates & Solicitors, says, "If assessment under Section 147 is launched, then books of accounts and other documents must be retained for six years or until the assessment is completed, whichever is later." ❑

KVB's Total Business crosses Rs. 1,25,000 crores

Mr. Ramesh Babu
MD & CEO

Karur Vysya Bank announced today as the bank crossed the milestone business figure of Rs. 1,25,000 crores. Total business constitutes the total deposits and advances of the Bank. While the total deposits of the bank stood at Rs. 68,676 cr. as on 31.03.2022, the total advances was at Rs. 58,086 cr., aggregating a total business of Rs. 1,26,762 cr.

Mr. Ramesh Babu, Managing Director & CEO of the Bank said, "This is a significant landmark in the 100 plus years history of the bank. We are thankful to all our customers, many of whom are second and third generation customers of our bank, for their trust and support. The employees of the bank have worked over the years to ensure sustained quality of customer service. Our approach is to offer our customers, need-specific, financial products / services by providing tailor-made solutions and a positive customer experience through delivery of quick and efficient services."

Karur Vysya Bank was started in the year 1916 and today has a gamut of financial services, all under one roof, and service millions of customers across India. The bank innovates consistently to deliver value to its customers. The Bank has always been a frontrunner in adopting and leveraging on technology to offer products and services to its customers. The bank had a branch network of 789, ATM network of 1639 and 584 Recycler / Cash Deposit Machines across India.

Signzy Named Winner of IFSCA's BankTech Hackathon for Its Unified KYC Solution

The International Financial Services Centres Authority (IFSCA) has named Signzy one of winners of its 'Sprint01: BankTech' Hackathon. Signzy secured the top rank for its Unified KYC Solution. The hackathon was open to all eligible FinTechs from across the globe and was one of its kind, being backed by a Financial Sector Regulator.

The other two winners of the Hackathon are SBNRI Technologies Private Limited, and EdgeVerve Systems Limited, who won for Retail Banking Products at IFSC and Buyers Credit Optimization respectively. Signzy and others were granted a prize money totaling ?24 Lakh.

All three winners will be allowed a direct entry into the applicable IFSCA Regulatory or Innovation Sandbox. They will further receive Regulatory guidance and handholding. After a successful exit from the respective Sandbox, they will get an opportunity to set up business at GIFT IFSC.

Commenting on the win, Ankit Ratan, co-founder of Signzy said, "We are honoured to receive this recognition from IFSCA for our Unified KYC solution, and this win is dedicated to the larger Signzy team that has worked hard to create one of the best digital KYC and customer onboarding platforms anywhere in the world. We are equally excited to participate in the IFSCA Regulatory and Innovation Sandbox, as we look forward to new opportunities to make a meaningful difference to the growth and evolution of the global fintech industry."

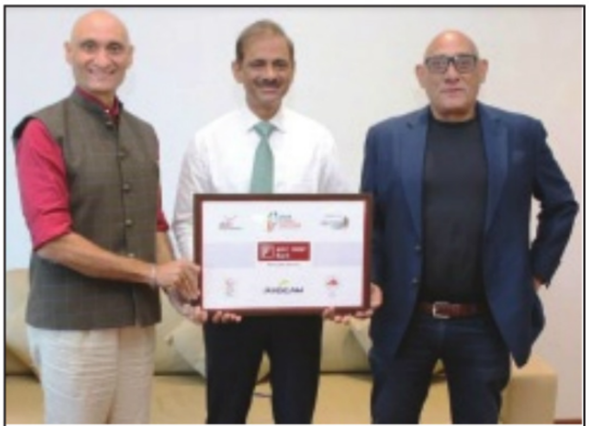
"Sprint01: BankTech'' under the banner of I-Sprint'21 was launched with a focus on Banking Sector and was hosted by IFSCA and GIFT City in collaboration with NITI Aayog. The Partners to the Hackathon were ICICI Bank, HSBC Bank, International Centre for Entrepreneurship and Technology (iCreate), Zone Startups, and Invest-India.

The global FinTech Hackathon is part of InFinity Forum 2021. InFinity Forum is IFSCA's flagship financial technology event, uniting the world's leading minds in policy, business and technology to explore and advance the biggest ideas in FinTech and to develop those ideas into global solutions and opportunities.

Signzy has won many awards in the recent past for its technology innovation, some of them being IAMAI's Most Innovative Fintech Data Solution Provider Award, ASSOCHAM's ICT Startup Awards, Technoviti Award 2020 for Video KYC, and many more. In the past, Signzy has also won awards from regulatory bodies like RBI and MAS Singapore.

IDFC FIRST Bank Stamps Presence in Participative Sport with Procam International

IDFC FIRST Bank announced its inaugural sponsorship of participative sports with Procam International and its four global distance running events as the Associate Sponsor - Tata Mumbai Marathon, Tata Consultancy Services TCS World 10K Bengaluru, Delhi Half Marathon, Tata Steel Kolkata 25K and a partner to Sunfeast India Move As One.



Vivek Singh, Jt. MD Procam International;
V Vaidyanathan MD & CEO, IDFC FIRST Bank along with
Anil Singh, MD Procam International

For the next five years, the technology-led bank will cement its association with the races that have ushered in a running revolution and helped redefine the health, fitness, and giving paradigm of our country. The Bank's vision is to build a world class bank in India, guided by ethics, powered by technology, and to be a force for social good.

With social good being one of its founding pillars, IDFC FIRST Bank's products and services are designed keeping societal impact in mind. At the core of its business model is customer-centricity. The Bank uses sophisticated technologies that enables it to be flexible and innovate new solutions to meet the evolving aspirations of its customers and the wider society. The marathon ties in well with the Bank's mission of touching the lives of millions of Indians in a positive way.

V Vaidyanathan, MD & CEO, IDFC FIRST Bank, said, "We are thrilled to associate with the iconic Tata Mumbai Marathon and a series of running events across the country. These events have grown in international stature and repute over the last decade and it is a proud moment for us to be the Associate Sponsor. As a bank, we want to make a healthy difference to people's lives just as we do to their finances - and we also want to energise our customers and society to achieve their absolute best."

Running is the fastest-growing participative sport in India. Approximately 700 new amateur runners lace up each day to begin their tryst with running. The Procam events have played a pivotal role in this transformation - from starting a health & fitness revolution that spawned over 1600 races in the country, to creating a springboard for Indian long and middle-distance runners; harnessing an entire eco-system around running and a 'giving rainbow' for the social sector. A beacon of hope and humanity, 1000+ NGOs working for multiple causes, have cumulatively raised over INR 475 crores using the events as fundraising platforms.

Moreover, in the last two years, capitalizing on the Power of Technology and a Digital-first approach, Procam International launched app-enabled versions for these races. Thus, expanding its footprint and taking the events beyond their geographical boundaries, while maintaining the spirit of running and fitness unfettered by the constraints imposed in the aftermath of the pandemic and ensuring COVID-appropriate behaviour.

"Sport has the power to unite and be a force of change," said Anil and Vivek Singh, Promoters, Procam International. "IDFC FIRST Bank is an outstanding brand that stands for trust, strength and dynamism, and it is a great pleasure to associate with such a name as our Associate Sponsor for our distance running events across the country. We have always looked up to them as a quality bank for the long-run. The series of events goes well with their vision of "touching the lives of millions of Indians in a positive way" and the marathon partnership with IDFC FIRST Bank will go a long way in energising people of our country."

TRANSFORMATION EFFORTS OF THE BANKING INDUSTRY OF BANGLADESH IN THE NEW NORMAL

The impact of the Covid-19 crisis created foundation for the transformation and restructuring of the banking industry. Historically, economic and financial crises challenged traditional business models which appear to be even more relevant during new normal. The evolving and changing business and economic environment necessitate adjusting and transforming business and operating models of the banking and financial institutions. Covid-19 responses and sustainability are crucial in a fast-moving developing country like Bangladesh where the economic activities and the businesses have notable dependence on the banking industry for almost all types of financing.

Considering the range of activities pursued by the banking industry of Bangladesh, it might be labeled as a very good example of a 'universal banking approach' and thus the associated level of expectations from the industry have made strategic and operational adjustment even more complex in this critical situation. As in most global economies, the circumstances demand transformation and restructuring in the banking industry of Bangladesh where reviewing existing approaches, technology adoption, capacity development, newer risks, and supportive policy and regulatory environment seem to have a remarkable role. The feature is about understanding the emergence and capturing information on the transformation and restructuring efforts in the banking industry of Bangladesh for coping with Covid-19 changes and ensuring sustainable operation in the new normal.

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Covid-19 severely affected Bangladesh's real sector which has notable implications for the financial sector of the country. Not different from most other global economies, banking sector of Bangladesh was affected from the very first wave of the pandemic. Regular banking activities and deposits shrunk, and banks reflect over conscious approach to lending operations. Especially, capital adequacy, asset quality, and other solvency indicators came under stress. There are positive indications of recovery and turning around following the symptoms of improving the real sector of the country mainly following the third quarter of 2020. However, uncertainty remains, and the strength of the banking sector would be truly tested when moratoriums and special policy supports will be completely withdrawn.

Covid-19 policy responses covering the government's stimulus packages, central bank's expansionary monetary policy, and moratoriums associated with loan classification and provisioning have notable implications for the banking industry of Bangladesh. The government has distributed its social safety payments, incentive packages, salary and allowances to the garment workers through mobile banking accounts. Banks were given the responsibility of implementing most of the stimulus packages while ensuring credit risks for the credit facilities. The central bank has been very active to promote smooth and easy payment facilitation by banks and other associated entities from the very first day of the pandemic disruption.

The transaction limit and cost of different payment channels were relaxed, and payment system facilities were expanded and speeded up for smoother transactions. Bangladesh Bank advised banks and financial institutions to operate limited business activities resorting to online banking while handling cyber security. Banks and MFS providers were instructed to open MFS accounts to support garment workers and other customers. The central bank also permitted some non-bank entities to operate ATMs across the country for spreading banking networks at an affordable cost. Online and mobile transactions received a remarkable boost during the pandemic that has given customers the experience of easy, smooth, and instant payment.

The central bank came up strongly to promoting digital venturesin the context of the Covid-19. Bangladesh Bank (BB) approved Digital Nano Loan in 2021 which has huge potential to pull credit delivery to the SMEs. Technology adoption and inclination to the new technology and innovation received impetus as part of Covid-19 response activities and startups came up with numerous ventures and initiatives. To support these, BB formulated a policy relating to the disbursement of collateral-free loans by creating a BDT 500 crore refinancing fund to help the country's startups. Besides, the commercial banks are instructed to form their own funds with money equivalent to 1.0 percent of their respective operating profits. Despite the necessity of such funds, this seems to be a deviation from the regular practices of venture capital financing, and might contribute to adding another avenue of bank financing in the context of Bangladesh. The issuance of the guideline on e-KYC is a notable initiative by the Bangladesh Financial Intelligence Unit (BFIU) which might prove to be remarkable in facilitating the ongoing transformation efforts. This is also very much connected with the addressing of money laundering and cyber security concerns.

Like in most other economies, special compliances, relaxation, warning to handle financial crimes were evidenced in the context of Bangladesh. BFIU issued instructions for relaxed and smooth delivery of stimulus packages for much-needed quick economic recovery, while on the other hand, it issued warning to the banks to be alert to the potential risks of financial crime. The declaration of the government of Bangladesh regarding 50 percent penalty reflects the country's concern about falsification of invoicing during the period. During the period, BFIU issued specific guidelines on trade-based money laundering (TBML) to be enforced by the banks. The guideline is expected to have notable implications to reshape the compliance framework and would require reasonably high investment on the part of banks.

Enhancement of green and sustainable banking is desired to be one of the most crucial automatic responses of the Covid-19 which is associated with the cause of the ongoing

devastated pandemic. BB circulated 'Sustainable Banking Policy' and newer approach to the intended expansion of health-related CSR activities during 2020 and 2021. The central bank issued new CSR guidelines emphasizing health sector in the context of Covid-19. BB's policy approach to sustainable banking during the period intended to encourage the banking industry to undertake green financing activities and to handle environmental risks in the banking operation.

Since the beginning of Covid-19, most banks have used digital channels such as telephone, SMS, and e-mail services instead of actual meetings with clients for communication purposes. Furthermore, some banks have launched various initiatives to aware consumers how to use applications and digital services. Virtual platforms for corporate meetings, as well as digitized process automation to prevent direct interaction and people gatherings, are being emphasized increasingly. Despite the risks, several banks use in-person communication due to their large customer base and capacity limitations. Furthermore, rural bank locations were unable to implement alternative digital channels for client connections.

The majority of banks have decided to operate physical banking on a restricted scale instead of complete digitalized banking; however, most banks took initiative for improving internal technology infrastructure and alternative delivery methods. Increased emphasis has been placed on using smart banking apps, online banking, and other digital platforms to carry out banking transactions, including customer onboarding. Banks have offered online account opening, automated challan system for fee-based transactions, and online transactions for payment of installments and other banking charges for clients as part of the digital transformation. Adoption of technology impacted account opening arrangement of most of the banking institutions in the country.

Banks shifted their perspective, exploring innovative methods to serve consumers efficiently in the context of Covid-19. There are several efforts to reach out to clients online through process automation. They have chosen to serve customers remotely through digital platforms for internal processes as well as customer service support. Various app-based banking products were provided through the web and Internet by some banks. Several banks have started offering easy and speedy loans via internet banking.

With their existing products, certain banks have integrated features such as Debit Card, SMS Banking, Internet Banking, Bangladesh Automated Cheque Processing System (BACPS), Bangladesh Electronic Fund Transfer Network (BEFTN), Real Time Gross Settlement (RTGS), and others. Some banks have also implemented digital loan processing systems, i.e. paperless loans. Practically, digitalization efforts were initiated much before the outbreak of the Covid-19 devastation, however, the initiatives received momentum and several new digital ventures were undertaken in the context of the pandemic.

During the pandemic, banks placed a strong emphasis on sending soft copies (scanned copies) of needed documents by email. Traders in foreign trade submitted their soft copy for LC opening via email. In addition, during the early stages of Covid-19, when physical presentation of documents was difficult, certain banks worked on scanned documents and shipping guarantees to release items. Furthermore, several banks brought Non-Authorized Dealer branches under trade centralization to help traders by ensuring smooth transactions and lowering costs. In trade service operations, certain banks have used a 'Hub System' for document distribution and submission. Banks later acquired hardcopy and compared it with data as necessary. Block-chain might be game-changers in trade facilitation in near future, and a few banks are already engaged in piloting blockchain-based trade facilitation. As a move toward sustainable digital transformation, some banks implemented the engineering of a Digital Documentation Management System (DMS) to gradually replace manual file processing.

Using of e-KYC is already contributing to the banking operation. Getting involved in start-up financing (in response to the BB's call and directives) by the banking institutions would add another feather to the service dimensions of the banking institutions of the country. However, this seems a deviation from the regular practice of venture capital that intends equity mode of financing. Considering the risks associated with start-up financing, equity mode might be more attractive to the financiers. Islamic banks of the country might grab start-up financing comfortably using Musharakah mode (equity participation contract).

Coordination with Fintech is getting emphasis amongst banks. Banks have begun collaborating with Fintech to explore point-of-sale payment and financing and investing in on-boarding mobile financial services. Banks are increasing cooperating with MFS in the process of technology driven transformation. For example, 'Binimoy', the interoperable digital transaction is ready to be launched in 2022. First of its kind, this platform is expected to allow the flow of money from the wallet to the bank to the vendors- in all directions. By the time, bKash along with 15 banks have signed up for the platform to automate credit rating and credit scoring in near future. These trends exhibiting digital transformation in banking can be attributable to the changing customer expectations.

Collaboration with Regtech continues to rise and technological innovation is at the driving seat of the banks' risk compliance initiatives. Despite several compliance relaxations in the context of Covid-19, the overall compliance burden of banks and financial institutions increased. Sustainable banking initiativesmaintained consistent trend during the new normal and there was extensive expansion of health-related CSR activities by banks. However, environmental risk management did not receive the expected level of attention keeping in mind the visible cause of the pandemic and long-term sustainable approach to the development.

It is now obvious that the pandemic heightened the urgency for all banks to reassess their existing business models, core systems structure, distribution networks, and commitment to innovation and product flexibility to come up with the required level of expectations of the customers with simplified digital solutions. The new banking model must reflect more agile and capable to address aggressive competition and shareholders' expectations with greater efficiencies having widespread uncertainties associated with the pandemic.

The ongoing critical phase demand greater coordination among policymakers and market players, agility in decision making, and reflection of dynamism. Banks and technology firms have wider scopeof mutual benefits from deep cooperation in fields like cloud computing, big data, blockchain, and AI that simultaneously serves the interests of banks, technology companies, and consumers. Considering the development of Central Bank Digital Currency (CBDC), international coordination might be helpful. Developing countries like Bangladesh could be benefitted being part of a regional or developing country platform for CBDC research and experimentation.

There is no doubt that the use of digital platforms by banks to facilitate and expand their customer base is creating new forms of operational relationships between banks and non-bank technology players. Keeping distance from non-bank technology firms and Fintech might be unsustainable while adoption and partnering may lead to further consolidation of the banking industry by lowering distribution costs. Several banks are already on the track. This market transformation is expected to bring improved efficiency to financial intermediation, upgraded product diversification, and efficient pricing with potential concerns in terms of technology-driven money laundering and cybersecurity risks. Technology adoption might be the source of several concerns and financial crime risks, however, only embracing technology can bring the best solution for handling these challenges. In this context, shadow or less regulated portion of activities should be brought under regulatory and monitoring framework.

Finally, financial inclusion and environmental risk management should receive greater impetus in the transformed, restructured, and technology-driven banking operation of the country. And, all these banking transformations and restructuring efforts might be ineffective with weak bank governance culture. It is the three interrelated pillars 'embracing technology', 'environmental risk management', and 'sound governance' that should get appropriate attention and resource allocation to address the challenges of the banking industry in this new normal. ❑

TIME BANK IS NEED OF THE TIME

Introduction:

The concept of Time Banks is gaining momentum at a rapid pace in the entire world. Time banks have been established in 34 countries .The numbers of Time Banks have grown sharply in the year 1940. At that time the number of Time Banks in United States were500 and now more than 37000 enrolments exist. TimeBanks also have a significant presence in Switzerland, Japan, South Korea, New Zealand, Taiwan, Senegal, Argentina, Israel, Greece, and Spain.

The Joint Family System of our own country was in operation since inception. It acts as a strong bulwark against the problems arising due to old age and also problems arising due to penury. The joint family systems have also their limitations. Under this system one person was earning and rest persons were dependent on them. Finally the burden of resources as well as change of socio- cultural crumbled the joint family system. In search of employment the members of joint family move out of the system.

This created a new concept in the name of nuclear family system. Hence, the need of Timebanks is very much relevant in India as of today. More over the reasons about the importance of Time Bank are many more. In our country the habit of serving the old people in new generation are dwindling day by day. It is often seen that children after getting job either forget their parents or ignore them. In such circumstances, the role of Times Bank is vital.

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What is the concept of Time bank?

Time banking is a bartering system for services, where people exchange services for labour-time based credits, rather than money. The term "Time Banking" was coined and trademarked by American lawyer Edgar Cahn, who advocated its use to supplement government social services.

The Swiss Government has started the initiative in their country. The Swiss Ministry of Health has created a time-bank concept to assist senior citizens in the country.

Under this Time Bank one side new generation persons will secure themselves for getting old by investing their time in serving old people. As by giving service they will get a card as like credit card that can be used when they will become old. By doing, so the inclination towards helping others will grow. This will strengthen the society as well as country in a long way. In nutshell the concept of Time Bank is boon for all citizens.

The Five Core Values of Time Banking:

Edgar Cahn is the founder of modern timebanking. He noticed that successful timebanks almost always work with some specific core values in place. In his book **No More Throw-Away People**, he listed four values. Later, he added a fifth. These have come to be widely shared as the five core values of time banking - and most timebanks strive to follow them. They are a strong starting point for successful time banking.

Asset: Every one of us has something valuable to share with someone else.

Redefining Work: There are some forms of work where remuneration cannot be in the form of money like building strong families, revitalizing neighborhoods, making democracy work, advancing social justice. Time credits were designed to reward, recognize and honor that work.

Reciprocity: It helps that works as a two-way street and empowers everyone involved .The question: "How can I help you?" needs to change so we ask: "Will you help someone too?"By doing this we ensure that, we help each other and build the world of togetherness were we all will live in.

Social Networks: By helping each other we increase support, strength & trust of communities The Community is built by sinking roots, building trust, creating networks. Through this Time banking, we can strengthen and support these activities.

Respect: It underlies freedom of speech, freedom of religion, and everything we value. It also supplies the heart and soul of democracy. We strive to respect where people are in the present moment, not where we hope they will be at some future point.

Who can use Time banking?

- Anyone can use this Time bank
- It includes individuals, groups, organizations, government agencies, churches, businesses.
- It also includes any organization that is helped by volunteers. Volunteers can earn time credits for the help they provide. They receive one credit for each hour of service.

But it is important to remember that in time banking, both receiving and giving have equal weight. Here People cannot give till others will not receive .Both are bound up together and mutual value is found through both.

You can take up Time banking in two ways. Either join a Timebank that has already been created and start giving and receiving services with other members or form a team to create a new Timebank and invite people to join.

What Can Time banking do?

Currently, the most common model of Time banking focuses on neighbors-helping. In this way they help the most vulnerable person and to build a strong sense of community. But in some places, people and organizations are approaching Time banking as an opportunity to design targeted uses of Time banking to achieve specific goals.

Here are list of the things that people have done with Time banking:

- Strengthened the sense of community.
- Improved learning at school.
- Reduced the number of droppings from school.
- Helped public to save money by using public house.
- Supported hospital patients as they return to regular life at home.
- Brought art and music into a community.
- Helped seniors remain at home.

Scope:

A subcommittee within the National Human Rights Commission (NHRC) has also recommended that India should test a pilot project under Ministry of Social Justice and Empowerment. The true value of any noble intentions or concept lies in its implementation. In our country we are adding 4.5 million senior citizens to its population every year. The rapid nuclearization of families, improved education, longer life expectancy and good job opportunities are extending scope of Time Bank. The COVID -19 pandemic once again proved this dependency factor of our country. Besides the maintenance and welfare of parents and senior citizens amendment bill 2019 which is big step for strengthening this concept.

Way forward:

The scope of time Bank is not similar as the scope of normal bank. Here there is great opportunity for banking industry. In general due to decreasing margin in loan Banks are vying for non interest income. The work of Time bank is new concept in our country. If we provide the same type of service and we will charge for that service in lieu of card then it will be boon for banking industry.

Through this Time bank concept normal Bank can increase their balance sheet by adding more revenue from this concept. Of late, the Government of India started door to door service for the customers of the bank.

The purpose is to give facility to senior citizens of India. The work of Time bank is related to the service of senior citizen. Keeping in view the EASE reforms of Government of India it is expected that very soon the concept of Time bank will be one pillar. As we aware that EASE ranking is Public sector banks ranking.

The bank who will take a lead will be benefitted. It is astonishing that till time our Indian banks are not implementing this concept. In general any new concept where there is scope of earning income is implemented by all institutions.

The concept of Time Bank will not only enhance the income but at some extent will solve the unemployment rate. The concept of Time Bank is new in our country but opportunities are many more. It may be the chance that this concept of Time bank will be one part of the normal banking. Any way implementation of this concept either may be in form of Bank or as part of the bank will serve our purpose. ❑

Voluntarily getting income re-assessed without cess, surcharge waiver not to attract penalty: FM

Finance Minister Nirmala Sitharaman said the retrospective amendments relating to claiming deduction for cess and surcharge is aimed at preventing misuse of the provision, especially by those who have treated it as exemptions or business expenditures. The Finance Bill had proposed retrospective disallowance of deduction for surcharge or cess with effect from Assessment Year 2005-06.

As per the amendment passed by the Lok Sabha, any such deduction claimed would be treated as "under reported income" and will be subject to 50 per cent penalty.

Replying to the debate on Finance Bill in the Lok Sabha, Sitharaman said surcharge and cess on tax have been over the years "misused" and people have treated it as their exemptions or business expenditures.

"That has become a very, very confusing point on which people have gone to courts also. So that amendment with an retrospective effect has been brought for more clarity," she said.

HAS THE WHEEL COMPLETED A FULL CIRCLE?

The above question has come to the foray, as the farm bills passed by the parliament has become an Act with the assent of President Sri Ram Nath Kovind.

If we go by the history, the situations and circumstances which were prevailing then have necessitated the formulation of certain guidelines or systems with regard to providing necessary infrastructure for farmers to sell their produce by establishing APMC/MANDIS, Assured payment of minimum support price and see that certain section of commodities are put under Essential Commodities list.

With the passing of farm bills, there has been considerable doubt and worry in farming community. Their main concerns are whether the APMC/Mandis will exist, Whether the Government will abolish the concept of Minimum Support Price and with the new provisions, whether influence and dominance of corporates will be more.

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Let us try to understand, whether the above are merely apprehensions of farmers, or they are really threats which are looming on them or these new changes will bring the desired growth in their income levels and will be definitely a right and big step towards better future.

Essential Commodities (Amendment) Act, 2020

If you consider one of the farm bills which is The Essential Commodities (Amendment) Act, 2020 has certainly diluted the main purpose of the act which was enacted way back in 1955. The Act which has been an effective tool, where in the Government could intervene and control the rise of prices of essential commodities which are coming under the act. The commodities which are covered under the act are essential drugs, fertilizers, pulses, edible oils and petroleum and petroleum products.

The recent bill has deregulated commodities such as cereals, pulses, oilseeds, edible oils, onion and potatoes. Whether this will rekindle the habit of hoarding which was prevalent in previous times and black-marketing, which were the root cause for the then Government to bring the Essential Commodities Act, 1955. There were number of incidences in the past where the prices of essential commodities was in rise and Government has stepped in and took measures to control the hoarding and export of such items and made the commodity available to general public at a reasonable or affordable price.

In the economy survey 2019-20 presented by the Chief Economic Adviser Mr.K V Subramanian. It was expressed that "The Indian economy is replete with examples where Government intervenes even if there is no risk of market failure, and in fact, in some instances its intervention has created market failures".

The Survey has also expressed that the measures to control stocks and prices of essential commodities like vegetables, pulses and medicines had unintended effects like market distortions and price hikes of these products. It also has been felt that the main purpose for which Essential Commodities Act, 1955 was brought in to see that the poor get commodities at reasonable prices and restrict hoarding, but this resulted in creating market distortions that have prevented the efficient development of agricultural markets.

The recent incidents where restrictions were imposed in holding stock limits to prevent hoarding of Onions due to rise in prices in September, 2019 had limited success, as there was no effect in controlling the prices. There is also a view point that with the imposition of limits of stock that a producer or wholesaler can store has discouraged investment in warehousing and storage facilities, which could otherwise be very effective method of overall development in rural areas.

The above incidents might be some of the reasons which have definitely promoted the Government in coming up with recent amendment to the Essential Commodities Act ,2020 and the new amendment has also made a distinction between the hoarders and the firms that genuinely need to hold the stock for further processing or adding value. The act has also made it clear that "any action on imposing stock limit shall be based on price rise and an order for regulating stock limit of any agriculture produce may be issued under this Act only if there is -

(i) Hundred per cent increase in the retail price of horticultural produce or

(ii) Fifty per cent increase in the retail price of non-perishable agricultural food stuffs.

Over the price prevailing immediately preceding twelve months, or average retail price of last five years whichever is less".

With the above amendments to the Essential Commodities (Amendment) act, 2020 it is pretty clear that Government wants to give the corporate players a greater scope in building the agriculture infrastructure and also give more freedom in dealing with the agriculture produce. This can be viewed as a big opportunity for agriculture sector, but may create a situation wherein this may give rise in corporate monopoly in dictating the prices of these commodities as they have resources and machinery to build facilities to hold the stock as there is no restriction in storage as per the present amendment.

The Government has come up with another act -

THE FARMERS'PRODUCE TRADE AND COMMERCE (PROMOTION AND FACILITATION) ACT, 2020

The Act is about "to provide for the creation of an ecosystem where the farmers and traders enjoy their freedom of choice relating to sale and purchase of farmers' produce which facilitates remunerative prices through competitive alternative trading channels; to promote efficient, transparent and barrier-free inter-state and intra-state trade and commerce of farmers 'produce outside the physical premises of markets or deemed markets notified under various State agricultural produce market legislations;

to provide a facilitative framework for electronic trading and for matters connected therewith or incidental thereto".

The contention in this Act was to allow farmers to sell their produce anywhere so that they get better remunerative price, this have given a reason for worry for farmers and also arthiyas. There has been lot of confusion and views expressed by many they feel that structure of APMC/ MANDIS will be removed slowly and also the main issue that Government will dispense with giving Minimum Support Price and also there will not be procurement by Government on the basis of MSP. Arthiyas and commission agents are other section of people who are most affected and especially the State Government who are generating substantial income by way of levy, cess or fee.

If we go little bit into history and understand what made the structure of APMC/MANDIS to come up , the main reason was to safeguard farmers from large retailers, moneylenders or creditors, because these people used to compel farmers to sell their produce at the farm gate for an extremely low price, so to protect farmers from this exploitation it was decided that farmers need a common place where they can sell their produce not less than the pre-determined price(MSP) and get the proceeds without any delay.

The idea of implementation of MSP was started in mid - sixties, when India was food deficit. One of the steps that Government took at that time to boost domestic production through Green revolution and make farmers grow input intensive high yielding crops such as wheat or Paddy and assured that they get better or minimum support price, this has encouraged and given confidence to many farmers to produce more.

Now as per the new Act, farmers are free to sell as well as traders can procure the produce outside the APMC/Mandis, as per this large corporate players enter the market and with their financial strength and available resources can reach out to farmers and procure the produce at farm gate. This will be a beneficial step for the farmers but when we go by the farm census in India nearly 85% of farmers own less than two hectares of land, such farmers will not have scope to negotiate directly with large scale buyers, because of which they may be forced to sell at a lower price.

Farmers feel that APMC/Mandis have till now played a crucial role and ensure timely payments, they also feel that

it is the responsibility of the Government to see that large number of farmers get the benefit of MSP and also need to plug the so called loopholes like exploitation by middlemen/ arthiyas in these APMC/Mandis, rather make them redundant. They also feel that any person who is having a PAN card can be a trader and no licence is required for such a person to trade, this may lead to unscrupulous traders enter the market by which they may get cheated.

Farmers also feel that, If any dispute arising out of a transaction with trader ,the grievance mechanism is complicated because they have to initially approach sub-Divisional Magistrate and not satisfied with the order of Sub-Divisional Magistrate can refer an appeal before Appellate Authority (Collector or Additional Collector) .The act expressly bar the jurisdiction of civil courts in entertaining disputes arising under the operation of these legislations, Farmers fee that this makes their position more vulnerable as they can't approach civil court for justice.

There is another most important section in this chain who are most affected ,they are arthiyas or commission agents who are in large numbers and under whom work large number of labourers , with the introduction of this Act, these people feel that most of them will lose their livelyhood. The structure of arthiyas has interwoven so much in this setup that farmers feel more comfortable to sell at MANDIS/APMC through arthiyas so that they can sell at MSP and get money immediately, also arthiyas will be providing finance to them when needed. Government feels that with the opening of farm sector private investment will come and the influential role of middle men will go away and farmer will be freed from the exploitation and can sell their produce wherever they get good price.

The other party who are most affected are state Governments who have been generating huge revenue through the Mandis ,not only with regard to this they feel that since agriculture and markets are state subjects, the present Act of centre is a direct encroachment upon functions of states and against the co-operative federalism enshrined in constitution .

Most affected are Punjab and Haryana, where in More than 85% of wheat and paddy grown in Punjab, and 75% in Haryana, is bought by the government at MSP rates. These states are also most invested in the APMC system, with a strong Mandi network, a well-oiled system of arthiyas or commission agents facilitating procurement, and link roads connecting most villagers to the notified markets and allowing farmers to easily bring their produce for procurement. The Punjab government charges a 6% Mandi tax (along with a 2.5% fee for handling central procurement) and earns annual revenue of about Rs.3500 crores from these charges. They also feel that there will be greater impact on the development activities as the state has been spending the venue generated through this mandis for various development activities in the state.

The expectation of every aggrieved party with this Act is that Government has to give confidence to them and come up with clear-cut guidelines that the interest of all will be taken care. With regard to farmers assure them that MSP will remain and such assurance if made part of the Act, will generate lot of confidence in them. With regard to other section such as arthiyas or commision agents, who are fearing of losing their livelihood, assurance should be given that they will be shown some alternative or will be made to continue to be part of this mechanism in a better way and State Governments who will be losing revenue from APMC/ Mandis have to be shown some avenue where the generation of income can be substituted so that the development of the states will not get affected.

Another act which was brought is

THE FARMERS (EMPOWERMENT AND PROTECTION) AGREEMENT OF PRICE ASSURANCE AND FARM SERVICES BILL 2020

The act "to provide for a national framework on farming agreements that protects and empowers farmers to engage with agri-business firms, processors, wholesalers, exporter or large retailers for farm services and sale of future farming produce at mutually agreed remunerative price framework in a fair and transparent manner and for matters connected there with or incidental thereto".

If we go by the status of contract farming in India it has been prevalent in only some states like Punjab Haryana, Karnataka, Madhya Pradesh, Maharashtra, Gujarat and Tamil Nadu. The agri-based and food industry, who are active in promoting contract farming as they require timely and adequate inputs of good quality agriculture produce. There were initial difficulties to the companies or sponsors to convince the farmers to this model and also the produce was not as per the required quality and quantity, this led to companies to think of backward linkage, where the companies have started to provide necessary inputs like seeds saplings usage of modern technology regular inspection of crops and provide advisory services on crop management.

There are various advantages of contract farming for the farmers such as

1. They get considerable production support in addition to the supply of basic inputs such as seed and fertilizer. Sponsors may also provide guidance and support farmers in land preparation, field cultivation and harvesting as well as free training and extension.
2. Farmers access to some form of credit to finance production inputs. Arrangements can also be made with commercial banks or government agencies through crop loans that are guaranteed by the sponsor, i.e. where the contract serves as collateral.
3. Use of new production techniques which are necessary

to increase productivity as well as ensure that the commodity meets the market demands

4. There can be considerable improvement in skill development, such as efficient use of farm resources, innovative methods of applying chemicals and fertilizers, knowledge of the importance of quality and requirements of various markets.
5. As there will be written farming agreement, The farmers can get guaranteed returns.

Farmers are foreseeing various fears and disadvantages while engaging through contract farming

1. As the farmers are tying up with agribusiness ventures, there maybe necessity or compulsion to go for cultivation of new crops in the area because of which there may be production risks, particularly where prior field tests are inadequate, resulting in lower than expected yields for farmers.
2. With the sponsors insisting on use of technology and use of sophisticated machines, for better and quality output this may result in loss of local employment and overcapitalization of the contracted farmer.
3. If the survey by field staff of the sponsors has not been properly done and the sponsors fix an unrealistic expectations, because of which there may be production loss or may not reach the agreed level.
4. Farmers also feel that if the market for their produce cripple unexpectedly the sponsors may manipulate quality standards in order to reduce prices which may result in unrest.
5. If there is any dispute, there are apprehensions of losing substantially, if they are not getting relief at Sub-Divisional Authority or Appellate Authority, as civil courts will not entertain any suit under this Act.
6. There may be a situation when there is a rise in price in the open market for the product, they will be losing the benefit of selling in open as they are bound by contract agreement.

Conclusion:

Indian farmer is like Karna in Mahabharata, who suffers with curses in spite of having so many virtues.

Whenever there is good rain before sowing of crop it is a blessing for him as this will result in taking agricultural activities timely. This year fortunately there has been good monsoon and also due to the COVID - Pandemic, there has been lot many people who have migrated to cities have returned to their home towns/villages, because of which there has been sufficient labour for agricultural activity and as per the estimates this year the sowing has been 88% more than the last year. But if the same rains come during the time of harvesting as most of times it happens , the farmers will be at losing end.

Farmers also feel that even though they have got good crop yield, they are not getting better price to their produce, because of which only there has been constant demand of enhancement of MSP, which should be fixed after taking in the actual costs involved in cultivation, rather fixing it mechanically.

There are many such issues which farmers are already facing and with the enactment of these bills.

The Government has been very positive and confident that the farms bills will usher a new life of Indian farmers and Prime Minister Mr. Narendra Modi has felt that this is a watershed movement for agriculture sector. The Government has to make all-out effort to create confidence and show that their intentions are very clear that the farmers interest are protected and should make every effort to drive out all misconceptions.

Even though it seems the wheel has completed its full circle, the assurance and intentions of Government has to create an environment that there will not be reoccurrence of any issues of the past.

Let the vision of Government come true and wishing that there will be a beacon of light for a new beginning of real growth in farm sector and the goal of Government to see that farmers' income will be doubled by the year 2022 comes true.

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CRYPTO CURRENCY

Crypto means a person who adheres or belongs secretly to a party or group, not openly declared. Crypto currency is a virtual currency or digital currency that is secured by cryptography, which makes it nearly impossible to counterfeit or double-spend. Many cryptocurencies are decentralized networks based on block chain technology - a distributed ledger enforced by a disparate network of computers.

Crypto currency is produced by a public network, rather than any government that uses cryptography to make sure payments are sent and received safely. Every crypto currency is a unique code or serial number. Each transaction is verified through an electronic distributed ledger called the block chain.

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How is crypto currency created:

Crypto currency or Crypto coins creation depends on what is defined by a given crypto currency, code. It is created by a process called mining. Different process is adopted during creation of Crypto currency.

In many Crypto currencies, after completion of mining a new coin is created. How exactly coins are created depends on what is defined by a given crypto currency's code. Crypto currency is created by solving mathematical puzzles in a computer intensive process called mining. Crypto currency is stored in "wallets" or digital directories accessed by password. Crypto currency can be broken into smaller unique units. One can trade fractions of crypto currency or crypto coin.

So crypto currency is software and a transaction is recorded and is dictated by code. Crypto currency transactions are stored as database known as a block chain. It is created by algorithms that rely on cryptography. Crypto currency software is decentralized and distributed, it means it is hosted on many computers across the world. The algorithms are written to award coins to computers that add transactions to the block chain.

Control and verification of crypto currency:

Crypto currency is neither backed by any banks or governments nor is it recognized as legal currency. Private parties are able to use bit coin for transactions if agreed upon and it is also purchased and traded on exchange by investors.

Three easy steps are there to verify Crypto currency.

Step 1: Note your transaction ID: After sending crypto currency from one wallet to another wallet. One receives a transaction ID. This transaction id represents a unique "fingerprint" of transaction and allows transaction to be tracked. Make sure to save the transaction id.

Step 2: Input Transaction ID into the Block chain: Different crypto currency has their own block chain, which can be accessed from as website. For Bit coin, one can track at https://blockchain.info/.

Enter Transaction ID into the search field of the website and they can know the details of transactions. If one forgot to copy or save Transaction ID the he can search by using exchange or wallet address.

Step 3: Check the status of transaction & verify its details: All the details regarding transaction will show after entering the transaction id. One can verify the details of transaction and check its status.

Number of Crypto currency:

There are more than four thousand crypto currencies of which some has very little volume of transactions. Some of important crypto currency include Bit coin, Ethereum, Litecoin, cardano etc. Most of the Crypto currency is not linked to an asset but some are stable linked to as asset like US dollar or basket of currencies. Many countries have legalized the Crypto currency like Morocco, Nigeria, Namibia, United States etc. China is also developing a crypto currency called digital Yuan, so called central bank digital currency that aims to replace some of the cash in circulation.

Transactions through Crypto currency:

Transactions are sent between peers using software called crypto currency wallets. The person creating the transaction uses the wallet software to transfer balances from one account (AKA a public address) to another. To transfer funds knowledge of a password (AKA a private key) associated with the account is needed. Transaction made between peers is encrypted and then broadcast to the crypto currency's network and queued up to be added to the public ledger. Transactions are then recorded on the public ledger via a process called mining.

All users of a given crypto currency have access to the ledger if they choose to access it. The transaction amounts are public by who has sent the transaction is encrypted. Each transaction leads back to a unique set of keys. Whoever owns a set of keys, own the amount of crypto currency associated with those keys. Many transactions are added to a ledger at once. These blocks of transactions are added sequentially by miners. That is why the ledger and the technology behind it are called "block" "chain". It is a "chain" of "blocks" of transactions.

How Cryptography works with crypto currency:

The keys that move balances around the block chain utilize a type of one way cryptography, called public key cryptography. The "hashes" (the one way cryptographic codes that tie together blocks on the block chain) use a similar type of cryptography. Meanwhile transaction data sent and stored on the block chain is tokenized (tokenization is a type of one way cryptography that points to data but doesn't contain all the original data).

The key to understanding these layers of encryption which ensure a system like Bit coin's (Some coins work a little differently) is found in one way cryptographic functions(

cryptographic hash functions, cryptographic tokens and public key cryptography are names for specific, but related type of one way crypto graphic functions). The main idea is that crypto currency uses a type of cryptography that is easy to compute one way, but hard to compute the other way without a "key" So we can say that it is easy to create a strong password but it is very hard for others to guess a strong password after it has been created.

Cons of Crypto currency:

1. It can be difficult to comprehend
2. Challenges of market fluctuation
3. No security in case of loss
4. Cyber security issues
5. Price volatility and lack of inherent value
6. Potential shortage of resources
7. Potential mismanagement

Pros

1. Unparalleled Transparency
2. Instant and 24- hour accessibility
3. Absolute secrecy
4. Massive potential for returns
5. Short time horizon
6. Increased liquidity

Crypto currency An Indian Perspective:

Crypto currencies in Indian market can no longer be dismissed. Several Central banks in the world are closely monitoring crypto currencies to both determine regulations to protect investors as well as explore their benefits in the context of central bank digital currencies. So there is a need of regulation. Crypto currencies today lack the regulatory safeguards that financial institutions and market have, such as third party audits, financial reporting and disclosure, prevention of insider trading and proper security infrastructure - all of which pose risks for the retail investor when UN established.

There is need of regulation regarding various aspects of crypto currency like exchange, governance around issuance of new tokens, marketing etc. the potential of crypto currencies to make transactions and payments faster, cheaper and more secure has attracted several central

banks to actively experiment with them. Bank of England and the people's Bank of China have already published statements that they will be issuing their own digital currency. In country such as India, where a majority of population still remains unbanked, financial inclusion could emerge as one of the biggest benefit of central bank digital currencies. Crypto currency is a viable substitute to reduce the need for cash, which is the only other retail form of central bank money in circulation.

But the RBI has a two pronged view on crypto currencies and has been very consistent in its messaging for several years. On one hand it has repeatedly warned the general public against investing in crypto currencies, citing concerns over consumer protection, market integrity and money laundering. On the other hand it has been quite welcoming toward block chain technology in general finding the applicability of crypto currencies. The current need is a clear articulation of what constitutes a crypto currency it considers to be problematic.

Key problem that the crypto currency community needs to address by initiating a dialogue with regulators. In Dec 2013, RBI issued the first of several statements warning users of the risks of trading in digital currencies. India's Finance Minister said in statement that people will be given adequate windows to experiment with block chain, bit coins and crypto currency. Union finance Minster Niramala Sitharaman has said that India is not shutting off all options when it comes to crypto currency or block chain and fin tech. She hinted that the center many not go for a blanket ban on digital currencies in the country. So we hope that Government comes with good regulation which is beneficial for all. ❑

STARTUP INDIA SCHEME - A REVIEW

Introduction:

Startup India Scheme is a flagship initiative of the Government of India (GOI) intended to generate large scale employment opportunities which was launched in January 2016. India has managed to retain its position as the 3rd largest start ecosystem in the world with more experienced professionals taking up an entrepreneurship route. It has also scrolled up in 2018 to position itself 57th rank in the Global Innovation Index from the 60th position in the previous year. In addition, India also holds the title for the highest Unicom holder of 8 ventures right after the US and China (1).

Department for Promotion of Industry and Internal Trade (DPIIT), GOI, is mandated to coordinate implementation of the Startup India initiative with other Government Departments viz. Department of Science and Technology, Department of Bio-technology, Ministry of Human Resource Development, Ministry of Labor and Employment, Ministry of Corporate Affairs and NITI Aayog. Hence, the Government wants the contribution of Micro, Small and Medium Enterprises (MSMEs) to India's GDP to reach 50 per cent by 2024, from the current 29 per cent, and provide jobs to nearly 15 crore youths in the next four years, up from 11 crores at present.

Further, these Startups and MSMEs are the foundation based on which Government's both Atma Nirbhar Mission and Make in India Vision, aim at generating more employment, increasing exports, improving the standard of living of millions of Indians and making India strong globally. While there is enough potential for the startups to grow in the coming years, there are numerous issues before them which need to be addressed. Similarly, it is necessary to create awareness of the role of startups particularly in rural areas on the part of entrepreneurs, officers in Government and banks for which it calls for bringing success stories to the notice to them. In this backdrop, the present article is

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written to make an overview of promotion & development of startups in India, discuss a live success startup case and examine issues and suggestions.

How to set up a Startup:

To get recognized as a Start-up business under the Startup India Scheme, the firm must fulfill certain conditions (2). These include: (i) The firm to be formed must be a private limited company or a limited liability partnership. (ii) It should be a new firm or existing firm not older than five years and, its total turnover is not exceeding Rs. 25 crores. (iii)The firm should have obtained approval from the DIPP. (iv) To get the same, it should be funded by an Incubation Fund, Angel Fund or Private Equity Fund. (v) The firm should have obtained a patron guarantee from the Indian Patent and Trademark Office. (vii) It must have a recommendation letter by an incubation center and, (ix) The firm must provide innovative schemes or products.

The application along with supporting documents including Certificate of Incorporation should be submitted to the Start-Up India Hub which will review & grant recognition as a Startup and issue a Certificate of Recognition. After receiving the necessary recognition as Startup, the next step is to go in for Registration. For this, it has to obtain PAN of the firm by preparing a brief write-up covering details of recognition received, how to generate revenue and business plan to solve problems. To promote and develop startups, they are eligible to receive liberal support n the form of incentives from the Government which are discussed as under:

Government Incentives to Startups:

Incentives are offered by the Government under different programmes. To elaborate, Make in India' Vision was introduced in September 2014 to attract foreign investments and encourage domestic companies to participate in the manufacturing sector. Thereafter, the Government increased the foreign direct investment (FDI) limits for most of the sectors and strengthened Intellectual Property Rights (IPRs) as protection to instill confidence in the startups. Another commendable and far reaching initiative has been 'Digital India', introduced in 2015, is expected to ensure that the government services are made available to citizen through online platform that aims to connect rural areas by developing their digital infrastructure to provide huge business opportunity for startups. Similarly, as per the "Industry-Academia Partnership and Incubation" of the Startup India initiative, the Government has announced plans for the development of "Research Parks" to be created in partnership with higher education providers across India.

An initial investment of Rs.100 crore, has also been set aside for the program, which aims to provide students with access to funds and mentorship for startups. Further, the 'Innovation in Mobile App Development Ecosystem (I-MADE)' program was rolled-out in February 2016 which aims to create mobile app startups in collaboration with leading Indian universities. More importantly, the 19-point Startup India Action Plan was launched in January 2016 which focuses on restricting hindrances and promoting faster growth by way of: (i)Simplification and Handholding (ii) Funding Support & Incentives and, (iii) Industry-Academia Partnership and Incubation.

As per the Startup India web-site, the Government incentives include:

i) Self Certification regarding fulfillment of conditions related to environment and pollution clearances.
ii) No inspection for the first 3 years
iii) Mobile app registration just in one day
iv) Startup India hub in a single point contact
v) 80 per cent rebate on patent filing fees
vi) 35 public/private incubators being in existence
vii) 31 Innovation centers being set up at national institute
viii) 3 new bio clusters and 7 new research parks being created 500 tinkering labs also available
ix) Patent regime to be simplified

x) Easier Public procurement norms and minimum requirements to get listed as a seller (xi Patent regime to be simplified

xi) Dedicated fund of Rs.2500 crore for startups, as well as a credit guarantee fund of Rs.500 crore rupees to offer a cover for loans provided by banks

xii) Income Tax exemption for a period of the first three consecutive years and also exemption on capital gains & investments above the Fair Market Value and,

xiii) Easy winding up on completion of seven years from the date of incorporation/registration and the turnover for any previous year exceeding Rs.25 crores and also easy exit from business under Insolvency and Bankruptcy Code (3). These and other incentives are made available under different schemes specially formulated for startups which are classified into traditional and new.

Startup Schemes:

(A)Traditional Schemes:

These schemes aim to provide funds, banking, accountancy, product description, overall development, legal backing, branding, design, launching, publicity, marketing etc. These schemes are launched by different Government departments/sponsored organizations such as National Small Industries Corporation (NSIC) etc. and lending institutions including Small Industries Development Bank of India (SIDBI), National Bank for Agriculture and Rural Development (NABARD) and banks. The major traditional schemes are meant for providing:

i) Support for International Patent Protection in Electronics and Information Technology

ii) National Clean Energy Refinance Fund

iii) Modified Special Incentive Package

iv) Performance and Credit Rating

v) Raw Material Assistance

vi) Support for Promotion of Innovation

vii) Entrepreneurship Development in Agro-Industry

viii) Coir Udyami Yojana

ix) Udaan Training Programme for Unemployed Youth of J&K

x) Loan for Rooftop Solar PV Power Projects

xi) Dairy Entrepreneurship Development

xii) Single Point Registration

xiii) Support for International Patent Protection in Electronics & Information Technology

xiv) Cluster Development by Khadi and Village Industries Commision (KVIC)

xv) Grant to Professional Bodies & Seminars/Symposia in Science & Technology

xvi) Establishing Collaboration between R&D Academic institutions and Industry

xvii) Grant for New-Gen Innovation and Entrepreneurship Development

xviii)Venture Capital Assistance Scheme for Agri-entrepreneurs

xix) Stand-up India for SC/ST and Women Entrepreneurs

x) SIDBI Sustainable Development Projects for Energy Efficiency and Cleaner Production

xxi) SIDBI- Make in India for enterprise and,

xxii) Working Capital finance by banks. Details of these schemes are available by visiting NSIC web-site (4).

(B) New Schemes:

i) Startup India Seed Fund Scheme, 2021- The scheme provides seed funding, inspire innovation, support transformative ideas, facilitate implementation and undertake startup revolution. It aims to provide financial assistance to startups upon verification of concept, prototype development, product trials, market entry and commercialization The scheme is expected to support around 3,600 startups through 300 incubators. It is also proposed to create a corpus of Rs. 945 crore which will be divided over the next 4 years for providing seed funding to startups through incubators in Tier 2 and Tier 3 towns which are often deprived of adequate funding. It is planned to encourage innovators from rural entrepreneurs to come forward and benefit from this scheme (5).

ii) Pradhan Mantri Micro Units Development and Refinance Agency (MUDRA) Yojana- This provides funds to banks for on-lending to micro-finance institutions and non-banking financial institutions (NBFCs) at low rates. Loans up to Rs 10 lakh can be availed under MUDRA scheme. It was launched in 2015 and within 2 years, more than 1.8 crore jobs were generated. Till August end, 2020, more than 67 lakh loans amounting to Rs 48,000 crores have been sanctioned under the MUDRA scheme. There are three categories startups which include: (a) Shishu: This is for new businesses being eligible for loans up to Rs 50,000. (b) Kishor: This is for mid-aged businesses to get up to Rs 5 lakh and, (c): Tarun: This is for existing & experienced businesses to receive up to Rs 10 lakh can be availed. This MUDRA loan scheme also covers MSMEs such as Small Manufacturing Units, Retailers, Wholesalers, Artisans etc.

iii) Credit Guarantee Trust Fund for Micro & Small Enterprises (CGTSME) - This is one of the biggest Startup loan schemes launched by the Ministry of MSME. Under this scheme, collateral-free loan up to Rs 1 crore is provided to eligible startups and MSMEs. Now, the guarantee cover is available up to Rs. 5 lakhs.

iv) Financial Support to MSMEs in ZED Certification Scheme - This covers both existing and new manufacturing units under Zero Defect and Zero Effect (ZED) mission with a view to create better products, with high quality and zero defects which, in turn, aims to embrace the world-class manufacturing processes, and use of advanced technology.

v) Credit Linked Capital Subsidy for Technology Up-gradation (CLCSS) - Under this scheme, the Government provides financial help to MSMEs to upgrade their technology and implement state of the art technological platform for their business. The subsidy of 15 per cent is provided for investment up to Rs 1 crore for upgrading technology for startups and MSMEs. More than 7500 products/services are covered under this scheme.

vi) Design Clinic for Design Expertise to MSMEs- In order to encourage and inspire small businesses to experiment and try out new designs for their products, the Government has created a Design Clinic for inducing design related expertise for startups and MSMEs. Under this scheme, the Government provides the grant up to Rs 60,000 for attending design seminars and up to Rs 3.75 lakh or 75 per cent of the cost of the seminar, wherein the entrepreneur can learn and implement design theories and practices.

vii) Development of Portal- An online portal is created by DPIIT which allows incubators to apply for funds (6). An Experts Advisory Committee (EAC) has been created by DPIIT to execute and monitor the Grant up to Rs 5 crore offered to the eligible incubators selected by the EAC. By availing the grant from the DPIIT, the selected incubators provide loans to banks for on-lending to the enterprise up to Rs 20 lakhs. Further, investment up to Rs 50 lakhs is also provided to the startups for market entry, commercialization, or scaling up through convertible debentures or debt-linked instruments. The promising startups that are supported at their early stages, shall create huge employment opportunities for everyone. The scheme also envisages to promote virtual incubation for Startups by enabling incubators to support startups from all corners of the country. Towards this end, an Action Plan for Startup India is already prepared by the Government in January 2021. In the first meeting of the National Startup Advisory Council held in April 2021, it was found that startups have the potential to become the World's largest and most innovative startup ecosystem. As a first step, there is a need to sow the seeds of entrepreneurship even at school level to encourage students to innovate. The Council also calls upon the successful entrepreneurs to take initiative to share their knowledge, experience, ideas and mentor the other entrepreneurs

Progress of Startup Scheme in India:

As per the Startup India web-site, the number of startups stood at 41,061 in December 2020 which provided jobs to 4.7 lakhs persons (7). These provide jobs with an average of 11 employees per startup. Encouraged from this development, a Fund of Fund for startups (FFS) is created with a total corpus of Rs. 10,000 crores. Among the startup industries, the Indian pharmaceutical market is the fastest-growing and the most competitive amongst all in the world. The revenue generated in 2020 amounted to $55 million, clearly indicating that there is enough scope for profit in the domain. Location wise, startups are setup in 492 districts in 29 states and six Union territories.

Startups are spread and far wide since these seen in Tier 1, Tier 2 and Tier 3 cities with the percentage share in the total startups of 55, 27 and 18 respectively. Gender wise, nearly 15 per cent of them are set up by woman entrepreneurs. Regarding growth in different segments, Enterprise Software witnessed a growth rate of 16 per cent with over 1100 ventures and, so did the FinTech segment with a growth rate of 14 per cent. More than 900 startups are due to the onset of innovative technology in payment, lending and banking.

Similarly, the seamless digital transaction process for consumers has brought about 500 million new users and, thus, increasing internet penetration by 12 per cent. Integrating a tech-platform, connecting doctors and patients, has also led to a significant rise of 8 per cent in Health Tech space. Over 500 startups in this domain have come up, comprising online pharmacies, wearable solutions for fitness tracking and coaching, health monitoring devices, consultation platforms etc. In the same way, the technology-induced educational solutions for the new generation of learners and the wide level of acceptance in the ecosystem, has resulted in the creation of over 400 startups implying a growth rate of 6 per cent in the last five years.

Industry verticals like logistics and transport, industrial & manufacturing, consumer software, food-tech, HR-tech and retail-tech witnessed a growth rate in the range of 2-5 per cent. The others including automotive, travel, media & entertainment, ad-tech, real estate, gaming, security, etc. have a collective growth rate of 24 per cent. Thus, the number of startups incorporating advanced technology in their business has soared and is constantly expanding at 40 per cent CAGR. These include artificial intelligence, block-chain, 3D printing, drones, automation vehicles etc.

The report of Pilot Survey of Startups, conducted by RBI in 2019 shares additional information relating profile of startups (8). A total of 1,246 startups participated in the survey. As per the survey findings, the startups are mainly in six sectors, viz., agriculture, data & analytics, education, health, IT consulting/solution and manufacturing. According to them, market/industry demand and team experience have been the major enabling factors for setting up the startups. Almost half of them informed that they were in an early stage of revenue generation while 31 per cent of the same were in a growing stage.

The average annual turnover for over one-fourths of the respondents was up to Rs 10 lakhs whereas around 20 per cent startups did not report any revenue generation. Less than one-fifths of the respondents reported that their average annual turnover exceeded Rs. 1 crore. Only 14 per cent of startups had more than 10 employees in the first six months of their operation but as the sector matured, the number of employees increased to 40 at the time of conducting the survey. Lastly, it is shocking to note that just 36 per cent of the startups availed institutional loans (including from banks) to finance their activities, indicating that borrowing from friends and relatives has been the major source of finance. The survey concludes that there are numerous emerging business opportunities due to recent developments which are worth examining.

Emerging Business Opportunities:

The recent National Education Policy of 2020 envisages to promote student entrepreneurs by offering vocational education in partnership with industries and introducing coding for school children. This can have a favorable impact on the startup ecosystem in India, if entrepreneurial skills are integrated with the education curriculum under the New

Education Policy. In addition, there is a need to fill up infrastructure gaps especially in rural areas, promote digital literacy and help people become more knowledgeable about the digital world. In this regard, the Government initiative of Saksharta Abhiya Digitalization is a step in the right direction. Regarding Agri-startups, since the majority of Indian workforce is employed in agriculture, there is a need to clear roadblocks and promote them in a large number.

Fortunately, the new Farm Laws are expected to give a greater choice to farmers and incentivize start-ups to transform the agriculture value chain in storage, finance, transportation, aggregation, and marketing. Further, in respect of the Startups in High-end Technology, the recently released Draft Space Communication Policy states that "Indian entities in private sector shall as well undertake design, development and realization of satellites and associated communication systems. They can establish satellite systems through their own or procured satellite". When this happens, there are possibilities for startups to come up in a big way.

Similarly, with the introduction of the Startup India scheme, there has been a change in approach and mindset from job seekers to job providers. This would create a pool of new entrepreneurs to make Startups to become the backbone of New India. The present Government is also promoting Make in India policy which would encourage the startups to take up production of import substitutes. Thus, startups are likely to witness brighter days ahead to benefit from emerging business opportunities to generate more employment and become society friendly.

Issues and Suggestions:

India is a highly diverse country with a plethora of cultures, languages, ethnicities and religions. Due to this, the startups' understanding of people at large is often limited to certain regions. Hence, comparative advantages are linked to specific regions only and not Pan India. (9). Further, as nearly 70 per cent of the Indian population lives in rural areas and, therefore, customers of the mass market tend to come from low-income backgrounds in villages. This often discourages many startups to come up with high value product/services. More importantly, the current pandemic-induced lockdowns and curfews by states have brought along uncertainty, struggles and challenges for smaller startups and MSMEs.

According to a recent survey of 2140 startups and SMEs conducted by the social media platform, only 22 per cent of them have over 3-months runway; while 41 per cent are either out of funds or have less than one month of funds left (10). Therefore, they propose to reduce advertisements and new marketing initiatives, and also look at reducing operational costs. Further, 60 per cent expect to scale down, or shut operations. Thus, startups and SMEs are struggling for survival, especially since the onset of the covid-19 since 2020. While RBI has introduced several measures including debt restructuring -1&2 to reduce the burden of loan repayment during the pandemic, much is expected from banks to yet to come forward and offer the need based and timely finance.

Regarding workers, many job applicants are not sufficiently skilled. Thus, startups see a gap between the knowledge taught to students in colleges and the knowledge needed for the jobs, especially in sectors in which technologies change at a fast pace. At the same time, startups can not afford to attract highly skilled workers due to their weak financial position. Lastly, risk associated with the business of startups is high due to higher rate of mortality though the Government is supporting them in all possible ways.

In particular, despite several business opportunities for startups in the coming years, it is observed that most of them fail and wind up their business right at the initial stage. In this regard, IBM Institute for Business Value conducted a survey of startups to find out reasons for them to fail at the initial stage itself (11). Such reasons include:

i) **Lack of Initiative -** Indian startups are also known for replicating global startups, rather than creating their own startup models. In this regard, it is suggested that Indian startups should try to avoid emulating existing successful global startup ideas in India without proper research and understanding of the Indian market.

ii) **Lack of funds -** As discussed earlier, most of the startups raise funds from friends & relatives which are not sustainable and cheaper. Therefore, it is suggested that lending institutions have to be more friendly to startups by simplifying procedures and provide loans on soft terms.

iii) **Lack of focus -** The failure is certain when too many items of products /services are taken up right at the beginning itself. In this context, it is suggested to focus on only one item of product/service to start with and, after gaining sufficient experience in the line, the other products/services shall be thought of.

iv) **Lack of demand-** Entrepreneurs are suggested to gain an in-depth understanding of who their customers are and what they feel about their product/service. Similarly, they should look for new customers via word of mouth before jumping into creating expensive marketing plans. More importantly, it is necessary to establish a relationship with the customers.

v) **Lack of leadership-** Having a good idea is far less important than knowing how to lead a brand, a company, and a team. Lack of vision and strong leadership is another common reason why startups fail. Here, it is suggested that entrepreneurs shall develop a fair understanding of leadership qualities through education and training. Also, at the initial stage, it is a good idea to find a mentor to help the entrepreneurs to develop leadership skills.

vi) **Lack of agility-** One of the reasons is not being adaptive and agile in order to progress. Startups are advised to ensure agility within the organization by practicing continuous learning, having a fluid workforce, research and development and be willing to let their ideas to change.

vii) **Lack of business model-** The startups should look for a foolproof business model carefully to sustain and profit.

(viii) **Lack of talent & competency-** Most times startups are cash strapped and cannot afford to hire experts. Therefore, the entrepreneurs are suggested to plan their hiring processes with utmost care, create alternative working methods such as work on a project basis model with expert professionals etc. Lastly,

ix) **Ignoring customers -** Quite often startup founders have too many things to handle and, in the process, customers may not even feature in their list of priorities. But, when startups are committed to being customer-centric, their decision-making becomes easy, their focus gets narrowed down and their popularity increases from a word of mouth.

Conclusion:

Currently, startups are witnessing a golden chapter in the history of Indian entrepreneurship. In this respect, the Government acts as a catalyst and bring together the synergies of the private sector with the aim of innovating for India and the world. With hundreds of innovative youngsters choosing to pursue the path of entrepreneurship instead of joining the multinational corporations and government ventures, the business world has witnessed an explosion of ground-breaking startups providing solutions to the real problems at a mass level since 2016.

While startups experience ample business opportunities in the coming days, the Government's initiatives are praise worthy in providing all possible help in respect of non-financial aspects of promotion and development of startups, much needs to be done on the part of banks which meet just 36 per cent of credit needs. There seems to be some hesitancy on the part of banks due to their perception of high risk being associated with lending to startups. But, there good many success stories due to liberal credit provided by banks. Added to this, startups provide employment to youths mostly in smaller towns which is one of the priorities of the Government.

In addition, credit guarantee cover is now raised up to Rs. 5 lakhs. Hence, it is suggested that banks have to create a pool of trained officers to finance startups and adopt professional approaches in credit appraisal, follow-up and recovery. Thus, realizing the growing importance of startups in the coming years, banks have to change their mindset and be liberal in providing timely and credit adequate credit to startups. Towards this end, .banks have a long way to go to be startups friendly.

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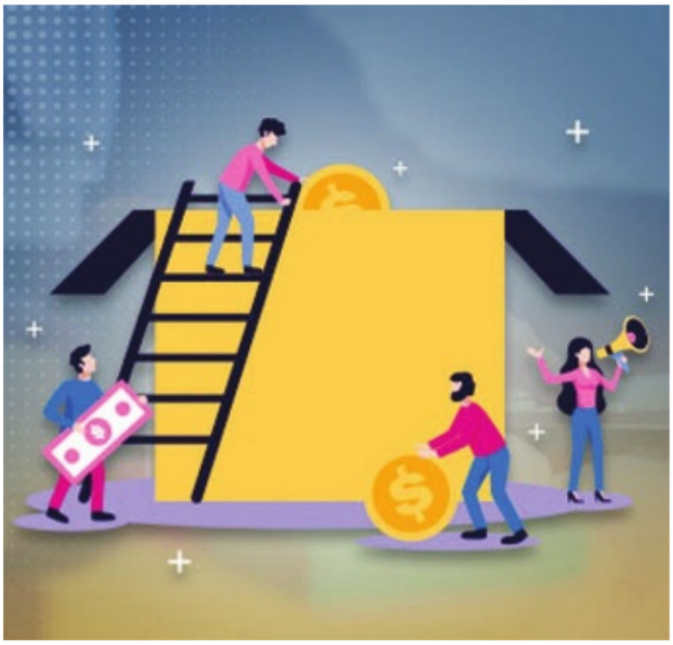
FOREIGN CONTRIBUTION (REGULATION) AMENDMENT ACT 2020, GUIDELINES AND BANK PROCEDURES



The Government of India notified FCRA 2020(Amendment) and it came into effect from 29th September 2020 and has given strict enforcement and stringent penalties (including criminal consequences) for violations of the FCRA. Let us understand the rules for foreign contribution from its inception.

Foreign Contributions regulation in India goes back to 1976, when the Foreign Contribution (Regulation) Act, 1976 was enacted to regulate the inflow of foreign funds to voluntary organizations set up for various socio-economic, religious or cultural objects. While the 1976 Act loosely regulated foreign funding to such organizations, in 2010 it was repealed in favour of a wider and stricter law on foreign contributions in India. The Foreign Contribution (Regulation) Act, 2010 (FCRA), along with the Foreign Contribution (Regulation) Rules, 2011 (FCRR) repealed the Foreign Contribution (Regulation) Act, 1976. The FCRA permitted registered entities to receive foreign contribution, but subject to strict conditions and disclosure requirements.

About the author

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The Foreign Contribution (Regulation) Act, 2010 (FCRA):

The Effective Date of The Foreign Contribution (Regulation) Act, 2010 and the Foreign Contribution (Regulation) Rules, 2011 are applicable from 1st May,2011. It replaces Foreign Contribution (Regulation) Act, 1976.

The Object is

a. To regulate the acceptance and utilisation of foreign contribution (FC) or foreign hospitality (FH) by certain individuals or associations or companies.

b. To prohibit acceptance and utilisation of FC or FH for any activities detrimental to the national interest and matters connected or incidental thereto.

Its applicability extends to whole of India, and also applies to

a. Citizens of India who are outside India.

b. Associate branches or subsidiaries, outside India, of companies or bodies corporate, registered or incorporated in India.

Foreign Contribution means donation, delivery, or transfer made by any foreign source of:-

a. Any article other than personal gifts of market value not exceeding such sum as may be specified by the Central Government.

b. Any currency whether Indian or foreign.

c. Any security including foreign security.

This will also cover:

a. Contribution received from any person who has in turn received it from a foreign source

b. Interest accrued on FC deposited in the bank

However, any amount received, by any person from any foreign source in India, by way of fee (including fees charged by an educational institution in India from foreign student) or towards cost in lieu of goods or services rendered by such person in the ordinary course of business, trade or commerce, whether within India or outside India, shall be excluded from the definition of foreign contribution.

Foreign Source includes

a. Government of any foreign country or any agency of such government;

b. Any international agency except United Nations or any of its specialised agencies, World Bank, International Monetary Fund or such other agency as the Central Government may, by notification in the Official Gazette, specify;

c. Foreign company;

d. Corporation, other than foreign company, incorporated outside India;

e. A multinational corporation;

f. A company where more than 50% of its share capital is held by a foreign government or citizens of a foreign country or foreign entity (includes company, corporations, trusts, societies or other associations of individuals registered in foreign country);

g. A foreign trust or foreign foundation and includes trust or foundation mainly financed by a foreign country and;

h. Citizen of a foreign country.

i. Foreign Trade Union, Society, Club or Other Association.

Note: Amount received from a non-resident Indian citizen in foreign currency, would not be treated as foreign source. Restrictions on Accepting FC

The person having a definite cultural, economic, educational, religious or social programme can accept FC, only if:

a. It is registered with the Central Government under this Act or takes prior permission before receiving each contribution.

b. It receives FC only through one designated bank account.

c. Central Government is kept intimated as to the amount, source and manner in which FC was received and utilised.

Prior Permission

a. Application for prior approval to be made in Form FC 4.

b. Prior approval to be donor specific, done specific and purpose specific.

Registration of the Association

a. Application for registration shall be submitted electronically in Form FC 3. Duly signed hard copy of the same along with relevant documents is also to be submitted within 30 days.

b. Registration granted shall be valid for 5 years from the date of its issue.

c. Application for renewal to be made in Form FC 5, six months before the date of expiry of the certificate

d. Act provides that registration may be granted, ordinarily within 90 days from the date of receipt of application, however practical experience is that the process takes much longer.

e. The Ministry of Affairs has introduced a new facility "FCRA - Online" to facilitate associations to file their applications for registration and submit statutory forms online. Refer fcraonline.nic.in.

Accounts & Audit

Maintenance of accounts

a. Accounts to be maintained on yearly basis from April to March.

b. Every person receiving FC shall maintain an account of any FC received and its utilisation.
   i. Income & expenditure statement, receipt & payment account and balance sheet are to be prepared exclusively in respect of the FC received.
   ii. Details in Form FC 7 to be maintained where FC relates to articles.
   iii. Details in Form FC 8 to be maintained where FC relates to foreign security.

Designated bank account

a. FCRA funds can be received and held only in the designated bank account.

b. Besides the designated bank account, operational accounts in one or more banks may be opened for the limited purpose of utilising the foreign contribution. Such accounts are commonly referred to as field accounts. In such cases, intimation on plain paper shall be furnished to the Secretary, Ministry of Home Affairs.

c. Designated or field accounts are strictly prohibited from receiving non-FC funds.

d. Interest earned out of FC funds should be deposited in designated bank account.

Audit

a. Income & Expenditure account, Receipts & Payment account and Balance Sheet, with report in Form FC 6 duly certified by a CA to be submitted to Home Ministry before 31st of December immediately following the end of financial year.

b. Form FC 6 to give details of each contribution received, the source, manner of receipt, purpose of receipt and manner of utilisation.

c. Even Nil report has to be submitted.

Total Ban on Acceptance of Foreign Contribution & Hospitality

Ban relating to FC applies to

a. Candidate for election;

b. Correspondent, columnist, cartoonist, editor, owner, printer or publisher of a registered newspaper;

c. Government servant, judge or employee of any Government corporation;

d. Member of any Legislature;

e. Political party or office-bearer thereof

f. Organisation of political nature;

g. Association or company engaged in production or broadcast of audio news or audio visual news or current affairs programmes through any electronic mode or form;

h. Correspondent or columnist, cartoonist, editor, owner of the above association or company.

Ban does not apply to FC received by way of:

a. Salary, wages or other remuneration, or

b. Payment in ordinary course of international trade or commerce, or

c. Payment received by an agent of a foreign source in relation to any transaction made by such foreign source with the State or Central Government, or

d. Gift or presentation made to a member of any Indian Delegation, provided the same is in conformity with the rules framed by the Central Government in this regard, or

e. Gift from relative. Gifts exceeding Rs. 1,00,000 per annum requires intimation to the Central Government in Form FC-1 within 30 days from date of receipt of such gift, or

f. Any scholarship, stipend or any payment of like nature, or

g. Remittance received in ordinary course of business through official channels.

And Foreign Hospitality

a. Member of Legislature or office-bearer of political party or Government servant, judge or employee of any Government corporation, while visiting any foreign country shall not accept any foreign hospitality except with the prior permission of the Central Government in Form FC 2.

b. Such permission is not necessary in case of medical emergency. However, even in case of such an emergency, the Central Government is required to be intimated within sixty days of receiving hospitality.

c. Meaning of Foreign Hospitality - any offer, not being a purely casual one, made by a foreign source for providing a person with the costs of travel to any foreign country or territory or with free boarding, lodging, transport or medical treatment.

Restriction on Administrative Expenses

Every person, registered or having prior permission, shall not, as far as possible, incur administrative expenses in excess of 50% of the FC received in that financial year. Rule 5 lays down parameters as to what constitutes administrative expenses.

Speculative Activity

Foreign contribution or any income arising out of it shall not be used for speculative business. Rule 4 specifies the activities that will be treated as speculative in nature. For example investment in mutual funds is not permitted. However, debt based secure investment shall not be treated as speculative.

Transfer of FC to other Registered or unregistered persons

a. Transfer of FC funds to another person who is not registered or has not obtained prior permission to receive foreign contribution will not be permitted unless pre-approval of the Central Government is obtained. Application for such pre-approval is to be made in Form FC 10.

b. In such case, the transferor may apply for permission to transfer not more than 10% of the total value of FC received.

c. Transfer of FC funds is permitted if the transferee is a registered organisation or has obtained prior permission under section 11.

Inspection & Seizure

a. The Central Government has been empowered, to inspect as well as seize the accounts and records if it has reason to believe that any provisions of this Act or any other law relating to foreign exchange has been contravened.

b. Central Government may seize and/or confiscate any article, currency or security in relation to which any provision of this Act has been contravened.

c. The seized records and accounts are to be released if no proceedings are initiated within six months from the date of seizure.

Penalty

Sr. No.	Nature of Offence	Penalty	Additional Fine
1.	False statement or representation or concealment of material facts for obtaining registration or prior permission	Imprisonment up to 6 months and/or fine	---
2.	Violating prohibitory orders in respect of any articles or currency or security	Imprisonment up to 3 years and/or fine	Additional fine equivalent to market value of article or the amount of currency or security in respect of which prohibitory order is passed.
3.	Accepting or assisting in accepting FC in contravention of this Act	Imprisonment up to 5 years and/or fine	---
4.	Any other failure not specifically dealt with in the Act	Imprisonment up to 1 year and/or fine	---

- A person who has been convicted more than once for offence relating to acceptance or utilisation of FC is prohibited from accepting any FC for a period of 5 years.
- Any person convicted of an FC offence relating to any article, currency or security would also be liable to fine up to 5 times the value of the article or currency or Rs. 1,000 whichever is more, if article or currency is not available for confiscation.
- Compounding of certain offences is now possible.

Custody of FC when certificate of registration is cancelled

- If certificate of registration is cancelled then unutilised FC lying in the designated bank account shall vest with concerned banking authority till Central Government issues further direction.
- If person to whom the certificate is granted ceases to exist or becomes defunct then, the assets of such person shall be disposed of in accordance with the provisions of law for the time being in force under which the person was registered or incorporated.

FC in Excess of Rupees One Crore in a Financial Year

Any person in receipt of FC in excess of Rs. one crore in a financial year, shall maintain summary data of receipts and utilisation of FC pertaining to the year of receipt and the subsequent year in the public domain. The Central Government shall also display such summary data through its website.

The Foreign Contribution (Regulation) Amendment Act, 2020

The Government has further amended the FCRA, to further regulate the laws on foreign contribution in India. The Foreign Contribution (Regulation) Amendment Act, 2020 has been notified and has come into force on September 29 , 2020. Given the strict enforcement and stringent penalties (including criminal consequences) for violations of the FCRA, it is critical for not for profit organizations to be aware of and clearly understand the ambit of and implications of the FCRA amendments brought about by the 2020 Amendments.

Now let us see the various Amendments:

- Inclusion of Public Servants, Judge, Government servant or employee of any Corporation or any other body controlled or owned by the Government in the list of individuals/entities prohibited from receiving foreign contribution
- No person who
  (a) is registered and granted a certificate or has obtained prior permission under this Act; and
  (b) receives any foreign contribution,

  shall transfer such foreign contribution to any other person.".
- Reduction of cap on administrative expenses spending reduced from 50% to 20%.
- The Amendment provides that the Government may conduct a scrutiny of the organization at the time of the renewal of the registration.
- Every person who has been granted certificate or prior permission under section 12 shall receive foreign contribution only in an account designated as "FCRA Account" by the bank, which shall be opened by him for the purpose of remittances of foreign contribution in such branch of the State Bank of India at New Delhi.
- The FCRA provides for criminal penalties for violations of its provisions which attracts a maximum penalty of imprisonment up to five years, along with monetary penalties which may go up to five times the value of the article or the currency. It also provides for a penalty for assisting or accepting foreign contribution in violation of the FCRA. The NGO/entity receiving the

funds and its officers in charge can be prosecuted for such offences.

Guidelines to be followed in Banks by FCRA Account Holders:

1. Existing Account Holders of FCRA:

All the existing FCRA account holders who have valid FCRA registration certificate (as on date) given by Ministry of Home Affairs, shall open one more FCRA account in State Bank of India, New Delhi Main Branch(NDMB) 11, Sansad Marg, New Delhi-110001 before 31st March 2021, which was extended to 31st June 2021. This account shall be used for purpose of receiving Foreign Contribution from the date of opening of this account. The existing account of the client can continue, but will not be eligible to receive foreign currency from the date of opening of the account in SBI, New Delhi Main Branch or 31st June 2021, whichever is earlier.

2. New Accounts for clients having valid FCRA Registration Certificate:

All the clients who are not maintaining FCRA accounts with any Bank but who have valid FCRA registration certificate (as on date) given by MHA, shall open one FCRA account with SBI, NDMR 11, Sansad Marg, New Delhi before 31st June 2021, for receipt of Foreign Contribution. After opening of this account, they may open another FCRA account with respective Bank for the purpose of keeping or utilizing the foreign contribution which has been received from his aforesaid FCRA account in SBI.After opening the FCRA accounts in SBI, the FCRA account in respective Bank should necessarily be linked with the SBI account and the payments should necessarily be received from that account only.

3. Receipt of Foreign Contribution:

i) Existing FCRA Account holders:
Existing FCRA account holders may receive the foreign contribution in their designated FCRA account maintained with their Bankers, till the date he opens FCRA account in SBI New Delhi Main Branch or 30.06.2021, whichever is earlier.

ii) Clients having valid FCRA Registration certificate but not maintaining FCRA account presently with the Bank:
All such clients have to necessarily receive foreign contribution in their account with SBI. Thereafter they may transfer the same to FCRA account opened with their Bank.

4. Other Guidelines:

- Funds should not be transferred to the personal accounts of the Directors for the personal benefit, from the FCRA designated account.
- Outward Foreign remittances are not allowed from all such accounts, as the foreign contribution are to be utilised within the territory of India.
- Cash and Local funds credits are not allowed into designated FCRA accounts except from linked SBI FCRA account.
- Funds should not be transferred from the designated FCRA account to any other accounts other than the purposes mentioned in their aims & objects.
- Reporting to the specified authority should be done as per MHA public noticed dated 13.10.2020 or future instructions (if any) in this regard.

Reference:

- Fcraonline.nic.in
- Bcasonline.org. ❑

Auditors may have to explain why they quit

The government is set to tighten norms for auditors and independent directors. The move is part of a fresh overhaul of the Companies Act, which is in the works.

Auditors may not be able to get away by simply resigning from assignments when the going gets tough. The government is looking to mandate a report by the auditors to the shareholders, which will list the reasons for their resignation.

Besides, rules are proposed to be tightened for independent directors, who will have to step down from board on completion of a specified number of years. It will come with the stipulation that an individual's term as an additional director will be added to the tenure as an independent director so that board members do not get entrenched in the company.

THE 'WHEN' & 'WHERE' OF INVOKING PERSONAL GUARANTEES

The Supreme Court's stay of the National Company Law Appellate Tribunal's decision in the case of SBI Stressed Assets Management Branch v. Mahendra Kumar Jajodia, has received a lot of attention. In this case, the NCLAT had held that irrespective of pendency of any proceedings against the corporate debtor, the National Company Law Tribunal will have jurisdiction to entertain an application against personal guarantor.

The personal guarantor has gone on to assail the NCLAT's order before the SC; the SC stayed the operation of the NCLAT order basis sections 60(2) and (3) of the Insolvency and Bankruptcy Code, 2016 ("IBC") and observations made in Lalit Kumar Jain v. Union of India in this regard. However, a conclusive decision is yet to be rendered. Two legal issues that arise in this context are worth examining. The first is whether a personal guarantor can be proceeded against under IBC when a corporate insolvency resolution process ("CIRP") is not pending.

Despite some conflicting judgements of the NCLT on the first issue, the matter has been largely settled by the Hon'ble Supreme Court in Lalit Kumar Jain. In this case, the court held that a personal guarantor's liability does not cease even after the approval of a resolution plan, and may be proceeded against.

This implies that proceedings against personal guarantors need not be linked to the CIRP of the principal debtor. Therefore, this should imply that even if a CIRP is not pending for the principal debtor, either because it has concluded or because it has not been filed, a personal guarantor can be proceeded against under the Code, which is consistent with the NCLAT's conclusion in Mahendra Kumar Jajodia. The SC, in its interim order, also does not consider this a ground to stay the NCLAT's order.

The second and real question that remains to be decoded is which would be the appropriate forum for proceedings against personal guarantors when a CIRP is not pending– the NCLT or the Debt Recovery Tribunal. The root of this controversy lies in the interpretation of section 60 of the IBC. Section 60(1) provides that the NCLT where a corporate debtor is registered (as there are several benches of NCLT across regions), shall be the Adjudicating Authority for insolvency resolution and liquidation of corporate debtors including that of personal guarantors.

Thereafter, Section 60(2) states that where insolvency resolution or liquidation process of a corporate debtor is pending before NCLT, the same NCLT will have jurisdiction over such corporate debtors' corporate guarantor or personal guarantor. Lastly, section 60(3) provides for transfer of proceedings against personal guarantor to the relevant NCLT which is dealing with insolvency resolution of the corporate debtor.

On other hand, Section 179 of IBC, provides that subject to Section 60 of IBC, the DRT shall be the Adjudicating Authority for individuals. Clearly, personal guarantors are individuals. The personal guarantor rules of 2019 also provide that for the purposes of section 60 of IBC the jurisdiction shall vest with the NCLT but in other cases i.e. in cases where a CIRP or liquidation is not pending against the corporate debtor of the personal guarantor or a CIRP has not been initiated against the corporate debtor, the jurisdiction shall vest with the DRT.

The NCLAT while looking at these provisions, has taken an interpretation that as Section 60(1) which states that NCLT shall have jurisdiction over personal guarantors, and is an overriding provision, the same would mean that NCLT shall have jurisdiction to entertain personal guarantor applications, irrespective of whether an insolvency proceedings or liquidation is pending against them or not.

Legally, it is a bit of a vexed question–Section 60(1) suggests as if NCLT has jurisdiction over personal guarantors irrespective of pendency of insolvency resolution or liquidation against the corporate debtor. However, a purposive interpretation of Sections 60(1) read with Sections 60(2), (3) read with Section 179 and the personal guarantor rule indicates otherwise.

It expected that the SC's decision in this appeal will provide more clarity on the position that an application for initiation of an insolvency process against a personal guarantor can be filed in the absence of any pending CIRP or liquidation against the corporate debtor. More importantly, it is hoped that the SC will conclusively decide whether in the absence of any pending CIRP or liquidation process against the corporate debtor, the appropriate forum for such applications against the personal guarantor will be the NCLT or the DRT. *(Source: Business Line)*

AXIS BANK ACQUIRES CITIBANK'S INDIA CONSUMER BUSINESS FOR RS. 12,325 CR

In a significant acquisition in the Indian banking sector, Axis Bank has acquired Citibank's consumer businesses for Rs 12,325 crore.

The transaction comprises the sale of the consumer businesses of Citibank India, which includes credit cards, deposits and loans businesses in retail banking, wealth management and consumer loans. The deal also includes the sale of Citicorp Finance (India) Ltd, comprising the asset-backed financing business, which includes commercial vehicle and construction equipment loans as well as the personal loans portfolio.

Axis Bank will acquire 3 million customers of Citibank India to enhance the former's presence in the key identified growth segments. Its cards balance sheet will grow by 57 per cent, with an additional 2.5 million Citibank cards, making it one of the top 3 cards businesses in the country.

The deal will add Rs 1,10,900-crore assets under management from Citi Wealth & Private Banking products to augment and reinforce Axis' Burgundy brand, making it the third largest by combined AUM in the wealth management space. The deal will involve addition of aggregate deposits of Rs 50,200 crore, of which 81 per cent is CASA (current and savings account). Further, the deal will include over 1,600 Suvidha corporate relationships with more than 1 million customers and an average salary of Rs 70,000 per month.

Axis Bank said it will gain access to 7 offices, 21 branches and 499 ATMs of Citibank across 18 cities. It will also absorb around 3,600 in-scope consumer employees of Citibank.

"Axis Bank looks at this acquisition as a healthy strategic fit," it said. It will gain access to the large and affluent customer franchise of Citibank having a bouquet of fee-oriented and profitable segments, which include quality credit card portfolio, affluent wealth management clientele, meaningful deposits with 81 per cent being CASA, along with a strong consumer lending portfolio. After the acquisition, Axis Bank will have 28.5 million savings accounts, 2.3 lakh Burgundy customers and 10.6 million cards. "The bank has made large investments in people, processes and technology over the past few years. With the required capabilities in place, it expects successful integration across all key parameters including employees, customers, product offerings and technology in a value accretive manner," the bank said.

According to Axis Bank, the acquired portfolio would increase Axis Bank's credit card customer base by 31 per cent with an additional 2.5 million cards, which will, in turn, bolster the cards balance sheet position to be among the top 3 players in the Indian market. Moreover, the wealth and private banking portfolio will add great value to the Axis Burgundy business, further accelerating its growth ambitions in that segment.

"Axis Bank and Citibank together will ensure continuity of superior customer service levels, even post-closing of transaction, across all customer channels. Citibank's customers will continue to avail all the rewards, privileges, and offers to which they were previously entitled," it said.

In April 2021, Citigroup announced its exit from the consumer banking in the country (along with 12 other countries) as part of a global strategy to focus on institutional business. The bank had then said that it will continue with its wealth management and institutional business in India. The bank had indicated that there won't be any layoffs or closure of offices in India. *(Source: The Indian Express)*

RBI CIRCULAR

Creation of Honorary Designations at Board level in Urban Co-operative Banks

RBI/2022-23/33

April 21, 2022

1. It has been observed during the course of supervisory reviews that some of the Urban Co-operative Banks (UCBs) have adopted the practice of creating honorary designations (remunerated or otherwise)/conferring titles at Board level, such as Chairman Emeritus, Group Chairman, etc., which are not recognised in applicable statutes or regulations.
2. While such positions/titles may be indicative of certain privileges/rights for the incumbent to access all board materials and participate in board/committee meetings, enforcing liability or obligations on such person may be difficult. 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.
3. As such, UCBs are directed not to create any honorary positions/titles at Board level or confer such titles that are non-statutory in nature and to eliminate any such existing position/titles within one year from date of this circular.
4. These directions are issued under Section 35A and Section 36(1)(d) of the Banking Regulation Act, 1949 (AACS).

(Shrimohan Yadav)
Chief General Manager

Disclosures in Financial Statements- Notes to Accounts of NBFCs

RBI/2022-23/26

April 19, 2022

1. Please refer to our circular DOR.CRE.REC.No.60/ 03.10.001/2021-22 dated October 22, 2021 on 'Scale Based Regulation (SBR): A Revised Regulatory Framework' for NBFCs, which inter-alia envisages certain specific disclosures.
2. Non-Banking Finance Companies (NBFCs) are required to make disclosures in their financial statements in accordance with existing prudential guidelines, applicable accounting standards, laws, and regulations. The additional disclosure requirements for NBFCs in accordance with the SBR framework are outlined in the Annex.
3. These disclosures are in addition to and not in substitution of the disclosure requirements specified under other laws, regulations, or accounting and financial reporting standards. More comprehensive disclosures than the minimum required are encouraged, especially if such disclosures significantly aid in the understanding of the financial position and performance.

Applicability

4. This circular is applicable to all NBFCs. The Annex specifies the applicability of specific disclosure requirements to specific NBFC layers as per Scale Based Regulation. It may be noted that disclosure requirements applicable to lower layers of NBFCs will be applicable to NBFCs in higher layers. These guidelines shall be effective for annual financial

statements for year ending March 31, 2023, and onwards.

(Usha Janakiraman)
Chief General Manager

Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR)

RBI/2022-23/25

April 18, 2022

1. Please refer to our circular DOR.BP.BC.No.65/21.04.098/2019-20 dated April 17, 2020 on Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR).
2. In terms of the circular ibid, the assets allowed as Level 1 High Quality Liquid Assets (HQLAs) for the purpose of computing the LCR, inter alia, include (a) Government securities in excess of the mandatory SLR requirement and (b) within the mandatory SLR requirement, Government securities to the extent allowed under (i) Marginal Standing Facility (MSF) and (ii) Facility to Avail Liquidity for Liquidity Coverage Ratio (FALLCR) [15 per cent of the banks' Net Demand and Time Liabilities (NDTL)].
3. Since MSF has been reduced to 2 per cent from 3 per cent of NDTL from January 1, 2022, the total HQLA carve out from the mandatory SLR, which can be reckoned for meeting LCR requirement, has reduced to 17 per cent of NDTL (2 per cent MSF plus 15 per cent FALLCR) from 18 percent.
4. On a review, it has been decided to permit banks to reckon Government securities as Level 1 HQLA under FALLCR within the mandatory SLR requirement up to 16 per cent of their NDTL. Accordingly, the total HQLA carve out from the mandatory SLR, which can be reckoned for meeting LCR requirement will be 18 per cent of NDTL (2 per cent MSF plus 16 per cent FALLCR).

Applicability:

5. This circular is applicable to all Commercial Banks other than Regional Rural Banks, Local Area Banks and Payments Banks.
6. These instructions shall come into force with immediate effect.

(Usha Janakiraman)
Chief General Manager

Individual Housing Loans – Rationalisation of Risk Weights

RBI/2022-23/20

April 8, 2022

1. Please refer to circular DOR.No.BP.BC.24/08.12.015/2020-21 dated October 16, 2020 on rationalization of risk weights on Individual Housing Loans in terms of which risk weights were rationalised irrespective of the amount, for all new housing loans sanctioned from October 16, 2020 and up to March 31, 2022.
2. On review, it has been decided to continue with the risk weights contained in the circular ibid for all new individual housing loans sanctioned up to March 31, 2023. All other instructions applicable in terms of the circular dated October 16, 2020 remain unchanged.

(Manoranjan Mishra)
Chief General Manager

Establishment of Digital Banking Units (DBUs)

RBI/2022-23/19

April 7, 2022

1. In recent times, digital banking has emerged as the preferred banking service delivery channel in the country along with 'brick and mortar' banking outlets. Reserve Bank has been taking progressive measures to improve availability of digital infrastructure for banking services. In furtherance of this objective and as a part of efforts to accelerate and widen the reach of digital banking services, the concept of "Digital Banking Units" (DBUs) is being introduced by the Reserve Bank.
2. In pursuance of announcements made in the Union Budget 2022-23, guidelines have been prepared for setting up of Digital Banking Units (DBUs) by commercial banks on the basis of recommendations of a Working Group formed by RBI which included representatives of banks and Indian Banks' Association (IBA).
3. The guidelines for establishment of DBUs are detailed in the ANNEX.

(Prakash Baliarsingh)
Chief General Manager

Key Deficit Indicators of the Central Government

(₹ Crore)

Year	Gross fiscal Deficit	Net fiscal Deficit	Gross primary Deficit	Net primary Deficit	Revenue Deficit	Primary revenue Deficit	Drawdown of cash balances	Net RBI credit
1	2	3	4	5	6	7	8	9
1982-83	10627	5973	6689	4887	1308	-2630	1656	3368
1983-84	13030	7770	8235	5643	2540	-2255	1417	3949
1984-85	17416	10972	11442	8961	4225	-1749	3745	6055
1985-86	21858	13544	14346	10627	5889	-1623	5316	6190
1986-87	26342	17036	17096	13143	7777	-1469	8261	7091
1987-88	27044	18431	15793	12935	9137	-2114	5816	6559
1988-89	30923	20770	16645	13473	10515	-3763	5642	6503
1989-90	35632	23722	17875	14439	11914	-5843	10592	13813
1990-91	44632	30692	23134	17924	18562	-2936	11347	14746
1991-92	36325	24622	9729	8961	16261	-10335	6855	5508
1992-93	40173	30232	9098	11644	18574	-12501	12312	4257
1993-94	60257	45994	23516	24331	32716	-4025	10960	260
1994-95	57703	40313	13644	12050	31029	-13031	961	2130
1995-96	60243	42432	10198	10806	29731	-20314	9807	19855
1996-97	66733	46394	7255	9022	32654	-26824	13184	1934
1997-98	88937	63062	23300	22748	46449	-19188	-910	12914
1998-99	113349	79944	35466	32138	66976	-10906	-209	11800
1999-00	104716	89910	14467	33556	67596	-22653	864	-5588
2000-01	118816	107854	19502	41351	85234	-14080	-1197	6705
2001-02	140955	123074	33495	51152	100162	-7298	-1496	-5150
2002-03	145072	133829	27268	53647	107879	-9925	1883	-28399
2003-04	123273	115558	-815	30008	98261	-25827	-3942	-76065
2004-05	125794	126252	-1140	31705	78338	-48596	-1461	-60177
2005-06	146435	145743	13805	35145	92300	-40331	-20888	28417
2006-07	142573	151245	-7699	23497	80222	-70050	4517	-3024
2007-08	126912	120714	-44118	-29256	52569	-118461	-27171	-115632
2008-09	336992	329024	144788	157537	253539	61335	43834	174789
2009-10	418482	411448	205389	220139	338998	125905	-1386	150006
2010-11	373591	361026	139569	146738	252252	18230	6430	184969
2011-12	515990	514103	242840	261205	394348	121198	-15990	139183
2012-13	490190	484450	177020	192041	364282	51112	-51012	54840
2013-14	502858	496157	128604	143771	357048	-17206	-19171	108130
2014-15	510725	495245	108281	116605	365519	-36925	77752	-334185

(Continued in next page)

Key Deficit Indicators of the Central Government (Contd.)

(₹ Crore)

Year	Gross fiscal Deficit	Net fiscal Deficit	Gross primary Deficit	Net primary Deficit	Revenue Deficit	Primary revenue Deficit	Drawdown of cash balances	Net RBI credit
1	2	3	4	5	6	7	8	9
2015-16	532791	527289	91132	111008	342736	-98923	13170	60472
2016-17	535618	516438	54904	51953	316381	-164333	-8895	195816
2017-18	591062	588668	62110	73290	443600	-85352	4091	-144847
2018-19	649418	639249	66770	68746	454483	-128165	-1321	325987
2019-20	933651	927553	321581	327832	666545	54475	4971	190241
2020-21	1848655	1756236	1155755	1077340	1455989	763089	-17358	107494
2021-22	1506812	1479438	697111	681279	1140576	330875	71383	---

Notes : 1. Data for 2020-21 are Revised Estimates and data for 2021-22 are Budget Estimates.

2. Primary Revenue Deficit is Revenue Deficit net of interest payments.
3. Drawdown of cash balances represents conventional budget deficit prior to 1997-98. With discontinuation of the adhoc treasury bills and 91-day treasury bills, the concept of conventional budget deficit has lost its relevance since April 1, 1997.
4. Net RBI Credit represents variation over end-March, as per RBI records, after closure of Government accounts.
5. Negative (-) sign indicates surplus.
6. Since 1999-2000, Gross Fiscal Deficit excludes States' share in Small Savings as per the new system of accounting.

Also see Notes on Tables.

Source : Budget documents of the Government of India.

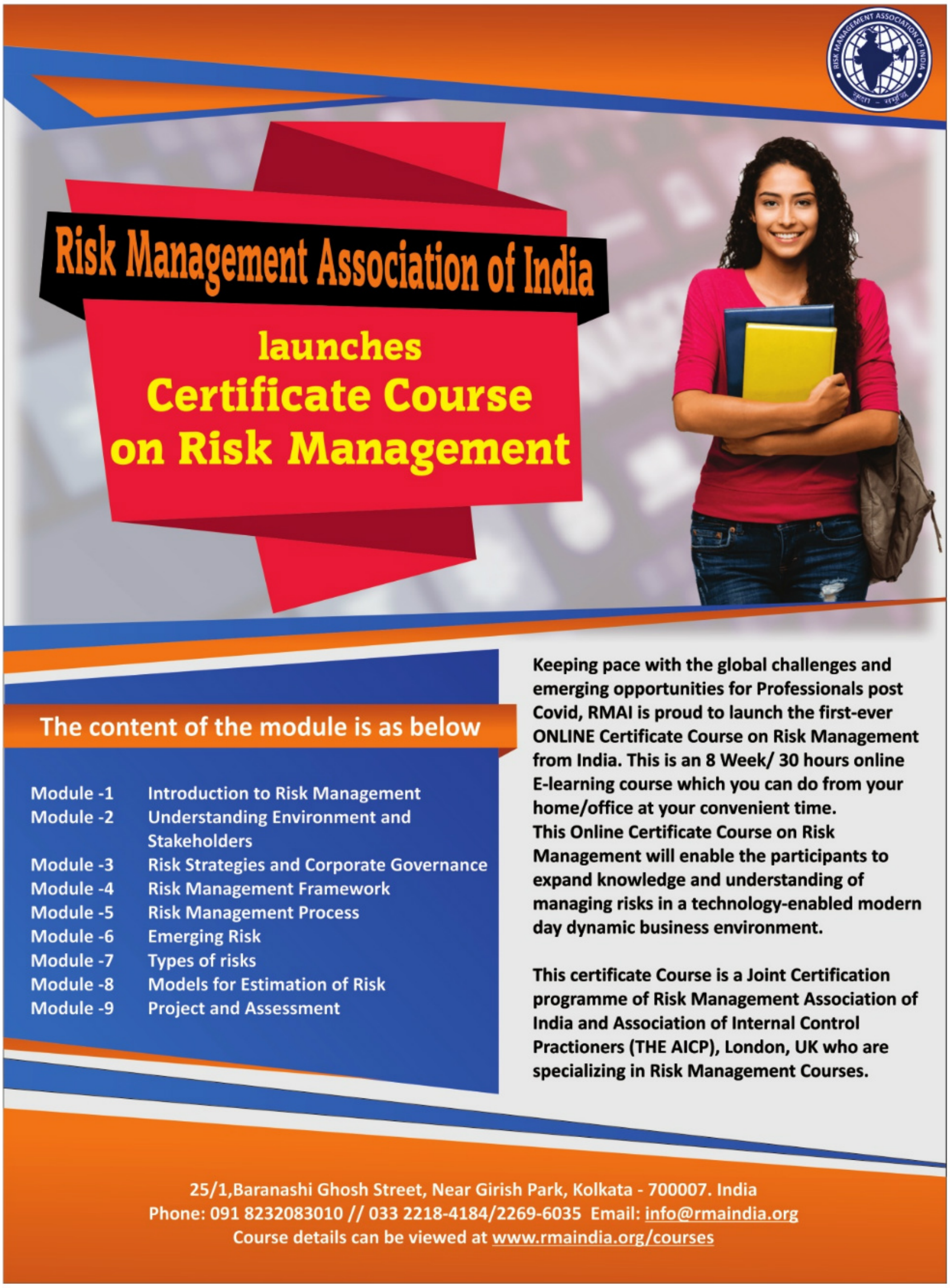
Post offices as bank branches a big push for financial inclusion

The Finance minister announced in her Budget 2022 speech that all 1.5 lakh branches of Post Office will be linked to the core banking system by the end of 2022. This will allow all post office saving account holders to access internet banking and conduct online payment and money transfer. While a large number of post office branches were already there on the core banking system however all post offices are not on the core banking system as yet. Therefore, transfer of funds via internet banking from a core-banking enabled post office to one which is not part of the core banking system is not possible.

Besides the internal online transfers, post office account holders will also be able to transfer funds to savings account with any other bank via internet banking.

"The move to connect 1.5 lakh post offices in India to the core banking system is also a welcome move. This shall enhance the overall banking experience with easy access to post offices through ATMs, mobile, and net banking. This will further support the Government's plans to encourage digital banking in the country where most people, particularly in rural areas, make use of the services of post offices to deposit their money," says Murali Nair, President of Banking, Zeta.

Published on 1st of Every Month Declaration No. 86 R. No. KOL RMS/269/2022-2024
Date : 01-05-2022 Dated 14-12-2017 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