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Governor
RBI

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Union Minister

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From The Desk Of Editor-in-Chief

India celebrated 75th year of Independence on the 15th August, 2022 wherein PM Modi declared that India would be the most forward country during next 25 years.

RBI is considering setting up a fraud registry with a database of fraudulent websites, phones and various modus operandi for digital fraud. The mechanism is aimed at preventing fraudsters from using banking infrastructure. The RBI is talking to different stakeholders and enforcement agencies to implement it.

The year-on-year growth in credit deployed by scheduled commercial banks to micro and small enterprises (MSEs) improved to 19.2 per cent in July 2022 from 1.4 per cent in July 2021, according to the latest data by the RBI on sectoral deployment of bank credit.

The total bank credit to MSEs in July this year stood at Rs 14.41 lakh crore vis-a-vis Rs 12.09 lakh crore a year ago. Credit growth to MSEs has remained positive since December last year, indicating a negligible impact of the third wave of the pandemic and gradual economic recovery. During June, the YoY growth stood at 23.7 per cent while in May, 27 per cent growth was recorded.

Kotak Mahindra Bank recently recorded 5,278 cases of fraud in the first quarter (April to June) of the current financial year (2022-23), according to RBI data. State Bank of India on the other hand reported only nine fraud cases during the same period.

Kotak Bank in its clarification said for the period reported, of the 5,278 fraud instances reported by the bank to regulator, 97 percent of the complaints were associated to digital and card related frauds, that occur "due to customers unwittingly compromising their credentials by clicking on unknown links", or giving access to their devices, among others.

India's economy grew by 13.5% in the April-June period this fiscal -- the fastest in the last four quarters – on account of better performance by the agriculture and services sectors, as per official data.

India remained the fastest growing major economy as China registered economic growth of 0.4% in the April-June 2022 quarter.

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Banking News

SBI launches first branch dedicated to start-ups

SBI will soon open up its first premium dedicated branch for start-ups in the country in Bengaluru. The bank while making the announcement said that the new branch will facilitate and support start-up companies in the city.

SBI Chairman, Dinesh Khara, launched the branch which is located in Koramangala near HSR Layout and Indiranagar which are the biggest start-up hubs in the city.

The new branch will act as a hub with several stakeholders assisting in providing solutions acting as spokes and supporting the hub branch in enabling the startups to avail themselves of end-to-end financial and advisory services.

Private banks reported most data breaches during 2018-22

Private banks reported the most data breaches between June 2018 and March 2022 in attacks that stole business and personal information, said a minister.

All banks reported 248 data breaches in the four-year period, Minister of State for Finance Bhagwat Karad told Rajya Sabha. Of those attacks, 205 were in private banks and 41 in state-owned. The remaining two were at foreign banks.

The Reserve Bank of India (RBI) has a Cyber Security Framework for Scheduled Commercial Banks, which requires banks to implement cyber/IT (Information technology) controls to prevent data leakage. Banks have been directed to strengthen their information technology (IT) risk governance framework that mandates an active role by their chief information security officers. The board and IT committee of banks must also be actively involved to ensure compliance with the required standards, the upper house of the Parliament was informed.

PSB privatization article sparks row

The Reserve Bank of India (RBI) issued a clarification notification stating that the views expressed in its recent article, "Privatisation of Public Sector Banks: An Alternate Perspective, " do not represent the views of the bank and are of the authors. It also said that the authors are of the view that the government's approach to privatisation of PSBs would result in better outcomes. The article was authored by the researchers at RBI.

In the article, the authors argued that a gradual approach to the privatisation of the public sector banks (PSBs) in India is better than the big bang approach. It said, "During such stress periods if stronger PSBs had not existed, the destabilising impact on the banking sector and the economy would have been much greater."

However, the clarification said, "The researchers are of the view that instead of a big bang approach, a gradual approach as announced by the Government would result in better outcomes."

Banks wrote off loans worth Rs. 10 trillion in past 5 years

Banks have written off loans worth about Rs 10 lakh crore in the last five financial years, Parliament was informed.

During 2021-22, the write-off amount came down to Rs 1,57,096 crore compared to Rs 2,02,781 crore in the previous year, Minister of State for Finance Bhagwat K Karad said in a written reply in Rajya Sabha.

In 2019-20, the write-off was worth Rs 2,34,170 crore, down from Rs 2,36,265 crore, the highest in five years recorded in 2018-19.

During 2017-18, the write-off by banks stood at Rs 1,61,328 crore, he said.

In all, he said, bank loans to the tune of Rs 9,91,640 crore have been written off in the last five years-2017-18 to 2021-22.

Banks want a say in staff vigilance cases

Banks have reached out to the government demanding that the Lokpal should consult lenders before referring vigilance cases against employees to investigating agencies like the Central Bureau of Investigation (CBI).

Under the existing provisions, on receipt of a complaint, the Lokpal may order a preliminary investigation by its inquiry wing or refer the case to any agency, including the CBI, if it finds a prima facie case.

Banks have pointed out that the Advisory Board for Banking and Financial Frauds (ABBFF) already examines bank frauds of 3 crore and above and recommends appropriate action. They want the Lokpal to refer cases to ABBFF rather than initiating a separate inquiry either independently or through other investigative agencies.

Profit of public sector banks up 9.2% to Rs. 15,306 crore in Q1

All the 12 public sector banks earned a cumulative profit of about Rs 15,306 crore, registering a 9.2 per cent growth annually, despite poor showing by large lenders like SBI and PNB.

During the April-June period of the previous fiscal, state-owned banks recorded a total profit of Rs 14,013 crore, according to quarterly numbers published by public sector lenders.

Of the total 12, three lenders State Bank of India, Punjab National Bank and Bank of India -- reported fall in their profits ranging from 7-70 per cent.

Decline in profit by these lenders has been attributed to Mark-to-Market (MTM) losses due to hardening bond yields.MTM losses occur when the financial assets held are valued by the market at a price lower than the purchase price.

Bank's NPA provisioning falls as recoveries improve

Listed banks continued to report lower provisioning for Non Performing assets (NPAs) in the June quarter for the second consecutive quarter amid receding stress on assets and sufficient provisioning in the previous quarters. For a sample of 29 banks, loan loss provisioning fell by 23.7% year-on-year to Rs 29,185.1 crore in the June quarter with two out of every three banks reporting lower NPA.

CCI greenlight for merger of HDFC with HDFC Bank

The mega merger of HDFC Limited, the country's largest housing finance company, with HDFC Bank, the country's largest private sector bank by balance sheet size, moved a step closer towards final closure with the Competition Commission of India (CCI) giving its approval for the transaction.

"Commission approves proposed combination involving amalgamation of HDFC Limited, HDFC Bank, HDFC Investments and HDFC Holdings," the CCI said in a tweet.

It may be recalled that the Boards of HDFC and HDFC Bank had on April 4 approved a scheme of amalgamation, which was billed as the biggest merger and amalgamation transaction in India's corporate history.

Post the merger, the combined balance sheet will be Rs. 17.87 lakh crore and the net worth of the combined entity will be Rs. 3.3 lakh crore as of December 2021.

Small towns corner 80% home loans

There has been a boom in demand for home loans in tier-2 and -3 cities and towns due to the hybrid working model, expansion of MSMEs and smaller ancillary businesses, besides the post-pandemic recovery in these locations. Leading housing finance companies have recorded 60-80% of their sanctioned home loans emerging from tier-2 and -3 cities during the first quarter of the current fiscal.

The demand from the southern states is on the higher end. At the same time, experts in the real estate sector said the recent hike of 50 basis points (100bps = 1 percentage point) by the RBI could affect sentiment of homebuyers, causing a short-term impact in sales.

Banks seek higher fees from NHAI to run FASTag services

Banks have asked the National Highways Authority of India (NHAI) to revert to higher FASTag project management fee (PMF) to ensure its viability for the issuer bank.

In a set of recommendations sent by the Indian Banks' Association (IBA) and also individually by several private and state-run banks to the ministry of road transport and highways (MoRTH) and

NHAI, banks have asked the highways authority to revert to the earlier interchange PMF of 1.50% to make the operations of FASTag service sustainable.

IDFC First Bank, Yes Bank, other mark Spicejet loans as high-risk

IDFC First Bank, Yes Bank and Indian Bank have put their loans to SpiceJet Ltd in the high-risk category, the latest setback for the airline, people with knowledge of the matter said.

The lenders are concerned about SpiceJet's cash flows and have held discussions seeking assurances from the Indian budget carrier as it is behind on payments to some aircraft lessors, the sources said.

Federal Bank, CBDT join hands for online tax payment services

Federal Bank has partnered with the Central Board of Direct Taxes to assist taxpayers pay through the e-pay tax facility in the e-filing portal.

Anyone can now pay taxes instantly through modes such as Debit/Credit Card, UPI, Net banking, cash, NEFT/RTGS etc. The NRIs, domestic customers and any tax-paying citizen can generate tax challan and make payments through the bank's branches.

The Bank had received approval from the Centre for direct tax collection last financial year and made effective since July 1. In a first, there is no requirement of PAN/TAN registration/verification for taxpayers and it takes away any delay in payment of tax. With this partnership, Federal Bank becomes one of the pioneers to be registered under Tin 2.0 platform of Income Tax Department.

DBS Bank India reports Rs. 167-crore FY22 profit

DBS Bank India reported a profit after tax of Rs 167 crore in 2021-22, with firm performance in corporate and retail banking segments leading to an 11 per cent on-year rise in net revenues, the lender said.

The bank, which is a wholly-owned subsidiary of DBS Bank, acknowledged the lagged effects of its amalgamation with Lakshmi Vilas Bank on its net profit.

"FY22 PAT (profit after tax) stood at Rs 167 crore despite the increased annual pre-tax drag from the erstwhile Lakshmi Vilas Bank at Rs 669 crore in FY22 compared to Rs 341 crore in FY21, where the impact was only for four months," DBS Bank said.

After being put under a 30-day moratorium by the Reserve Bank of India, Lakshmi Vilas Bank was merged with DBS Bank India in November 2020.

Five bankers to manage govt's HZL stake sale

ICICI Securities, Axis Capital and Citigroup Global Markets are among the five investment bankers selected to manage the sale of the government's 29.53 per cent residual stake in Hindustan Zinc Ltd, an official said.

Also, HDFC Bank and IIFL Securities will act as investment bankers and work with the government and handle the share sale offers, the official said.

As many as 6 merchant bankers had made a presentation before the government officials on August 12.

The official told that the five bankers selected are ICICI Securities, Axis Capital, Citigroup Global Markets, HDFC Bank and IIFL Securities.

The Department of Investment and Public Asset Management (DIPAM) had in early July invited bids from merchant bankers for managing Hindustan Zinc Ltd (HZL) residual stake and set July 28 as the deadline for putting bids. ❑

Reserve Bank News

RBI's March financial inclusion index shows growth in all segments

The Reserve Bank of India's financial inclusion (FI) index, which was constructed to capture the extent of financial inclusion across the country, has risen to 56.4 in March 2022, showing growth across all parameters. The index stood at 53.9 as of March 2021.

"The value of the FI Index for March 2022 stands at 56.4 vis-à-vis 53.9 in March 2021, with growth witnessed across all the sub-indices", the central bank said in a statement.

The FI index was conceptualised as a comprehensive index incorporating details of banking, investments, insurance, postal as well as the pension sector in consultation with the government and respective sectoral regulators in August last year.

The FI-Index has been constructed without any 'base year', and is published in July every year. The FI-Index comprises three broad parameters: access, with a weightage of 35 per cent; usage with 45 per cent weightage; and quality with 20 per cent weightage with each of these consisting of various dimensions, which are computed based on a number of indicators.

RBI launches awareness drive as unclaimed deposits increase

The amount of unclaimed deposits is on the rise despite repeated public awareness campaigns undertaken by the Reserve Bank of India (RBI) and the banks.

RBI is now encouraging people who have not claimed their deposits to reach out to the respective banks for such deposits. Unclaimed deposits are on the rise mainly due to non-closure of savings / current accounts which depositors do not intend to operate anymore; due to not submitting redemption claims with banks for matured fixed deposits; or nominees/ legal heirs of deceased depositors do not come forward to make a claim.

RBI defines unclaimed deposits as balance in savings, current accounts, or term deposits which are not claimed for within ten years from date of maturity. These amounts are transferred by banks to "Depositor Education and Awareness" (DEA) Fund maintained by RBI.

RBI to banks: Have policy for reducing climate risks

Most banks have decided to gradually reduce their exposure to high carbon-emitting businesses in the coming years, according to a survey by the Reserve Bank of India (RBI).

Banks would, however, need to align their climate-related financial disclosures with an internationally accepted framework to improve the comparability and consistency of the revelations with their counterparts globally, the RBI said.

The central bank called for a board-approved policy on climate risk management. According to the RBI's discussion paper, such a policy was needed as current board-level engagement on climate risk is inadequate.

Also, in a third of banks, responsibility for overseeing climate initiatives was yet to be assigned. Only a few banks included climate risk, environment and sustainability among the key performance indicators of top management.

The RBI's discussion paper calls for the board to play a critical role in identifying climaterelated risks and opportunities. The central bank also called for lenders to assess the financial risks arising from climate risks. The paper comes in the wake of India's commitments made at the COP26 summit.

RBI imposes Rs. 57.75-lakh penalty on Suryoday small finance bank

RBI has imposed a monetary penalty of Rs. 57.75 lakh on Suryoday Small Finance Bank Ltd. (SSFB) for non-compliance with its directions on "frauds classification and reporting by commercial banks and select FIs".

The examination of the Inspection Report (IR) and all related correspondence pertaining to the Statutory Inspection of the bank (conducted by RBI with reference to its financial position as on March 31, 2019) revealed, inter alia, non-compliance with the aforesaid RBI directions, per a central bank statement.

The non-compliance with the aforesaid directions was to the extent the bank failed to (i) furnish FMR (fraud report) to RBI, with respect to certain cases of fraud, within three weeks of their date of detection, and (ii) refer to State Police authorities certain cases of fraud committed by its staff, RBI said.

In furtherance to the same, the central bank said a notice was issued to the bank advising it to show cause as to why a penalty should not be imposed on it for failure to comply with the said directions, as stated therein.

RBI board gets 4 independent directors

The central government has re-nominated Satish Kashinath Marathe, Swaminathan Gurumurthy, Revathy Iyer, and Sachin Chaturvedi as part-time, non-official directors on the central board of the Reserve Bank of India.

Marathe and Gurumurthy have been re-nominated for a further period of four years with effect from August 11, 2022, or until further orders, whichever is earlier.

For Iyer and Chaturvedi, re-nominations are for a period of four years after completion of their present tenure on September 18, 2022, or until further orders, whichever is earlier.

India can sustain 2.5%-3% deficit: RBI

India can sustain a current account deficit (CAD) of 2.5% to 3% of the gross domestic product (GDP) without getting into an external crisis, RBI deputy governor Michael Patra said. He added that India would also require to reverse the trend of decelerating savings rate, which began in 2012-13.

He was speaking at an event organized by the RBI to celebrate 75 years of Independence (Azadi ka Amrit Mahotsav) in Bhubaneshwar. Patra's statement comes at a time when some forecasters are warning that the CAD could exceed 3% of the GDP this year because of widening gap between exports and imports. Trade deficit hit a monthly high of $30 billion in July.

Patra highlighted the inherent strength of the Indian currency, pointing out the purchasing power using the Big Mac index.

"In terms of purchasing power parity, the exchange rate appreciates with the prosperity of a nation and a rise in its productivity. The Indonesian Rupiah is set to become the strongest currency in the world, with the Indian Rupee emerging as the second strongest currency," he said.

Recovery agents cannot humiliate borrowers: RBI

The RBIhas tightened the guidelines to be followed by loan recovery agents acting on behalf of lenders. The new guidelines bar recovery agents from engaging in public humiliation of borrowers or calling them before 8 am or after 7 pm.

Issuing the guidelines, the central bank said that certain recent developments, including growing incidents of unacceptable practices followed by recovery agents, were the reason for the new guidelines.

In a speech in June, RBI governor Shaktikanta Das had said, "We have received complaints of customers being contacted by recovery agents at odd hours, even past midnight. There are also complaints of recovery agents using foul language."

The RBI has taken serious note of this and would not hesitate to take action against errant regulated entities (REs), he added.

"The RBI, as part of guidelines on Fair Practices Code, has already advised REs that they should not resort to intimidation or harassment of their borrowers or calling them on phone at odd hours in their debt collection efforts," the RBI said. Currently, there are guidelines on permissible hours for calling borrowers on the phone for recovery purposes regarding housing finance companies and microfinance loans.

RBI reserves digital lending space for regulated entities

In its effort to mitigate the concerns

arising from credit delivery through digital lending methods, the Reserve Bank of India (RBI) came out with guidelines aimed at firming up the regulatory framework for such activities. The banking regulator has categorically specified that the lending business can only be carried out by entities regulated by it or those permitted under the law.

The central bank has divided the universe of digital lenders into three groups - entities regulated by the RBI and permitted to carry out lending business; entities authorised to carry out lending according to other statutory/ regulatory provisions but not regulated by the RBI, and entities lending outside the purview of any statutory/ regulatory provision.

These guidelines are for the first category, or entities regulated by the RBI. As for other entities which are part of the second and the third categories, the RBI has asked respective regulator/ controlling authority/ the central government to formulate guidelines based on the recommendations of the working group on this subject it had formed back in January 2021.

NRIs can now pay utility bills through BBPS

Non-resident Indians (NRIs) will now be able to make utility bill payments for their family in India as the Reserve Bank of India (RBI) proposed to enable Bharat Bill Payment System (BBPS) to accept cross-border inward payments.

BBPS, owned and operated by the National Payments Corporation of India (NPCI), offers an interoperable platform for standardised bill payment experience, with over 20,000 billers on boarded on the system and is currently accessible to people residing in India only.

More than 80 million transactions are processed on the payments platform on a monthly basis.

The rationale behind the RBI move is to make it easier for the NRIs who do not have access to a full suite of bill collectors or may not have a NRE account should be able to make utility payments on behalf of their family.

RBI hikes capital adequacy ratio for urban cooperative banks to 12%

The Reserve Bank of India has hiked the minimum capital adequacy ratio (CAR) for Urban Cooperative Banks (UCBs) with deposits above Rs 100 crore to 12 per cent from the earlier floor of 9.0 per cent.

It has provided a glide path till March 2026 to meet revised CAR norm in phases for UCBs that don't meet it currently.

It has retained the norm of a minimum CAR of 9 per cent for tier-1 banks (those with deposits up to Rs 100 crore).

RBI in a statement said it has decided to adopt a simple four-tiered regulatory framework with differentiated regulatory prescriptions to strengthen the financial soundness of the existing UCBs. This is based on recommendations of a panel headed by N S Vishwanathan, former Deputy Governor set up in February 2021.

According to the data reported by the banks as on March 31, 2021, most UCBs have a CRAR of more than 12 per cent (1,274 lenders out of 1,534).

The Tier-2 banks are UCBs with deposits of more than Rs 100 crore and up to Rs 1,000 crore; Tier-3 are UCBs with deposits of more than Rs 1,000 crore and up to Rs 10,000 crore. The final layer, Tier-4. consists of banks with deposits exceeding Rs 10,000 crore.

RBI goes for 3rd rate hike this year

Citing elevated levels of inflation, which remains above RBI's upper target band of 6 per cent, the Monetary Policy Committee decided unanimously to increase the repo rate - the rate at which the RBI lends funds to commercial banks - by 50 basis points to 5.4 per cent with immediate effect.

As it raised the rate for the third time this financial year - an aggregate of 140 basis points in three months - the RBI is set to further increase lending rates in the economy and EMIs of existing home loan customers.

RBI Governor Shaktikanta Das told reporters that the MPC has decided to remain focused on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth.

While he said there are signs at this point of time that "CPI inflation has peaked and is expected to moderate going into the fourth quarter of this year and first quarter of next year," providing the rationale behind the 50 basis point hike, Das underlined, "Inflation still remains at uncomfortably and unacceptably high level and the monetary policy has to act.

There are several uncertainties that are clouding the outlook and so the monetary policy has to act and, therefore, the action of 50 basis points." ❑

Industry News

Ashish Kumar Chauhan set to become NSE MD, CEO

Sebi has approved the appointment of Ashish Kumar Chauhan as the next Managing Director and CEO of the National Stock Exchange (NSE), the country's largest stock exchange.

Chauhan is currently the MD and CEO of the BSE and his tenure will end in November this year. He will join in place of Vikram Limaye whose five-year tenure ended on July 15.

Chauhan is one of the founders of the NSE where he worked from 1992 to 2000. At the NSE, he was involved in setting up India's first fully automated screen-based trading system and first commercial satellite communications network.

This is Chauhan's second tenure in the BSE and under SEBI guidelines, a candidate cannot be appointed as MD & CEO for more than two tenures. BSE is also searching for a new CEO in place of Chauhan.

As per Sebi norm, the MD and CEO of a stock exchange has to apply and compete with other candidates for the top job after the completion of the five-year term. Limaye was appointed the NSE chief in July 2017 following the exit of Chitra Ramkrishna amid the probe into co-location scam.

PM launches India's 1st international bullion bourse

Prime Minister Narendra Modi launched the India International Bullion Exchange (IIBX), India's first International Bullion Exchange, and NSE IFSC-SGX Connect at Gandhinagar's GIFT city, an international financial services hub set up by the Gujarat government outside the State capital.

Moreover, setting up of IIBX could lead to standard gold pricing in the country and make it easier for small bullion dealers and jewellers to trade in the precious metal.

Govt to audit construction quality audit of National Highways

Amid the accelerated pace of highway construction and concerns over whether contractors are adhering to quality specifications, the road transport ministry has taken a first-of-its kind step to carry out audit of construction quality and safety aspects of completed and under-construction stretches.

To begin with, the ministry has appointed six independent experts to examine different stretches of the flagship Char Dham road project in Uttarakhand. Officials said this system would be institutionalised for the highway sector to ensure that the road projects are at par with the quality parameters set by the government.

New web-based facility for ration cards launched

The Centre launched a common registration facility in 11 states and UTs to enable homeless people, destitutes, migrants and other eligible beneficiaries to apply for ration cards.

The National Food Security Act (NFSA) provides a maximum coverage for about 81.35 crore persons. At present, around 79.77 crore persons are given highly subsidised foodgrains under the Act.

Risk Management failures in global companies escalate cyber threats

Over half (54%) of global organisations believe their risk assessments aren't mature enough, potentially exposing them to escalating cyber-threats, according to Trend Micro.

The security vendor polled over 6,290

IT and business decision makers from over 29 countries to compile its latest research.

About one-third (32%) of respondents said that assessing risk is the main area of attack surface management they struggle with. As a result, they feel most exposed to ransomware (83%), phishing (85%) and IoT attacks (81%).

Taxpayers won't be eligible for Atal Pension Scheme from Oct 1

Income-tax payers will not be allowed to enroll in the government's pension security scheme Atal Pension Yojana (APY) from October 1.

"From October 1, any citizen who is or has been an income-tax payer, shall not be eligible to join APY," the finance ministry said in the notification issued.

In a tweet, the department of financial services under the finance ministry, noted that the amendment in the scheme was done for better targeting of pension benefits to underserved section of population. "Effective in prospective manner from October 1, income-tax payer enrolled before October 1 to continue in the scheme," it added.

Microsoft teams up with govt to train 250K bureaucrats

Microsoft and the Indian government will collaborate for a programme to train nearly 2.5 million civil servants in using the company's suite of digital tools.

The partnership between the tech giant, the Ministry of Skill Development & Entrepreneurship (MSDE), and the Capacity Building Commission (CBC) aims to help civil servants in helping the underprivileged. It will help them in delivering last-mile social welfare services, said a statement from Microsoft.

The CBC does capacity building for the ministries of Defense, Skill Development and Entrepreneurship, Expenditure, Finance, Social Justice, Civil Aviation, Ports and Shipping, and Labour. A major competence gap identified among civil servants was the lack of digital productivity application skills needed while working on Microsoft Office tools like Word, Excel, and PowerPoint presentation.

Shah for setting up of 2 lakh agri credit societies

Pitching for setting up an additional 2 lakh new primary agricultural credit society (PACS) across the country in the next five years, home and cooperation minister Amit Shah said the PACS are the soul of farm credit system and therefore it's necessary to strengthen them by increasing their number from 95,000 to around 3 lakh.

"If the number of PACS reach 3 lakh panchayats in the country, then distribution of Rs 10 lakh crore agriculture finance could be possible through cooperatives," said Shah while addressing a national conference on rural cooperative banks.

"With the foundation of the 3 lakh PACS being strengthened, district cooperative banks will be strengthened, which in turn will lead to the strengthening of the state cooperative banks", said Shah.

No GST on residential premises if rented out for personal use: Govt

The government on August 12, 2022 said GST will not be applicable on residential units if they are rented out to private persons for personal use.

The government dismissed media reports which claimed that there is an 18% Goods and Services Tax (GST) on house rent paid by tenants. In a tweet, the government said GST would be levied only when the residential unit is rented out to a business entity.

"No GST when it is rented to private person for personal use. No GST even if proprietor or partner of firm rents residence for personal use," it said.

KPMG in India Partner Indirect Tax Abhishek Jain said the clarification provides relief to GST-registered proprietors or partners in GST-registered firms who take on rent immovable property for their personal use such as renting of a house for family accommodation.

Rise in currency in circulation slows

India's currency in circulation has increased by only around 500 billion rupees in the first four months of this financial year that began in April, which is nearly half the pace of the same period a year ago.

"Economic activity is completely back to pre-pandemic levels, and hence there is hardly any need for panic-driven cash withdrawals, which is leading to a drop in cash in circulation," a trader with a state-run bank said.

The rise in the cash in circulation for April-July stood at 508 billion rupees ($6.38 billion), as compared to 928 billion rupees for the similar period last year and a mammoth 2.25 trillion rupees in 2020-21, the peak of lockdown, data from the Reserve Bank of India showed.

The currency in circulation had jumped by over four trillion rupees in 2020-21, while the increase tapered to 2.80 trillion rupees in the last financial year, and market participants expect another drop in the current year.

Number of airports nearly doubles since 2014

There are 141 operational airports in the country, which include eight heliports, and two waterdromes, while air operators certificate have been issued to three carriers - Jet Airways, Akasa Air and IndiaOne Air, the Union Civil Aviation Minister, Jyotiraditya Scindia, said in a response to the Rajya Sabha.

Accordint to him, there were 74 airports with schedule operations in the country till 2014.

"The Government plans to develop/ operationalize 220 airports, heliports, water aerodromes in the next five years," he said during his response.

Scindia added that the aircraft fleet across domestic carriers, which stood at 686 till July 25 of this year, is expected to grow in the range of 10-12 per cent in the coming years. The fleet, pre-2014 was 410. "Expansion of fleet is a continuous process and airlines take appropriate decision to meet the growing demands in the aviation sector," he added.

Tax dept may make PAN must for crypto investors

The income-tax department could make a permanent account number (PAN) mandatory for cryptocurrency investors. This would be in line with the demat account rules for equity transactions, according to two people privy to the discussion.

At present, disclosure of crypto holdings and related gains is voluntary. If tax authorities go ahead with the PAN mandate, crypto exchanges will have to furnish a statement of financial transactions (SFT) before the income-tax department.

"The department wants the income from cryptocurrency trading to reflect in taxpayers' annual information statement (AIS) for tax-filing purposes," said a government official.

Therefore, the tax department may ask crypto exchanges to report all transactions done by their users, the official was quoted in the report as saying.

The official was of the view that making PAN mandatory would help cryptocurrency investors meet the Know Your Customers (KYC) requirements and hence allow better monitoring of such transactions and detection of any attempt of tax evasion or laundering of funds.

India is now home to 75,000 startups, says Piyush Goyal

India in its 75th year of Independence is now home to as many as 75,000 startups, Union minister Piyush Goyal said.

In a tweet, the Commerce and Industry Minister said "These numbers tell the power of a vision. A vision to see innovation & enterprise drive growth."

"India is now home to 75,000 startups in the 75th year of Independence and this is only the beginning," Goyal said in the tweet.

The minister had recently said the country aspires to become the largest start-up ecosystem in the world.

On another occasion, Goyal had appealed to startups to get incorporated and listed in India and not leave the country "just for few dollars more".

The Ministry of Commerce and Industry stated that the latest 10,000 startups were recognised in 156 days, compared to the initial 10,000 start-ups that were recognised in 808 days. It added that 49 per cent of the start-ups are from tier-2 and tier-3 cities.

Of the recognised start-ups, 12 per cent cater to IT services, 9 per cent to health care and life sciences, 7 per cent to education, 5 per cent to professional and commercial services and 5 per cent to agriculture.

CESL to set up 810 new EV charging stations

A subsidiary of Energy Efficiency Services Ltd (EESL), CESL has discovered prices for setting up 810 electric vehicle charging stations along 16 expressways and National Highways covering 10,275 km across India.

The corridors include busy routes, such as the Mumbai-Pune highway, Ahmedabad-Vadodara Highway, Eastern Peripheral Expressway, Delhi-Agra Yamuna Expressway, Hyderabad ORR Expressway, and the Agra-Nagpur Highway, the company said.

As an industry first, CESL, which is under the ministry of power, is using a service procurement model to set up the charging stations along with private sector participation to build India's electric mobility ecosystem. The charging stations are expected to be built within the next 6-8 months.

Under the public-private-partnership model, CESL will partner companies to invest in and operate the charging stations along the expressways and highways.

GST will not be imposed on funeral, burial, mortuary services: Govt

The government said there is no Goods and Services Tax (GST) on funeral, burial, crematorium or mortuary services.

The press Information Bureau (PIB) said in a social media post that claims to the effect there is GST on these services were misleading.

However, in the case of a works contract or a contract issued to carry out work such as construction, installation or maintenance, there is an 18% GST.

525,800 failed companies wound up since 2016

Over 525,800 companies have been wound up since April 2016 as part of a drive to clean up the system of inactive companies which have not filed statutory documents for two consecutive years, minister of state for corporate affairs Rao Inderjit Singh said.

The minister said in a written reply to a question in Rajya Sabha that these companies have been struck off from records as per section 248 of the Companies Act where the Registrar of Companies has cause to believe that they were not carrying on any business or operation for a period of two financial years and have not made any application for dormant status.

As per official data, the latest round of clean up which started in FY17 saw a high number of inactive companies getting removed from the records in FY18 and in FY19. In FY18, over 236,000 companies were removed from records, followed by over 143,000 in FY19.

The minister said that due process of law is followed in striking off inactive businesses from records.

SEBI defers deadline for KYC record validation

Capital markets regulator Sebi extended the deadline by three months to November 1, for commencing the validation of all KYC records by KYC Registration Agencies (KRAs).

This is the second time, when the Securities and Exchange Board of India (Sebi) has extended the deadline.

Initially, such agencies were required to independently validate the Know your Client or KYC records of all clients by July 1, which was extended till August 1.

Now once again the regulator has received requests from the KRAs to extend the timelines.

"Considering the KRAs' request for extension of the timeline... it has been decided that the validation of all KYC records (new and existing) shall commence from November 1, 2022," Sebi said.

Further, it said that KYC records of all existing clients, who have used Aadhaar as an Officially Valid Document (OVD), will be validated within a period of 180 days from November 1.

Trade deficit hits record $30bn

India's exports grew marginally by 2.14 per cent to USD 36.27 billion in July, while the trade deficit almost surged three-folds to USD 30 billion during the month, official data released showed.

Imports too jumped by 43.61 per cent to USD 66.27 billion in the month compared to July 2021, the data showed. The trade deficit was USD 10.63 billion in July 2021.

India's exports (merchandise) in July 2021 were worth USD 35.51 billion, the commerce ministry data showed.

In terms of inward shipments, merchandise imports in July 2021 stood at USD 46.15 billion.

Merchandise exports for the period April-July 2022 were USD 157.44 billion as against USD 131.06 billion during the period April-July 2021, registering a positive growth of 20.13 per cent, the data showed.

Imports for the period of April-July 2022 were USD 256.43 billion as against USD 173.12 billion during the same period of 2021, showing a growth of 48.12 per cent. Trade deficit for April-July 2022 was estimated at USD 98.99 billion as against USD 42.07 billion in the corresponding four months a year ago, which is an increase of 135.31 per cent.

Corporate tax mop-up rises 34% in first 4 months of FY23

Corporate tax collections grew 34 per cent during the current financial year till July 31, the Finance Ministry said, without detailing the absolute figures of the revenue collections.

"The corporate tax collections during FY 2022-23 (till 31st July, 2022) register a robust growth of 34% over the corporate tax collections in the corresponding period of FY 2021-22 @FinMinIndia," the Income Tax Department said in a series of tweets.

During 2021-22, corporate tax collections stood at Rs 7.23 lakh crore, a growth of over 58 per cent from 2020-21, it said. "Even when compared to collections of FY 2018-19 (pre-COVID period), the collections of FY 2021-22 are higher by over 9 percent. The positive trend of growth continues, but for the overall impact of the COVID-19 pandemic during FY2020-21, when the corporate tax collections took a temporary hit," it said.

Saved Rs. 50,000-crore forex by blending ethanol: PM

Prime Minister Narendra Modi said the country saved Rs 50,000 crore in foreign exchange by blending ethanol with petrol in the last seven-eight years.

Dedicating the second-generation ethanol plant of India Oil Corporation to the nation in Panipat, Haryana, PM Modi said that the same amount of Rs 50,000 crore has gone to farmers.

PM Modi, said the ethanol plant worth Rs 900 crore will provide a permanent solution to the problem of stubble burning in farms. Besides, stubble will become a source of income for farmers, Modi said, adding that ethanol production has increased from 40 crore litres to 400 crore litres in eight years.

He said that the second-generation ethanol plant at Panipat will help reduce pollution in Haryana and Delhi. Second-generation ethanol plant uses non-food biomass as feedstock for the production of biofuel. The project will utilise two lakh tonnes of rice straw to generate around three crore litres of ethanol annually. It will also result in a reduction in the emission of greenhouse gases.

21000 unregistered trusts got tax breaks: CAG

A comptroller and auditor general (CAG) report on the income tax department has revealed that more than 21,000 charitable trusts, which had not been registered for exemption, were granted tax breaks of Rs 18,800 crore between assessment year (AY) 2014-15 to 2017-18.

The highest exemptions of Rs 4,245 crore were availed by 1,345 such trusts based in Delhi, followed by Maharashtra where 3,745 trusts were allowed exemption of Rs 2,500 crore, over 2,100 trusts in UP availed Rs 1,800 crore tax free income, while 299 trusts in Chandigarh for Rs 1,600 crore.

Madhya Pradesh had more than 770 such trusts availing exemption of over Rs 1,595 crore and over Rs 1,000 crore exemptions each claimed by trusts under similar conditions in Gujarat, Andhra and Karnataka. Interestingly, the auditor, in its report tabled in Parliament, found at least 347 trusts received foreign contributions despite not even having foreign contribution regulation act (FCRA) registration.

5G auction ends; RIL shells out lion's share at Rs. 88000 crore

After seven days of bidding through 40 rounds, 5G spectrum auction has generated revenues of over Rs 1.5 trillion (Rs 150,173 crore). While 5G was the centrepiece of the auction, the government had put up 72.09 GHz of spectrum across 10 frequency bands on sale.

The first day of the auction saw telcos buying 5G spectrum along with highly-priced 700 MHz airwaves for more than Rs 1.45 trillion. In the remaining six days, the tally inched up marginally as companies got into the 4G play in some circles. On the final day of auctions, the government managed to earn only Rs 43 crore in three rounds of bidding.

The total figure of Rs 1.5 trillion stands out as the highest earning since mobile auctions began in 2010 with 3G. The quantum of spectrum on offer was also the highest. While the government was able to sell 71 per cent of the spectrum on offer in terms of quantity, in value terms it accounted for only around 35 per cent of the total of Rs 4.3 trillion as per the base price.

New SEZ law to focus on job creation, not forex

The proposed bill for governing of the special economic zones (SEZs) will transform SEZs into 'Development of Enterprise and Service Hubs' (DESH), where the focus would be on all aspects of growth, rather than evaluating success on the basis of net foreign exchange alone.

With the new norms, the performance of the units will be measured on broad parameters like promotion of investment, employment generation, research and development (R&D), as well as other economic activities. This overhaul of SEZ Act, 2015, will issue norms that are in line with the World Trade Organization's (WTO) guidelines.

The norms will ensure separate frameworks for manufacturing and services units. Besides this, it is likely that the state government will be an important stakeholder. Besides this, modern industrial parks will be built, which will focus on research and additional economic activities.

This way the Net Foreign Exchange (NFE) might not be the measurement criteria for the performance of the units. Current laws mandate that the units show positive NFE, and those who did, received benefits from the government. These benefits were given as subsidies and tax exemptions. The WTO has often criticized these laws and termed them unfair.

July GST collection at Rs. 1.49-lakh crore

The gross GST revenue collected in the

month of July 2022 is Rs 1,48,995 crore of which CGST is Rs 25,751 crore, SGST is Rs 32,807 crore, IGST is Rs 79,518 crore (including Rs 41,420 crore collected on import of goods) and cess is Rs 10,920 crore (including Rs 995 crore collected on import of goods). This is second highest revenue since introduction of GST. The government has settled Rs 32,365 crore to CGST and Rs 26,774 crore to SGST from IGST. The total revenue of Centre and the States in the month of July 2022 after regular settlement is Rs 58,116 crore for CGST and Rs 59,581 crore for the SGST.

The revenues for the month of July 2022 are 28% higher than the GST revenues in the same month last year of Rs 1,16,393 crore. During the month, revenues from import of goods was 48% higher and the revenues from domestic transaction (including import of services) are 22% higher than the revenues from these sources during the same month last year. For five months in a row now, the monthly GST revenues have been more than Rs 1.4 lakh core, showing a steady increase every month. The growth in GST revenue till July 2022 over the same period last year is 35%.

All categories of taxpayers can now file updated returns for AY21, AY22

All categories of Income Tax assessees can now file updated returns for the Assessment Years 2020-21 and 2021-22, with the payment of additional tax. However, this facility is not available for those seeking a refund.

Assessment Years 2020-21 and 2021-22 refer to fiscal years 2019-20 and 2020-21 respectively. For both years, the updated return form (ITR-U) has been enabled for all return types (from ITR 1 to ITR-7), in phases between June 27 and August 10. Over 65,000 returns have already been filed.

Taxpayers filing returns for AY 2021-22 will need to pay the regular tax due and interest thereon till date, along with an additional amount of 25 per cent of such tax and interest. For Ay 2020-21, the additional amount will be 50 per cent of the tax payable and interest. This facility was proposed in the Budget for FY23.

Over 7% of Indians own digital currency; 7th highest in world

According to the UN, over 7% of India's population owned digital currency in 2021, ranking seventh in the list of top 20 global economies for digital currency ownership as share of population. The use of cryptocurrency rose globally at an unprecedented rate during the COVID-19 pandemic. According to the UN trade and development organization UNCTAD, in 2021, 15 of the top 20 economies in terms of the percentage of the population that owns cryptocurrencies were developing countries.

Ukraine topped the list with 12.7%, followed by Russia with 11.9%, Venezuela with 10.3%, Singapore with 9.4%, Kenya with 8.5%, and the US with 8.3%. The UNCTAD stated that while some people have benefited from these private digital currencies and they have made remittances easier, they are an unstable financial asset that also carries social risks and costs. The monetary sovereignty of nations may be at risk if cryptocurrencies take off as a common form of payment and even informally displace national currencies (a process known as cryptoisation).

June credit card spends remain above Rs. 1 trillion

Credit card spends in June, although down marginally month-on-month (MoM), remained above the Rs 1-trillion mark for the fourth consecutive month. In June, credit card spends topped Rs 1.09 trillion, down 4.34 per cent MoM, revealed the data released by the Reserve Bank of India (RBI). However, on a year-on-year basis, spends were up 73 per cent.

In May, credit card spends hit an all-time high, reaching Rs 1.14 trillion. The banking system added over 1.84 million credit cards in June, taking the outstanding credit cards in the system to 78.72 million.

The surge in card addition was led by HDFC Bank, the largest card issuer in the country, Kotak Mahindra Bank, and Axis Bank.

HDFC Bank added 386,487 cards in June, followed by Kotak Mahindra Bank (262,942), Axis Bank (228,933), ICICI Bank (190,490), and SBI Card (166,976).

Coins worth Rs. 11 crore missing from bank

The Central Bureau of Investigation (CBI) conducted searches at 25 locations in connection with a case of coins worth Rs 11 crore going missing from the vaults of a State Bank of India (SBI) branch in Karauli in Rajasthan, officials said. The central agency had registered the case on April 13 following an order of the Rajasthan High Court, they said.

The 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. ❑

Mutual Fund News

ICICI Prudential Mutual Fund launches PSU Equity Fund

ICICI Prudential Mutual Fund has launched ICICI Prudential PSU Equity Fund, an open-ended equity scheme with an objective to provide long-term capital appreciation by investing predominantly in equity and equity related instruments of PSU companies. The scheme may invest in sectors/stocks that form a part of S&P BSE PSU Index. The scheme may also invest in opportunities across market cap - that is. large, mid or small cap.

"PSU companies form an important constituent of Capital Markets and are present across different sectors presenting wide investment opportunities. Also, PSUs appear to be attractively placed on valuation basis and offer better margin of safety. In a volatile environment, companies providing high dividend yield tend to have higher demand resulting in capital appreciation," Chintan Haria, Head - Product Development and Strategy, ICICI Prudential AMC.

According to the fund house, many factors make the PSU space attractive: One, government ownership in PSU companies is substantial compared to non-promoters (FPIs, DIIs & Retail). As these companies are highly under owned by non-promoters, the PSU space provides better Margin of Safety. Two, valuations in the PSU space have been attractive for a while now again indicating that companies have better Margin of Safety. Three, PSUs tend to offer better dividend yield than broader markets. Average dividend yield of S&P BSE PSU Index (last 17 years) is 2.6 whereas that of S&P BSE Sensex is 1.3. In a volatile environment, companies providing high dividend yield tend to have higher demand resulting in capital appreciation.

Investors pull out Rs 70,000 crore from debt mutual funds in June quarter

Investors continued to withdraw from mutual funds focused on investing in fixed-income securities for third consecutive quarter and pulled out over 70,000 crore in April-June due to high inflation and an increasing rate cycle.

"In the next (September) quarter, it is safe to assume that monetary conditions will be tighter in terms of lower amount system liquidity and higher regulatory rates, both of which should see further reduction in mutual fund debt corpuses," Sandeep Bagla, CEO Trust Mutual Fund, said.

Interest rate will be the major factor to dictate flow in debt mutual funds in coming quarters. Once rates start stabilizing, inflows can be expected, Ankit Yadav, director of Market Maestroo, said.

The latest outflow has pulled down the asset managed by fund managers for debt fixed-income funds by 5% to 12.35 lakh crore at June-end from close to 13 lakh crore at the end of March, data available with the Association of Mutual Funds in India showed.

HDFC Mutual Fund launches HDFC Silver ETF

HDFC Asset Management Company has launched HDFC Silver ETF, an open-ended Exchange Traded Fund (ETF) replicating/tracking performance of Silver .

The investment objective is to generate returns that are in line with the performance of physical silver in domestic prices, subject to tracking error. Investing in physical silver and storing it in a safe manner could be difficult for an individual, hence HDFC's Silver ETF NFO gives an opportunity to the investors to digitally invest and own silver which is easily tradable during market hours, replicates/tracks the performance of silver, and diversifies one's portfolio at a low cost.

Navneet Munot, Managing Director and Chief Executive Officer, HDFC Asset Management said, "HDFC AMC has always maintained an investor-first approach offering our clients with the most effective solutions while launching products. This Fund will provide investors an opportunity to enhance portfolio diversification by investing in a metal with a differentiated risk-return profile."

The fund house says that investing in silver can be beneficial due to its multipurpose utility in industrial activities such as portable devices, industrial equipment, Electric Vehicles, mobility, energy production and telecom. Silver demand outlook is robust on account of higher adoption in new age and green technologies. Along with the above, it is also a precious metal which hedges against currency depreciation since it is globally priced.

Baroda BNP Paribas Mutual Fund mobilises Rs 1,400 crore from flexi-cap scheme NFO

Baroda BNP Paribas Mutual Fund said it has collected over Rs 1,400 crore from its flexi-cap scheme during the New Fund Offering (NFO) period.

The scheme Baroda BNP Paribas Flexi Cap Fund is an open-ended dynamic equity scheme investing across large cap, mid cap, small cap companies.

This is the first new fund offered by Baroda BNP Paribas Asset Management India after the merger of Baroda Asset Management India into BNP Paribas Asset Management India.

"Over 42,000 investors from more than 120 cities across India have posed their faith in our very first NFO after the merger.

IDFC Mutual Fund launches Nifty 200 Momentum 30 Index Fund

IDFC Mutual Fund has launched IDFC Nifty200 Momentum 30 Index Fund, an open-ended index scheme that will consist of 30 high momentum large and mid-cap stocks replicating the Nifty200 Momentum 30 Index. Investment can be made through licensed mutual fund distributors, advisors, and online platforms as well as directly on the IDFC MF website.

Vishal Kapoor, CEO, IDFC AMC, said, "Momentum investing has proven to be a highly rewarding factor strategy over the last several years. It has also outperformed the broader indices, for instance, the Nifty200 Momentum 30 Index has outperformed the Nifty 100, and Nifty 200 indices in 8 out of the last 10 calendar years. It follows a structured, quantitative-led process of buying securities when their price is rising, and importantly, selling them when prices appear to have peaked. Historically, returns per unit of risk for the momentum index have been higher than broader indices. The diversification offered through this differentiated investment style, through a cost-efficient Index Fund, makes our fund an attractive opportunity for smart, long-term equity investors."

WhiteOak Capital Mutual Fund launches Mid Cap Fund, Tax Saver Fund

WhiteOak Capital Mutual Fund has launched two schemes - WhiteOak Capital Mid Cap Fund and WhiteOak Capital Tax Saver Fund. These are open-ended equity schemes. Both regular and direct plans will be available for investors in both the funds.

The WhiteOak Capital Mid Cap Fund will allow lumpsum investments only during the NFO period. The scheme will take investments only via SIP after the NFO period. According to a press release, WhiteOak Capital Mid Cap Fund will invest nearly 65% of the portfolio in Mid-cap stocks. The remaining allocation will be towards both large caps (for liquidity purposes) and small caps (to capture some compelling opportunities). The fund is benchmarked against S&P BSE Midcap 150 TRI.

Tata Mutual Fund launches Tata Housing Opportunities Fund

Tata Mutual Fund has launched Tata Housing Opportunities Fund, an openended equity scheme following the housing theme.

Tata Housing Opportunities Fund is an open-ended fund that will invest in a portfolio of companies that mainly supply the materials, products, and services that go into building a house. This is an opportunity to potentially create wealth for your future, by investing in companies whose products you may purchase.

"A house is one of the most cherished investments that we make. And this could be an opportunity to potentially generate long term wealth from such investments. This is a more structural offering rather than a time-bound tactical portfolio. Many of the companies that fit into this theme also benefit from the demographic dividend of our country in the form of a rising per-capita incomes, increasing urbanisation, rising middleclass, nuclear families, young and educated workforce etc. Thus, the portfolio would qualify as a good longterm investment," said Tejas Gutka, the fund manager. ❑

Co-Operative Bank News

Rupee Cooperative Bank will cease to exist

Rupee Cooperative Bank will cease to exist as a bank from September 22. Many of high value depositors are senior citizens. According to the bank, the high-value depositors will get back a maximum of Rs 5 lakh, regardless of their total deposit at the bank, after liquidation in accordance with the Deposit Insurance and Credit Guarantee Corporation (DICGC) Act.

Altogether 99% of the depositors, according to the RBI and the bank, are entitled to receive a full refund of deposits under the DICGC Act, as their deposits were under Rs 5 lakh each. Around Rs 700 crore have already been disbursed to 64,000 depositors, who had deposits under Rs 5 lakh each, under the DICGC Act. Sources added that another Rs 250 crore were linked to those with deposits of under Rs 5 lakh each.

Centre asks IBA to ready EASE-like plan for RRBs

Centre has asked the Indian Banks' Association (IBA) to prepare a viability plan for regional rural banks (RRBs) similar to the Enhanced Access and Service Excellence (EASE) for public sector banks (PSBs)

The IBA has been asked to conduct workshops for discussing the issues regarding preparation of a viability plan for the regional banks, said an official.

At a review meeting between Finance Minister Nirmala Sitharaman and RRB chiefs last month, these lenders were asked to submit a road map with implementation timelines for scaling up operations and ensuring deeper penetration.

At a later date, a meeting with stakeholders would be held for finalising a viability plan for each of the 43 RRBs.Towards this, the Centre has roped in the IBA since it has been undertaking the EASE reforms for PSBs.

The bank's lobby group has been asked to assist with the preparation of the viability plan for RRBs.It is to be done in consultation with National Bank for Agriculture and Rural Development (NABARD), sponsor banks and regional lenders.

DICGC to make payments in October to depositors of 17 Co-op banks facing RBI restrictions

DICGC will be making payments to the eligible depositors of 17 cooperative banks, including eight from Maharashtra, in October. RBI had imposed several restrictions, including on withdrawals, by depositors of these 17 banks in July in view of their deteriorating financial positions.

Of the 17 cooperative banks, eight are in Maharashtra, four in Uttar Pradesh, two in Karnataka, and one each in New Delhi, Andhra Pradesh and West Bengal.

The cooperative banks from Maharashtra are: Sahebrao Deshmukh Cooperative Bank, Sangli Sahakari Bank, Raigad Sahakari Bank, Nashik Zilla Girna Sahakari Bank, Saibaba Janata Sahakari Bank, Anjangaon Surji Nagari Sahakari Bank, Jaiprakash Narayan Nagari Sahakari Bank, and The Karmala Urban Co-op Bank.

As per the DICGC, the banks from Uttar Pradesh whose eligible depositors will be paid in October are: Lucknow Urban Co-op Bank, Urban Co-operative Bank (Sitapur), National Urban Co-op Bank (Bahraich), and United India Co-op Bank (Nagina).

The banks in Karnataka are: Sri Mallikarjuna Pattana Sahakari Bank Niyamita (Maski) and Shri Sharada Mahila Co-operative Bank (Tumkur).

Eligible depositors of Ramgarhia Cooperative Bank (New Delhi), Suri Friends Union Co-op Bank (Birbhum, Suri, West Bengal), and Durga Co-op Urban Bank (Vijayawada, Andhra Pradesh) too will be paid by the DICGC in October.

RBI cancels licence of Deccan Urban Co-operative Bank

The Reserve Bank of India said the licence of Deccan Urban Co-operative Bank, Karnataka, has been cancelled as the lender does not have adequate capital and earning prospects. As per the data submitted by the bank, more than 99 per cent of the depositors are entitled to receive the full amount of their deposits from Deposit Insurance and Credit Guarantee Corporation (DICGC), the central bank said.

The cooperative bank ceases to carry on banking business. "The bank does not have adequate capital and earning prospects," the RBI said while announcing the cancellation of the licence.

It also said the Vijayapur-based bank with its present financial position would be unable to pay its present depositors in full.

The RBI has requested the Commissioner for Cooperation and Registrar of Cooperative Societies, Karnataka, to issue an order for winding up the bank and appoint a liquidator for the bank.

On liquidation, every depositor would be entitled to receive deposit insurance claim amount of his/her deposits up to Rs 5 lakh DICGC.

As of August 06, 2022, DICGC has already paid Rs 13.07 crore of the total insured deposits.

ED raids residences of 5 accused in Karuvannur Co-operative Bank scam

The Enforcement Directorate attached in Kochi office have started simultaneous raids at the residences of five accused in the Rs 312 crore fraud at the Trissur-based Karuvannur Cooperative bank.

Incidentally, of the five accused where the raids began, four are out on bail. The ED officials involved in the raids were being guarded by the armed CISF guards as a matter of precaution.

The Karuvannur Cooperative bank fraud in Thrissur district came intolimelight a year ago, but not much headway has been made in the probe by the police.

Trouble broke out very recently when a depositor after desperate pleas for getting his money back for treatment passed away. Since then the fraud in the bank has made frequent headlines and even saw the Kerala High Court intervening.

Recently the Court directed the scam-tainted coop bank to stop all payments barring the emergency ones and asked the Pinarayi Vijayan government to prepare a roadmap aimed at paying back the depositors.

The bank informed the court that at present they have only Rs 60 lakh in cash, while they have assets which can be sold and depositors can be paid.

It also pointed out that of the total deposit of Rs 284 crore, a sum of Rs 142 crore has matured. ❑

SC: Cases of grave offence can't be quashed on basis of compromise

The Supreme Court held that a complainant has no right to withdraw a plaint in grave and serious offence as the crime is committed against society and not just an individual and that proceedings cannot be quashed on the ground of monetary settlement or compromise between the offender and the victim or his/her family.

A bench of Justices Indira Banerjee and V Ramasubramanian set aside a verdict of the Gujarat HC of quashing of criminal proceedings in an abatement of suicide case after the complainant, who was also cousin brother of the deceased, and the accused came to a settlement. The top court held that any settlement between the offender and the complainant will not prevail upon the interest of society to bring to justice the accused and said that if it is allowed, then financially strong offenders would go scot-free in criminal cases.

"Orders quashing FIRs and/or complaints relating to grave and serious offences only on the basis of an agreement with the complainant, would set a dangerous precedent, where complaints would be lodged for oblique reasons, with a view to extracting money from the accused. Furthermore, financially strong offenders would go scot-free, even in cases of grave and serious offences such as murder, rape, bride-burning, etc. by buying off informants/complainants and settling with them," the bench said.

Legal News

CJI: People still believe what newspapers print as true

Three days after advising electronic, digital and social media to self-regulate or face external regulation, CJI N V Ramana said independent journalism is a must for vibrant democracy as people have a lot of faith in what is printed in newspapers.

Justice Ramana said, "Independent journalism is the backbone of democracy. Journos are the eyes and the ears of the people. It is the responsibility of media houses to present facts. Especially in the Indian social scenario, people still believe that whatever is printed is true. All I want to say is that the media must confine itself to honest journalism without using it as a tool to expand its influence and business interests."

He said when a media house has other business interests, it becomes vulnerable to external pressures. "Often, the business interests prevail over the spirit of independent journalism. As a result, democracy gets compromised," he said.

In contrast, in Ranchi, the CJI uncharacteristically had warned electronic media to desist from holding trials and unsavoury campaigns against judges and telecast agenda-driven debates, and said that both were detrimental to the health of democracy in India. He had said justice delivery was becoming challenging with each passing day.

Mother living with married daughter is a family member

The Visakhapatnam bench of the Income Tax Appellate Tribunal (ITAT)has deleted the addition of excess gold belonging to the mother of the assessee, who is staying with the assessee as the only daughter, and considered it to belong to the family members of the assessee.

The two-member bench of Duvvuru R.L. Reddy (Judicial Member) and S.Balakrishnan (Accountant Member) has held that in the case of a person who is not assessed for wealth tax, gold jewellery and ornaments to the extent of 500 gramsper a married lady, 250 grams per an unmarried lady, and 100 grams per male member of the family should not be seized.

The appellant/assessee is an individual who derives income from business and remuneration from a partnership firm, M/s. Lifestyle Housing. A search and seizure operation was conducted in the group cases of M/s. Yugandhar Housing Private Limited and others, including the residence of Sri M. Maheswara Reddy, Managing Director of M/s. Yugandhar Housing Pvt. Ltd.

The assessee is the wife of Sri M. Maheswara Reddy. A notice was served on the assessee. In response, the assessee filed a return of income. The assessee accepted the income filed by her in response to the notice. Subsequently, notice was issued and served on the assessee. During the course of assessment proceedings, the AO assessed the income of the assessee, including an amount of Rs. 7,94,372, being the value of gold jewellery weighing 284.600 grams which is found in excess after considering the eligible exemption as per CBDT Instruction No.1916, dated 11/05/1994. The AO assessed the excess gold jewellery under Section 69A. The assessee preferred an appeal before the CIT(A).

The CIT(A) observed that none attended the hearing during the appellate proceedings in spite of several opportunities and dismissed the appeal of the assessee.

The assessee contended that the gold

jewellery belonged to the family members of the assessee of the assessment order. Therefore, the AO has erred in giving effect to the CBDT instruction on the gold jewellery belonging to the mother of the assessee while allowing the gold jewellery belonging to the mother-in-law of the assessee. The mother of the assessee was staying with her daughter, who is the only daughter, and hence the benefit of CBDT Instruction No. 1916 should also be extended to the mother of the assessee.

The department supported the order of the AO but could not controvert the taxing of excess jewellery belonging to the mother of the assessee.

NCLT not a debt collection forum, says SC

The Supreme Court has categorically said that in a dispute between an operational creditor and a company, the operational creditor cannot sue the company for insolvency. It does not matter whether there is merit in the stand of the operational creditor - after all, the Insolvency and Bankruptcy Code's (IBC) purpose is not to sit in judgment of commercial disputes.

The apex court said this in its verdict in the SS Engineers vs Hindustan Petroleum Corporation case.

SS Engineers believed it had provided services worth Rs. 38 crore to HPCL Biofuels Ltd (HBL), a subsidiary of HPCL. HBL was not happy with the services and refused to pay. A dispute arose. SS Engineers sued HBL for insolvency at the National Company Law Tribunal (NCLT), Kolkata.

The NCLT admitted the insolvency proceedings against HBL, thus favouring SS Engineers, and held that the company's dues from HBL far exceeded the deductibles for various lapses in work, as per the contract - such as liquidated damages.

HBL took the matter to the appellate tribunal, NCLAT, which reversed NCLT's verdict, saying it should have disallowed the Corporate Insolvency Resolution Process (CIRP).

SS Engineers then approached the Supreme Court against the NCLAT order. The apex court agreed with the appellate tribunal, saying NCLT had "committed a grave error of law by admitting the application of the operational creditor, even though there was a pre-existing dispute".

It said that under Section 9 of the IBC, the adjudicating authority would have to examine (i) whether there was an operational debt exceeding Rs. 1 lakh; (ii) whether the evidence furnished with the application showed that debt exceeding Rs. 1 lakh had not been paid; and (iii) whether there was any dispute between the parties or a record of pendency of a suit or arbitration proceedings filed before the receipt of a demand notice in relation to the dispute. If any of the conditions was not fulfilled, the application of the operational creditor would have to be rejected.

They further said that the NCLT, exercising powers under Section 7 or Section 9 of IBC, "is not a debt collection forum". The IBC deals with insolvency and bankruptcy. "It is not the object of the IBC that CIRP should be initiated to penalise solvent companies for non-payment of disputed dues claimed by an operational creditor."

The verdict further stresses that there are "noticeable differences" in the IBC between the initiation of CIRP by a financial creditor and by an operational creditor. "From a reading of Sections 8 and 9 of the IBC, it is patently clear that an operational creditor can only trigger the CIRP process when there is an undisputed debt and a default in payment thereof. If the claim of an operational creditor is undisputed and the operational debt remains unpaid, CIRP must commence, for IBC does not countenance dishonesty or deliberate failure to repay the dues of an operational creditor. However, if the debt is disputed, the application of the operational creditor for initiation of CIRP must be dismissed."

Post office staff swindled Rs. 96 crore of public money

The staff at post offices misappropriated Rs 95.62 crore of public money between November 2002 and September 2021, the Comptroller and Auditor General has said.

The money may seem small but it is what common citizen invested in post office savings, the oldest and the largest banking system in the country. The system serves the investment needs of urban and rural clients through schemes such as savings bank, recurring deposits, time deposits, national savings certificates, kisan vikas patras, public provident fund, monthly income account scheme, sukanya samriddhi accounts and senior citizens savings scheme.

It also found instances of manipulation in the database by opening fake accounts and making fake entries of deposits into these accounts and subsequent withdrawal of money of Rs 15.98 crore from these accounts in four circles. ❑

Centrum, AWR Lloyd Join Hands to Offer Infra I-Banking Services

AWR Lloyd, a leading Indo-Pacific strategy consulting and corporate finance advisory firm, has announced its entry into India through a strategic partnership with Centrum Capital Limited, the Investment Banking arm of the diversified financial services organization, Centrum Group. AWR Lloyd and Centrum will combine their expertise across the Infrastructure, Energy & Utilities, Clean-Tech, Logistics and Mobility sectors. The firms will work closely with private and public sector companies and financial institutions to offer scalable investment banking products, groundbreaking solutions and actionable insights for more sustainable development along with an extensive outreach to long-term investors, including Impact funds.

Alexander Wood, CEO and Co-founder of AWR Lloyd expressed his enthusiasm, "Free from the bureaucracy and conflicts of the mainstream consultancies and bulge-bracket banks, the Centrum-AWR Lloyd alliance will bring fresh and innovative perspectives to clients in India. Our firms share a fiercely independent and entrepreneurial spirit. Both have a reputation for breaking out of the box of conventional thinking. The new partnership will formulate bespoke solutions and implement transactions for clients in India designed to accelerate transformation to more sustainable business models, capital structures and asset portfolios. We very much look forward to working with Sandeep and the teams at Centrum."

Sandeep Upadhyay, Managing Director (Infrastructure Advisory) at Centrum Capital said, "We are excited to partner with the highly talented team at AWR Lloyd. I am certain that leveraging our synergistic expertise will bring even more innovative solutions for our clients. The Infrastructure sectors continues to present huge opportunities in the fund-raising and corporate advisory space, which combined with a focus on Sustainability Transformation will prove to be immensely value accretive in the long run."

AWR Lloyd is ranked by Vault as No.3 for 'Innovation' amongst consultancies in the Asia-Pacific region in 2022. Established in the year 2000, the firm has a 22-year track record in providing strategy, equity and project advisory services across the Indo-Pacific region from Southeast Asia to the Middle East, with strong UK and Australia connections. Recent assignments include advising on the S$1.1 billion sale of Singapore-based solar energy group, Sunseap to Portuguese utility, EDPR, on behalf of long-term Asian energy client Banpu; resiliency consultancy to the US government in relation to the impact of COVID-19 across Southeast Asia; and capital-raising advisory for a US$5.5 billion infrastructure and railway project between Laos and Vietnam.

Centrum Capital's Infrastructure Advisory covers a wide range of sectors such as Infrastructure, Renewable Energy, Electric Mobility, Logistics and Warehousing amongst others. Some of their recent deals include raising private equity and growth capital for rapidly growing firms such as Premier Energies and Jupiter International in the Energy and Clean Tech space, and raising funds for start-ups in the two wheeler and four wheeler categories pursuing greater sustainability.

IDFC FIRST Bank Partners LetsVenture to Support Startups

IDFC FIRST Bank and LetsVenture, India's leading early-stage platform for investors and founders have announced a partnership to explore synergies and support the startup ecosystem by offering curated products and solutions to startups, founders and investors.

A Memorandum of Understanding to work on areas of mutual interest was signed between IDFC FIRST Bank LetsVenture Technologies at LetsVenture's flagship event, 'LetsIgnite', for startups and founders in Bengaluru.

The partnership makes IDFC FIRST Bank a preferred banker to all startups on LetsVenture's Scalix, a newly launched platform that supports the startUp ecosystem through fundraising solutions, knowledge series, and investor connect.

IDFC FIRST Bank offers customized solutions to startUps under its FIRST WINGS program, dedicated to powering the startup ecosystem. Offerings under FIRST WINGS range from providing Zero Balance Startup Current Account with unlimited free IMPS, NEFT, RTGS transactions and doorstep banking for three years, uniquely designed Working Capital solutions for Pre-Profit startups, Business Credit Cards for Startups with step-up credit, a tailored 'Founder Success Program' and 40+ 'Beyond Banking' offers from its partners. The Bank's special 'Founder Success Program' offers knowledge series, masterclasses and networking sessions to engage, groom and connect with startups and contribute to their success story.

Bhavesh K Jatania, Head - Startup Banking, IDFC FIRST Bank said, "We are committed to building a strong presence in the startup ecosystem and be recognized as not just banking partners but also business partners. Startups are the backbone of India's knowledge economy and are expected to play a pivotal role in driving our economic growth to the aspirational $5 trillion mark. In the last year, the number of DPIIT registered startups have increased from ~66000 to ~75000. Given the efforts Government has taken to boost the startup ecosystem in the country, it is likely to continue growing."

"Startup needs are different from traditional businesses as they are innovation oriented and tech-driven. They invest aggressively in growth and quickly move across the life stages, hence from a banking perspective the solutions and structures need to be aligned. The LetsVenture team has done commendable work in bridging the gap between startups and investors and we believe that such collaborations will enable the Bank, to support founders in their entrepreneurial journey," he added.

Shanti Mohan, Co-founder & CEO LetsVenture said, "In the last decade when we founded LetsVenture, our vision was to make the process of discovery, connect and fundraise easy for both the startups and investors. Having worked with thousands of founders, and a portfolio of 550+ companies, today our vision is to make the process of starting up easy and efficient for founders. IDFC FIRST Bank, with its focus on founders, along with the agility to adapt to a maturing ecosystem became a natural partner to how we could work together to deliver on this goal. We are excited to partner with the team at IDFC and be part of the FIRST WINGS for the next generation of entrepreneurs who will build the next billion-dollar business from India."

The partnership with LetsVenture will enable IDFC FIRST Bank to reach out to startups and offer customised solutions that meet the unique needs of across life stage.

Bank of Maharashtra participates in "Swarajya Mahotsav" under the aegis of 'Azadi Ka Amrit Mahotsav'

Bank of Maharashtra, participated in "Swarajya Mahotsav" as per the directives of Government of Maharashtra, in its Head Office, Lokmangal, at Shivajinagar, Pune. Shri A B Vijayakumar and Shri Asheesh Pandey, Executive Directors, Bank of Maharashtra, led the "Swarajya Mahotsav". General Managers, Executives and other staff members were present in the event.

To commemorate "Swarajya Mahotsav" all the staff members assembled and sang the National Anthem at 11.00 am. This was followed by interaction of Executive Directors with staff members. Bank of Maharashtra has been celebrating 'Azadi Ka Amrit Mahotsav' in full fervour across the country through its Branches and Zonal Offices participating in various programs Viz. Bike Rally with Tiranga, Distribution of Tiranga by staff members to underprivileged people, awareness programs like flash dance, Nukkad Natak, various social security scheme campaigns etc.

PUBLIC CREDIT REGISTRY (PCR): GAME CHANGER IN RESHAPING OUR CREDIT ECOSYSTEM

Introduction:

The Public Credit Registry (PCR) is the culmination of recommendations given by the committee headed by Y.M. Deosthalee. The idea behind creating the public registry is to collate the financial information of individual and corporate borrowers under one platform, inclusive of financial delinquencies, pending legal suits, and willful defaulters. The objective was to strengthen the credit culture of the Indian economy.

The move is a departure from the existing mechanism where there are multiple credit information repositories with varied data objectives and coverage. The lack of credit information gap will be filled by the unified PCR. The data contained in the system will be made available to stakeholders such as banks and private financial institutions on a need-to-know basis. It was suggested that the PCR would improve India's ease of doing business parameters at the World Bank.

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A Public Credit Registry (PCR) is an information repository where all information about existing as well as new borrowers is stored. This includes both corporate as well as retail borrowers. The idea is to capture all relevant information in a single large database on both the outstanding loans and repayment history of an entity/ corporate/individual.

Public Credit Registry (PCR), created by the Reserve Bank of India, is a public digital registry to capture and store financial information of borrowers in India, both existing and new borrowers. The credit registry will collate the borrowing history of both individuals and corporate borrowers. Borrowers will have access to their credit information and seek corrections.

The PCR would be a comprehensive database of information on all credit relationships in the country, from the point of origination of credit to its termination. The registry will cover payments, restructuring, defaults, resolutions and even the altering terms of a contract midway during the life of a credit relationship. All of this would be registered in a single data registry, which is being developed and maintained at the RBI.

What data does PCR capture?

The registry captures data on loans taken from all kinds of sources including from banks, NBFCs, corporate bonds, External Commercial Borrowing, Inter-Corporate Lending, Masala Bonds etc. It also includes ancillary information like any overdue utility payments, or tax payments data from tax authorities, and other primary information sources.

Where will the registry source data from?

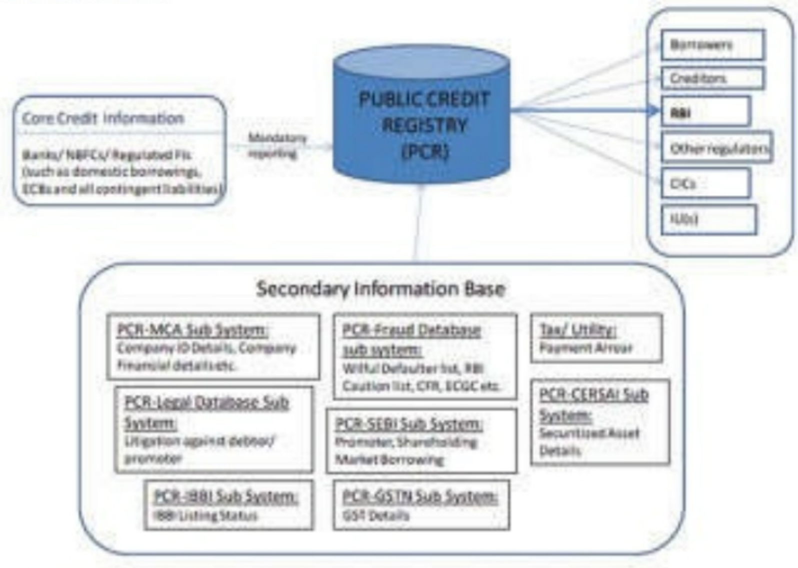
The proposed PCR will include data from entities like Securities and Exchange Board of India, Corporate Affairs Ministry, Goods and Service Tax Network (GSTN) and the Insolvency and Bankruptcy Board of India (IBBI) to enable banks and financial institutions to get a 360-degree profile of the existing as well as prospective borrowers on a real-time basis.

The PCR has been envisaged as a database of core credit information - an infrastructure of sorts on which users of credit data can build further analytics. It will strive to cover all regulated entities (i.e., financiers) in phases. It will facilitate linkages with related ancillary information systems outside the banking system including corporate filings, tax systems (including the Goods and Services Network or GSTN), and utility payments. The PCR will have to be backed and governed by a comprehensive Public Credit Registry Act to be brought in consultation with the Government. It will have to follow the latest privacy guidelines based on a laid down consent framework.

What objective will the PCR achieve?

Lack of information or information asymmetry (where one party has more information than the other) is the key challenge faced by lenders while giving out loans. If banks know that Person A is a good borrower, and has not delayed repayment commitments in the past, has a source of income with which to repay the loan, then perhaps the bank could charge him a lower rate of interest.

The proposed Public Credit Registry (PCR) information architecture



Source: *Report of the High-Level Task Force on Public Credit Registry for India, 2018.*

Usually, the higher the risk of giving a loan and not getting it back, the higher is the interest charged by lenders. A PCR aims to reduce this asymmetry of information by giving the lender a 360 degree view of the prospective borrower's credit history.

But this is not where the utility of PCR stops. As a borrower builds credit history, the lender would want to protect that information especially for profitable borrowers and may not be willing to share it with other lenders. This would mean that the borrower would get tied to a particular lender and may not be able to move away if, for instance, the lender faces its own problems. A PCR can enable that the borrower's credit history is accessible to all lenders in a more transparent manner.

Why PCR, when Credit bureaus already capture credit history data?

Yes, India already has private credit bureaus. Credit Information Bureau India Ltd or CIBIL, for instance, collects data on loan repayment. Central Repository of Information on Large Credits (CRILIC) collects information on large borrowers with exposure of over Rs 5 crores. But there are differences between a private credit bureau (PCB) and a PCR. The key difference is that PCBs are for-profit enterprises, privately controlled and therefore tend to focus on the more profitable data segments. A Public Credit Registry, on the other hand, is a non-profit entity, and therefore brings more comprehensive data coverage, from the largest to smallest borrowers. A PCB can bring more value addition through data analytics and complement a PCR.

As borrowers build history, lenders would like to protect the information of their profitable customers and may not be ready to share it directly with other lenders. This way, borrowers can get locked to their initial lenders, become vulnerable to gouging in loan terms, and worse, be unable to convey their credit quality to new lenders if existing lenders experience problems of their own (such as due to capital erosion from recognition of losses, as was witnessed in India over the past decade in the form of high retail and MSME cost of borrowing from banks due to spillover from their large corporate borrower loans turning non-performing).

This is where third-party credit information companies come in to play, those that will pool the data from lenders and share the information with other lenders as per the laid down policy. Globally, Private Credit Bureaus (PCBs) and Public Credit Registries (PCRs) both operate in this space. PCBs can be legislatively authorized to receive credit data; however, being for-profit enterprises, they may focus primarily on those data segments around which it is most profitable to build a business model (e.g., provision of credit scores based on data gathered). Indeed, it is found internationally that a PCR, being a non-profit enterprise, is able to ensure much better data coverage than PCBs. In turn, the PCBs when given access to comprehensive data from a PCR can provide better and greater value addition through data analytics and innovations, complementing the PCR.

One can easily presume that to be useful, it is important for credit information systems to gather complete credit information, possibly even asset-side and cash-flow details about the borrower. Also, the latest information is more important, giving rise to the demand for near-real-time data. The High-Level Task Force examined the data gaps in the current credit information system in India and recommended that a PCR be set up, backed by an appropriate Act, to improve the information efficiency of the credit market and strengthen the credit culture in India.

Will it solve some of the banking sectors' big problems including that of bad loans?

By bridging the information gap, a public credit registry will ensure credit flow to the last mile customers that have been left out of the formal financial fold. The World Bank estimates the current credit gap for MSMEs in India to be at $380 billion. Better information on borrower's credit history will also help banks avoid the risky borrowers, and thereby manage their asset quality better. Creating a public registry of this kind will also aid ease of doing business in India.

The Welcome move by RBI

The RBI has come out with a draft Public Credit Registry of India Bill for review by experts. The registry will first be launched with access only to banks and later other entities will be allowed, according to a report. The move is a step ahead of the Central Repository of Information on Large Credits, where lenders can have information on large credits. A PCR will eventually cover all lenders, borrower accounts without any size threshold, even though at the very early stage the plan is it would cover loan sizes only above a certain threshold.

The primary reason for building a PCR is to provide a 360-degree view of a borrower's liability and remove information asymmetry, which often leads to a breakdown in the credit market. The secondary reason for PCR is to provide bankers with up-to-date information about their credit process. There is no reason why the PCR can't be linked with all cash flows that are going in and out of last-mile borrower's transactions,

while a public credit registry will help discipline large borrowers; it will open up doors of credit for the relatively underpenetrated banking system.

How PCR would work

The PCR can be linked with all cash flows that are going in and out of last-mile borrower's transactions. Then instead of asking for collateral and doing asset-based banking, the banks could rather shift to cash flow-based lending. There would be a scope to expand lending to borrowers who find it hard to provide any collateral. Also, an account aggregator that would be a record of the borrower's assets can complement the PCR. In some cases, the assets may be very small and in cash flows, yet the aggregator over time can still complement the PCR quite well.

The account aggregator has to manage how other financial institutions can access the borrowers' data, which can be gathered from all financial institutions, including banks, non-banks, mobile money wallets, mutual funds, tax agencies, GST invoices. Together PCR and aggregator will allow financial intermediaries and borrowers to see in real-time the complex pattern of financial cash flows of individuals and businesses, the PCR providing the liability side of the information and the account aggregator the asset side and the cash flow side. "With these systems kicking in the coming months and years, banks will be able to lend judiciously to India's large underserved population. By employing the

power of data analytics and machine learning banks will be able to give individualized financial products.

An Important Step to Democratize and Formalize Credit

In an emerging economy like India, it is always felt that the smaller entrepreneurs, mostly operating under the informal economy, do not get enough credit as they are information wise opaque to their lenders who prefer to provide loans to more transparent larger businesses. Data as of March 2018 of scheduled commercial banks (SCBs) from RBI's basic statistical returns (BSR) shows that close to half of the outstanding credit is for ticket size above a hundred million rupees and thirty per cent is above one billion rupees. Credit penetration is particularly low for Micro, Small and Medium Enterprises (MSME) sector where the ticket size is generally believed to be between one to ten million rupees. Even though more than 95 per cent of accounts with SCBs are having sanctioned credit limit less than one million each, the amount outstanding on these accounts is only 23 per cent of the total.

Is there a big opportunity for us to rethink and reshape our credit eco-system for the future so that micro credit can thrive to unlock economic value? RBI has initiated work on a Public Credit Registry (PCR). All are excited about how PCR can solve in a fundamental way the information problem affecting access to credit for micro entrepreneurs.

Information asymmetry with the borrower is the major difficulty faced by any lender while granting a loan. Put simply, the borrower has more information about her own economic condition and risks than the lender. Credit information systems aim to reduce this asymmetry by enabling the lender to know the credit history with past lenders and the current indebtedness of the borrower. They improve efficiency of credit allocation, as the lender can use credit information systems to properly differentiate and appropriately price (interest rate) as well as alter terms (maturity, collateral, covenants, etc.) of the loan.

How the PCR will help in strengthening the credit culture

Firstly, PCR will make borrower information more complete with increasing coverage of lending entities. In particular, it will eventually reach out even to the smallest primary agricultural credit societies. It will also cover entities which may not be regulated by the RBI.

Secondly, PCR will vastly simplify and reduce the reporting burdens on the lenders. Other entities including regulators and supervisors will be able to access it for core credit information and supplement it with only the incremental part as per their requirement. Many of the statistical returns presently collected by the RBI may also accordingly be substantially rationalized and pruned, freeing up resources in the financial eco-system for analysis instead of repetitious efforts in data collection, follow-up and cleaning. The same would be the case with other entities that presently collect such data from banks.

Thirdly, PCR will have credit data available digitally at a higher frequency than at present. Therefore, it will make credit decision-making faster and efficient.

Fourthly, with linkages to other information systems like corporate data from the Ministry of Corporate Affairs (MCA21) and tax filing or invoicing data (GSTN), it will help the users to access other data on borrowers' assets and evolving cash flows, which are essential for taking efficient credit decisions.

Finally, it will be possible within the PCR architecture to address privacy concerns and control access to data with a proper consent-based framework for appropriate usage, better than what is currently feasible. These concerns will have to balance the objective that the PCR is just a step in helping the democratization of credit, whereby credit data is not only used for regulatory / supervisory purposes, but also leveraged to expand the credit market efficiently. In particular,

- While an individual will have access to her data stored in PCR, they should be empowered to share it with other lenders for availing credit.
- Similarly, lenders need to be given access to their own customers' complete data for monitoring such accounts.
- Regulators / supervisors will require full access to the data for their work so that they can address systemic risk concerns with the advantage of a holistic view.

To appropriately put in place the required access and control policies, the High-Level Task Force recommended that a separate Public Credit Registry Act (PCR Act) be brought in. The PCR Act will need to ensure adequate safeguards on data while at the same time address extant restrictions on sharing of credit data that prevent efficient allocation and regulatory supervision of credit. The PCR Act would also have to be comprehensive so as to bring in data from the section of lenders who do not directly fall under the RBI regulations. To this end, the RBI plans to engage with the Government and other regulators in the coming months. In the meantime, the RBI has set up an Implementation Task Force that is putting the systems infrastructure in place to kick-start the PCR with data from regulated entities that can be covered either under, or with minor tweaking, of the extant legislative framework.

Conclusion:

For big firms, that have income tax return records, a public

history of financial statements and so on, getting loans from banks is a routine affair. But for smaller entrepreneurs, lack of transparency and credit history, getting loans from the formal system is not an easy task. Banks often end up charging such customers a much higher rate of interest on loans than they would charge others, simply for the higher risk they carry. All this boils down to opaqueness of information. If banks could clearly access data that showed what assets a new borrower has, what their past track record of payment has been and how indebted they already are, pushing credit to micro and small enterprises would not be as hard. This is where a Public Credit Registry can play a pivotal role.

To build credit models for individuals and small credits, the financier and its modelers are ideally required to know not just outstanding credit for the micro borrowers, but possibly also their entire repayment history and their cash flow fluctuations, so as to tailor the terms of credit suitably. In the absence of such information, many borrowers may simply get 'rationed' out of the market due to severe information asymmetry faced by financiers.

With PCR tracking every credit transaction from its origination to closure (initial terms, repayment, default, restructuring, etc.), and being linked to various digital systems in place (as shown in the chart above), it would be possible to identify and get to know well businesses, even micro enterprises and micro entrepreneurs. In other words, the PCR could supply the missing link, which is the complete '360-degree view' information of the borrower or prospective borrower. This will allow lenders to assess the borrower's credit risk keeping in view the viability of cash flows, ask the relevant questions (e.g., are there other underlying issues that are affecting ability to pay the loan in spite of healthy cash flows from the micro enterprise?), and price the loan terms without compromising on due diligence.

Based on these, nearly-automated loan sanction and disbursement mechanisms can be devised, as are also being attempted by fin-tech companies. In fact, credit products could get transformed with the possibility of sanctioning small ticket loans with short maturity and zero or low collateral requirement. Borrowers and entrepreneurs can build their reputation and credit quality by repaying well such initial information-building loans. Gradually, they can borrow more and at longer maturities, potentially making capital investments to enhance productivity. Once their size increases and they register with the GSTN, tax invoices can act as the cash-flow verification with PCR. Robust credit history built over a period can work as sturdy collateral, building the trust of the lenders. Thus it can rapidly expand access to credit for those micro and small enterprises. Thus Public Credit Registry can help in Micro Credit and this is where a Public Credit Registry can be a game changer.

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CAG unearths Rs. 183-crore scam in Haryana

The Comptroller and Auditor General (CAG) of India has exposed a scam of the Haryana government in which the top brass of Faridabad Municipal Corporation cleared Rs. 183 crore worth of payments in multiple instalments of under Rs. 5 lakh to a single contractor for mostly cooked up city development works for five years.

The Faridabad municipality is understood to have adopted this innovative way of syphoning off public money to avoid seeking clearance from higher officials if the payment exceeded Rs. 5 lakh.

The initial finding of the CAG's Accountant General office of Haryana, revealed that contractor Satbir Singh, a resident of Parvatiaya Colony of Faridabad, was allegedly arbitrarily awarded contracts for five years, beginning in 2015, ignoring e-tendering government rules and urban local bodies department guidelines. He subsequently received payments from Faridabad Municipal Corporation through 588 vouchers, running into Rs. 183.83 crore, calculated the CAG auditors. The findings will be included in the CAG's compliance audit report on urban local bodies department of Haryana for the year March 31, 2022, and made public subsequently.

MEANING & DEFINITION OF ASBA

Applications Supported by Blocked Amount (ASBA) is a process developed by the India's Stock Market Regulator SEBI for applying to IPO. In ASBA, an IPO applicant's account doesn't get debited until shares are allotted to them.

Earlier Qualified Institutional Buyers were only allowed to participate in IPOs through ASBA facility. Currently as per SEBI guidelines, all three categories of investors, i.e., Retail Investors, Qualified Institutional Buyers, Non-Institutional Investors, making application in public/rights issue shall mandatorily make use of ASBA facility.

ASBA process facilitates retail individual investors bidding at a cut-off, with a single option, to apply through Self Certified Syndicate Banks (SCSBs), in which the investors have bank accounts. SCSBs are those banks which satisfy the conditions laid by SEBI. SCSBs would accept the applications, verify the application, block the fund to the extent of bid payment amount, upload the details in the web based bidding system of NSE, unblock once basis of allotment is finalized and transfer the amount for allotted shares to the issuer.

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ASBA means "Applications Supported by Blocked Amount". ASBA is an application containing an authorization to block the application money in the bank account, for subscribing to an issue. If an investor is applying through ASBA, his application money shall be debited from the bank account only if his/her application is selected for allotment after the basis of allotment is finalized, or the issue is withdrawn/ failed. This allows the investors money to remain with the bank till the shares are allotted after the IPO. Only then does the money transfer out of the investors account to the company. This eliminates the need for refunds on shares not being allotted.

It is a supplementary process of applying in Initial Public Offers (IPO) and Follow-On Public Offers (FPO) made through Book Building route and co-exists with the current process of using cheque as a mode of payment and submitting applications.

As of December 3, 2012, 52 Banks are acting as SCSBs. Investors may submit their ASBA Applications to these SCSBs in order to apply for Public Issues. Union Bank of India is also one of the SCBSs. Investors can visit SEBI website with the link https://www.sebi.gov.in/sebiweb/other/OtherAction.do?doRecognisedFpi=yes&intmId=34 to see that different Self Certified Syndicate Banks (SCSBs) along with the branches offering the services.

Benefits of ASBA

1. The investor need not pay the application money by cheque rather block his / her bank account to the extent of the application money, thus continue to earn interest on application money.
2. The investor does not have to bother about refunds, as in ASBA only an amount proportionate to the securities allotted is taken from the bank account when his / her application is selected for allotment after the basis of allotment is finalised.
3. Customer can revise / withdraw the bid before the end of the Issue in the prescribed format with the Bank

Basic things to be taken care while applying for ASBA-

1- Only one application can be applied by investor as it is linked with PAN card and it is unique to each individual

2- ASBA application can be filled up physical or also through online mode (i.e Internet banking or UPI)

3- Retail investor can also withdraw the application upto the closure of issue. While nonretail investors can not do so.

4- After withdrawal of bid by investor the amount is instantly unblocked by banks.

5- The SCSB shall give a counterfoil as acknowledgment at the time of submission of ASBA and also the order number at the time of uploading the details.

6- Investor can submit ASBA application to any other designated branch all over India, other than home branch as well.

7- ASBA facility is compulsory for all issues by Issuer

8- Any SCSB can also bring public issue and also act as SCSB.

9- Bank can become SCSB by giving certificate that it can discharge the duties and responsibilities of it.

10- SCSB has to get connected with NSE & BSE for secured transfer of data from Bank to Stock exchange.

11- SCSB is not required to validate /verify details given in ASBA.

12- SCSB is wholly responsible for any omission or commission done during process done through its code.

13- SCSB gets file format for uploading the bids from exchange

14- The SCSB shall send the following aggregate information to the Registrar of the Issue after closure of the bidding period:(i)Total number of ASBAs uploaded by the SCSB(ii)Total number of shares and total amount blocked against the uploaded ASBAs

15- Stock Exchange electronic bidding system will provide for generation of order number of uploading of bids of IPO/FPO, as such customer can get confirmation for it.

16- Electronic record of ASBA uploaded account blocked/ unblocked, physical form for period of 6 months with SCSB for any complaints if any and thereafter the same may be sent to the issuer.

17- Once a bank becomes SCSB there is no discretion for it to select the issues.

18- Registrar will reconcile the data of ASBA on the aggregate data received from SCSBs after closure of the issue regarding total number of bids uploaded.

19- ASBA facility should not be made available against any overdraft facility

Insights on the forthcoming LIC IPO

India's most prominent insurance company is setting up to make its Dalal Street entry before the end of this fiscal year.

❖ This IPO is a part of the Indian Government's plans to raise Rs. 65,416 crores through disinvestment, which they have targeted to achieve in this financial year.

- This IPO is likely to be the largest in the Indian market, with an estimated size of 6,32,49,97,701 shares outstanding after the issue.
- The price band of this public offering is likely to be between Rs. 2000 to Rs. 2100.
- According to a report, LIC has around 69% share in India's overall insurance sector. Additionally, about Rs. 290 crores fund base is the basis of this company's operations.

Finance Minister Nirmala Sitharaman launched the IPO of LIC in the financial year beginning April 1. Currently, the government owns 100 per cent stake in LIC.

Once listed, LIC is likely to become one of the biggest domestic companies by market capitalisation with an estimated valuation of Rs 8-10 lakh crore.

The Department of Investment and Public Asset Management (DIPAM), which manages the government's equity in state-owned companies, has selected actuarial firm Milliman Advisors for ascertaining the embedded value of LIC for meeting the government's disinvestment target.

Last month, DIPAM appointed 10 merchant bankers, including Goldman Sachs (India) Securities, Citigroup Global Markets India and Nomura Financial Advisory and Securities (India), to manage the mega initial public offering of the country's largest insurer.

Other selected bankers include SBI Capital Markets, JM Financial, Axis Capital, BofA Securities, J P Morgan India, ICICI Securities and Kotak Mahindra Capital Co Ltd.

The Cabinet Committee on Economic Affairs had in July cleared the initial public offering proposal of LIC.

Important figures in LIC IPO-

- LIC was formed in 1956 with amalgamation of 154 local players along with 16 foreign companies and 75 provident companies.
- It will issue shares to employees and policy holders at 5 % & 10 % respectively reservation portion of the offer size
- It is expected for Rs. 31.60 crore shares.
- LIC is Strongest Insurance brand in Asia by London based consultancy Branch finance which ranks it at No.3
- LIC brand value of $ 8.65 billion and has increase by 6.8% in last financial year
- LIC is having 3 Million field agents with 300 Million + policy holders
- It's having 66% market share currently in our country
- Having big Market cap of $100-150 Billion
- Dividend payment policy of LIC is 5% paid to govt and another 95 % distributed to policy holders currently.
- Current FY 21-22 profits was Rs.37,000 crore & profit after tax Rs.1437 crore in first half of F.Y
- LIC has more than 15 % stake in ITC and L& T most important for Infrastructure and FMCG in developing nation like India.
- Selling of stake in IDBI and also reducing in SBI

Different modes for ASBA application-

- Internet Banking- Applications are registered through internet banking. Lien is marked successfully in the Account by the system and downloadable acknowledgement is made available to the customer
- Unified Payment Interface- Applications are backed by amount through UPI transactions. In this applications are registered on the websites of RTA/handlers etc. Lien is marked by the system in the account with us and acknowledgement is received by the customer from RTA/ handlers' web portal
- Physical Applications and applications backed by amount through Internet Banking are monitored Bank (SCSB) . The Bidding process and exchange of files with NSE/BSE and coordination/ compliance with RTA & Sponsor Bank is done by Bank.

Happy Investing!!!

'BUY NOW, PAY LATER' (BNPL): THE RETURN OF LAYAWAY OR A DISRUPTOR FOR CREDIT CARDS INDUSTRY

Long back shopping at almost any U.S. retailer included the option to choose an item you were after and have it stashed away in some back room while you made incremental payments until the purchase price was covered and you could take it home.

Those layaway plans mostly disappeared decades ago as credit cards arose as the go-to option for consumers to cover the cost of goods they couldn't quite afford in the moment. In-store financing also became a thing for many stores, particularly those offering high-ticket items like furniture and appliances.

Now, a tech-driven option that occupies a sort of middle ground between layaway and in-store financing is on the rise and, like the purchase plans that have come before, it could cost you.

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Buy-now-pay-later isn't a fresh idea, but a growing number of tech platforms are finding success in partnering with retailers to offer portals for issuing credit at time of purchase that allows the consumer to check out, virtually or in-person, with their goodies after agreeing to an instalment plan. Some charge interest, some don't, and rescheduling a payment or paying late can also come with charges.

India is one of the world's largest markets when it comes to fintech Innovation and adoption.

Banking as we know of it has been always dynamic and prone to disruption. The advent of technology and ease of regulation have been action as catalyst for steering the Indian banking into new dimension. There are lot of new technology and products are being introduced that has potential to challenge tradition banking and make the age old bankers run for their money. Fintechs,block chain technology, data analytics are few of the new concepts that are in the main stream now. One of the new concepts that has been the talk of the banking arena for some time now and can pose a serious challenge to the bankers in the retails space is 'Buy Now, Pay Later' (BNPL) and fintechs are using it to accelerate their growth.

What is Buy Now Pay Later?

BNPL also known as Buy Now Pay Later is a payment option where you can make a purchase without having to pay from your own pocket. Generally, you sign up with a company providing this facility who makes the payment when you make the purchase. Buy Now, Pay Later' (BNPL) is a type of short-term financing which allows you to pay in instalments by the end of the stipulated time period for making purchases. In India, quite a few online merchants and Fintech companies are offering BNPL facilities to customers as a convenient payment method and an excellent alternative to credit cards.

Accessible, transparent, and offering no-cost EMIs, BNPL is all set to change the lending landscape.The rise of BNPL service providers can be accounted for the pandemic. With the increased demand for e-commerce services due to lockdowns and consumers preferring to break down large expenses into smaller interest-free EMIs, BNPL has become a go-to option for many. 'Buy Now, Pay Later' has a lot to offer, however, it is still a loan and you need to be careful while looking to avail it. While you can get BNPL approvals easily, failure to make payments on time can hurt your credit score. Hence, just like other loans, you need to ensure that timely repayments are done to maintain a healthy credit score.

It is a powerful tool that supplements consumerism boom, with the aim of providing a digital credit card experience and brings into its fold even those left outside the structured financial system. Developed to cater to the underserved and unserved section of the population and the new generation that's geared towards instant gratification, Buy Now Pay Later isn't limited only to that; it is rather open to all, thereby unlocking previously untapped opportunities for consumers, merchants, and fintech companies alike.

What kinds of BNPL exist?

There are two kinds of Buy Now Pay Later options. One is the Interest-free option available to the consumer which is sub-vented by the brand. In this model brands bear the cost, this is because Fintech has enabled a sale for them which otherwise would have not been possible if the consumer did not have an incentive to pay it in instalments at no extra cost.

The second kind of BNPL is where a customer has to pay a nominal amount as interest. The interest is nominal and the total amount is split into smaller instalments, thereby making the purchase more affordable for the consumer.

Why would a customer choose this option?

The zero-cost EMI option is a no-brainer for financially savvy consumers. It allows them to conserve cash and better manage cash outflow.

The interest charged option is best suited for New to Credit customers, who are at the early stages of their earning lifecycle. Perhaps they just entered the workforce, do not have any credit history and their earnings are modest but growing.

They will avail this method from an affordability perspective and also invariably start building a credit history. If they pay back in time this will positively affect their credit score which will set them up for access to other financial products as their incomes and score mature.

A BNPL is most likely the first financial product most millennial or Gen Z will experience. This sets up a stage for responsible lenders and responsible borrowers.

How BNPL is different from credit card:

BNPL follows a transparent and low-cost pricing model. It is not mandatory to have a credit history. BNPL services/

facilities are provided by select e-retailers and fintech organizations. Interest - free credit period can go up to 48 months. You have to pay the fixed EMI on the scheduled date. Unlike credit card you cannot earn cash back, reward points, airmiles on purchases. The interest rate is up to 24% and is not fixed like credit card , it can vary depending on various factors.

Transparent and low-cost pricing model: BNPL usually follows a transparent and low-cost pricing model because a lot of the offers are subsidised by brands so that the customer gets the best value of the offering. Lizzie Chapman, CEO and Co-founder, Zest Money, says, "Unlike credit cards that are meant to deceive the customer with hidden charges and exorbitant interest rates, BNPL is transparent. The customer knows exactly how much he/she will be paying."

Completely digital and instant sign up process: Anyone sitting in any part of the country can sign up and avail of the service. Credit Cards on the other hand require weeks and a lot of paperwork. With digital KYC, one can get instantly approved and start transacting.

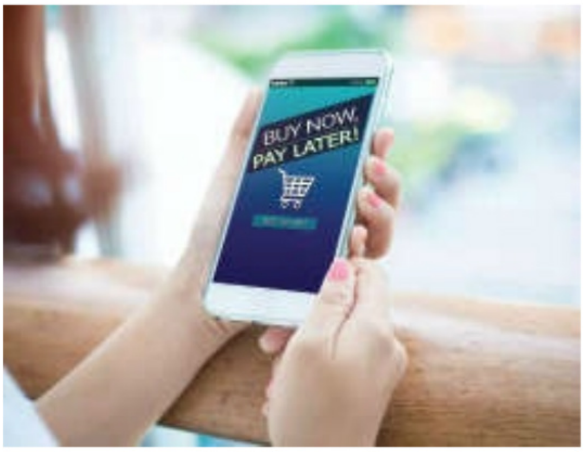
More accessible: When compared, experts say, credit cards are for high CIBIL customers, people in metros and salaried folks. Only 65 million people in India use credit cards. Chapman of ZestMoney adds, "BNPL by nature is designed for a much bigger market, including new to credit customers or people with insufficient credit history. Most BNPL players use an alternative data and proprietary model to approve these customers. Also, Indians are leapfrogging credit cards to BNPL."

Who are all eligible?

1. You must be a resident of India.
2. You must reside in a major tier 1 or tier 2 city.
3. You must be aged above 18 years. The maximum age of eligibility in some cases can be up to 55 years.
4. You must be a salaried individual/professional or businessman.
5. You must have a bank account and all the KYC documents in place.

What the consumers should watch out for?

Most of the Indian consumers do not give safety and security



their topmost priority when it comes to get quick profitability.

For consumers safety should be the first criteria to look forward.While downloading apps, make sure that the app is from a lender who is a licensed lender. If a company is not holding RBI license, it should clearly state under whose license it is offering the product. Before downloading, check who is publishing the app, take a look at the company's website and make sure it is an established and registered company in India.

In the light of many fake lending apps are being busted by law enforcement agencies, regarding the licence check if it clearly mentions the same on its website, along with the RBI guidelines that it follows, including the grievance redressal mechanism and the interest rate policy. Moreover, never download apps which ask for contacts as they may be misused for coercion.

The biggest worry is misleading advertisements. Most BNPL options claim no fees or zero interest, but you need to understand what is the real cost of the loan. Even if companies say zero per cent, they are supposed to declare their IRR - Internal Rate of Return, so the consumers, for their own protection, need to make sure that the company or the app is disclosing all of these.

Challenges:

There are companies that use BNPL as payment product where credit reporting does not happen. This kind of an approach creates a gap when evaluating a consumer for other loans and often leads to misinterpretation of the customer's actual pay burden by other potential lenders, causing the customer to be over leveraged when approved.

It is the lender's responsibility to ensure proper process is followed before lending credit, which include taking the customer's data, checking their bank statements, their KYC, getting their PAN number and identification. This helps to establish that the consumer is one who he says they are; then evaluate their credit burden, and lend them an appropriate amount. If fintech players fail to comply, the result can be detrimental to the total credit culture.

When the customer stops paying, the RBI's prescribed code of conduct for collections needs to be followed. But companies that do not treat BNPL as a credit product may not be following this code of conduct, leading to customer harassment, involvement of third party collection vendors, who may cross the line, due to lack of proper monitoring.

There are quite a few red flags that can be ironed out with a proper regulation and plugging the loop holes in the system.

Future of BNPL:

According to Goldman Sachs, the Indian e-commerce industry is poised to become a $99-billion market by 2024, driven by consumer demand. At the same time, industry experts say, BNPL will become the fastest growing online payment method, from a 3 per cent share in 2020 to 9 per cent in 2024.A Q4 2020 BNPL survey predicted that BNPL would grow by 65.5 per cent in India, reaching a value of $11,570.7 million in 2021. The adoption of this payment mode is expected to rise at a 24.2 per cent CAGR from 2021 to 2028, taking the gross merchandise value of BNPL in India to $52,827.2 million by 2028, from $6,990.5 million in 2020.Consumer demand for e-commerce services increased due to the lockdowns.

BNPL helped customers break down large expenses into smaller, interest-free EMIs, rather than having to dig deep into their wallets. BNPL not only eased purchases of daily essentials but even brought aspirational products within reach.Due to low credit card penetration in India, supplemented by traditionally strict eligibility criteria to avail formal finance, there exists a sizable under-served population with little or no credit histories. This situation perpetuates a cycle wherein people seeking formal credit are turned down due to unavailable or inadequate credit scores. With BNPL relying on alternative data sources for underwriting, new-to-credit customers are integrated into the country's formal financial ecosystem.

IT department disallows Rs. 4.5Lakhs TDS, irks ITAT

The Mumbai bench of the Income Tax Appellate Tribunal (ITAT) has come down heavily on the I-T department for its failure to take cognizance of a tax deducted at source (TDS). The TDS was on professional income earned by a tax-payer and, consequently, the I-T department also raised a tax demand on her - along with penal interest. In the recent case, which was heard by the ITAT, the taxpayer Kirtida Rameshchandra Chandarana had duly claimed as a deduction a sum of Rs 4.5 lakh as it had been deducted at source, against professional fees paid to her. For the financial year 2012-13, the year in dispute, she deducted the TDS and the advance taxes paid by her against her final I-T liability and claimed a refund of Rs 19,816.

However, she was sent a 'rectification' order. The I-T assessing officer denied the TDS sum and an aggregate penal interest figure of Rs 79,539 was also raised on her. The Commissioner (Appeals) also upheld this course of action, despite the TDS being reflected in her Form 26AS. The ITAT bench - composed of judicial member Aby T Varkey and accountant member Gagan Goyal - explicitly expressed their displeasure, especially as a rectification order can be issued only if there is a mistake apparent on record.

The bench pointed out, "The taxpayer filed her I-T return on the basis of records generated by the tax department itself, viz Forms 26AS and 16A. These are documents which have been processed and issued by the tax department itself, on which the taxpayer has relied. How can there be a case of mistake apparent from record? We declare this whole action of the Centralised Processing Centre at Bangalore and in turn jurisdictional I-T officer is 'bad in law', hence it is set aside." The ITAT gave directions that the taxpayer should be given full credit of the TDS claim, be granted refund (together with interest to be paid by the I-T department for the delay) and be refunded any other money she may have deposited after the issue of the rectification order.

"INTERNET OF THINGS"- THE GAME CHANGER IN BANKING AND FINANCIAL SERVICES

Abstract:

The Internet of things (IoT) is considered to be the next big thing in financial sector. It is fast becoming a disruptive technology business opportunity, with standards emerging primarily for wireless communication between sensors, gateways, controlling units, cloud-based services and other gadgets in day-to-day human life, all in general being referred to as "Things".Internet of Things (IoT) provides customer data that helps banks to identify their customer's business needs and value chain, e.g., retailers, suppliers, and distributors. The data also lets the banks gain insights into customers. In the agricultural sector, farmers who are the bank's customers can gain solutions from the Internet of Things (IoT). For instance, banks are able to analyse agricultural output in addition to other crop farming conditions that allow the banks to estimate the crop output value. Based on the crop yield calculated through Internet of Things (IoT), the banks can provide flexibility based on expected yield, frequency, and crop performance, when it comes to financial terms. Such knowledge will help the farmer and the banker develop a stronger relationship. This article addresses the Internet of Things (IoT) as the main enabling factor of promising paradigm for integration and comprehensive aspects of several technologies for banking solution.

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Definition:

The Internet of Things (IoT) describes the network of physical objects "things" - that are embedded with sensors, software, and other technologies for the purpose of connecting and exchanging data with other devices and systems over the internet. These devices range from ordinary household objects to sophisticated industrial tools. Examples of Internet of Things are connected appliances, smart home security systems, autonomous farming equipment, wearable health monitors, and smart factory equipment. A light bulb that can be switched on using a smartphone app, by using voice command or by a motion sensor is an Internet of Things (IoT) device and system.

History:

The Internet of Things (IoT) is a rapidly evolving field of technology, but its roots have been decades in the making. The Internet of Things (IoT) has not been around for very long. It was only 1999 that the term "Internet of things" was used by Kevin Ashton during his work at P&G which later became widely accepted. Ashton used the phrase as the title of his presentation for a new sensor project he was working on. Later on, this term was mentioned in the famous publications like "The Guardian, Boston, Globe and Scientific American" in their respective articles. In 2005 UN's International telecommunication union (ITU) published its first report on this topic. According to Cisco Internet Business Solutions Group (IBSG), the Internet of Things was born in between 2008 and 2009 at simply the point in time when more "things or objects" were connected to the Internet than people.

Working mechanism:

The Internet of Things (IoT), consists of all the web-enabled devices that collect, send and act on data they acquire from their surrounding environments using embedded sensors/ devices, connectivity,data processors and communication hardware. The Internet of Things (IoT) platform connects devices with built-in sensors, which are used to collect data and analyse it. The data-specific appliance receives the information according to the address. Internet of Things (IoT) technology works meticulously to ensure that no data is inaccurate or deceptive. This is so that different patterns can be discovered and recommendations can be made.

The various Components of Internet of Things (IoT) system are:

- **Sensors -** The Internet of Things uses sensors to detect any disturbance in internet communication between devices, appliances, and automobiles. This allows for collecting data in the environment, such as temperature, location, and other helpful information.
- **Gateway -** This type of bridge allows data to be transferred using wired or wireless technologies such as Ethernet and Wi-Fi. In terms of bandwidth, connection range, and power consumption, the approaches differ slightly. However, it is advisable to choose one that is compatible with the IoT system.
- **Controlling Units -** A controlling unit is a device or gadget that receives alerts, checks the network, and allows users to make necessary adjustments. This, however, is contingent on the system's complexity, which aids in the implementation of required adjustments.
- **Cloud-based services -** To maintain control between the controller and the device, IoT technologies rely on cloud-based services. Furthermore, cloud-based data warehousing is simple to use with mobile devices.

Advantages of Internet of Things in Banking:

- ### Improved Financial Practices for Customers

  Utilizing Internet of Things (IoT) devices, can enable bank customers to change their financial habits and tackle the over-expenditure problem. For example, if a user has set a credit card limit, the wearable will monitor the customer's spending daily, weekly or on monthly basis as set by the user. An alert will be elevated as the limit approaches. If the user ignores the

signal and continues to spend, the wearable would send a shockwave to their wrists, which served as a potent reminder that their spending and the daily limit are not very well.

- **Enhanced Banking Experience**

Internet of Things (IoT) gives timely insights and individualized experience to customers. Device connectivity enables a customer to schedule an appointment and be able to check it inside their smartphone. The customers will know when is their turn to stand at the counter, instead of waiting in a line. Apart from this, the bank also keeps the customer's visits in their database, the services they use whenever they visit the bank, and their queries.

- **Efficient Branch Banking**

The modern branch system in banks is under threat from increasing operational costs. Customer's traditional banking habits are also being challenged by COVID-19. People were advised to use contactless payment and avoid handling banknotes as much as possible since the COVID-19 virus can survive for days on notes, speeding up the disease's spread. While banks are keen to maintain the traditional banking approach and ensure that it adds value, financial institutions need to use technology to meet demands.Banks use the Internet of Things (IoT) technology,for example biometric sensors can be used to gather user data while entering the bank and forwarding the information to the primary system. Utilizing smart branches allows bank managers to reduce both the number of staff and the maintenance costs while also reducing the waiting time for the client. The managers create a connected system of communication between different branches at different locations. Using the Internet of Things (IoT) system, virtual branches can be created, where there are no real employees, a user often gets guided by a system or chatbots based on technology. There are random questions, so the chatbots can use video conference tools to contact a real human consultant.

- **Making Wireless Settlements**

Internet of Things (IoT) in monetary solutions, is additionally changing exactly how individuals make payments. Wearable devices are replacing smartphones and traditional credit cards, in making wireless payments as well as cash withdrawals. Statistics predicts

that the number of connected wearable devices will get to over 2.5 billion by 2024. Thus, more people will undoubtedly be making use of these devices for everyday activities in the coming years.

Disadvantages of Internet of Things in Banking:

- **Potential Hacking**

As the number of connected devices increases and more information is shared between the devices, the potential of a hacker to steal confidential information also increases.

- **Management of large number of IoT devices**

Enterprises may eventually have to deal with massive numbers of Internet of Things (IoT) devices, collecting andmanaging the data from all those devices will be challenging.

- **Mass corruption of Internet of Things (IoT) system**

If there is a bug in the system, it is likely that every connected device will become corrupted.

- **Lack of International Standard of compatibility**

Since there is no international standard of compatibility of Internet of Things (IoT), it is difficult for devices from different manufactures to communicate with each other.

Future Banking using Internet of Things (IoT):

❖ Account Management on Things

As more devices acquire digital interfaces, the digital banking will acquire new meaning and customers will be able to access their bank accounts from practically any "thing" that has a digital interface.Biometrics, voice or touchcan simplify account access in these new "anywhere" digital channels. This will eliminate barriers associated with in-person, paper-based transactions and enable clients to conduct business even when they cannot be physically present.

❖ Leasing Finance Automation

Real-time monitoring of wear and tear of assets could provide important data points for pricing of leased assets. Terms of leasing could be simplified and automated as the bank wields greater control over the leased asset. For instance, in case of contract termination or default, the leased asset could be locked or disabled remotely by the bank.

❖ Smart Collaterals

Internet of Things (IoT) technology can enable banks to have better control over a customer's mortgaged assets, such as machinery, and also monitor their health. In such a scenario, a retail or SME customer could possibly raise short-term small finance by offering manufacturing machinery as collateral. The request for financing as well as the transfer of ownership could be automatic and completely digital. Enabled by digital identity for people as well as things, the transfer of ownership of an asset can be achieved in a matter of seconds. The bank can then issue the loan immediately, and monitor the collateral status in real-time without the need to take physical custody of the asset.

❖ Risk Mitigation in Trade Finance

Internet of Things (IoT) will accelerate the tracking of the asset in trade finance, for instance, monitoring temperature of the container for shipments involving temperature sensitive goods such as pharmaceuticals and medicinal molecules. Alerts could be triggered if there is a chance of spoilage during the shipment process. These implementations can result in risk mitigation and more informed decision making at banks for scenarios involving trade finance.

❖ Wallet of Things

Each and every home appliance or consumer equipment could eventually host an embedded, pre-funded wallet that is capable of managing its running expenses on its own. For example, an autonomous car could potentially pay for parking, gas, rental or even maintenance service using its embedded wallet.

❖ Smooth Customer On boarding and KYC

People use their Facebook / Gmail id to login to different Internet sites, this might be extended in the future to have a block chain-based unique digital signature which is used for most transactions. This universal block chain-based digital identity may also help with KYC processes in the future. Additionally, knowing about the financial inclinations of the customer through the digital signature, banks can offer relevant products at the time of on boarding - for e.g. credit card designed with rewards from a particular petrol station or particular apparel brand that the customer uses frequently.

❖ Customized Auto Insurance

Here digitization will throw up newer metrics that can be used to provide tailor-made insurance to customers based on driving habits, engine health and general wear and tear of the vehicle. Insurance Companies will offer devices that plug into the on-board diagnostic port of cars and send driving behaviour data back to them. Based on driver habits, the owner is eligible for discounts. Apart from this, by overlaying GPS data on the actual speed of the vehicle in speed sensitive zones e.g. schools or residential areas, insurance companies can gain critical insights into the likelihood of accidents and price insurance premiums appropriately.

- **Real-time and customized Life Insurance**
  By combining health metrics from wearable with medical history, a biometric digital identity storage, people will be able to request and get life insurance instantly anywhere, anytime. Time required for underwriting could also be drastically cut from months to near real-time.

- **Peer 2Peer Finance on Tangible Assets**
  In the future, it might be possible to lease assets to individuals or businesses through 100 percent online services that directly match lessor with lessee. Leveraging digital identity, the leasing process can be completed in real-time as the ownership of the asset can be switched from lessor to lessee in a second after payment is confirmed. This has the potential to unleash a completely new business model, whereby any financial dealings based on digital objects can be carried out peer-to-peer, disrupting banks in areas such as leasing and mortgage.

Latest development:

NASSCOM, in partnership with the Ministry of Electronics and Information Technology (MeitY) and government of Andhra Pradesh, on 30/11/2021 launched a centre of excellence (CoE) focussed on Internet of Things (IoT) and Artificial Intelligence at Andhra University Campus, Visakhapatnam, aimed at promoting innovation in emerging technology. This will promote entrepreneurship by providing an incubation facility for peer-to-peer learning and the benefit of an industrial environment.

Conclusion:

Internet of Things (IoT) is not a science fiction anymore, it has become a reality now. It is alluded to the monitoring and controlling of processes via the internet. Rather than embodying manual efforts to execute daily tasks. Internet of Things (IoT) has reformed how we deal with things,making business faster, economical, and more systematic with each passing day. The financial business is becoming more significant than ever before.

It will also transform retail banking, core banking, and other financial software in the future. With the blend of client management, business automation, and transformed transactions, Internet of Things (IoT) in Fintech is proven to be fruitful. When it comes to banking ithas made the transition from traditional processes to modernized oneseasier that provide better customer experiences. One can see Fintech and banking organizations are stepping outside their comfort zones to adapt to Internet of Things (IoT) technology and become market leaders. Banks are required to use Internet of Things (IoT) technology to transform data into actionable insights that help them make better decisions.

The increased use of devices by bank customers had led to an increase in Internet of Things (IoT) data usage. Banks can also use Internet of Things (IoT) data to improve their customer interactions and deliver personalized services and products. Today banks need to turn the IoT derived data into useful information that will help them make right decisions. The banks can increase their market share through the data obtained, and use the same to offer better services to the customers.

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Razorpay buys Ezetap for $150mn

Indian fintech unicorn Razorpay has acquired payments platform Ezetap in a deal that values the latter at around $150-200 million. It is Razorpay's largest acquisition so far. It's largely a cash deal, with a small equity portion. Founded in 2011 by Silicon Valley veterans Abhijit Bose, who is currently the head of WhatsApp India, and Bhaktha Keshavachar, Ezetap is an offline PoS (point of sale) company that has simplified the offline payments experience. Ezetap launched their first device in 2013 at under $50. The company's solution accepts all payment modes, be it cards, mobile wallets, biometric-based, QR code-based, or even payments via messaging apps. It supports all hardware devices.

SUBORDINATED DEBT FOR STRESSED MSMES

Business Enterprises are navigating through a broad range of interrelated issues that span from keeping their employees and customer safe, shoring-up cash and liquidity, reorienting operations in view of the prolonged lockdown across economy.

To tide over this situation Reserve Bank of India, Government and other regulatory bodies among others have announced various dedicated schemes, regulatory packages & relief measures for business units affected by COVID-19 pandemic.

"Distressed Asset Fund - Subordinated Debt for Stressed MSMEs" is one such scheme to extend support to the promoter(s) of the operational MSMEs which are stressed, viz SMA-2 and NPA accounts as on 30.04.2020 and eligible for restructuring as per RBI guidelines on the books of the Bank. For availing the sub-debt, the unit must be in running condition and operational.

MSME units such as Individuals / Proprietorship, LLP, Partnership, Private Limited Company or registered company are eligible to be covered under the scheme.

As a special dispensation, Reserve Bank of India has permitted to reckon the funds infused by the Promoters in their MSME units through loans availed under this scheme as equity/ quasi equity from the promoters for debt-equity computation.

"Distressed Assets Fund" of Rs. 4000 crore has been created by Government of India for providing guarantee coverage to the loans given / credit extended to the promoters of the eligible MSME units under the scheme.

Financial assistance has to be provided under the scheme by way of sub-debt facility extended by the lending institution to the Promoters of the MSME units upto 15% of

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promoter's stake or Rs. 75 lakh whichever is lower. Only one personal loan account shall be opened in the name of promoters, subject to maximum quantum of finance of Rs. 75.00 Lakh for MSME beneficiary unit.

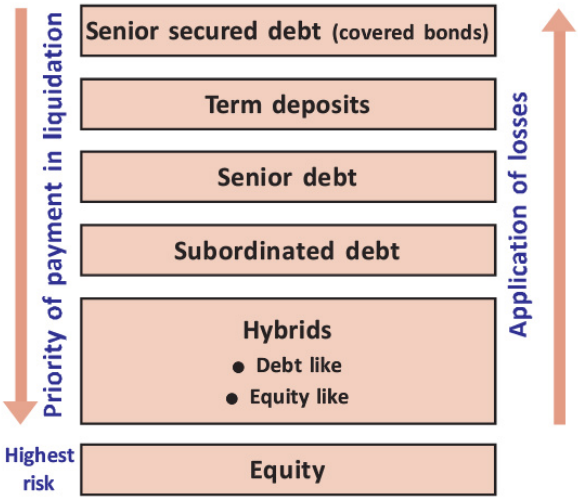
This personal loan shall not exceed the original debt of the beneficiary. Further, the Equity shall be calculated on the basis of the last available audited balance sheet of a Financial Year. There is moratorium period of 7 years on payment of principal whereas maximum repayment period will be 10 years.

About Subordinate Debt:

Subordinated debt refers to the debt owed to an unsecured creditor. It is an unsecured loan or security that ranks below other loans or securities with regards to claims on assets or earnings of the issuer.

In the event of the bankruptcy or liquidation of the debtor, the court will prioritize the outstanding loans which the liquidated assets shall repay. Therefore, subordinated debt can only be paid if any assets left after the claims of secured creditors have been met. Hence, these types of debt with lesser priority make the grade as subordinated debt. In financial parlance, subordinated debt is also known as subordinated loan, subordinated bond, subordinated debenture or junior debt.

The main reason a company going for subordinated debt is that it allows the company a way to raise additional capital after all lines of credit and other resources have been exhausted. Further, issuance of subordinate debts like subordinated loan, subordinated bond, and subordinated debenture has advantage over acquiring money through issuance of equity shares as subordinate debt does not dilute the stake of promoter's shareholding. In addition, it is a more tax-effective instrument, as interest paid is tax-deductible whereas dividends paid do not get such tax benefit. However, in view of bigger risk associated with subordinated debt, it is important for lenders of subordinate debt to consider a loan applicant's solvency as well as other loan obligations in order to evaluate the risk should the entity be forced to liquidate.



Source: *FIIG Securities Limited*

Should a company go bankrupt, for example, creditors with subordinated debt would not get paid until after other senior debt holders are paid in full. This is indeed the primary difference between subordinated debt and senior debt. Because senior debt has the priority of repayment, it carries lower risk and therefore has lower interest rates.

On the other hand, subordinated debts have a higher risk and therefore come with higher interest rates and consequently a higher expected rate of return for the creditor or lender.

Features of scheme "Subordinated Debt for Stressed MSMEs"

Eligible Borrowers	For availing the sub-debt, the unit must be in running condition and operational. MSMEs should have the potential of becoming commercially viable as per the assessment of the lending institutions. Fraud/ Willful defaulter accounts will not be considered under the proposed scheme. Personal loan will be provided to the promoters of the MSME units. The MSME itself may be Proprietorship, Partnership, Private Limited Company or registered company etc. (in case of partnership, private limited company etc., only one personal loan account shall be opened in the name of promoters, subject to maximum quantum of finance of Rs. 75.00 Lakh for MSME beneficiary unit).

	"Eligible borrower" means the promoters of MSME units which are stressed, viz. SMA-2, and NPA accounts as on 30.04.2020 and The Scheme is applicable for those MSMEs whose accounts have been standard as on 31.03.2018 and have been in regular operations, either as standard accounts, or as NPA accounts during financial year 2018-19 and financial year 2019-20. However, fraud accounts and willful defaulters will not be considered under the proposed scheme. In cases where recovery proceedings are underway and banks assess that with the facilities provided under the scheme the account would be viable, the banks shall withdraw the recovery proceedings before going ahead with restructuring etc.
Quantum of Finance	Personal loan will be provided to the promoters of the MSME unit. Under the Sub-debt scheme, finance shall be extended to support the promoter (s) of the distressed MSME units through a debt facility of up to 15% of the promoter contribution (equity plus debt) or Rs 75 lakh whichever is lower. This personal loan shall not exceed the original debt of the beneficiary.
Due Diligence	Proper due diligence should be carried out to assess the viability, need and requirement of sub-debt facility in respect of restructuring of stressed MSME units.
Repayment	The sub-debt facility shall have a maximum tenor of 10 years from the guarantee availment date or September 30, 2021 whichever is earlier. The maximum tenor for repayment will be 10 years. There will be a moratorium of 7 years (maximum) on the payment of principal. Till the 7th year, only interest will be paid. While the interest on the sub-debt under the scheme would be required to be serviced regularly (monthly), the principal (along with interest) shall be repaid within a maximum of 3 years, after completion of moratorium, in 36 Equated Monthly Installments (EMIs). Pre-payment of loan is permitted at no additional charge /penalty to the borrower.
Security	The sub-debt facility so sanctioned by Bank will rank/have 2nd charge of the existing assets financed under existing facilities for the entire tenor of the sub-debt facility.
Guarantee	Guarantee: Extension of existing security / Personal/ Corporate guarantee of promoters/ concern/ group concerns/ guarantors, as applicable.

Process flow for Loan Disbursement:

i. Personal loan to be provided to the promoters of the MSME units. The MSME itself may be Proprietorship, Partnership, Private Limited Company or registered company etc.

ii. The loan amount (including margin) shall be disbursed to savings/ current account and subsequently it should be ensured that the loan amount along with margin is brought in the parent MSME unit. A CA certificate for having infused the sub debt/ loan amount as promoter's contribution in the form of equity including Quasi Equity into MSME unit has to be obtained and held on record.

iii. An undertaking from borrower to be obtained confirming that the loan so availed under this scheme will be infused as equity in the MSME unit. The same will also be incorporated in terms and conditions communicated to borrower.

For this purpose, guarantee is being provided under the Scheme "Credit Guarantee Scheme for Subordinate Debt (CGSSD)". It is operationalized through a special window created for this purpose under Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE).

The features of the guarantee scheme are as under:

Parameters	Description
Eligibility	MSME units such as Individuals / Proprietorship, LLP, Partnership, Private Limited Company or registered company.
Guarantee coverage	90% guarantee coverage would come from scheme / Trust and remaining 10% from the concerned promoter(s). Any guarantee approved under this scheme shall be over and above the existing loan / guarantee sanctioned by the trust (over and above the eligible limit of Rs.200 lakh under CGTMSE).
Loan Amount eligible under the Guarantee Coverage	The guarantee coverage is to be provided to the eligible MSME borrower for the credit facilities extended under this scheme "Subordinated Debt for Stressed MSMEs". Under this arrangement, promoter(s) of the MSME unit will be given credit equal to 15 % of his/her stake (equity plus debt) or Rs 75 lakh whichever is lower. In case a borrower has existing limits with more than one lender, the CGSSD can be availed by the borrower through one lender only. Post-restructuring, NPA classification of these accounts shall be as per the extant IRAC norms.
Guarantee Fee	1.50% per annum on the guaranteed amount on outstanding basis. The Guarantee fee shall be borne by the borrower (s). The guarantee service fee once paid to the Trust is non-refundable. Guarantee service fee shall not be refunded, except under certain circumstances like Excess remittance or, Remittance made more than once against the same portfolio.
Guarantee Cover	CGTMSE Guarantee cover for loans under the scheme should be obtained. 90% guarantee coverage would come from scheme/ Trust and remaining 10% from concerned promoter(s) on the credit extended by Bank under the scheme. The guarantee cover would be uncapped, unconditional and irrevocable credit guarantee.
Invocation of guarantee :	❖ Inform about NPA classification within 90 days ❖ Branch/RO to Mark NPA in CGTMSE online portal within next (subsequent) quarter from the time it becomes NPA in the online portal. ❖ The Trust shall pay 75 per cent of the guaranteed amount on preferring of eligible claim by the Bank, within 30 days, subject to the claim being otherwise found in order and complete in all respects. ❖ The balance 25 per cent of the guaranteed amount will be paid on conclusion of recovery proceedings or till the decree gets time barred whichever is earlier. ❖ Appropriation of amount realized by the Bank in respect of credit facility after the guarantee has been invoked. ❖ Post invocation of the guarantee claim, if any recoveries are made, Bank shall first adjust such recoveries towards the legal costs incurred by them for recovery of the amount and their outstanding amount. ❖ Any amount recovered beyond that then shall be provided to trust up to the extent of amount of claim settled by the trust.
DURATION	The Scheme is applicable to all credit facilities sanctioned under CGSSD for a maximum period of 10 years from the guarantee availment date or September 30, 2021 whichever is earlier, or till an amount of Rs. 20,000 crore of guarantee amount is approved.

Some of the important precautionary measures in "Subordinate debt for Stressed MSMEs":

- ❖ To evaluate credit applications by using prudent banking judgement for selecting commercially viable proposals and conduct the account(s) of the borrowers with normal banking prudence.
- ❖ To closely monitor the borrower account and put in all required efforts to ensure that the account is serviced regularly.
- ❖ To conduct periodical inspection of securities (prime and collateral) for ensuring that the securities are in good and enforceable condition in line with the terms of sanction.
- ❖ To ensure that the credit facility sanctioned under the scheme is not to be wholly or partly utilized for adjustment of any previously outstanding debts, over dues to the Bank including those deemed debts bad or doubtful of recovery.
- ❖ To ensure that the guarantee claim in respect of the credit facility and borrower is lodged with the Trust in the form and in the manner and within such time as may be specified by the Trust in this behalf and that there shall not be any delay on its part to notify the default in the borrowers account which shall result in the Trust facing higher guarantee claims.
- ❖ In the event of default, Bank shall exercise its rights, if any, to take over the assets of the borrower and the amount realized, if any, from the sale of such assets would be first used to settle senior debt. Any subsequent amount left post settlement of senior debt would be appropriated between trust and Bank in the ratio of extent of guarantee coverage.
- ❖ To exercise all the necessary precautions and maintain its recourse to the borrower for entire amount of credit facility owed by Bank and initiate such necessary actions for recovery of the outstanding amount, including such action as may be advised by the Trust.
- ❖ To recover the entire outstanding amount of the credit from the borrower, the guarantee claim should not take away the responsibility of recovering the loan dues.
- ❖ To exercise the same diligence in recovering the dues and safeguarding the interest of the Trust, in all the ways open to it as it might have exercised in the normal course if no guarantee had been furnished by the Trust. Bank shall, in particular, refrain from any act of omission or commission, either before or subsequent to invocation of guarantee, which may adversely affect the interest of the Trustee Company as the guarantor. In particular, the Bank should intimate the Trust while entering into any compromise or arrangement, which may have effect of discharge or waiver of personal guarantee(s) or security.
- ❖ To ensure either through a stipulation in an agreement/ undertaking with the borrower or otherwise, that it shall not create any charge on the security held in the account covered by the guarantee for the benefit of any account not covered by the guarantee, with itself or in favour of any other creditor(s) without intimating the Trust. Further the Branch shall secure for the Trust or its appointed agency, through a stipulation in an agreement / undertaking with the borrower or otherwise, the right to list the defaulted borrowers' names and particulars on the Website of the Trustee company.
- ❖ To hold on record all such statements, documents, receipts, certificates and other writings with regard to regular operations in the account/ functioning of the unit, it's viability, financials etc. Inspection may be carried out either through the officers of the Trust or of SIDBI (in case of Institutions other than SIDBI) or any other person appointed by the Trust for the purpose of verification of guarantee coverage/ claim coverage etc. The indicative list may include Power bills, Tax paid receipts, GST Returns, latest available audited financials, IT returns, pre / post sales, inflow of stock & book debts, bills /vouchers etc.

Conclusion:

Earlier, due to absence of any guidelines for financial support to NPA or, stressed viable units, Bankers were unable to take any decision. Sub-ordinate debt for stressed MSMEs is opening a gateway for viable stressed or, NPA accounts.

In several instances, it has been found that support of small fund may help the company in its revival process. This scheme is going to play a very important role in revival of sick MSME units either in NPA or, stressed condition if persistence of viability is diligently established.

INFLATION - CONCEPT, CAUSES & CONTROL MEASURES

1. Concept

Inflation refers to the rise in the prices of most goods and services of daily or common use, such as food, clothing, housing, recreation, transport, consumer staples, etc. Inflation measures the average price change in a basket of commodities and services over time. It is indicative of the decrease in the purchasing power of a unit of a country's currency. This is measured in percentage.

Sudden rise of prices is not inflation. It is called as price rise. If it happens more often, then it is called as inflation. Inflation is proof of growth. When unchecked, this becomes expensive, purchasing power of money gets reduced. It affects the poor most, because major portion of their earnings goes to meet inflation. Inflation pushes interest rates up, dampens investment and leads to depreciation of currency.

About the author

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Economists categorized three separate factors that cause a rise or fall in the price of goods:

- ❖ A change in the value or production costs of the commodity,
- ❖ A change in the value of money which then was usually a fluctuation in the commodity price of the metallic content in the currency, and
- ❖ Currency depreciation resulting from an increased supply of currency relative to the quantity of redeemable metal backing the currency.

2. Effects of Inflation

The purchasing power of a currency unit decreases as the commodities and services get dearer. This also impacts the cost of living in a country. When inflation is high, the cost of living gets higher as well, which ultimately leads to a deceleration in economic growth.

3. Types of inflation

Creeping inflation: It is a condition where the inflation in a country increases slowly but continuously over a period of time and the effect of inflation is noticed after a long period of time. It is a general price increase say up to 4% a year.

It reduces the purchasing power, but this type of inflation is manageable.

Trotting inflation: If the creeping inflation increases a few more hundreds of basis points, it is called as trotting inflation. It causes little more pain than the creeping inflation.

Galloping inflation: If trotting inflation is not controlled and if the rate of inflation is between 8 to 10% per year, such inflation is called as galloping inflation.

Runaway inflation: If the inflation becomes uncontrollable and when the galloping inflation aggravates, it leads to runaway inflation.

Hyperinflation: When prices are out of control - monthly inflation rate of 20-30% or more - an inflammatory cycle without any tendency towards equilibrium.

Demand-pull inflation: This type of inflation is caused by increase in aggregate demand due to increased private and government spending, etc. Demand inflation encourages economic growth since the excess demand and favourable market conditions will stimulate investment and expansion.

Cost-push inflation: This type of inflation also called "supply shock inflation," is caused by a drop in aggregate supply (potential output). This may be due to natural disasters, or increased prices of inputs. For example, a sudden decrease in the supply of oil, leading to increased oil prices, can cause cost-push inflation. Producers for whom oil is a part of their costs could then pass this on to consumer in the form of increased prices.

Built-in inflation: Built-in inflation is a type of inflation that results from past events and persists in the present. Built-in-inflation is one of three major determinants of the current inflation rate.

Asset Inflation: Rising prices in assets like housing, gold, or stocks etc.

Other related concepts

Deflation: Persistent general fall in the level of prices. Quite opposite to inflation.

Disinflation: It is a decrease in the rate of inflation - a slowdown in the rate of increase in general price level of goods and services in a nation's GDP over time. It is quite opposite to inflation. Simply put, it is reduction in the rate of inflation.

Stagflation: It is a combination of inflation and rising unemployment/recession. It is the situation where inflation rate is high, the economic growth rate is slow and unemployment remains steadily high. Stagflation makes it difficult for the people to buy the goods they intend to buy and find new economic opportunities. Simply put it is a combination of inflation and rising unemployment/recession.

Relation: A situation where inflation returns after a spell of recession and deflation. Growth will be back in such situation.

Core inflation: Core inflation refers to the rise in prices of goods and services other than energy and food. Energy (fuel & power) and food are highly volatile in prices, and hence kept out of core inflation. Core inflation is considered as the prime indicator of underlying long-term inflation.

Headline inflation: A measure of the total inflation within an economy, including commodities such as food and energy prices, which tend to be much more volatile and prone to inflationary spikes.

4. Causes of inflation

The main causes of inflation in India have been subject to considerable debates and discussions. These are some of the chief reasons for the increase in prices:

- High demand and low production or supply of multiple commodities create a demand-supply gap, which leads to a hike in prices.
- Excess circulation of money leads to inflation as money loses its purchasing power.
- With people having more money, they also tend to spend more, which causes increased demand.
- Spurt in production prices of certain commodities also causes inflation as the price of the final product increases. This is called cost-push inflation.
- Increase in the prices of goods and services is also a factor to consider as the involved labour also expects and demands more costs/wages to maintain their cost of living. This spirals to further increase in the prices of goods.
- A connection between inflation and unemployment has been drawn since the emergence of large scale unemployment in the 19th century, and connections continue to be drawn today. However, the unemployment rate generally affects inflation in the short-term but not in the long-term. In the long-term, the velocity of money is far more predictive of inflation than low unemployment.

5. Why deflation is worse than inflation

Deflation is worse because interest rates can only be lowered to zero. As businesses and people feel less wealthy, they spend less, reducing demand further. Prices drop in response, giving companies less profit. Once people expect price declines, they delay purchases as long as possible. They know the longer they wait, the lower the price will be. This further decreases demand, causing business to slash prices even more. It is a vicious, downward spiral.

6. Indices of inflation

Wholesale Price Index (WPI)

The wholesale Price Index (WPI) is the price of a representative basket of wholesale goods. Some countries uses WPI changes as a central measure of inflation. WPI is calculated on the base year and WPI for the base year is assumed to be 100. In this way individual WPI values for the remaining 400+ commodities are calculated and then the weighted average of individual WPI figures are found out to arrive at the overall Wholesale Price Index.

WPI is computed by the Office of the Economic Adviser in the Ministry of Commerce & Industry, Govt. of India. Currently WPI is released monthly.

Consumer Price Index (CPI)

The inflation measured by Consumer Price Index (CPI) is defined as the change in the prices of a basket of goods and services that are typically purchased by specific groups of households. In 2013, the consumer price index replaced the wholesale price index (WPI) as a main measure of inflation in India. CPI Used to index real values of wages, salaries, pensions, for regulating prices.

CPI for Industrial Workers (CPI-IW)

Consumer Price Index Numbers for Industrial Workers (Base 1982=100) is designed to measure a change over time in prices of a given basket of goods and services consumed by a defined population, i.e. industrial workers. This index is compiled for industrial workers resides in 70 centers of industrial importance in the country.

Cost Inflation Index (CII)

Cost Inflation Index (CII) is used for calculating the estimated increase in the prices of goods and assets by year-by-year due to inflation. Cost inflation index is calculated to match the prices to the inflation rate. In simple words, an increase in the inflation rate over a period of time will lead to an increase in the prices. Central Government specified the cost inflation index. The CII for the financial year 2019-20 has been notified by the Ministry of Finance and has been set as 289.

CPI for Agricultural Labourers (CPI-AL)-and Rural Labourers (CPI-RL)

These indices were prepared taking 1986-87 year as the base year. The labour bureau has now started work taking 2018-19 as the new base year. It may also include the new consumption patterns of the workers. These indices may be used to fix the national minimum wage.

7. Growth-inflation trade-off

Inflation control calls for curbing excess aggregate demand, and need not necessarily rein in the real growth rate. Tightening of monetary policy will be generally aimed at containing speculation and enhancing the productive capacity of the economy and thus the potential growth rate. Also, domestic inflation hurts the price competitiveness of Indian exports, particularly in the presence of the upward pressure exerted by buoyant capital inflows on the nominal exchange rate. The RBI is buying foreign exchange to prevent the rupee from rising, and it had no option but to sterilise the liquidity so introduced into the system through an offsetting rise in the reserve rations. But always, growth inflation trade-off is a challenge for the policy makers.

8. Measures to control inflation:

There are broadly two ways of controlling inflation in an economy:

1). Monetary measures and

2). Fiscal measures

I) Monetary Measures

The most important and commonly used method to control inflation is monetary policy of the Central Bank. Most central banks use high interest rates as the traditional way to fight or prevent inflation.

Monetary measures used to control inflation include:

(i) Bank rate policy

(ii) Cash reserve ratio and

(iii) Open market operations.

Bank rate policy is used as the main instrument of monetary control during the period of inflation. When the central bank raises the bank rate, it is said to have adopted a dear money policy. The increase in bank rate increases the cost of borrowing which reduces commercial banks borrowing from the central bank. Consequently, the flow of money from the commercial banks to the public gets reduced. Therefore, inflation is controlled to the extent it is caused by the bank credit.

Cash Reserve Ratio (CRR): To control inflation, the central bank raises the CRR which reduces the lending capacity of the commercial banks. Consequently, flow of money from commercial banks to public decreases. In the process, it halts the rise in prices to the extent it is caused by banks credits to the public.

Open Market Operations: Open market operations refer to sale and purchase of government securities and bonds by the central bank. To control inflation, central bank sells the government securities to the public through the banks. This results in transfer of a part of bank deposits to central bank account and reduces credit creation capacity of the commercial banks.

II) Fiscal Measures

Fiscal measures to control inflation include taxation, government expenditure and public borrowings. The government can also take some protectionist measures (such as banning the export of essential items such as pulses, cereals and oils to support the domestic consumption, encourage imports by lowering duties on import items etc.).

9. The bottom line

Inflation exists when prices rise but purchasing power falls over a certain period. There are two main causes that determine the type: cost-pull and demand-pull. Some consider built-in inflation as a third cause.Wholesale Price Index (WPI) and Consumer Price Index (CPI) are indices used to measure inflation rates. Using monetary policies, the Reserve Bank of India tries to keep the annual core inflation rate at 4% within the tolerable limit of 6% and a lower limit of 2%.

The most powerful way to protect ourselves from inflation is to increase the earning ability and income. One more way of seeking protection is to invest in securities and other assets that give returns which are at least equivalent to the rate of inflation.

Forthcoming Events

Media Partner: Banking Finance

24th Edition CFO Leadership Summit

22nd September 2022, India

The conference will focus on topics such as, Changing Roles of CFO: How is technology transforming the role of a CFO, The Future of Automation in Finance and ESG - CFO, the Driver of Sustainability.

https://cfoleadershipsummit.com/india/

Global Fintech Fest

19-22 September 2022, Jio World Trade Centre, Mumbai

Fintech Convergence Council (FCC), Payment Council of India (PCI) and National Payments Corporation of India (NPCI) are organising the third edition of the Global Fintech Fest (GFF2022), September 19 - 22, 2022. The theme for GFF2022, a four-day-long hybrid event, is 'Creating A Sustainable Financial World - Global | Inclusive | Green'.

https://globalfintechfest.com/

10th Annual CX Asia Week2022

November 21 - 24, 2022 |Sands Expo and Convention Centre, Singapore

The 10th CX Asia Week remains Asia's leading platform bringing the region's CX leaders together to debate new, innovative and transformative strategies for both customers and businesses alike. Join us as we celebrate success of best practices, learn from real-life lessons and build strategies together to reach the new, gold standard of CX.
https://www.cxnetwork.com/events-customerexperienceasia

International Business Magazine Annual Awards

October 29, 2022, DUBAI

International Business Magazine Awards is established with the prime objective of admiring the best in class achievements pertaining to budding Industrial talent, global leaders, Corporates, etc across varied spheres related with the International Business and Finance arena

http://www.intlbm.com/

2nd annual Islamic FinTech Leaders Forum

21-22 Sep 2022, PAvilion Hotel Kuala Lumpur | Hybrid

The Islamic finance sector is currently growing at a rate of 15% to 25% per year with Islamic financial institutions managing assets worth over US$2.2 trillion globally. According to global data provider Re?nitiv, the Islamic ?nance industry is projected to reach US$4.94 trillion in 2025.

Now in it's 2nd year Islamic FinTech Leaders returns in-person. Over 2 days you can meet the global leaders from Islamic banks, regulators, venture capitalists, accelerators, startup entrepreneurs and sharia scholars who are driving the global Islamic ?nancial technology industry forward.

https://emnesevents.com/islamic-fintech-leaders-summit-2022/

10th Finance Transformation India Summit & Awards 2022

10 - 11 October 2022 | The Chancery Pavilion, Bengaluru

With the global economy and the business environment becoming more complex every day, companies and finance professionals are increasingly keen to transform the finance function from just a supporting department within an organisation into an integral part of the business. For many companies, Finance Transformation is no longer a choice it is the only way forward. Building on the previous editions the 10th Finance Transformation India Summit 2022 will bring together leading industry experts to share best practices, case studies and latest trends from leading Indian companies. This summit is designed to enable finance departments within organizations to not only be efficient and effective, but also integrated and flexible.

https://financetransformationindia.com/

RBI CIRCULAR

Foreign Exchange Management (Overseas Investment) Directions, 2022

RBI/2022-2023/110

August 22, 2022

1. Overseas investments by persons resident in India enhance the scale and scope of business operations of Indian entrepreneurs by providing global opportunities for growth. Such ventures through easier access to technology, research and development, a wider global market and reduced cost of capital along with other benefits increase the competitiveness of Indian entities and boost their brand value. These overseas investments are also important drivers of foreign trade and technology transfer thus boosting domestic employment, investment and growth through such interlinkages.
2. In keeping with the spirit of liberalisation and to promote ease of doing business, the Central Government and the Reserve Bank of India have been progressively simplifying the procedures and rationalising the rules and regulations under the Foreign Exchange Management Act, 1999. In this direction, a significant step has been taken with operationalisation of a new Overseas Investment regime. Foreign Exchange Management (Overseas Investment) Rules, 2022 have been notified by the Central Government vide Notification No. G.S.R. 646(E) dated August 22, 2022 and Foreign Exchange Management (Overseas Investment) Regulations, 2022 have been notified by the Reserve Bank vide Notification No. FEMA 400/2022-RB dated August 22, 2022 in supersession of the Notification No. FEMA 120/2004-RB dated July 07, 2004 [Foreign Exchange Management (Transfer or Issue of any Foreign Security) (Amendment) Regulations, 2004] and Notification No. FEMA 7 (R)/2015-RB dated January 21, 2016 [Foreign Exchange Management (Acquisition and Transfer of Immovable Property Outside India) Regulations, 2015]. The new regime simplifies the existing framework for overseas investment by persons resident in India to cover wider economic activity and significantly reduces the need for seeking specific approvals. This will reduce the compliance burden and associated compliance costs.
3. Some of the significant changes brought about through the new rules and regulations are summarised below:
   (i) enhanced clarity with respect to various definitions;
   (ii) introduction of the concept of "strategic sector";
   (iii) dispensing with the requirement of approval for:
      a. deferred payment of consideration;
      b. investment/disinvestment by persons resident in India under investigation by any investigative agency/regulatory body;
      c. issuance of corporate guarantees to or on behalf of second or subsequent level step down subsidiary (SDS);
      d. write-off on account of disinvestment;
   (iv) introduction of "Late Submission Fee (LSF)" for reporting delays.
4. The detailed operational instructions in this regard are given in Annex-I. The instructions contained in these directions shall supersede the instructions contained in the circulars listed in Annex-II.
5. The revised reporting forms and instructions for filling up the forms under the new regime are being provided on Reserve Bank's website in Part VIII of the Master Direction no. 18 on 'Reporting under Foreign Exchange Management Act, 1999' dated January 01, 2016.

6. AD banks may bring the contents of the circular to the notice of their customers/constituents concerned.
7. The directions contained in this circular have been issued under Section 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions/ approvals, if any, required under any other law.

Ajay Kumar Misra
Chief General Manager-in-Charge

Rupee Interest Rate Derivatives (Reserve Bank) Directions - Review

RBI/2022-23/105

August 08, 2022

1. Please refer to Paragraph 4 of the Statement on Developmental and Regulatory Policies, issued as a part of the Bi-monthly Monetary Policy Statement for 2022-23 dated August 05, 2022 regarding permitting stand-alone primary dealers (SPDs) in India to deal in Foreign Currency Settled Overnight Indexed Swaps (FCS-OIS). Attention is also invited to the Rupee Interest Rate Derivatives (Reserve Bank) Directions, 2019 dated June 26, 2019, as amended from time to time (hereinafter, Directions).
2. Banks in India having Authorised Dealer Category-I (AD Cat-I) license under FEMA, 1999 have been permitted under the above Directions to offer FCS-OIS to persons not resident in India as well as to other AD Cat-I banks vide circular FMRD.DIRD.12/14.03.046/2021-22 dated February 10, 2022. On a review, it has been decided that SPDs, authorized under section 10(1) of FEMA, 1999 shall also be eligible to offer FCS-OIS to persons not resident in India as well as to other AD Cat-I banks and eligible SPDs.
3. The instructions shall be applicable with immediate effect. The updated Directions are attached.
4. The instructions contained in this circular have been issued in exercise of the powers conferred under section 45W of the Reserve Bank of India Act, 1934 read with section 45U of the Act and of all the powers enabling it in this behalf.

(Dimple Bhandia)
Chief General Manager

External Commercial Borrowings (ECB) Policy – Liberalisation Measures

RBI/2022-23/98

August 1, 2022

1. Attention is invited to paragraph 2.2 of FED Master Direction No.5 on External Commercial Borrowings, Trade Credits and Structured Obligations, dated March 26, 2019 (as amended from time to time), in terms of which eligible ECB borrowers are allowed to raise ECB up to USD 750 million or equivalent per financial year under the automatic route, and paragraph 2.1.vi. ibid, wherein the all-in-cost ceiling for ECBs has been specified.
2. As announced in paragraph five of the press release on "Liberalisation of Forex Flows" dated July 06, 2022, it has been decided, in consultation with the Central Government, to:
   i) increase the automatic route limit from USD 750 million or equivalent to USD 1.5 billion or equivalent.
   ii) increase the all-in-cost ceiling for ECBs, by 100 bps. The enhanced all-in-cost ceiling shall be available only to eligible borrowers of investment grade rating from Indian Credit Rating Agencies (CRAs). Other eligible borrowers may raise ECB within the existing all-in-cost ceiling, as hitherto.

   The above relaxations would be available for ECBs to be raised till December 31, 2022.
3. AD Category-I banks may bring the contents of this circular to the notice of their constituents and customers.
4. The aforesaid Master Direction No. 5, is being updated to reflect these changes.
5. Necessary amendments to the relevant regulations have been made through the Foreign Exchange Management (Borrowing and Lending) (Amendment) Regulations, 2022, notified vide notification No. FEMA.3(R)(3)/2022-RB dated July 29, 2022.
6. The directions contained in this circular have been issued under section 10(4) and 11(2) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions/ approvals, if any, required under any other law.

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

Macroeconomic and Financial Indicators

Item	Average 2003-04 to 2007-08 (5 years)	Average 2009-10 to 2013-14 (5 years)	2018-19	2019-20	2020-21
1	2	3	4	5	6
I. Real Economy					
I.1 Real GDP at market prices (% change)*	7.9	6.7	6.5	4.0	-8.0
I.2 Real GVA at basic prices (% change)*	7.7	6.3	5.9	4.1	-6.5
I.3 Foodgrains Production (Million tonnes)	213.6	246.4	285.2	297.5	303.3
I.4 a) Food Stocks (Million tonnes)	18.6	50.1	72.7	74.0	77.2
b) Procurement (Million tonnes)	39.3	61.3	77.7	79.2	97.2
c) Off-take (Million tonnes)	41.5	57.0	65.9	62.2	83.3
I.5 Index of Industrial Production (% change)**	11.2	4.6	3.8	-0.8	-8.6
I.6 Index of Eight Core Industries (% change)	5.9	4.9	4.4	0.4	-7.0
I.7 Gross Domestic Saving Rate (% of GNDI at current prices)*	33.6	33.9	30.1	30.9	-
I.8 Gross Domestic Investment Rate (% of GDP at current prices)*	35.2	38.0	32.7	32.2	-
II. Prices					
II.1 Consumer Price Index (CPI) Combined (average % change)	-	-	3.4	4.8	6.2
II.2 CPI-Industrial Workers (average % change)#	5.0	10.3	5.4	7.5	5.0
II.3 Wholesale Price Index (average % change)#	5.5	7.1	4.3	1.7	1.3
III. Money and Credit					
III.1 Reserve Money (% change)	20.4	12.1	14.5	9.4	14.2
III.2 Broad Money (M3) (% change)	18.6	14.7	10.5	8.9	11.8
III.3 a) Aggregate Deposits of Scheduled Commercial Banks (% change)	20.2	15.0	10.0	7.9	11.4
b) Bank Credit of Scheduled Commercial Banks (% change)	26.7	16.7	13.3	6.1	5.6
IV. Financial Markets					
IV.1 Interest rates (%)					
a) Call/Notice Money rate	5.6	7.2	6.3	5.4	3.4
b) 10 year G-sec yield	7.0	8.0	7.7	6.7	6.0
c) 91-Days T-bill yield	-	-	6.6	5.5	3.3
d) Weighted Average cost of Central Government Borrowings	-	-	7.8	6.9	5.8
e) Commercial Paper	7.7	8.4	7.6	6.6	4.2
f) Certificate of Deposits##	8.9	8.2	7.3	5.9	4.3
IV.2 Liquidity (Rs. lakh crore)					
a) LAF Outstanding~	-	-	-1.5	2.6	4.1
b) MSS Outstanding~~	-	-	0.0	0.0	0.0
c) Average Daily Call Money Market Turnover	0.2	0.3	0.4	0.3	0.2
d) Average Daily G-sec Market Turnover###	0.1	0.2	0.4	0.6	0.4
e) Variable Rate Repo$	-	-	1.639	0.895	0.005
f) Variable Rate Reverse Repo$	-	-	0.0	1.2	0.0
g) MSF$	-	-	0.943	0.020	0.001
V. Government Finances					
V.1 Central Government Finances (% of GDP)&					
a) Revenue Receipts	10.0	9.2	8.2	8.3	7.9
b) Capital Outlay	1.6	1.6	1.5	1.5	1.7
c) Total Expenditure	14.9	15.0	12.3	13.2	17.6
d) Gross Fiscal Deficit	3.7	5.4	3.4	4.6	9.4

Macroeconomic and Financial Indicators (Concld.)

Item	Average 2003-04 to 2007-08 (5 years)	Average 2009-10 to 2013-14 (5 years)	2018-19	2019-20	2020-21
1	2	3	4	5	6
V.2 State Government Finances&&					
a) Revenue Deficit (% of GDP)	0.3	-0.1	0.1	0.7	1.5
b) Gross Fiscal Deficit (% of GDP)	2.7	2.3	2.4	2.4	4.1
c) Primary Deficit (% of GDP)	0.3	0.6	0.8	0.9	2.4
VI. External Sector					
VI.1 Balance of Payments@					
a) Merchandise Exports (% change)	25.3	12.2	9.1	-5.0	-15.9
b) Merchandise Imports (% change)	32.3	9.7	10.3	-7.6	-27.6
c) Trade Balance/GDP (%)	-5.5	-9.1	-6.7	-5.5	-3.2
d) Invisible Balance/GDP (%)	5.2	5.8	4.6	4.6	4.9
e) Current Account Balance/GDP (%)	-0.3	-3.3	-2.1	-0.9	1.7
f) Net Capital Flows/GDP (%)	4.7	3.8	2.0	2.9	2.7
g) Reserve Changes [(BoP basis) (US $ billion) [(Increase (-)/Decrease (+)]	-40.3	-6.6	3.3	-59.5	-83.9
VI.2 External Debt Indicators&&&					
a) External Debt Stock (US$ billion)	156.5	359.0	543.1	558.2	563.5
b) Debt-GDP Ratio (%)	17.8	20.9	19.9	20.6	21.4
c) Import cover of Reserves (in Months)	14.0	8.5	9.6	12.0	18.6
d) Short-term Debt to Total Debt (%)	13.6	21.3	20.0	19.1	18.4
e) Debt Service Ratio (%)	8.3	5.6	6.4	6.5	9.0
f) Reserves to Debt (%)	113.7	84.8	76.0	85.6	104.0
VI.3 Openness Indicators (%)@					
a) Export plus Imports of Goods/GDP	30.7	41.0	31.6	27.8	24.9
b) Export plus Imports of Goods & Services/GDP	41.3	53.2	44.0	39.7	37.4
c) Current Receipts plus Current Payments/GDP	47.1	59.4	49.8	45.6	43.9
d) Gross Capital Inflows plus Outflows/GDP	37.3	50.4	38.2	39.6	46.1
e) Current Receipts & Payments plus Capital Re-ceipts & Payments/GDP	84.4	109.8	87.9	85.2	89.9
VI.4 Exchange Rate Indicators					
a) Exchange Rate (Rupee/US Dollar)					
End of Period	43.1	51.1	69.2	75.4	73.5
Average	44.1	51.2	69.9	70.9	74.2
b) 40-Currency REER (% change)	3.1^	0.8	-5.0	2.6	0.3
c) 40-Currency NEER (% change)	1.7^	-4.9	-5.6	0.6	-4.2
d) 6-Currency REER (% change)	5.7^	2.3	-5.9	3.3	-1.8
e) 6-Currency NEER (% change)	2.6^	-5.1	-7.2	0.8	-6.8

- : Not Available. P: Provisional. * : Data are at 2011-12 base year series. ** : Data are at 2011-12 base year series for column 2 and 3. # : Base year for WPI is 2011-12=100 for annual data and 2004-05=100 for average of 5 years inflation. Base for CPI-IW is 2001=100 till August 2020 and 2016=100 from September 2020 onwards. ## : Data for column 2 pertains to April 13, 2007 to March 28, 2008. ### : Outright trading turnover in central government dated securities (based on calendar days). ~ : LAF outstanding as on March 31 (negative means injection). ~~ : Outstanding as on last Friday of the financial year. $: Outstanding as on March 31. & : Data for 2020-21 are revised estimates. && : Upto 2019-20 data pertains to all States and Union Territories (UT) with legislatures, while for 2020-21 data are for 17 States/UTs. Data for 2019-20 are provisional accounts and for 2020-21 are revised estimates. @ : Data in columns 6 are provisional and pertain to April-December 2020. &&&: Data for 2020-21 are provisional and pertain to end-December 2020. ^ : Average of period 2005-06 to 2007-08. Note : Base year for 6- and 40-currency NEER/REER indices is 2015-16=100. REER figures are based on Consumer Price Index. Source : RBI, National Statistical Office, Ministry of Agriculture & Farmers Welfare, Ministry of Commerce and Industry, Food Corporation of India (FCI), Labour Bureau and Budget documents of the central and state governments.

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