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From The Desk Of Editor-in-Chief

In the ever-evolving landscape of the banking industry, risk management and resilience have emerged as paramount imperatives. The global financial crises of the past and recent disruptions have underscored the critical importance of robust risk management practices to safeguard the stability of financial institutions.

The Indian banking industry, like its global counterparts, has faced an array of challenges in recent times. Geopolitical tensions, economic fluctuations, and the ongoing pandemic have put immense pressure on financial institutions. In this context, proactive risk management has become non-negotiable to navigate uncertainties and uphold the trust of customers and stakeholders.

At the core of a resilient banking industry lies a strong risk management framework. Embracing a comprehensive approach, banks must proactively identify, assess, and mitigate risks across their entire spectrum of operations. This encompasses credit, market, liquidity, operational, and compliance risks, among others. By identifying potential risks early on, banks can craft robust strategies to address them and enhance their overall resilience.

The adoption of advanced risk assessment methodologies is indispensable in the modern banking landscape. Banks must harness the power of data analytics, artificial intelligence, and machine learning to gain insights into emerging risks and opportunities. Real-time monitoring and stress testing can help gauge the impact of adverse scenarios on financial institutions, enabling them to proactively adjust their risk profiles.

Moreover, diversification and prudent risk allocation are key tenets of a resilient banking industry. By spreading risks across various assets and sectors, banks can minimize the impact of localized downturns, ensuring a more sustainable financial ecosystem.

Effective risk governance forms the cornerstone of the banking industry's resilience. A well-structured governance framework, backed by competent oversight and regular reporting, promotes transparency and accountability. It fosters a risk-aware culture from the boardroom to the frontlines, aligning all stakeholders in their shared commitment to prudent risk management.

A robust risk management strategy and a culture of resilience are indispensable for the Indian banking industry. By embracing advanced risk assessment methodologies, customer-centricity, diversification, and strong risk governance, banks can fortify their foundations to weather any storm that may arise.

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Banking News

PNB launches virtual arm in Metaverse

Punjab National Bank announced the launch of a virtual branch, PNB Metaverse.

It is a virtual branch of the bank, which will deliver a unique experience of banking to existing and new customers who can now explore the bank's products and services such as bank deposits, retail/MSME loans, digital products, women/senior citizens, 'Do It Yourself' and government flagship schemes, PNB said in a statement.

PNB has developed the Bank's Metaverse Branch, where its esteemed customers will get exclusive access to its virtual environment from the comfort of their home or office through their mobile phones and laptops, it said.

In addition, the bank will offer an immersive 3D experience to the customers while performing traditional banking activities through their digital avatars, it said.

In this new phase of the internet, which evolves from a disparate collection of sites and apps into a persistent 3D environment, where moving from work to a social platform is as simple as walking from the office to the movie theatre across the street, PNB managing director Atul Kumar Goel said.

J&K Bank launches mobile branches in remote Ladakh

Jammu and Kashmir Bank launched two mobile branches in Ladakh to offer banking services in remote areas of the Union Territory.

"J&K bank dedicated two mobile branches -- 'J&K Bank on Wheels' -- for public in Ladakh that will extend banking services to the people of various remote and unbanked areas of the UT," a spokesman of the bank said.

He said Ladakh Lieutenant Governor B D Mishra inaugurated the two mobile branches at the iconic Leh Gate in the presence of J&K Bank MD and CEO Baldev Prakash.

Bandhan Bank triples branch network

Bandhan Bank has tripled its branch network in the last eight years to more than 1,500 bank branches at present, up from 501 branches when it started its journey as a universal bank in August 2015. With a network of another 4,500 banking units that the bank already has, the total number of banking outlets is now more than 6,000 across the country.The bank currently serves more than three crore customers across the country.

"India needs a deeper penetration of banking outlets to ensure that everyone has access to banking. With our rapidly growing branch network and digital offerings, Bandhan Bank remains committed to further enhancing convenience, security and accessibility for our customers," Chandra Shekhar Ghosh, MD & CEO, Bandhan Bank said.

SBI starts outsourcing to wholly owned SBOSS

SBI chairman Dinesh Khara said the bank has started outsourcing operations to its wholly owned subsidiary State Bank Operations Support Services (SBOSS) during the current financial year.

In reply to a query on staff shortages, Khara said that SBI had recruited 7,775 personnel during FY23 and was outsourcing to its wholly owned subsidiary. "The intention is to render support to the staff in the bank branches," said Khara, speaking at the bank's annual general meeting.

In his communication to shareholders, Khara said, "To further penetrate the agriculture and rural market, your bank has floated SBOSS, which is expected to help your bank reach out to a larger populace and record improved efficiency in sourcing and collection of loans," said Khara.

Banks to report on RBI's new CIMS

Banks will soon be required to report on the Reserve Bank of India's Centralized Information Management System (CIMS), RBI governor Shaktikanta Das said as he launched the system.

He said CIMS will improve regulatory supervision, monitoring, and enforcement. As the new system is implemented, it will be gradually extended to urban cooperative banks and non-banking financial companies.

"With launch of CIMS, we embark on a major change in our information management framework for handling the massive data flow, aggregation, analysis, public dissemination and data governance," Das said.

Debadatta Chand takes over as BoB MD

Debadatta Chand has taken charge as the managing director and chief executive officer of Bank of Baroda (BoB). He takes over from Sanjiv Chadha, whose tenure ended.

Chand began his career in 1994 as an officer at Allahabad Bank and later worked as a manager at Sidbi from 1998 to 2005. In 2005, he joined Punjab National Bank (PNB) as chief manager. During his over 15-year tenure at PNB, he held various roles. Prior to his appointment as MD & CEO, Chand served as ED at BoB since March 2021.

Private banks expand network faster than PSBs

Major private sector banks continued to expand branch network in the financial year ended March 2023, while public sector banks (PSB) saw a decline in number of branches.

Largest private lender HDFC Bank added nearly 1,500 branches, closing the year with over 7,800, making it the largest number of new branch additions by a scheduled commercial bank in the country.

According to Anindya Banerjee, Group CFO, ICICI Bank, the bank's pace of branch addition picked up significantly in FY23. Of the 480 new branches during the year, 180 opened in the fourth quarter. "We should see significantly higher branch additions next year (FY24),'' he said.

Federal Bank opens eight new branches

Federal Bank has announced opening of eight new branches across different regions in the country. These strategic expansions are part of the Bank's commitment to providing enhanced financial services and fostering economic growth in the communities it serves.

The new branches are located in Kamareddy (Telangana), Mysore/Kuvempu Nagar (Karnataka), Gummidipoondi, Valasaravakkam, Maraimalai Nagar, Maligaikottam (Tamil Nadu), Ajmer and Bhilwara (Rajasthan). With these additions, Federal Bank expands its network to better serve customers in diverse geographies.

State Bank of India appoints four directors

State Bank of India has appointed four directors on the central board of the bank. According to the disclosure under Regulation 30 (4) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, SBI has reappointed Ketan Shivji Vikamsey and Mrugank Madhukar Paranjape to its board and has added Rajesh Kumar Dubey and Dharmendra Singh Shekhawat as directors.

The appointment is for a period of three years, from June 26, 2023, to June 25, 2026.

Infosys sign $454-million deal with Danske Bank

Infosys has signed a strategic collaboration deal with Danske Bank, a Nordic bank, to accelerate the bank's digital transformation initiatives. The $454 million deal will be in force for a period of 5 years with an option to renew for one additional year for a maximum of three times.

This collaboration will help Danske Bank achieve its strategic priorities towards better customer experiences, operational excellence, and a modernised technology landscape, powered by next-gen solutions, said the company.

Infosys will also acquire Danske Bank's IT centre in India, where over 1,400 professionals are employed.

Deposits hit 6-year high as Rs. 2000 notes return

Withdrawal of Rs 2,000 notes by the Reserve Bank of India on May 19 and the subsequent near total return of the currency to the system has buoyed deposit accretion to a six-year high of Rs 191.6 lakh crore in June, according to a report.

Earlier this month, the RBI said more

than three-fourths of the total 3.62 lakh crore of Rs 2,000 bank notes have come back to the system by way of deposits (over 85%) and the rest as note exchanges. Deposits rose 13% in the reporting fortnight and sequentially, it expanded by 3.2% to Rs 191.6 lakh crore.

PSBs to step up one-time settlement in written-off loans

Public sector banks (PSBs) are expected to step up one-time settlement (OTS) in written-off loans as the Finance Ministry and the Reserve Bank of India have emphasised on the importance of improving recovery from these accounts.

Since legal action can be drawn out, the state-owned lenders are seen actively pursuing OTS to meet the Finance Ministry-set target of making about 40 per cent recovery from written-off loan accounts.

PSBs could recover only 14 per cent (or Rs. 1.03-lakh crore) from written-off loans aggregating Rs. 7.34-lakh crore in the last five years ended March 2022.

DICGC asks banks to display its logo

Deposit Insurance and Credit Guarantee Corporation (DICGC) has asked all insured banks to display the DICGC Logo and QR Code linked to its website on the banks' internet banking portals and websites.

The decision taken in consultation with the Reserve Bank of India, has been taken with a view to enhance awareness about Deposit Insurance in a focused and sustained manner, DICGC said.

"This will enable customers to easily identify banks covered by the Deposit Insurance Scheme of DICGC and facilitate timely access to information on Deposit Insurance," it said.

SBI offers cardless operations at any ATM

SBI has made cardless cash withdrawals interoperable by allowing customers of any bank to draw cash from any ATM that has the UPI QR cash function. The bank has also launched a revamped version of its flagship Yono app.

By utilising the 'UPI QR cash' functionality, users can generate a dynamic QR code displayed on the ATM screen and withdraw cash using their UPI application's 'scan-and-pay' feature. This solution not only simplifies the withdrawal process but also enhances security by eliminating the need for PIN entry or physical handling of debit cards, minimising risks associated with fraudulent activities.

No chairman for six of 11 state-run banks for years

At a time when the Reserve Bank of India (RBI) has been underscoring the need for governance in commercial banks, six of 11 public sector banks (PSBs) still do not have a non-executive chairman. Some of these posts have been lying vacant for more than two years.

UCO Bank, Bank of Maharashtra, Bank of India, Indian Overseas Bank, Indian Bank, and Central Bank of India do not have a non-executive chairman.

UCO Bank and Bank of Maharashtra never had a part-time chairman since the process of splitting the chairman and managing director (MD) posts started in 2015.

With number of bank mitras touching 8.5 lakh, last-mile banking gets a boost

The number of bank mitras, the field force to ensure lastmile financial connectivity, has now reached 8.50 lakh, making a significant impact on financial inclusion.

Last financial year witnessed the addition of almost one lakh bank mitras, who are employed as field agents by the business correspondents to render lastmile financial services, taking the total number to 8.50 lakh, as per Finance Ministry data.

"These are like a silent army delivering branchless banking across the country. The Covid19 pandemic proved the efficacy of the bank mitra model and they rendered notable service," a senior official of the Indian Banks Association (IBA) told.

The increased penetration is due to diverse factors. According to Bibekananda Panda, Senior Economist, State Bank of India, given the penetration of digital banking in the country, banks are strategically deploying more bank mitras to deliver superior customer service at a lesser cost.

Locker rules: Banks urge customers to get stamp papers to avoid delay

Stamp papers may turn out to be the biggest problem for customers signing the latest agreement for bank lockers, as directed by RBI.

RBI recently instructed all banks to execute a fresh locker agreement with customers, the deadline for which has been set on December 31. This agreement has to be executed by all bank locker-holders, irrespective of any of them having already executed a similar locker agreement on stamp papers last year, following an earlier circular issued by RBI in October 2022.

The notifications issued by different banks pointed out that as desired by RBI, banks-and not customers-would have to procure the stamp papers, worth Rs 10, for the agreement. But several branches claimed they found it difficult to get hold of stamp papers in bulk.

An SBI branch manager told, "We are trying to arrange for the stamp papers but it is difficult to get so many together. We had to buy it in black. Now, we are requesting our customers if they can procure the stamp papers themselves because it is easier to get them in ones and twos instead of getting 50 or 100 of them at one go. Otherwise, the entire process might be delayed," he added.

IBA plans common call centre for PSBs

The Indian Banks' Association (IBA) is working on a proposal to establish a common customer care centre to serve all its 12 public sector bank (PSB) members, aiming to save on costs and offer a consistent customer experience, two people aware of the development said.

The idea is to provide a single helpline number that customers across banks can dial for queries and complaints. According to the proposed plan, an interactive voice response (IVR) system would greet customers and address initial queries, with calls transferred to respective bank call centres to address complex issues that require human intervention, the people said on condition of anonymity.

Board clears IDFC merger with IDFC First Bank

The board of directors of IDFC and IDFC Financial Holding approved the merger between both the entities and announced a share exchange ratio of 155 shares of IDFC First Bank for every 100 shares held in IDFC.

The share swap ratio will create a premium of about 20 per cent on the closing market price of the shares of IDFC. The merger of IDFC with IDFC First Bank will create value for shareholders. The board of directors of both the companies approved composite Scheme of Amalgamation in its board meeting on July 3.

FM Sitharaman nudges PSU banks to take swift action against frauds, wilful defaulters

Finance Minister Nirmala Sitharaman has asked public sector banks (PSBs) to take swift action in cases concerning fraud and wilful defaults to reduce bad loans and take steps to accelerate growth momentum, sources said.

Banks have written off Rs 11.17 lakh crore bad loans from their books in the last six years till the financial year 2021-22.

In a recent meeting with heads of PSBs, the finance minister urged them to focus on having robust risk management practices and mitigating Cyber Security risks.

During the meeting, it was also emphasised that banks should follow a strong internal audit framework and adherence to caveats of internal policies, sources said. ❑

Reserve Bank News

RBI asks states to improve expenditure quality

Reserve Bank of India governor Shaktikanta Das has asked state governments to focus on fiscal consolidation and improve quality of expenditure.

In June 2023, RBI's Financial Stability Report had sounded a note of caution on the high debt of the states. At 27.9 per cent of GDP at the end of March 2023, it was higher than the 20 per cent limit recommended by the Fiscal Responsibility and Budget Management (FRBM) Review Committee (2018) and warranted further consolidation.

At a disaggregated level, a few large states have debt-to GSDP ratios exceeding 35 per cent, the report added. Das highlighted the importance of debt sustainability for ensuring long-term fiscal health of the states. He also dwelled upon issues related to the fiscal health of states such as contingent liabilities/guarantees.

The meeting reviewed market borrowings by the states, administration of the Consolidated Sinking Fund and Guarantee Redemption Fund, issues relating to states guarantees.

RBI to look at consumers' concerns

The RBI has said that it will examine a case relating to consumer concerns that received wide attention in social media. RBI governor Shaktikanta Das also said that there is no intention to regulate financial influencers.

Recently, Bajaj Finserv MD Sanjiv Bajaj had said that the general public will get an option on their website to be 'forgotten' and, once they entered their number, they would not be disturbed again. But Bajaj also added that customers who opted out should not come back for loans.

RBI deputy governor M K Jain said as far as telemarketing calls are concerned, it is the decision of individual banks and it is the Telecom Regulatory Authority of India (TRAI) which looks into it and has a 'do not call' registry. "Nevertheless, the issues which you have brought up, we will look into it. " On 'finfluencers', Das said, "As far as financial influencers are concerned, we have no such thinking (to regulate). Sebi is already looking at it."

Retired RBI staff get higher pensions

Nearly 30,000 Reserve Bank of India (RBI) retired employees have received a 13.56% increase in pension after a gap of four years, showed an internal letter.

The government informed its decision to revise the pension for RBI employees who retired before 1 November 2017. The revised pension was effective from June 2023.

"The basic pension of pensioners retired prior to 1 November 2017 shall be revised by a factor of 1.63 ie, the existing basic pension of Rs. 100 will be revised to basic pension of Rs. 163 from the month of June 2023 onwards," said the letter written by chief general manager of human resources at RBI.

RBI appoints P Vasudevan as new executive director

The Reserve Bank of India (RBI) has announced the appointment of P. Vasudevan as Executive Director (ED).

Prior to being promoted to a new role, P. Vasudevan was the chief general manager-in-charge of the Department of Payment and Settlement Systems.

P. Vasudevan possesses close to three decades of experience working with the Reserve Bank in supervision of banks and non-banking financial companies, payment and settlement systems, and other areas.

His stint with RBI included being a member of the faculty at the Bankers' Training College. He has worked in the central office as well as the Bengaluru, Mumbai, and New Delhi Regional Offices of the Reserve Bank.

RBI Dy Guv Janakiraman gets 6 depts

Newly-appointed Reserve Bank Deputy Governor Swaminathan Janakiraman will look after six departments, including supervision and financial inclusion, the central bank said in a release. Janakiraman replaced M K Jain who recently demitted office after completion of his term. The other portfolios allocated to Janakiraman are Inspection Department, Premises Department, Rajbhasha Department, and Consumer Education and Protection Department.

RBI governor asks banks to focus on governance

RBI governor Shaktikanta Das has asked banks to strengthen governance standards and to pay special attention to compliance, risk management and audit functions. In a meeting with bank chiefs, he also asked them to ensure that they adhere to the central bank's guidelines on linking retail loans to an external benchmark. Das met with managing directors and chief executive officers of public sector banks and large private banks.

The governor acknowledged the performance of the Indian banking system despite challenging global circumstances. However, he emphasised the importance of remaining cautious and vigilant during such times. In the past, the central bank had raised concerns over the growing level of unsecured loans . It had highlighted the need to ensure that banks do not run into asset liability mismatches.

RBI slaps fine on J&K Bank BoM and Axis Bank

Reserve Bank of India (RBI) slapped fines on the lenders for non-compliance on certain directions.

Jammu and Kashmir Bank was down 0.7 percent at Rs 56.10 at 10.18am on the National Stock Exchange (NSE), while Bank of Maharashtra was trading 0.37 percent lower and Axis Bank 0.26 percent lower.

Jammu and Kashmir Bank was fined Rs 2.5 crore as it did not ensure necessary steps to see if the data submitted to Central Repository of Information and Large Credit (CRILC) was accurate or not. CRILC collects and stores data on borrowers' credit exposure. The bank sent messages through the SWIFT network without confirming if the transactions are accurately recorded in the Core Banking System (CBS) or not. Jammu and Kashmir Bank had granted loan to a corporation without confirming if the bank had the resources to pay back the debt.

Bank of Maharashtra has been asked to cough up Rs 1.45 crore since it granted loan to a corporation without thoroughly checking if the projects would generate enough revenue to repay the debt. The bank also failed to implement certain control measures for ATMs.

Take steps to boost rural credit: FM tells Nabard

Finance Minister Nirmala Sitharaman asked Nabard to encourage farmers to shift towards more remunerative but less waterguzzling crops, especially millets, pulses and oilseeds.

In a review meeting of the National Bank for Agriculture and Rural Development (Nabard), Sitharaman advised the agri-finance institution to work towards ensuring efficiency and outcomes at the ground level with improvement in rural income as the top priority.

With production and marketing of 'Shree Anna' a national priority in the ongoing International Year of Millets 2023, she also directed Nabard to encourage farmers to enhance the area covered under Millets, and to protect the returns of farmers who are already growing Also Read - IDBI Bank Q1 profit jumps 62% to Rs 1,224 crore millets.

"The Finance Minister emphasised on concerted efforts to sensitize farmers to shift towards more remunerative but less water-guzzling crops, especially millets, pulses and oilseeds," a Finance Ministry tweet said.

Compromise settlement is not available to borrowers as a matter of right: RBI

The Reserve Bank of India (RBI) has plugged interpretation gaps in its recently issued circular on "Framework for Compromise Settlements and Technical Writeoffs", clarifying "penal measures" and "minimum cooling period", among others, through frequently asked questions.

This comes in the wake of bank unions opposing a clause in the circular that allows banks' boards to take up proposals for compromise settlements in respect of debtors classified as fraud or wilful defaulter.

The central bank underscored that compromise settlement is not available to borrowers as a matter of right; rather, it is a discretion to be exercised by the lenders based on their commercial judgment. ❑

Industry News

Two Bangladesh banks to offer INR transactions

Two Bangladeshi banks including the largest state-owned lender plan to introduce trade transactions in Indian rupees, officials said, as the South Asian nation looks to build up its shrinking foreign exchange reserves. Until now, Bangladesh has only carried out trade transactions in dollars.

State-owned Sonali Bank and Eastern Bank have opened "nostro" accounts in rupees with State Bank of India (SBI.NS) and ICICI Bank (ICBK.NS), officials from both banks said.

A nostro account refers to an account a bank holds abroad at another bank in the currency of that jurisdiction. Such accounts are used for international trade and to settle other foreign exchange transactions.

Net Direct Tax mop-up rises 16% in FY24

India's direct tax collection soared 16 per cent to touch Rs. 4.75 trillion this financial year, showing continuity in revenue growth despite external headwinds.

The collection has gathered pace over past months, with net direct tax collection, net of refunds, growing 15.87 per cent to Rs. 4.75 trillion by July 9, higher than the net collections for the corresponding period of last year," finance ministry said while releasing the provisional figures.

It said that the numbers so far "continue to register steady growth." On a gross basis, collection from direct taxes, which includes income and corporation taxes, grew 14.65 per cent to Rs. 5.17 trillion.

"The provisional figure is 26.05 per cent of the total Budget Estimates of direct taxes for the current financial year 2024, " the ministry said. The central government expects to collect Rs. 18.2 trillion this financial year, which is 10.5 per cent more than what was collected in FY23, as per revised estimates.

Bangladesh, India launch trade transactions in Rupee

Bangladesh and India launched the much-anticipated trade transaction in rupees, a move aimed at reducing dependence on the US dollar and strengthening regional currency and trade.

Bangladesh Bank governor Abdur Rouf Talukder described the start of trade settlement in rupees as the "first step in a great journey".

He said transaction costs in trade with India would reduce with the introduction of the taka-rupee dual currency card which was "almost ready (to be) launched from September".

Officials said under the formal arrangement, trade would be transacted in rupee and then gradually in Bangladeshi currency.

Banks in Bangladesh and India have been given permission to open nostro accounts, an account in a bank of another country for the purpose of foreign currency transactions. The exchange rate will be fixed in line with market demand and banks involved in the process.

Resignation doesn't absolve auditor from reporting fraud

The National Financial Reporting Authority (NFRA) has said that resignation does not absolve the auditor of his responsibility to report suspected fraud or fraud as mandated by law. The NFRA in a circular dated June 26 has said that it has noticed that auditors are not fulfilling their statutory responsibilities relating to reporting of fraud as required by the Companies Law.

NFRA said that statutory auditors are under a mandatory obligation to report fraud or suspected fraud if they observe suspicious activities, transactions or operating circumstances in a company that indicate reasons to believe that an offence of fraud is being or has been committed against the company by its officers or employees.

iPhone exports from India at record Rs. 20000 crore

In a major upsurge, Apple has breached exports from India valued at Rs. 20,000 crore of iPhones in just the first quarter of FY24, which accounts for half of what it had achieved in the full financial year of FY23. The Q1 numbers represent a staggering 400 per cent growth in iPhone exports over the last financial year in the same quarter when it exported only Rs. 4,950 crore. Under the production linked incentive (PLI) scheme, its three vendors - Foxconn Hon Hai, Wistron and Pegatron - have committed exports of Rs. 61,000 crore in FY24 in the third year of the scheme.

The good news is that one-third of this export commitment to the government for this financial year (FY24) has already been met by Apple's vendors in the first quarter and all it has to do is finish the rest in the remaining three quarters. Analysts say, based on Apple's aggressive export performance, that exports could well exceed the company's commitment under the PLI scheme.

Wipro to spend $1 billion to train staff in AI

Indian IT giant Wipro announced that it has committed to making a $1 billion investment in advancing AI capabilities over the next three years.

Wipro also launched Wipro ai360, a comprehensive, AI-first innovation ecosystem that builds on Wipro's decade-long investments in artificial intelligence (AI) with the goal of integrating AI into every platform, every tool, and every solution used internally and offered to clients.

GSTN launches geocoding in all states and UTs

Amid concerns over fake registrations and fraudulent availment of input tax credit under the Goods and Services Tax (GST) regime, the GST Network (GSTN) made the geocoding functionality live for all states and union territories. Geocoding, which converts an address or description of a location into geographic coordinates, has been introduced to ensure the accuracy of address details in GSTN records and streamline the address location and verification process, it said in an update posted on its portal.

GST Network has already geocoded 1.8 crore principal places of businesses. The functionality is available for normal, composition, SEZ units, SEZ developers, input service distributor and casual taxpayers who are active, cancelled, and suspended.

FDI flows into India rose 10% to $49 billion in 2022

Foreign Direct Investment (FDI) flows into India rose by 10% to $49 billion in 2022, making it the third largest host country for announced greenfield projects and the second largest for international project finance deals, according to a report released by United Nations Conference on Trade and Development (Unctad).

Amid declining trends in global FDI, India stayed at eighth position in terms of FDI inflows, the latest World Investment Report by the Unctad said.

The report said that outward investment by Indian multinational enterprises (MNEs) fell by 16 per cent to $15 billion in 2022. "However, greenfield project announcements by Indian MNEs more than tripled to $42 billion. Two of the largest greenfield projects were in renewables, with Acme Group announcing a $13 billion plant in Egypt to produce 2.2 billion tonnes of green hydrogen annually, and ReNew Power announcing that it will set up a $8 billion green hydrogen plant in the Suez Canal Economic Zone," it added.

Face authentification now in PM-Kisan mobile app, a first for Govt schemes

IN A first for any central welfare scheme, the government rolled out a face authentification feature in the PM-Kisan app, which will enable beneficiary farmers to complete their e-KYC process by just scanning their face on mobile phones instead of using one-time password or fingerprints.

Agriculture Minister Narendra Singh Tomar launched the app feature at an event, which was attended by Minister of State for Agriculture Kailash Choudhary, Agriculture Secretary Manoj Ahuja, Additional Secretary Pramod Kumar Meherda and senior officials from the states.

Sharing details of the new feature, Meherda said, "PM-Kisan scheme has become the first scheme of the government to do e-KYC through facial authentication mobile app. This app is very much useful for the farmers who are aged and also their mobile number is not linked with their Aadhaar."

Consensus on development bank reform a gain at G20 meet: Govt

The government counted consensus around the need to reform multilateral development banks (MDBs) as one of the gains from the meeting of G20 finance ministers and central bank governors, but added that there will be greater clarity on capital infusion once the full roadmap for reforms was ready around October.

A report by the independent expert group co-chaired by former US treasury secretary Larry Summers and 15th Finance Commission chairman N K Singh has called for widening the mandate to deal with global public goods, such as climate change, increasing the resources for poor and developing countries by innovative financing measures, tapping into private pool of capital and increasing the equity base by up to $100 billion. Singh told the FMs that the report had sought to "establish more definite linkages between mandate, finance, operating model, and congruency of the MDB system".

Unsecured loans jump 47% in 2 years till March led by small-ticket lending

Unsecured retail loans grew at a CAGR (compounded annual growth rate) of 47 per cent from March 2021 to March 2023 led by digital and IToriented small ticket lending, according to TransUnion CIBIL's Credit Market Indicator (CMI) report.

The report tracks credit market health via parameters including demand, supply, consumer behaviour and performance. The CMI for Q4 FY23 was at 102, up from 94 a year ago, further bolstering the upward trend in credit market activity since mid2021.

All credit products, barring mortgage loans, registered doubledigit growth in FY23, with outstanding advances for product categories rising 1438 per cent YoY. The slump in home loans was led by the affordable housing segment - home loans with sanction amount of less than Rs. 25 lakh - wherein the volume fell by 16 per cent and by value 15 per cent YoY. Home loans of over Rs. 25 lakh rose 1 per cent by volume and 6 per cent by value.

Credit card dues cross Rs. 2 lakh crore

At nearly 30%, credit card dues have grown twice as fast as overall bank loans in a year. For the first time, credit card outstanding crossed the Rs 2-lakh-crore mark in April.

Lenders say there are no major concerns as the share of credit card dues remains small even as RBI has cautioned over the rise in unsecured bank credit. According to RBI, credit card balances hit Rs 2,00,258 crore in April 2023 - a 29. 7% increase over April 2022.

The surge in credit card dues is not just due to rising indebtedness but is a reflection of their increased use for payments and inflation. "The balance sheet growth in credit cards is trending in line with the increase in consumer credit card spends. Over the last year, consumer spending has also gone up," said Sanjeev Moghe, president and head (cards & payments), Axis Bank.

World Bank approves Rs. 12,600 crore for India's clean energy transition

The World Bank said that it approved a $1.5 billion (around Rs. 12,600 crore) financing for scaling up renewable energy, producing green hydrogen, supporting carbon markets and stimulating climate financing.

"The World Bank's Board of Executive Directors approved $1.5 billion in financing to accelerate India's development of low-carbon energy. The financing will help India promote low-carbon energy by scaling up renewable energy, developing green hydrogen, and stimulating climate finance for low-carbon energy investments," the World Bank said.

The First Low-Carbon Energy Programmatic Development Policy Operation - the first in a series of two envisaged operations - will support India in developing green hydrogen, it added.

GST collection rises 12% to over Rs. 1.61 lakh crore in June 2023

The gross Goods and Services Tax (GST) revenue collected in June 2023 was Rs. 1,61,497 crore, 12% higher than in the same month last year, according to data released by the finance ministry.

Out of the gross GST collected, Central Goods and Services Tax (CGST) comprised Rs. 31,013 crore, State Goods and Services Tax (SGST) Rs. 38,292 crore, Integrated Goods and Services Tax (IGST) Rs. 80,292 crore (including Rs. 39,035 crore collected on import of goods) and cess Rs. 11,900 crore (including Rs. 1,028 crore collected on import of goods).

The government has settled Rs. 36,224 crore to CGST and Rs. 30,269 crore to SGST from IGST. The total revenue of Centre and the states in June 2023 after regular settlement is Rs. 67,237 crore for CGST and Rs. 68,561 crore for SGST, said a finance ministry statement.

World Bank approves $255.5-mn loan for better technical education in India

The World Bank has approved a USD 255.5 million loan for improving the quality of technical education in government-run institutions in India. Over the next five years, the project will support around 275 government-run technical institutions in selected states across the country, benefitting more than 350,000 students each year.

The Multidisciplinary Education and Research Improvement in Technical Education Project will support improving student skills and employability by focusing on better research, entrepreneurship, and innovation; and improve governance in technical institutions.

As part of the project, students will get access to upgraded curricula including emerging technologies in communication and climate resilience. They will also benefit from better internship and placement services, including opportunities to network with professional associations, World Bank said.

Indians' funds in Swiss banks down 11%

Funds parked by Indian individuals and firms in Swiss banks, including through India-based branches and other financial institutions, declined by 11 per cent in 2022 to 3.42 billion Swiss francs (nearly Rs. 30,000 crore), annual data from Switzerland's central bank showed.

The decline in aggregate funds of Indian clients with Swiss banks, from a 14-year-high of CHF 3.83 billion in 2021, follows two consecutive years of increase and was largely driven by a sharp plunge of nearly 34 per cent in customer deposit accounts from a seven-year high.

RBI panel suggests measures for internationalisation of rupee; inclusion of INR in IMF's SDR

A Reserve Bank of India-appointed working group on Wednesday recommended various measures, including inclusion of the rupee in the Special Drawing Rights (SDR) basket and recalibration of the foreign portfolio investor (FPI) regime to accelerate the pace of internationalisation of the rupee.

The recommendations by an Inter-Departmental Group (IDG), headed by RBI Executive Director Radha Shyam Ratho, were placed on the RBI website.

The group was constituted by RBI Deputy Governor T Rabi Sankar to review the position of the rupee as an international currency and to frame a road map for the internationalisation of the domestic currency.

Internationalisation of the rupee is a process that involves increasing use of the local currency in cross-border transactions.

Amazon expects $8 billion in exports from India this year

Exports by Indian sellers to Amazon marketplaces the world over are on track to surpass $8 billion in 2023, said a top executive at the company.

The business update comes over a year after the global e-commerce marketplace had doubled targets to achieve $20 billion in cumulative e-commerce exports from India by 2025.

The update is part of Amazon Global Selling, the retailer's e-commerce exports program, that has grown to more than 1.25 lakh Indian exporters since its launch in 2015. Sellers from over 200 Indian cities are part of the Amazon Global Selling program. The program helps Indian exporters list their products across 18 Amazon marketplaces such as the US, the UK, the UAE, Canada, Mexico, Germany, Italy, France, Spain, the Netherlands, Turkey, Brazil, Japan, Australia, and Singapore and then sell to over 200 markets globally.

Threads now fastest growing app ever, hits 100 million users

Meta's Twitter rival Threads has passed 100 million users in just 5 days since its launch. Threads has also taken ChatGPT's crown as the fastest growing consumer product ever. Threads was launched on 6 July 2023 with the aim of becoming "the public conversation app with 1 billion people on it".

Meta CEO Mark Zuckerberg announced the milestone of reaching 100 million users in just 5 days since launch in a post on Threads. He also noted that demand for the social media app is 'mostly organic' and that many promotions haven't even been turned on yet.

OpenAI's generative AI-based chatbot, ChatGPT, had reached 10 million daily users in 40 days after launch and 100 million daily active users in about two months after launch. At the time, ChatGPT had become the fastest product to reach 100 million daily active users, beating Instagram, TikTok and other social media giants by a wide margin. ❑

Mutual Fund News

Navi Mutual Fund launches Navi Overnight Fund

Navi Mutual Fund has announced the launch of its overnight fund, an open ended debt scheme that will invest in debt and money market securities with overnight maturity. These securities would mature the next day and the fund manager would use these proceeds to buy new securities that mature the following day. Overnight funds are considered one of the safest types of mutual funds, as they carry very minimal interest rate risk or credit risk.

The fund has the lowest expense ratio in its category with a Total Expense Ratio of 0.045% under the direct plan. The minimum investment in the scheme starts at Rs 10.

HDFC Mutual Fund launches HDFC Charity Fund for Cancer Cure

HDFC mutual fund has launched the HDFC Charity Fund for Cancer Cure, a fixed maturity scheme launched in collaboration with the Indian Cancer Society (ICS) to contribute to the treatment of underprivileged cancer patients. The scheme will have a tenure of 1,196 days.

"The Scheme enables investors to donate part of the income generated to the Indian Cancer Society to support the treatment of underprivileged cancer patients. The noble mission is to make a meaningful impact on the lives of those fighting this formidable battle.

Together, as we invest in both financial growth and human well-being, we can create a future where hope and healing become accessible to all," said Navneet Munot, Managing Director and Chief Executive Officer, HDFC Asset Management Company.

ICICI Prudential Mutual Fund launches ICICI Prudential Nifty 200 Quality 30 ETF

ICICI Prudential Mutual Fund has announced the launch of ICICI Prudential Nifty 200 Quality 30 ETF. The scheme aims to provide returns that correspond to the returns provided by Nifty 200 Quality 30 Index, subject to tracking errors.

The selection universe for this index is the Nifty 200 Index. The Quality score for each company is determined based on Return on Equity (ROE), financial leverage (Debt/Equity Ratio) and earning (EPS) growth variability analysed during the previous five years. 30 companies with higher profitability, lower leverage and more stable earnings are selected to be part of the index. The stock weight is capped at the lower of 5% or 5 times the weight of the stock in the index based on free float market capitalization, the fund house said.

Chintan Haria, Head Investment Strategy, ICICI Prudential AMC, said, "ICICI Prudential Nifty 200 Quality 30 ETF is a smart beta offering based on quality as a factor. The offering provides investors with an opportunity to diversify equity investments across various sectors and in companies having strong cash flows.

Bajaj Finserv Flexi Cap Fund, two other NFOs open for subscription

Three new mutual fund offers or NFOs opened for subscription in the market. Bajaj Finserv Flexi Cap Fund, Kotak Nifty Financial Services Ex-Bank Index Fund, and Mirae Asset Nifty 1D Rate Liquid ETF are open for subscription. Bajaj Finserv Flexi Cap Fund is an open-ended equity scheme investing across large cap, mid cap, small cap stocks.

The scheme will be benchmarked against S&P BSE 500 TRI.

It will be managed by Nimesh Chandan, Sorbh Gupta (Equity Portion) and Siddharth Chaudhary (Debt Portion). The minimum application amount for lumpsum investment is Rs 500 and in multiples of Re 1. For a systematic investment plan, the minimum investment amount can be from Rs 500 up to Rs 1,000 (minimum 60 instalments) and above Rs 1,000 (minimum 6 instalments).

UTI Mutual Fund launches UTI Balanced Advantage Fund

UTI Mutual Fund has launched UTI Balanced Advantage Fund, an open-ended dynamic asset allocation fund, investing in a diversified portfolio of equity and fixed income. The portfolio of the scheme will be dynamically managed, based on valuation and fundamentals driven by in-house proprietary asset allocation model.

The scheme aims to provide long-term capital appreciation and income by investing in a dynamically managed portfolio of equity and debt instruments.

However, there can be no assurance that the investment objective of the scheme will be achieved. The scheme does not guarantee/ indicate any returns.

Mutual funds can launch five new categories under ESG scheme: Sebi

Sebi allowed mutual funds to introduce five new categories under ESG (environmental, social and governance) scheme. According to the capital markets regulator, the mutual funds will also have to put in place a disclosure framework.

The five new categories are -- exclusions, integration, best-in-class and positive screening, impact investing and sustainable objectives. Currently, mutual funds can launch only one ESG scheme under the thematic category of equity schemes.

These measures will facilitate green financing with a thrust on enhanced disclosures and mitigation of greenwashin, the regulator said in a circular. The provision of a new category for ESG schemes will be applicable with immediate effect, the Sebi said.

With regards to disclosure requirements for ESG schemes, Sebi said mutual funds will have to clearly disclose the name of the ESG strategy in the name of the concerned ESG fund.

Edelweiss Mutual Fund becomes lowest cost index fund provider

Edelweiss Mutual Fund has made a significant move to benefit passive investors by reducing the expense ratio across its passive equity index schemes in direct plans. The expense ratio has been cut to a record-low of 0.05 percent, the lowest among Nifty 50 index funds in India. This reduction aims to boost investor returns and minimize tracking errors for passive funds. The expense ratio reduction is expected to bring down tracking error and tracking difference, which is the difference between the returns of the fund and the benchmark index it aims to replicate. This shall help these low cost passive funds stay closer to their benchmark performance, giving investors more accurate exposure to the index they are tracking.

Edelweiss MFs schemes changed their expense ratio in below index funds with immediate effect - Edelweiss Nifty 50 Index Fund - Direct Plan 0.05%, Edelweiss Nifty Next 50 Index Fund - Direct Plan 0.09%, Edelweiss Nifty Midcap 150 Momentum 50 Index Fund -0.14%, Edelweiss Nifty Smallcap 250 Index Fund -0.14%, Edelweiss NIFTY Large Mid Cap 250 Index Fund -0.14%, and Edelweiss Nifty 100 Quality 30 Index Fund -0.14%. This strategic decision by Edelweiss Mutual Fund, known for its innovative and low-cost offerings, reinforces its commitment to provide good passive solutions to investors.

Loans against mutual funds catch fancy with easy process, low rates

As mutual fund schemes form a sizeable portion of an individual's investment portfolio, various lenders are increasingly offering loans with these products as collateral. While lenders have eased the process of accessing such loans, they have kept the borrowing rates lower compared to personal or gold loans.

Though public and private sector banks offer this product, non-banking finance companies (NBFCs) have been more aggressive. The selling pitch for loans against mutual funds is that you do not have to liquidate your performing schemes for want of short-term funds.

In the case of equity mutual funds, individuals can get a loan up to a maximum of 50% of the scheme value. NBFCs have been offering such loans at an interest rate of 9% to 10% based on the credit score. In comparison, rates on loans against gold are at 9% to 24%, while individuals must shell out 10-18% for personal loans. ❑

Co-Operative Bank News

RBI eases regulations, co-op banks set for expansion

Gujarat is set to witness a new phase of expansion in the urban cooperative banking sector, as the Reserve Bank of India (RBI) has granted permission for urban cooperative banks to open new branches without its approval.

Currently, Gujarat has 214 urban cooperative banks with a total of 1,113 branches. Following this decision, it is anticipated that the state will see the addition of at least 100 new branches within the next year.

Chairman of the Gujarat Urban Cooperative Banks Federation, Jyotindra Mehta, stated that the automatic route for new branch openings had been halted since 2017. "However, the RBI's recent decision allows urban cooperative banks to open a maximum of five branches or 10% of their existing branches without prior approval. These banks must obtain approval from their respective boards and comply with the financially sound and well managed (FSWM) norms set by the RBI," he said.

Mehta further said that over 50% of urban cooperative banks in Gujarat meet the FSWM criteria, indicating their financial strength. These banks are now looking to expand their presence in their respective areas of operation. "Since the setback faced by the Madhupura Urban Cooperative Bank in 2002, Gujarat-based cooperative banks have shown resilience.

RBI cancels licence of United India Co-operative Bank

The Reserve Bank of India (RBI) said it has cancelled the licence of Uttar Pradesh-based United India Co-operative Bank Limited, citing lack of adequate capital and earning prospects. Consequently, the bank ceases to carry on business, with effect from the closing hours, the RBI said in a statement.

On liquidation, it said every depositor would be entitled to receive deposit insurance claim amount of his/her deposits up to a ceiling of Rs 5 lakh from the Deposit Insurance and Credit Guarantee Corporation (DICGC).

"As per the data submitted by the bank, 99.98 per cent of the depositors are entitled to receive full amount of their deposits from DICGC," it said.

Giving reasons for cancellation of the licence, it said United India Co-operative Bank, based out of Bijnor in Uttar Pradesh, does not have adequate capital and earning prospects.

"The bank with its present financial position would be unable to pay its present depositors in full," the RBI said, adding that the continuance of the bank is prejudicial to the interests of its depositors.

RBI imposes curbs on National Coop Bank, the Bengaluru bank

The Reserve Bank of India (RBI) announced a series of restrictions on one of Bengaluru's oldest institutions, The National Cooperative Bank, in response to its deteriorating financial position, allowing it to disburse only up to Rs 50,000 to depositors in all types of account.

The RBI issued the directions to the 48-year old bank using its powers under the Banking Regulation Act, 1949. ❑

Legal News

Buying property in wife's name can't always be called benami: HC

A transaction where a man buys property in his wife's name cannot necessarily be called a benami transaction, the Calcutta High Court has said.

"In Indian society, if a husband supplies the money for acquiring property in the name of his wife, such fact does not necessarily imply benami transaction," the division bench of Justice Tapabrata Chakraborty and Justice Partha Sarthi Chatterjee said. "Source of money is, no doubt, an important factor but not a decisive one," the bench held.

The court was hearing a case in which a son had charged his father with giving a benami property to his mother. The court ruled that the litigant had failed to prove his charge that the property in question was benami.

"The burden of showing that a transfer is a benami transaction always lies on the person who asserts it," the court said, terming it a "well-settled principle".

The court said that two kinds of benami transactions are generally recognised: in the first type, a person buys a property with his own money but in the name of another personwithout any intention to benefit the other person; and the second type, "loosely as a benami transaction", where the owner of the property executes a conveyance in favour of another without the intention of transferring the title to the property. "In the latter case, the transferor continues to be the real owner," the court said.

Bombay High Court stays RBI's master circular till September 11

The Bombay High Court stayed till September 11 action by banks under the Reserve Bank of India (RBI) master circular that permitted banks to declare any account as a fraud account without giving a hearing. In September, the HC will hear the petitions against the RBI decision under Reserve Bank of India (Frauds Classification and Reporting by Commercial Banks and Select FIs) Directions of 2016.

A division bench of Justice Gautam S Patel and Justice Neela K Gokhale was hearing a batch of petitions, including those filed by Jet Airways founder Naresh Goyal and his wife Anita Goyal, challenging the circulars stating that the RBI's decision was against the principle of natural justice.

The said circulars allowed banks to make full use of the Central Fraud Registry for timely identification, control, reporting and mitigation of risks associated with the fraud.

As per the circular, once the bank classifies an account as fraud, it has to report the same to the Central Repository of Information on Large Credits platform to alert other banks.

Moreover, if a bank decides to classify the account as fraud straightaway, it has to report the fraud to RBI within 21 days and report the matter to any investigation agency.

Gift can't be revoked unless right reserved in the deed, says HC

Unless the right is reserved, the executant cannot unilaterally revoke a gift deed, the high court said. Dismissing two regular second appeals filed by people who claim to be owners of a land at Chikkajajur village of Holalkere taluk in Chitradurga district, Justice HP Sandesh pointed out that only by way of suit, a person can seek for cancellation of the gift, and the same has not been done in this case.

J Gurushanthappa and other appellants claimed that their grandfather G Siddappa had gifted land to Sri Tharalabalu Jagadguru Education Society on June 13, 1977, for construction of a hostel building, which was preferably named after him. A rectification deed was issued in 1980, incorporating the correct survey number. However, on February 20, 1982, a registered gift cancellation deed was executed. A will was also executed by G Siddappa, bequeathing the properties, including the land gifted to Tharalabalu Education Society, to his successors.

After Siddappa's death in 1988, his family moved the local court for declaration and permanent injunction, citing the registered cancellation deed as well as the will executed by their grandfather.

However, the principal civil judge, Holalkere, rejected their claim in 2015. When they appealed against it, their plea was dismissed on December 13, 2016. Thereafter, they moved the high court.

They argued that their grandfather wanted the society to construct the hostel for students and to make use of the crops grown in the gifted lands for feeding them and when he found that it was not done, the gift was cancelled.

CBDT amends income tax rules; to expand tax exemption for public sector shares

The Central Board of Direct Taxes (CBDT) has amended the income tax rules to facilitate strategic disinvestment of public sector companies by expanding the scope of a tax exemption on shares received below fair market value, showed an official order.

The Income-tax (Eighth Amendment) Rules, 2023 issued is effective from 1 April. As per this rule change, any person receiving shares from a public sector company below their fair market value is exempt from the purview of section 52 (2)(x) of the Income Tax Act that makes such discounted share issues taxable in the hands of the recipient.

At present, this exemption applies to shares received by a person from the central or state government under strategic disinvestment. That covers only a share sale by the government and not necessarily a fresh issue of shares by the company. The amended provision makes the exemption applicable to "any movable property, being equity shares, of a public sector company or a company, received by a person from a public sector company or the Central Government or any State Government under strategic disinvestment." The rule change effectively expands the scope of the tax exemption.

Section 56(2)(x) of the Income Tax Act pertains to the taxation of gifts and other items received without consideration or for inadequate consideration. This can include money, property, shares, securities, and other assets. When such assets are received for no consideration or for consideration significantly less than their fair market value, they may be taxable under this section. The Income Tax Act also specifies the instances when this provision is not applicable.

The Centre is working on strategic disinvestment of several companies but is not in a hurry to sell state-owned companies given that tax revenue receipts have been buoyant.

Court can't act as recovery agent in cheating case: SC

Expressing disapproval of proceedings adopted by trial courts and high courts in cheating cases by which the accused are directed to deposit the alleged cheated amount in court for getting bail, the Supreme Court said the criminal proceedings cannot be converted into process of recovery and court cannot act as recovery agent.

A bench of Justices S Ravindra Bhat and Dipankar Datta quashed the order of Delhi HC directing an accused in a cheating case to deposit Rs 22 lakh in court as a condition for anticipatory bail. It also held that courts should not impose harsh conditions to frustrate the very object of grant of anticipatory bail under Section 438 of the Code of Criminal Procedure and asked the HC to decide the case afresh.

"A disquieting trend emerging over the years which has gained pace in recent times necessitates this opinion. It has been found by us in multiple cases in the past several months that upon FIRs being lodged inter alia under section 420 of the IPC, judicial proceedings initiated by persons, accused of cheating, to obtain orders under Section 438 of the Code of Criminal Procedure are unwittingly being transformed into processes for recovery of the quantum of money allegedly cheated and the courts driven to impose conditions for deposit/payment as pre-requisite for grant of pre-arrest bail," the bench said.

The SC reminded the high courts and the sessions courts not to be unduly swayed by submissions advanced by accused to deposit/repay any amount while seeking bail and not put it as a condition for anticipatory bail. The court, however, clarified that such a condition could be imposed where public money was siphoned by an accused. ❑

HDFC Bank onboards over 1 lakh customers and 1.7 lakh merchants under CBDC pilot programme

HDFC Bank announced the launch of UPI QR code interoperable with India's sovereign digital currency, Central Bank Digital Currency (CBDC). With this, HDFC Bank becomes one of the first banks in the country to complete the integration process. The interoperable UPI QR code allows HDFC Bank merchants who have been onboarded on the bank's CBDC platform, to accept payments from their customers in the form of Digital Rupee currency, boosting usage of CBDC in day-to-day transactions.

The initiative is an extension to the CBDC pilot launched by the Reserve Bank of India (RBI), last year. CBDC or Digital Rupee is a tokenised digital version of the Indian Rupee, issued by the RBI as a Central Bank Digital Currency.

An interoperable QR code enables basic QR payment acceptance terminal to support Scan & Pay feature from various factors & payment options. It provides freedom to accept payments using the same QR from various form factors.

Green Economy to Emerge as the New Pillar of Cooperation Between India and Africa

The 18th edition of CII-Exim Bank Conclave on India-Africa Growth Partnership was inaugurated by Dr. S Jaishankar, Hon'ble Minister of External Affairs, Government of India at New Delhi on June 14, 2023. Addressing the large number of Indian and international delegates, Dr. S. Jaishankar emphasised that rise of Africa is important for global rebalancing. He also stressed that India believes in forging a development partnership based on the needs and priorities of Africa. During the event, Ms. Harsha Bangari, Managing Director, India Exim Bank highlighted that India and Africa have several complementary sectors and industries, which provide a strong foundation for collaboration. The event also witnessed release of two India Exim Bank publications.

India Exim Bank's research publication titled 'Forging Sustainable India-Africa Partnership through Green Transition' builds on India's bilateral trade and investment with Africa and focuses on the potential for strengthening green economy relations. India and Africa remain vulnerable to climate change despite accounting for much lower per capita emissions as compared to the global average. Building an India-Africa partnership through green transition therefore can foster sustainable development, address climate change, and enhance mutual cooperation between the two regions.

India and Africa's bilateral trade has reached new heights in 2022. In this regard, the study has attempted to analyse the level of green trade between India and Africa. Further, the study analyses the present climate financing flows into Africa and the existing gaps which could be addressed through green investment opportunities, for advancing the development impact.

Bank of Maharashtra launches slew of Digital Products & Services

Bank of Maharashtra a premiere Public Sector Bank in the country, strengthens its digital channels by launching several new products and utilities to enhance the banking experience for both its customers and staff members. These initiatives aim to simplify and streamline various banking processes, making it easier for customers to manage their finances and for staff to assist them effectively. This demonstrates the Bank's commitment to leveraging technology and innovation and staying ahead in the ever-evolving banking landscape.

Shri. A S Rajeev, MD & CEO, Bank of Maharashtra said, “Bank of Maharashtra will continue to focus on creating digital differentiators with evolving technology, economy & needs of customers.” Shri. Rajeev further expressed, “the Bank is envisaging to be among Top Banks, in terms of efficiency in the country which can only be achieved by exploring the digital channels to the optimum level. Bank will continue to enhance and deliver unparalleled value to our customers.”

Shri. Asheesh Pandey, Executive Director, Bank of Maharashtra, said.” Our focus on digitization stems from our unwavering commitment to customer-centricity. By prioritizing the convenience of stakeholders and leveraging digital solutions, the Bank is poised to provide seamless, user-friendly service experience across all touch points and further strengthen its position as the fastest growing PSB in the country.”

Shri. Pandey opined, “To make the customer journey more efficient and bolster the bank's digitization efforts, the Bank has launched end-to-end digitized processes for various banking services. This reflects Bank's commitment for staying at the forefront of technology and launch of innovative solutions that cater to the evolving needs of the customers in the digital era.”

Maharashtra Government Mandates Bank Accounts for Mumbai Housing Societies at Mumbai District Central Co-operative Bank

The Mumbai District Central Co-operative Bank Ltd. and The Mumbai District Central Co-operative Housing Federation Ltd. jointly organized an event called 'Sahakar Parishad' for housing societies. The event, held on May 14, 2023, received an overwhelming response, with representatives from 13,000 housing societies in attendance.

The Mumbai District Central Co-operative Bank Ltd. was appointed as the Nodal Agency and coordinator between the Maharashtra Government and housing societies. Under the guidance of Maharashtra CM Eknath Shinde and Deputy CM Devendra Fadnavis, 'Sahakar Parishad' addressed various issues and made significant decisions.

One notable decision was the issuance of a revised Deemed Conveyance G.R. on May 31, 2023. Additionally, other decisions and government resolutions (G.R.) will be issued accordingly. According to the Maharashtra Co-operative Societies (MCS) Act, a circular was issued by the Divisional Joint Registrar, Co-operative Societies, Mumbai, on June 1, 2023. The circular mandated all housing societies to invest and maintain their Fixed Deposit (FD) investments with the Mumbai District Central Co-operative Bank Ltd., as per the relevant sections of the MCS Act.

Sub-Registrars were instructed to strictly adhere to the circular's instructions, aimed at strengthening the District Central Co-operative Bank and ensuring its stability. It is important to note that the Mumbai Bank serves as the apex bank for all co-operative societies in the Mumbai District.

ARTICLE

IMPACT ANALYSIS OF UNITED STATES FISCAL DEFICIT

Introduction:

Days before the US government could start to run out of money and default on its debt, Congress has approved a deal to lift the country's borrowing limit. US President Joe Biden and Republican House Speaker Kevin McCarthy hammered out the agreement after weeks of high-stakes budget negotiations to prevent global financial crisis. This ended the month long drama in world financial domain. But it raises several question in the mind of a common man. Few example are, why government take debts? Why not they simply print money and spend? What is the impact of government borrowing on a common man? Why there is a limit being imposed on government borrowing? And so on... We will try to answer few question here in this article.

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Why government borrows?

Government borrows when the expenditure of a government is more than the revenue generated by the government in a given fiscal year. And this is known as fiscal deficit. So the fiscal deficit is the difference between the total revenue and total expenditure of a government in a financial year. Fiscal deficit happens due to events like a major rise in capital expenditure or deficit arising from revenue. It serves as an indicator of how well the government is managing its finances. A situation of fiscal deficit prompts governments to indulge in welfare activities for the nation without any need to raise taxes.

This concept is about the fiscal deficit that plays an important role in the economy of a nation. It can occur due to a major rise in the capital expenditure required for creating long term assets or providing financial assistance to poor farmers, labourers and other vulnerable sections of the society. The government finances these deficits by borrowing money from the capital markets. They can do this by issuing bonds or from the central bank. A high fiscal deficit every year hints that the government has been spending beyond its means. Economists need to keep an eye on the fiscal deficits to determine how much the government is exceeding its income.

How is Fiscal Deficit Calculated?

Fiscal deficit is calculated by subtracting the total revenue obtained by the government in a fiscal year from the total expenditures that it incurred during the same period.

Mathematically, it can be represented as follows:

Fiscal deficit = Total Expenditure - Total revenue (Excluding the borrowings)

Fiscal deficit is seen in all the economies, while the surplus is considered a rare occurrence. A high fiscal deficit is not always considered bad for the economy. It is good if the amount is used in constructing roads, railways, airports, etc. These help in generating revenue for the government after a certain period.

For example, if the GDP of a country is Rs. 100 lakh crore and the difference between total income and expenditure is Rs. 10 lakh crore then the fiscal deficit is 10%.

What are the Components of Fiscal Deficit?

The fiscal deficit is composed of two components, namely income and expenditure. The components are discussed in brief in the following lines:

Components of total income of the government

These consist of two variables, which are revenue generated from various taxes such as GST, taxes from union territories, custom duties, corporation tax, etc. They are collected by the centre and the non-tax revenues that consist of dividends and profits, interest receipts, and other non-tax revenues.

Components of expenditure:

The government expenditure consists of capital expenditure and revenue expenditure such as salary and pension payments, grants for creation of capital assets, infrastructure, healthcare, and interest payments.

Fiscal deficit is calculated as a percentage of the GDP (gross domestic product).

How does the government balance the fiscal deficit?

Governments take borrowings in the form of issuing bonds and selling them through the banks. Banks buy those deposits and then sell them to the investors. Government bonds are considered a safe form of investment. Hence, they are free from risks.

What are the impacts of fiscal deficit on economy?

A high fiscal deficit can lead to inflation, devaluation of the currency and an increase in the debt burden. While a lower fiscal deficit is seen as a positive sign of fiscal discipline and a healthy economy. Fiscal deficit is having both positive and negative aspects.

Positive Aspects of Fiscal Deficit:

Increased Government Spending: Fiscal deficit enables the government to increase spending on public services, infrastructure, and other important areas that can stimulate economic growth.

Finances Public Investments: The government can finance long-term investments, such as infrastructure projects, through fiscal deficit.

Job Creation: Increased government spending can lead to job creation, which can help reduce unemployment and increase the standard of living.

Negative Aspects of Fiscal Deficit:

Increased Debt Burden: A persistent high fiscal deficit leads to an increase in government debt, which puts pressure on future generations to repay the debt.

Inflationary Pressure: Large fiscal deficits can lead to an increase in money supply and higher inflation, which reduces the purchasing power of the general public.

Crowding out of Private Investment: The government may have to borrow heavily to finance the fiscal deficit, which can lead to a rise in interest rates, and make it difficult for the private sector to access credit, thus crowding out private investment.

Balance of Payments Problems: If a country is running large fiscal deficits, it may have to borrow from foreign sources, which can lead to a decrease in foreign exchange reserves and put pressure on the balance of payments.

What is Difference between the Deficit and the Debt?

The terms deficit and debt are frequently used when discussing the nation's finances and are often confused with one another.

To pay for a deficit, the government borrows money by selling Treasury bonds, bills, and other securities. The national debt is the accumulation of this borrowing along with associated interest owed to the investors who purchased these securities. As the government experiences reoccurring deficits, which are common, the national debt grows.

Deficits from previous years are added to the current year's deficit to equal total debt. In reality, the government must pay interest on the national debt. This interest expense increases spending each year, increasing spending (and thus, deficits) as the debt grows.

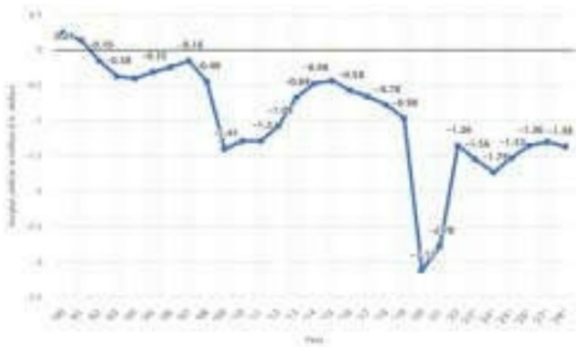
Now let's talk about US debt ceiling and the most talked crisis.

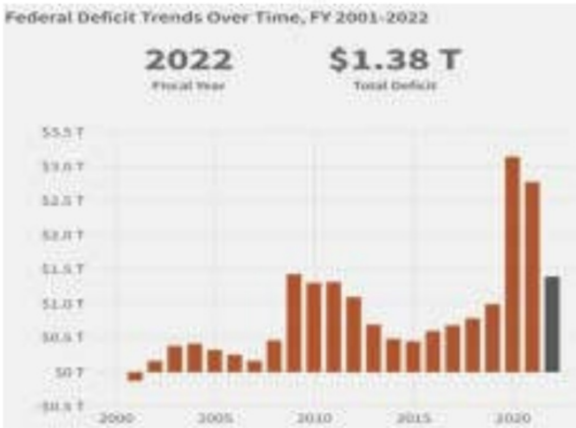
What is US Debt ceiling and why it has been imposed?

The U.S. has carried debt since its inception. Debts incurred during the American Revolutionary War amounted to over $75 million by January 1, 1791. Over the next 45 years, the debt continued to grow until 1835 when it notably shrank due to the sale of federally-owned lands and cuts to the federal budget. Shortly thereafter, an economic depression caused the debt to again grow into the millions. The debt grew over 4,000% through the course of the American Civil War, increasing from $65 million in 1860 to $1 billion in 1863 and around $2.7 billion shortly after the conclusion of the war in 1865. The debt grew steadily into the 20th century and was roughly $22 billion after the country financed its involvement in World War I.

Notable recent events triggering large spikes in the debt include the Afghanistan and Iraq Wars, the 2008 Great Recession, and the COVID-19 pandemic. From FY 2019 to FY 2021, spending increased by about 50%, largely due to the COVID-19 pandemic. Tax cuts, stimulus programs, increased government spending, and decreased tax revenue caused by widespread unemployment generally account for sharp rises in the national debt. To pay for government programs while operating under a deficit, the federal government borrows money by selling U.S. Treasury bonds, bills, and other securities. The national debt is the accumulation of this borrowing along with associated interest owed to investors who purchased these securities.

Fiscal Surplus/deficit of United State (in trillion U.S. dollars)

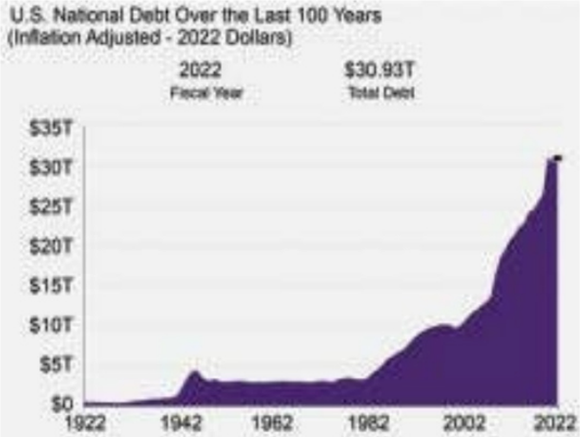


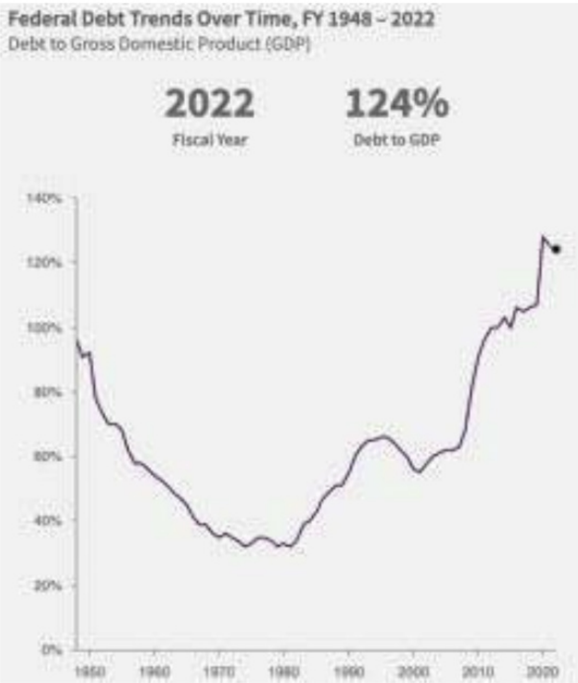


Source: UStreasury.gov

In the last 50 years, the federal government budget has run a surplus five times only, most recently in 2001.

The above fiscal deficit has created a huge debt burden on the United State.





Source: UStreasury.gov

Comparing a country's debt to its gross domestic product (GDP) reveals the country's ability to pay down its debt. This ratio is considered a better indicator of a country's fiscal situation than just the national debt number because it shows the burden of debt relative to the country's total economic output and therefore its ability to repay it. The U.S. debt to GDP ratio surpassed 100% in 2013 when both debt and GDP were approximately 16.7 trillion.

When adjusted for inflation, the U.S. federal debt has steadily increased since 2001. Without adjusting for inflation, the U.S. federal debt has steadily increased since 1957. Another way to view the federal debt over time is to look at the ratio of federal debt related to GDP. This ratio has generally increased since 1981.

Considering the pros and cons of fiscal deficit the debt ceiling, or debt limit, is a restriction imposed by the U.S. Congress in 1917 on the amount of outstanding national debt that the federal government can have. The debt ceiling is the amount that the Treasury can borrow to pay the bills that have become due and pay for future investments. Once the debt ceiling is reached, the federal government cannot increase the amount of outstanding debt, losing the ability to pay bills and fund programs and services. However, the Treasury can use extraordinary measures authorized by Congress to temporarily suspend certain intergovernmental debt allowing it to borrow to fund programs or services for a limited period of time after it has reached the ceiling.

The debt ceiling is different from a government shutdown. Government shutdowns occur when annual funding for ongoing federal government operations expires, and Congress does not renew it in time.

The U.S. government has created the Bureau of the Fiscal Service in 2012 (to be operated under the Department of the Treasury) to manage all federal payments and collections and provides government-wide accounting and reporting services. A primary function of the Fiscal Service is to account for and report the national debt, as dictated by the U.S. Constitution, which states that "regular

Statement and Account of the Receipts and Expenditures of all public money shall be published from time to time.

Raising or suspending the debt ceiling becomes necessary when the government needs to borrow money to pay its debts. For much of the past century, raising the ceiling has been a relatively routine procedure for Congress. Whenever the Treasury Department could no longer pay the government's bills, Congress has acted quickly and sometimes unanimously to increase the limit on what it could borrow. Since 1960, Congress has increased the ceiling seventy-eight times, most recently on June 2023.

In January 2023, the total national debt and the debt ceiling both stood at $31.4 trillion. The U.S. government has run a deficit averaging nearly $1 trillion every year since 2001, meaning it spends that much more money than it receives in taxes and other revenue. To make up the difference, it has to borrow to continue to finance payments that Congress has already authorized. Even short of default, hitting the debt ceiling would hamstring the government's ability to finance its operations, including providing for the national defence or funding entitlements such as Medicare or Social Security.

Potential consequences of reaching the ceiling include a downgrade by credit rating agencies, increased borrowing costs and a drop off in consumer confidence that could shock the United States' financial market and tip its economy and the world's into immediate recession. Since the United States has never defaulted on its obligations, the scope of the negative repercussions related to a default are unknown but would likely have catastrophic consequences in the United States and in markets across the globe.

On 3rd June 2023 the debt ceiling has been elevated. Thank God! They have not defaulted. ❑

RBI asks banks to give options for customers to select card networks

With credit card usage and outstanding rising sharply in the country, the Reserve Bank of India (RBI) has directed card issuers (banks and non-banks) to provide an option to their eligible customers to choose any one among the multiple card networks. Major card networks in India include Visa, Mastercard, American Express and RuPay.

This option may be exercised by customers either at the time of issue or at any subsequent time, the RBI said in a draft circular to banks. “Card issuers should not enter into any arrangement or agreement with card networks that restrain them from availing the services of other card networks,” the RBI said.

“Card issuers should issue cards across more than one card network,” the central bank said. Card issuers and card networks should ensure to adhere to these requirements in existing agreements at the time of amendment or renewal and fresh agreements executed from the date of the RBI circular, it said.

“It is observed that arrangements existing between card networks and card issuers (banks and non-banks) are not conducive to the availability of choice for customers,” the RBI said. Some banks have been forcefully asking customers to accept particular card networks.

According to RBI data, credit card outstanding has soared to Rs 2 lakh crore, a rise of 29.7 per cent on a year-on-year basis. “The surge in credit card usage in India is a positive indicator of the growing purchasing power of our country. The outstanding debt of over Rs 2 lakh crore underscores the power of credit cards in enabling individuals to fulfil their needs and wants,” said Meet Semlani, Co-founder, Tartan.

However, it is crucial to establish the right awareness to ensure credit cards are issued with the right practice by credit card companies, Semlani said.

Vivek Iyer, Partner and leader, Financial services risk, Grant Thornton Bharat, said spending has been high in contact-intensive sectors such as travel, hospitality, and tourism, where historically credit card has been the preferred mode of payment, given the large ticket size of payments. “Additionally, non-discretionary spending is also being routed through credit cards primarily due to the innovative reward structure followed by various Banks. The innovation in reward structures is driven by a deep understanding of customer preferences, on account of continued investments in customer analytics across the customer life cycle,” Iyer said. *(Source: The Indian Express)*

GOVERNMENT'S DEBT SHOPPING: NEED OF TIME

Public debt or Govt Debt is the total amount borrowed by the government of a country. In the Indian context, public debt includes the total liabilities of the government (Both Central and State).

Since the government relies heavily on market borrowing to meet its operational and developmental expenditure, the study of public debt becomes key to understand the financial health of the government and its ability to raise funds to improve the economy by increasing Government expenditure in current and post covid scenario.

Let's understand the public debt Facts in Indian Context:

The debt to GDP ratio is the metric comparing a country's public debt to its gross domestic product (GDP) and is a widely accepted parameter to understand and compare the health of the economy.

Debt to GDP= Total debt of the country/Total GDP of the country

The general principle is higher a country's debt to GDP ratio means higher is the risk of default. Delay in making payments by a country triggers the panic button of domestic and international financial markets.

As per Government of India report dated May 2020, Overall government debt to GDP ratio which includes the central govt debt and state govt debt as a percentage to GDP dropped marginally by 0.1% from 68.7% in fiscal 2017-18 to 68.6% or Rs 1.3 crore crores (Rs 130 trillion) in FY 2018-19.

Overall government debt to GDP ratio of the central govt debt as a percentage to GDP dropped marginally by 0.1% from 45.8% in fiscal 2017-18 to 45.7% or Rs 86.73 lacs crores in FY 2018-19.

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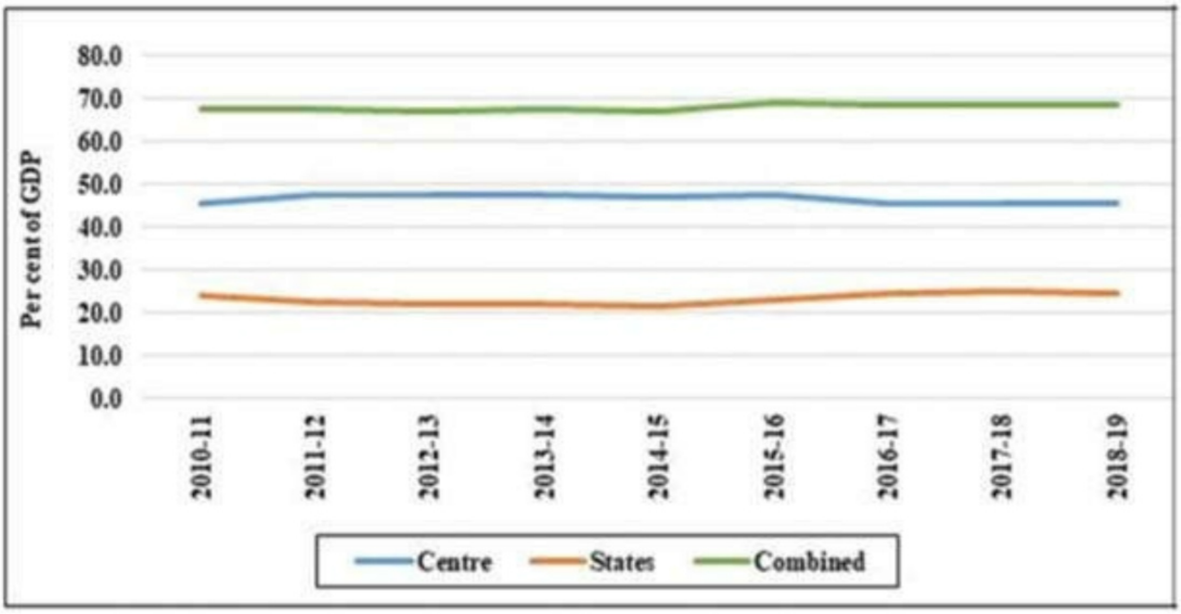
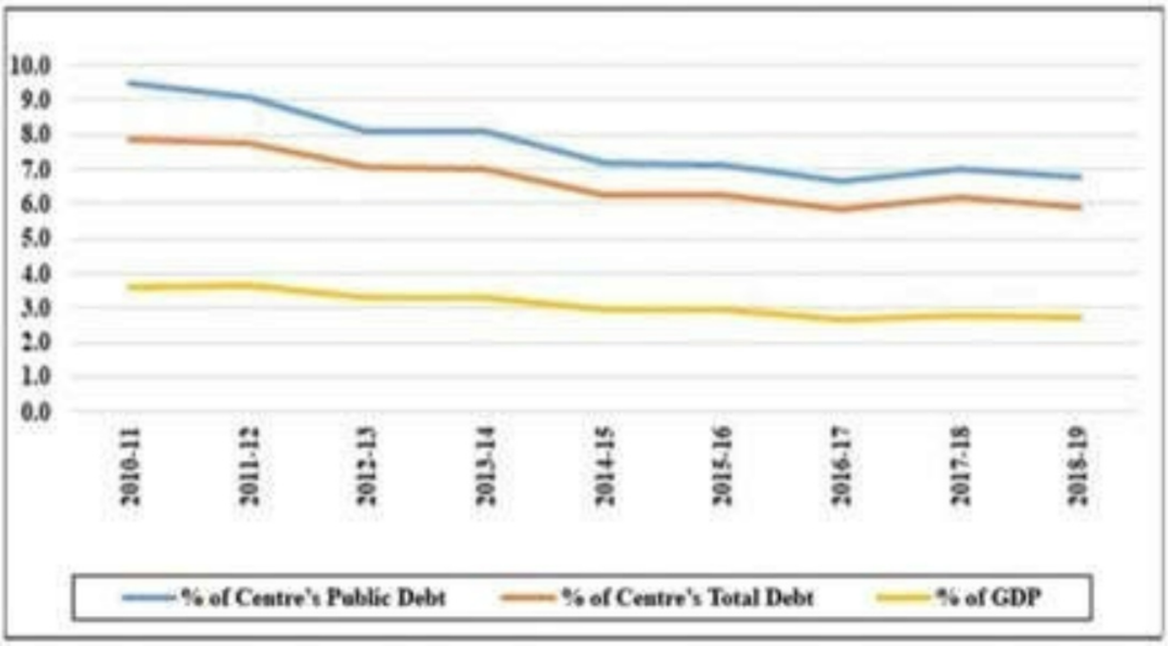


There are two types of debts i.e. Internal & external debt. The government finance was largely protected by currency risk as overall external debt stood at 2.7% of GDP in FY 2019.

(Source: Stataus Paper on Government Debt for 2018-19 published in April 2020)



Who funds this Public Debt: In India, most of the public debt is funded by Commercial banks, insurance companies and RBI.

Ownership Pattern of Government of India Dated Securities

(At end March, in per cent)

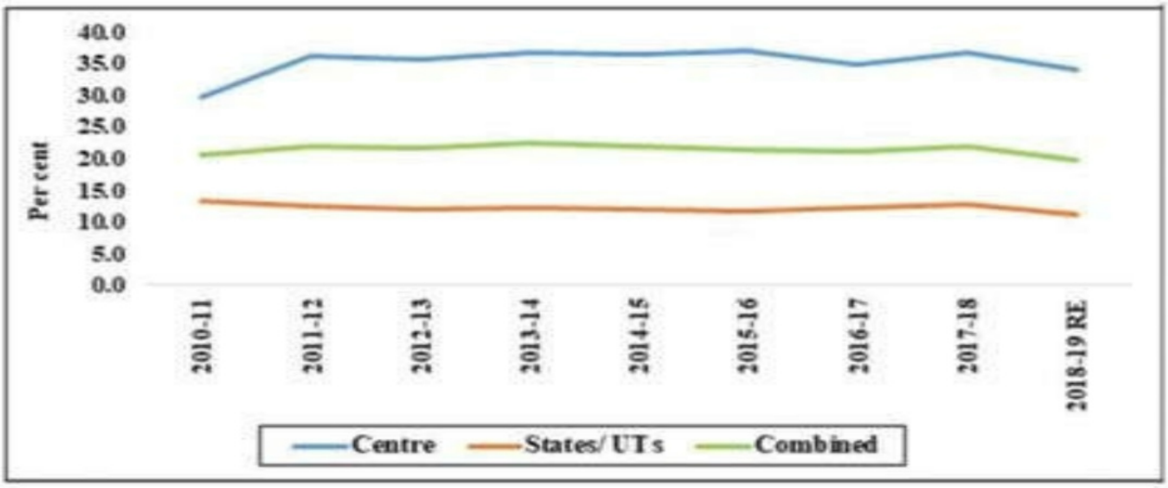
Category	2012	2013	2014	2015	2016	2017	2018	2019
1	2	3	4	5	6	7	8	9
Commercial Banks	46.11	43.86	44.46	43.30	41.81	40.46	42.68	40.28
Non-Bank PDs	0.10	0.11	0.11	0.31	0.33	0.16	0.29	0.31
Insurance Companies	21.08	18.56	19.54	20.87	22.18	22.90	23.49	24.34
Mutual Funds	0.17	0.68	0.78	1.89	2.09	1.49	1.00	0.35
Co-operative Banks	2.98	2.81	2.76	2.62	2.75	2.70	2.57	2.29
Financial Institutions	0.37	0.75	0.72	2.07	0.72	0.81	0.90	1.05
Corporates	1.38	1.14	0.79	1.25	1.28	1.05	0.91	0.97
FIIs	0.88	1.61	1.68	3.67	3.65	3.53	4.35	3.22
Probident Funds	7.45	7.37	7.19	7.58	6.01	6.27	5.88	5.47
RBI	14.41	16.99	16.05	13.48	13.47	14.65	11.62	15.27
Others	5.07	6.12	5.92	2.96	5.72	5.98	6.30	6.46
Total	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

Interest Payments to Revenue Receipts

The ratio of interest payments to revenue receipts is another crucial indicator of debt sustainability. The ratio of interest payments to revenue receipts of the Central Government has remained in the range of 35.6 per cent to 37.5 per cent during 2011-12 to 2018-19.

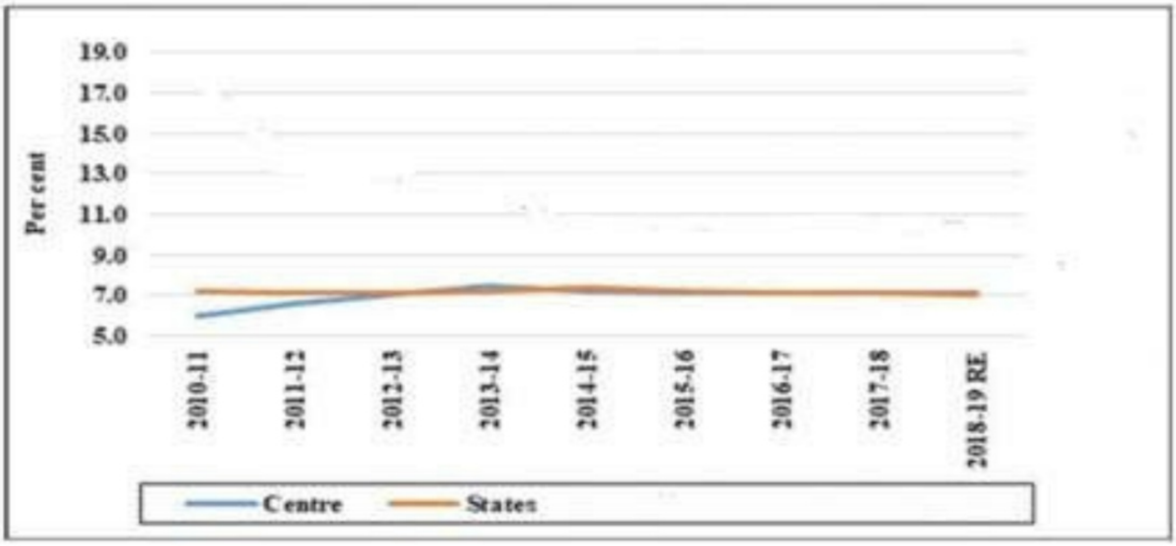
The IP/RR ratio for States' and UTs with legislature moderated from 12.5 per cent in 2011-12 to 11.2 per cent in 2018-19.

The combined IP/ RR ratio of both the Central and state governments was 20.4 per cent in FY 2018-19 as compared to 22.0 per cent in FY 2011-12.



Average Interest Cost (AIC)

It is arrived at by dividing interest payments during a year with average debt. Centre's AIC increased marginally from 6.6 per cent in 2011-12 to 7.1 per cent in 2018-19, while States' AIC declined slightly from 7.2 per cent to 7.0 per cent over the same period.



What should be Ideal Debt to GDP and should the Indian Government go for Debt shopping for dealing with the current Economy scenario:

A study by World Bank reveals that if the Debt/GDP ratio exceeds 77% for prolonged periods then those countries experience a significant slowdown in economic growth.

Every percentage point of debt above this level cost counties 1.7% in economic growth. In the emerging market, each additional percentage point of debt above 64% annually slow down growth by 2%.

So we have already crossed the standard tolerance line of 64%. However, if we see the debt position of major economies we found following scenario.

Major Countries public debt as per IMF

Name of Country	Debt to GDP Percentage
China	50.64
India	68.05
Austria	73.75
United Kingdom	86.77
Brazil	87.01
Canada	89.94
Egypt	92.65
Spain	97.09
France	98.39
Belgium	102.03
United States	106.91
Portugal	120.13
Italy	135.48
Venezuela	182.45
Greece	184.85
Japan	237.13

If we observe above data, we will find that there are many countries who have high chances of default with a higher level of loans. For example Portugal, Italy, Venezuela and Greece faced a default situation in recent past. They all have their Debt levels above 64% of GDP.

However many developed countries like USA, UK, Japan, France, Spain and Canada have higher Debt to GDP ratio and they have already surpassed standard base level of 64% and still considered as strong economies.

China's case is unique as it does not show its overall liabilities properly and some reports put its liabilities at over 300% and still it is considered as strong economy. Hence a few economist see the scope for India to increase its borrowing above 64% standard base line based upon above data.

Considering above what shall be Justification for Public Borrowing in current scenario:

Advantages of public debt: Being welfare governments, India has to spend a lot on the welfare of their citizens whereas the tax revenue is quite insufficient to meet the expenditure especially due to covid scenario. The duty of government has increased substantially due to COVID and hence, the government should resort to public borrowings.

The following are the benefits of Public debt shopping in the current scenario

i. **Unforeseen Emergencies:** As a country, we are also facing a unforeseen situation in form of COVID emergencies wherein central and state government are facing huge medical, vaccination and other related expenses pressure.

   The repetitive agreesion on borders from our neighbouring countries and other natural calamities also adding pressure on Government exchequer to deal with them in short and long term.

ii. **For Economic Development:** Due to covid 19, there are huge displacement and a job loss of working population. Many state government and central government are trying to create more jobs for its citizens who have become jobless. This requires spending on economic and social infrastructure.

iii. **To Curb Inflation:** Needless to mention that India is an

inflation-sensitive country and after Covid, the government has to ensure that prices of the good and commodities should not arise exponentially.

iv. **To Control Depression:** As a Country India is currently looming towards depression due to fall in economic activities on account of Covid lockdown, migration of working-class and job loss. To control this Government expenditure has to step up to stimulate the economy. By increasing the government spending an economy can be brought out of recession. And, government spending has a multiplier effect on income and employment. Hence this proposed additional spending by the governments fuelled by public borrowing will revive the economy from depression.

v. **Providing for Social Services:** Health being a state subject requires maximum investment from State Government and currently, state governments are in dire need of fund to support their medical aid system.

Vi. **Advantages to Investors:** In the current scenario when many banks are bleeding with mounting NPA and a few banks were nearly busted, the investors are looking towards the safety of their hard-earned money. Hence this is the right situation to provide the investor with some respite in form of Government borrowing.

Vii. **Finance to Public Enterprise:** Currently, to revive the economy, reduce the import dependence and to support made in India the investment in such projects is the need of the hour. In times of uncertainties private investor or Enterprise would not like to risk his capital in such project without a thorough study, viablity and visiblity, however for overall growth and sustainability and to boost up the confidence of private entrepreneurs, such investment by govt on its own or PPP basis shall provide a base for economic revival.

Disadvantages of Public Debts in the current scenario

In the past, public debt has faced many criticisms by economists as its unplanned use has created many monetary and other problems. So, its use may' be made very carefully. Taking loans for unproductive purposes, for extravagance, dependence on foreign investors and outflow of national wealth are some of the disadvantages.

Hence Public debt serves an important purpose in the national prosperity if excessive dependence on it can be avoided. The government should go for debt shopping only when there is no other option.

Conclusion: Should we go ahead with more public debt

In the short run, public debt is a good way for any country to get funds to invest in its economic growth and come out of recession. With proper planning, public debt expenditure improves the standard of living of the citizens. It allows the government to build new roads and bridges, improve education and job training, and provide social benefits like medical, education etc.

Governments usually take too much debt because the benefits make them more popular with citizens. Increasing debt allows the government to increase spending on populist schemes without raising taxes.

Investors are usually not concerned until the debt-to-GDP ratio reaches an alarming level. When debt approaches at a certain level, investors then demand higher compensation to compensate that risk in form of the higher interest rate. They want more return for the greater risk. If the country keeps spending, then its bonds may receive a lower rating.

As interest rates increases, it becomes more costly for a country to refinance its existing debt. Some times, more income has to go toward debt repayment, and less toward public services. We have seen similar examples in a few countries of Europe, wherein a similar scenario had lead to a sovereign debt crisis.

Currently, as a country, we are facing a downgrade of our rating and we have already crossed the critical benchmark of Debt to GDP. Our one-fourth revenue goes into just repaying of Interest liabilities and our average Interest cost is higher than our GDP growth rate.

However, if we compare ourselves with other major economies like China, USA, UK and other European countries then our position is better off as far as Debt to GDP ratio is concerned and as a short term measure to counter Covid Scenario and to boost economy we may go ahead with public spending based on public debt. Hence, governments need to carefully find that sweet spot of public debt. It must be large enough to drive economic growth but small enough to keep interest cost low.

Sources:

Various Sources

The views and opinions expressed in the article are mine and not of the Bank.

28% GST, an existential threat: Online gaming firms

Online gaming companies have reacted strongly to the imposition of 28 per cent GST on full value of online gaming and casinos, with them pointing out that this is a "killer blow" that forces the industry "into extinction". Offshore platforms are to gain at the cost of Indian online gaming companies. The GST will be levied on the gross revenue or total prize pool.

India's online gaming industry is growing at $3 billion with more than 400 million users, at present. According to Roland Landers, CEO, The All India Gaming Federation, the move is "unconstitutional, irrational and egregious" and holds online gaming at par with gambling activities.

COMPELLING NEED OF THE HOUR: DIGITAL BANKS

The structure of the banking system in India can be broadly divided into scheduled banks, non-scheduled banks and development banks, however during recent times banking evolved to new horizon and changed into multi aspect branches of banking. Payment bank, small finance bank, neo bank etc. concepts have been formalized.

First it is important to understand the difference between payment bank & small finance bank (SFB) then only we will be able to formulate whether these banks could successful in filling void or have cemented their place in banking industry or not.

Payment Banks (PB) were essentially "narrow banks" that issue deposits, offer payments services and not issue credit in any form, thus having no asset side of the balance sheet. Small Finance Banksare full-fledged banks that focused principally on lending to small businesses. SFBs could leverage low-cost deposits to lend to micro, small and medium sector enterprises and enable financial deepening.

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Payments Banks	Small Finance Banks
Are essentially narrow banks that issue deposits and earn income from high quality liquid assets and fees from distribution, aimed at furthering financial inclusion.	Have to maintain at least 50 % of the loan portfolio in ticket size of Rs. 2.5 million and below.
The focus was issuing safe deposit as store for value to unbanked customers and offer payments services on top of that account eg. remittance	75% of the credit to sectors identified as priority sector
Are also envisaged as distribution points for	Are envisaged to leverage technology to

Payments Banks	Small Finance Banks
other socially relevant financial instruments (e.g. insurance).	increase coverage and financial deepening.
11 licensees applied. Only 6 continue to operate.	11 SFBs presently licensed and operational
The RBI recently offered these Payments banks an up-ramp onto Small Finance bank license.	The RBI recently issued a framework for "on-tap" regime for SFBs

Even as these reforms took shape on the banking front, a broader Digital India revolution catalyzed by PMJDY, India Stack, e-KYC and UPI led a paradigm shift in the way India interacted with and consumed financial services. In parallel, India has also taken steps towards operationalizing its own version of "Open banking" through the Account Aggregator ("AA") regulatory framework enacted by the RBI. Once commercially deployed, the AA framework is envisaged to catalyse credit deepening among groups that have hitherto been under-served.

However, while regulatory innovation has helped payment system to become effective and reformed, but credit delivery side still lacking these innovation and wide spread reach. Credit delivery or credit dispensing is a challenge for innovation eco system and present setup or products could not fill this void. Despite the rapid strides India has taken to further its financial inclusion agenda, the lack of financial deepening remains a challenge, partly flowing from that inertia, the country still has large segments who have not befitted from this digital revolution.

- A substantial fraction of MSME remain outside the ambit of formal finance and there is continued reliance on informal money markets like money lenders (quick disbursal without documentation) or chit funds (delayed disbursal but lower interest rates than money lenders) to finance itself, even at the cost of staying uncompetitive owing to the usurious interest burden.
  - As per RBI estimates the total addressable credit gap in the MSME segment to be Rs. 25.8 trillion and growing at a CAGR of 37% (total addressable market demand by the MSME sector is approximately Rs. 37 trillion, of which banks, other institutions and NBFCs supply about Rs. 10.9 trillion).
  - The informal debt definitionally is not visible in the credit bureaus, lenders exercise rational apathy towards funding the MSME segment. In other words, the costs of due diligence that a bank will incur towards evaluating the credit risk adjusted against the ticket-size and the yield from the loan make it unviable.
  - The other supply side stakeholder here are the NBFCs. NBFCs are regulated moderately relative to banks and have leveraged that autonomy to develop distribution, underwriting and product expertise in niche areas that are not serviced by banks. However, lacking the ability to take deposits, they rely on funding from bank loans and debt capital markets themselves. This translates into higher cost of capital for the NBFCs.
- There is significant room to grow consumption in India and promote credit usage. A data point from a recent CIBIL Report underscores the point; out of a total 220 million credit-eligible retail customers, CIBIL found that banks are servicing 33% only.
  - Internal working group of the RBI on digital lending suggests, bad actors have perverse incentives to take advantage of desperate borrowers in urgent need of funds. The RBI Report recommends several supply and demand-side measures to mitigate the potential risks flowing from digital lending. However, the fundamental drawback of the formal and regulated retail banking space, is lack of innovation, which constrains potential "thin-file" borrowers to look towards the unregulated and gray markets for their financial needs.
  - The median age of India is 28 years (proxying an aspirational middle class) and it would be ideal to

provide them with multiple credit opportunities such as small ticket personal loans, credit cards, Buy-now-pay-later other substitutes to enable higher consumption and unleash economic growth.

To summarize, there is an opportunity for other banking innovations that will support and facilitate a new class of business formation on the MSME banking side and retail banking. In absence of such innovation existing digital payment product will soon loose their importance and flow to informal sector will only increase leading to fall of banking industry.There is scope for banking innovation on the credit market side, to inject competition and facilitate corollary innovation for the issues mentioned here.

Digital banks may trigger those set of innovations or may catalyse such innovations so that this credit side can be taken care of and sufficient liquidity and availability can be insured. Digital banks aresometime confused with Digital banking unit (DBU) or Neo banks, without regard to whether these fintechs actually function as "banks" as the applicable law defines them.

Digital Banks: The Promise They Hold for India

"Digital Banks" or DBs means Banks as defined in the Banking Regulation Act, 1949 (B R Act). In other words, these entities will issue deposits, make loans and offer the full suite of services that the B R Act empowers them to. As the name suggests however, DBs will principally rely on the internet and other proximate channels to offer their services and not physical branches.

However, as a natural corollary to being a "Bank" in full sense of its legal definition, it is proposed that DBs will be subject to prudential and liquidity norms at par with the incumbent commercial banks. Having said that, DBs offer a differentiated proposition and as such, there is scope for differentiated treatment in adjacent areas of their operation consistent with treating them identically with incumbent commercial banks, in the critical areas of prudential and liquidity risk.

Digital Banking Units and Digital Banks

Since DBUs and Digital Banks are similar constructs, for the sake of abundant clarity and to distinguish from DBUs, we will underline the key differences between the two.

Criteria	Digital Banking Units (DBUs)	Digital Banks (DBs)
Definition	Present and future electronic banking services provided by a licensed bank for the execution of banking and financial transactions over websites, mobile phones and other digital channels.	A fixed-point business unit/hub housing digital infrastructure for delivering digital banking products and services.
Balance Sheet/ Legal Personality	DBUs DO NOT have legal personality and ARE NOT licensed under Banking Regulation Act, 1949. Legally, they are equivalent to "banking outlets" ie, branches.	Digital Banks will have a balance sheet and legal personality & are proposed to be duly licensed banks u/ B R Act.
Level of Innovation/ Competition	DBUs improve existing channel architecture by offering regulatory recognition to digital channel. However, they are silent on competition. The DBU guidelines expressly state that only existing commercial banks may establish DBUs.	In contrast, a licensing and regulatory framework for Digital banks as proposed here, is more enabling along competition/ innovation dimensions

Neo Banks and Digital Banks

In the absence of a licensing regime for "full-stack" digital banks, fintechs offering the Neo-bank proposition in India have improvised and adopted the "front-end neo-banks" model. As the name indicates, this is a partnership between traditional banks and neo-banks such that the latter bring in the engagement layer and the former bring in the "utility" layer and offer both sides of their balance sheet. These Neo-banks have further specialized into consumer-facing and small business-facing offerings respectively. However, these Neo banks are different than Digital banks and have limited area of operations with some inherent challenges;

- Limited Revenue Potential
- Potential Obsolescence of the Partner Bank Core Banking System
- High Cost of Capital & No Entry Barrier

India has the opportunity to leverage present enablers (digital innovations) to enact an industry leading regime for establishing Digital banks. India has the technology stack to fully facilitate Digital Banks. Creating a blueprint for digital banking regulatory framework & policy offers India the opportunity to cement its position as the global leader in Fintech at the same time as solving the several public policy challenges.Consistent with best practises the following 3 step sequence is recommended for development of Digital bank eco system

- Introduce a restricted Digital Business bank licence and a restricted Digital Consumer Bank license
- The applicant acquiring this restricted license ("Licensee") enlists in the regulatory sandbox and commences operations as a Digital Business bank/ Digital Consumer bank as the case may be, in the sandbox.
- Contingent on satisfactory performance of the Licensee in the sandbox, the restrictions can be relaxed when the Licensee graduates from the sandbox and becomes a full-scale Digital bank.

The duration of this progression, i.e. the duration for which the Licensee will operate in a regulatory sandbox will vary from case to case. So, the regulation could leave for the RBI to make that determination. Given the significance of this regulatory innovation, RBI is expected to leverage this built-in flexibility to decide the duration on a case-to-case basis in consultation with the licensee and give itself and the Licensee sufficient and fair time to observe the Licensee's execution as a Digital Business bank in the sandbox before graduating it to full-scale Licensee.

On the other hand, if the metrics agreed on ex ante are not met over a defined period, the licensee may be given a window to unwind the liabilities created including any term deposits, assign assets created to an identified buyer and exit the sandbox, per the process laid down in RBI's regulatory sandbox framework.

What can make best in class Digital Banks

Track record & Potential Applicant Pool: Here the small finance banks, neo banks with existing setup may be considered for establishment of digital banks. To become successful in this venture it is important that controlling persons of the applicant entity to have an established track record in adjacent industries such as e-commerce, payments, technology (e.g. cloud computing). Existing neo-banks seeking to upgrade or small finance banks / other regulated entities are also potential eligible candidates for application, fintechs should also be included in the potential applicant pool.

Equal Access to the Infrastructure Enablers: In order that business proposition of a Digital Business bank / Digital Consumer bank remain viable and to promote competition, it should have access to all the key infrastructure enablers in the Indian financial ecosystem, as traditional banks are.

Phased relaxation of Business Restrictions: Minimum paid up capital requirement and other reserves & investment related restriction may be loosened during sandbox testing and should be increased or enforced in phased manner to observe their effect and flexibility of those requirements in digital arena. Regulatory touchpoints like capital adequacy, risk weights, liquidity coverage ratio will be required to be fully compliant Digital banks will start working out of sandbox regulations.

Technological Risk regulation: Technology risks assume greater importance for Digital Business Banks / Digital Consumer banks relative to the traditional banks because they leverage their APIs to have relationships to numerous counter-parties that risks can originate from. It should neither express a preference nor bar a Digital Business bank from using/ not using any technology.

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5 KEY CUSTOMER EXPERIENCE CHALLENGES THAT NBFCS NEED TO SOLVE

The NBFC (Non-Banking Financial Company) sector has emerged as a driver of inclusive growth in the Indian economy, playing a crucial role in providing credit to the underserved segment. What sets them apart from the multitude of players within the financial sector is their ground-level understanding of customer profiles and their ability to customize the product as per their credit needs.

In the last decade, the BFSI segment witnessed large-scale technology adoption in order to make the process agile, eliminate customer pain points, and provide a seamless lending experience. The findings of a recent survey published by FICCI and PWC underscore the importance of technology in improving the customer journey. According to this survey, 83% of Indian financial organizations say AI helps enhance their customer service.

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Some of the key challenges faced by organizations in the sector are outlined below:

1) Simplifying operational complexity

As NBFCs perform a wide range of functions like offering loans and advances, credit review, interest accrual and foreclosures, keeping a tab on these various financial operations could be difficult. Lenders working without an agile and well-defined process may face heightened operating risk.

An efficient CRM system can potentially revolutionize and reduce many difficulties associated with manual procedures. As per a PwC survey, the operations and finance functions have seen increased RPA adoption and demonstrated a remarkably high ROI.

A major NBFC recorded a 25-30% reduction in turnaround time for their loan application process through digital channels after it leveraged Robotic Process Automation to reduce administrative effort and the bulk of paperwork.

2) Cost optimization

Covid-induced liquidity crunch has led to higher borrowing costs, making it imperative for NBFCs to improve margins through cost optimization. Automation can help businesses scale up and optimize costs by reducing paperwork. NBFCs can not only optimize cost across customer lifecycle management, but also reduce the cost of customer acquisition by up to 30% by leveraging digital channels over traditional ones. Effective use of IVR, chatbots, and other self-service channels also helps reduce cost.

For example, a large NBFC recorded a 20-25% increase in the adoption of its payments platform by asking its field collections agents to enroll and educate customers about the application. The NBFC immediately saw an increase in field agent productivity and a reduction in CTC by 10-15%.

3) Understanding evolving customer expectations

Misalignment in product offerings with customer needs is another key challenge faced by NBFCs. Over 91% of people unsubscribe from emails, 44% of direct emails go unopened and 60% opt out of mobile notifications, to avoid a glut of irrelevant messages. This makes micro-segmentation more crucial than ever.

As they are flooded with choice, customers only focus on products or services that are most suited to their needs. This makes micro-segmentation more crucial than ever. Integrating your customer communications platform with your CRM software can help you deliver personalized engagement at scale.

NBFCs need to build better communication strategies and identify smaller segments of people to whom a specific product, service or feature of a product could be vital.

4) Managing IT infrastructure

NBFCs with legacy systems struggle to bring down their capital expenditure due to the skyrocketing cost of managing IT infrastructure. Expenses on maintaining a server, storage hardware, physical space, along with data security software licenses constitute a substantial portion of CAPEX and affect profitability.

Cloud-based technology such as CCaaS (Contact Centre as a Service)can substantially reduce infrastructure costs while elevating the customer experience.

So, there is an increasing necessity to move from legacy technologies to cloud solutions. If done with right planning & factoring in contingencies, transition to cloud can happen smoothly with minimal efforts and bottlenecks.

5) Data Privacy

Financial services have always been the top target of cybercriminals. Particularly post pandemic, the dependence on digital channels has increased manifold. Hackers have multiple entry points to steal sensitive information and compromise systems. Hence, it has become imperative for lenders to build tight information security controls. Cloud technology not only brings down the cost of overall operations but also provides an extra layer of security when incorporated into the system.

Despite covid-led disruptions, NBFCs have emerged stronger with the space leading the fray in retail lending. In FY2021, NBFCs disbursed 12 crores of loans and registered a 64% growth from the previous fiscal.

Technology has made round-the-clock connectivity a reality and enabled NBFCs to develop a deeper understanding of customer behaviour. However, with the emergence of new players in the retail lending space, NBFCs will need to reinvent their operational capabilities and rethink their customer outreach strategies.Considering the multitude of players in the financial sector, the new generation of consumers is spoilt for choice. Switching brands is just a click away. The key differentiator here is the customer experience. ❑

Bank branches are irreplaceable

On July 19, 1969, the then government, headed by Indira Gandhi, nationalised 14 major commercial banks in the country with the aim of extending banking facilities to unbanked and underbanked areas. The benefits of this move have been evident on multiple fronts, including a significant increase in the number of branches, especially in rural areas, and substantial growth in deposits and credit during the post-nationalisation period.

Over the past decades, the number of branches of all scheduled commercial banks has witnessed a substantial increase, from 8,321 in 1969 to 162,904 in 2023. However, the Covid-19 pandemic, the rise of AI-based fintech services, and the entry of non-traditional players have redefined the role of branches and raised the question of whether there will be a need for branches in the future.

With the stupendous rise in digital banking transactions, which have grown more than four times during 2018-2022, tech protagonists even raise a question: Do we need brick and mortar banking? Customers meet most of their banking needs through mobile and internet banking, branches will lose their identities in the long run, they argue.

However, the reality differs. Despite the reliance on digital transactions, many customers still prefer to visit branches for a human touch and value the social aspect of in-person interactions.

While digitalisation has transformed most deposit-oriented services, banks continue to offer branch-specific products, particularly complex ones. Physical interaction remains crucial for individuals seeking big-ticket loans. According to a global digital banking survey conducted by the Deloitte Center for Financial Services, branches remain the most preferred channels worldwide for new product offerings.

In India, 57 per cent of customers rely on branches for home loans and rural customers heavily depend on branches for jewel loans. The availability of safety locker facilities within branches also attracts numerous customers, considering India's significant market for gold and jewellery. Many bankers aver that customers still prefer to visit branches at least once a month.

Although the RBI asserts that "cash is king but digital is divine," India continues to be a cash-oriented economy. The evidence lies in the numbers, with the currency in circulation experiencing a substantial rise from Rs. 16.73 trillion in 2016 to over Rs. 33 trillion by 2023.

With the increase in cash circulation for retail business units, maintaining a relationship at the branch level becomes inevitable for depositing significant amounts of cash at the end of the day. Frequent failures of cash deposit machines, particularly in public sector banks (PSBs), are another underlying reason for branches becoming cash hubs. However, technological advancements expected soon, such as India Stack and an open network for digital commerce, may change this trend.

There are other reasons behind the need for branches. People across the globe, be it in developed or developing nations, prefer bank branches due to the trust factor. According to a global survey conducted by Accenture, nearly two-thirds of the 49,000 bank customers surveyed, irrespective of geographies and age groups, pointed out that the proximity of a physical bank branch authenticates the stability and availability of their bank.

During a crisis, customers long for familiarity and certainty, and trusting intangible assets becomes highly challenging. For this class of customers, branches act as ambassadors and provide tangible proof of real relationship banking beyond a screen. Branches are also seen as important nodal points for resolving customers' complaints and issues. As call centres and dispute resolution agencies, especially in the case of PSBs, are not too familiar to customers, branches become the primary interaction points for in-person dispute resolution.

In light of these, banks in India are actively re-evaluating their branch expansion strategies. Major PSBs such as SBI, PNB, and UBI have displayed limited interest in opening new branches. SBI, for instance, experienced a mere 1.2 per cent growth in branch numbers during FY23, while PNB and UBI witnessed declines of 1 per cent and 3.5 per cent, respectively, during the same period. This can be attributed to their already extensive presence across the country and the rationalisation measures resulting from the bank merger in 2020, which led to the closure of certain branches.

Conversely, private banks have embraced a distinct strategy when it comes to branch expansion. HDFC Bank, the largest private player in the sector, has made an impressive addition of 1,500 branches, while ICICI Bank and Axis Bank have opened 480 and 240 branches, respectively, in FY23. These private banks are proactively expanding their physical footprint in Tier 2 cities and rural areas, with a specific focus on serving the salaried class, farmers, and small businesses.

Distribution of Branches

Bank Group	Rural	Semi-urban	Urban	Metropolitan	Total
2020					
SBi and its associates	7,898	6,539	4,639	4,489	**23,565**
Nationalised Banks	21,055	18,284	14,450	15,462	**69,251**
Regional Rural Banks	15,344	4,819	1,652	448	**22,263**
Private Sector Banks	7,241	10,978	7,588	9,879	**35,686**
All Commercial Banks	**52,442**	**42,683**	**29,881**	**31,516**	**1,56,522**
2023					
SBi and its associates	8,089	7,237	5,293	4,467	**25,086**
Nationalised Banks	21,013	16,977	13,515	13,854	**65,359**
Regional Rural Banks	15,485	4,489	1,658	455	**22,447**
Private Sector Banks	8,425	13,201	8,999	11,655	**42,280**
All Commercial Banks	**54,362**	**44,957**	**31,340**	**32,245**	**1,62,904**

New avatar

Although many branches have been closed in India's post-nationalisation journey for viability reasons and due to the entry of digital outlets, Indian commercial banks are still reluctant to completely abandon bank branches. Branches continue to play a vital role in ensuring access and availability of banking services, which are the twin cornerstones of financial inclusion.

While a physical-digital blend of banking is expected to dominate in the future, experts predict a short-term increase in the number of branches, with their layouts undergoing significant transformations based on location. Fully automated branches, though a distant reality, may give way to new formats of digitally-assisted branches in the Indian banking landscape.

The primary challenge for banks in the days ahead will be finding the optimal balance between physical and digital channels to minimise costs while maintaining enduring customer relationships. However, one thing remains certain: branches will retain their importance in the marketing mix of a bank, but in a different avatar. *(Source: Business Line)*

Uniform Civil Code and Hindu Undivided Family: Why it must preserve tax benefits

The 22nd Law Commission of India has solicited views from all stakeholders on the Uniform Civil Code (UCC), seeking to achieve goals that are in line with Article 44 of the Constitution. However, the aspirational objectives of "equal status to all citizens", "promoting gender parity", "national integration" and "reforming existing personal laws" should not jeopardise existing benefits to citizens. The tax benefits granted to the Hindu Undivided Family (HUF) under the present tax regime is one such crucial perk that faces the sword of Damocles with UCC's "uniformity endeavour".

For generations, India has had a "joint family system" where the patriarch or the head of the family remains the unquestioned authority. The aim is "general family welfare" or promotion of the family as a unit — for which individual interests of family members can be sacrificed. HUF represents this "joint family system", which was legally recognised in the 19th century and received the status of a distinct "tax entity" in the Income Tax Act of 1922. Its incorporation as a separate tax unit was intended to govern a family that stays together under a common roof, sharing food and place of worship, and running a family business — with different family members — as a single unit.

HUF can exclusively encompass all the persons, descendants of a common ancestor including their wives and "unmarried daughters", with the head of the family being Karta (typically eldest coparcener), who is responsible for the family's financial and legal affairs. Although not defined in the Income Tax Act, 1961, HUF is treated as a "person" under section 2(31) of the Act, for the purpose of "tax assessment". HUF's income may be assessed for income tax if the following two conditions are satisfied — (i) there is a coparcener; (ii), a "joint family property" is available to the family – whether as a business or gift, in a will, as ancestral property, or if it's a property acquired from the "joint family" funds. The condition is also satisfied if the "joint family" property is sold, or is contributed to the "common pool" by any member.

Uniform Civil Code: No bad time for a good law

The current tax framework ensures a distinct and separate existence of the HUF from the members who constitute it. In addition, HUF is also granted tax-avoidance facilities on "family income", higher exemptions and lower tax rates as compared to the other category of "persons" in the Act.

HUF is treated as a "person" for tax assessment under section 2(31) of the Act, separate from the individual members of the family, with its own PAN card and bank account. As a result, the entity enjoys tax benefits distinct from those availed by the individual family members, which is a legitimate way of reducing one's tax burden. The income of HUF is taxed separately as per the rates applicable to individuals. Furthermore, HUF enjoys the exemptions and deductions available to individuals such as those provided under section 80C of the Act (Rs 1.5 lakh); 80D of the Act (Rs 25,000 — and for senior citizens Rs 50,000); 80DD (up to 1.25 lakh rupees); 80DDB (Rs 40,000 — and for senior

citizens Rs 1 lakh); and 80TTA (Rs 10,000 — and Rs 50,000 for senior citizens).

HUF also enjoys the basic tax exemption of Rs 2.5 lakh. In addition, HUF can also own a "residential property" without having to pay tax for it. It is crucial to note that if an individual has more than one property, then as per the Act, the second property is "deemed to be let out" and tax will be levied based on the "notional rent". However, if the second property is in the name of the HUF, tax can be avoided. HUF also gets benefits for a "home loan" for the purpose of buying a residential property wherein it receives tax benefits of up to Rs 1.5 lakh under Section 80C for the principal amount repaid and a benefit of up to Rs 2 lakh for the interest paid on the loan.

According to the Income Tax Return Statistics report by the Income Tax department, an increase in the number of HUFs is visible. There were 8,40,720 "HUF assessees" in FY 2012-13, 9,40,061 "HUF assessees" in FY 2014-15 and in FY 2018-19, it increased to 11,30,554 assesses. The implementation of UCC should not subvert the benefits availed by them.

If UCC is implemented, eventually, its endeavour to attain "uniformity in personal laws" would result in one of two situations for HUF tax beneficiaries — (i) Removal of HUF alongwith its tax benefits; or (ii) Introduction of a "HUF-like framework" for each religion, which is highly unlikely. Removing the present HUF tax benefits could substantially increase revenue for the state and end the preferential tax structure. But the removal of the HUF structure and its benefits needs to be assessed in the larger context of its impact on financial planning, tax efficiency and the social cohesion of Indian Hindu households.

First, the HUF enables family members to pool their financial resources in their common family property, which provides a safety net during financial hardships. It also facilitates effective risk mitigation and promises investment options. HUF is an invaluable instrument to plan for inheritance and a support system for family members with any bereaved male member. Furthermore, the HUF tax benefits foster investments and savings, providing long-term financial security.

Second, it is a boon to small businesses. While ownership remains with the family and the corpus can be utilised for business expansion, HUF offers a propitious legal framework to small businesses. Simultaneously, it facilitates optimal management of business assets and allows the seamless transfer of ownership to the next generation in the family. Removing HUF and its benefits would create superfluous challenges for these business families.

Third, HUF tax benefits encourage and support the joint family system and foster familial harmony and unity. With the supplemented tax advantages, it recognises the significance of "collective economic activities" in the family. Phasing out the HUF tax structure or the available benefits will be a disincentive to the joint family system. Without tax benefits, families may be more inclined to opt for individual taxation, resulting in the fragmentation of family assets and weakened family bonds.

While drafting the UCC, the government must not strike out the HUF concept or its supplemental tax benefits. Rather, it should create a structure similar to the HUF so as to benefit all religions. In order to extend the benefits of a HUF structure to every religion, the government among other modifications, should make a "linguistic amendment" to the terminology of the "Hindu Undivided Family" by simplifying it to "Undivided Family", transcending the religion-centric connotation.

Treating HUF as a non-religious-centric beneficial family structure, UCC may ensure social welfare and economic stability to all regardless of religion. Simultaneously, it will also dispel the arguments of the Right to Equality embodied under Articles 14-16 against the preferential treatment to HUF by guaranteeing equality before the law to all within the territory of India. UCC should culminate the favourable tax structure into a welfare tax structure. *(Source: The Indian Express)*

Hasten deposit insurance reforms

The recently released Financial Stability Report (Issue No 27) of the RBI has accorded enhanced coverage to 'deposit insurance' (DI). For instance, 'Deposit insurance' occurs 27 times in the latest FSR as against zero to 18 times in Issue No 7 (June 2013) to Issue No 26 (December 2022).

The background to this welcome feature is sourced from the recent bank failures in the US — Silicon Valley Bank and Signature Bank — which were resolved quickly with interventions from the Federal Deposit Insurance Corporation (FDIC) and the Federal Reserve Board. This could be accomplished because the US has established systems and procedures to resolve the problem banks. However, the failures did raise issues on which the US started thinking, as evidenced from the FDIC's May 1, 2023, publication 'Options for Deposit Insurance Reform'.

Paragraph 3.4 of the current FSR is devoted to the reform approaches deliberated in the FDIC report, which implies a positive change in mindset.

The Indian Deposit Insurance System is the second oldest sovereign-backed system in the world having been set up in 1962 after the FDIC was established in 1933. The Deposit Insurance and Credit Guarantee Corporation of India (DICGC) is a wholly-owned subsidiary of the RBI, but, comparatively, its operations are low-profile and, more importantly, it is practically untouched by any reforms hitherto, despite recommendations by many committees.

But this should not mean that DI reforms should be kept in abeyance. Besides the traditional risks, banks are becoming increasingly vulnerable to new and emerging risks. No doubt, the recent US bank failures were primarily driven by their inappropriate management of interest rate and concentration risks as well as ineffective internal control and systems. But the impact could have been contained, if the uninsured depositors, who were competent to track their banks' affairs, had abstained from digital transfers of their deposits from the weakening banks, and tom-tomming about it on social media. This prompted the small depositors to follow suit, which triggered the runs.

Certainly, the Indian banking system is stronger today than before. However, from the DI viewpoint, the trend in the number and incidence of uninsured depositors and their deposits, particularly after the DI limit was hiked to Rs. 5 lakh in 2020, evokes concern.

Over the three years — that is, from 2020-21 to 2022-23 — while the total number of accounts grew by 18.8 per cent, the number of accounts not fully protected [amounts above Rs. 5 lakh] by DICGC grew by 25 per cent, from 48 million to 60 million. As proportion to the total number of accounts, it rose from 1.9 per cent to 2 per cent (Table 1).

Table 1
Trend in number of accounts

Year	Total No. of accounts (in million)	No of 'not fully protected' accounts (in million)	Percentage of (3) to (2)
(1)	(2)	(3)	(4)
2020-21	2,526	48	1.90%
2021-22	2,622	55	2.10%
2022-23	3,00	60	2.00%
23/21 change	18.80%	25.00%	

Based on data published in DICGC Annual Report 2021-22 and FSR June 2023.

Further, the uninsured deposits (UDs) are increasing rapidly as can be observed from Table 2, according to which both UD and its ratios to assessable deposits (ADs) increased during the three years. (AD is the total deposits less the 'specified' deposits as mentioned in Section 2(g) of the DICGC Act, 1961).

Table 2
Trend in UD and UD/AD ratio

(UD in Rs. billion)

Year	Public Sector		Private Banks		Co-operative Banks		Total	
	UD	UD/AD ratio	UD	UD/AD ratio	UD	UD/AD ratio	UD	UD/AD ratio
2020-21	38,398	44.10%	23,807	60.30%	3,037	30.60%	65,242	47.80%
2021-22	42,488	45.90%	29,891	61.50%	3,466	33.50%	75,845	50.10%
2022-23	48,690	48.70%	34,834	63.40%	3,721	35.10%	87,245	52.70%
23/21 change	26.80%	460 bps	43.30%	310 bps	22.50%	450 bps	33.70%	490 bps

UD : Unisured Deposits AD : Assessable Deposits
bps : basis points. Based on data published in DICGC Annual Report 2021-22 and FSR June 2023.

While the total UD grew by 33.7 per cent — public sector banks (26.8 per cent), private banks (46.3 per cent) and co-operative banks (22.5 per cent) — the UD/AD ratios went up by 490 basis points in total: PSBs (460 bps), private banks (310 bps) and co-op banks (450 bps). In addition, the cyber risk has become paramount, as the current FSR emphasises (especially in III.1.5 and III.4.3).

So what does one do? Should there be unlimited coverage, or a high DI limit and simultaneous levy additional premium, ex post, on those accounts made good over and above the DI limit, in case of a failure? Or, should DI be denied to some high-value deposits like the Certificates of Deposits which the RBI Report on Reforms in Deposit Insurance in India (1999) had recommended? There are many other questions on coverage that necessitate deliberation.

Risk-based premium

In addition to the coverage issue, two other prominent issues should have been addressed in the current FSR. One relates to adoption of a risk-based premium system. For instance, asking D-SIBs (Domestic Systemically Important Banks) to pay the same premium as fragile co-operative banks is illogical and acts as a tax on the former. Several committees have recommended a risk-based system, and globally an increasing number of jurisdictions are adopting risk-based models. Moreover, the DICGC Act, 1961 allows for a 'variable' system.

The second issue is about protecting the sacrosanctity of the Deposit Insurance Fund (DIF). The reserve ratio (ratio of DIF to insured deposits), which stood at 2.78 per cent at March-end 2019, declined sharply and remained below 2 per cent till March-end 2022. March 2023 saw it improving a shade to 2.02 per cent. The RBI 1999 Report considered 2 per cent as "reasonably adequate."

Despite several criticisms, increasing number of countries have adopted DI, and countries already having the system are modernising it. If the Utkarsh 2.0's (that is, the RBI's Medium-term Strategy Framework 2023-25) vision of sustaining financial stability and enhancing the trust of citizens in the RBI is to be accomplished, then DI reforms need urgent attention. *(Source: Business Line)*

Five banks post healthy growth in advances

Bank of Maharashtra, Federal Bank, CSB Bank, Karur Vysya Bank and Dhanlaxmi Bank have posted healthy year-on-year (yoy) growth in advances and deposits in the first quarter of FY24, going by their business updates. Usually, the first quarter of a financial year is lean in terms of business for banks. But banks seem to be bucking this trend in FY24 in the wake of higher deposit rates and inflows of Rs. 2,000 bank notes, which are being withdrawn by RBI, and demand for loans from the retail and core sectors, among others.

GST deserves due credit

On July 1, 2017, the Goods and Services Tax (GST) law was introduced and there began a new chapter in the history of indirect taxation and we are celebrating its sixth anniversary this year.

GST was aimed at resolving issues created by multiplicity of indirect taxes, resulting in a complex tax structure, high incidence of taxes and loss of tax credits in supply chain. This was creating issues like higher compliance cost, uneven tax rates, broken tax credit chain and unfair competition due to geographical location. Thus GST, a unified tax structure, was created, which is legislated and administered concurrently by the Central and State governments.

Under earlier tax regimes, the credit of many taxes/levies paid by the suppliers was not available to them and this was not only increasing the final cost but was also blocking the working capital. However, this issue has been addressed by the introduction of Input Tax Credit (ITC). Moreover, refund of GST paid on export of goods is now fully automated, whereby the shipping bill filed by the exporter is also treated as an application and the refund is directly credited to exporter's bank account.

The most important aspect of GST was introduction of an uniform and unbroken chain of ITC. This effectively reduces tax liability to the extent of taxes paid on purchases and results in taxation of only value addition by the supplier, thereby avoiding cascading effect of tax on supplies.

This results in substantial tax savings and helps in reducing the requirement of working capital, ranging from 5 per cent to 28 per cent — depending on inputs and input services procured. Besides, there are also provisions for cash refund of ITC in two situations, where the tax on output cannot be setoff against the taxes on input. This is when the former is zero rated or the tax is less than the input tax. Exports/supplies to SEZs are zero rated. The accumulated tax credit in such cases is refunded into the bank account of the producer.

Such tax credits add to short term assets of a business entity, which in turn helps to meet short term liabilities. This is important because when short term assets are insufficient to meet short term liabilities, then enterprises are forced to sell longterm assets (like land, machinery, etc.) to meet shortt erm liabilities, eventually leading to insolvency.

Thus, taxcredits under GST and benefits under the Insolvency and Bankruptcy Code (IBC), 2016 are complementary to each other, as both augment ease of entry and exit of firms in a market economy. However, businesses also need to be aware of the restrictions in the ITC scheme — that is, the goods or services and the situations, where ITC is not allowed.

The GST or VAT system is being followed in 175 countries, after its first introduction in France in 1954. The basic tenet of VAT or GST, across the globe, is taxation of only value addition, therefore, all these countries follow the ITC mechanism. Though the basic concept is same, there are some variations in procedures or restrictions under the laws of different countries.

Issues and Concerns

In comparison to legal provisions under a similar scheme in the Central Excise Act, the legal provisions under GST law are more intricate. Like any other beneficial scheme, the ITC is also subject to certain conditions — example, supplier must have deposited the tax with government, claim must be made within specified timelimit, goods/services should have been received along with invoice, etc.

Besides, ITC is not allowed on some goods or services, even though the same are used for business purposes — example, motor vehicles, goods/services used for immoveable property, etc. These issues have raised many concerns and contested between the government and taxpayers. Some major decisions on the same are presented.

As the GST regime enters its seventh year of implementation, the law is continuously evolving to acquire a robust structure to address the issues faced by taxpayers, while increasing the beneficial provisions for the trade. It is, therefore, important for Indian businesses to keep an eye on new amendments to the GST law and leverage various benefits, to become globally competitive and market leaders in their field of activity. *(Source: Business LIne)*

Generation AI: It is India's time to play chief disruptor

Rapid advancements in Generative Artificial Intelligence (AI) and in its ability to mimic human intelligence to write computer code and much more have caught us all by surprise. We have seen and lived through many technology shifts, but few as significant as this one. Jensen Huang, CEO of Nvidia, summed it up as the most powerful democratization source we have ever seen. A tool for engineers and coders till now, today you don't need to know any of the programming languages to use AI tools. A simple prompt in English is enough.

As per Goldman Sachs, the right use of Generative AI can add around $7 trillion to the global GDP in the next decade. In a world faced with slowing economic growth, we must invest in technologies that aid growth and productivity, solve complex problems like climate change, and create a more inclusive society. However, this needs to be done with the right guard-rails.

India today has the opportunity to provide much-needed thought leadership globally on Generative AI. Our proven track record of creating inclusive technology for societal impact at scale, be it UPI for financial inclusion or Diksha for education, provides a framework to create open, interoperable and affordable platforms for services and products that can be scaled exponentially.

Can we build on these learnings and envision it as a strategic inflection point for India to lead the world into an era of Augmented Intelligence? India sowed the seed for it when we designed our national AI strategy to enable AI for All in 2019. Since then, initiatives across government, industry and startups have focused on the inclusive and responsible adoption of AI.

India now needs to prioritize a comprehensive Generative AI strategy on top of its AI foundation to drive breakthrough productivity gains across all aspects of life, business and society. If leveraged right, we can embed a foundational layer of intelligence in every product, service and process, significantly boosting overall productivity. To achieve this, we recommend a four-pronged approach that brings together diverse stakeholders and is enabled by strong execution.

First, real competitive differentiation will be about talent and skills. While India ranks first in AI skills penetration as per the OECD, we need to move the narrative from AI talent to 'Generation AI'. Can we unlock the full potential of India's demographic dividend and its propensity to technology adoption by creating a generation of AI-literate citizens who know how to use it responsibly? For this, we recommend a tiered strategy:

For few: Aim to become the world leader in data and AI skills by training 1 million world-class AI professionals to meet global demand in areas such as Natural Language Processing, Large Language Models, responsible AI, and data fundamentals.

For many: Empower an 18-20 million workforce to use AI tools for enhanced productivity across sectors. Provide training in domain fundamentals, AI tool usage and responsible AI.

For all: India needs AI literate citizens who constitute an entire generation of AI users equipped with skills and capabilities to unlock its potential across all aspects of life. Provide education in AI application security, AI awareness and responsible AI.

Second, for innovation to thrive, we need to build the infrastructure needed for a globally competitive AI ecosystem. An AI boom depends on three things: large amounts of data, mega computing power to process it, and budgets to afford it. India must invest in building its capabilities, including:

Foundation models: Invest in the development and promotion of large trustworthy AI models that will address our language diversity and our cultural context.

Computing access: Set up a national GPU Cloud with at least Exaflop AI capacity and around 25,000 A100 GPUs or above. This could be done by the government in partnership with industry players by setting up such infrastructure under incentive programmes and recovering the running cost from users over, say, a 10-year period, with subsidized pricing for Indian academia and startups.

Special economic AI clusters: Create virtual AI clusters for core sectors like healthcare, agriculture, energy, manufacturing, defence, etc, to turbocharge innovation and product development. Each cluster could provide access to foundation models and the GPU cloud as well as access to patient capital, fast-track patent approvals, mentorship, and industry links.

Third, India should drive scalable adoption of AI across sectors. We should build a responsible AI stack with our know-how to accelerate adoption across core sectors. India should also set up a sand-box for responsible usage cases.

Lastly, we need a pro-innovation policy formulation that catalyses responsible and ethical AI usage and creation. India should develop a tailored approach that aligns existing laws, identifies gaps and establishes a governance framework to manage risk and foster innovation. This will help protect us against potential harm while driving our advancement and economic growth.

While the world worries about what AI could do, we believe India can and must show what AI should do as a force for good. With our young talent, tech know-how and a strong commitment to leverage technology as an equalizer, India must lead a global shift from Artificial Intelligence to Human–Centric Augmented Intelligence that is designed to make the world better. *(Source: Mint)*

Continued from Page 36

Business Continuity Planning: Since after the global financial crisis, regulators including the Federal Reserve have required banks under their supervision to submit "business continuity plans" (BCPs) in order to game out "an exit strategy" for depositors and other creditors to the bank, in the event of bank failure or winding down of business for other reasons.

Products and services: Subject to asset and deposit limits and other restrictions (including for eg, number of customers), a Digital Business bank may potentially offer all banking services in the restricted phase.

Conclusion

India's public digital infrastructure, especially UPI has successfully demonstrated how to challenge established incumbents. As pointed out in the opening section, UPI transactions measured have surpassed Rs. 4 trillion in value. Aadhaar authentications have passed 55 trillion. Finally, India is at the cusp of operationalizing its own Open banking framework. These indices demonstrate India has the technology stack to fully facilitate DBs. Creating a blue-print for digital banking regulatory framework & policy offers India the opportunity to cement its position as the global leader in Fintech.

Recently, the National Institution for Transforming India ("NITI Aayog") has released a discussion paper titled Digital Banks A Proposal for Licensing & Regulatory Regime for India ("Licensing Framework"). The Discussion Paper has tried to resolve some of the above issues by the introduction of a full-stack digital bank license proposal, that would mitigate the gaps in the existing Neo Bank Model. The Licensing Framework offers a road map and template for digital bank licensing i.e. that would help in reinventing the banking ecosystem and mitigating the deepening challenges of financial inclusion. However, certain practical and regulatory issues and issues of the stakeholders would need to be addressed, for which the RBI would have to propose detailed and comprehensive licensing and operational guidelines.

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From inclusive banking to inclusive insurance

You gift me a car. There's a wide road on which I can drive. But I have not been allowed to fill in more than 20 litres of oil in the tank. There's no stepney in the boot (in case a tyre bursts); no hydraulic jack to easily lift the car for changing a flat tyre. I don't even have a good driver. So, the car hardly leaves the garage even though the wide road beacons it.

This has been the case of India's insurance industry even after two decades of privatisation. It's still a sunrise industry.

Debasish Panda, chairman of the Insurance Regulatory and Development Authority of India (Irdai), seems to be in a hurry to drive the car in fourth gear on the highway. To make that happen, he wants to fill the tank with enough petrol and make sure that all other accessories are in place — necessary to pick up speed, enhance the driving experience and avoid accidents.

In sync with the vision of "Insurance for All by 2047", Irdai has recently issued a regulatory prescription for general insurance companies for a comprehensive coverage for surrogate mothers. This is one of the many initiatives that the regulator is taking to deepen the penetration of insurance coverage in the world's 10th largest market with 4.2 per cent penetration. Among the BRICS nations, India has the second-highest insurance cover after South Africa but that's not something to celebrate as we are a country with a low per capita income and almost non-existent social security.

Early in this century, under Reserve Bank of India Governor Y V Reddy, the banking industry had seen a drive for financial inclusion. The insurance industry is witnessing it now. The vision is "insurance for all" and mission "ease of doing business". To achieve the twin objectives, the overarching focus of the regulator has been on reforms. In the process, Irdai has taken many path-breaking initiatives.

Until recently, each insurance company had to file with the regulator a new product before its launch. From "file", "approval" (by the regulator) and "use", it has quickly migrated to "use" and "no-file" through "use" and "file". The product management committee of the insurer has the authority to decide on the products. Indeed, Irdai will conduct inspections as and when required, but it is refraining from micromanagement as an inordinate delay in approval of products was killing innovation and coming in the way of growth of the sector.

There has also been a dramatic reduction in the compliance burden for the insurance companies and drastic fall in numbers of returns filed. Both have cut the cost of compliance.

The theme of the new regime is principle-based regulation as opposed to the prevailing rule-based regulation. The regulator is trying to create a fair market which is deep, protect the policy holders and widen the bouquet of products. As I write this piece, talks are on for 100 per cent cashless treatment for health insurance. Currently, around 30 per cent claims are settled through reimbursements of hospital bills after treatment.

Irdai is keeping a hawk eye on the solvency of companies and mis-selling of products and is ready to address customers' grievances but this is not done through regulatory prescriptions. Both products and pricing are left to the companies. Soon, it will issue a set of guidelines on governance.

Following in the footsteps of the banking regulator, Irdai is also into risk-based supervision; the same approach is being followed when it comes to capital for its efficient use. The risk-based supervision replaces compliance-based supervision. It covers not only operational and financial risks of a company but also the larger macroeconomic risks, including geopolitical tensions and issues such as climate change that have a bearing on risks.

Close on the heels of allowing two applicants in the life insurance space, Irdai has given licence to a general insurer for the first time since 2017, and is looking at many applications both in life and non-life segments for potential licences. The life insurance licence was last given in 2011.

There are 25 life insurers and 34 general players, including health insurers, operating in India but when it comes to the share of business, a few of them account for a large chunk of the market. In other words, there is a long tail of the industry. How many more of them do we need?

Irdai has adopted a liberal approach and is ready to welcome many more entities of different shapes and sizes. In the banking industry, besides the universal banks, we have small finance banks, payments banks, regional rural banks, cooperative banks as well as non-banking financial companies. Let hundreds of insurance outfits bloom to cater to the needs of different segments of society and different geographies.

The regulator has already liberalised distribution channels to deepen penetration. Instead of one insurance company engaging a maximum of three banks as distributors for three different insurance segments, it now can have tie-ups with as many as nine banks. Liberalisation for the agent network is awaiting the amendment of the insurance Act.

Irdai is also in the process of launching a revolutionary platform, Bima Sugam, policies. A customer can access all insurance products and services at this single window. A fee will be charged for each transaction — sale and renewal of the policies — to meet the operational expenses.

The broking community should not feel threatened as they can continue to play the role of an intermediary since the platform will allow transactions through an "assisted mode". This will, in fact, open up a new market for the insurance industry in untapped geographies such as the Northeast. The agents can model themselves on banking correspondents.

The regulator is also exploring how to bring about synergies in the working and operations of Bima Vahak and Bima Vistaar along with the Bima Sugam digital platform. Bima Vahak intends to form a women-centric insurance distribution channel, involving gram panchayats, self-help groups, anganwadi workers and teachers as distributors. Bima Vistaar is a social safety net product, targeting untapped geographies.

On the line of the banking industry's state level bankers' committee where one entity plays the role of a lead bank in a state for ensuring loans to the under-privileged segment, Irdai is insisting that every insurance company must adopt one state; it has also introduced the concept of lead insurer (a la lead banker). For the first time, the regulator is involving the states as partners for the spread of insurance, something which the banking sector has been doing.

It has also eased the norms for raising capital. The process has been simplified, the definition of promoter has changed; and private equity funds are now welcome to invest in the sector. Typically, private equity investors don't have a long horizon but, by inserting a lock-in period in the investment guidelines, Irdai has prevented their early exit.

Finally, the regulator is also exploring the composite licence system whereby one company can dabble in both life and non-life insurance businesses. Globally, a few countries have tried this out; fewer have met with success. Theoretically, it will make life easier for the customers as different products can be sold from one platform. The companies, too, can leverage capital better by deft allocation. The draft insurance Bill has this provision.

Being aware that he is heading the Insurance Regulatory and "Development" Authority of India, Panda is moving at a breakneck speed. The banking regulator and the market regulator don't have the "development" tag attached to them.

At this moment, the industry has Rs 60-trillion assets under management. As it swells, India will have a decent corpus of long-term funds to support infrastructure building and the government's borrowing programme, easing the burden on the banking system. (*Source: Busisness Standard)*

CAG focuses on AI to uncover fake claims, conduct performance audits

From identifying non-existent schools claiming scholarship benefits to detecting similar images used by multiple beneficiaries of government schemes, the Comptroller and Auditor General of India (CAG) is using Artificial Intelligence (AI) and Machine Learning (ML) in a big way.

The CAG has showcased at least half-a-dozen such case studies showing use of these tools in a 'Compendium on Responsible Artificial Intelligence', unveiled at the SAI20 Engagement Group Summit held under India's G20 Presidency at Panaji recently.

One of these case studies is about the use of AI in detecting duplicate, fake and ineligible beneficiaries of Digital Saksharta Abhiyan (DISHA), the government's digital literacy programme. As per the scheme's guidelines, the beneficiaries trained under the programme were required to upload their photographs.

To see whether same images or different images of the same beneficiaries, or non-human images, were used for claiming the training cost, the centre for data management & analytics at CAG, which does research and analysis for phase-1 data-driven audits, developed an intelligent model using open-source platform — Python — to automatically analyse these images. With the help of this model, the large volume of images was analysed automatically, which was not possible manually.

The compendium mentions that two images of a person were used 316 times, while two images of another person were used 187 times. Similarly, eight photographs of a person were used 78 times and non-human images were found in several cases, it shows.

"The cases detected helped in identifying the risky transactions, duplicate beneficiaries, fake and ineligible beneficiaries," it stated.

However, these findings are subject to field validation, and the actuals will be reported after field audit, a source said, adding that the audit report will be out soon. "These are techniques being followed in phase-1 data-driven audits, using which phase-II field validations will be done by using risk-based sampling, after which audit reports are finalised," the source said.

The CAG also used an AI & ML model to detect non-existent schools claiming scholarship benefits. "Machine learning model was developed in Python to identify suspected fake schools which claims scholarship in 2017-18, based on pre-defined risk parameters identified from the data pertaining to 2019-20. A total of 17 parameters at school/institute level were identified for the model. A set of 10 different Machine Learning Algorithms was used with two different techniques...," it stated. "The model achieved above 92% accuracy. This helped in identifying the risky samples for the field level verification."

"The model achieved above 92% accuracy. This helped in identifying the risky samples for the field-level verification," it stated.

The CAG also used AI to detect ineligible beneficiaries claiming benefits under the scholarship scheme, which was aimed at welfare of marginalised communities. "The model helped in detecting fraudulent cases," it noted.

The AI was used for identifying circular trading transactions in taxation, in which fake invoices are used for claiming input tax credit.

"Using Artificial Intelligence Algorithms, specific types of circular transactions up to 8 iterations were identified. The model was trained and tested on the selected E-Way Bill data set related to Taxation in India and several circular trading transactions/ patterns were discovered," it noted. An official said, "AI is being used by CAG for risk-based audit sampling for field validation... This is being used for auditing of Direct Benefit Transfer schemes."

Sources said the CAG has used AI and ML for sampling to conduct field validation as part of its performance audit of pre-matric and post-matric schemes. This has been done using data available on the National Scholarship portal for 2017-18 to 2022-23, sources said. They said that the first phase of the analysis has already been shared with the government and the report will be finalised soon.

According to sources, CAG is also using AI and ML in the process of conducting performance audits of schemes such as PM-Kisan and Pradhan Mantri Awas Yojana (Gramin). *(Source: The Indian Express)*

Soon, India may have 24x7 virtual courts deciding cases

Soon, India will have 24/7 virtual courts that will dispose of cases other than traffic challans. At present these virtual courts only handle traffic challans. The law ministry has invited proposals from judicial academies, law universities, IIMs and IITs for a comprehensive research study on the subject.

"The concept is aimed at reducing footfalls in the courts by eliminating the physical presence of violators or advocates in the court," the law ministry said in its notice inviting proposals, which are to be submitted by August 1.

Virtual courts can be managed by virtual judges whose jurisdiction can be extended to the entire state and working hours may be 24/7, the notification further stated on the terms of reference of the study. "Neither litigant need to come to court nor judge will have to physically preside over the court. Thus precious judicial time will also be saved," it has said.

As part of its action research programme, the law ministry often conducts research studies involving these reputed institutions for justice delivery. The institutes which will be awarded the project will have to come out with "innovative suggestions and proof of concept based on extensive research studies that can be further extended to try other types of cases through virtual courts".

Over 4,900 fake GST registrations cancelled in tax evasion drive so far

GST authorities have so far cancelled over 4,900 GST registrations and detected tax evasion of over Rs. 15,000 crore during the ongoing two-month drive to weed out fake GSTINs which will end on July 15, a senior tax official said.

The Central Board of Indirect Taxes and Customs (CBIC) member, Mr Shashank Priya said the large number of fake registrations unearthed during the drive underlines the need for policy changes to tighten Goods and Services tax (GST) registration and return filing process.

Over 69,600 GST Identification Numbers (GSTINs) have been selected for physical verification, of which 59,178 have been verified by field officers during the ongoing pan-India special drive.

88% of MSMEs credit GST for reduction in costs: Deloitte

With large companies giving thumbs up to Goods & Services Tax (GST), nearly 88 per cent of Micro, Small and Medium Enterprises (MSMEs) have credited the reduction in cost to GST, a survey by Deloitte said.

There is also a 10 per cent increase among all business leaders on positive reliance towards GST.

As GST is entering into seventh year of its existence, the survey has been done to access the acceptability and gauge the usefulness of GST among all sizes of industrial units.

GST revenue

It took place in May this year collecting responses from 612 senior leaders across industries and companies and tracking the impact of GST across industries, including consumer, technology, media and telecommunications, energy resources, financial services, life sciences, and government and public services.

Mahesh Jaising, Partner and Leader, Indirect Tax, Deloitte India said that the 22 per cent y-o-y growth in GST revenue is testimony to the overall economic development and tax-payer-centric administration.

"The survey indicates a positive impact on businesses of all sizes with MSMEs being the biggest beneficiary of the simplified tax regime," he said.

He suggested that to boost economic progress and create a conducive business environment, the government could introduce additional measures for MSMEs, granting them an opportunity to avail input tax credits on invoice receipts and relaxing corresponding requirements to further reduce the cost and compliance burden.

Presenting a broader picture, the survey found that India Inc feels the time has come to unleash the next phase of reforms in indirect tax administration to enhance EoDB (Ease of Doing Business), resolve legislative ambiguities, and give new impetus to India's growth story.

Amnesty scheme

Respondents to the survey acknowledged the need for introducing an amnesty scheme, essential for resolving existing tax disputes that had tied up business capital and government revenue.

Jaising further added that while the sentiment towards the GST regime remains positive across businesses in India and better than the survey taken last year, there is a push to dispel legislative ambiguities around input service distribution (ISD) vs. the cross-charge mechanism, self-supplies, and deemed valuation to ensure uniformity in the taxation system.

"We also found an inclination towards export rule liberalisation under the GST law with 78 per cent respondents citing it as the most-needed impetus, followed by unlocking working capital, removing ITC restrictions, and the removal of 'deemed supply' provisions," he said.

Additionally, taxpayers and authorities have struggled to gauge the complexity of the law, align internal systems, and train professionals, leading to inadvertent slippages.

Resolve current issues

The government could deliberate on introducing a one-time amnesty scheme to resolve existing disputes, many of which have arisen due to interpretation issues or minor non-compliances during the initial years of the GST regime.

Business leaders across industries appreciated user-friendly tech engines, such as GSTR 2B, sequential return filings, the timely transition of e-invoicing data, and the GST portal.

However, "the government must resolve current issues and demands, particularly those that are revenue neutral, to fully realise the benefits of the GST regime in India," respondents said. *(Source: Business Line)*

RBI CIRCULAR

Implementation of Section 12A of the Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005: Designated List (Amendments)

July 04, 2023

1. Please refer to Section 52 and Section 53 of our Master Direction on Know Your Customer dated February 25, 2016 as amended on May 04, 2023 (MD on KYC), in terms of which "REs shall ensure meticulous compliance with the "Procedure for Implementation of Section 12A of the Weapons of Mass Destruction (WMD) and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005" laid down in terms of Section 12A of the WMD Act, 2005 vide Order dated January 30, 2023, by the Ministry of Finance, Government of India (Annex III of the Master Direction on Know Your Customer)."
2. In this connection, a reference is invited to our circular DOR.AML.REC.23/14.06.001/2023-24 dated July 04, 2023, communicating thereby the Consolidated Lists of UNSC Designated / Sanctioned Individuals and Entities under the UNSC Resolutions relating to non-proliferation.
3. In this regard, Ministry of External Affairs (MEA), GoI has informed that the UNSC Committee established pursuant to resolution 1718(2006) enacted the amendments specified with strikethrough and/or underline in certain entries on its Sanctions List of individuals and entities (enclosed with this circular). Hence, the 'designated list' as referred in Para 2.1 and other relevant paras of the aforementioned Order dated January 30, 2023 is amended in accordance with the changes in these relevant entries.
4. The latest version of the UNSC Sanctions lists on DPRK & Iran are accessible on the UN Security Council's website at the following URLs:

   https://www.un.org/securitycouncil/sanctions/1718

   https://www.un.org/securitycouncil/content/2231/list
5. The REs are advised to take note of the aforementioned communications and ensure meticulous compliance.

Implementation of Section 51A of UAPA,1967: Updates to UNSC's 1267/ 1989 ISIL (Da'esh) & Al-Qaida Sanctions List: Amendments in 02 Entries

July 24, 2023

1. Please refer to Section 51 of our Master Direction on Know Your Customer dated February 25, 2016 as amended on May 04, 2023 (MD on KYC), in terms of which "Regulated Entities (REs) shall ensure that in terms of Section 51A of the Unlawful Activities (Prevention) (UAPA) Act, 1967 and amendments thereto, they do not have any account in the name of individuals/entities appearing in the lists of individuals and entities, suspected of having terrorist links, which are approved by and periodically circulated by the United Nations Security Council (UNSC)."
2. In this connection, Ministry of External Affairs (MEA), Government of India has informed about the UNSC press release SC/15363 dated July 21, 2023 wherein the Security Council Committee pursuant to resolutions 1267 (1999), 1989 (2011) and 2253 (2015) concerning ISIL (Da'esh), Al-Qaida and associated individuals, groups, undertakings and entities enacted the

amendments specified with strikethrough and/or underline in the entries below on its ISIL (Da'esh) and Al-Qaida Sanctions List of individuals and entities subject to the assets freeze, travel ban and arms embargo set out in paragraph 1 of Security Council resolution 2610 (2021), and adopted under Chapter VII of the Charter of the United Nations.

A. Individuals

QDi.124 Name: 1: YAZID 2: SUFAAT 3: na 4: na

Title: na Designation: na DOB: 20 Jan. 1964 POB: Johor, Malaysia Good quality a.k.a.: na Low quality a.k.a.: a) Joe b) Abu Zufar Nationality: Malaysia Passport no: A 10472263 National identification no: 640120-01-5529 Address: a) Taman Bukit Ampang, State of Selangor, Malaysia (previous address) b) Malaysia (in prison since 2013 to 2019) Listed on: 9 Sep. 2003 (amended on 3 May 2004, 1 Feb. 2008, 10 Aug. 2009, 25 Jan. 2010, 16 May 2011, 11 Oct. 2016, 22 Sep. 2017, 1 May 2019, 8 Nov. 2022, 21 Jul. 2023) Other information: Founding member of Jemaah Islamiyah (JI) (QDe.092) who worked on Al-Qaida's (QDe.004) biological weapons program, provided support to those involved in Al-Qaida's 11 Sep. 2001 attacks in the United States of America, and was involved in JI bombing operations. Detained in Malaysia from 2001 to 2008. Arrested in Malaysia in 2013 and sentenced to 7 years in Jan. 2016 for failing to report information relating to terrorist acts. Completed detention on 20 November 2019. Served a two-year restricted residence order in Selangor Malaysia until 21 November 2021. Review pursuant to Security Council resolution 1989 (2011) was concluded on 6 Mar. 2014.

Review pursuant to Security Council resolution 2253 (2015) was concluded on 21 Feb. 2019. Review pursuant to Security Council resolution 2610 (2021) was concluded on 8 November 2022. Photos included in INTERPOL-UN Security Council Special Notice web link: https://www.interpol.int/en/How-we-work/Notices/View-UN-Notices-Individuals.

QDi.392 Name: 1: FAYSAL 2: AHMAD 3: BIN ALI 4: AL-ZAHRANI

Title: na Designation: na DOB: 19 Jan. 1986 POB: na Good quality a.k.a.: Faisal Ahmed Ali Alzahrani Low quality a.k.a.: a) Abu Sarah al-Saudi b) Abu Sara Zahrani Nationality: Saudi Arabia Passport no: a) Saudi Arabia number K142736, issued on 14 Jul. 2011, issued in Al-Khafji, Saudi Arabia b) Saudi Arabia number G579315 National identification no: na Address: Syrian Arab Republic Listed on: 20 Apr. 2016 (amended on 1 May 2019, 21 Jul.2023) Other information: Reportedly deceased. Was the lead oil and gas division official of Islamic State in Iraq and the Levant (ISIL), listed as Al-Qaida in Iraq (QDe.115), for Al Barakah Governorate, Syrian Arab Republic, as of May 2015. Review pursuant to Security Council resolution 2253 (2015) was concluded on 21 Feb. 2019. INTERPOL-UN Security Council Special Notice web link: https://www.interpol.int/en/How-we-work/Notices/View-UN-Notices-Individuals.

3. In accordance with paragraph 58 of resolution 2610 (2021), the Committee has made accessible on its website the narrative summaries of reasons for listing of the above entries at the following URL: www.un.org/securitycouncil/sanctions/1267/aq_sanctions_list/summaries.
4. Press release regarding the above can be found at https://press.un.org/en/2023/sc15363.doc.htm. Further, the UNSC press releases concerning amendments to the list are available at URL: https://www.un.org/securitycouncil/sanctions/1267/press-releases
5. The details of the sanction measures and exemptions are available at the following URL: https://www.un.org/securitycouncil/sanctions/1267#further_information
6. In view of the above, REs are advised to take appropriate action in terms of Section 51 of the MD on KYC and strictly follow the procedure as laid down in the UAPA Order dated February 02, 2021 (amended on March 15, 2023) annexed to the MD on KYC.
7. Updated lists of individuals and entities linked to ISIL (Da'esh), Al-Qaida and Taliban are available at:

   www.un.org/securitycouncil/sanctions/1267/aq_sanctions_list

   https://www.un.org/securitycouncil/sanctions/1988/materials
8. Further, as per the instructions from the Ministry of Home Affairs (MHA), any request for delisting received by any RE is to be forwarded electronically to Joint Secretary (CTCR), MHA for consideration. Individuals, groups, undertakings or entities seeking to be removed from the Security Council's ISIL (Da'esh) and Al-Qaida Sanctions List can submit their request for delisting to an independent and impartial Ombudsperson who has been appointed by the United Nations Secretary-General. More details are available at the following URL: https://www.un.org/securitycouncil/ombudsperson/application
9. REs are advised to take note of the aforementioned UNSC communications and ensure meticulous compliance.

Public Sector Banks : Profit

As on March 31 *(Rs. Crore)*

S. N.	Banks	Operating Profit			Provision & Contingencies			Net Profit		
I	NATIONALISED BANKS	2020	2021	2022	2020	2021	2022	2020	2021	2022
1	Allahabad Bank	3,089	---	---	8,485	---	---	(5396)	---	---
2	Andhra Bank	5,093	---	---	6,417	---	---	(1324)	---	---
3	Bank of Baroda	18,897	21,199	22,389	18,350	20,370	15,117	546	829	7,272
4	Bank of India	11,519	10,273	9,988	14,476	8,112	6,584	(2957)	2,160	3,405
5	Bank of Maharashtra	2,846	3,960	4,848	2,458	3,410	3,696	389	550	1,152
6	Canara Bank	9,360	19,689	23,089	11,596	17,131	17,411	(2236)	2,558	5,678
7	Central Bank of India	4,344	4,579	5,742	5,466	5,466	4,697	(1121)	(887)	1,045
8	Corporation Bank	3,803	---	---	6,194	---	---	(2392)	---	---
9	Indian Bank	6,497	10,966	12,717	5,744	7,961	8,772	753	3,005	3,945
10	Indian Overseas Bank	3,534	5,896	5,763	12,061	5,065	4,053	(8527)	831	1,710
11	Oriental Bank of Commerce	2,985	---	---	5,237	---	---	(2252)	---	---
12	Punjab & Sind Bank	1,097	772	1,330	2,088	3,504	291	(991)	(2732)	1,039
13	Punjab National Bank	14,739	22,159	20,762	14,403	20,137	17,305	336	2,022	3,457
14	Syndicate Bank	3,473	---	---	7,075	---	---	(3602)	---	---
15	UCO Bank	4,836	4,149	4,797	7,272	3,982	3,868	(2437)	167	930
16	Union Bank of India	9,182	19,667	21,873	12,080	16,761	16,641	(2898)	2,907	5,232
17	United Bank of India	171	---	---	6,566	---	---	(6395)	---	---
	TOTAL OF NATIONALISED BANKS [I]	105,463	123,309	133,298	145,967	111,899	98,434	(40504)	11,410	34,864
II	State Bank of India (SBI)	68,132	71,554	67,873	53,645	51,144	36,198	14,488	20,410	31,676
	TOTAL OF PUBLIC SECTOR BANKS [I+II]	173,595	194,863	201,172	199,612	163,043	134,632	(26016)	31,820	66,540

Source : Reserve Bank of India.

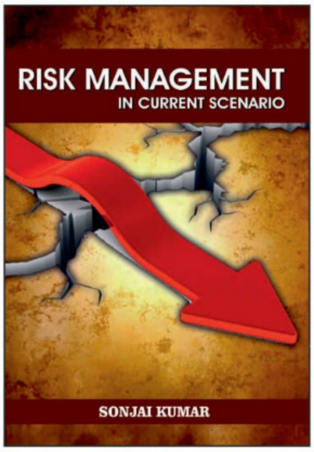
Private Sector Banks : Profit

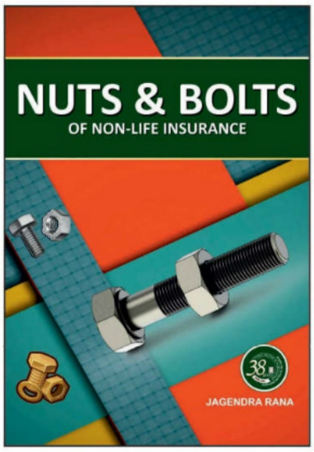
As on March 31 *(Rs. Crore)*

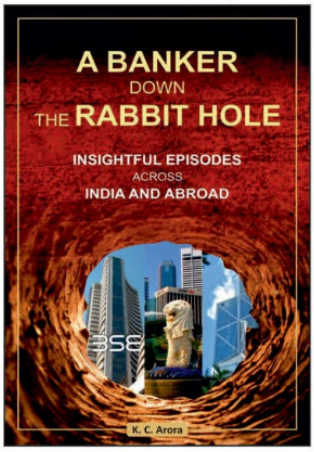
S. N.	Banks	Operating Profit			Provisions & Contingencies			Net Profit		
		2020	2021	2022	2020	2021	2022	2020	2021	2022
1	City Union Bank Ltd.	1,341	1,468	1,595	865	875	835	476	593	760
2	Tamilnad Mercantile Bank Ltd.	995	1,202	1,527	587	599	705	408	603	822
3	The Catholic Syrian Bank Ltd.	281	516	614	268	297	155	13	218	458
4	Dhanlaxmi Bank Ltd	162	86	134	96	49	98	66	37	36
5	The Federal Bank Ltd.	3,205	3,801	3,758	1,662	2,210	1,868	1,543	1,590	1,890
6	The Jammu & Kashmir Bank Ltd.	1,525	1,584	1,369	2,664	1,152	868	(1139)	432	502
7	The Karnataka Bank Ltd.	1,657	1,908	1,633	1,225	1,426	1,125	432	483	508
8	The Karur Vysya Bank Ltd.	1,761	1,292	1,630	1,526	932	957	235	359	673
9	The Lakshmi Vilas Bank Ltd.	(15)	---	---	821	---	---	(836)	---	---
10	Nainital Bank Ltd.	112	118	106	180	117	73	(68)	1	33
11	RBL Bank	2,752	2,917	2,745	2,246	2,409	2,820	506	508	(75)
12	The South Indian Bank Ltd.	1,646	1,662	1,248	1,541	1,600	1,203	105	62	45
I	**TOTAL OF 12 PVT BANKS [I]**	**15,420**	**16,553**	**16,359**	**13,682**	**11,666**	**10,707**	**1,739**	**4,887**	**5,652**
II	**NEW PRIVATE SECTOR BANKS**									
13	Axis Bank Ltd.	23,438	23,128	24,742	21,811	16,539	11,717	1,627	6,589	13,025
14	DCB Bank Ltd.	753	886	797	415	550	509	338	336	288
15	HDFC Bank Ltd.	48,750	57,361	64,077	22,492	26,244	27,116	26,257	31,117	36,961
16	ICICI Bank Ltd.	28,101	36,397	39,249	20,170	20,204	15,910	7,931	16,193	23,339
17	Indusind Bank Ltd.	10,773	11,727	12,839	6,355	8,890	8,228	4,418	2,836	4,611
18	Kotak Mahindra Bank Ltd.	10,021	11,762	12,051	4,074	4,797	3,478	5,947	6,965	8,573
19	YES Bank	11,933	4,648	2,916	28,351	8,111	1,850	(16418)	(3462)	1,066
20	Bandhan Bank	5,447	6,768	8,013	2,423	4,563	7,888	3,024	2,205	126
21	IDFC First Bank Ltd.	1,937	2,498	3,284	4,801	2,046	3,138	(2864)	452	145
22	IDBI Ltd.	5,112	7,035	7,495	17,999	5,676	5,056	(12887)	1,359	2,439
II	**TOTAL OF NEW PVT BANKS [II]**	**146,263**	**162,210**	**175,463**	**128,891**	**97,620**	**84,890**	**17,373**	**64,590**	**90,573**
III	**TOTAL OF PVT BANKS [I+II]**	**161,684**	**178,763**	**191,823**	**142,572**	**109,286**	**95,597**	**19,111**	**69,477**	**96,226**

Source : Reserve Bank of India.

New Book Releases







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