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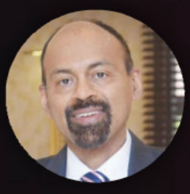

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Governor
Reserve Bank of India

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From The Desk Of Editor-in-Chief

We wish all our readers a very Happy New Year 2023!

According to the Centre for Economics and Business Research, the world faces a recession in 2023 due to higher borrowing costs aimed at tackling inflation and may cause a number of economies to contract.

The global economy surpassed $100 trillion for the first time in 2022 but will stall in 2023 as policy makers continue their fight against soaring prices.

The report added that, "The battle against inflation is not won yet. We expect central bankers to stick to their guns in 2023 despite the economic costs. The cost of bringing inflation down to more comfortable levels is a poorer growth outlook for a number of years to come."

Covid has again started spreading its wing with a new variant in China and is creating a havoc similar to its initial variant. This may further affect various world economies. Picture will be clearer by the end of this month.

Post demonetisation on 8th November 2016 several petitions were pending at Supreme Court for challenging the demonetisation exercise. Finally the verdict was announced recently where the apex court in a 4:1 majority verdict upheld the government's 2016 decision to demonetise the Rs 1,000 and Rs 500 denomination notes, saying the decision-making process was not flawed.

Justice B V Nagarathna of the Supreme Court, who gave a dissenting verdict on demonetisation, said the scrapping of the whole series of Rs 500 and Rs 1,000 currency notes had to be done through a legislation and not through a gazette notification as Parliament cannot be left aloof in a matter of such critical importance.

There must have been some compelling reasons for the Government to take this drastic steps. Otherwise no Government would put its government at stake by taking such harsh and bold decision.

Indian banking system's outstanding credit to the services sector jumped by 21.3% year-on-year in November as compared to 3.2% a year ago.

India's economy is recovering following the COVID-19 pandemic and credit offtake has improved. Most banks expect double-digit credit growth for the current financial year ending in March 2023.

Similarly, credit growth to industry accelerated to 13.1% from 3.4% in November last year. Size-wise, credit to large industry increased by 10.5%, compared to a contraction of 0.6% a year ago.

Though recession is predicted in major economies over the world we hope India will not be affected much.

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Banking News

SBI's personal loan portfolio crosses Rs. 5 lakh crore mark

SBI said it has surpassed the Rs 5 lakh crore mark in the personal banking advances as on November 30.

"A series of tactical measures and digital initiatives undertaken over the past few years played a crucial role in our journey to the Rs 5 lakh crore under personal banking advances (other than housing)," said Dinesh Khara, chairman, SBI.

The lender marked the first Rs 1 lakh crore mark in January 2015, followed by Rs 2 lakh crore in January 2018, Rs 3 lakh crore in August 2020, when Covid-19 was at its peak, and the Rs 4 lakh mark in November 2021.

Personal banking advances mainly comprise personal loan, pension loan, auto loan, education loans, personal-gold loan, and other personal loan products.

IDBI to remain 'private bank'

IDBI Bank will continue to operate as an 'Indian private sector bank' after its strategic sale and the government's residual 15 per cent stake in the lender post privatisation will be considered as 'public shareholding', the finance ministry said. An 'appropriate dispensation' for the new owner to achieve minimum public shareholding (MPS) over an extended period is under consideration and the winning bidder will have no restriction on undertaking corporate restructuring of the subsidiaries of IDBI Bank, it added.

These clarifications are part of the responses by the Department of Investment and Public Asset Management (DIPAM), under the finance ministry, to potential investors' pre-EoI queries.

The government had on October 7 invited bids for privatising IDBI Bank and said that it together with LIC will sell a total of 60.72 per cent stake in the financial institution.

Home loans may soon be paperless

The Ministry of Electronics & Information Technology's (MeitY) recent push to digitise several new types of contracts may soon make paperless home loans a reality, according to experts.

The conventional home loan application process is seen as tedious, with multiple visits to the branch. The documentation process also involves stacks of papers, such as third party agreements, home loan agreements, etc.

National E-governance Services (NESL) MD & CEO Debajyoti Ray Chaudhuri, speaking at the Indian Banks Association's banking technology conference in Mumbai, said: "Recently, MeitY has issued a notification which allows home loans to be brought under the digital documentation category. We are still working on that, but that is now a distinct possibility. With vendor and supplier agreements being brought in, the possibilities are endless. I can visualise a situation when any contract can be available in demat form."

Foreign funds can own 51% in IDBI Bank: Govt.

The government said it will allow a consortium of foreign funds and investment companies to own over 51 per cent in IDBI bank, clarifying that foreign ownership criteria was for new private banks and were not applicable on existing ones.

This comes ahead of the December 16 deadline for potential bidders to submit expressions of interest (EoIs) for picking up majority stake in the private sector lender.

"The residency requirement of the promoter, under the Reserve Bank of India's (RBI's) guidelines, is in the context of new/prospective banks. However, as IDBI Bank is an existing company, for the purposes of the transaction, the said residency criteria will not apply to a consortium consisting of funds/investment vehicle incorporated outside India," the Department of Investment and Public Asset Management (Dipam) said in response to a potential bidder's queries.

Banks raise lending rates

After RBI's move to increase repo rate by 35bps, a number of lenders hiked their benchmark lending rates, a move that would result in higher EMIs.

The effective repo-based lending rate (RBLR) with effect from December 7 is 9. 1%, Bank of India posted on its website. Private sector HDFC Bank has hiked its marginal cost of funds-based lending rate (MCLR) effective.

The one-year MCLR, which acts as benchmark for many loans, was increased by 50bps to 8. 6%, HDFC Bank website said. ICICI Bank raised its MCLR rate effective December 1. Following the revision, the one-year benchmark rate was raised by 10bps to 8.4% from 8. 3% earlier.

Axis MD: Citi deal to be completed soon

Axis Bank is trying to ensure the completion of its purchase of Citibank's retail business by March 1 next year, but there is a possibility that the process could spill over to May, the domestic private lender's MD, CEO Amitabh Chaudhry said.

"We're still trying (for) March 1 very, very hard. There are some IT issues we need to sort out, we are keeping the RBI updated; all the work is going on.

ICICI Bank raises Rs. 5000 crore through infra bonds

ICICI Bank has raised Rs 5,000 crore through infrastructure bonds for funding projects in segments like power and roads, etc.

The coupon for seven-year paper was fixed at 7.63 per cent, about 25 basis points above yield on government benchmark bonds with similar maturity. This fundraise came a day after the Monetary Policy Com-mittee of Reserve Bank of India decided to raise policy repo rate by 35 basis points to 6.25 per cent.

The base issue size for ICICI Bank's infra bonds was Rs 1,000 crore with green shoe option of Rs 4,000 crore. The issue received bids for close to Rs 20,000 crore from investors, debt market sources said.

The sources said besides ICICI, banks who raised money through infrastructure include Bank of Baroda and country's largest lender State Bank of India. Last week, SBI had raised Rs 10,000 crore through maiden issue of 10 year infrastructure bonds carrying the coupon 7.51 per cent.

Lenders have collectively raised Rs 19,600 crore via infra bonds till date in the current financial year (Fy23). In FY22, Indian lenders including Axis Bank and HDFC bank had raised over Rs 27,000 crore through infra bonds.

It's cheapest to live in India than US, UK, Germany: SBI

The rise in the cost of living in India is lower when compared with the likes of UK and Germany, according to SBI Research Ecowrap.

The report said there has been a manifold jump in the cost of living across countries, with food and energy prices going through the roof as the International Monetary Fund pointed out recently.

With the central banks across countries in the midst of a rate hike cycle, the cost of owning a house in respective countries has also jumped manifold, it said. However, the good thing is that India still stands like an oasis in this era of uncertainty.

According to the latest IMF report, "Food and energy prices have been in the same phase (boom or bust) about 75 per cent for the period since 2004."

The report released said such inflation affects most economies across the world with a severe impact on lower-income groups in developing economies as in these countries, food consumes a significant household consumption expenditure. It said this has a direct impact on the cost of living in these countries and since the beginning of the Ukraine-Russia conflict, there has been a significant surge in prices across developed as well as emerging economies.

Foreign Banks, regulator discuss alternatives to CCIL

Following the decision of European regulators to de-recognise the Clearing Corporation of India, Reserve Bank of India officials and executives of some foreign banks are said to have discussed the prospects of lenders seeking to establish alternative clearing mechanisms, according to sources. The ESMA in late October de-recognised six Indian clearing houses including the CCIL, which hosts the trading platform for government bonds and overnight indexed swaps. ❑

Reserve Bank News

RBI signs currency swap pact with Maldives

The Reserve Bank of India has signed an agreement to extend up to $200 million currency swap facility to Maldives Monetary Authority (MMA) under the SAARC Currency Swap Framework.

"This agreement will enable the MMA to make drawals in multiple tranches up to a maximum of $200 million from the RBI," a press release said.

The facility is to provide swap support as a backstop line of funding for short term foreign exchange liquidity requirements, it said.

In 2020, the RBI had signed a similar pact for extending up to $400-million currency swap facility to Sri Lanka.

Trust credibility of Indian norms: RBI to foreign regulators

Amid European financial market regulators' decision to de-recognise domestic clearing corporations, the Reserve Bank of India governor Shaktikanta Das said that the foreign regulators should trust the credibility of Indian regulations.

"It is also necessary for regulators on the other side to appreciate and trust the credibility and strength of Indian regulations. That is what we are trying to impress upon them," Das said in the post-policy interaction with the media.

In October this year, European Securities and Markets Authority (ESMA) announced that it will withdraw the recognition of six Indian third country central counterparties (TC-CCPs) - the Clearing Corporation of India (CCIL), Indian Clearing Corporation Ltd (ICCL), NSE Clearing Ltd (NSCCL), Multi Commodity Exchange Clearing (MCXCCL), India International Clearing Corporation (IFSC) Ltd (IICC) and NSE IFSC Clearing Corporation Ltd (NICCL) - under the European Market Infrastructure Regulation (EMIR) regime. It, however, said the withdrawal decision will come into effect from May 1, 2023. The Bank of England also took a similar decision.

RBI unlikely to give shadow banks bad-loan exemptions

RBI is unlikely to give "shadow banks" exemptions from stricter bad-loan rules coming into force, sources told, essentially ending an advantage the non-bank financial firms have had over standard banks.

Non-banking financial companies (NBFCs) have asked the Reserve Bank of India to exempt smaller loans from the rules taking effect next month that are in line with those covering banks.

India had 10,000 shadow banks as of March 2021, the latest RBI data available, with assets of 54 trillion rupees ($680 billion) or about one-fourth that of the banking sector. Several of the biggest shadow banks are listed on the stock exchanges.

RBI issues Rs. 1.71 crore of digital rupee for retail pilot day 1

The pilot project for central bank digital currency (CBDC) in the retail segment went live with the Reserve Bank of India (RBI) issuing Rs 1.71 crore to four participating banks based on their indents.

The central bank has identified four banks for the first phase of the pilot - State Bank of India, ICICI Bank, Yes Bank and IDFC First Bank - in four cities, Mumbai, New Delhi, Bengaluru and Bhubaneswar. The highest indent was received from one private sector bank.

While the pilot was started with Rs 1.71 crore of digital currency, but depending on the user demand and bank's liquidity requirements, the token indent and issuances to banks will keep evolving dynamically, sources said. The central bank will be creating more digital rupee as demand from banks comes in over the next few days.

RBI approves 12 vostro a/cs for rupee trade

The Reserve Bank of India (RBI) has permitted banks to open 12 special "vostro accounts", to facilitate import-export trade in the rupee, the apex bank's executive director Deepak Kumar said.

The RBI had earlier allowed two Indian lenders - UCO and IndusInd Bank - to open nine special vostro accounts for facilitating overseas trade in rupee.

"We are not saying that dollar prominence should come down, but rupee prominence should go up. We are aiming for rupee acceptance. The rupee related and currency-paired rupee market should develop liquidity and depth," he added.

Vostro accounts are held by a bank on behalf of another (often foreign) bank. Such an arrangement forms a key part of correspondent banking. So far, not a single overseas trade transaction directly involving the rupee has taken place.

In July, the RBI had unveiled a mechanism to settle international transactions in rupees, in order to promote global trade with emphasis on exports from India, and to push the Indian unit as an international currency. The mechanism is also expected to enable trade with sanction-hit nations such as Russia.

No need to visit bank for confirming KYC, says Das

The Reserve Bank said banks should not ask for verifications/updates at the branch level in case a customer has done e-KYC or those who have completed the KYC (know-your-customer) process on C-KYC portal.

Bank customers who've completed their KYC verifications online can do the annual updates as well as changes if any in their personal details online.

A bank should not be demanding from a customer to walk into the branch for verification/updates. There is no such rule from the Reserve Bank on this, governor Shaktikanta Das told.

RBI cautions banks in lending to companies with exposure to West

RBI has asked banks to exercise caution in their business plans going forward, specifically on lending to companies with a significant exposure to Europe and the Americas. The concerns have been flagged in the wake of the Russian invasion of Ukraine, following which the government has been nudging state-owned banks to open special rupee vostro accounts to facilitate trade with Russia and other countries, as also the worries regarding an impending slowdown in the European and American markets.

Inflation war far from over: RBI

The RBI had in November written to the government explaining the reasons for its failure to bring down inflation below the upper tolerance band of 6 percent for three quarters in a row.

The retail inflation based on the consumer price index (CPI) eased to a three-month low of 6.77 percent in October from 7.41 percent in September, aiding the central bank to go for a smaller rate hike of 35 bps. Inflation has ruled at or above the upper tolerance band of 6 percent since January 2022 and core inflation continues to persist around 6 percent. Headline inflation is expected to remain above or close to the upper threshold in the third and fourth quarters of 2022-23, the MPC said in a statement.

"GDP growth in India remains resilient and inflation is expected to moderate; but the battle against inflation is not over. Pressure points from high and sticky core inflation and exposure of food inflation to international factors and weather-related events do remain," Das in the monetary policy statement.

RBI official cautions banks against outsourcing core activities

Banks have to ensure that none of their core banking activities are outsourced at any point in time, according to Ajay Kumar Choudhary, Executive Director, Reserve Bank of India. This will ensure stability of the banking system.

"As the technology and systems are evolving, we are observing an increase in the outsourcing of services in the banking and financial sector. With the advent of fintech coupled with easier access to mobile phones, internet, higher speed, higher bandwidth, reduced cost of tech products, the industry is witnessing immense growth in terms of expansion as well as customer acquisition," Choudhary said at the IBA Banking Technology Conference.

He observed that fintech is transforming the way financial services are delivered (how credit is extended, how payments are made or the way wealth management/ investment advice is provided, insurance is priced, etc).

"Many of the industry participants are focusing on collaborating with fintechs, partnering with them for efficient delivery of financial services," the RBI ED said. ❑

Industry News

PAN may be made identifier for all biz

Businesses can cite their permanent account number (PAN) as a unique identifier for accessing the national single window system (NSWS) to obtain clearances and approvals from central and state government departments, said union commerce minister Piyush Goyal.

Businesses presently use EPFO number, ESIC number, GSTN, TIN, TAN and PAN to apply for government approvals. Goyal said that the PAN number will help automatically populate other application forms received in the system to speed up approvals.

"We are moving towards using one of the existing databases as the entry point, which is already available with the government...and most probably that will be the PAN number. So with the PAN, a lot of the basic data about the company, its directors, addresses, and a lot of common data is already available in the PAN database," Goyal told reporters after a review meeting of NSWS in Delhi.

NSWS, which is in the beta stage, has received more than 76,000 requests and it has approved around 48,000 requests. "Only 514 applications faced some sort of technical glitches, which shows the efficiency of the system", Goyal said.

PV firms to invest around Rs. 65,000 crore

Passenger vehicle makers are expected to invest around Rs 65,000 crore by FY25 to ramp up production capacities to cater to enhanced demand, rating agency ICRA said. It stated that the demand for passenger vehicles has remained healthy since the turn of the calendar year, aided by strong underlying demand and an easing up of semiconductor shortages.

The passenger vehicle industry wholesale volumes are expected to touch an all-time high of 3.7-3.8 million units in FY23, a growth of 21-24 per cent over the previous fiscal, driven by robust demand, it added.

With ease in supply chain constraints and semiconductor shortage, capacity utilisation of the OEMs (Original Equipment Manufacturers) improved to healthy levels over the past few quarters - factoring in a continuation of strong demand sentiments, the OEMs have now revved up their capacity expansion plans, ICRA said.

SEBI amends norms to ease rules for PSU disinvestment

Sebi can relax regulatory norms for the central government in relation to strategic disinvestment of public sector undertakings (PSUs), according to a notification. "The Board (Sebi) may after due consideration of the interest of the investors and the securities market and for the development of the securities market, relax the strict enforcement of any of the requirements of these regulations if an application is made by the Central Government in relation to its strategic disinvestment in a listed entity," Sebi said in a notification made public.

To give this effect, the regulator has amended LODR (Listing Obligations and disclosure Requirements) norms.

Earlier in September, the Securities and Exchange Board of India (Sebi) had decided to dispense with a requirement for calculating open offer price with respect to the disinvestment of PSUs.

As per Sebi norms, one of the parameters prescribed to determine the open offer price of a frequently traded scrip is Volume-Weighted Average

Market Price (VWAMP) for 60 trading days immediately preceding the date of the public announcement.

The board of Sebi approved amending the takeover regulations in the context of strategic disinvestment of PSUs and consideration payable under open offer.

SEBI's new framework for intermediaries

Sebi has put in place a revised framework for seeking its prior approval for changes in control of stock brokers, depository participants and other market intermediaries.

The framework will be applicable for stock broker/clearing member, depository participant, investment adviser, research analyst or research entity, registrar to an issue and share transfer agent and KYC Registration Agencies (KRAs).

In a circular, the regulator said the changes have been made to streamline the process of providing approval to the proposed change in control of the entities.

Under the provisions, which will be effective from December 1, an intermediary should apply online for Sebi's prior approval and along with the application, the entity concerned has to submit various details, including the current and proposed shareholding pattern of the applicant.

SEBI gives nod to appointment of Ramamurthy as MD & CEO of BSE

The BSE said that the Securities and Exchange Board of India (Sebi) has approved the appointment of Sundararaman Ramamurthy as the Managing Director & Chief Executive Officer of the firm.

"His appointment is subject to acceptance of the offer made to him and fulfillment of terms and conditions including approval from the Shareholders of BSE," said the exchange in a filing.

Ramamurthy is currently the Chief Operating Officer-India at Bank of America.

Previously, he was associated with the National Stock Exchange of India (NSE) in various roles for nearly two decades before leaving it in October 2014.

Trade settlement in Rupees: Govt, RBI devise country - specific plan

The central government and the Reserve Bank of India have devised a country-specific plan towards implementation of overseas trade in rupee, people aware of the matter said. To start with, a small number of banks will be allowed to manage cross-border transactions in domestic currency with a particular country. The Reserve Bank of India has allowed the opening of 18 special vostro accounts and majority of these have been opened to facilitate trade with Russia.

Railways increases max speed of trains

To avoid delay of trains during the foggy season, the Indian Railways has decided to enhance the maximum permissible speed of trains to 75 km per hour from the present 60 km per hour.

"It has been decided that with the use of fog devices in locomotives, the maximum permissible speed during foggy/ inclement weather conditions can be enhanced from 60 kmph (km per hour) to 75 kmph," the Ministry of Railways said in a statement.

It added that reliable fog safe devices, if available, may be provided to the Loco Pilots in all locomotives running in fog affected areas during fog.

The ministry has asked railway zones to keep adequate supply of detonators --detonating signals, otherwise known as detonators or fog signals, are appliances which are fixed on the rails and when an engine passes over them, they explode with a loud report so as to attract the attention of the driver.

"Lime marking across the track at the sighting board (or at distant signal in case of double distant signals) must be done," it added.

The ministry said in a statement said that all signal sighting boards, whistle boards, fog signal posts and busy vulnerable level crossing gates, which are accident-prone, should either be painted or provided with yellow/black luminous strips. The work of repainting for their proper visibility should be completed before the onset of the foggy season.

Railways to export Vande Bharat trains by 2025-26

Indian Railways is looking at becoming an exporter of Vande Bharat trains by 2025-26 to markets senior official said.

The latest version of the indigenous trains with sleeper coaches will be operational by the first quarter of 2024. The official said the railways is planning to clock 1-1.2 million kilometres on 75 Vande Bharat trains over the next few years to ensure that they are export-ready.

"The ecosystem to export trains has to be created over the next two to three years. We are on track to manufacture 475 Vande Bharat trains in the next three years and once they run successfully there will be confidence in global markets about the product. The Vande Bharat trains meet all international standards," he said.

The official said these trains have a rider index of three, which means no or minimal jolts for passengers, and noise level of 65 decibels, which is 100 times less than the sound produced in aircraft.

He also said that while the present Vande Bharat trains are fit for broad gauge, the railways' manufacturing units will customise the trains to run on standard gauges used by countries across the world.

Raise TDS limit to Rs. 50,000: AMFI urges FinMin

The mutual fund industry has urged the government to increase the threshold for withholding tax (TDS) on dividend to Rs. 50,000 per annum from the current level of Rs. 5,000 per annum.

In a pre-Budget representation, the Association of Mutual Funds in India (AMFI) said the current threshold for TDS on dividend has been causing hardship to retail investors particularly when TDS on banks' fixed deposit was raised from Rs. 10,000 to Rs. 40,000 a couple of years ago.

The current regulations cover tax treatment on consolidation of schemes; however, consolidation of "Options" within the same MF scheme are not covered, leaving ambiguity in taxation in case options were to be consolidated.

Extending the existing tax treatment to consolidation of options within an MF scheme would bring parity and reduce the tax burden on unit-holders, it added.

ESIC to invest surplus funds in stock market

Labour and Employment ministry-backed Employees' State Insurance Corporation (ESIC) accorded approval for investments of surplus funds in equity, however, restricted to Exchanged Traded Funds (ETFs). Union Labour Minister Bhupender Yadav said, ESIC to upgrade and modernize its infrastructure under the 'Nirman Se Shakti' initiative.

The announcement was made in the 189th meeting of ESIC held under the chairmanship of the labour union minister.

In the meeting, ESIC accorded approval for investments of surplus funds in equity, restricted to ETFs due to the relatively low returns on debt instruments coupled with the need to diversify.

As per the PIB statement, the initial investment shall start at 5% and increase up to 15% gradually, after a review of two quarters.

NSE launches new Nifty Bharat Bond Index

The National Stock Exchange's subsidiary NSE Indices has said it has launched one more index under the Nifty Bharat Bond Index series.

The Bharat Bond Index series follows a target maturity date structure wherein each index in the series measures the performance of a portfolio of 'AAA' rated bonds issued by government owned entities maturing in a specific year.

Nifty Bharat Bond Index - April 2033 - has been launched within the Nifty Bharat Bond Index series, a release said.

In December 2019, NSE Indices launched the first two indices in the Bharat Bond Index with maturities in April 2023 and April 2030, and in July 2020, further two indices with maturities in April 2025 and April 2031 were launched.

"The upcoming Bharat Bond ETF which is sixth in the Bharat Bond ETF series will track the newly launched Nifty BHARAT Bond Index maturing in 2033. The first Bharat Bond ETFs tracking the Nifty Bharat Bond indices were launched in December 2019.

Garuda Aerospace to make 1 lakh kisan drones by 2024

Garuda Aerospace, a Chennai-based drone start-up, launched India's first drone skilling and training virtual e-learning platform at its manufacturing facility here.

Around 10,000 students joined virtually from 1,000 colleges in 500 districts across India. The start-up also announced 'drone yatra' and 'Operation 777' to educate and demonstrate the efficacy of drones for different agricultural uses across 777 districts in India.

Minister for Youth Affairs & Sports and Information & Broadcasting, Anurag Singh Thakur, inaugurated both the programmes at the Agni College of Technology Campus. He also launched the first of the 1,000 planned Drone Centre of Excellence.

Agnishwar Jayaprakash, Founder and

CEO, Garuda Aerospace, said the drone yatra will help farmers understand more about the technology and give them a better perspective on growing crops.

With a dual objective of empowering farmers and creating employment for Indian youth, the company is committed to manufacturing at least 1 lakh kisan drones by 2024.

Biden supports bill that eliminates per country quota for green cards

The White House has supported Congress to pass a legislation that seeks to eliminate the per country quota on green cards to allow U.S. employers to focus on hiring people based on merit, not their birthplace, a bill if passed would benefit several hundreds of thousands of immigrants specially Indian-Americans.

A Green Card, known officially as a Permanent Resident Card, is a document issued to immigrants to the U.S. as evidence that the bearer has been granted the privilege of residing permanently.

This week, the House of Representatives is scheduled to vote on the Equal Access to Green Cards for Legal Employment (EAGLE) Act of 2022.

The EAGLE Act would eliminate a per-country cap on employment-based green cards - a policy that disproportionately affects Indian immigrants.

If passed, this legislation would phase out the per-country caps over the course of nine years to ensure that eligible immigrants from less populated countries are not excluded as the EAGLE Act is implemented.

"The administration supports efforts to improve our immigrant visa system and ease the harsh effects of the immigrant visa backlog," the White House said.

1 lakh drone pilots needed

India will become a hub of drone technology and India will require at least 1 lakh drone pilots by next year, said Union minister Anurag Thakur. He was addressing the gathering after flagging off 'Drone Yatra 2.0', in Chennai.

Stating that India will require at least 1 lakh pilots in 2023, the minister said that each pilot will earn at least Rs. 50,000 to Rs. 80,000 a month, and in this scenario about Rs. 6,000 crore a year worth employment could be created in the industry, he added.

The Garuda Drone Skilling & Training Conference which is to be conducted in 775 districts across the country hopes to reach 10 lakh youth, he said.

Noting that currently there are over 200 drone startups operating in the country, the minister said that this number will increase to generate lakhs of new job opportunities for the youth.

Effective policies, incentives to industry and 'ease of doing business' are providing the much needed impetus to the drone sector which has a huge potential in India, he said.

Companies may get all approvals with only PAN on new portal

From next year businesses may just need to fill in their PAN on the "national single window system" (NSWS) portal being developed by the government to get approvals for new projects, buying land, license renewals and subsequently to file all returns.

Filling the pan number will auto populate the required forms and only current figures will need to be entered. Union commerce minister Piyush Goyal said the ongoing beta testing for this portal has had an efficiency rate of 99.3% with 76,000 applications submitted on the same (only 549 faced glitches) and over 48,000 of them getting approved.

"A large number of central government departments and states/union territories have on boarded the NSWS. We are moving towards a database already existing with the government as the single entry point. This will most probably be the pan number.

Once you put that in, a lot of basic data about the company like its directors and their addresses will get auto populated on forms that will eliminate all the duplication that currently have be gone through while applying for licenses," Goyal said.

Govt plans to offer incentives to boost shipbuilding industry

India plans to offer cash subsidies, lower taxes and other incentives to bolster its shipbuilding industry, two government sources said - part of an effort to reduce the pain of high freight rates for the nation's manufacturers.

The plans include subsidies so that at least 50 new vessels can be built as well as the granting of "infrastructure status" to the industry which would help with financing from banks, said the government officials.

A 10 billion rupee ($123 million) maritime development fund is also likely to be established, they added, without providing further details.

Finance Minister Nirmala Sitharaman is expected to announce the plans when she presents the annual budget for 2023/24 to parliament on Feb. 1, a senior government official with the direct knowledge of discussions told Reuters.

In 2022, world-topping $100 billion in remittances have come to India

Migrant workers from India are on track to send home a record amount of money this year, boosting the finances of Asia's third largest economy poised to retain its spot as the world's top recipient of remittances.

Remittance flows to India will rise 12 percent to reach $100 billion this year, according to a World Bank report published. That puts its inflows far ahead of countries including Mexico, China and the Philippines.

Highly-skilled Indian migrants living in wealthy nations such as the US, the UK and Singapore were sending more money home, the report said. Over the years, Indians have moved away from doing lower paid work in places like the Gulf. Wage hikes, record-high employment and a weaken-ing rupee also supported growth.

Inflows from the world's largest diaspora are a key source of cash for India, which lost almost $100 billion of foreign exchange reserves in the past year amid tightening global conditions that weakened currencies including the rupee against the dollar. Remittances, accounting for nearly 3 per cent of India's GDP, are also important for filling fiscal gaps.

GST collection grows 11% YoY to Rs. 1.46 lakh crore in November

The Goods and Services Tax (GST) collections grew by 11 per cent to about Rs 1.46 lakh crore in November on increased consumer spending and better compliance, according to government data.

This is the ninth month in a row that the revenues have remained above the Rs 1.4 lakh crore mark. However, the collection in November was the lowest since August.

In October, GST collections had touched the second-highest level of Rs 1.52 lakh crore on festive spending. The gross GST revenue collected in the month of November 2022 is Rs 1,45,867 crore of which Central GST is Rs 25,681 crore, State GST is Rs 32,651 crore, Integrated GST is Rs 77,103 crore (including Rs 38,635 crore collected on import of goods) and cess is Rs 10,433 crore (including Rs 817 crore collected on import of goods).

"The revenues for the month of November 2022 are 11 per cent higher than the GST revenues in the same month last year, which itself was Rs 1,31,526 crore," the Finance Ministry said.

KPMG Partner Indirect Tax Abhishek Jain said continuing festive procurements, year-end reconciliations of input tax credits, credit notes, etc. would have played a significant role in the GST revenue uptick. N.A. Shah Associates, Partner, Indirect Tax, Parag Mehta said the major factors for the increase in collections are the festive and wedding seasons.

Revenues from GST touched a record of about Rs 1.68 lakh crore in April. In May, the collection was about Rs 1.41 lakh crore, June (Rs 1.45 lakh crore), July (Rs 1.49 lakh crore), August (Rs 1.44 lakh crore), September (Rs 1.48 lakh crore), October (Rs 1.52 lakh crore) and November (Rs 1.46 lakh crore). ❑

Mutual Fund News

Axis, SBI and HDFC Bank top buys of Mutual Funds

Axis Bank, SBI and HDFC Bank were among the top buys of some money managers; ICICI Bank was a sell at fund houses including SBI, ICICI Prudential and Kotak.

These mutual funds mostly sold insurance companies, including SBI Life and ICICI Prudential Life. The trend was mixed when it came to complete exits or fresh purchases. While HDFC Mutual, UTI, Kotak and Mirae mostly refrained from fresh purchases during the month amid concerns over rich valuations, the complete exits were far more in number at these fund houses. In the large-cap space, some fund managers bought select names like Siemens, HCL Tech and HUL.

Robust inflows take SIP share of MF assets to record in November

The share of mutual funds (MF) linked to systematic investment plan (SIP) category in the total MF assets under management (AUM) reached a record 17% in November 2022, the data from AMFI showed. It has expanded for eight months in a row and stays above the long-term average share of 11.7%.

The AUM of the SIP funds and that of the total MF industry was at a record high of Rs 6.8 lakh crore and Rs 40.4 lakh crore in November respectively. The SIP flow has grown at a faster clip over the past few quarters. As a result, the SIP AUM grew by 35% annually in the past two years compared with 16% growth in the total MF AUM.

The net inflow in equity funds dropped to a 21-month low of Rs 2,258 crore in November amid rising concerns over rich valuations. A sustained momentum in the SIP inflow suggests an elevated level of redemption pressure from lump sum investors, particularly from high networth individuals (HNIs) who booked profits as benchmark indices traded near record high levels.

SIP-linked funds recorded an inflow of Rs 2.6 lakh crore over the past two years. The monthly SIP book reached a new high of Rs 13,306 crore in November. According to industry estimates, about 90% of the SIP linked funds are deployed in equity funds. A sustained inflow catapulted equity funds holding in the total MF AUM to a record 38%, a gain of 10% in the past two years.

ICICI Prudential MF launches ICICI Prudential Nifty Commodities ETF

ICICI Prudential Mutual Fund has launched ICICI Prudential Nifty Commodities ETF, an open-ended ETF replicating the Nifty Commodities Index. The Index is designed to reflect the behaviour and performance of a diversified portfolio of companies representing the commodities segment, including sectors like oil, petroleum products, cement, power, chemical, sugar, metals and mining.

"The commodity market has always been one of the most attractive investment asset classes. The demand for commodity inputs, categorized as hard and soft commodities, generally remains high as they fuel the economic growth of the country. Investors looking for commodity exposure in their portfolio can consider ICICI Prudential Nifty Commodities ETF," said Chintan Haria, Head Product Development & Strategy, ICICI Prudential AMC.

Co-Operative Bank News

RBI imposes penalties on nine cooperative banks for violating compliances

The Reserve Bank of India has imposed monetary penalties on nine cooperative banks on account of various contraventions or non compliances of laid down guidelines.

These banks are The Berhampur Cooperative Urban Bank, The Kendrapara Urban Co-operative Bank , The Jamshedpur Urban Cooperative Bank, Krishna Mercantile Co-operative Bank, Renuka Nagarik Sahakari Bank Maryadit, Jila Sahakari Kendriya Bank Maryadit, Osmanabad Janata Sahakari Bank, The Santrampur Urban Co-operative Bank, and The Nawanagar Co-operative Bank.

The monetary penalties slapped on these banks range from Rs 25,000 to Rs 3.1 lakh, RBI said in nine standalone statements.

Scam in Karuvannur Service Cooperative Bank

The Enforcement Directorate has attached assets worth Rs 30.70 crore of Bijoy A K, the commission agent of Karuvannur Service Co-operative Bank Ltd, under the Prevention of Money Laundering Act in fraud and cheating case. The ED said the attached assets include 20 immovable properties consisting of land and building in Kerala, two premium cars, Rs 3,40,000 and foreign currency totaling Rs 2,08,124. The sleuths attached bank balances also in Bijoy's 57 accounts worth Rs 35,86 990.

The enforcement agency said he illegally sanctioned and disbursed loan to the tune of Rs 26.60 crore in cash without any collateral due to systematic conspiracy hatched and perpetuated by the secretary and committee members of the bank since 2010.

Centre proposes concurrent audit of multi-State Co-operative societies

The government introduced the Multi-State Cooperative Societies (Amendment) Bill, 2022, which proposes merger of "any cooperative society" into an existing multi-state cooperative society.

The Centre has proposed this amendment through Section 6 of the Bill, introduced in Lok Sabha by Minister of State for Cooperation B L Verma. As per the present law, enacted 20 years ago, only multi-state cooperative societies can amalgamate themselves and form a new multi-state cooperative society.

But now, "any cooperative society may, by a resolution passed by majority of not less than two-thirds of the members present and voting at a general meeting of such society, decide to merge into an existing multi-state cooperative society: Provided that such resolution shall be subject to provisions of the respective State Cooperative Societies Act for the time being in force, under which such cooperative society is registered," states the proposed sub-section (10) to be added in Section 17 of the 2002 law.

The Bill also seeks to establish a "cooperative election authority" to bring "electoral reforms" in the cooperative sector. For this, the government has proposed to substitute Section 45 of the 2002 Act. As per the proposed amendment, the authority will consist of a chairperson, a vice-chairperson and a maximum of three members to be appointed by the Centre.

RBI revises regulatory framework for UCBs

The Reserve Bank of India has revised the regulatory framework for urban co-operative banks (UCBs), prescribing minimum net worth of Rs. 2 crore for Tier-1 banks and Rs. 5 crore for all other banks.

While Tier-1 UCBs shall continue to

maintain a minimum CRAR (Capital to Risk Weighted Assets) of 9 per cent on an ongoing basis, Tier-2 to -4 UCBs shall maintain a minimum CRAR of 12 per cent on an ongoing basis.

All unit UCBs and salary earners' UCBs (irrespective of deposit size), and all other UCBs having deposits up to Rs. 100 crore are classified as Tier-1 UCBs.

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

RBI said UCBs, which currently do not meet the minimum net worth requirement, shall achieve the minimum net worth of Rs. 2 crore or Rs. 5 crore in a phased manner. Such UCBs shall achieve at least 50 per cent of the applicable minimum net worth on or before March 31, 2026, and the entire stipulated minimum net worth on or before March 31, 2028.

71 multi-state cooperative societies under liquidation till Dec 15: Amit Shah

Around 71 multi-state cooperative societies are under liquidation this year so far, with the maximum number of them located in Rajasthan, Maharashtra, Delhi and Odisha, Parliament was informed on Wednesday. According to the data placed by Cooperation Minister Amit Shah in his written reply to the Rajya Sabha, five multi-state cooperative banks were also under liquidation till December 15, 2022.

Out of 71 multi-cooperative societies that are under liquidation, 15 of them are located in Rajasthan, followed by 13 in Maharashtra, 11 each in Delhi and Odisha, the data showed.

In a separate reply on the performance of Primary Agricultural Credit Societies (PACS), Shah said 48,907 PACS were in profit, while 24,243 of them were in loss as of March 2020.

There are nearly 1 lakh PACs, Large Area Multipurpose Societies (LAMPS) and Farmers Service Societies (FSS) in the country, out of which data was submitted by 73,350 of them.

PACS constitute the lowest tier of the short-term cooperative credit structure in the country and play a significant role in transforming the agricultural and rural landscape of the Indian economy.

PACS provide credit facility, distribute agricultural inputs like seeds, fertilisers, procurement of food grains, storage facilities, etc to the member farmers.

The government is implementing a project 'Computerization of 63,000 functional PACS' across the country with a total financial outlay of Rs 2,516 crore.

Multi-State Co-operative Societies (Amendment) Bill referred to joint committee of Parliament

A bill which seeks to amend the law on multi-state cooperative societies was on Tuesday referred to the joint committee of Parliament, with Home Minister Amit Shah saying 21 members will be from Lok Sabha and 10 from Rajya Sabha. The Committee would be submitting its report to Lok Sabha in the first week of the second part of the Budget session (which usually begins in March), Shah said in the lower house.

The Multi-State Co-operative Societies (Amendment) Bill, 2022, which seeks to bring transparency and accountability in the sector, was introduced in Lok Sabha on December 7 and opposition members had demanded that it be referred to a standing committee for review.

The bill also seeks to strengthen governance, reform the electoral process, improve the monitoring mechanism, and ensure ease of doing business in multi-state co-operative societies. Opposition MPs had alleged that the measure would encroach on the rights of state governments.

RBI imposes penalty on 13 cooperative banks

The Reserve Bank of India announced penalties on 13 cooperative banks for contravention of various regulatory norms. The penalties range between Rs 50,000 and Rs. 4 lakh.

The maximum penalty of Rs 4 lakh has been imposed on Shri Kanyaka Nagari Sahakari Bank, Chandrapur, and Rs 2.50 lakh fine on The Vaidyanath Urban Co-operative Bank, Beed.

A penalty of Rs 2 lakh each has been slapped on Wai Urban Co-operative Bank, Satara and Indore Premier Co-operative Bank, Indore.

For contravention of various norms, a penalty of Rs 1.50 lakh each has been imposed on Patan Nagarik Sahakari Bank, Patan and The Tura Urban Co-operative Bank, Meghalaya.

The other banks on which have penalties been imposed are: Nagrik Sahakari Bank Maryadit, Jagdalpur; Jijau Commercial Co-operative Bank, Amravati; Eastern & North-East Frontier Railway Co-op Bank, Kolkata; Jila Sahakari Kendriya Bank Maryadit, Chhatarpur; Nagrik Sahakari Bank Maryadit, Raigarh; Jila Sahakari Kendriya Bank Maryadit, Bilaspur; and Jila Sahakari Kendriya Bank Maryadit, Shahdol.

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

Legal News

E-filing must for consumer plaints

The Central government will make e-filing of consumer complaints mandatory from April 2023, said a senior official, adding that the move is also expected to help in faster redressal of the grievances.

Currently, people can file complaints before consumer commissions or courts, both in physically and online mode. The electronic filing (e-filing) option for consumer complaints was introduced on September 7, 2020.

According to senior consumer affairs ministry official said, "Looking at the success of e-filing, we are going to make it mandatory from April 1, 2023, for all consumer commissions in the country."

The mandatory e-filing of consumer complaints will also help people to register their issues directly without the help of a lawyer of his or their choice, according to the official.

He added that once the complaints are in the form of e-filings, it will facilitate speedier disposal of the cases.

There is a three-tier system to address consumer grievances. It starts with the District Consumer Disputes Redressal Forum (DCDRF). At the state level, it is the State Consumer Disputes Redressal Commission and at the national level, it is the National Consumer Disputes Redressal Commission.

The consumer affairs ministry has taken several measures to strengthen the infrastructure of consumer courts in the country to facilitate easy filing and early disposal of cases.

Earlier in September this year, the Delhi government announced that it is developing a mobile app to enable people to give suggestions and register their complaints regarding packaged commodities.

Delhi's Food and Supplies minister Imran had said the people-friendly mobile app being developed by the department will help consumers to lodge their complaints and suggestions that will be addressed within 48 hours.

SC constitutes all-women Bench

Chief Justice of India D.Y. Chandrachud has constituted an all-women bench comprising Justices Hima Kohli and Bela M. Trivedi to hear transfer petitions involving matrimonial disputes and bail matters.

This is the third occasion in the history of the apex court that an all-women bench has been constituted.

The two-judge bench is currently sitting in Court number 11 of the top court.

The first all-women bench was set up in 2013 when a bench of Justices Gyan Sudha Misra and Ranjana Prakash Desai was constituted followed by a bench of Justices R. Banumathi and Indira Banerjee in 2018.

There are three women judges in the top court at present including Justice Kohli, B.V. Nagarathna, and Justice Trivedi. Justice Nagarathna is also set to become first woman Chief Justice in 2027.

TDS liability of a tenant & penalty for rent default

Tax related liabilities on rent are not limited to landlords. Income tax (I-T) laws mandate tax deduction at source (TDS) by tenants (applicable to individuals and Hindu undivided families, or HUFs) and deposit it with the I-T department under certain conditions. The amount of TDS to be deducted and the conditions pertaining to this are largely defined under two sections:

Section 194I: It is applicable to individuals and HUFs whose turnover from business or profession exceeds Rs. 1 crore (in case of business) or Rs. 50 lakh (in case of profession) during the previous financial year and when the landlord is an Indian resident. The threshold limit for TDS in this case is Rs. 2.4 lakh per annum. The rate at which TDS is required to be deducted is 10%.

Section 194IB: It is applicable to individuals and HUFs who are not covered under section 194I and when the landlord is resident. The threshold limit here provided is Rs. 50,000 per month. The rate at which TDS is required to be deducted is 5%. TDS shall be deducted in the last month of the previous year or the last month of tenancy (in case the property is vacated during the year), whichever is earlier.

In cases where the rent is paid to a non-resident, 30% TDS is to be mandatorily deducted under section 195 without any threshold rules on how much rent is paid and the income of the tenant.

TDS provisions on security deposit

The provision of TDS is applicable only on the amount of rent paid; therefore, it is not applicable on the refundable security deposit amount that a tenant pays in lump sum to the landlord. However, TDS provisions will be applicable in case of non-refundable deposits which are in the nature of rent.

When the rented property has co-owners, a separate threshold limit is applicable to each co-owner. For instance, if an assessee is required to deduct TDS under section 194I; and the total rent is Rs. 4 lakh to be paid to two co-owners, then separate limits of Rs. 2.4 lakh will be available for each of the co-owners.

Let's understand this with an example: A is an individual engaged in business and his turnover in the previous financial year is more than Rs. 1 crore. He is paying rent to B and C who are co-owners of the residential property where he stays. The rent paid to B is Rs. 18,000 per month and that paid to C is Rs. 15,000/- per month. The said rent is paid in cash by A.

In this case, section 194I is applicable as A is engaged in business and his turnover in the previous financial year is more than Rs. 1 crore. TDS will be deducted at 10% if the rent exceeds the threshold of Rs. 2.4 lakh per co-owner per year; which is not happening in this case (rent paid to B is Rs. 2.16 lakh and to C is Rs. 1.8 lakh). Therefore, TDS will not be applicable in this case.

As for the taxability for B and C, the rent received will be taxed under the head 'income from house property'. However, B is not entitled to receive rent in cash as the amount exceeds Rs. 2 lakh, which is in violation of section 269ST of I-TAct, 1961, and penalty under section 271DA can be levied, which is equal to the amount of receipt.

Penalty for not deducting TDS

A person who fails to deduct TDS will be liable to pay interest on a monthly basis at 1% (In case TDS is not deducted or paid) or 1.5% (in case TDS is deducted but not paid). The late fees for not filling TDS return is Rs. 200 per day.

In case where the tenant fails to file the statement of TDS within the due date, penalty ranging from Rs. 10,000 to Rs. 1 lakh can be levied under section 271H. ❑

The power of commas and colons in RBI speak

Central bank watching is like an art form, fascinating in all its nuances, as also a science, a skill to develop. Central bank actions and communications are as much as what is said as what is left unsaid. It is both reading the lines as well as reading between the lines.

Prior to 1994, the federal funds rate set by the Federal Open Market Committee (FOMC) in the US had to be inferred by the market from central bank actions in the money markets. It was only thereafter, that the Federal Reserve began to release statements announcing changes to the Fed funds rate. Ever since, central bank communication has greatly advanced. Globally, central bank transparency in communications is driven by the objective of influencing expectations that has an impact on the goal variables of inflation and growth.

Central bank communications in India, too, have come a long way - from the semi-annual monetary policy statements in April and October to a bi-monthlymonetary policy when India instituted a flexible inflation targeting regime. The Reserve Bank of India publishes excellent information - speeches from the top management, annual reports, reports on currency and finance, monthly RBI bulletins, monetary policy reports, governor's address, monetarypolicy statements and the MPC minutes.

ICICI Bank enables FASTag based parking payment at Terminal 2 of Mumbai airport

ICICI Bank today announced that it has enabled FASTag based payment for parking at Terminal 2 of the Chhatrapati Shivaji Maharaj International Airport, Mumbai. The facility allows users to pay the parking charges digitally and in a contactless manner, resulting quicker movement of vehicles in the parking zone. The scanners installed at the parking zone reads the FASTag affixed on the windscreen of the vehicle, records the entry/ exit time and deducts the parking charges automatically.

ICICI Bank is the only bank to introduce the FASTag facility at the Mumbai airport. It has been inaugurated at one of the parking lanes today. It will soon be enabled in other lanes.

Speaking on the partnership, Mr. Sudipta Roy, Head – Credit Cards, Payment Solutions & Merchant Ecosystem, ICICI Bank said "We are delighted to introduce FASTag based payment for parking at Terminal 2 of the Chhatrapati Shivaji Maharaj International Airport, one of the busiest airports in the world. We believe this facility will improve convenience of users by saving their time and dependency on cash.

We were the first bank in the country to launch FASTag on the Mumbai – Vadodara corridor in 2013. Since then, we have pioneered the usage of FASTag for payments at various national and state highway toll plazas and parking at airports, malls, business hubs and at tech parks across the country. In addition, we have introduced the facility at fuel stations so that users can avail the triple benefit of using one tag for payments for fuel, toll and parking."

FASTag is a brand name owned by Indian Highways Management Company Ltd. (IHMCL), which carries out electronic tolling and other ancillary projects of National Highway Authorities of India (NHAI). National Payments Corporation of India (NPCI), IHMCL and NHAI are working together to make state and national highway toll payments completely digital.

Customers of ICICI Bank can avail FASTag using the Bank's digital channels such as internet banking, iMobile Pay app, InstaBIZ app, Pockets app or by visiting the nearest branch. Users who are not the customers of ICICI Bank can purchase the FASTag by visiting the website: www.icicibank.com/fastag, toll plaza sales office or the ICICI Bank FASTag sales office.FASTag can be reloaded with funds online using ICICI Bank's UPI and NEFT platforms.

Bank of Baroda Increases Interest Rates again on Retail Term Deposits by up to 65 basis points

Bank of Baroda (Bank), one of India's leading public sector banks, today announced an increase in interest rates on Domestic Retail Term Deposits, including NRO and NRE Term Deposits, by up to 65 basis points across various tenors. These rates are applicable on deposits below Rs 2 crore, with effect from December 26, 2022.

Interest rates have also been hiked on the special scheme Baroda Tiranga Plus Deposit Scheme. The 399 Day Baroda Tiranga Plus deposit scheme now offers interest rates up to 7.80% p.a, which includes 0.50% p.a. for senior citizens and 0.25% for non-callable deposits. Further, the Bank is offering interest rates up to 7.50% p.a, which includes 0.50% p.a. for senior citizens and 0.25% for non-callable deposits, for a period of 1 year and upto 3 years.

Bank of Baroda has increased retail term deposit interest rates for the second time this quarter, including up to 100 bps hike in November 2022.

Existing and new customers of Bank of Baroda can open a FD through any of the Bank's branches across India. An online FD can also be opened by existing customers via the Bank's Mobile app (bob World)/ Net Banking (bob World Internet).

Exim Bank forecasts India's merchandise exports for Q3 (October-December) of FY2023 to amount to US$ 100.5 bn, and non-oil exports to amount to US$ 80.5 bn

Export-Import Bank of India (Exim Bank) forecasts India's total merchandise exports to remain above US$ 100 bn (US$ 100.5 bn) during the third quarter (October-December) of FY2023, notwithstanding some y-o-y contraction (5.9% over the corresponding quarter of the previous year). Non-oil exports are forecast to amount to US$ 80.5 bn during the said period, (contracting by 9.7% over the previous year).

India's exports could be shadowed by deepening global energy crisis, tighter global monetary and financial conditions, continued slowdown in select major trade partners and continued uncertainty around the Russia Ukraine conflict.

While a negative growth is likely to be witnessed during the first two months of the quarter, however due to recent domestic policy changes and envisaged improvement in the external environment, there could be a recovery in India's exports in the coming months.

Forecast of growth in India's total merchandise exports and non-oil exports are released by Exim Bank on a quarterly basis, during the first week of the months of June, September, December, and March for the corresponding quarters, with continuous improvisation to the model. The next growth forecast for India's exports for the 4th quarter of FY 2023 (i.e. January-March 2023) would be released during the first week of March 2023.

The model and the forecast results have been reviewed by a standing technical committee of domain experts comprising Professor Saikat Sinha Roy, Professor & Coordinator, Centre for Advanced Studies, Department of Economics, Jadavpur University, Kolkata; Dr. Sarat Dhal, Director, Department of Economic and Policy Research, Reserve Bank of India, Mumbai; Professor N. R. Bhanumurthy, Vice Chancellor, BASE University, Bengaluru; and Professor C. Veeramani, Professor, Indira Gandhi Institute of Development Research (IGIDR), Mumbai.

As part of its continued research initiatives, Exim Bank has developed an in-house model to generate an Export Leading Index (ELI) for India to track and forecast the movement in India's exports on a quarterly basis. The ELI gauges the outlook for the country's exports and is essentially developed as a leading indicator to forecast growth in total merchandise and non-oil exports of the country, on a quarterly basis, based on several external and domestic factors that could impact exports of the country.

HDFC Bank partners with Startup India for Parivartan SmartUp Grants

HDFC Bank today announced the launch of its sixth annual grants program for social startups in partnership with the Government of India's flagship initiative 'Startup India'. Known as Parivartan SmartUp Grants, the program aims to identify startups working in the social impact space and support them through monetary grants to their incubators.

The grants have been offered under the aegis of Parivartan, the umbrella name for the bank's social initiatives. So far, the bank has disbursed over Rs 30 crore to more than 45 incubators which supported over 165 start-ups working in areas like environment, agri-business, ed-tech, waste management, healthcare, and skill development sectors. The bank has been enabling startups through its state-of-the-art SmartUp program, which provides specialised banking and value-added services to entrepreneurs. It aims to assist start-ups in achieving their goals through the bank's well renowned and highly advanced smart financial tools, advisory services, and technology.

"As of FY22, through our various CSR initiatives, we have impacted the lives of over 9.6 crore people across the country. We aim to achieve positive change in people's lives through direct and indirect interventions through Parivartan, empowering them to become self-sufficient and integrated into society. We are proud to announce our partnership with Startup India for our 6th Parivartan SmartUp Grants which would help socially conscious businesses to achieve their vision and mission," said Nusrat Pathan, Head – ESG & CSR, HDFC Bank.

"The Indian Government and Incubators have played a crucial role in creating an ecosystem that helps entrepreneurs through their journey. When the problem statement is a social objective or cause, the battle is more arduous, to say the least. The last 5 years through the SmartUp grants program we have made some contribution towards bridging the funding gap for these social-impact startups. With the 6th edition, along with our incubator partners and support from Startup India, we strive to create more efficient and effective outcomes for all," said Neha Agrawal, Head – Venture Investments, Structured Finance & CSR for Startups HDFC Bank.

STARTUP FINANCING: OPPORTUNITIES AND CHALLENGES FOR BANKS

With the growing of economy and fast paced developments the banking sector has undergone many changes. As the financial activity gained pace and the market opened for competition, the innovation in the financial sector has increased and so have the revenue and profitability avenues for the banks and financial institutions. The 21st century has been the century of startups. With an unconventional approach to problem solving, an unrelenting zeal to succeed and an open approach to new ideas, startups have truly disrupted the business landscape.

India has had umpteen startups in the last few years of whom some have been able to make their mark while the others could not, which in way is understandable as it is in the nature of startups who follow a high risk high return approach.

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Banks have now opened up to the possibility that going forward startups would constitute a significant source of revenue and profitability growth for the banks and are keen to seize this opportunity. Earlier the possibility of 9 out of 10 startups failing made the banks weary of advancing finance to them. However considering their potential and the risks involved banks have now opened up avenues of financing to them.

It's not that startups have just touched one or two segments of the industry, they have instead ventured in all those spheres that had the scope of making things better and improving the processes.

The role and support of Banking Sector:

On 6th January, 2016, 'Startup India' initiative was launched by the Government of India to cater to the needs of the budding start-up eco system in the country. In view of the country's young manpower and with an aim to promote employment opportunities, it has been a commendable step in the right direction. The entrepreneurs in India have received funding from various private institutional and non-institutional investors and also from Banks. When we talk about startups the picture that flashes in our mind is of an untested idea which could disrupt the way the business is done and if successful could be worth millions or billions of dollars and if unsuccessful the investment could go down the drain. They are not the only kind of startups, the loan given by the banks to an entrepreneur is also a startup although with a less level of disruption, none the less such a venture generates employment and aids the country's GDP growth. Such ventures until recently were more synonymous by the name of entrepreneurship than startups.

The banking industry in India had and is having a very active role in encouraging the startup culture by promoting and handholding entrepreneurship. This endeavor on part of the banks has now expanded to the funding of new ideas based on their disruption potential. Country's leading banks have now launched separate schemes to promote the startups in the country and have formulated a well drafted policy for the same. Country's largest bank State Bank of India has recently opened a branch exclusively for catering to the financial needs of Startups in the silicon valley of India, Bengaluru.

Seed stage startups though risky, provide a business opportunity that has an increased probability of either a high payoff or no payoff at all. The risks are there and so are the chances of return. There has been a shift in the way startups have been viewed as a business opportunity.

The government has also been very proactive and supportive of startups and has been leading to ensure that the funding requirements of startups are taken care of. Along with that the state governments are going all out to provide these budding entrepreneurs the right infrastructure and administrative support so that the promoters only focus on their project.

Promotion of startups has dual benefits, firstly they provide an impetus to the economy by promoting GDP growth and increasing employment and secondly they provide a solution to the problems faced by the public by transforming the solutions into a business idea. The regulator has also pitched in with a number of awareness and policy initiatives to promote the startup sector along with the government that has undertaken number of steps for ease of doing business.

It is also a fact all the developed economies have a major contribution of entrepreneurs. And as we grow on the path towards being a developed nation the proportion of entrepreneurs and startups is bound to increase exponentially and so will the opportunities for the financial and banking sector.

Some examples of Operational Challenges (Risks) to Funding:

- One of the startups which disrupted the taxi and mobility business across the world, in its quest to grow, became promoter of a toxic work culture leading to complaints and grievance by many employees. The investors had to ultimately intervene and asked the founder to step down. That startup today is a significant contributor to our daily mobility solution.
- Another example is of an Indian Startup which was the first to enter the real estate market with a data and analytics based approach. This startup which was initially very promising, a trend setter of sorts and had the first mover advantage in the industry eventually lost its sheen due to dispute between one of the founders and the investors.
- One of the recent examples is of a financial startup whose founder was accused by the investors of unethical practices and causing loss to the company. This founder also made counter allegations. The investors have since taken control of the company and appointed a different management team to steer the company clear of the controversies and drive it to the next phase of growth.

Disputes between founders and investors / financers is not new, they have happened before and would continue to happen as long new businesses are created. In fact the late founder of a company who was ousted by the other stakeholders, came back after 10 years to make the

company one of the most valuable companies in the world. He introduced the world to touch screen mobiles and change the way we carry and listen to music. This is the nature of business and especially businesses engaged in technology.

Most of the startups in the recent times have been technology startups who promote on an idea that may or may not work. Most of the time it's the difference of perception regarding the future path of the company that leads to dispute. Startups have very little tangible assets and their valuation is solely based on the assumption that the idea would work. This makes the debt financing of startups by banks / financial Institutions a challenging task.

Consensus on Valuation?

What makes the methodology of valuation somewhat disputed is that the revenue generated has a very significant weight in determining whether a startup is a unicorn or not. In the midst of this race for valuation the actual business sometimes takes a backseat. Money is pumped into promotions and discounts to increase the gross merchandise value in the short term. This leads to the companies having high valuations together with high losses.

Most of the startups that have even got listed are still running into huge losses however their valuations have shot up multiple times, of course due to metrics other then profitability. Recently the founders of one of the startup had a dispute regarding the future path of business, which has led to various rumours of the startup winding up operations.

This kind of methodology actually runs against the very principle of traditional business which is profitability. No business could survive running in losses, however in the case of startups the profitability is looked deep into the future. Startups are all based on a disruptive idea, something that alters the existing business landscape altogether, the more disruptive the idea the more the risk, more are the chances of the startup scaling billion dollar valuations. One of the major telecom company offering mobile telephony in India today was called a startup by its promoter considering the disruption it made in the market and the scale at which it was launched. Of course no prizes for guessing that its worth a few billion dollars now.

Such valuation metrics often poses problems while considering debt based financing by financial institutions to such startups.

One reason why the unicorn culture fascinates businesses and investors alike is because eventually the higher a company is valued the richer the investors become. This is after all the financial goal of any enterprise and then it works in a loop as more valuable a firm becomes the more investors get attracted to it. This principle of valuation however works in contradiction to the principles of traditional finance largely followed by financial institutions that considers a consolidated picture of a firm's financials along with profitability and other ratios.

Business Model:

The concept of startups has its own set of critics as well. The critics argue that in the rush of attaining sky high valuations the companies are running short on foundations which are a necessity in case of long term viability. Another section says that this rush for valuations culminates in the company being sold to other growing startups in the merger and consolidation process. Many of the young startups eventually fade away in the process and some of them grow multitude in valuations.

Startup is a high risk business and the promoters are entering an area not much traversed before and thus there is the urgency to grow and outsmart everyone else in the field. This explains the importance of the valuation mathematics. This sometimes is the reason for difference of opinion between founders, investors and financers.

Almost all the sectors have had the impact of startups but the most prominent and disruptive impact has been in the fields of mobility, e-commerce, education and banking and finance and all of these fields have produced one or more unicorns. But are all of these businesses profitable the answer would be vehement 'no' at least for the time being but it is also a fact that they do command huge valuations. This valuation game is something that has resisted some of the great investors / financiers of our time in investing in startups.

We have even witnessed as to how fragile these valuations could be as was the case with some of the crypto and metaverse startups. The valuations of these companies rose significantly during their boom and when the tide turned against their favour, the companies became much less valuable that what the investors had believed while making an investment. This led to investors losing huge amount of wealth in a very short span of time.

Another reason for this wide variation is that these technologies are relatively unproven and the valuation is all dependent on its success with a certain revenue level. In the event the projections do not work out as envisaged the valuations drop significantly as there are very less or almost nil tangible assets to support their valuation.

The aim of any business is to be profitable and add value to shareholders wealth and startups are no exception to that fact. However startups have an added responsibility they promote growth by disruption, by challenging the status quo. All the big companies today were once a startup and one can just fathom as to what would have been our economy had these companies not been there.

Startups stir up economic activity and promote growth. They have a direct impact on the country's GDP and have a tremendous indirect impact on job creation and economic activity through vendors and suppliers. The wheels of the economy gets rolling as the banking system gets involved to fund the startups and ancillary units / vendors, also the credit uptick happens as money starts coming into the hands of the employees. It is imperative for us to understand that all aspects of the economy are related and when one aspect is buoyant it automatically pulls up the rest thereby increasing the economic activity.

Having discussed the importance of startups in the financial and economic prosperity of a country it is also important to note that when a startup goes bust it also makes a negative impact on the banking system and the economy as a whole.

Opportunities:

- Startups provide an alternative source of revenue and there is an increasing potential in startups as they cater to the 'new economy'.
- Majority of the startups are technology firms with a focus on the bottom of the pyramid and an opportunity to target a mass segment of the population.
- Financial Institutions who start early would be at an advantage as they would become startup compatible early and would have a better chance to participate in rapid growth and expansion.

There is also no denying the fact that startups have been and continue to be a backbone to business development. It is because of the will and vision of the founders that a lot of services and benefits that were unheard of and not thought about in the past are a reality today.

As we progress into the feature, entrepreneurship and startups will gain more importance which would open new opportunities for the banking sector as well. With the banks also entering the game it means more disruption, better opportunities, a healthy competition and a plethora of financing options for the entrepreneurs to convert their ideas into successful business ventures. ❑

FINTECH EVOLUTION AFFECTING THE RETAIL LOAN SEGMENT

Foundation:

Indian economic conditions and environment for adoption to new technologies has opened path for development of new technologies. Fintech's are continuing to evolve with different customer centric products, & attracting younger generation of the country and showing its affect on the lending of public sector banks, especially retail lending segment. Retail lending is relatively easy in processing due to product nature.

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Retail lending products are tailor made products designed to suit the different needs of consumers. End utilisation is primarily consumption. India is such a country with growing young population, and growing consumerism. Fintech's keeping this in view, developing small products to meet the requirements of the en mass population making everything paper less or digital the entire process of traditional credit appraisal and sanction processes.

Evolution of 4G (Faster internet services) and android technologies made usage of mobile phone convenient. A report published by statista research department, 2021, witnessing the fact that in India, smart phone reach is over 760 million with an average data consumption of 14.63GB per month. (https://www.statista.com/statistics/467163/forecast-of-smartphone-users-in-india/). It opens wide opportunity for digitalisation of financial services.

In this paper it is attempted to discuss the role of Fintech's either as disruptors or as enablers in the Indian scenario especially in tapping opportunities under Retail lending segment.

Fintech evolution:

Fintech often a short form for financial technology. It is a new technology which helps to make the existing processes simple, automatic, and make it possible to deliver the financial services at the convenience of the customer.

Fintech 1.0 (1886- 1967)

It is all about infrastructure. It is the time when people started thinking about financial technology. Financial globalization has stated with the evolvement of telegraphs, railroads have allowed rapid transmission of cross boarder financial information transfer. FEDWIRE- first electronic fund transfer started functioning since 1918 in USA relying on technologies like telegraph and morse code. Credit card has evolved in year 1950.

Fintech 2.0: (1967- 2008)

It is all about banks. A paradigm shift from analogue to digital and is led by traditional financial institutions. Launch of first hand held calculator and set up of first ATM by Barclays bank happening during this period. Establishment of NASDAQ, world's fist digital stock exchange in early 1970's marked beginning for how financial markets are operating today. SWIFT established in year 1973, most commonly used financial communication protocol even used today. During 1980, mainframe computer put in to use, leading to online banking which has flourished during 1990, where internet acted as a catalyst for growth. E commerce has taken its birth. Till global financial crisis in the year 2008, the era has shown technological developments like, computerization of internal processes, digitalization of communication with outsiders etc., happened.

Fintech 3.0: (Since 2008- present):

After global financial crisis, mind set of general public changed and developed systems to destruct traditional financial systems. The shift in the mind set paved a way for the new industry i.e, Fintech'3.0. Release of Bit coin, in year 2009, is a major technological advancement having high impact on financial world. It has led to development of different crypto currencies.

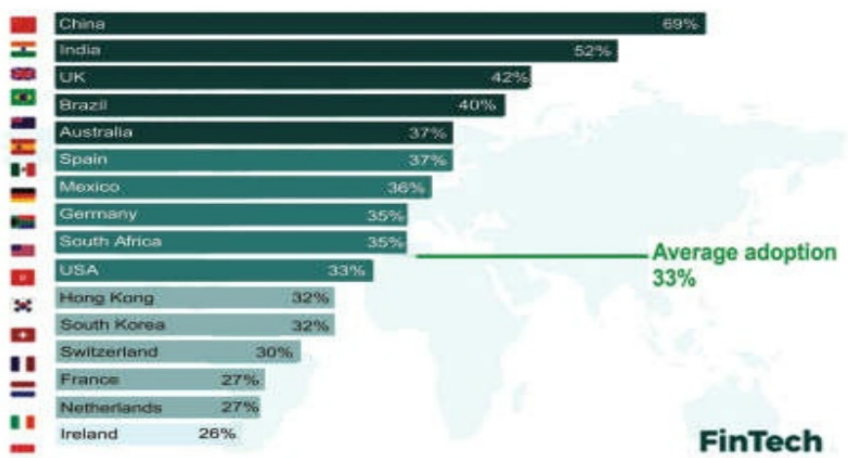
Another important factor, that is smart phone has penetrated in to mass market with access to internet for millions of people across the globe has changed the shape of Fintech.

Google valet in year 2011, followed by Apple Pay in year 2014 are the developments paved the way.

(A diagrammatic representation of Fin Tech terminologies over different periods)

(Source: https://www.linkedin.com/pulse/how-fintech-disrupting-retail-banking-space-ronal-shah-mba?articleId=6664098478370635777 dt.13.08.2021)

As of now, countries with highest usage of fintech are china followed by India with usage of 69% and 52% respectively followed by UK. Graphical representation showing adoption rate of fintech's in different countries is as shown below.



(Source: https://www.e-zigurat.com/innovation-school/blog/evolution-of-fintech/ dt.10.08.2021)

As technology has become evermore central in the financial environment, actually banks and fintech's, are fighting with each other to improve and protect their share in the market.

Fintech's being evolved with an objective to threat the traditional financial services & to grab the market at a faster rate. Because of tech solutions, the processes involved are nimble. Services will be offered to underserved population of the country at an affordable cost and in a faster way, thereby disrupt the traditional financial service market.

Fintech in the market:

Some evolving fintech in the financial service market are,

1. AFFIRM is offering short term loans to e commerce users, there itself on the site. It can take away larger share of business of credit card by traditional banks as it offers credit even to individuals with less or no credit history.
2. BETTER MORTGAGE, streamlining the home loan mortgage processes, through digital-only technology, by rewarding to users with verified pre approvals, within 24 hours of applying.
3. GREENSKY is acting as a bridge and linking banks and persons who intending home improvements and saves interest by offering zero interest loans during promotional periods.
4. TALA entered in to micro finance world, by offering credit to individuals with poor or less credit history by doing deep data analysis of the smart phone they are using for transaction history as well as seemingly un related things like what games user plays etc.,
5. Google pay, phone pay and Paytm etc., have changed the payment habit of the citizens. Due to their easiness in their operation, seamless and successful transactions, have penetrated in to Indian market and laid a platform for digital revolution in the financial market in the country.

Why retail credit is affected by Fintech's more than any other credit segment?

Retail credit, is a special kind of segment evolved in banks even centuries before. Tailor made products specifically to meet the consumer demands (End-use) - is a simplest definition for retail credit.

It is also known as personal credit because of its character,

in helping the individuals to meet the personal obligations, as most of the products are for consumption purpose.

- Growing consumerism in the country
- Growing young population
- 'Consume today pay for it later' attitude
- Simple product, to meet specific purpose
- Increased brand image
- Capital optimization are some of the features of retail products.

Services under Retail segment include, savings accounts, mortgages, personal loans, credit cards etc.,.

Growing disposable incomes, increase in literacy levels, higher adaptability to technology, Nuclear families are the driving factors for retail segment growth.

Simple product nature and widely available opportunities in the consumer market, making fintech's to enter in to financial service sector.

What is the effect of fintech on retail banking segment?

Fintech's started disrupting the retail segment since past few years. Some of the traditional banking products becoming obsolete due to deep penetration of fintech's in to maket.

Example:

1. Offering of easy EMIs on consumer articles on e-commerce websites, changed the format of consumer loan concept in the traditional banking segment.
2. Digital valets like paytm, Mobiquick have impact on by deposit held in the bank accounts
3. QR code enabled payment systems, became an alternative for traditional money transfer/POS transaction etc.,
4. Usage of Video KYC in account opening processes
5. E Rupi, an SMS or vochuer based, rupee backed asset, helpful for offline payment, a latest launch in direct benefit transfer activity to avoid broker or middle man while delivering government benefits.
6. Lot of Personal loan offering platforms gaining their momentum.

Interdependence of Fintechs and Banks:

Fintechs evolved as disruptors, by launching customer centric, easily adaptable products simultaneously with the rapid growth of smart phone technology, internet usage.

Fintechs' using latest technologies like, artificial intelligence, machine learning to assess consumer behaviour from the back ground itself. Emotions of consumer also being taken care while launching new products.

Funding is a major obstacle in the fintech evolution. Fintechs which are funded by banks and many banks chose this an opportunity as it helps the banks to penetrate deep in consumer market. Automation of different stages of lending with use of fintechs, viz., Lending automation solutions (Helping to handle credit from application register stage to finalisation of eligibility and sanction), online loan products like dial for a loan, credit at a single click, digital document execution, pre approved personal loan offerings and OTP based two factor authentications for e signing the documents etc., technologies increased customer experience.

What are the shortcomings from the banks side?

Increased competition from Fin Techs, and non traditional players: due to increased competition, even banks today concentrating on technologies. Customers are getting choice to compare between two different offerings.

Lack of personalisation: it is an open secret that even today, many of banks follows traditional practices, on the other hand Fin Tech start-ups capitalized on the technological innovation. As a result of which banks lose customer segment, especially those who are happy with Fin Techs.

Lack of security measures: is a serious concern. Even in today's open online banking environment, threats of cyber security breaches are immense. It has an impact in sharing of data during the processes of innovative technology implementation through outside agencies.

Possibility of Banks & Fin Tech partnership:

If banks and Fin Techs partner either by way of joint venture or venture in an alternative business,

1. Safe and secure transactions can take place
2. Tranctions happen at an ease
3. Regulatory support and RBIs incentives for increased customers experience are some of the expectations.

Leading Fin Techs in Indian Market:

- Instamojo
- Razorpay
- Paytm
- Policybazar
- Shiksha Finance
- Pine Labs
- Zest money
- ePay later are some of the leading Fin Techs in Indian market.

Impact of Fintech on Retail credit of traditional banks:

Customer centric products launched by using updated and modern technology is the main activity of a Fintech. It is finding loop holes in the lending activity by the Retail banks and coming up with solutions. Big data and new analytics capabilities are needed to extract value and personalize the customer segmentation and service in all unbundled segments. Most often by using artificial intelligence and machine learning techniques even they try to read emotions of consumers. This is creating extraordinary capabilities in software developments and changing the face of financial sector.

As the services are offered at the door steps, customer may perceive it as a good one even though the services are costly. Furthermore, due to use of technology, most of the services are cheaper than services offered by banks.

Opportunity cost, Turnaround Time in receiving the product or service, will play lead role in decision making process at consumer end.

Some of the above listed Fin Techs, have taken larger share in fund transfer ecosystem, and other are leading in providing personal and even MSME lending.

At the end!

No doubt, technology will definitely change, users experience in availing any kind of services, and financial services are not exempted from that. Technology helps to fill up the loop holes in the existing practices. In this paper we have seen the journey of Fin Techs, from 1.0 to 3.5, how rapidly the technological innovations changed existing practices. Start ups in Fin Techs posed so many challenges before traditional banks even questioning existence of banks. Due to regulatory concerns and shortage of funds for establishments of Fin Techs, they depend more on Banks. Tie up between banks and fintechs will solve problems of both.

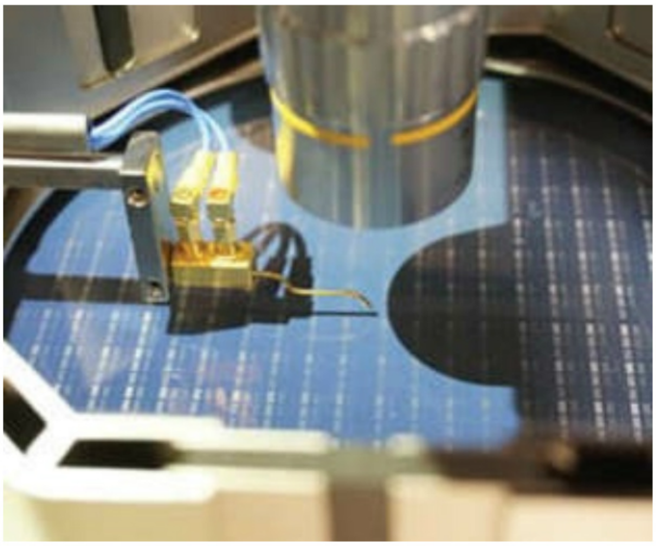
Banks and big tech giants may decide to expand internationally not via a universal bank model but by selecting the most efficient and streamlined vertical services.

For better customer experience and safety, fintech and banks act as two sides of a coin in the days to come.

'Sustained growth depends on how broadly you define your business- and how carefully you gauge your customer needs'- (Lines by Theodore Levitt, professor, Harward Business School in his article- Marketing Myopia).

Financial Institutions must and should tap the opportunities unveiled by Fintechs to gauge the customer needs, for mutual benefit & sustainable existence. ❑

GLOBAL CHIP SHORTAGE AND ITS RIPPLING EFFECT ON BANKS



The 2020-21 global chip shortage is a crisis in which the demand for integrated circuits is greater than the supply, affecting more than 169 industries and has led to major shortages. Global shortage of these tiny, essential microelectronics that make so many things smart and connected like cars, homes, electronic devices, and home equipment.

Thisglobal shortage of chips is now threatening to imperil the supply of another pretty indispensable item: the payment card that we use every day to make certain cashless transactions. These cashless transactions gained more popularity in Asian countries during COVID-19, due to contact less payment requirements.

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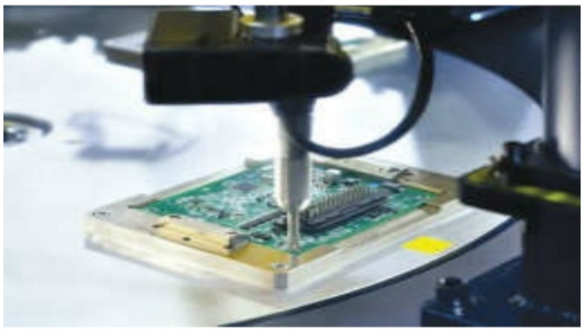
Root Cause of Shortage

The semiconductor market's issues began with an abrupt surge in demand last year for devices to keep us entertained and working remotely during the pandemic, but the pandemic forced chipmakers to shut operations last year. By the time they reopened, they had a backlog to fill. Thus created a wide demand supply gap. Thus various industries have been hit by major shortages such as PCs, laptops, mobiles, tablets, gaming consoles, but especially automobiles. Equipment manufacturers had to delay their production lines as there was not an adequate supply of chips. The impact on many industries are covered widely on various platforms but in coming days the world will see major effect on Banking Industry as well.

Impact on Banking Industry

- Every time a bank account opens, a payment card has to be issued; they also have to be renewed regularly after their expiration date and replaced in an emergency if they get lost or compromised. Chip-based payment cards are designed to prevent fraudulent practices such as card skimming and cloning with enhanced safety features. Our old credit and debit cards store our data on the magnetic stripe found on the reverse side of your card. This makes it easy for a fraudster to copy the data when we swipe the card. Chip-based payment cards, in contrast, store our data on a microprocessor chip embedded in the card.This means that the card generates fresh user data every time you transact.

- The Smart Payment Association (SPA), the trade body for the cards and mobile payments industry, three billion payment cards are produced and delivered around the world every year. Payment cards are used for 90% of non-cash-based transactions, and up to 60% of online payments are also supported by the precious plastic boards, including digital wallet solutions.The SPA has warned that the bottlenecks that are currently hitting the production of semiconductors is trickling down to some payment card manufacturers, who are facing difficulties securing the components they need to produce the items.
- Disruption in global chip supply can halt the issuance of up to 1bn payment cards over the next 18 months, with 347m cards at risk of not being issued in the second half of 2021 and up to 740m in 2022 because of "significant chip shortages", according to an ABI Research forecast.
- This Chip shortage is going to impact Internet services that helps Banking Industry to provide better customer service, as of 2020 nearly 1.9 billion individuals worldwide actively used online banking services with that the number forecast to reach 2.5 billion by 2024. Broadband providers are seeing delays of more than a year when ordering internet routers, becoming yet another victim of chip shortages choking global supply chains and adding challenges for millions chipset vendors, some of them tell me that they have something like overbooking of 300% of their capacity.



- SIM cards industry is also feeling the heat as vendors are confronted to semiconductor vendors allocating less chips than they need, thus jeopardizing their production, leading to extended lead times and growing costs. Also, the SIM card industry is evolving towards an increasing proportion of eSIMs, making forecasting even more difficult than before. This will impact mobile banking services.The number of mobile banking payments across India in fiscal year 2019 accounted for approximately 6.2 billion. This was tremendous increase compared to the previous fiscal year.
- Apart from above impacts the loan repayment cycle is also going to tumble as manufacturing industries which uses Chip are cutting down their productions. Recently Mahindra & Mahindra said," the company will be observing about seven 'No Production Days' in its automotive division plants in September, 2021, which is estimated to result in reduction in production volumes of the division by 20%-25%. The revenue and profitability will be impacted in line with the fall in production volumes. Thus the loan repayment will adversely get effected in addition to COVID-19 impact.

Why Can't we just produce more chips?

Indeed, semiconductor manufacturers have already announced investments in expansions and new factories that will increase supply. But those projects won't be completely finished until the end of 2022 at the earliest.

In that time, demand might fall and the immediate shortage might ease. "Just when the new factories come online, there's all this excess supply and then prices collapse and no one wants to build another factory for a while."

This dynamic can create a disastrous cycle for the industry: When suppliers stop building new factories, demand gradually grows until it falls in line with supply. At that point, small shifts in consumer demand can once again create big shocks to the supply chain.All this means that chip suppliers need to carefully plan their expansion, or else they risk producing a semiconductor glut in the next few years, which could be followed by another shortage. ❑

GROWTH OF FINTECH IN INDIA AND KEY SECTORS SHAPING ITS FUTURE

Introduction

From the traditional exchange system to the present online transactions, the history of financial services has been fascinating across the world. As the forms of exchange changed, so did the type of transactions performed by parties. From physical branch visits to banking using smartphones, it is a new era in digital banking technologies. Also, the generation of fintechs is offering various choices to perform online transactions through open banking, Neobanking, banking as a service, blockchain technology and many more.

Among the developing nations, India is one of the few countries making its name as a hub for innovative financial technologies. The future for fintech looks very promising and revolutionizing as India is becoming a torchbearer with its innovations in financial services like UPI, eRupi, CBDC, etc. The evolution of the payment services from the complicated transfer of funds of the past to instant and single-tap completion of transactions shows huge strides taken.

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Reasons for the tremendous growth of fintech in India

The fintech space in India has come a long way and is leading the industry trends like digital lending, cashless economy, InsurTech, RegTech, LendingTech, WealthTech including the trends like open banking, banking as a service, etc.

The main reasons for the steady growth are

- Technological capabilities
- Integrated and automated services
- Extensive reach
- Innovative products and services
- Right partnerships and collaborations

The regulatory backup and support have also contributed to the success of fintechs as the policy and guidelines are tweaked according to the changing times which resulted in their smooth and hassle-free establishment and functioning.The approach of respective regulators like RBI, IRDAI, SEBI, etc. providing sandbox environments and the government promoting digital programs resulted in a favorable atmosphere for fintechs to establish and thrive.

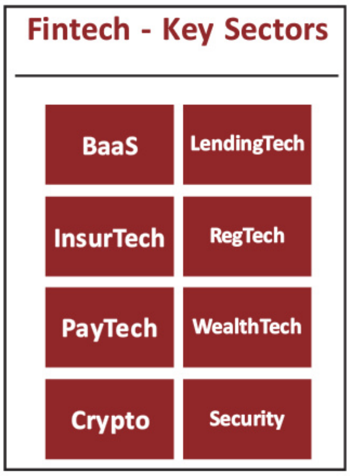
What are the key sectors shaping fintech?

Though the reasons for the rise of the fintech industry can be multifold like an increase in connectivity, affordability, the demand of the new generation, etc., the contribution of the key sectors in shaping its present and future is unmissable. As of today, the Payments and BaaS sectors dominate the fintech space in India and have a huge bucket of startups operating in these areas. The main reasons for this are the growing demand for digital and contactless payment methods and the requirement of simple and hassle-free banking solutions.

Key Sectors

Banking as a Service (BaaS)

The term BaaS refers to providing banking services digitally and offering products/ services by fintechs as opposed to traditional players like banks. It helps the third-party distributors who wish to provide banking facilities to their customers along with selling a product or service without charging any premium. This will help them achieve higher sales growth as the customer is willing to purchase if a loan facility is provided along with the sale.



For instance, when you are purchasing a costly electronic item, during the checkout if a loan is offered with multiple payment options like buy now pay later (BNPL), the chances of customers going for the purchase are higher. The fintech companies in this case help in the activities like customer onboarding through the KYC process, eligibility of the customer for the loan, background screening, credit score analysis and instant credit facilities. If we look at the above processes, it is a combination of activities that involves various fintech sectors like LendingTech, InsurTech, RegTech, PayTech, etc.

LendingTech

Innovation in credit and ancillary services is the forte of LendingTech companies that use technologies to enable personalized, hassle-free, seamless and quick credit facilities to their customers. Some of the bundled services include credit scoring, customer verification, instant loans, etc. The huge gap in the supply and demand of credit facilities in small and medium business sectors is catered by these LendingTechs by revolutionizing the way they envisage the products/ services. They use modern loan origination and management systems, seamlessly connect to credit bureaus with alternate scoring mechanisms to ease the flow of credit to the unbanked segments of the Indian economy.

Examples include PineLabs, MoneyTap, ZestMoney, LendingKart, InCred, etc.

InsurTech

The success of fintech saw tech companies making inroads into other sectors like insurance and providing customized and customer-centric insurance products online using cutting-edge technologies. The services include product personalization, underwriting services, claims, etc.

Examples include Acko, Policybazaar, Easypolicy, etc.

RegTech

As the name suggests, it deals with the Regulation technology companies that use technology to help regulatory and compliance aspects that are to be mandatorily adhered to depending on the place and type of business to ensure smooth and streamlined continuity. The type of services includes identity verification, tax/ AML/ KYC compliance, risk management and fraud detection tools that are automated to comply with the extant regulatory requirements.

Examples are ClearTax, Enforcd, Elliptic, etc.

PayTech

Short for Payment Technologies, this segment covers the products and services such as prepaid instruments, QR code payments, payment aggregator services, point of sale, unified payments interface, etc. These services are offered in collaboration with the card associations, payment gateways and through API-enabled services.

The list of these fintechs is substantial and includes firms such as Cashfree, CCAvenue, Instamojo, PayU, etc.

WealthTech

Wealth management is also one of the sectors that have contributed to the growth of the fintechs that are helping high net-worth individuals and institutions to invest prudently by providing extremely personalized suggestions based on customer goals and risk appetite. They offer expert investment advisory in wealth management, mutual fund investment, other alternate investment platforms to suit the needs of the individual customer.

Examples are Zerodha, INDWealth, Upstox, etc.

Conclusion

The fintech ecosystem in India is largely led by the payment technology companies that made transacting through smartphones a layman's technology. The traditional financial service enablers like banks are also staking a claim in this technological journey either by direct involvement or through collaborations with the established fintechs deriving mutual benefit in terms of revenue and customer satisfaction. ❑

Payment system operators to report fraud on RBI's DAKSH from Jan 1

In order to streamline reporting, enhance efficiency and automate the payments fraud management process, the RBI said the fraud reporting module will be migrated to DAKSH --- the Reserve Bank's advanced supervisory monitoring system -- from January 1. The RBI operationalised the Central Payments Fraud Information Registry (CPFIR) in March 2020 with reporting of payment frauds by scheduled commercial banks and non-bank Prepaid Payment Instrument (PPI) issuers.

"...entities shall commence reporting of payment frauds in DAKSH from this date (January 01, 2023)," the central bank said in a circular.

In addition to the existing bulk upload facility to report payment frauds, DAKSH provides additional functionalities, like a maker-checker facility, online screenbased reporting, an option for requesting additional information, the facility to issue alerts/ advisories, generation of dashboards and reports.

All RBI-authorised Payment System Operators (PSOs) / providers and payment system participants operating in India are required to report all payment frauds, including attempted incidents, irrespective of value, either reported by their customers or detected by the entities themselves, it added.

This reporting was earlier facilitated through Electronic Data Submission Portal (EDSP) and is being migrated to DAKSH.

After going live, payment fraud reporting in DAKSH effective January 01, 2023, entities shall not be able to report any payment frauds in EDSP, the central bank said.

The responsibility to submit the reported payment fraud transactions shall be of the issuer bank/PPI issuer/credit card issuing NBFCs, whose issued payment instrument has been used in the fraud," the RBI said.

MICRO FINANCE IN INDIA-EMERGING CHALLENGES

Introduction:

Microfinance in India can be traced back to Self Help Group - Bank Linkage Programme (SBLP) which was started as a pilot project in 1992 by National Bank for Agricultural and Rural Development (NABARD). Later, the SBLP proved to be successful for building financial and technological capabilities in rural India In the 1990s, microfinance gained prominence when Reserve Bank of India (RBI) recognized it as a new paradigm with immense potential and supportive of its growth.

In 2015, a vision document for financial inclusion was prepared by RBI. Thereafter in 2020, RBI came out with National Strategy for Financial Inclusion (NSFI) for India 2019-2024, which suggests the measurement of financial inclusion by considering three dimensions namely, access, usage and quality. While the micro finance sector grew over the years, certain inadequacies and failures were observed in micro finance. For instance, Andhra Pradesh micro finance crisis in 2010 was attributed to lack of due diligence in lending and unethical recovery practices. And, over-indebtedness of the borrowers led to difficulties in repayments and forced recoveries by some of the MFIs. In the wake of the growing number of irregularities in micro finance, in 2021, RBI introduced a comprehensive regulatory framework for NBFC-MFIs.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Recent Regulatory Framework:

The present Framework for Regulation of Microfinance which mandates all lenders to have a board approved policy on all-inclusive interest rate charged to the micro finance borrowers and disclose minimum, maximum, and average interest rates charged by them. It does not permit more than two NBFC-MFIs to lend to the same borrower and, there is also a ceiling on amount to be lent to a borrower. And, the payment of interest and repayment of principal for all outstanding loans of the household at any point of time should not be more than 50 per cent of the household income. To avid harsh recovery which is observed when the borrower is unable to repay his loan due to several external reasons, the Framework insists on all other lending institutions to extend the collateral free nature of micro finance loans as observed in NBFC-MFIs.

More importantly, it defines NBFC- MFI as a non-deposit taking NBFC whose minimum Net Owned Funds should be of Rs.5 crores and, in the North Eastern Region, the same should be Rs 2 crores. In the same way, micro finance loan is also defined as a collateral-free loan given to a household having annual household income up to Rs.3 lakhs. Regarding prudential norms, all new NBFC-MFIs should maintain a capital adequacy ratio, consisting of Tier I and Tier II capital, of not be less than 15 percent of the aggregate risk weighted assets. And, the total of Tier II capital at any point of time, should not exceed 100 percent of Tier I capital. All other provisions of the prudential norms of Non Deposit taking NBFC are also applicable to NBFC-MFIs.

Further, all NBFC-MFIs should maintain an aggregate margin cap of not more than 12 percent and, interest on individual loans should not exceed 26 percent per annum, calculated on a reducing balance basis. Processing charges should not be more than 1 percent of gross loan amount. Further, there should be fair practices in lending by observing transparency in interest rates and avoiding multiple-lending, over-borrowing and ghost-borrowers. More importantly, they should adopt non- coercive methods of recovery. Having micro finance being well regulated, it is worth examining its performance.

Performance Review:

In India, micro finance is provided by various lending institutions viz., scheduled commercial banks (SCBs), regional rural banks (RRBs), cooperative banks, non-banking financial companies (NBFCs), small finance banks (SFBs) and micro finance institutions (MFIs). Among these, registered MFIs as NBFCs, called NBFC-MFIs, seem to be more active in providing micro finance. As per the Report on Trend and Progress of Banking in India 2021-22, Reserve Bank of India, MFIs operate in 570 districts of 29 States and Union Territories.

Indian micro finance sector has witnessed phenomenal growth over the years in terms of increase in both number of lending institutions providing micro finance as also the quantum of credit made available to the micro finance customers. As on March end, 2020, there were as many as 187 lending institutions which provided micro finance amounting to Rs. to 2.27 lakh cores. Among the lending institutions, the share of SCBs and NBFC-MFIs in the total micro finance is more than 70 per cent . And, more than half of the total micro finance is provided in five states including Tamil Nadu, Bihar, West Bengal, Karnataka and Maharastra. Lending institutions also provide indirect finance to Self Help Groups (SHGs) and Joint Liability Groups (JLBs) for on lending which are known for micro financing.

In this regard, the NABARD document entitled," Status of Micro Finance in India 2021-22", shares the latest data relating to the SBLP which now covers more than 119 lakh SHG groups and 14 crore families. These SHGs mobilized cumulative savings of Rs. 47,240 crores as on March end, 2022. The credit linkage is also impressive when 34 lakh SHGs have been credit linked during 2021-22 as against 29 lakh groups in 2020-21.

Further, micro loans worth Rs. 99,729 crores were disbursed. The loan outstanding as on 31 March, 2022 stood at 1,51,051 crores provided to 67.40 lakh SHGs with an average loan amount of Rs.2.24 lakh per SHG. In addition, a total of 188 lakh JLGs were formed and credit linked and, cumulative loan disbursed to JLGs remained impressive with Rs. 3,25,937 crores as on 31 March, 2022. Despite impressive performance SHGs and JLGs, there are challenges by way of a huge credit gap being as high as 43 per cent and, regional disparities still exist.

In this context, banks are expected to open more and more

branches particularly in rural areas. But, the number of branches newly opened by SCBs in villages with less than 5000 population declined from 693 in 2017-18 to 346 in 2020-21. Even in urban areas, the number of branches has come down steeply during the above period. Also, the number of newly opened branches in Tier 1 and Tier 2 centres with population of more than 50,000 reduced from 2053 in 2017-18 to 1800 in 2020-21.

Despite decline in the number of new branches, banks are still in a better position to promote micro lending by depending more on digital banking and by appointing more and more Banking Correspondents (BCs). to render banking services in villages. Regarding business activities of the micro finance sector, loans disbursed by SCBs to SHGs during 2020-21 fell down by 25.2 per cent as compared to a growth of 33.2 per cent a year ago. In the same way, micro-credit disbursements to JLGs and MFIs by SCBs also contracted by in 30 per cent during the same period. The decline in loan disbursement by SCBs was on account the pandemic when there was loss of production, income and employment at the national level.

Hence, RBI announced a resolution plan as a relief measure to stressed MSMEs and small individual borrowers during the pandemic. Such resolution plan includes rescheduling of payments, conversion of interest accrued into another credit facility, revision in working capital sanctions, granting of moratorium etc. It is happy to note that, there has been a good pick in lending to micro finance sector during the post pandemic. In the coming years, there is enough potential for micro finance in the country.

Emerging Business Potential:

During the recent past, a major demographic change is taking place in the country when lower class working population is aspiring to grow into the middle class with the support of institutional credit. This working population would need micro finance for purposes of consumption, initial investment to start small business, working capital, housing, etc.

These would also like to avail of other financial services such as savings, remittances, micro-insurance, micro-pensions etc. Further, FinTechs are coming up in a big way in the country which will assist in designing suitable financial products that cater to specific needs of the financially excluded population and provide them activities like digital on-boarding.

Similarly, collaboration between MFIs and FinTechs will help in mining customer and transaction related data, cross-sell products, introduce new customer-centric products & services, and streamline operations. Such collaboration will facilitate in promoting the digital literacy of customers in getting access to micro finance. Further, formal and informal data are becoming available in the micro finance in the form of digital footprints by low income customers who also transact on e-commerce platforms and use the internet. These digital footprints are being used by leading banks and online lending firms to provide loans to individuals and small enterprises.

In the same way, One more development is observed when leading e-commerce companies tie up with banks and NBFCs to offer working capital loans to their suppliers at competitive terms. Most of such borrowers are small entrepreneurs. Besides, the cost of credit for the micro and small enterprises will decrease significantly as lending will shift from collateral-based to cash flow-based. To tap these business opportunities, the micro finance sector needs to perform certain tasks.

Tasks Ahead:

The core strength of micro finance lies in understanding the credit needs of the customers first and then offer them financial products. Customers of micro finance institutions generally have lower level of financial awareness and, therefore, they are often too desperate. Consequently, , they depend on non-institutional sources of credit. In this context, there is a felt need on the part of lending institutions to strengthen their efforts to educate poor people regarding micro finance related matters.

Towards this end, RBI has taken certain initiatives. To elaborate, it has scaled up the Centre for Financial Literacy (CFL) project by establishing 1,107 Centres for Financial Literacy, besides helping in the inclusion of financial education in the school curriculum. It is also planning to strengthen the eco-system for digital financial services that will support provision of the last mile access and expand the bouquet of financial products at affordable cost with ease of use. Similarly, to reduce operational and profit margin in micro lending, technology has a key role to play to reduce operational cost.

It is also observed that microfinance lenders, who are early adopters of technology, are using customer data for various purposes including designing tailored financial products, automating the processes for customer on-boarding, improving the credit monitoring process by getting early warning signs of stress in loan portfolio and enabling digital modes of loan and other payments. A few FinTechs are also designing apps that are vernacular and aid customer interaction through voice and chat conversations, thereby making them customer friendly, intuitive and easy to use. But, the challenge before lenders is to make micro finance activity more technology based, which calls for initial huge investment.

Hence, many micro finance lenders have already started entering into partnership with FinTech firms for delivery of services and sourcing of customers on line. While the use of technology is encouraged, the customer protection is another challenge for lending institutions. During the pandemic, there was loss of livelihoods and hardships, calling for a push towards financial inclusion and micro credit for vulnerable and disadvantaged sections of the society who were worst affected. Hence, the major challenge before micro finance is to take care of financial needs of poor people and small enterprises by providing them adequate, timely and hassle free credit during post pandemic. The other tasks before micro institutions include revamping of the risk management systems, improving the skills of the field level staff and institution of an effective grievance redressal system.

Conclusion:

Towards promotion of financial inclusion in the country, banks and NBFCs assume an important role in providing direct finance to small borrowers and also indirect finance to SHGs, NBFC-MFIs and JLGs for on-lending. While financing SHGs by banks and NBFCs, women could become owners of assets, have an increased say in decision making and lead dignified lives. In the coming days, the focus of lending institutions would be on digital micro finance to broaden their client outreach to reduce concentration risk.

But micro finance sector experiences certain concerns such as lack of due diligence in lending, over-indebtedness of the borrowers and forced recoveries. Hence, RBI came out with a regulatory framework for NBFC-MFIs in 2011 for the first time which was revised subsequently.

The present RBI regulatory framework covers eligibility criteria for micro finance loans, transparency in interest charges, methods of recovery, measures to contain multiple lending and over-indebtedness, minimum capital adequacy ratio, disclosure of interest etc. In addition, Small Industrial Development Bank of India (SIDBI) provides a hand holding support to lending institutions regarding credit scoring methods, predicting probability of default, hosting an ecosystem and, creating an infrastructure to reduce the turnaround time and provide customer-centric products with robust risk mitigation.

Due these initiatives, both the number of lending institutions providing micro finance and amount of credit have grown up considerably. But, during the pandemic, growth in lending to SHGs, MFIs and JLGs for on-lending to micro borrowers suffered, and, therefore, RBI initiated further steps by announcing rescheduling of payments, conversion of interest accrued into another credit facility, enhancement in working capital limit etc. Fortunately, during the post pandemic, there has been a good pick up in the economy.

In the coming years, there will be enough business opportunities for the micro finance sector. For this purpose, there is a need to make micro finance more digital, promote financial literacy, strengthen risk management systems, up-grade skills of the field level staff and install an effective grievance redressal system. When lending institutions will move in this direction, they shall remain more friendly to the society at large and assist in stepping up inclusive growth in the country. ❑

NEED FOR A HOLISTIC AND A HUMANISTIC TRAINING NEED ASSESSMENT (TNA) SYSTEM IN PSBS

Training needs assessment is a robust mechanism that involves stakeholders from all level of the Bank identifying, analyzing and fixing the training needs of the employees.

With the emergence of Fintech companies, many banking processes has become obsolete over the past decade and many processes are in line to become obsolete in the days to come. AI, Machine learning, big data analytics is going to devour and change the face of the entire banking system in the days to come.

Traditional training needs assessment was done at a single level using the top-down approach where few members sitting in the conference room and employees at managerial level where taking note of the training needs of the employees and deciding what was to be included and excluded from a training program.

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Recommendations made by committee on capacity building:

The report submitted by Financial Sector Legislative Reforms Commission in March 2013 to the Government of India emphasized on institutional capacity building as a measure to reduce Systemic risk in the financial system. The committee report stated "If the three pillars of financial regulation would work well, many of the crises of the past, and hypothetical crisis scenarios of the future, would be defused. Systemic risk in India will go down if institutional capacity is built for the problems of consumer protection, micro-prudential regulation and resolution."

To implement FSLRCs Non-legislative recommendations, Reserve Bank of India constituted a committee on capacity building which submitted its report in July 2014. The committee has recommended a six-step process for Skill development. In the six steps process, the committee has addressed the need for TNA in its first two steps which states 1. Identification of Business Objectives and learning objectives for the year commences with prime focus on the following question- "what are the specific areas of operations in the organization which need to be developed and how to meet the skill gap?" 2. Once skill development requirements are derived from the business context, the next stage is to identify people matching the role and to identify their development requirements.

The report also suggests that the identification can be done through a skill mapping/assessment exercise or recommended sourcing/self-assessment. It further recommends that sourcing can be done through the supervisor/ talent review committee; analysing performance reports of employees; Self-assessment - Where the employee himself offers his nomination.

The committee has further recommended that "Assessing specific training needs should not exclusively be based on performance appraisal. The training needs have many sources and dimensions. Training is not only to bridge performance gaps but also for building alternate and new capabilities to prepare someone for other roles lateral or next level. Training needs analysis needs to be broader based and comprehensive instead of revolving around performance appraisal alone."

Aftermath:

Following the suggestions made by the committee on capacity building, PSBs have made course corrections and made training need assessment more inclusive by including the opinion of ground level employees in assessing the training needs. Training need assessment become a two-way mechanism where opinion was gathered both from the top level and bottom level in order to assess the training needs. Few PSBs have made self-assessment of training needs and self-nomination for training a part of TNA process.

Efforts were taken to include in policy frameworks the need to capture the training needs of the employees from various areas including comments received in the audit reports, compliance reports and performance appraisals of the employees. Policy frameworks of few PSBs also mentions the need for using AI and Big data analytics in assessing training needs.

Critical Assessment of TNAs in Banking system:

Every bank has its own training system in place and every bank has its own TNA mechanism. Most of the TNA systems of PSBs copy the western models. The mostly widely used TNA models are aligned towards McGhee &Thayer's three level analysis Model and Goldstein Model.

It almost captures the opinion of every stake holders that include the Board Members, Executives, Managers and field functionaries before deciding a training program.

The external changes that are happening is captured mostly by the board and the higher management. The training gap that arises due to external changes are equally captured by the managers too. This helps achieve the organizations goals or at least help align the employees towards organization goals.

The task level deficiency and knowledge gap that is created due to any changes are captured by the managers or the appraisal systems.

However, there will be specific requirements from the employees that will not be captured unless and until the employees open up by themselves. Every employee has a different level of career aspirations and every employee has a different development goal. If those development goals cannot be aligned with organization goals there will be a gap that can never be filled.

The bridge between the organizations goal and Job roles of the employees are to be bridged with the personal development goals of the employees. Otherwise there will be room for growth, but there will be no room for excellence.

A simple issue that is persisting in PSBs is the lack of career aspiration among employees and PSBs and there can be a training intervention that can fix the issue to an extent, however no TNA model is able to measure the needs of those three set of employees

1. Employee without career aspiration and lacking required skillsets
2. Employees without career aspirations and with required skills
3. Employees without career aspirations due to lack of skill sets

Employees with career aspiration and with skills and without skills will pronounce their specific training needs openly and it can be captured easily. They can be upskilled and groomed.

Employees without career aspirations, lacking skills, least motivated and with no skills are a tough lot as they have the potential of thwarting all the organizations effort to achieve excellence. Employees without career aspirations and with skills will not cause any visible damage to the bank's needs, but they have the potential of destroying themselves and will be an invisible demotivating element preaching complacency to the aspiring candidates.

This will be one unique challenge to PSBs that private organizations will not face. How are we going to activate the employees without career aspirations to align with the organization need for excellence?

Also, no training needs assessment system has effectively attempted to capture and bring in the voice of the most important stakeholders, the customers, into the TNA process. Banking industry which dwells mostly on satisfied customers had never turned its vision towards capturing the assessments of customers. They are the receivers of our service. They are receivers of services from various other organizations. Who can be a better judge than them.

This leads to the next challenge on how customers need can be imbibed into TNA system and calls for a unique TNA system.

Need for a unique TNA system:

A motivated employee and a career aspirant can be skilled, reskilled, upskilled and groomed in order to match organizations need as they are ready to align themselves to their Job roles and organizations goals.

An employee who is reluctant to participate or align themselves to organization goals will give us a tough job as they have taken their positions for many reasons we are not transparent.

Todays TNA either makes its assessment inside glass rooms or with the help of machines and software programs. It doesn't make the assessment by reaching its employee and asking straight forward questions like 1. This is your position? And why do you think you are here? 2. How long have you decided to stay here? 3. When are you planning to move forward? 4. What stops you from moving forward? 5. Can we be of any help?

Though these are not the standard questions that one has to ask. The idea behind the questions are to emphasize on a holistic humanistic approach towards assessing training needs.

The same thing applies to capturing the lacking and lagging points in customer service from customers perspectives. A customer has multiple touch points inside the banking system and his experience varies in each touch point and he will definitely have a genuine feedback that he withholds with himself. How are we going to capture it? There are humpty customer satisfaction studies, but there is no study to see what training can mend an employee customer relationship before it becomes a grievance.

Today organizations are ready to deploy millions in rupees to deploy AI and Data analytics to capture training needs of the employees based on western models. Does it have a robust mechanism to reach its employees and customers beneath their comfortable points and ask serious questions, understand them and then draft plans? If not, it is time to have a serious introspection on how to assess training needs of PSBs workforce with models that are India specific. ❑

COMPRESSED BIOGAS (CBG) SCHEME: A STEP TOWARDS SUSTAINABLE FUTURE

Introduction:

India is among the fastest growing economy in the world and its energy consumption is slated to increase rapidly. According to the Ministry of Petroleum and Natural Gas (MoP&NG) estimates, India has a total reserve of 763 Million Metric Ton (MMT) of crude oil and 1,488 Billion Cubic Meter (BCM) of natural gas. The country currently imports nearly 77% of its crude oil requirements and about 50% of natural gas requirement, leading the Government of India to set a target of reducing this import by at least 10%. Further, it has set a target of increasing the contribution of gas in India's energy mix from existing 6.5% (global average is 23.5%) to 15%.

Hon'ble Prime Minister has given the following four pillars of our vision of India's energy future - energy access, energy efficiency, energy sustainability and energy security.

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Waste / Bio-mass sources like agricultural residue, cattle dung, sugarcane press mud, municipal solid waste and sewage treatment plant waste, etc. produce biogas through the process of anaerobic decomposition. The biogas is purified to remove hydrogen sulphide (H2S), carbon dioxide (CO2), water vapor and compressed as Compressed Biogas (CBG), which has methane (CH4) content of more than 90%.

CBG has calorific value and other properties similar to CNG and hence can be utilized as green renewable automotive fuel. Thus, it can replace CNG in automotive, industrial and commercial areas, given the abundance biomass availability within the country.

Biogas:

Biogas is an energy-rich gas produced by anaerobic decomposition of biomass. It is produced from waste / bio-mass sources like agriculture residue, cattle dung, sugarcane press mud, municipal solid waste, sewage treatment plant waste, etc.

Biogas, a renewable fuel, constitutes mainly of methane (60%), carbon dioxide (40%), and traces of hydrogen sulfide. It can be burned directly as a fuel or purified & upgraded by removing carbon dioxide (CO_2), hydrogen sulphide (H_2S) and compressed to make Compressed Biogas (CBG). The CBG has methane content of more than 90%, which is similar to the commercially available natural gas in composition and energy potential.

Compressed Biogas (CBG):

CBG or Compressed Biogas consists of mainly methane (more than 90%) and other gases like carbon dioxide (less than 4%), etc. CBG is produced by anaerobic digestion of biomass and waste sources like agricultural residue, cattle dung, sugarcane press mud, municipal solid waste, sewage treatment plant waste, etc. This Biogas can be purified to remove hydrogen sulphide (H_2S), carbon dioxide (CO_2), water vapor and when this purified biogas (methane content more than 90%) is compressed to maximum 250 bar and filled up in cascades (group of high pressure cylindrical vessels), it is called Compressed Bio Gas or CBG.

Ministry of Road Transport and Highways, Government of India had permitted usage of bio-compressed natural gas (bio- CNG) for motor vehicles as an alternate composition of the compressed natural gas (CNG).

Compressed Biogas (CBG) produced from the CBG plant will be retailed through the CBG dispensing unit set-up by the Oil Marketing Companies within the radius of 25 kms. CBG supplied under SATAT scheme shall meet IS 16087:2016 specifications.

Sustainable Alternative Towards Affordable Transportation (SATAT) Scheme:

'SATAT' scheme on Compressed Biogas (CBG) encourages entrepreneurs to set up CBG plants, produce & supply CBG to Oil Marketing Companies (OMCs) for sale as automotive & industrial fuels.

India is among the fastest growing economy in the world and its energy consumption is slated to increase rapidly. India's dependence on fossil fuels for its energy needs has two major concerns i.e. a growing import bill and the carbon emission. The country now imports close to 85 per cent of crude which roughly translates to 45% of primary energy demand and this is only going to go up in the near future. This trend has huge implications for energy security of the country. Government of India has set a target of reduction in import dependence by 10% from 2015 to 2022.

'SATAT' (Sustainable Alternative Towards Affordable Transportation) scheme on Compressed Biogas (CBG) was launched by Hon'ble Minister, Petroleum & Natural Gas on 1.10.2018. The scheme envisages to target production of 15 MMT (million tons) of CBG by 2023, from 5000 Plants. Under SATAT scheme, entrepreneurs shall set up CBG plants, produce & supply CBG to OMCs for sale as automotive & industrial fuels. The initiative aims to produce compressed biogas (CBG) from Waste and Bio-mass sources like agricultural residue, cattle dung, sugarcane press mud, Municipal Solid Waste (MSW) and sewage treatment plant waste.

PSU Oil Marketing Companies (OMCs) is inviting Expression of Interest (EoI) from potential entrepreneurs to set up CBG plants under SATAT scheme, and supply CBG to OMCs for sale as automotive & industrial fuel. The CBG Plant Owner shall be responsible for planning, preparation, engineering and execution of the project, including storage of raw material, operation and maintenance of the plant, maintaining final product output quantity and quality and managing the by-products & wastes from the plant as per existing central / state norms."

As a developing country, India requires more energy to progress as a nation and hence, it is important to meet the growing energy demand in a responsible manner. SATAT, by producing CBG from wastes, would not only meet the growing energy demand in a responsible and eco-friendly manner, but also contribute to India's commitment to GHG emission reduction.

It will also help to bring down nation's dependency on natural gas and crude oil imports and act as a buffer against crude oil and gas price fluctuations. The decentralized system also provides a huge opportunity to supply CBG in remote locations where the affordability and access to modern energy is still a major challenge. CBG produced can be integrated with existing Gas networks such as city gas distribution (CGD) networks to boost supplies to domestic and retail users in existing and upcoming markets. Integrating with existing Gas network would further ensure efficient distribution and optimised access to cleaner and more affordable fuel.

Benefits of the scheme:

Conversion of agricultural residue, cattle dung and municipal solid waste (MSW) into CBG in a commercial scale is expected to have the following benefits:

- Import reduction of natural gas and crude.
- Utilization of agricultural residue, cattle dung and MSW for the production of CBG and thus to achieve reduction in emissions and pollution.
- A boost towards fulfillment of National commitments in achieving climate change goals.
- Providing a buffer against energy security concerns and crude/gas price fluctuations.
- Contribution towards Swachh Bharat Mission through responsible waste management
- Lowering pollution and carbon emission.
- Providing additional source of revenue to the farmers, rural employment and amelioration of the rural economy

Enablers of the scheme:

Assured Long term Pricing:

Ministry of Petroleum and Natural Gas provides support for CBG projects under Sustainable Alternative Towards Affordable Transportation (SATAT) in the form of assured offtake of CBG @Rs. 46/ Kg by Oil Marketing Companies.

An Expression of Interest (EOI) to procure CBG by Indian Oil was released under the SATAT scheme on 1st October 2018. As per the EOI, the price offered for CBG by Oil & gas companies is as follows:

Price of CBG meeting IS 16087: 2016 standards, compressed at 250 bar and delivered at Indian Oil Retail Outlets in cascades: Rs.46/- + GST/kg.

Facilitation by OMCs through Letter of Intent (LOI):

- Oil & gas companies shall facilitate Plant owners in design, erecting, construction, commissioning of the CBG Plants.
- Oil & gas companies will off-take and market the CBG produced.
- Oil & gas companies will also facilitate marketing of Bio-manure produced from the CBG Plants. For facilitating the same, Indian Oil has entered into MoU with National Agricultural Cooperative Marketing Federation of India Ltd. (NAFED).
- Oil & gas companies are entering into MoU with State Governments for facilitating CBG plants. Indian Oil has entered into MoU with Government of Punjab and Government of Haryana for facilitating setting up of CBG Plants. Execution of similar MoU also being explored with State Governments of Chhattisgarh, Uttar Pradesh and Andhra Pradesh.

Priority Sector lending:

As per the revised Priority Sector Lending (PSL) guidelines issued by Reserve Bank of India (RBI) dated 04th September 2020, Loans for setting up Compressed Biogas (CBG) plants have been included as fresh categories eligible for finance under priority sector, which would enable better credit penetration for setting-up CBG plants.

Fertilizer control order:

To promote the manure produced from CBG plants, Fermented Organic manure (FOM) and Digested Biogas Slurry have been included under Fertilizer Control Order (FCO) 1985.

Opportunities to finance under the scheme:

- As per information provided by Ministry of Petroleum and Natural Gas, Govt of India, it is planned to roll out 5000 CBG plants across India in phased manner by 2025. The Oil and Gas Marketing companies are issuing Letter of Intent (LOIs) to entrepreneurs for setting up CBG Plants.
- Reserve Bank of India in its master directions on Priority Sector lending has classified CBG projects under Agriculture (Infrastructure Activities).
- Looking in to emerging opportunities for the banks to finance CBG projects over the next few years, Bank have designed new product to establish CBG units.
- The scheme is promoted by the Government and backed by Capital subsidy and it is the responsibility of the Bank to mobilise the scheme towards successful implementation to reach the Governments' goal.

Sources of funding for Compressed Biogas plants:

Bank loans under Priority Sector Lending:

Loans to entrepreneurs for setting up Compressed Bio Gas (CBG) plants have been included under Priority Sector Lending (PSL) under Agriculture Infrastructure. Loans for agriculture infrastructure will be subject to an aggregate sanctioned limit of Rs. 100 crore per borrower from the banking system. Assessment of the credit facilities will be done as per Banks' extant guidelines.

Central Financial Assistance (CFA) provided by MNRE:

Ministry of New and Renewable Energy provides capital subsidy for Compressed Biogas (CBG) projects under "Programme on Energy from Urban, Industrial, Agricultural Wastes/Residues and Municipal Solid Waste".

As per the revised guideline dated 28th February 2020, the scheme is extended till 31st March 2021 or till the date the recommendations of 15th FC come into effect.

Details of MNRE subsidy for CBG projects (as per the latest guidelines) are as follows:

Product	CFA	Description
BioCNG / Enriched Biogas / Compressed Bio Gas	Rs 4.0 Crore per 4800 kgs of BioCNG/ day generated from 12000 m3 Biogas/day (Mweq) with a maximum CFA - Rs 10 Crore/project	● Upcoming Biogas plants, which produce BioCNG / Enriched Biogas Produced from Biogas generated through biomethanation of Urban waste including segregated MSW/ Agricultural Waste / Industrial wastes / Effluents or mix of these wastes, are eligible for this financial assistance. ● In case developer wants to set up BioCNG/Enriched Biogas generating unit at already existing Biogas plant or at distillery effluent-based Biogas plant, applicable CFA will be Rs 3.0 Crore/MWeq

Convergence with Agriculture Infrastructure Fund Scheme:

CBG plant is included as eligible project of Agriculture Infrastructure Fund (AIF) under building community farming assets subject to condition that CBG plants may be established by eligible beneficiaries of AIF like PACS, Marketing Co-operative Societies, FPOs, SHGs, Multipurpose Cooperative Societies, Agri-Entrepreneurs, Startups and projects promoted by Central/ State/ Local governments or their agencies under PPP and can avail the benefits under AIF scheme.

Interest Subvention under AIF scheme:

Loans under AIF financing facility will have interest subvention of 3% per annum up to a limit of Rs. 2 crores. This subvention will be available for a maximum period of 7 years. In case of loans beyond Rs.2 crores, then interest subvention will be limited up to Rs. 2 crores.

Credit Guarantee under AIF scheme:

Credit guarantee coverage will be available for eligible borrowers from this financing facility under Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE) scheme for a loan up to Rs. 2 crores. The fee for this coverage will be paid by the Government. In case of FPOs the credit guarantee may be availed from the facility created under FPO promotion scheme of DACFW.

Assured offtake of CBG:

Ministry of Petroleum and Natural Gas provides support for CBG projects under Sustainable Alternative Towards Affordable Transportation (SATAT) in the form of assured offtake of CBG @Rs. 46/ Kg by Oil Marketing Companies.

Major Steps Involved:

Expression Of Interest:

An Expression of Interest is floated by Oil & Gas Companies every month. Each EOI is open for a stipulated time period of 30 days. Once an EOI is closed, another EOI is floated in the next month. In the application, applicant shall put location of the proposed/existing plant's location as well as expected CBG Production Capacity. Applicants are free to propose more than one CBG Plant under one application.

The minimum designed capacity of a single CBG Plant to participate in SATAT programme is 2.0 Tonnes Per Day (TPD) of CBG. The application shall be submitted through e-tendering portal and hence, the applicant shall have a valid Digital Certificate for entering details in the e- tendering portal.

Letter of Intent:

EOI Submission is followed by evaluation of EOI on a predefined set of parameters, upon qualification of which applicants are issued Letter of Intent by respective Oil & Gas Company.

Retail Outlet selection and readiness:

After acceptance of LOI, the applicant shall submit a bank guarantee, to safeguard investment of OMCs towards retailing of CBG.

- For Parties having existing Plant producing Biogas / CBG (as on date of application), who have applied for the LOI, a bank guarantee amount of Rs. 1 lakh per CBG Plant, to be obtained within one month after issuance of LOI
- For new Parties, who are to set up Plants, a bank guarantee amount of Rs. 5 lakhs per CBG Plant, to be obtained within one month after issuance of LOI
- Upon successful submission of Bank Guarantee, depending upon the CBG Plant location, the respective state office is intimated about the LOI Holder, and with mutual consent between the LOI Holder and the concerned Office, Retail Outlets are finalised. The number of ROs allocated depends upon the proposed CBG Production capacity and the location of ROs allocated depends upon the location of proposed CBG plant.

Signing of Commercial Agreement:

Upon successful allocation of RO, a commercial agreement is executed between Oil & Gas Company and LOI Holder. The Commercial Agreement includes plant location, initial production capacity, RO allocated as well as details of the pricing model to be followed.

Sale of CBG through RO:

The RO infrastructure development is planned according to the estimated date of commissioning of CBG Plant. Once the CBG Plant is commissioned, CBG is supplied by the LOI Holder to the Allocated ROs via cascades and sale of CBG is commenced.

A Step Towards a Sustainable Future:

- Developmental effort to benefit vehicle-users as well as farmers and entrepreneurs.
- Efficient tackling of urban air pollution due to farm stubble-burning and carbon emissions.
- Reduce dependency on crude oil imports and realise PM's vision of enhancing farmers' income, rural employment and entrepreneurship
- Efficient treatment and disposal of municipal solid waste
- Promotion of organic farming by using Fermented Organic Manure (FOM) produced from CBG plants

Conclusion:

The scheme enables better use of agricultural residue, cattle dung and municipal solid waste. Considering the amount of biomass generated in the country, CBG has the potential to replace Compressed Natural Gas (CNG) in automotive, industrial and commercial uses in the coming years.

SATAT initiative offers an efficient solution for treatment and disposal of municipal solid waste management and help in tackling problem urban air pollution due to farm stubble-burning. It will boost entrepreneurship, rural economy and employment and provide additional source of revenue to farmers.

Contributing to the cause of environmental protection and national energy security through substitution of fossil fuels, while simultaneously creating new employment opportunities through CBG. CBG will facilitate India's pursuit of energy security and is also a definitive step towards Atmanirbhar Bharat (self-sufficient India) through sustainable energy. Undoubtedly, the Government's timely and pivotal initiative on CBG has given the much needed push towards clean and green energy shift and with invigorated efforts, CBG can definitely become the protagonist in India's step towards sustainable future and clean energy journey.

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BUY NOW PAY LATER (BNPL) - REWRITING THE FUTURE OF LENDING

Oh guess! Something you want now and will pay for it later. A new credit model is taking shape in the country, a simple small ticket loan that is for online and sometimes offline purchases with the click of a button. I'm talking about the rise of the Buy Now Pay Later.

The convenience of paying later is a new phenomenon in the digital world in reality but in India it's been happening for a lot of time. Remember those the old "Bahii Khata" systems that we had in local kirana stores where regular customers could go ahead keep buying the daily provisions and pay later at some point. This BNPL system is not much different except that this "Bahi Khata" has now moved online. Signing up on BNPL is extremely easy. The loan does not come with a hefty price tag in fact no interest in most cases. It's digital it's convenient enables instant gratification with attractive user interface and that's what millennial and Gen Z like. BNPL is a short term financing service which is sold as a product and that allows customers to spread their payments for a purchase usually without any interest cost. of course there's always a catch so buy now pay later company will tie up with E commerce players like Amazon or Flipkart, food companies like Swiggy and Zomato etc. or even travel companies like Make My Trip etc, and then it will allow customers to buy immediately and definitely payments by a few months or up to few days depending on what you want.

About the author

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It's a vicious circle - without enough credit, users can't build up their credit score and without enough credit scores, getting loans becomes a challenge. The first thing that comes to mind when we talk about a credit card is hidden charges everybody is scared of those and zero interest rate policy. The reason why credit cards are so underpenetrated is because for credit cards we require a credit history. That's not a lot of Indians have and that's where buy now pay later comes in because even without a credit history you can still enter in that pool means you don't need any credit history for that.

Covid-19 has brought in a paradigm shift in India's digital payments landscape. Therefore, consumers look for financial services that offer ease and affordability but often due to high interest rates, fees and hidden charges levied on credit cards, people refrain using it. However, the BNPL model works in a similar way with low or no interest rates. It finances smaller ticket items and allows consumers to buy the essentials and pay at a later date.

Shift from Traditional Banks towards BNPL Model

While India has handful of players in this segment, to capture the industry further. Traditional banks such as ICICI Bank (ICICI PayLater) and HDFC Bank (FlexiPay) have also stepped into the competitive BNPL space. Buy now pay later (BNPL) is an emerging lending tech sector in India with the presence of several startups and fin-tech. Many BNPL startups such as Simpl, Lazypay, Zestmoney, ePayLater, ecommerce marketplaces Flipkart and Amazon India also offer their own BNPL products, while even fintech and payments companies such as PhonePe (via Flipkart) and Paytm have ventured into this territory. Indian ride-hailing aggregator Ola also recognized the potential of BNPL and started offering Ola Postpaid, which also offers a pay-later option for 300+ third-party platforms, besides Ola itself.

While startups have led the adoption charge, traditional banks have held back from venturing into BNPL due to the fear of cannibalizing their lucrative credit card business. It is only lately that banks have realized that credit cards and BNPL can coexist and complement each other. Banks are using BNPL to attract a new set of customers that have so far stayed away from credit cards. For instance, ICICI Bank partnered with payments giant Pine Labs to offer in-store pay-later facilities to retail consumers. This allows consumers to make high-value purchases with payments split over monthly installments (EMI). Besides offering a no-cost loan product, it eases on boarding by reducing documentation.

E-commerce is gaining momentum in India with consumer and retail business adoption at an all-time high. Many companies are trying to increase and maintain a strong foothold in Tier 2 and Ties 3 cities due to the rise in demand from these markets, they are also aiming to expand their horizons in metro Cities and Tier 1 markets to cater to the rising disposable income in these regions. Over the past couple of years, there has been a major uptick in the number of online shoppers in Tier 2 and 3 cities due to improving internet penetration, increasing awareness about ecommerce and adoption of cashless payments. The success of BNPL in the Indian context can be attributed to the fact that it offers formal micro-lending in an informal way, without putting customers through the cumbersome formalities of loan processes of traditional banks.

BNPL - a new concept

BNPLs are small-ticket loans that allow online and offline purchases, when it comes to making instant payments mostly via apps that function like a Paytm or a PhonePe. This short-term financing option allows consumers to buy products and then pay for them during a stipulated period. They can either pay for the purchases in a lump sum amount or through no-cost EMIs. The core tenet is that it enables the borrowers to afford what is to be bought today but pay for it over time.

These loans typically require an upfront deposit payment representing a portion of the purchase amount. After that, the remaining balance must be paid off in installments over a few weeks or a few months depending on their financial health. So the interest-free period may vary from 15 to 30 days, beyond which the customer can repay in a single shot or in EMIs spread over 1-12 months. The primary driver behind the rise of the BNPL segment in India is higher purchasing power and informal nature of accessing credit that it facilitates.

In terms of cost, buy now, pay later plans usually don't charge any interest or fees, but if a buyer fails to pay the

amount within the defined repayment tenure, the Buy Now Pay Later facility provider will charge interest on the amount. Also this payment delays will impact the buyer's credit score.

Enablers for BNPL

Several startups such as LazyPay, Simpl, ZestMoney, and ePayLater, Flexmoney operating in this space have, essentially, changed the way credit works in India. Paytm's Postpaid also allows users to shop online and clear the balance next month. Amazon launched its Pay Later option in 2020 but customers can only sign up through the mobile application. Flipkart also rolled out a similar option last year which offers repayment tenure of up to 35 days. Users can also make partial repayment of bills. Recently, BharatPe, one of India's fastest growing fintech companies, also forayed into this segment with the launch of 'POSTPE'. Apart from these, traditional banks have also forayed into the segment such as HDFC Bank's FlexiPay and ICICI Bank's ICICI PayLater offerings.

The biggest USP of BNPL is that it caters to young or new-to-credit consumers in India who do not have credit cards. Millennial and Gen Z who do not have any credit history but are looking for short-term credit are eagerly adopting this model. The pandemic induced lockdown, job losses, salary cuts, and uncertain income have helped in BNPL gaining momentum in India. Its market share in the e-commerce space is expected to grow rapidly.

BNPL- Is it better than a credit card?

The biggest benefit of BNPL products is convenience. One needs to download the app, sign-in, check the spending limit and start shopping. The customer is required to complete a basic KYC process and the credit amount is instantly made available. For a BNPL, anyone over the age of 18 has to complete the e-KYC procedure, following which partner lenders approve the loan. But it is the lender's responsibility to ensure due process is followed before lending credit, which include taking the customer's data, checking their bank statements, their KYC, getting their PAN number and identification.

For credit cards, banks link eligibility with your annual income and credit score. Technically, you can apply for a credit card only if you have an income above a certain threshold limit but since BNPLs are small-sized-loans, it is easier to get one. BNPL schemes (or any loans) are usually more transparent. You pay the EMIs and that's it. Millennials don't prefer high-interest rates, fees and low transparency. Credit cards hence are not a good fit for those who are relatively new to credit and are at risk of getting stuck in a debt trap. Pay-later options are usually interest-free, transparent, and a one-tap checkout experience. Most 'pay-later' products are absolutely free for consumers who pay on time, which is why it is so popular with users who are looking for a seamless experience when they buy online. Credit cards usually come with an interest-free credit period of up to 45 days.

Many credit cards come with added costs like joining fees, and annual fees but BNPL options don't have such riders and do not charge a processing fee for joining. However, BNPL providers do levy additional charges such as late payment fee and pre-closure charges.

Credit cards are universally accepted, but usage of BNPL is limited to partnering merchants, though the service providers are regularly increasing the number of partners. You also get plenty of rewards, such as cash back, air miles, and facilities such as special discounts, airport lounge accesses, complimentary travel insurance, etc with credit cards, while BNPL is limited to just shopping.

The future of BNPL can be very bright as the concept will attract more customers to purchase an item of their choice instantly. Most of the providers who provide this facility offer repayment at no cost EMIs which in future may become the preferred payment option especially among the youth.

However, within its core it is still a type of loan which at the end the customer has to repay. The lenders offering this service will have to be careful in offering this facility as not everyone will be capable of repaying the amount within the stipulated time period. The customers will have to understand the failure to repay the amount on time to avoid interest and drop in credit score. The future of BNPL looks good provided the customers are able to use the facility properly and clear the amount on time.

BNPL is a good option for those who do not have any credit history but are looking for short-term credit, and quick access to credit without hefty paperwork and documentation. But while these payment plans with no interest free sounds enticing, be sure to read the fine print and understand what happens if you miss the payment. ❑

RBI CIRCULAR

Central Payments Fraud Information Registry – Migration of Reporting to DAKSH

December 26, 2022

1. As announced in the Monetary Policy Statement 2019-20 on August 07, 2019, the Reserve Bank of India (RBI) had operationalised the Central Payments Fraud Information Registry (CPFIR) in March 2020 with reporting of payment frauds by scheduled commercial banks and non-bank Prepaid Payment Instrument (PPI) issuers.
2. To streamline reporting, enhance efficiency and automate the payments fraud management process, the fraud reporting module is being migrated to DAKSH – Reserve Bank's Advanced Supervisory Monitoring System. The migration will be effective from January 01, 2023, i.e., entities shall commence reporting of payment frauds in DAKSH from this date. In addition to the existing bulk upload facility to report payment frauds, DAKSH provides additional functionalities, viz. maker-checker facility, online screen-based reporting, option for requesting additional information, facility to issue alerts / advisories, generation of dashboards and reports, etc. The reporting guidelines are mentioned in the Annex.
3. These directions are issued under Section 10 (2) read with Section 18 of Payment and settlement Systems Act, 2007 (Act 51 of 2007).

Reserve Bank of India (Financial Statements - Presentation and Disclosures) Directions, 2021 - Disclosure of material items

December 13, 2022

1. Please refer to the notes and instructions for compilation of Balance Sheet and Profit and Loss Account, for commercial banks, as specified in Annexure II to the Reserve Bank of India (Financial Statements-Presentation and Disclosures) Directions, 2021 (hereinafter referred to as "Directions").
2. In terms of Part A of Annexure II to the Directions, in case any item under the subhead "Miscellaneous Income" under the head "Schedule 14-Other Income" exceeds one per cent of total income, particulars shall be given in the notes to accounts. Similar instructions exist in case of subhead "Other expenditure" under the head "Schedule 16-Operating Expenses".
3. In order to ensure greater transparency, it has been decided that banks shall also disclose the particulars of all such items in the notes to accounts wherever any item under the Schedule 5(IV)-Other Liabilities and Provisions-"Others (including provisions)" or Schedule 11(VI)-Other Assets-"Others" exceeds one per cent of the total assets.
4. Further, Payments Banks shall also disclose particulars of all such items in the notes to accounts, wherever any item under the Schedule 14(I)-Other Income-

"Commission, Exchange and Brokerage" exceeds one per cent of the total income.

5. We also invite attention to Clause 6 of the Chapter IV of the Directions ibid, in terms of which more comprehensive disclosures than the minimum required are encouraged, especially if such disclosures significantly aid in the understanding of the financial position and performance of banks.

Applicability

6. These instructions are applicable to all commercial banks. These instructions shall come into effect for disclosures in the notes to the annual financial statements for the year ending March 31, 2023 and onwards.

7. The Reserve Bank of India (Financial Statements - Presentation and Disclosures) Directions, 2021 shall stand updated to reflect these changes.

Hedging of Commodity Price Risk and Freight Risk in Overseas Markets

December 12, 2022

1. Attention of Authorised Dealer Category - I (AD Cat-I) banks is invited to Regulation 6 and 6A of the Foreign Exchange Management (Foreign Exchange Derivative Contracts) Regulations, 2000 dated May 3, 2000 (Notification No. FEMA. 25/RB-2000 dated May 3, 2000), as amended from time to time, issued under clause (h) of sub-section (2) of Section 47 of Foreign Exchange Management Act, 1999 (Act 42 of 1999) as amended from time to time.

2. Within the contours of the Regulations, the Reserve Bank issues directions to Authorised Persons under Section 11 of the Foreign Exchange Management Act, 1999 (Act 42 of 1999). These Directions lay down the modalities for the AD Cat-I banks for facilitating hedging of commodity price risk and freight risk in overseas markets by their customers / constituents.

3. The Master Direction – Foreign Exchange Management (Hedging of Commodity Price Risk and Freight Risk in Overseas Markets) Directions, 2022 are enclosed herewith. AD Cat-I banks may bring the contents of these Directions to the notice of their customers / constituents concerned.

4. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions/ approvals, if any, required under any other law.

Hedging of Gold Price Risk in Overseas Markets

December 12, 2022

1. Please refer to Paragraph 4 of the Statement on Developmental and Regulatory Policies announced as a part of the Bi-monthly Monetary Policy Statement for 2022-23 dated December 07, 2022 regarding hedging of price risk of gold in overseas markets. Attention is also invited to the Hedging of Commodity Price Risk and Freight Risk in Overseas Markets (Reserve Bank) Directions, 2018 dated March 12, 2018, as amended from time to time.

2. Resident entities in India are currently not permitted to hedge their exposure to price risk of gold in overseas markets. On a review, it has been decided to permit eligible entities to hedge their exposure to price risk of gold on exchanges in the International Financial Services Centre (IFSC) recognised by the International Financial Services Centres Authority (IFSCA).

3. The Master Direction – Foreign Exchange Management (Hedging of Commodity Price Risk and Freight Risk in Overseas Markets) Directions, 2022 (A. P. (DIR Series) Circular No. 21 dated December 12, 2022) have been issued today and are enclosed herewith.

4. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions/ approvals, if any, required under any other law.

Revised Regulatory Framework for Urban Co-operative Banks (UCBs) – Net Worth and Capital Adequacy

December 1, 2022

1. Please refer to the Revised Regulatory Framework for

Urban Co-operative Banks (UCBs) emanating from the recommendations of Expert Committee on Urban Co-operative Banks (Press Release: 2022-2023/561 dated July 19, 2022) and circular no. DOR.REG.No.84/07.01.000/2022-23 dated December 1, 2022, on Revised Regulatory Framework - Categorization of Urban Co-operative Banks (UCBs) for Regulatory Purposes. The detailed guidelines with respect to net worth and capital adequacy are provided below:

Net Worth

2. UCBs shall have minimum net worth as under:
   - ❖ Tier 1 UCBs operating in a single district shall have minimum net worth of Rs. 2 crore.
   - ❖ All other UCBs (of all tiers) shall have minimum net worth of ?5 crore.
   - ❖ UCBs which currently do not meet the minimum net worth requirement, as above, shall achieve the minimum net worth of Rs. 2 crore or Rs. 5 crore (as applicable) in a phased manner. Such UCBs shall achieve at least 50 per cent of the applicable minimum net worth on or before March 31, 2026 and the entire stipulated minimum net worth on or before March 31, 2028.

   The computation of "Net worth", for the purpose of these guidelines, is provided in Annex.

Minimum capital to risk weighted assets ratio (CRAR) requirement

3. UCBs shall maintain minimum CRAR as under:
   - ❖ Tier 1 UCBs shall maintain, as hitherto, a minimum CRAR of 9 per cent of Risk Weighted Assets (RWAs) on an ongoing basis.
   - ❖ Tier 2 to 4 UCBs shall maintain a minimum CRAR of 12 per cent of RWAs on an ongoing basis.
   - ❖ UCBs in Tier 2 to 4, which do not currently meet the revised CRAR of 12 per cent of RWAs, shall achieve the same in a phased manner. Such UCBs shall achieve the CRAR of at least 10 per cent by March 31, 2024, 11 per cent by March 31, 2025, and 12 per cent by March 31, 2026.
4. The computation of CRAR will continue to be as stipulated in para 3 of the Master Circular DOR.CAP.REC.2/09.18.201/2022-23 dated April 1, 2022 on Prudential Norms on Capital Adequacy - Primary (Urban) Co-operative Banks (UCBs), as amended from time to time.

Revaluation Reserves

5. Revaluation reserves, arising out of change in the carrying amount of a bank's property consequent upon its revaluation, may henceforth be reckoned as Tier 1 capital at a discount of 55 per cent, subject to meeting the following conditions:
   - ❖ the bank is able to sell the property readily at its own will and there is no legal impediment in selling the property;
   - ❖ the revaluation reserves are presented/disclosed separately under "Reserve Fund and Other Reserves" in the Balance Sheet;
   - ❖ revaluations are realistic, in accordance with applicable accounting standards.
   - ❖ valuations are obtained, from two independent valuers, at least once in every three years;
   - ❖ where the value of the property has been substantially impaired by any event, these are to be immediately revalued and appropriately factored into capital adequacy computations;
   - ❖ the external auditor(s) of the bank have not expressed a qualified opinion on the revaluation of the property;
   - ❖ the instructions on valuation of properties and other specific requirements as mentioned in Annex 1 (Guidelines on Valuation of Properties – Empanelment of Valuers) to the Master Circular DOR.CRE.REC.No.17/13.05.000/2022-23 dated April 8, 2022 on Management of Advances – UCBs, as amended from time to time, are strictly adhered to.
6. Revaluation reserves which do not qualify as Tier 1 capital shall also not qualify as Tier 2 capital. The bank may choose to reckon revaluation reserves in Tier 1 capital or Tier 2 capital at its discretion, subject to fulfilment of all the conditions specified at para 5 above.

Applicability

7. This circular is applicable to all Primary (Urban) Co-operative Banks. The instructions come into effect from April 1, 2023. ❑

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Public Sector Banks : Deposits/Investments/Advances

As on March 31 *(Rs. Crore)*

S. N.	Banks	Deposits			Investments			Advances		
I	**NATIONALISED BANKS**	**2020**	**2021**	**2022**	**2020**	**2021**	**2022**	**2020**	**2021**	**2022**
1	Allahabad Bank	228,609	---	---	80,667	---	---	142,965	---	---
2	Andhra Bank	212,609	---	---	61,331	---	---	157,742	---	---
3	Bank of Baroda	945,984	966,997	1,045,939	274,615	261,220	315,795	690,121	706,301	777,155
4	Bank of India	555,505	627,114	627,896	158,573	187,253	174,448	368,883	365,687	420,842
5	Bank of Maharashtra	150,066	174,006	202,294	57,741	68,112	68,590	86,872	102,405	131,170
6	Canara Bank	625,351	1,010,875	1,086,409	176,245	261,690	282,013	432,175	639,049	703,602
7	Central Bank of India	313,763	329,973	342,692	142,518	148,582	140,787	151,101	156,579	168,174
8	Corporation Bank	205,355	---	---	66,432	---	---	127,399	---	---
9	Indian Bank	260,226	538,071	593,618	81,242	176,537	174,559	197,887	362,669	389,186
10	Indian Overseas Bank	222,952	240,288	262,159	79,416	95,494	98,179	121,333	127,721	144,244
11	Oriental Bank of Commerce	230,108	---	---	72,871	---	---	157,959	---	---
12	Punjab & Sind Bank	89,668	96,108	102,137	24,552	32,023	42,281	58,412	60,942	63,627
13	Punjab National Bank	703,846	1,106,332	1,146,218	240,466	392,983	372,168	471,828	674,230	728,186
14	Syndicate Bank	281,270	---	---	74,964	---	---	184,399	---	---
15	UCO Bank	193,203	205,919	224,073	90,999	93,783	96,874	101,174	111,355	122,784
16	Union Bank of India	450,668	923,805	1,032,393	152,414	331,512	348,507	315,049	590,983	661,005
17	United Bank of India	137,615	---	---	58,637	---	---	67,523	---	---
	Total of Nationalised Banks [I]	**5,806,799**	**6,219,488**	**6,665,828**	**1,893,683**	**2,049,190**	**2,114,201**	**3,832,822**	**3,897,920**	**4,309,974**
II	State Bank of India (SBI)	3,241,621	3,681,277	4,051,534	1,046,955	1,351,705	1,481,445	2,325,290	2,449,498	2,733,967
	Total of Public Sector Banks [I+II]	**9,048,420**	**9,900,765**	**10,717,362**	**2,940,638**	**3,400,895**	**3,595,646**	**6,158,112**	**6,347,418**	**7,043,941**

Dash (---) is put where data is not available due to merger of banks.

Source : Reserve Bank of India.

Public Sector Banks : Assets/Gross and Net Non-Performing Assets

As on March 31 *(Rs. Crore)*

S. N.	Banks	Total Assets			Gross NPA			Net NPA		
I	NATIONALISED BANKS	2020	2021	2022	2020	2021	2022	2020	2021	2022
1	Allahabad Bank	258,002	---	---	27,847	---	---	8,088	---	---
2	Andhra Bank	243,871	---	---	28,709	---	---	7,765	-	---
3	Bank of Baroda	1,157,916	1,155,365	1,278,000	69,381	66,671	54,059	21,577	21,800	13,365
4	Bank of India	656,995	725,856	734,614	61,550	56,535	45,605	14,320	12,262	9,852
5	Bank of Maharashtra	168,867	196,665	230,611	12,152	7,780	5,327	4,083	2,544	1,277
6	Canara Bank	723,875	1,153,675	1,226,980	37,041	60,288	55,652	18,251	24,442	18,668
7	Central Bank of India	356,249	369,215	386,566	32,589	29,277	28,156	11,534	9,036	6,675
8	Corporation Bank	229,540	---	---	19,399	---	---	6,257	---	---
9	Indian Bank	309,468	623,427	671,668	14,151	38,455	35,214	6,184	12,271	8,849
10	Indian Overseas Bank	260,727	274,010	299,377	19,913	16,323	15,299	6,603	4,578	3,825
11	Oriental Bank of Commerce	268,444	---	---	21,751	---	---	7,909	---	---
12	Punjab & Sind Bank	100,504	110,482	121,068	8,875	9,334	8,565	4,684	2,462	1,742
13	Punjab National Bank	830,666	1,260,633	1,314,805	73,479	104,423	92,448	27,219	38,576	34,909
14	Syndicate Bank	326,730	---	---	24,086	---	---	8,505	---	---
15	UCO Bank	235,908	253,336	267,784	19,282	11,352	10,237	5,511	4,390	3,316
16	Union Bank of India	550,683	1,071,706	1,187,591	49,085	89,788	79,587	17,303	27,281	24,303
17	United Bank of India	152,993	---	---	9,935	---	---	3,191	---	---
	TOTAL OF NATIONALISED BANKS [I]	6,831,438	7,194,370	7,719,063	529,226	490,226	430,150	178,983	159,642	126,780
II	State Bank of India (SBI)	3,951,394	4,534,430	4,987,597	149,092	126,389	112,023	51,871	36,810	27,966
	Total of Public Sector Banks [I+II]	**10,782,832**	**11,728,800**	**12,706,660**	**678,318**	**616,615**	**542,173**	**230,854**	**196,452**	**154,746**

Dash (---) is put where data is not available due to merger of banks.

Source : Reserve Bank of India.

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