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In this issue

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In today's dynamic environment, managing risks has become one of the biggest concerns and priorities for financial institutions, especially after the recent banking crises.

B K Kalra
Global Business Leader,
Financial Services, Genpact

It has been our constant endeavor to provide our customers with banking products that fulfil their needs. We are confident that SIB SEAFARER & SIB PULSE will lay the foundation for more such products in the banking domain.

Murali Ramakrishnan
MD & CEO
South Indian Bank

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From The Desk Of
Editor-in-Chief

Reserve Bank of India in its Annual Report for financial year 2023 said India's growth momentum is likely to sustain in 2023-24 in an atmosphere of easing inflationary pressures, sound macroeconomic policies, softer commodity prices, a robust financial sector, a healthy corporate sector, continued fiscal policy thrust on quality of government expenditure, and new growth opportunities stemming from global realignment of supply chains.

The Indian economy exhibited robust resilience in 2022-23 amidst a global turmoil following the war in Ukraine, and recorded a growth of 7%, the highest among major economies in the world.

"Robust balance sheets of the corporate sector and banks enabled a rebound in credit demand, which was also facilitated by a large increase in capex by the centre. With real GDP growing by an estimated 7 per cent, the Indian economy turned out to be one of the fastest growing major economies of the world during 2022-23," RBI said.

RBI has conceptualised a lightweight payment and settlements system, which it is calling a "bunker" equivalent of digital payments, which can be operated from anywhere by a bare minimum staff in exigencies such as natural calamities or war.

The infrastructure for this system will be independent of the technologies that underlie the existing systems of payments such as UPI, NEFT, and RTGS.

Germany, the world's fourth-largest and Europe's largest economy, has become the first major economy to enter recession. However, a large number of people across the world already feel their economy is in a state of recession.

India has been so far been able to ward off any recession amidst the global crises and has been able to maintain the GDP growth rate inspite all the odds. The current government needs to be appreciated for their meticulous management of the economy, by taking all necessary steps to fuel the growth of the economy.

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Banking News

Canara Bank Q4 profit rises 91% to Rs.3175 crore

Canara Bank reported 90.63 per cent rise in standalone net profit to Rs. 3175 crore for the quarter ended March 2023. This is against a net profit of Rs. 1,666.22 crore in the corresponding quarter last fiscal.

The net interest income (NII), the difference between interest earned and interest expended, grew by 23.01 per cent to Rs. 8,616 crore for the quarter under review. It was Rs. 7,006 crore in the year ago period.

Canara Bank's board has recommended a dividend of Rs. 12 per equity share (120%) of face value of Rs. 10 each for the year ended on 31.03.2023 subject to requisite approvals.

The lender's operating profit stood at Rs. 7,252 crore during the March quarter, registering a growth of 17% YoY.

Canara Bank improved its asset quality over a year ago period as gross non-performing assets (GNPA) ratio reduced to 5.35% in the March quarter, down from 5.89% at the end of March 2022.

Net non-performing assets (NNPA) ratio has also declined to 1.73% as of March 2023 from 2.65% as of March 2022.

The global business increased by 12 per cent to Rs. 20.41 lakh crore in March 2023 with global deposits at Rs. 11.79 lakh crore.

Domestic deposits grew by 6 per cent on a yearly basis to Rs. 10.94 lakh crore at the end of the quarter. While the retail lending portfolio increased by 11 per cent to Rs. 1.4 lakh crore, housing loans jumped 14 per cent to Rs. 84,364 crore on a year-on-year basis.

'Bank clinics' for customer plaints

All India Bank Employees Association will set up 'bank clinics' that will enable customers to get their grievances with their lenders redressed. "We want to understand the grievances of the customers. There have been instances when we found out that there are only two staff members to attend to 40-50 customers. We can escalate the problems or counsel staff if they have the wrong attitude," AIBEA general secretary C H Venkatachalam said.

Venkatachalam said that the other grievances were that of high charges being imposed by banks. He said that banks had high operating profits but because of high provisions for bad loans they were trying to recover through charges.

IndusInd Bank to apply for insurance licence

IndusInd Bank is set to approach the IRDAI to seek licence to operate in the insurance industry.

Sumant Kathpalia, MD & CEO, IndusInd Bank, said the bank will apply for the licence. "I think it's a process which may take one-two years," he said. When asked what sort of synergies he envisages with insurance operation, Kathpalia sounded optimistic about the non-life business.

"We have CV business where we are among the top three players in any category which you talk. (So) it makes immense sense for us to get into non-life business. We love these businesses because they complement our core businesses in the banking sector," he explained.

With some of the bank's peers holding stake in insurance companies, Kathpalia dismissed the proposition of being an investor. "I don't want to be an investor in a company, I want to be the manufacturer," he asserted.

Govt asks banks to plan clean-up of bad loans of Rs. 12 lakh crore

The finance ministry has asked public sector banks to draw up a campaign for a one-time clean up strategy for clearing over 1 lakh bad loan recovery cases pending in debt recovery tribunals (DRTs).

The ministry has asked banks to use an alternate dispute resolution platform like Lok Adalat to bring down the number of cases.

According to banking sources, there are over 2 lakh cases pending with debt recovery tribunals of which over 1.5 lakh are original applications for over Rs.12 lakh crore exposure. Of these, the 12 public sector banks have over 1 lakh pending cases where the original exposure is around Rs.7.4 crore. The issue was discussed in the finance ministry in the presence of law ministry officials.

Indian Bank Q4 profit up 47% to Rs. 1,447 crore

Indian Bank reported a 47 per cent rise in net profit to Rs 1,447 crore for the March quarter, helped by a decline in bad loans and a rise in interest income.

The bank had earned a net profit of Rs 984 crore in the year-ago period.During the quarter, the bank's total income increased to Rs 14,238 crore against Rs 11,405 crore a year ago, Indian Bank said in a regulatory filing.

Interest income grew to Rs 12,244 crore during the period under review from Rs 9,832 crore in the corresponding quarter of the preceding fiscal.

The bank's board has recommended a dividend of Rs 8.60 per share or 86 per cent of Rs 10 face value for the year ended March 31, 2023.

Gross non-performing assets (NPAs) were reduced to 5.95 per cent of gross advances as of March 31, 2023, from 8.47 per cent by the end of March 2022.

South Indian Bank : Flexible savings accounts for NRIs

South Indian Bank has introduced SIB SEAFARER and SIB PULSE, two flexible saving accounts for NRI customers. With these products, NRIs now have the option to keep either deposits or the required minimum amount in their savings accounts. Healthcare personnel and mariners both now have access to flexible savings accounts, which proves that South Indian Bank has been working to streamline banking requirements and offer top-notch customer service.

Mr. Murali Ramakrishnan, Managing Director & Chief Executive Officer (CEO), South Indian Bank, said, "It has been our constant endeavor to provide our customers with banking products that fulfil their needs. Accordingly, our flexible savings products will offer targeted NRI segments with convenient avenues to park their savings. We are confident that SIB SEAFARER & SIB PULSE will lay the foundation for more such products in the banking domain. I'm sure these products will create a new & universal template for the way NRI depositors transact with banks."

Yes Bank Q4 net drops 45% to Rs. 202 crore

Yes Bank posted a 45 per cent decline in its March quarter net at Rs 202 crore.

For the entire fiscal FY23, the bank witnessed a 32.7 per cent decline in its net profit at Rs 717 crore, it said in a regulatory filing.

Profits for both the March quarter and the fiscal year have been impacted by accelerated provisioning, the bank said.

For the quarter under review, its core net interest income grew 15.4 per cent to Rs 2,105 crore, while the non-interest income was up 22.8 per cent to Rs 1,082 crore.

The bank, which had to be rescued in FY20 in a SBI-led effort, backed by both the Reserve Bank and the government, said this is the second consecutive year where it has been able to post profits.

Bank credit grows 15.7%; deposits increase 10.2%

Banking system's credit rose by 15.7 per cent year-on-year (YoY) basis in the fortnight ended April 7 to Rs 138.45 trillion. This was the first fortnight in the current financial FY24.

The credit rose by 15 per cent YoY in FY23. Reserve Bank of India data showed while advances grew by Rs 1.7 trillion in the reporting fortnight, accretion to deposits more than doubled to Rs 4.06 trillion. The growth in deposits was 10.2 per cent YoY basis to Rs 184.5 trillion at end of April 7.

ICICI Bank posts 27% jump in Q4 net profit

ICICI Bank reported a 27.64 per cent jump in consolidated net profit to Rs.9,852.70 crore for the January-March quarter of 2022-23 compared to the year ago period.

On a standalone basis, the largest private sector lender reported a nearly 30 per cent jump in its net profit for the March quarter at Rs 9,121.87 crore.

Its total income moved up to Rs 36,108.88 crore in the reporting quarter, as against Rs 27,412.32 crore in the year-ago period, while the overall expenses moved up to Rs 22,282.50 crore from Rs 17,119.38 crore in the year-ago period.

The share of gross non-performing assets in the overall loans was 2.81 per cent as of March 31, 2023, which is an improvement from 3.60 per cent in the year-ago period and 3.07 per cent in the quarter-ago period.

SBI moves SC for clarity on fraud classifications

The State Bank of India has moved an application before the Supreme Court seeking clarifications on the judgment on fraud classification of borrowers, and urged the court to clarify whether banks can decide on the time frame of adjudication depending on the urgency of a matter.

While upholding a Telangana high court order, the top court had held that banks must hear a borrower before classifying an account as fraudulent. Due to the serious civil consequences for a borrower associated with the classification of an account as fraud, the directions must be construed reasonably by applying the principles of natural justice, the SC had observed.

The move was supposed to include more safeguards for state-owned banks.SBI has sought to limit the scope of 'personal hearings' by urging the court to allow banks to share only relevant extracts of the forensic audit reports with borrowers instead of the full reports.

AU SFB net up 23% at Rs. 425 crore

AU Small Finance Bank reported 23% on year growth in its net profit to Rs 425 crore for the quarter ended March on the back of healthy growth in net interest income.

Net interest income - the difference between interest earned and interest expanded - was Rs 1213 crore for the Q4, up 30% from the same period of the previous financial year.

The bank reported a net interest margin of 6.1% during the quarter as against 6.2% in the previous quarter and 6.3% in the year ago period.

Operating expenses also grew 27% year-on-year to Rs 975 crore. Other operating expenses for the quarter grew by 40% to Rs 493 crore and 59% for FY23 to 1647 crore.

Rupee can be a reserve currency, says Kotak

Uday Kotak called this an opportune moment for the rupee to gain reserve currency status.

Kotak said an alternative to the US dollar was needed as the reserve currency has the power to control "all our money in nostro accounts and one morning someone can say that we cannot withdraw and we are stuck".

According to him, no other currency qualifies for reserve status. "Europe can't (make their currency the reserve) because it is the 'disunited states of Europe'. I don't think the UK or Japan have the heft to take that position, though the British pound and the yen are free currencies. China has a major issue of trust with many countries around the world. It is our chance to take a shot at becoming the reserve currency of the world," said Kotak.

Kotak clarified via his Twitter handle that he inadvertently used the words, 'financial terrorist' in connection to the US dollar. "What I meant was a reserve currency has disproportionate power, whether it is a nostro account, 500-basis-point rate increase, or emerging countries holding dollar for liquidity," he tweeted.

Govt appoints Rajneesh Karnatak as BoI MD, Chand to head BoB

The government appointed Rajneesh Karnatak as managing director of Bank of India (BoI) while Debadatta Chand was appointed as head of Bank of Baroda (BoB).

The central government appointed Karnatak, Executive Director, Union Bank of India, as managing director and CEO of Bank of India for three years with effect from date of assumption of office, Department of Financial Services said in a notification.

Karnatak replaces Atanu Kumar Das who completed his three-year term in January this year. In a separate notification, DFS said Chand, currently ED of BoB, has been appointed as managing director of the same bank for a period of three years.

Exim Bank to raise to record $4 billion this fiscal year

Exim Bank plans to raise up to record $4 billion in financial year 2023-24 (FY24) for extending trade finance and term loans.

Harsha Bangari, managing director of the export credit agency, said the fundraising would depend on market conditions. Exim, which raised $3.47 billion in FY23, has a broad investor base and would look at different currencies.

Exim Bank raised $1 billion through sustainability bond in Jan-uary 2023, under its environm-ent social governa-nce (ESG) framework. It later raised $100 million via a second offering of the bond. Proceeds from the bonds will be used for renewable energy, clean transportation, access to essential services and basic infrastructure, affordable ho-u--sing, and water and waste management, Bangari said.

Exim's net profit more than doubled to Rs.1,556 crore in FY23 from Rs 738 crore in FY22. Total income increased to Rs.11,487 crore in FY23 from Rs 8,363 crore in FY22. Net loan portfolio increased by 17 per cent year-on-year (YoY) to Rs 1.34 trillion in FY23 from Rs 1.17 trillion in FY22. Loan gr-o-wth is expected to be 12-15 per cent in FY24, said Bangari. The non-fund portfolio, which includes guarantees, grew by 11.5 per cent to Rs 17,000 crore at the end of March 2023. Exim's gross non-performing assets (NPA) rose to 4.09 per cent at the end of March 2023 from 3.56 per cent at the end of March 2022.

Unclaimed deposits: Banks to launch '100 Days 100 Pays' campaign

The Reserve Bank of India said a special 100 days campaign will be launched under which banks trace and settle their top 100 deposits in every district of the country. The banks will commence the campaign from June 1, 2023.

Balances in savings/current accounts which are not operated for 10 years, or term deposits not claimed within 10 years from date of maturity are classified as "unclaimed deposits".

These amounts are transferred by banks to "Depositor Education and Awareness" (DEA) Fund maintained by the Reserve Bank of India.

"The Reserve Bank of India today announced a '100 Days 100 Pays' campaign for banks to trace and settle the top 100 unclaimed deposits of every bank in every district of the country within 100 days," the central bank said in a statement.

This measure, it added, will complement the ongoing efforts and initiatives by the Reserve Bank to reduce the quantum of unclaimed deposits in the banking system and return such deposits to their rightful owners/claimants.

PSBs plan to recover bad loans

State-run banks are likely to launch a special drive to recover written-off loans after the government nudged them to fast-track proceedings against errant borrowers.

A senior official told that the government has asked public sector banks (PSBs) to focus on written-off loans and try to recover at least 2 lakh crore in this financial year.

PSBs wrote off bad loans of Rs. 8.16 lakh crore from their books in the six years to 2021-22. In the first nine months of 2022-23, PSBs wrote off 90,958 crore of bad loans, as per the latest data.

"It is for the banks to decide individual targets after consultation with their respective boards. We have only asked them to focus on this area," said the official, who did not wish to be identified. ❑

Reserve Bank News

RBI approves Bharucha as deputy MD of HDFC Bank

HDFC Bank has said that the RBI has approved the appointment of Kaizad Bharucha as deputy MD and Bhavesh Zaveri as executive director for three-year terms effective April 19, 2023. A meeting of the bank's board of directors will be convened to formalise the appointments, the bank said.

This appointment reinforces Bharucha's position as number two in the bank after Sashidhar Jagdishan, who was appointed CEO in October 2020. The bank's board recommended Jagdishan for another three-year term last month.

Bharucha, with over 35 years of experience, has been associated with HDFC Bank since 1995. He currently serves as executive director and is responsible for wholesale banking. Bharucha also serves as the designated director for the financial intelligence unit and the internal ombudsmen committee.

Zaveri, who has been with HDFC Bank since 1998, currently holds the position of group head for operations, cash management & ATM product. He is responsible for delivering an efficient and seamless operation across the bank's diversified product suite.

RBI imposes Rs.1.73 crore penalty on HSBC

The Reserve Bank of India (RBI) imposed a monetary penalty of Rs.1.73 crore on the Hongkong and Shanghai Banking Corporation Ltd (HSBC Bank) for violating the Credit Information Companies Rules, 2006. The RBI stated that during their examination of the Risk Assessment Report and all related correspondences pertaining to the same, it was discovered that the bank had breached the aforementioned rules.

RBI notifies Adoor Co-op Urban Bank as non-banking institution

The Reserve Bank of India has cancelled the banking license of Kerala-based Adoor Co-operative Urban Bank Ltd and notified it as a non-banking Institution.

The cancellation of the bank's license and its new categorisation as a non-banking Institution have been done under various sections of the Banking Regulation Act, 1949, per a RBI statement.

RBI cancelled the banking licence of Adoor Co-operative Urban Bank to carry on banking business under the Banking Regulation Act,1949, with effect from the close of business on April 24, 2023, it added. The Bank was granted license in January 1987.

"This makes it obligatory on the part of The Adoor Co-operative Urban Bank, Adoor to stop conducting the business of 'banking'...including acceptance of deposits from non-members with immediate effect," RBI said.

CBDC more environment friendly than other cashless modes, says RBI report

Central bank digital currency (CBDC) or e-rupee, if designed keeping in mind the environment, social and governance (ESG) objectives, can be more environment friendly compared to alternative cashless methods, according to a RBI report.

The pilot phase of CBDC or digital rupee for both wholesale and retail uses was launched by the RBI in 2022.

"Payments effected through CBDC would be instantaneous and final, and reduced reliance on clearing corporations and other settlement infrastructure could cut down energy consumption," the Reserve Bank of India's (RBI) Report on Currency and Finance 2022-23, released showed.

The energy requirement of a digital currency depends on its underlying technological stack.

Contingent on specific details of how they are configured, CBDCs can be more energy efficient than much of the current payment landscape, including credit and debit cards.

CBDCs are significantly more energy efficient than current credit card processing centres, in part because the latter involve energy-inefficient legacy systems, the report said.

The CBDC helps curb emissions by nullifying operations such as printing, storage, transportation, and replacement of physical currency.

RBI to withdraw Rs 2,000 notes from circulation

Reserve Bank of India announced the decision to withdraw circulation of Rs.2,000 denomination notes by September 30.

The central bank, however, clarified that Rs 2,000 notes will continue to be a legal tender. RBI has stopped printing the highest denomination banknotes in 2018-19 (April-March).

The move may be a bit upsetting for the common man, but for banks, it is largely viewed as positive.

"We expect the deposit accretion of banks could improve marginally in the near term. This will ease the pressure on deposit rate hikes and could also result in moderation in short-term interest rates," said Karthik Srinivasan, senior vice president - financial sector, ICRA Ratings.

RBI said the public can deposit Rs 2,000 banknotes into their bank accounts or exchange them into banknotes of other denominations at any bank branch.

The Rs 2,000 banknote was introduced by the central bank in November 2016 in order to meet the currency requirement of the economy after the demonetisation of all Rs 500 and Rs 1,000 denominations banknotes.

The cumulative value of Rs 2,000 banknotes in circulation has declined to Rs 3.62 lakh crore, constituting only 10.8% of notes in circulation as of March-end. The total value of the currency note was Rs 6.73 lakh crore at its peak in March 2018.

Rs 2,000 notes withdrawal can increase bank deposits by Rs 2 lakh crore

With the withdrawal of Rs 2,000 notes by the Reserve Bank of India (RBI) bringing back demonetisation memories, economists are expecting bank deposits to inch higher by as much as Rs 2 lakh crore.

Most Rs 2,000 notes are likely to be initially deposited with banks and are expected to improve the deposit base and, thus, system liquidity.

"On a net basis, it is likely that deposits increase by Rs 1.5-2 trillion. Durable liquidity could increase by around Rs 1 trillion depending on the behaviour of depositors. This should ease the credit-deposit ratio across banks," Kotak Mahindra Bank economists Upasna Bhardwaj and Anurag Balajee said.

Some parts of the notes may be exchanged for a lower denomination and thus will be liquidity neutral. "Some of the new deposits in lieu of Rs 2,000 notes may be temporary in nature and may be drawn immediately in cash thereafter as part of the precautionary currency demand and, thus, will be liquidity neutral," Emkay Global's lead economist Madhavi Arora said.

RBI not alarmed by spikes in call rate

Recent ungainly jumps in the call money rate, representing overnight cost of funds for high-street banks, do not appear to have roiled policy makers at the Reserve Bank of India (RBI) that has stuck to its stance of withdrawing monetary accommodation.

Instead, the central bank is likely to help iron out wrinkles through provision of repo windows if it sees signs of continuous market dislocations, sources aware of the RBI's thinking said.

"They don't have an overnight repo anymore. WACR (weighted average call rate) will keep moving between the SDF (Standing Deposit Facility) and the MSF (Marginal Standing Facility)," a source said. "When the stance is focused on withdrawal of accommodation, the RBI will tolerate that."

The RBI has, since May 2022, raised the repo rate by 2.50 percentage points to restrain inflation. ❑

Industry News

Personal Tax to GDP Ratio rises to 2.94% in FY22

Personal income tax as a percentage of GDP has gone up from 2.11 per cent in 2014-15 to 2.94 per cent in 2021-22 fiscal, indicating that taxpayer base is widening as a result of the steps taken by the present government led by Prime Minister Narendra Modi. At a review meeting with the Central Board of Direct Taxes (CBDT), finance minister Nirmala Sitharaman was apprised about the impact of various steps taken by the apex direct tax body to widen taxpayer base, the finance ministry said.

The ministry said the personal Income Tax (PIT), which is paid by individuals, to GDP ratio has been steadily increasing from 2.11 in FY 2014-15 to 2.94 in FY 2021-22.

GSTNe-invoice implementation defers

GSTN has deferred by 3 months the implementation of time limit for businesses with turnover of over Rs 100 crore to upload their old e-invoices.

Last month the GST Network had imposed a timeline for businesses with turnover of Rs 100 crore and above for uploading e-invoices on the Invoice Registration Portal (IRP) within 7 days of the issue of such invoices beginning May 1.

Previously, there was no such restriction for businesses to upload the invoices on the IRP.

AIR no more, it's Akashvani now

India's public service broadcaster Prasar Bharati has decided to drop references to its radio service as 'All India Radio' and substitute it with 'Akashvani', said an internal order issued.

"This is a very old decision of the government which was not operationalised earlier. We are now operationalising it," said Prasar Bharati CEO Gaurav Dwivedi.

The Prasar Bharati (Broadcasting Corporation of India) Act, 1990, mentions that 'Akashvani' means the offices, stations and other establishments, by whatever name called, which, immediately before the appointed day, formed part of or were under the director-general, All India Radio, of the Union ministry of information and broadcasting. The Prasar Bharati Act came into force on November 15, 1997.

Aadhaar-linked email, no. can be verified

Unique Identification Authority of India (UIDAI) will allow users to verify their mobile numbers and email IDs that are seeded with their Aadhaar, in order to ensure that OTPs and other verifications land in the right address.

It had come to the notice of the UIDAI that in some instances, residents were not aware/sure about that which of their mobile numbers is seeded to their Aadhaar. They were worried that Aadhaar OTP might be going to some other number. Now, with this facility, the residents can check these quite easily.

India and Russia suspend talks to trade in rupees

Russian officials have rubbished claims about a suspension of rupee trade talks, dubbing it "wishful thinking" by western media. India and Russia have now been engaged in talks for a rupee trade settlement mechanism for over a year. However reports suggested that months of negotiations had ultimately failed to convince Moscow to keep rupees in its coffers.

"No change in bilateral developments,

wishful thinking by western news agencies," an official told news agency ANI. Earlier updates had indicated that while talks continued, rules were yet to be formulated for trade in local currencies.

Meanwhile a Reuters report cited Indian government officials to say that Russia was not comfortable holding rupees and wanted to be paid in Chinese yuan or other currencies.

Govt's fresh drive against fake GST registrations

GST authorities have been forced to launch a special drive against "fake registrations" as the menace refuses to die down, with scammers resorting to new tricks to claim input tax credit (ITC) and defraud the exchequer.

Officers have been instructed to identify those using forged papers to register or claim bogus input tax credit, deregister them, seek a refund of the credit and wherever needed attach their property or bank accounts. Besides, those who were in the chain for the input tax credit, will also be asked to refund them.

A similar exercise had been undertaken in the past, which resulted in not just several fraudsters being removed from the system but also saw some large companies face questions as they had bought goods or availed of services from them, directly or indirectly. But the problem persists.

19 online sites face stricter EU Rules

The European Union designated 19 online platforms, including Instagram, TikTok and Twitter, as having user numbers so big they will come under stricter regulatory rules for content. The list on which services from Amazon, Google, Meta, Instagram and Microsoft also feature - all have more than 45 million monthly active users.

That puts them in a category under a new EU law, known as the Digital Services Act (DSA), imposing measures from August such as annual audits and a duty to effectively counter disinformation and hate content.

850-900m Indians to life in urban areas by 2050: Puri

Union minister Hardeep Singh Puri said that India is likely to have 850-900 million people living in urban areas by 2050, pointing out that urbanisation is taking place at a fast pace.

The Union housing and urban affairs minister said the challenges for urban sectors are changing.

"Urbanisation is taking place at a faster pace. Every minute, 20-30 people are coming (to urban areas). By 2050, India is likely to see 850-900 million people living in urban spaces," Puri told reporters on the sidelines of an event.

He said that a lot of this will happen autonomously with private investments, but housing finance assumes greater importance.

He addressed a gathering at the 53rd foundation day of the Housing & Urban Development Corporation Ltd (HUDCO).

The minister also stressed that urban schemes such Pradhan Mantri Awas Yojana (PMAY), Swachh Bharat Mission and Atal Mission for Rejuvenation and Urban Transformation (AMRUT) are nearing maturity and all of them are doing well.

According to the Union housing and urban affairs ministry, more than 1.2 crore houses have been sanctioned under PMAY-Urban, with more than 1.1 crore houses already grounded and 73.45 lakh houses already delivered to beneficiaries.

No bank guarantees using client funds

The Securities and Exchange Board of India barred stock brokers from pledging clients' funds with banks.

At present, stock brokers and clearing members pledge clients funds with banks which in turn issue bank guarantees to clearing corporations for higher amounts.

"This implicit leverage exposes the market and especially the client's funds to risks," Sebi said in a circular.

The regulator said beginning May 1, no new bank guarantees should be created out of clients' funds by stock brokers.

All existing bank guarantees created out of clients' funds should be wound down by September 30, 2023.

However, this new framework would not be applicable for proprietary funds of stock brokers in any segment and stock brokers proprietary funds deposited with clearing member in the capacity of a client.

TDS coverage doubled in 6 years

In a review meeting with the finance ministry, the Central Board of Direct Taxes (CBDT) said that the introduction of new TDS codes, which have almost doubled from 36 to 65 in eight years, has led to an increase in total reported transactions in FY 2021-22 to 144 crore as compared to the total reported transactions in FY 2015-16 of 70 crores. This has also increased the number of unique deductees. The number of deductees has doubled in six years, increasing from 4.8 crores in FY2015-16 to 9.2 crores in FY2021-22.

Some of the major agendas of the meeting included the initiatives implemented for increasing the taxpayer base, pending disciplinary proceeding cases, disposal of applications for condonation of delay, and grant of exemptions under certain sections of the Income Tax Act, 1961.

Japan set to OK first abortion pill

Japan's health ministry will soon decide whether to make abortion pills available for the first time after the proposal cleared a major hurdle with endorsement by a government panel.

Abortion is legal in Japan up to 22 weeks, but a surgical procedure is currently the only option and consent is usually required from a spouse or partner. British pharmaceutical firm Linepharma applied to Japanese health authorities in December 2021 for approval of its abortion pill, which can be used in early pregnancy.

Similar medication is available in many countries including France, which first approved the abortion pill in 1988, and the United States, where it has been available since 2000.

SRS Ltd audit: NFRA fines, bans 2 auditors

The National Financial Reporting Authority (NFRA) has imposed a fine and a three-year ban on two auditors for professional misconduct and other lapses in connection with the audit of SRS Ltd in 2017-18. In two separate orders, NFRA slapped a fine of Rs 3 lakh each on auditors -- Pankaj Kumar and Naresh Kumar, and debarred them for three years from undertaking any audit in respect of financial statements or internal audit of the functions and activities of any company or body corporate during the ban period.

The order came after NFRA received a letter from the Serious Fraud Investigation Office (SFIO) which had investigated the affairs of SRS Ltd and the group companies.

An investigation by SFIO had revealed that the company and its group companies had presented financial statements containing false statements of debtors and indulged in the malpractice of round-tripping and layering of transactions resulting in inflated purchases and sales.

Govt eyes Rs. 35000 crore from road projects

The Ministry of Road Transport and Highways (MoRTH) plans to raise Rs 35,000 crore through various modes of asset monetisation in this financial year, against Rs 32,855-crore target in the last fiscal, a senior government official said.

Currently, MoRTH monetises its assets under three different modes viz toll-operate-transfer (TOT) model, Infrastructure Investment Trust (InvIT) and project-based financing, in order to provide all categories of investors an opportunity to invest in assets pertaining to highways and associated infrastructure.

Infrastructure Investment Trust (InvIT) is an instrument on the pattern of mutual funds, designed to pool money from investors and invest in assets that will provide cash flows over a period of time.

No proposal to regulate financial influencers: FM

Finance minister Nirmala Sitharaman said that her ministry does not have any proposal before it to regulate financial influencers, but warned people to tread with caution while seeking their advice.

"At this stage, I'm not having any proposal before me for regulating financial influencers. Social and financial influencers are all out there. If there are three-four people giving us good advice, there are seven others out of 10 who are probably driven by some other considerations," she said.

Sitharaman also said that the finance ministry is working with the ministry of electronics and information technology (MeitY) and Reserve Bank of India (RBI) against the ponzi apps. She said the Centre is clamping down on them like never before, so that citizens are safe from such financial scams.

Listed Govt firms paid over Rs. 2,900 crore to PM cares fund

Government-run firms accounted for the majority of donations that listed entities made to the Prime Minister's Citizen Assistance and Relief in Emergency Situations (PM CARES) Fund.

They contributed at least Rs 2,913.6 crore between 2019-20 and 2021-22, according to an analysis of the data collated by tracker primeinfobase.com for all the companies listed on the National Stock Exchange.

57 companies in which the government had a significant stake to reach the aforementioned amount. Their contribution accounts for more than the cumulative donation made by 247 other

firms to the fund - 59.3 per cent of total donation of Rs 4,910.5 crore.

The top five donors among the list of 57 are Oil and Natural Gas Corporation (Rs 370 crore), NTPC (Rs 330 crore), Power Grid Corporation of India (Rs 275 crore), Indian Oil Corporation (Rs 265 crore), and Power Finance Corporation (Rs 222.4 crore).

International trade in rupee soon: Goyal

Commerce and Industry Minister Piyush Goyal expressed hope that traders will soon be able to settle foreign trade in the rupee currency as several banks from different countries are opening special Vostro accounts with Indian banks.

The Reserve Bank of India (RBI) has approved 60 requests to open Special Rupee Vostro Accounts (SRVAs) of correspondent banks from 18 countries, including the UK, Singapore, and New Zealand.

Govt plans to partner with influencers for better compliance

The government is planning to partner with industry stakeholders, including influencer marketing companies, to prepare and promote guidelines to help them understand these better and improve compliance.

During a discussion with influencers, content creators, and their agencies on the recently released guidelines for celebrities, influencers, and virtual influencers on social media platforms, Rohit Kumar Singh, consumer affairs secretary, suggested forming a self-regulatory organisation for influencer marketing companies and the development of a creator or influencer recognition programme in collaboration with the industry.

The department of consumer affairs emphasised the importance of education for influencers and creators regarding laws and regulations.

The industry representatives agreed on the importance of education for influencers and creators, as well as the role of influencer marketing in advertising, said the department.

NSE issues framework for appointing forensic auditors

The National Stock Exchange (NSE) issued a framework for the selection of auditors for conducting forensic audits of brokers. Such forensic audits are done particularly in cases of critical violations including misuse of client assets, unauthorised portfolio management services and providing assured returns to the clients.

The stock exchange will define the scope of audit, timelines for completion, and invite quotations from the auditors who are empaneled with the market regulator to conduct the forensic audit, NSE said in a press release.

Phone stolen or lost? Govt system can help find it

In a move to combat mobile phone theft, the Indian government is rolling out a tracking system that will enable people to block and track their lost or stolen mobile phones across the country. The Centre for Department of Telematics (CDoT), a technology development body, has been running the pilot of the Central Equipment Identity Register (CEIR) system in some of the telecom circles, including Delhi, Maharashtra, Karnataka, and North-east region, and it is now ready for pan-India deployment, a senior government official told.

The CEIR system, will enable people to block and track their lost mobile phones. The system has been designed to discourage mobile phone theft and facilitate the tracing of lost or stolen mobiles to the police, detection of cloned or counterfeit mobiles, and restriction of the use of such cloned mobiles. Furthermore, the CEIR system will safeguard the interests of consumers by providing them with information related to fake and cloned mobile phones, thereby preventing them from falling prey to fraudulent activities.

Chartered accountants now under ambit of money laundering law

Notifying changes to the Prevention of Money Laundering Act, the Finance Ministry has brought in practicing chartered accountants, company secretaries, and cost and works accountants carrying out financial transactions on behalf of their clients into the ambit of the money laundering law. Lawyers and legal professionals, however, seem to have been kept out in the new definition of entities covered under the PMLA.

In a May 3 notification, the Union Finance Ministry said an activity will be recognised under the PMLA if these professionals carry out financial transactions on behalf of their client such as buying and selling of any immovable property; managing of client money, securities or other assets; management of bank, savings or securities accounts; organisation of contributions for the creation, operation or management of companies; creation, operation or management of companies, limited liability partnerships or trusts, and buying and selling of business entities.

Parminder Chopra, first woman to head PFC

The Public Enterprise Selection Board (PESB) has recommended the name of Parminder Chopra to succeed as the next CMD of India's largest NBFC by networth (all reserves), Power Finance Corporation (PFC).

Chopra will be the first woman to be appointed as the Chairman and Managing Director (CMD) of the Maharatna company. Her name was recommended by the PESB.

She has been with the company since 2005 and has been serving as the Director (Finance) and CFO since 2020, as well as a member of the board of directors, said the non-banking financial company (NBFC) for the power sector.

NFRA cracks whip on audit firms for deficiencies

The National Financial Reporting Authority (NFRA) has issued a series of orders this week, imposing sanctions on audit firms and individual partners for deficiencies in performing statutory audits, showed the orders posted on the website of the regulator.

The audit watchdog has imposed a penalty of Rs. 100,000 each in the case of four partners of a Kerala-based audit firm that performed the statutory audit of branches of Dewan Housing Finance Corp. Ltd for the financial year 2017-18.

In addition to the monetary penalties, the partners have also been debarred for one year from auditing financial statements or doing internal audits of any company, showed the orders. Besides audit deficiencies, the regulator also alleged the auditors of abdicating responsibility, resulting in professional misconduct.

GST evasion doubles to Rs. 1.01 lakh crore in FY23

GST evasion detection by tax officers almost doubled year-on-year to over Rs 1.01 lakh crore in the just concluded 2022-23 fiscal, an official said.

During the last fiscal, a recovery of Rs 21,000 crore was made by the officers of the Directorate General of GST Intelligence (DGGI).

The official said the government is taking steps to increase compliance and using data analytics and human intelligence to identify fraud.

"DGGI officers have detected evasion to the tune of Rs 1,01,300 crore in 2022-23. Of this, recovery of Rs 21,000 crore have been made," the official told.

In 2021-22, DGGI, the investigative agency under the Goods and Services Tax (GST) regime, detected evasion of over Rs 54,000 crore and made a tax recovery of over Rs 21,000 crore.

The total number of Goods and Services Tax (GST) evasion cases has gone up this fiscal with about 14,000 cases detected in 2022-23, up from 12,574 cases in 2021-22 and 12,596 cases in 2020-21.

Farming linked with global carbon credit market

The Uttar Pradesh government has launched an agroforestry project to link farming with the global carbon credit market and generate additional rural income.

The agroforestry carbon finance project is estimated to generate 4.5 million carbon credits. With the value of each carbon credit calculated at $6, the income under the current project will be to the tune of Rs 230 crore.

Carbon markets are trading models wherein carbon credits are sold and bought. It allows investors and companies to simultaneously trade carbon credits and carbon offsets. This mitigates the environmental crisis, while creating new market opportunities.

Each tradable carbon credit equals a tonne of carbon dioxide or other greenhouse gases reduced or sequestered. The global carbon credit market was valued at $760 billion in 2021 and is projected to touch $2.68 trillion by 2028.

Interestingly, India is a significant exporter of carbon credits. It issued 278 million credits in the voluntary carbon markets between 2010 and 2022, accounting for 17 per cent of global supply, according to analysis by S&P Global.

Intra-firm services registered separately to draw GST: AAR

Intra-company services provided by employees of a branch office to the head office or vice versa will attract Goods and Services Tax (GST) if the two offices have separate registrations, the authority for advance rulings (AAR) in Tamil Nadu has ruled.

GST will be applicable even if employees have been appointed for the company as a whole. Usually, two offices have separate registrations if they are located in two different states.

Abhishek Jain, national head indirect taxes at KPMG, said such services will attract 18 per cent GST as he warned that the ruling could open the door for litigation.

The case relates to Profisolutions Pvt Ltd which provides solutions in various industries and has its head office in Bengaluru and a branch office in Chennai. The branch office provides support services like engineering, design, and accounting to the head office. The two offices have different GST registrations.

I-T sends notices to 8000 taxpayers who donated to charitable trusts

The Income-Tax Department has sent 8,000 notices to various individuals who made large donations to charitable trusts reported. The notices have been sent because the donations made appear to be attempts to evade tax.

Government officials aware of the development were quoted in the report as saying that the data shows that donations made by these taxpayers was not consistent with their declared incomes and expenditures.

The people who have been served notices include salaried employees, self-employed individuals, and companies.

The government official said, "In all 8,000 odd cases, the donation was exactly the amount required to lower the tax slab or get a full exemption and was paid by cash." He added, "Also, an exceptionally high amount was paid to tax professionals, even by a straight salaried person."

The notices were sent during the last one month and were for the assessment years 2017-18 to 2020-21. IT department is likely to send more notices said.

Notices were also sent to small businesses which donated to charitable trusts as their incomes and donations did not add up.

Coffee day lapses: NFRA bars auditor for 10 years

The National Financial Reporting Authority (NFRA) has barred the engagement partner of the firm that audited Mysore Amalgamated Coffee Estate (MACEL) for the maximum permissible 10 years for professional misconduct.

In an order passed by the regulator for auditors and firms of large and listed companies, NFRA held chartered accountant Lavitha Shetty, proprietor of Lavitha & Associates, guilty, citing multiple failures.

MACEL, which was linked to Cafe Coffee Day founder V G Siddhartha, has been under regulatory lens.

In its order, NFRA said that its investigations have revealed that MACEL's auditor for the 2019-20 did not meet the relevant audit standards, and failed to exercise "professional judgment and skepticism" during audit of fraudulent borrowings of Rs 4,438 crore from banks and related parties. Of this, Rs 4,177 crore was diverted to the personal accounts of promoters, their relatives, entities controlled by them and other related parties.

CBDT review meeting: FM discusses taxpayer base, new TDS codes

Introduction of new data sources in Statement of Financial Transactions (SFT) like dividend, interest, securities, mutual funds and information from GSTN in recent years has led to 1118 per cent increase in reported information and resulted in addition of information of about 3 crore persons, the Finance Ministry said in a statement after Finance Minister Nirmala Sitharaman chaired a review meeting with Central Board of Direct Taxes (CBDT).

Sitharaman emphasised that CBDT should ensure timely action on all applications filed by taxpayers and that a reasonable time frame should be set for disposal of such applications.

Services exports rise record 27% in FY23

India's services exports shot up by a record 26.6 per cent in 2022-23 (FY23) to $322 billion, according to data released by the Reserve Bank of India (RBI), thus closing the gap with merchandise exports that grew only 6 per cent to $447 billion in the same period.

Services imports, on the other hand, grew 22.2 per cent to $179.7 billion, leading to a services trade surplus of $142.5 billion. With a $267 billion merchandise trade deficit in the last financial year, the country ended up with a cumulative trade deficit (or net exports) of $124.5 billion.

India's services exports range from information technology (IT) to services provided by doctors and nurses abroad. While the RBI doesn't release monthly disaggregated services exports data, its classification of services exports released quarterly with balance of payment data includes transport, travel, construction, insurance and pensions, financial services, telecommunications, computer and information services, and personal, cultural and recreational services, and other business services. While software exports dominate India's services exports, "other business services" exports have seen a strong ramp-up recently, accounting for 24 per cent of the total services exports in the first nine months (April-December) of FY23, from 19 per cent in FY14. ❑

Mutual Fund News

Avoid programmes for MF distributors based on SIP targets: Amfi tells MFs

The Association of Mutual Funds in India (Amfi) has written to its members asking them to avoid holding training programmes that indirectly rewards MF distributors for achieving systematic investment plan targets.

According to a report, some AMCs had planned to hold training camps in locations like Andaman and Nicobar Islands for outperforming MF distributors.

The Securities and Exchange Board of India has cracked down on such practices in 2018 and said that training programmes "should not be misused for providing any reward or non-cash incentives to distributors", said the report.

Sebi slaps Rs. 75-lakh fine on 15 entities for non-genuine trades

Sebi slapped fines totaling Rs 75 lakh on 15 entities for indulging in non-genuine trades in the illiquid stock options segment on BSE.

In fifteen separate orders, the regulator levied a fine of Rs 5 lakh each on Vanshika Gurbani, UNNO Industries, Vaishali Tushar Shah, Varshaben ManojKumar Jadav, Surendra Kumar Bagri HUF, Ketan Desai, Kiran Bhawani and Kiran Gupta.

Kiran Rasiklal Mehta, Ask Realty and Developers, Sunita Agarwal, Suresh Maheshwari, Usha Maurya, Union Commodities and Sunrise Legal Advisor and Consultant were also penalised by the markets watchdog.

Sebi had observed large-scale reversal of trades in the illiquid stock options segment of BSE, leading to the creation of artificial volumes on the bourse.

Rs. 2.6000 crore lying unclaimed with MFs: Amfi data

Around Rs 2,637.94 crore of unclaimed dividends and units are lying with mutual fund (MF) houses, the Association of Mutual Funds in India (Amfi) said. Of the total, Rs 1,659.02 crore is in the form of unclaimed dividends and the rest, Rs 978.92 crore, are unclaimed redemptions.

Amfi's chief executive officer NS Venkatesh said that the association has been working closely with the Sebi to ensure that the money reaches the rightful owner. "Sebi has advised Amfi to ensure that the investor or nominee or heir gets the money. We are working closely with Sebi in this matter. This number will come down substantially in the near future," he said.

Venkatesh said that fund houses try to connect with these investors through the email-id and phone numbers associated with their PAN. Money is said to be unclaimed when the fund house is unable to make dividend and redemption-related payments to the investor through the online as well as offline channels.

At Rs. 84,000 crore, net SIP inflows account for 54% of gross inflows

Notwithstanding the volatile equity markets, the net flows into the mutual fund industry through Systematic Investment plan increased 77 per cent in the year ended March to Rs. 84,224 crore against Rs. 47,619 crore logged in the previous financial year.

In fact, the net inflows accounted for 54 per cent of highest ever gross SIP inflow of Rs. 1.56-lakh crore logged in FY23, according to data from the Association of Mutual Funds in India.

Interestingly, the net to gross ratio of SIPs has strengthened from 38 per cent in FY'22 to 54 per cent in FY'23.

This reflects the fact that industry has not only succeeded in adding new SIP accounts but also managed to retain some of the ongoing SIPs despite providing the option of pause in SIP.

NS Venkatesh, CEO, AMFI, said the industry provided the option of pause during the Covid pandemic for investors who were between jobs. However, he said if the pause on SIP continues for three months it is treated as discontinued.

LIC MF hopeful of growing AUM to Rs. 27,000 crore by end of FY24

LIC Mutual Fund (LICMF), which is hopeful of completing the proposed merger with IDBI Mutual Fund by the first half of this fiscal, is looking to increase the share of equity AUM (assets under management) to its overall business to close to 50 per cent in the short-to-medium term. It is also looking to grow the SIP (systematic investment plan) portfolio by attracting more retail investors by ramping up the distributor network.

At the end of 2022-23, LICMF's AUM stood at around Rs. 17,600 crore. Equity accounted for around 45 per cent of the total AUM at close to Rs. 8,000 crore while the remaining Rs. 9,600 crore came from debt schemes.

According to TS Ramakrishnan, MD & CEO, LICMF, the share of SIP to the total AUM is close to 13 per cent at present. This is relatively lower as compared to the industry average of around 15-16 per cent (share of SIP to industry's total AUM).

HNIs embracing passive funds on under-performance of active funds

High networth individuals (HNIs) are increasingly lapping up passive funds, with their exchange-traded fund asset base registering a 66 per cent growth to Rs 34,000 crore in 2022-23, according to a report. HNIs are informed investors, and hence, use platforms that allow direct investing in passive funds.

Moreover, passive investments are comparatively more attractive than active investments owing to their ease of investing, better liquidity, and lower cost.

According to a report by Motilal Oswal Financial Services, HNIs' ETF AUM rose to Rs 34,000 crore in FY23 from Rs 20,400 crore in FY22, indicating a surge of 66 per cent. It was at Rs 13,700 crore in 2020-21 and Rs 7,500 crore in 2019-20.

UTI Mutual Fund launches UTI S&P BSE Housing Index Fund

UTI Mutual Fund has launched UTI S&P BSE Housing Index Fund, an open-ended scheme replicating/tracking S&P BSE Housing Total Return Index (TRI).

The performance of the scheme will be benchmarked against S&P BSE Housing TRI. The scheme will be managed by Sharwan Kumar Goyal and Ayush Jain.

The investment objective of the scheme is to provide returns that, before expenses, correspond to the total return of the securities as represented by the underlying index, subject to tracking error.

The scheme will invest 95-100% in securities covered by the S&P BSE Housing Index and 0-5% in debt/ money market instruments including tri-party repo on government securities or treasury bills and units of liquid mutual funds.

Sebi proposes big changes to mutual fund fees to bring down costs

The capital markets regulator has proposed sweeping changes to the way mutual funds charge fees to investors for managing their money. The Securities and Exchange Board of India said in a discussion paper, that mutual funds must make the total expense ratio - the annual fee that these asset managers collect from unit holders - uniform for scheme categories such as equity or debt.

The regulator has also suggested bringing the Goods and Service Tax (GST) on investment and advisory fees charged by mutual funds from investors and brokerages, along with transaction costs that these fund houses pay institutional broking firms for trade execution and incentives for selling beyond the top 30 cities into the proposed total expense ratio (TER) slabs. Sebi has also proposed to introduce a performance fee that mutual funds can charge investors for superior returns.

The recommendations are aimed at bringing down mis-selling and reducing costs of investing in mutual funds. ❑

Co-Operative Bank News

Urban co-op banks want RBI to permit them to undertake one-time settlement of bad loans

Urban co-operative banks (UCBs) have requested the Reserve Bank of India to allow them to do one-time settlement (OTS) of bad loans along the lines of OTS available for commercial banks.

UCBs emphasized that since the 2020 amendment to the Banking Regulation (BR) Act has addressed the vexing issue of dual regulatory control, the Central bank is empowered to permit them to undertake OTS for recovery from non-performing assets (NPAs), said Jyotindra Mehta, President, National Federation of Urban Co-operative Banks and Credit Societies (NAFCUB).

Under dual regulatory control, the Registrar of Co-operative Societies/ Central Registrar of Co-operative Societies were empowered to look after UCBs' incorporation, registration, management, recovery, audit, supersession of the Board of Directors and liquidation.

The Reserve Bank was vested with regulatory oversight on banking activities of UCBs, State Co-operative Banks (StCBs) and District Central Co-operative Banks (DCCBs).

With the 2020 BR Act amendment narrowing the regulatory arbitrage between commercial banks and UCBs, Mehta said the OTS avenue should be opened up for UCBs to clean up their balance sheets.

ED raids officials of Seva Vikas Co-operative Bank

Enforcement Directorate (ED) has seized gold and diamond jewellery worth Rs. 2.72 crore, Rs. 41 lakh cash, 4 high-end cars, digital devices and various incriminating documents during searches at ten locations associated with Pune-based Seva Vikas Co-operative Bank fraud.

The ED in a statement said that their teams faced stiff resistance during January 27 searches at premises of Amar Mulchandani, ex-Chairman of Seva Vikas Co-operative Bank, and addresses linked to Vinay Aranha of Rosary School Pune and Sagar Suryawanshi in Pune and Pimpri-Chinchwad of Maharashtra. All of them are alleged to have benefitted from this scam, said ED.

Mehsana Urban Co-op Bank crosses business mix of Rs 13,000crore

Gujarat based Mehsana Urban Cooperative Bank (Multi-State Scheduled Bank) crossed the business mix of more than Rs 13,000 crore and earned a profit of Rs 117 crore in the 2022-23 financial year. The bank earned the highest ever profit in its history.

The bank has performed well on all the financial parameters in the current fiscal. The business mix of the bank increased from Rs 12,370 (2021-22) to Rs 13,657 crore as of 31st March 2023.

The deposits of the bank increased from Rs 7,228 crore to Rs 8078 crore whereas advances rose from Rs 5142 crore to Rs 5579 crore in the 2022-23 FY. Besides, as of 31st March 2023, the share capital and working capital stood at Rs 375 crore and 9673 crores respectively.

Meanwhile, the bank announced its 40th Annual General Meeting on 26th May 2023 at Mehsana. This year the bank also proposed a 15th percent dividend for its shareholders.

The bank provides different types of facilities, which include ASBA Services, ATM, SMS Service, Demat Facilities, mobile banking, to its customers with a network of 58 branches.

UP Sahkari Gram Vikas Bank earns highest profit in 10 years

Uttar Pradesh Sahkari Gram Vikas Bank earned a handsome net profit of Rs 98.08 crore in the 2022-23 financial year, which is the highest in the last ten years. Earlier i.e. in 2021-22, the net profit was Rs4.91 crore.

Besides, the Bank has disbursed a loan worth of Rs 270.67 crore to around 13,000 beneficiaries in the 2022-23 FY. UP Sahkari Gram Vikas Bank recovered the dues of Rs 774 crore, which is Rs 178 crore higher in comparison to the 2021-22 FY.

Meanwhile, talking to Indian Cooperative correspondent, the bank MD Shri R K Kulshrestha said, "We have performed well on all the financial parameters in 2022-23 FY and looking forward to perform better in future also. We are also thankful to the State Cooperation Minister JPS Rathore, Cooperative Principal Secretary BL Meena, Chairman Santraj Yadav, Additional Banking Ms. Chandrakala, and other stakeholders associated with the bank for this remarkable achievement".

RBI penalizes three co-op banks including Kanyakumari DCCB

The Reserve Bank of India imposed a penalty on three cooperative banks. These banks are Kanyakumari District Central Co-operative Bank Ltd., Nagercoil, Tamil Nadu, Krishna Sahakari Bank Ltd., Satara and National Cooperative Bank Ltd., Mumbai, Maharashtra.

The Reserve Bank of India has imposed a monetary penalty of Rs 7.50 lakh on the Kanyakumari District Central Co-operative Bank Ltd for non-compliance with directions issued by RBI on transfer of eligible funds to Depositor Education and Awareness Fund (DEA Fund) constituted as per section 26A read with section 56 of the Banking Regulation Act, 1949 (AACS) and for non-adherence with Know Your Customer (KYC) Direction, 2016.

Similarly, the apex bank imposed Rs 1.00 lakh (Rupees One lakh only) on Krishna Sahakari Bank Ltd., Satara (the bank) for contravention of directions issued by RBI on Maintenance of Deposit Accounts.

This penalty has been imposed in exercise of powers vested in RBI under the provisions of Section 47 A (1) (c) read with Section 46 (4) (i) and Section 56 of the Banking Regulation Act, 1949 (the Act), taking into account the failure of the bank to adhere to the aforesaid directions issued by RBI.

And, Rs 1.00 lakh (Rupees One lakh only) penalty has been imposed on the National Cooperative Bank Ltd., Mumbai (the bank) for contravention of directions issued by RBI on Maintenance of Deposit Accounts.

Cosmos Bank earns highest ever profit

During the Financial Year ending on March 31st, 2023, The Cosmos Cooperative Bank Ltd., has earned a net profit of Rs 151 Crore and netted R 213 Crore Profit Before Tax (PBT) informed Bank's Chairman CA Milind Kale. This is the maximum net profit earned up till now, in the history of the Bank.

At the end of March 2023, the Bank's business was more than Rs. 30700 Crore which included Deposits of more than Rs. 17600 Crore and Advances of more than Rs. 13100 Crore. The Bank's Operating Profit stands at Rs. 514 Crore with Gross NPA at 4.80% and net NPA at 1.74%

The Bank maintains its CRAR at 13.54%. The Bank has set new records in the portfolio of Business, Deposit Mobilization, Loan Disbursement, Loan Recovery, Net & Gross Profit in the Financial Year ending on March 31st, 2023 stated Chairman, CA Milind Kale.

Repco Bank crosses business mix of Rs 17,500 crore

Chennai based Repco Bank crossed a business mix of Rs 17,500 crore in the 2022-23 FY, registering a growth of 8 percent. The bank earned a net profit of Rs 67.42 crore in the current financial year.

Sharing the figures with the Indian Cooperative, the Bank MD R S Isabella informed, "the Bank performed remarkably well across all business segments. The total business of the Bank grew by 8% to Rs 17,746 crore as of March 31, 2023".

"The total deposits increased by 7% to Rs 9,527 crore and gross advances increased by 9% to Rs 8,219 crore. The Bank's Profit After Tax (PAT) for the year ending 31st March 2023 stood at Rs 67.42 cr. registering a growth of 10.15%. The net worth of the bank stood at Rs 829 cr. at the end of March 2023", She added. ❑

Legal News

'No GST exemption on pilgrims' accommodation outside a religious place

A charitable trust providing accommodation to pilgrims visiting Ambaji Temple in a building located outside the boundary of the religious place will not get GST exemption, rules Gujarat's Authority for Advance Rulings (GAAR).

The applicant Ahmedabad based Nandini Ashram Trust provides accommodation to pilgrims who visit the Ambaji Temple and the room rent is Rs. 1,000 per day. It is also engaged in providing a wide range of professional consulting services such as architecture, engineering, planning, urban design, landscape, sustainability, research and art, building design, interior design, surveying, environmental sciences, project management and project economics. It moved to AAR to seek advance ruling on whether it needs GST registration and whether the services come under the purview of GST regime.

SC marks 50 yrs of historic 'basic structure' ruling

Celebrating the 50th anniversary of its landmark 'Kesavananda Bharati' judgment barring the Parliament from amending the basic structure of the Constitution, including fundamental rights, the Supreme Court uploaded on its website the entire records of the watershed ruling along with the 11 different opinions given by the members of the SC's largest-ever 13-judge bench.

The bench, comprising then CJI SM Sikri and Justices JM Shelat, KS Hegde, AN Grover, AN Ray, PJ Reddy, DG Palekar, HR Khanna, KK Mathew, MH Beg, SN Dwivedi, BK Mukherjea and YV Chandrachud, by a slenderest 7-6 margin had ruled that under Article 368 of the Constitution "the power to amend does not include the power to alter the basic structure or framework of the Constitution so as to change its identity".

The 'basic structure doctrine' was agreed to by CJI Sikri, and Justices Shelat, Hegde, Grover, Khanna, Reddy and Mukherjea. Those who disagreed were Justices Ray, Palekar, Mathew, Beg, Dwivedi and Chandrachud. While Justice Mathew's son K M Joseph is a sitting SC judge, Justice Chanrachud's son is the present CJI. In contrast to their fathers' views in the Kesavananda case, sons of the two former judges fastidiously imbibe the basic structure in their approach to constitutional cases.

Apex court alters approach to resolving transfer pricing disputes

In a significant ruling, the Supreme Court on April 19, 2023, set aside an earlier Karnataka High Court ruling which held that in all cases where the Income Tax Appellate Tribunal (ITAT) has determined the arm's length price (ALP), the determination of the ITAT is final and cannot be the subject matter of scrutiny by the High Court.

The apex court held that any ALP determined outside the purview of relevant transfer pricing (TP) provisions can be considered as 'perverse' and may be considered as a substantial question of law.

The Supreme Court ruling shall have far-reaching implications for taxpayers in India, including on a large number of cases covered by High Court rulings that had relied on the Karnataka HC ruling.

The SC ruling has restored TP issues to

the same pedestal as other tax issues, where both, the Indian Revenue Authorities (IRA) as well as taxpayers, can approach a HC after a decision by the ITAT.

As is the trend with many tax disputes, this is likely to increase the timeframe to resolve TP disputes and result in more litigation, as typically the taxpayer or IRA is likely to file appeals against unfavorable ITAT orders before the HC.

On appeal, there is also likelihood of HCs remanding such matters to the ITAT for adjudication, instead of passing a speaking order on merits.

To give a background, in August 2018, in what is widely viewed as a landmark case, the Karnataka HC had put forth significant principles relating to admissibility of appeals concerning TP issues by the HC.

The HC had held that ITAT is the final fact finding authority and, therefore, questions such as appropriateness of qualitative and quantitative filters for identifying comparable and acceptance/rejection of comparable should not be reviewed by the HC.

Following this ruling, the Karnataka HC as well as some other HCs dismissed a plethora of TP appeals on the grounds that substantial question of law did not arise in those cases.

Take immediate action on outstanding demand, refund approval: Tax Dept

In order to facilitate compliance by assessees, the Income Tax Department has instructed its officers to take immediate action on outstanding demand and refund approval.

This is part of an interim plan for Fiscal Year 2023-24, circulated among officials. The document, has set the deadline for demand verification. Accordingly, checking of all demand PAN-wise and year-wise from systems, AST/TMS (software for return processing) or manual demand, wherever remaining and removal of all duplicate entries need to be completed by June 30. The same timeline will be for verification and certification in CPC Financial Accounting System (FAS) where notice has been issued till March 31, 2023.

No input tax credit: Intra-co services GST a pain

A recent advance ruling given by the Tamil Nadu bench in the case of Profisolutions, a private company, reaffirms that GST is applicable on services provided intra-company. In this case, the branch office in Chennai (Tamil Nadu) provided support services like engineering services, design services and accounting services to its head office in Bangalore, which was registered in Karnataka under the GST Act.

For GST to be triggered, there must be a 'supply' of goods or services. The moot question before the Authority for Advance Ruling (AAR) was whether provision of services by a branch office in one state to its head office in another state, through employees who are common to the company, constitutes a 'supply' of services.

A physical presence of a unit, such as the head office or branch offices, necessitates a GST registration. In other words, the registrations are state-specific. The AAR held that each registered unit is a 'distinct person'. A transaction between distinct persons even without consideration is termed as a supply and is taxable.

When the services of employees deployed in a registered place of business are provided to another registered premises of the company, it is treated as a supply and is subject to GST at 18%.

This concurs with advance rulings given in the past, including a ruling given by the Karnataka bench of the Appellate Authority for Advance Rulings in the case of Columbia Asia Hospitals.

Tribunal cannot overrule state government's orders

Can a tribunal overrule a state government's order, such as the need to get the forest department's clearance for a project? No, says Justice M Nagaprasanna of the High Court of Karnataka, Bengaluru, in a case between the Principal Conservator of Forests, Karnataka, and Wind World India Pvt Ltd, an insolvent wind turbine manufacturer.

Wind World India had been operating a wind farm on a 222-ha forestland leased to it by the Karnataka Renewable Energy Development Corporation Ltd. The 15-year lease expired in June 2018. In January 2020, the company applied for a licence renewal, which was granted subject to the condition that the company would secure the forest department's clearance.

When the state government noticed in May 2022 that the company was operating its wind turbines without forest clearances, it ordered suspension of the operations. ❑

ICICI Bank introduces auto recharge on FASTag through UPI mandate

ICICI Bank today announced that it has enabled FASTag auto recharge through Unified Payments Interface (UPI) mandate. The facility offers yet another option to users to recharge their FASTag automatically as per pre-defined frequency in a completely digital manner. It helps users to pass through the FASTag lane at toll plazas seamlessly and eliminates the inconvenience of not having sufficient funds in their accounts.

Users can set up the standing instructions through UPI mandate by a one-time quick and easy process. They can use the facility to recharge FASTag affixed on the vehicle or the FASTag wallet with their chosen frequency options- daily, weekly, monthly, and quarterly. They can activate and deactivate the auto recharge facility as per their convenience.

Speaking on the initiative, Mr. Sudipta Roy, Head – Credit Cards, Payment Solutions & Merchant Ecosystem, ICICI Bank said "We are delighted to introduce auto recharge facility through UPI mandate for FASTag.

ICICI Bank is the first bank to offer this facility. With the government's initiative to install FASTag in vehicles for toll fees and increased adoption of UPI payments, we believe the auto recharge facility using UPI mandate will offer more convenience to users."

Bank of Maharashtra tops PSU lenders chart in profit and loan growth in FY23

Bank of Maharashtra also recorded highest growth in profitability with bottom-line growing almost 126 per cent to Rs 2,602 crore during the year.

State-owned Bank of Maharashtra (BoM) has emerged as the top performer among public sector lenders in terms of loan and deposit growth in percentage terms during 2022-23.

The Pune-headquartered lender also recorded highest growth in profitability with bottom-line growing almost 126 per cent to Rs 2,602 crore during the year.

However, all the 12 public sector banks together recorded 57 per cent jump in net profit at Rs 1,04,649 crore in FY23,according to published yearly numbers of public sector banks (PSBs).

In terms of percentage increase in gross advances, BoM recorded 29.4 per cent jump in loans at Rs 1,75,120 crore as of March 2023. It was followed by Indian Overseas Bank and UCO Bank with 21.2 per cent and 20.6 per cent growth, respectively.

However, in absolute terms, aggregate loans of the country's biggest lender SBI were nearly 16 times higher at Rs 27,76,802 crore. With regard to deposit growth, BoM witnessed 15.7 per cent rise and mobilized Rs 2,34,083 crore at the end of March 2023.

Bank of Baroda was second with 13 per cent growth in deposits (Rs 10,47,375 crore) while Punjab National Bank recorded 11.26 per cent increase at Rs 12,51,708 crore, according to the data.

BoM retained the top position in terms of garnering low-cost Current Account and Savings Account (CASA) deposits with 53.38 per cent followed by Central Bank of India (50.18 per cent).

Total business growth of BoM was also the highest at 21.2 per cent at Rs 4,09,202 crore followed by Bank of Baroda at 14.3 per cent (Rs 18,42,935 crore) at the end of FY23.

In terms of Retail-Agriculture-MSME (RAM) loans, BoM registered the highest growth of 24.06 per cent followed by Punjab National Bank at 20.85 per cent and Punjab & Sind Bank at 20.70 per cent on an annual basis.

PRODUCTION LINKED INCENTIVE (PLI) SCHEME 2.0

Introduction

PLI Scheme, as the Production Linked Incentive Scheme is commonly abbreviated as, is an initiative started by the Government of India to not only encourage foreign companies to find workforce in the country and thereby generate employment, but also encourage domestic and local production to create micro jobs. This scheme is a flagship programme of the Government of India launched in March 2020. The scheme aims to encourage domestic manufacturing and reduce India's dependence on imports, particularly from China. The scheme provides financial incentives to eligible companies for increasing their production in identified sectors.

As clear by the name, PLI scheme is an initiative that provides incentives to domestic industries to boost local production. When that happens, specifically tailored products emerge that satisfy a selected niche of target audience. Domestic businesses also help in cutting down import bills. As per the PLI scheme, the government encourages domestic companies and establishments to set up or expand on manufacturing units to increase production, to which the government provides incentives on incremental sales. Under the PLI Scheme, eligible companies will receive financial incentives based on their incremental sales or exports over a period of five years.

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Context

1. Over the past 8 years, the electronics manufacturing industry in India has experienced consistent growth, achieving a commendable Compound Annual Growth Rate (CAGR) of 17%. This year, it has surpassed a significant production milestone, reaching 105 billion USD (equivalent to about Rs 9 lakh crore).
2. India has successfully emerged as the world's second-largest manufacturer of mobile phones, highlighting its prowess in the electronics manufacturing sector.

Notably, the exports of mobile phones have also reached a remarkable milestone of 11 billion USD (about Rs 90 thousand crores) this year.

3. India is attracting the attention of the global electronics manufacturing ecosystem, positioning itself as a prominent player in the field. The country is rapidly emerging as a major hub for electronics manufacturing, capitalizing on the opportunities presented by the industry.
4. The PLI scheme can also bring back old designs and product customs that can contribute heavily to the diversity, while also empowering forgotten artistry buried due to colonialism.
5. The framework of the PLI scheme is to reward increased production.
6. Due to the niche and specificity of PLI linked sectors, that mostly involve careful and attentive focus on man force and creating, PLI can enhance building systems to adjust to climate change and even essentially reverse it in the many years to come.
7. The telecom and mobile phone PLIshave brought in investments of more than Rs. 3,600 crores and created lot of jobs over the past two years.

Objective

The objective of the PLI 2.0 scheme is to make India a global manufacturing hub for identified sectors.The scheme aims to increase production, create jobs, and reduce imports. The PLI scheme is essential in the country for many reasons. The prime necessity, is to neutralize the amount of imports and exports in the country in a non-discriminatory manner. This is possible when domestic industries are given more and due importance. Another reason is that India is primarily a labour intensive workforce owing to the population, and that the government could focus on capital influx for growth.

But the capital intensive growth can generate returns only after a long time, a duration that foreign funding can afford. So instead, the government shifting its focus to boost short term, under a year result driven industries, can potentially balance the trade into and out of the country. The local production will lead to lower costing products for Indian consumers. The global electronics manufacturing ecosystem is coming to India, and it is emerging as a major electronics manufacturing country.

Phases of PLI Scheme

First Phase

The first phase of the initial PLI scheme covered three sectors, namely, mobile phones, pharmaceuticals, and medical devices. Later, in November 2020, the government announced inclusion of ten additional sectors (totaling to 13 sectors) mentioned below:

1. **Advanced Chemistry Cell (ACC) Battery:** The scheme aims to encourage domestic manufacturing of ACC batteries, which are used in electric vehicles, grid storage, and other applications.
2. **Electronic/Technology Products:** The scheme aims to promote domestic manufacturing of electronic and technology products, such as laptops, tablets, servers, and routers.
3. **Automobiles and Auto Components:** The scheme aims to promote domestic manufacturing of automobiles and auto components, such as electronic power steering systems, sensors, and electric vehicle components.
4. **Pharmaceuticals: T**he scheme aims to promote domestic manufacturing of key starting materials (KSMs), drug intermediates, and active pharmaceutical ingredients (APIs).
5. **Telecom and Networking Products:** The scheme aims to promote domestic manufacturing of telecom and networking products, such as optical fibers, 4G/5G equipment, and routers.
6. **Textiles Products:** The scheme aims to promote domestic manufacturing of man-made fibers and technical textiles.
7. **Food Products:** The scheme aims to promote domestic

manufacturing of food products, such as ready-to-eat foods, processed fruits and vegetables, and marine products.

8. **White Goods (ACs and LED Lights):** The scheme aims to promote domestic manufacturing of air conditioners and LED lights.
9. **High-Efficiency Solar PV Modules:** The scheme aims to promote domestic manufacturing of high-efficiency solar PV modules.
10. **Specialty Steel:** The scheme aims to promote domestic manufacturing of specialty steel, such as steel used for electrical transformers and electric vehicles.

The PLI for IT hardware such as laptops, tablets, all-in-one computers, and servers was first announced with an initial outlay of around Rs 7,300 crore over a period of four years. Under the scheme, domestic players investing Rs 20 crore and clocking sales of Rs 50 crore in the first year, Rs 100 crore in the second, Rs 200 crore in the third, and Rs 300 crore in the final year, would pocket incentives of 1-4 per cent on incremental sales over 2019-20, the base financial year. 42 companies in the telecom manufacturing sector have invested Rs. 1,600 crore in the first year, instead of the projected Rs. 900 crore.

Second Phase i.e. PLI 2.0

Building upon the achievements of the Production Linked Incentive (PLI) scheme implemented for mobile phones, the Union Cabinet, chaired by the Hon'ble Prime Minister Shri Narendra Modi, on 17th May approved the revised Production Linked Incentive Scheme 2.0 for IT Hardware segment with a substantial budgetary outlay Rs. 17,000 crores, more than doubling the budget for the scheme. The scheme aims to leverage the achievements of the PLI scheme implemented for mobile phones, which played a pivotal role in establishing India as the world's second-largest mobile phone manufacturer. The scheme will be implemented from July 1, with a cap on maximum incentives available to participating companies. This decision further strengthens the government's commitment to promoting and supporting the growth of the IT hardware manufacturing sector in India.

This scheme is focused on expanding India's production and presence in Global value chains of IT hardware, servers and

laptops. PLI Scheme 2.0 for IT hardware covers laptops, tablets, all-in-one PCs, servers and ultra-small form factor devices.

The IT hardware industry is targeted to reach a production of $24 billion by 2025-26, with exports anticipated to be in the range of $12-17 billion during the same period.By deepening & broadening the electronics ecosystem in India, this scheme will play a key role in catalysing India's Techade and in achieving the $1 trillion digital economy goal - including $300 billion of electronics manufacturing by 2025-26.

This revised PLI is expected to serve as a major catalyst for both global and domestic companies aiming to establish or expand their IT hardware manufacturing operations in India.This move will help more Indian companies grow and they can combine design and manufacturing to become global brands.

Salient Features

1. The PLI Scheme 2.0 for IT hardware encompasses a wide range of products including laptops, tablets, all-in-one PCs, servers, and ultra-small form factor devices.
2. The scheme has a budgetary allocation of Rs. 17,000 crores, signifying a significant financial commitment toward promoting the IT hardware sector.
3. The duration of this scheme is set for 6 years, providing a long-term framework to drive growth and development in the IT hardware industry.
4. It is anticipated that the implementation of this scheme

will result in an incremental production value of Rs. 3.35 Lakh crore, showcasing the potential for substantial growth and expansion within the sector.

5. The scheme aims to attract incremental investments amounting to Rs. 2,430 crores, facilitating the infusion of capital into the IT hardware manufacturing ecosystem.
6. As a consequence of the scheme's implementation, it is projected that there will be an incremental direct employment generation of 75,000 jobs, contributing to the enhancement of employment opportunities within the IT hardware sector.In total, the employment figure could touch even 2 lakhs when accounted for indirect jobs.
7. The revised scheme will offer an incentive of 5% on net incremental sales over the base year, of goods manufactured in India, compared to 2% earlier. There will be flexibility in choosing the base year as well. The base year can be chosen starting from will be FY23.
8. The scheme also provides for flexibility as the investments can be done over six years, instead of four years earlier. Companies opting for the scheme will get additional optional incentive - of another 3% - if they use India-made and designed components, sub-system or inputs. Also, the companies can take Indian contract manufacturers on board, and avail incentives if the contractors are producing for a single company.
9. While the final policy with its specifics is yet to be released, it is understood that for global companies, the maximum incentive has been capped at Rs 4,500 crore, Rs 2,250 crore for hybrid - which have an element of both global and domestic entities - and Rs 500 crore for domestic companies.
10. Companies opting for the scheme will get additional optional incentive - of another 3% - if they use India-made and designed components, sub-system or inputs. Also, the companies can take Indian contract manufacturers on board, and avail incentives if the contractors are producing for a single company.
11. The investments from Chinese manufacturers would also be allowed in accordance with existing regulations.
12. The scheme covers all aspects of semiconductor manufacturing, PCBs, ATMPs, component manufacturing, contract manufacturing, display panels,memory devices, power adapters etc. astutely and comprehensively. The policy is valid for 6 years with clear incentives, thresholds, domestic, hybrid and global categorisation, selection criterion and timelines.

Eligibility Criteria

To be eligible for this scheme, a company must:

1. Be a registered company in India.
2. Proposes to produce items related to Target segments
3. Apply for approval under the scheme
4. Applicant is permitted to run either brand new or continue current production facilities to produce goods for the targeted segments.
5. Companies must meet certain criteria, such as having a minimum turnover and investing in plant and machinery, among others. The eligibility criteria vary from sector to sector.
6. Investments made by eligible companies in contract manufacturers and for attaining exclusive arrangements with component manufacturers will also be considered under the scheme.

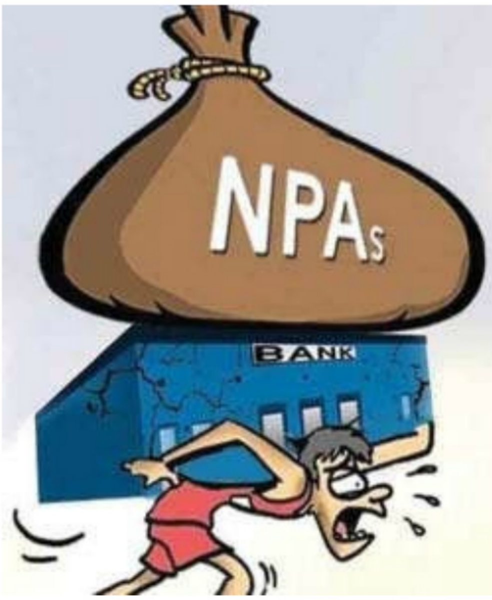
Significance

India is rapidly gaining recognition as a reliable supply chain partner for prominent global companies. Leading IT hardware corporations have expressed significant interest in setting up manufacturing units within the country. This positive trend is reinforced by the robust IT services industry, which experiences substantial demand domestically. Major companies aspire to serve both the domestic market in India and utilize the country as an export hub for their products.

The PLI 2.0 scheme for the IT hardware sector aims to boost domestic manufacturing and attract large investments and jobs over the coming years and enable businesses to grow beyond regional markets. It will create additional incentives for companies to invest/set up their manufacturing base in India andfor the original equipment manufacturers (OEMs) that incorporate Indian-designed IP into their systems and their products. It will enhance India's position as a global technology hub for companies to drive India-designed IP and explore new growth avenues.

The scheme would foster domestic manufacturing and benefit major global manufacturers of IT hardware products such as laptops and tablets, a significant portion of which were currently being imported for consumption. This is an opportune moment to shift IT hardware manufacturing towards India. ❑

NPA MANAGEMENT OF PSU BANKS AT THE COST OF EXCHEQUER



Introduction:

Banking sector reform was done on the expectation of allocation of more commercial banks' credit to the existing real sectors vis-à-vis reducing operating costs of banks and statutory reserve and cash reserve ratios. Special attention was put upon reduction of a large fund in the head of bad debt which is popularly known as the non-performing assets (NPA) so that the productive real sectors are entitled to get more bank credit in one hand and profitability of banks rises on other.

Assumptions were made that, it will improve the health of the banking institutions, it will also lead to influence the real sectors' output growth through channelization of savings money into investment money as there is linkage between financial sector and real sector.

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To avert the credit risk, there are rising trends of commercial banks' intention of making their funds to be invested in the government and other approved securities other than investing in the real sectors in spite of significant margin of fall in the non-performing assets (NPA) of the banks.

Moral suasion, Capital Infusion and other incentives have been used by Government of India and Reserve Bank of India to motivates the Banks for lending to real sector specially the Priority Sector as classified by Reserve Bank of India. Before discussing, how the PSU Banks in India have paly upon the craving of Government of India, first let discuss what is NPA and how the loan in India are classified as NPA.

Non-Performing Assets (NPA):

As per RBI Master Circular on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances No. RBI/2023-24/06 DOR.STR.REC.3/21.04.048/ 2023-24 dated 01-04.2023 an asset, including a leased asset, becomes non-performing when it ceases to generate income for the bank.

A non-performing asset (NPA) is a loan or an advance where;

- Interest and/ or instalment of principal remains overdue for a period of more than 90days in respect of a term loan,
- The account remains 'out of order' in respect of an Overdraft/Cash Credit (OD/CC)
- The bill remains overdue for a period of more than 90 days in the case of bills purchased and discounted
- The instalment of principal or interest thereon remains overdue for two crop seasons for short duration crops
- The amount of liquidity facility remains outstanding for more than 90 days, in respect of a securitisation transaction undertaken in terms of the Reserve Bank of India(Securitisation of Standard Assets) Directions, 2021 as amended from time to time
- In respect of derivative transactions, the overdue receivables representing positive mark-to-market value of a derivative contract, if these remain unpaid for a period of 90 days from the specified due date for payment.

'Out of Order' status:

A CC/OD account shall be treated as 'out of order' if:

- The outstanding balance in the CC/OD account remains continuously in excess of the sanctioned limit/drawing power for 90 days, or
- The outstanding balance in the CC/OD account is less than the sanctioned limit/drawing power but there are no credits continuously for 90 days, or the outstanding balance in the CC/OD account is less than the sanctioned limit/drawing power but credits are not enough to cover the interest debited during the previous 90 days period.

Types of NPA

- **Sub Standard:** A sub-standard asset was first defined as one which was classified as NPA for a period not exceeding two years. However, on 31 March 2005 the RBI changed the duration to 12 months and therefore a sub-standard asset now was that which has remained an NPA for a period less than or equal to 12 months. In such cases, an asset will have well defined credit weaknesses which means that the borrower is unable to cover his total liabilities/exposure which will jeopardize the liquidation of the debt and there is a distinct possibility that the banks will sustain some loss if the shortcomings are not corrected.
- **Doubtful:** A doubtful asset was first defined as one which remained as an NPA for a period exceeding two years. However, on 31 March 2005 the RBI changed the duration to 12 months and therefore a doubtful asset was that which an NPA remained for a period exceeding 12 months. When a loan is classified as doubtful, the assets have all the same weaknesses that were found in assets classified as sub-standard but also with the added aspect that the weaknesses make collection or liquidation in full of the borrower on the basis of the existing facts, conditions and values highly uncertain and improbable.
- **Loss:** A loss asset is one where a loss has been identified by the bank or by the internal or external auditors or by the RBI inspection but the amount has not been written off completely. In other words, such an asset is considered uncollectible and of such little value that its continuance as a bankable asset is not warranted although there may be some salvage or recovery value.

  These are the three categories in which NPAs are classified as. The RBI has provided guidelines to banks to efficiently and fairly classify assets as non-performing. These guidelines in a nut shell state that classification of assets into above categories should be done by considering the degree of well-defined credit weaknesses and the extent of dependence on collateral security (for example promoter guarantee, shares, real estate etc.) for realization of dues.

Reasons for High NPA in India:

- **Stalled Judiciary & Legislative Procedures:** The courts in India gave judgements that were not in favour of businesses. The judgements negatively affected businesses, specifically the mining, power and steel divisions. Furthermore, the businesses had to face problems regarding the acquisition of land because of which many projects got stalled due to which the repayments have been not done by many current NPA defaulters.
- **Intentional Defaults:** It is also observed that many borrowers are totally competent to pay the loan, but they are deliberately not paying. Such people must be identified, and appropriate measures should be taken to recover the money lent to them.
- **Poor Credit Appraisal System:** The lack of proper credit appraisal is another factor for the rise in NPAs. Because of poor credit appraisal, sometimes the bank gives loans to those who cannot pay back the loan.
- **Natural Calamities:** Natural calamities are also a factor creating an alarming rise in NPAs in public sector banks. India is hit by one or the other major natural calamity very often that causes failure of repayment of loans by the borrowers. Generally, the farmers are dependent on rainfall for their crops. However, the irregularity in rainfall reduces the production level of the farmer, and as a result, he is unable to repay the loan.
- **Credit cycle effects:** At the time of the credit boom in the year 2003-2004, it was seen that the problem of rising NPA was increasing rapidly. During this period, the world economy and the Indian economy were flourishing. Seeing this scenario, many Indian firms borrowed huge amounts to take advantage of the opportunities and grow their businesses on wrong assumptions.
- **Financial crisis:** Before the financial crisis of 2008 India's economy was in a boom phase. During this period banks lent extensively to corporates in the expectation that the good times will continue in future. But the assumptions were proven wrong.
- **Earning of the corporates:** Low earnings affected their ability to pay back loans. This is one of the most important reasons behind the increase in NPA of public sector banks.

- **Relaxed lending norms:** Another major reason for rising NPA was the relaxed lending norms for corporate houses.Their financial status and credit rating were not analysed properly.
- **The priority sector lending (PSL) sector:** Targeted lending has contributed substantially to the NPAs. Priority sectors include agriculture, education, housing, MSMEs & agriculture.
- **Diversion of fund by promoters:** There are also cases of credit default by promoters, where the funds have been diverted by over-invoicing imports, sourced via a promoter owned subsidiary abroad or exporting to shell companies and then declaring that they defaulted.

Government Inventiveness to tackle NPA:

The problem of NPAs has been going on for a long time in India, and the government of India is taking various steps at legal, financial, and policy levels. Some of them are:

- **LokAdalats - 2001**

  They are helpful in tackling and recovery of small loans however they are limited up to 5 lakh rupees loans only by the RBI guidelines issued in 2001. They are positive in the sense that they avoid more cases into the legal system.
- **Compromise Settlement - 2001**

  It provides a simple mechanism for recovery of NPA for the advances below Rs. 10 Crores. It covers lawsuits with courts and DRTs (Debt Recovery Tribunals) however wilful default and fraud cases are excluded.

- **SARFAESI Act - 2002**
  The Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest (SARFAESI) Act, 2002 - The Act permits Banks / Financial Institutions to recover their NPAs without the involvement of the Court, through acquiring and disposing of the secured assets in NPA accounts with an outstanding amount of Rs. 1 lakh and above.
- **Mission Indradhanush - 2015**
  The Indradhanush framework for transforming the PSBs represents the most comprehensive reform effort undertaken since banking nationalization in the year 1970 to revamp the Public Sector Banks (PSBs) and improve their overall performance.
- **Insolvency and Bankruptcy code Act-2016**
  It has been formulated to tackle the Chakravyuaha Challenge (Economic Survey) of the exit problem in India. The aim of this law is to promote entrepreneurship, availability of credit, and balance the interests of all stakeholders by consolidating and amending the laws relating to reorganization and insolvency resolution of corporate persons, partnership firms and individuals in a time-bound manner and for maximization of value of assets of such persons and matters connected therewith or incidental thereto.
- **Bad Banks - 2017**
  A bad bank is a corporate structure that isolates illiquid and high-risk assets or non-performing loans held by a bank or a financial organisation. It is also referred to as Asset Management Company (AMC). The concept of a bad bank originated at the Pittsburgh headquartered Mellon Bank in 1988. The idea and discussions over bad bank have been in place since 2015 when former RBI Governor Raghuram Rajan started a debate on bad bank as a possible solution to the problem of NPAs. Afterwards, former Interim Finance Minister put forth the idea of National ARC on a recommendation of the Committee headed by Sunil Mehta. The Economic Survey 2017 also propounded to create a Public Sector Asset Rehabilitation Agency (PARA).
- **National Asset Reconstruction Company Ltd:**
  National Asset Reconstruction Company Ltd.(NARCL), India's first-ever Bad Bank, was set up in 2021, and RBI has recently granted the same under the SARFAESI Act 2002.If the bad bank is unable to sell the bad loan or has to sell it at a loss, then the government guarantee will be invoked.To manage assets with the help of market professionals and turnaround experts, the Government will also set up India Debt Resolution Company Ltd. (IDRCL) along with NARCL. The IDRCL is a service company or an operational entity wherein public sector banks (PSBs) and PFIs will hold a maximum of 49% stake and the rest will be with private-sector lenders. When the assets are sold, with the help of IDRCL, the commercial banks will be paid back the rest.

Way to manage NPA

NPA can be managed in the following three ways:

- Recovery through various means
- Restructuring
- Write-off

What is write-off of Loan:

From the bank's point of view, the loan is an 'asset' and the interest that will accrued on it, will be 'income'. In the bank's balance sheet the loan amount will be shown as an asset so long as the account is considered normal. But if borrower stops repaying the monthly instalments, the bank will generate lower revenue due to lack of interest payments. But the loan amount remains as an 'asset' in its books since the bank still hopes that borrower will pay back the money. But beyond a point, as per RBI norms, if there is no income - in this case, interest - coming from an asset, the bank will have to first provide for the loss of the 'asset' and then eliminate it from its balance sheet.This process of declassifying the loan as an 'asset' in the books is what is termed as write-off.But this write-off does not mean that the bank will not try to recover money from you.

After write-off also the Bank might either try to continue

to recover the money themselves or sell the loan to a recovery company. The asset has been written off from a creditor's book but not from its memory. The borrower continue to owe the money of the Bank.Once a loan is written off by a bank, it goes out from the asset book of the bank. The bank writes off a loan after the borrower has defaulted on the loan repayment and there is a very low chance of recovery. The lender then moves the defaulted loan, or NPA, out of the assets side and reports the amount as loss.

The writing off NPAs is a regular exercise carried by banks to clean up the balance sheet.It is primarily intended at cleansing the balance sheet and achieving taxation efficiency.In Technically Written Off accounts: loans are written off from the books at the Head Office, without foregoing the right to recovery.Write-offs are generally carried out against accumulated provisions made for such loans.Once recovered, the provisions made for those loans flow back into the profit and loss account of banks.

Mainly two advantages a bank have in writing off loan. One, it gives a true and fair picture of the 'assets' that are making money. After all,there is no point in having a huge asset base that doesn't give any returns. And two, by writing off the loan the bank gets a tax break on the losses incurred.

Why do banks write off loans?

- After a loan turns bad, a bank writes it off when chances of recovery are remote.
- It helps the bank reduce not only its NPAs but also taxes since the written off amount is allowed to be deducted from the profit before tax.
- After write-off, banks are supposed to continue their efforts to recover the loan using various options. They have to make provisioning also.

Contemporary Write-off exercise by PSU Banks:

According to data furnished by the Reserve Bank of India (RBI), the mega write-off exercise has enabled banks to reduce their non-performing assets (NPAs) or defaulted loans by Rs 10,09,510 crore ($123.86 billion) in the last five years.But, banks have been able to recover only 13 percent of it so far. This huge write-off would have been enough to wipe out 61 per cent of India's estimated gross fiscal deficit of Rs 16.61 lakh crore for 2022-23.The banking sector reported a decline in gross NPAs to Rs 7, 29,388 crore, or 5.9 per cent of the total advances as of March 2022. Gross NPAs were 11.2 per cent in 2017-18.Public sector banks reported the maximum share of write-offs at Rs 734,738 crore accounting for nearly 73 per cent of the exercise.

Consequences of Write-off

Government loses tax revenues as the losses are set-off against tax. Banks makes provisioning out of their profit. At the time of write off of NPA, either they use their provisioning (if 100% provided for) or profit. In both the cases, Banks reduce their profit and in turn pay less tax to government. As per one estimate the huge write-off in last five years would have been enough to wipe out 61 per cent of India's estimated gross fiscal deficit of Rs 16.61 lakh crore for 2022-23.

Not only the government but customers too faces the consequences. Banks that have a high level of non-performing asset tend to have low deposit rates and keep lending rates high in order to recover the losses on these assets.

Government, despite of losing tax revenue, why does it, along with the central bank, encouragewrite-offs?

Most of the public sector banks were inflating their asset base by continuing to show the defaulting accounts as normal, and not lending money to others who needed it. Before writing off the toxic assets, recapitalisation of banks would not have been of much use as banks would have used this money to hide their losses. In order to encourage lending and kick starting theeconomy, banks are now being encouraged, rather forced, by the government and central Bank to clean up their balance sheets and start afresh.

Conclusion:

Non-Performing Assets are both a political and financial issue. Bad loans are a huge problem for Indian banks as it directly impacts their profitability. Other sectors are also affected because of the failure of banks. Therefore, banks and financial institutions must take the necessary steps to tackle the NPA issue. They must ensure fair and effective retrieval of loans which enables the smooth functioning of the banking sector. The banks must be active in adopting policies that help prevent NPAs. ❑

RELIEF MEASURES BY BANKS IN AREAS AFFECTED BY NATURAL CALAMITIES

Natural Calamity:

It is recognised that declaration of a natural calamity is in the domain of the Central / State Government. The inputs received from the State Governments revealed that there is no uniform procedure being followed for declaration of a natural calamity and issue of declarations/certificates. These declarations/certificates are called by different names such as Annewari, Paisewari, Girdawari, etc. in different States. Nevertheless, the common thread to extend relief measure towards agricultural loans including rescheduling of loans by banks, is that the crop loss assessed should be 33% or more. For assessing this loss, while some States are conducting crop cutting experiments to determine the loss in crop yield, some others are relying on the eye estimates/ visual impressions.

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In case of extreme situations such as wide-spread floods, when it is largely evident that most of the standing crops have been damaged and/or land and other assets have suffered a wide-spread damage, the matter shall be deliberated by State Government/District Authorities in a specially convened SLBC/DCC meeting where the concerned Government functionary/District Collector shall explain the reasons for not estimating 'Annewari' (percentage of crop loss - by whatever name called) through crop cutting experiments and that the decision to provide relief for the affected populace needs to be taken based on the eye estimate/visual impressions.

Types of natural calamities:

As per RBI guidelines, 12 types of natural calamities on relief measures by banks in areas affected by natural calamities:

i. Cyclone
ii. Drought
iii. Earthquake
iv. Fire
v. Flood

vi. Tsunami

vii. Hailstorm

viii. Landslide

ix. Avalanche

x. Cloud Burst

xi. Pest Attack

xii. Cold Wave/Frost

Relief measures by banks in areas affected by natural calamities:

Restructuring of Existing Loans:

Agriculture Loans: Short-term Production Credit (Crop Loans):

- All short-term loans, except those which are overdue at the time of occurrence of natural calamity, shall be eligible for restructuring. The principal amount of the short-term loan as well as interest due for repayment in the year of occurrence of the natural calamity may be converted into term loan.
- The repayment period of the restructured loan may vary depending on the severity of the calamity, the impact on loss of economic assets and distress it caused. A maximum repayment period of up to two years (including the moratorium period of one year) shall be allowed if the loss is between 33% and 50%. If the crop loss is 50% or more, repayment period may be extended upto a maximum of five years (including the one year moratorium period).
- In all restructured loan accounts, moratorium period of at least one year shall be considered. Banks may not insist on additional collateral security for such restructured loans.

Agriculture Loans: Long term (Investment) Credit:

The existing term loan instalments shall be rescheduled keeping in view the repaying capacity of the borrower and the nature of natural calamity viz.

- In a natural calamity where only crop for that year is damaged and productive assets are not damaged, banks shall reschedule the payment of instalment during the year of natural calamity and extend the loan period by one year. Under this arrangement the instalments defaulted wilfully in earlier years will not be eligible for rescheduling. The banks may also have to postpone payment of interest by borrowers.
- In a natural calamity where the productive assets are partially or totally damaged and borrowers are in need of a new loan, the rescheduling by way of extension of loan period shall be determined on the basis of overall repaying capacity of the borrower vis-a-vis total liability (old term loan, restructured crop loan, if any and the fresh crop/term loan being given) less the subsidies received from the Government agencies, compensation available under the insurance schemes etc.
- While the total repayment period for the restructured/ fresh term loan may differ on case-to-case basis, generally it shall not exceed a period of 5 years

Other Loans:

- Depending on the severity of the calamity, SLBC/DCC shall take a view as to whether a general rescheduling of all other loans (i.e. besides the agriculture loans) such as loans granted for allied activities, loans to rural artisans, traders, micro/small industrial units or in case of extreme situations, medium enterprises are required. If such a decision is taken, while recovery of all the loans be postponed by the specified period, banks may assess the requirement of the individual borrowers in each case and depending on the nature of his/her account, repayment capacity and the need for fresh loans, appropriate decisions shall be taken by the individual banks.
- The primary consideration for extending credit to any unit for its rehabilitation shall be based on the viability of the venture as assessed by the bank.

Asset Classification:

The asset classification status of the restructured loans shall be as under:

- The restructured portion of the short term as well as long-term loans may be treated as current dues and need not be classified as NPA. The asset classification of these term loans would thereafter be governed by the revised terms and conditions. Nevertheless, banks are required to make higher provisions for such restructured standard advances as prescribed by

Department of Banking Regulation1 from time to time. Further, interest income from such restructured accounts classified as 'standard assets' will be recognized as per the norms prescribed in the DBR guidelines.

- ❖ The asset classification for the remaining dues, which does not form a part of the restructured portion, will continue to be governed by the original terms and conditions of its sanction. Consequently, the dues from the borrower shall be classified by the lending bank under different asset classification categories viz. standard, sub-standard, doubtful and loss.
- ❖ Additional finance, if any, shall be treated as "standard asset" and its future asset classification will be governed by the terms and conditions of its sanction.
- ❖ With the objective to ensure that banks are proactive in extending relief to the affected persons, the benefit of asset classification of the restructured accounts as on the date of natural calamity will be available only if the restructuring is completed within a period of three months from the date of natural calamity. In the event of extreme calamity, when the SLBC/DCC is of the view that this period will not be sufficient for the branches to reschedule all the affected loans, it shall approach NABARD giving the reasons for seeking extension. These requests will be considered on the basis of merit of each case.
- ❖ The accounts that are restructured for the second time or more on account of recurrence of natural calamities shall retain the same asset classification category on restructuring. Accordingly, for a restructured standard asset, the subsequent restructuring necessitated on account of natural calamity shall not be treated as second restructuring, i.e., the standard asset classification shall be maintained. However, all other restructuring norms shall apply.

Utilization of Insurance Proceeds:

While restructuring the loans in areas affected by a natural calamity, banks shall also take into account the insurance proceeds, if any, receivable from the Insurance Company. The insurance proceeds shall be adjusted to the 'restructured accounts' in cases where fresh loan have been granted to the borrower. However, banks shall act with empathy and consider restructuring and granting fresh loans without waiting for the receipt of insurance claim in cases where there is reasonable certainty of receiving the claim.

Providing Fresh Loans:

Sanctioning of Fresh Loans:

- ❖ Once the decision to reschedule loans is taken by SLBC/ DCC, pending conversion of short-term loans, banks shall grant fresh crop loan to the affected farmers based on the scale of finance of the crop and the cultivation area as per the extant guidelines.
- ❖ The bank assistance in agriculture and allied activities (poultry, fishery, animal husbandry, etc.) may also be needed for long term loans for a variety of purposes such as repair of existing economic asset(s) and/or acquisition of new asset(s). Similarly, rural artisans, self-employed persons, micro and small industrial units, etc. in the areas affected by a natural calamity may require fresh credit to sustain their livelihood. Banks shall assess the need and decide on the quantum of loans to be granted to the affected borrowers taking into consideration, amongst others, the credit requirement and the due procedure for sanctioning fresh loans.
- ❖ Banks shall also grant consumption loan up to Rs. 10,000/- to existing borrowers without any collateral. The limit may, however, be enhanced beyond Rs. 10,000/- at the bank's discretion.

Terms and Conditions:

Guarantee, Security and Margin:

- ❖ Credit shall not be denied for want of a personal guarantee alone. Where the bank's existing security has been eroded because of damage or destruction by floods, assistance will not be denied merely for want of additional fresh security. The fresh loan shall be granted even if the value of security (existing as well as the asset to be acquired from the new loan) is less than the loan amount. For fresh loans, banks shall take a sympathetic view.
- ❖ Where the crop loan (which has been converted into term loan) was earlier sanctioned against personal security/hypothecation of crop and the borrower is not able to offer charge/mortgage of land as security for the converted loan, she/he shall not be denied conversion facility merely on the ground of his/her

inability to furnish land as security. If the borrower has already availed a term loan against mortgage/charge on land, the bank shall be content with a second charge for the converted term loan. Banks shall not insist on third party guarantee for providing conversion facility.

- Where land is taken as security, in the absence of original title record, a certificate issued by the Revenue Department officials shall be accepted for financing to farmers who have lost proof of their title such as title deed or registration certificate issued to registered share-croppers. In the areas covered by the Sixth Schedule of the Constitution, whereby the land is owned by the community, certificate issued by community authorities may be accepted.
- Margin requirements may be waived or the grant/ subsidy given by the concerned State Government shall be considered as margin.

Rate of Interest:

- Banks shall take a sympathetic view of the difficulties of the borrowers and extend a concessional treatment to calamity-affected people. In respect of default in current dues, no penal interest shall be charged. The banks shall also suitably defer the compounding of interest charges. Banks shall not levy any penal interest and consider waiving penal interest, if any, already charged in regard to the loans converted/rescheduled. Depending on the nature and severity of the natural calamity, the SLBC/ DCC shall take a view on the interest rate concession that could be extended to borrowers so that there is uniformity in approach among banks in providing relief.
- As notified by the Government of India from time to time, to provide relief to farmers availing short term crop loans and affected by a natural calamity, an interest subvention of 2 percent per annum will be made available to banks for the first year on the restructured loan amount. Such restructured loans shall attract normal rates of interest from the second year onwards.

Other Ancillary Measures:

Relaxation on Know Your Customer (KYC) Norms:

It needs to be recognized that many persons displaced or adversely affected by a major calamity may not have access to their identification and personal records. In such cases a basic saving bank deposit account on the basis of photograph along with signature or thumb impression rendered in front of the bank official shall be opened. The above instruction shall be applicable to cases where the balance in the account does not exceed Rs. 50,000/- or the amount of relief granted (if higher) and the total credit in the account does not exceed Rs. 1,00,000/- or the amount of relief granted, (if higher) in a year.

Providing access to Banking Service:

- Banks may operate its natural calamity affected branches from temporary premises under advice to the concerned Regional Office of RBI/NABARD. For continuing the temporary premise beyond 30 days, banks may obtain specific approval from the appropriate authorities. Banks may also make arrangements to render banking services in the affected areas by setting up satellite offices, extension counters or mobile banking facilities etc. under intimation to RBI/ NABARD.
- To meet the immediate cash requirements of the affected people, due importance may be given towards restoring the ATMs or other alternate arrangements shall be provided to avail such facilities.
- Other measures that banks may initiate at their discretion to alleviate the condition of the affected people could be waiving ATM fees, increasing ATM withdrawal limits; waiving of fees towards overdraft/ early withdrawal penalty on time deposits /late fee for credit card/other loan instalment payments etc. and giving option to credit card holders to convert their outstanding balance to EMIs repayable in 1-2 years. Besides, all charges debited to the farm loan account other than the regular interest may be waived considering the hardship caused to the affected people.

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E- BANKING MANAGEMENT IN INDIA

Abstract

Electronic- banking use of computers and telecommunications to enable banking transactions to be done by telephone or computer rather than through human interaction. Its features include electronic funds transfer for retail purchases, automatic teller machines (ATMs), and automatic payroll deposits and bill payments.

Unified Payments Interface (UPI) is an instant real-time payment system developed by National Payments Corporation of India (NPCI). The interface facilitates inter-bank peer-to-peer (P2P) and person-to-merchant (P2M) transactions. UPI is powered by Immediate Payment Service (IMPS). It is regulated by the Reserve Bank of India (RBI) and works by instantly transferring funds between two bank accounts on a mobile platform.

As of February 2022, there are 304 banks available on UPI with a monthly volume of 4.52 billion transactions and a value of Rs. 8.26 lakhcrore (US$110 billion). UPI witnessed 68 billion transactions until November 2021. The mobile-only payment system helped transact a total of Rs. 34.95 lakh crore (US$460 billion) during the 67 months of operation starting from 2016.

As of May 2021, the platform has 15 crore (150 million) monthly active users in India. The proportion of UPI transactions in total volume of digital transactions grew from 23% in 2018-19 to 55% in 2020-21 with an average value of Rs. 1,849 per transaction. There were digital transactions worth Rs. 8.31 lakh crore in January 2022 via the platform.In FY 2022, the UPI crossed transactions worth $1 trillion.

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History

In April 2009, the National Payment Corporation of India was formed with the objective to integrate all the payment mechanisms available in the country and make them uniform for retail payments. By March 2011, RBI found out that in India only six non-cash transactions happen every year per individual citizen while 10 million retailers accept card-based payment. Around 145 million families have no access to any form of banking. There is also the problem to tackle black money and corruption that happens mostly in cash.

RBI in 2012 released a vision statement for a period of four years that indicated commitment towards building a safe, efficient, accessible, inclusive, interoperable and authorized payment and settlement system in India. It is part of the Green Initiative to decrease the usage of paper in domestic payments market. UPI was officially launched in 2016 for public use.

Under RBI guidance, NPCI became the primary body with the task to develop a new payment system that is simple, secure, and interoperable. UPI works on four pillar push-pull interoperable model where there will be remitter/ beneficiary front end PSP (payment service provider) and remitter/beneficiary back end bank that settles the monetary transaction for the users. As per CEO of Netmagic Solutions, UPI became one of the most successful deep-tech innovation coming out of India.

In December 2019, noting the success of UPI, Google suggested to the US Federal Reserve Board the development of FedNow, a real-time payment system for United States.

With exponential growth of UPI, India became the world's largest real-time payment market with 25.50 billion annual transactions in 2020 as per data from ACI Worldwide and GlobalData leaving behind China and United States.

As per the Economist Intelligence Unit Report 2021, UPI made India a leader in global real-time payment market followed by China and South Korea. After the decision of Ministry of Finance to nullify merchant discount rate (MDR) in 2019 on UPI, the number of low value transactions skyrocketed making huge gains on real-time transaction volume data. Many nations such as Brazil, Bahrain, Saudi Arabia, Singapore, United States and European Union are now trying to emulate the success of UPI in their own market.

From January 1, 2019, UPI became a popular payment option for Initial public offerings (IPOs). The transaction limit was enhanced from Rs. 100,000 to Rs. 200,000 in March 2020. From December 2021, RBI again increased the limit to Rs. 500,000 for Retail Direct Scheme and IPO applications. To make UPI economically feasible for payment companies, RBI is considering merchant discount rate (MDR) on future UPI transactions. RBI in its first monetary policy for financial year 2022-23 proposed cardless cash withdrawal facility from ATM using UPI based QR code.

UPI 2.0

On 16 August 2018, UPI 2.0 was launched which enabled users to link their Overdraft accounts to a UPI handle. Users were also able to pre-authorise transactions by issuing a mandate for specific merchant. 2.0 version included a feature to view and store the invoice for the transactions. There's also an added feature of AutoPay facility for recurring payments. As of August 2021, State Bank of India (SBI), Bank of Baroda (BOB) and Paytm Payment Bank are live on UPI AutoPay each registering 660,000, 204,000, and 186,000 mandates, respectively. NPCI is planning to expand AutoPay feature to international market and will operationalize real-time payment dispute resolution mechanism covering 90% of complaints by September 2022.

From 8 June 2022, RBI allowed linking RuPay credit cards with UPI. Customers can now make credit card payment using UPI, in the absence of physical card.

UPI 123PAY

As part of financial inclusion initiative, NPCI with fintech start-up Ubona Technologies in 2021 started working on developing a voice-based payment service for feature phone users in low connectivity zones over UPI payment ecosystem under Interactive Voice Response (IVR) project. The system will use Dual Tone Multi-Frequency (DTMF) signalling technology with two-factor authentication (2FA) flow for peer-to-peer (P2P) transaction. From September 2020 to June 2021, it was under beta testing while awaiting RBI approval for large scale deployment. The beta testing and pilot experiment was completed by October 2021 and RBI started formulating guidelines for nationwide use.

RBI governor, Shaktikanta Das launched the service called UPI 123PAY on 8 March 2022, with an aim to help almost 40 crorefeature phone users in the country. Till now, UPI payments were only possible through payment applications on smartphones and USSD-based service for feature phones. But as per deputy governor T Rabi Shankar the latter has been found to be cumbersome due to the unavailability of the services on several mobile networks.

UPI 123PAY has four options for payment.

1. App based functionality where a mobile phone manufacturer can install UPI app through over-the-air programming that can be used for payment.
2. Missed called based in which customer can use dedicated merchant payment number by giving a missed call. The incoming authentication call will ask for PIN verification to complete the transaction.
3. Interactive Voice Response (IVR) based where the payment transaction will complete using pre-defined phone numbers.
4. Payment in offline mode through sound based proximity data communication.

Internationalization

Around 777 million Indian consumers shop across the border in 2021. To make ease of payment, NPCI International Payments Limited (NIPL) signed memorandum of understanding (MoU) with UK based PPRO Financial on 17 November 2021 to expand the acceptance of UPI into foreign markets especially in China and United States which accounts for half of all international transaction coming from India. On 26 January 2022, UK based fintech startup Transact365 enabled UPI for global merchants with real time currency conversion facility that will help them do business in India independent of local presence. As per NPCI and RBI mandate, banks, payment service providers (PSPs) and third-party application providers (TPAPs) in India must enable international acceptance through UPI from 30 September 2022.

With the release of Payments Vision 2025 document on 17 June 2022, RBI will push for internationalization of UPI with nations using United States dollar, Pound sterling and Euro under bilateral treaties.

Remittance

Due to increasing remittances to India, NIPL with Western Union is going to integrate UPI to help the Indian diaspora receive and send money abroad with ease. The service will become operational from second quarter of 2022.IndusInd Bank and Thailand based financial service provider DeeMoney will use UPI ID to verify customers in India for cross border transaction. This is part of Money Transfer Operator (MTO) partners programme of NPCI.IndusInd Bank is planning to collaborate with more foreign entities to increase acceptability of UPI abroad. NIPL on 27 January 2022 signed MoU with Netherlands based Terra Payment Services that will help UPI users receive international payments from around the globe in real time. To save the cost borne by Indians living abroad when sending money back home, NPCI is planning to move 32 million expatriate population from SWIFT to UPI.

Service

Unified Payments Interface is a real-time payment system that allows sending or requesting money from one bank account to another. Any UPI client app may be used and multiple bank accounts may be linked to a single app. Money can be sent or requested by using a user-created Virtual Payment Address (VPA) or UPI ID that helps in sending or requesting money from a bank account using the know your customer (KYC) linked mobile number. UPI also generates a specific QR code for each user account for the purpose of contact-less payment.

Mobile apps

Any UPI app can use payment and transfer fund from and to UPI enabled banks. Apart from various third-party apps such as Google Pay (previously Tez), PhonePe, Paytm, MobiKwik, Amazon Pay, Samsung Pay, WhatsApp Pay, NPCI manages its own app called BHIM.

From 21 banks in April 2016, the total number of banks linked to UPI platform is 304 as of Feb 2022.

In June 2021, NPCI removed the restriction placed on WhatsApp on UPI customer on-boarding which until now was limited to 20 million (20 million) users. With 530 million (530 million) registered users in the Indian market, WhatsApp can now formally introduce UPI to all its customers.

On-Device wallet

Since 50% of UPI transactions are below Rs. 200 with a higher frequency rate, it creates a large backlog of volume which increases the failure rate and affects the stability of the entire payment network. To save electricity consumption and computing power of banks, UPI mobile apps will have to support on-device wallet features as per the RBI directive from December 2021. The in-built wallet will help in low-value instant payment by using the infrastructure of the mobile app developer, thus decreasing the load on banks through decentralization of back-end infrastructure and resources. NPCI called this feature UPI Lite. It can scan QR code without the need of an internet connection. In phase 1, UPI Lite will process the debit transaction offline while the credit will happen when the device goes online. But the final goal is to achieve both credit and debit transaction through offline mode. The upper limit of UPI Lite On-Device wallet is Rs. 2,000. Additional factor authentication or UPI AutoPay feature will be used to securely load the desirable amount.

Supported banks

The website of National Payments Corporation of India (NPCI) lists the banks that facilitate UPI. Banks here are termed as Payment Service Providers (PSP) - listed with their UPI application and handle - and issuers. PSP includes those banks which have their own mobile application to facilitate transaction and issuers include banks which don't have their payments interface and rely on third-party software for transaction using UPI.

e-RUPI

e-RUPI or e₹UPI(portmanteau of electronic Rupee and UPI) developed in collaboration with Department of Financial Services, Ministry of Health and Family Welfare and National Health Authority. It was introduced from 2 August 2021. e-RUPI is to ensure leak proof delivery of welfare services and bypassing middle man to decrease corruption. Private sector can use the service for their owncorporate social responsibility initiative (CSR). e-RUPI is basically e-voucher based on QR code or SMS string that can be delivered through mobile phone.e-RUPI will act as a precursor for future Central bank digital currency (CBDC) that will be launched by RBI as it will help in highlighting the gaps within the national digital payment infrastructure.

Financial Software and Systems (FSS) integrated e-RUPI on 1 December 2021 for financially under-served segments of the society.Government of Karnataka partnered with NPCI to provide student scholarship through e-RUPI which can even be received on feature phones.

As of July 2021, UPI registered 43.25 crore (432.5 million) transactions that accounted for Rs. 56,734.5 crore with highest average daily transaction of approximately 10 crore (100 million) that is double the amount from July 2020. Till August 2021, UPI forms 10% of all retail payment in India.PhonePe and Google Pay both recorded 1 billion (1 billion) transactions in August with a market share of 45.94% and 34.45% respectively in the UPI payment ecosystem while Paytm took 11.94% share with Rs. 387.85 million transaction.

From the financial year 2015-21, the domestic retail payment by value on UPI grew at 18% at a compound annual growth rate (CAGR) while between 2017 and 2021, the collective payment on all forms of UPI grew at 400% CAGR. In the financial year 2021, Rs. 41 trillion (short scale) worth of money was exchanged on the UPI platform that is 2.8 times the value of debit and credit card payment at point of sale (POS) terminals and 20 times the value of digital wallet and prepaid instruments in India.

UPI registered 355 crore (3.55 billion) transactions in August 2021, showing 9.56% growth from the previous month. In terms of value, Rs. 6.39 lakh crore worth of money was transacted in August alone. From Rs. 3.2 lakh crore to Rs. 6 lakh crore, the growth in value terms doubled between September 2020 to July 2021.It had reached an all-time high of 3.65 billion transactions worth Rs. 6.54 lakh crore in value since inception in the month of September. By now the total transaction for the year 2021 reached Rs. 50 lakh crore.

UPI touched value of Rs. 7.71 lakh crore in October 2021 which is 56% jump from September. As per NPCI, daily UPI payment for the month of October is between Rs. 25,000 crore to Rs. 30,000 crore. Out of all UPI transactions done in the month of October, 54% are Person-to-Person (P2P) while 46% were Person-to-Merchant (P2M). UPI reached $844 billion in value until November 2021. In December, the total transaction value on UPI reached Rs. 8.27 lakh crore with 99% annual growth rate. The largest share in $2 trillion of annual digital payment in India comes from UPI.

Year	No. of Banks live on UPI	Transaction Volume (in Mn)	INR Value (in Cr.)
2022*	323	27,188.54	46,44,240.11
2021	282	38,744.55	71,59,285.80
2020	207	18,880.89	33,87,744.72
2019	144	10,787.54	18,36,638.18
2018	129	3,746.32	5,85,710.45
2017	67	418.8	57,020.87
2016	35	2.65	893.07

**Data upto May 2022, source - NPCI portal*

~this data excludes the transactions having debit/credit to the same account for the month of August 2018 onwards

Acceptance Domestic India

There are talks happening to operate UPI in the United Arab Emirates and Singapore which has sizeable Indian expatriates and for ease of payment for Indian tourists travelling abroad. Committee on digital payments led by Nandan Nilekani had suggested that NPCI should internationalize payment services like UPI, RuPay and BHIM. NPCI is planning to link UPI with standalone mobile wallets so that users can transfer money from one provider to another one which until now is restricted due to use of closed source technology. There is also provision for off-line UPI payment through the use of near field communication (NFC).

On 20 April 2020, Google added support for UPI payment in India to buy membership of YouTube Premium and YouTube Music either directly through a website or on the mobile application. Now Indian users can also buy or rent movies from Google TV. UPI is also enabled for the YouTube Super Chat feature.

From July 2021, AppleiPhone, iPad, and IPod Touch users in India can use UPI on App Store and iTunes Store.NPCI International Payments Limited (NIPL) is planning to extend UPI to markets such as United States, West Asia and Europe. On 4 August 2021, ICICI Prudential Life Insurance started supporting UPI AutoPay feature for insurance payment.

In August 2021, Dish TV introduced UPI scan and pay feature for the first time in a nationwide rollout due to COVID-19 restriction and heavy demand for no contact digital payment solutions. From 31 August 2021, Netflix integrated UPI AutoPay feature for Indian subscribers which was until now limited to credit and debit cards from Visa, Mastercard, American Express, and Diners Club International. As per April 2021 RBI Monetary Policy Committee directive, after March 31, 2022, all the know you customer (KYC) compliant digital wallets will become interoperable by using UPI system. In August 2021, Hotstar started supporting UPI AutoPay feature. The Hindu, Times Prime, PayU, Financial Software and Systems, TestbookEdu Solutions, Open Financial Technologies, Angel Broking and 5Paisa Capital moved to UPI AutoPay in September 2021.

Due to high usage, Samsung Electronics integrated UPI barcode scanner directly into mobile camera application for faster payment. On 3 January 2022, SonyLIV launched UPI AutoPay for all its subscribers. NPCI with Jio introduced UPI AutoPay for prepaid and postpaid mobile subscribers from 6 January 2022. Tata Mutual Fund with CAMSPay enabled UPI AutoPay feature for Systematic Investment Plan (SIP) from July 2022.

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AUDIT & INSPECTION IN INDIAN BANKS - OPPORTUNITIES AND CONCERN

Introduction

"Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes" -The Institute of Internal Auditors.

The soundness of the Banking System in any country is a major indicator of the economic strength of that country. The emergence of a robust banking system contributes to the economic development of a country. Banking system in the world undergoing substantial ups and downs especially in the last decade and India is also not an exception. One has to appreciate the strength and the manner in which the banking system in India has withstood the pressures. The credit for this sustenance goes to all those who were controlling and managing the banking system during this turbulent period.The Audit of banks has played a major role in assisting the Regulators to supervise the entire banking system in the country even through these difficult times.

Audit is an Independent Management Function, which involves a continuous appraisal of the functioning of entity's Strategic Risk, Management Risk and Internal Control System. The prime responsibility of the internal audit function is towards the Top Management. In liberalized environment, its role is much wider. It owes greater responsibility towards shareholders, depositors and regulators.

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Fig 1. Responsibilities of Auditors

Banking Structure in India

The structure of banking system in India is created keeping in mind the country's unique geographic, social and economic characteristics. The role of central banking in India is taken care of by the Reserve Bank of India, which in 1935 formally took over these responsibilities from the then Imperial Bank of India. The Reserve Bank was nationalized in 1947. It is responsible for development and supervision of the constituents of Indian financial system which comprises of banks and other non-banking financial institutions. Indian Banking system can be displayed in a structure as shown in Fig 2.

There is a comprehensive legal system which governs and deals with the banking system in the country. The major laws governing the banking operations and activities in the country are given illustratively below.

- The Reserve Bank of India Act,1934
- Banking Regulation Act, 1949
- State Bank of India Act 1955
- The Companies Act, 1956
- State Bank of India (Subsidiary Banks) Act, 1959
- Banking Companies (Acquisitionand Transfer of Undertakings) Act, 1970
- Regional Rural Banks Act,1976
- Banking Companies (Acquisitionand Transfer of Undertakings) Act, 1980
- Information Technology Act, 2000
- Prevention of Money Laundering Act, 2002
- Securitization and Reconstruction of Financial Assets andEnforcement of Security Interest Act,2002
- Credit Information Companies Regulation Act, 2005

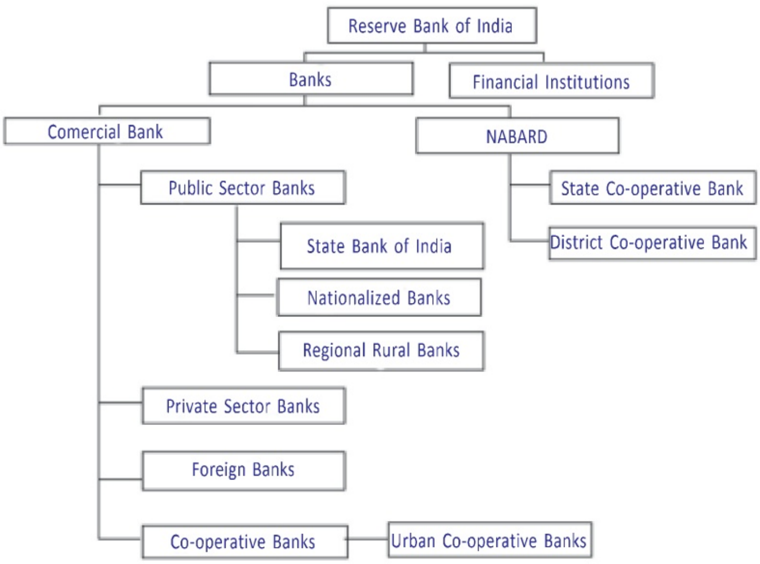

Fig. 2- Banking Structure in India

Banking Business-Changing Orientation

The primary business of banking is to accept deposits and to do lending and investment activities. However, the competition amongst the Banks coupled with technology thrust has pushed banks to look into various additional activities.

Many banks also create outfits to provide Merchant Banking facilities to various clients. The Internationalisation of banking operations also throws lot of challenges for the banks and these are converted into opportunities by many banks. Banks have started doing cross-selling of products so as to stabilize interest income and to enhance fee income. Thus, the focus of banking business has been changing rapidly in the past few years. This has resulted in changing the focus of banking operations. Naturally the risks in business of banking have also to be evaluated under the new environment in which banks are operating.

Objectives of Bank Audit

The main aim of Audit and Inspection is to-

- To check whether the activities of the bank are compliant to laid down procedures, instructions, systems of bank based on regulatory/statutory/ internal guidelines.
- Monitor adherence to internal controls- both administrative and accounting controls
- Help improving control system of bank
- Help bank to improve the effectiveness of Risk Management, control and Governance process by brining a systematic disciplined approach
- Finally, establishing transparency in banking business for a greater good of all stakeholders

Types of Bank Audit

Banks' Audit has two-way system where banks have their own internal audit systems as well as banks are also audited by external auditors. Where internal audit is done by an independent audit department of banks, external audit is done majorly by specialized people like C.A, Advocates, Engineers, professionals appointed by regulators etc. Fig 3. gives an idea about the type of audits in banks. Though it is not exhaustive, it gives a fair amount of idea about Audit Function in Indian Banks.

Concerns in Bank Audit

The change of Business orientation in banks has resulted in complex products, procedures, technologies, skill mix of human resource, etc. The established practices of Audit are now not sufficient enough to deal with the increasing complexity. In last few years, banking in India has seen a lot of very high value frauds, procedural lapses, monitoring failure, which directly or indirectly shows the inefficiency and ineffectiveness of audit systems.This all has put a dent on the image of Audit functions and Auditors. There are lot of concerns in bank audit but we will take only four major concerns-

1. Technical Competence

Banking growth in India is riding the technology wave. Technology is advancing leap and bound, so is the use of it in banking sector. Banks are not only using the technology-based products, but use of technology in internal management like accounting practices, data management, information and reporting system etc. has also gone a long way. Many time, internal and external auditors are finding themselves unable to deal with the requirement of technology to complete the audit procedure. Auditor, as a profession was supposed to have the knowledge of rules,

Fig 3. Types of Audit in India

regulations, laws, standards, procedures etc. to check the adherence of the same, but now technological competence is one of most important skills to have. External auditors are primarily not accustomed to use bank systems and softwares, so they get dependent on management for information required for audit. Moreover, different banks are using different technologies, so it is not easy to acquire diverse technical competence. Internal Auditors are more competent in dealing with internal technology of bank, but now a days banking has emerged as sea of diverse and complex products and services. Internal Auditors are also finding themselves in trouble to cope up with diversity and advancement of technology.

There are lot of examples to establish this, but the classic case of Nirav Modi Incident seems to be more appropriate because it is widely known. The auditors could not judge the procedure lacuna because there was no technological integration between two softwares being used. The auditors were also dependent on the people for information who were the main culprits. The technical competence of auditors could have detected the lapses in time.

2. Adapting to new strategies

Diminishing Margins also are leading banks to look for opportunities to diversify their business strategies. New revenue streams are being identified and implemented. But every new revenue stream and business strategy requires new operational and support functions and opens up new categories of risk that must be assessed, controlled, and managed. One of the main responsibilities of the auditor is to actively assess how a new business line or product will affect the institution's risk parameters and to assess how those parameters can be addressed effectively and efficiently. In this fast pace world, sometimes till auditors find out the risk parameters and controls, the damage is already done.

3. Reallocation of Audit Resources

Pressure on bottom-line of banks is compelling them to curtail expenses and resources spent of audits are also under pressure. Banks are reassessing the cost-effectiveness of all the departments and processes and sometimes they are not infusing resources required by audit system. Audit system which must evolve to cope-up with new products, strategies, technologies and increased regulatory requirements, and this required resources. Traditional audit system may not be effective in current scenario.

Apart of this, internal allocation of resources in audit department also needs to be rationalized. Traditional approaches here also will not give results. Deployment of audit resources as per the complexity, importance and quality need more scientific approach.

4. Knowledge Deficiency

Indian banking industry is still in evolving stage. Everyday there is a new challenge and there is a new solution to the problem. Regulators, Government, Management are coming up with new rule, regulations, policies and guidelines every other day. Being in service industry, banks are supposed to maintain highest level of standards. Financial business demands absolute transparency. Audit department is supposed to shoulder the responsibility to check the compliance of all the rules, regulations, standards, policies, that's why they need to have thorough knowledge of all. It is like to be king of all traits which is every extraordinary demand of profession. Above on that, there is no relaxation time because of compulsion of regular updating. To cater the need of customers, a branch or business outlet is providing variety of services, and an auditor or couple of auditors need to check all the compliances in limited time. So, knowledge gap which if any, may defeat the purpose of audit and inspection activity.

Measures to rise on the occasion

In this environment, audit department and auditors are being challenged to meet a higher standard regarding their understanding of their organization's risk profile and often must adapt new approach to reflect changing business priorities. The magic words to overcome the challenges is: UPDATE, UPDATE and UPDATE.

Regular updating of knowledge, skills, attitude is the key to establish the image of Audit and inspection again functions

for which it was known for. Technology which is a challenge, is the solution also. Technology can compensate the human shortcomings.

1. Audit department need to come out of their silo or mindset of reading the policies and then verifying compliance against it. Need of the hour is to proactively be a part of policy, rule, regulations formations process. It will reduce the time gap between policy implementation in work and verification of compliance. Managements and regulators have higher responsibilities to initiate the same.
2. Mapping of skills of audit personal is required. All the competencies and specializations should be mapped at a place and then work to be done to finetune them as per the need of organization and regulators.
3. Rationalization of resources in audit and inspection department is also required. We need to understand like a teacher can not teach all the subjects, same way an auditor can not check all the parameters. Diverse specialized people are required in audit department and their skills need to be utilized as per the need of audit of a business unit. While allotment of work of audit, logical allotment as per mapped skills is very much needed.
4. Regular training of auditors is also required to keep auditors updated in latest knowledge, skill and attitude. Auditors need to maintain highest level of standards regarding rules, regulations, policies and their implementation part also, they are most eligible people for regular trainings.
5. Finally, accountability of auditors is also required to be fixed to maintain the standards which tends to dilute if not kept under continuous check. So audit of auditors is also need ed.

Way Forward

With globalization and increasing complexity of financial system, sound audit and inspection is vital for stable financial system. Auditors are required to update and upgrade their knowledge, skill & attitude. Tomorrows auditor need to be more professional, qualified, impartial, ethical and value driven. He/she need to have awareness and foresight to be critical yet constructive challenger, with a clear focus on greater good of all stakeholders.

Reference:

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NPCI: 99.9% of all UPI transactions to remain free

After it introduced interchange of up to 1.1 per cent on UPI transactions above Rs. 2,000 made through prepaid instruments, cards or wallets, the National Payments Corporation of India (NPCI) clarified that 99.9 per cent of UPI transactions are done directly from bank account-to-account, and will not be impacted by the new norms.

"Traditionally, the most preferred method of UPI transactions is linking the bank account in any UPI-enabled app for making payments which contributes over 99.9 per cent of total UPI transactions. These bank account-to-account transactions continue to remain free for customers and merchants," said NPCI in a release.

SBI offers second innings to retired bank employees

SBI is hiring retired bank staff on contract basis for more than 1,000 posts. Candidates are requested to apply online. The minimum age of candidates should be 60 and maximum 63. Grade/scale at the time of retirement: Officers Scale II, III and IV of SBI/ e-ABS /other PSBs.

The selection process will be based on shortlisting and interview. A shortlisting committee constituted by SBI will decide the shortlisting parameters and thereafter, adequate number of candidates will be called for interview. The interview will carry 100 marks. The qualifying marks in interview will be set by the bank. A merit list for final selection will be prepared, subject to candidate scoring minimum qualifying marks. In case more than one candidate score common cutoff marks, such candidates will be ranked in the merit in descending order of their age.

B K Kalra
Global Business Leader,
Financial Services, Genpact

"The impact of AI is apparent, which is why banks are starting to develop and deploy AI technologies. But to truly realize the impact of AI, the innovation needs to be rapid, and investments need to be broader, at the enterprise level."

How can Genpact's advanced AI banking solutions be used as a helpful guidebook for banks globally?

The impact of AI is apparent, which is why banks are starting to develop and deploy AI technologies. But to truly realize the impact of AI, the innovation needs to be rapid, and investments need to be broader, at the enterprise level. Banks need to embed AI into the core strategy as well as operations to gain a competitive edge.

At Genpact, over the years we have developed and refined our AI capabilities, enabling us to create innovative, industry-specific solutions for our clients.

For instance, today, we are helping clients by applying AI to improve the existing "Run the Bank" processes or change quickly to adhere to new regulations or to maintain competitiveness and drive growth. For example, Genpact's Portfolio and Default Management as a Service helps predict and action credit concerns faster, reduce charge-offs, and improve recoveries by dynamically monitoring clients with internal bank data and external unstructured data using AI. Early Warning Signals (EWS), based on generative AI, which is a part of the Portfolio and Default Management service simulate market scenarios and generate synthetic financial data, aiding in assessing risks and understanding the impact on investment portfolios. Our generative AI solutions also facilitate credit risk models for assessing borrower creditworthiness and making informed lending decisions. Genpact's conversational AI solutions allow banks to drive stronger customer engagement and personalization such as by guiding customers through the loan application process by collating relevant information, answering queries, and assisting with furnishing required documentation.

Genpact's AI use cases are in front, middle and back office.

Why must banks invest in intelligent data capture to manage risk and prevent future collapses like SVB?

In today's dynamic environment, managing risks has become one of the biggest concerns and priorities for financial institutions, especially after the recent banking crises. It is important for banks to develop dynamic risk infrastructures that can nimbly respond to both traditional, new, and even unanticipated risks. This means that firms need to manage their data holistically and transform outdated financial risk monitoring and management practices to reduce exposure and improve controls.

There is already a vast amount of data available in the public space forbanks to leverage and gather valuable insights into various aspects such as liquidity risk, credit risk, and market risk. The key here lies in harnessing this data effectively. With all the advanced technologies available today, banks must focus on building resilience and driving competitive advantage by harnessing alternative data and converting it into meaningful insight.

For example, alternative data often comes either as aggregated data sets or as a straight data feed, through application programming interfaces (APIs). The alternative data obtained through APIs can then be included in any of the scenarios and stress testing that are part of the bank's model risk management. Not only will this intelligent data capture help banks identify potential risks, enhance their compliance, and take proactive measures to mitigate future risks; but can also enable them to reduce losses and improve overall financial performance.

How can banks enhance contingency planning and risk management to future-proof their business?

To future-proof their business, it is critical that banks focus on enhancing contingency planning and risk management by identifying actionable management actions for adverse but plausible scenarios. Scenarios with Correlated risks should be tested continuously to ascertain if the agreed management actions are actionable and can be of help to get the Bank back within the Risk Appetite. Concentrating on a particular market or investment strategy is not necessarily problematic, the danger arises when the risks are correlated, meaning they move in the same direction and the failure of one can trigger a domino effect.

For instance, commercial lending, leasing, and auto finance may be vulnerable to investor sentiment, which can lead to decreased asset values. Therefore, banks must conduct scenario planning to gauge the potential volatility of these risks and determine management actions to mitigate them.

Traditional dashboard instruments, such as liquidity, capital, and market risk indicators, are not sufficient in providing a comprehensive view of risk. Banks must add more real-time external sentiments and scenarios to their instrument panel to gain a more accurate picture of internal and external risks applied on near real time internal data. Management actions should be regularly updated and tested against the real time external sentiments and scenarios to avoid financial instability and safeguard both their customers and the economy.

What is the importance of assessing concentration risk and liquidity risk, paired with stress testing and regulatory readiness?

Stress testing has evolved as the primary tool for combining Risk Management and Capital & Liquidity Planning and achieving covalency between CRO, CFO and Treasurer. It is important for financial institutions to introduce stress testing in areas where it is not yet in use and improve it in areas where it is already in use, but the aim is to have an integrated stress testing framework across Risk, Finance and Treasury. Regulators are increasingly highlighting the need for executive involvement in forward-looking assessment of risk through integrated stress testing.

A holistic and integrated approach to stress testing is necessary to inform management actions and enhance recovery and resolution planning. The stress tests should include scenarios with different levels of severity but certainly consider factors such as interest rate decisions, concentration risk, deteriorating credit conditions, and impact on large depositors etc.

It is very important for banks to regularly test the severely adverse shock scenarios that go beyond those required by financial regulators. These scenarios should include "break the bank" events or "living will" events that model a convergence of all risks at once.I believe that ongoing management of risk factors must be frequent, comprehensive, nimble, and aggressive. New ways of monitoring risks and concentrations along with associated management actions should be considered and adopted where applicable. Financial institutions should take advantage of advanced technologies and approaches, such as models to simulate liquidity events and customer sentiment monitoring, to ensure stability, especially in a volatile market. ❑

Good relationships at workplace foster happiness

It is understandable that any profession, regardless of industry, is destined to get monotonous and lifeless in the absence of human interaction. Even the polling organisation Gallup provides employers with 12 questions to gauge an employee's engagement at work. And one of them is: "Do you have a best friend at work?"

Yet, a group of Harvard researchers needed 85 years to conclude that, of course with data evidence. The recently released report got wide attention in the media. It says the unhappiest jobs are most often the loneliest ones, where employees are not able to work with a team, require little human interaction, and don't offer opportunities to build meaningful relationships with coworkers. "If you are more connected to people, you feel more satisfied with your job, and do better work," according to Robert Waldinger, director of the Harvard Study of Adult Development, the longest scientific study of happiness ever conducted. Robert Waldinger and Marc Schulz discussed the factor that correlates with good living, namely "good relationships," in their 2023 book, The Good Life: Lessons From the World's Longest Scientific Study of Happiness'. "Positive relationships at work lead to lower stress levels, healthier workers, and fewer days when we come home upset," the authors conclude. "They also, simply, make us happier."

More than 700 people from all across the world were interviewed by Harvard researchers every two years. Interestingly, the study was started in 1938, at the height of the Great Depression, with the expectation that the longitudinal study would provide insights about leading a happy and healthy life. Society, the workplace, work culture, and technology have all changed significantly since then. Many new jobs were created in between, whose natures were beyond imagination in that era.

Ah, technology! This year, the mobile phone turned 50. Do smartphones not make us a lonely society? Sherry Turkle, an MIT technology and society professor, argues that we are currently in a state of "continual copresence," in which digital communication enables the occurrence of two or more realities at the same time and place, in her 2011 book Alone Together: Why We Expect More from Technology and Less from Each Other.

Also, the workplace culture has undergone a dramatic paradigm shift. This is especially concerning in the pandemic affected world, where working from home is a widespread practice and the new normal. Our sense of loneliness grows stronger. Then, is technology making us less happy? Maybe. But just technology? Maybe not.

Well, in a 1953 article in The Nation, the celebrated American writer Ray Bradbury detailed his personal experience when he spotted a couple walking their dog in Beverly Hills one night. "The woman held in one hand a small cigarettepackagesized radio, its antenna quivering. From this sprang tiny copper wires which ended in a dainty cone plugged into her right ear," wrote Bradbury. "There she was, oblivious to man and dog, listening to far winds and whispers and soap opera cries, sleepwalking, helped up and down curbs by a husband who might just as well not have been there," Bradbury perceived.

It was a reality 70 years ago! Thus, according to the Harvard study, should we be concerned about our growing loneliness as a result of our compulsive work from home culture and the intrusive effects of technology, or is "lonely togetherness" simply a trait of human civilisation? *(Source: Business Line)*

India's first water bodies census: Why and what it says

The Ministry of Jal Shakti has released the report of India's first water bodies census, a comprehensive data base of ponds, tanks, lakes, and reservoirs in the country. The census was conducted in 2018-19, and enumerated more than 2.4 million water bodies across all states and Union Territories.

How is a 'water body' defined?

The Water Bodies: First Census Report considers "all natural or man-made units bounded on all sides with some or no masonry work used for storing water for irrigation or other purposes (e.g. industrial, pisciculture, domestic/ drinking, recreation, religious, ground water recharge etc.)" as water bodies. The water bodies "are usually of various types known by different names like tank, reservoirs, ponds etc.", it says.

According to the report, "A structure where water from ice-melt, streams, springs, rain or drainage of water from residential or other areas is accumulated or water is stored by diversion from a stream, nala or river will also be treated as water body."

So did the census cover all water bodies that fit this definition?

No. Seven specific types of water bodies were excluded from the count.

They were: 1) oceans and lagoons; 2) rivers, streams, springs, waterfalls, canals, etc. which are free flowing, without any bounded storage of water; 3) swimming pools; 4) covered water tanks created for a specific purpose by a family or household for their own consumption; 5) a water tank constructed by a factory owner for consumption of water as raw material or consumable; 6) temporary water bodies created by digging for mining, brick kilns, and construction activities, which may get filled during the rainy season; and 7) pucca open water tanks created only for cattle to drink water.

But what was the need for a water bodies census?

The Centre earlier maintained a database of water bodies that were getting central assistance under the scheme of Repair, Renovation and Restoration (RRR) of water bodies.

In 2016, a Standing Committee of Parliament pointed to the need to carry out a separate census of water bodies. The government then commissioned the first census of water bodies in 2018-19 along with the sixth Minor Irrigation (MI) census. The objective was to collect information "on all important aspects of the subject including their size, condition, status of encroachments, use, storage capacity, status of filling up of storage etc.", according to the census report.

How were the census data collected?

According to the report, "traditional methodology, i.e., paper-based schedules, were canvassed both for rural and urban areas. A "village schedule", "urban schedule" and "water body schedule" were canvassed, and a smart phone was used to "capture latitude, longitude and photo of water bodies", the report says.

What does the census reveal about encroachment of water bodies?

The census found that 1.6% of enumerated water bodies - 38,496 out of 24,24,540 - had been encroached upon. More than 95% of these were in rural areas - which is logical because more than 97% of the water bodies covered by the census were in the rural areas. In almost 63% of encroached water bodies, less than a quarter of the area was under encroachment; in about 12% water bodies, more than three-quarters of the area was under encroachment.

Uttar Pradesh accounted for almost 40% (15,301) of water bodies under encroachment, followed by Tamil Nadu (8,366) and Andhra Pradesh (3,920). No encroachment was reported from West Bengal, Sikkim, Arunachal Pradesh, and Chandigarh. *(Source: The Indian Express)*

Property services a click away

The Real estate transactions are complicated and involve long process and delays. But with many Government agencies going digital, getting information such as circle rates, submitting forms, making payments or filing complaints has moved online. In general, registration, transfers and mutations, duty payments, record modifications, verifications and reporting can now be done online.

While property is a State subject with varying rules and fees, one portal to get started is services.india.gov.in; you will find "Housing and Property" under "Electricity, Water and Local Services". This lists links to State and City departments and their various online services - such as obtaining building permits and paying property tax. You can also look at State Government websites such as eservices.tn.gov.in in Tamil Nadu for a comprehensive list of their online services.

Finding Information

You can access public property records online, helping to understand the legal and other issues around ownership. Often, some data can be seen without providing any reference information (such as survey number). For example, Uttarakhand's bhulekh.uk.gov.in website provides the size of land for urban and rural areas. In Rajasthan, you can view and print Jamabandhi document for any piece of land from the apnakhata.raj.nic.in site (which is in Hindi).

Some data, such as verification, requires providing specific details or fees. For instance, in Kerala you can search for property details including owner information and any dues to be paid at their Sanchaya website by giving the property ID. In Maharashtra, the Mahabhulekh website (bhulekh.mahabhumi.gov.in) provides 7/12 or Satbara Utara (land record) and property card, which gives the record of land ownership history, on giving survey number or owner details. Karnataka.gov.in shows various property related data such as Record of Rights, Tenancy and Crops (for agriculture land), mutation register and status, once you provide reference information such as survey number. Tamil Nadu lets you view Patta Copy, ARegister Extract and the extract from the Town Survey Land Register (TSLR) document for a given survey number and location, including taluk and block.

Beyond records, you can also find other useful data. For instance, Greater Hyderabad's website (ghmc1.ghmc.gov.in/Tax/calculationofpropertytax.asp) features online calculator for property tax. Likewise, kaverionline.karnataka.gov.in offers a dashboard giving annual, monthly and daily data on approval timelines and number of pending applications and Haryana lets you check available slots for property registration appointment and book it up to 60 days in advance.

Verification, Valuation

Some States also offer additional property information for verification. For instance, in West Bengal, you can check land records to know if a given land is owned privately or by the government. In Haryana, you can check litigation and search for court records on the status of the case.

When buying apartments, it also helps to check the RERA portal for your State that lists registered projects and agents. You will find data such as RERA complaints filed and the current status, including questions raised and judgment - handy when you have an issue with a developer or to understand problem areas and avoid them.

You can also get valuation information based on circle rates and registered value of transactions for free. One example is igreval.maharashtra.gov.in/ valuation; you need to register with your mobile number but the data is free.

There are also private websites that provide valuation insights. The market value estimator from housing.com takes information such as city, project (large, popular projects can be accessed from a list), size and details of amenities to provide a price. Another, that goes beyond apartments to also value homes and plots in 60 cities, is Property Science from Liases Foras. You can get basic valuation for free (signup needed) and a detailed valuation for a small fee.

Property Services

States such as Tamil Nadu let you get encumbrance certificate (EC), which gives information on monetary and legal liability of the property and is required by banks for a loan, by filling an online form with property specifics, such as survey number, in tnreginet.gov.in website.

Government permissions such as for mutation (change of ownership) and land use conversion (say, agriculture to residential) are online in West Bengal. The wbregistration.gov.in site also certifies documents and offers a few other services.

In Punjab, pbindustries.gov.in website (which requires registration) lets you apply for building plan approval, completion and occupancy certificates. In Karnataka, you will also be able to notify any alterations to the property (such as change in area, tenancy change).

RERA complaints can be filed online by providing detailed information, including supporting documents, and paying a fee. When you get a judgment, you can also file for an appeal. Delhi's online property registration website also has a section to register grievances. In Haryana, lost property details can be reported at haryanapolice.gov.in, with user registration. *(Source: Business Line)*

E-commerce policy in the works: Govt

The government said that it is working on an ecommerce policy and is also framing rules for the sector under the Consumer Protection Act and will ensure that they are consistent with each other.

"They will be kind of congruent with each other. That is the idea... We are holding discussions to harmonise ecommerce policy and ecommerce rules under the Consumer Protection Act... While doing so, we will try to ensure that whether a regulator or some other way... rules that will ensure that the customer is the king," Rajesh Kumar Singh, secretary in the department for promotion of industry and internal trade (DPIIT), told reporters, adding work on the policy is at an advanced stage.

Expanding on the idea of the open network of digital commerce (ONDC), Singh said the network is attempting to democratise access to ecommerce for scores of small and medium businesses, thereby creating a level-playing field.

He further said ONDC will also be covered by the new consumer protection regime but did not disclose further details.

Currently, any dispute between the buyer and seller has to be resolved between them with the network offering an online dispute resolution mechanism to address customer grievances, ONDC chief executive T Koshy said.

Koshy's comments came amid a clamour from ecommerce players such as Amazon and to ensure that they are not saddled with the liability for deficient service for transactions on their platforms.

The DPIIT secretary said the government was seeking to ensure that ONDC created the ecosystem for small players to grow their businesses and help consumers and dismissed suggestions that the government was seeking to squeeze the margins of ecommerce platforms.

"It's not that we are trying to put anybody out of business or that we are an upfront competitor for any particular ecommerce provider," Singh said, amid a lot of chatter around ONDC waging a price war against food delivery behemoths Zomato and Swiggy.

While the volumes remain much lower on ONDC compared to the traffic on ecommerce platforms, Koshy reeled out numbers to argue that the expansion was happening at a rapid pace. He also said the network is looking to expand its offerings to include financial services, beauty products and home apparel, along with a B2B offering for which it is working with two partners. He also said around 250 enterprises are in advanced stages of integration.

Koshy said that ONDC is likely to have around one lakh daily transactions by yearend, almost five times the current number. Similarly, the number of merchants is expected to double during this period from the current level of 36,000. *(Source: ToI)*

RBI CIRCULAR

Amendment to the Master Direction (MD) on KYC – Instructions on Wire Transfer

May 4, 2023

1. Please refer to the Master Direction (MD) on KYC dated February 25, 2016, as amended from time to time, in terms of which Regulated Entities (REs), inter alia, have to undertake certain measures while dealing with the Wire Transfer.
2. In this regard, on a review, it has been decided to amend the MD on KYC to update the instructions on Wire Transfer (Section 64 of the MD), also aligning the same with the relevant FATF Recommendation. The amended instructions of Section 64 of the MD on KYC are provided in the annexure for reference. Further, definitions of the relevant terms used in the amended Wire Transfer instructions are being added in Section 2 ("Definitions") of the MD on KYC.
3. The amended provisions shall come into force with immediate effect.

Formalisation of Informal Micro Enterprises on Udyam Assist Platform

May 09, 2023

1. Please refer to the Circular FIDD.MSME & NFS.BC.No.4/06.02.31/2020-21 dated August 21, 2020 on 'New Definition of Micro, Small and Medium Enterprises – clarifications' wherein all lenders were advised to obtain 'Udyam Registration Certificate' for classification of entities as MSME.
2. The Ministry of Micro, Small and Medium Enterprises ('MSME'), Government of India has launched the Udyam Assist Platform (UAP) to facilitate formalisation of Informal Micro Enterprises (IMEs) through online generation of Udyam Assist Certificate. Registration on the platform is done with the assistance of Designated Agencies which are RBI regulated entities (including scheduled commercial banks, non-banking financial companies, etc.).
3. The Government of India, vide Gazette Notification S.O. 1296(E) dated March 20, 2023, has specified that the certificate issued on the UAP to IMEs shall be treated at par with Udyam Registration Certificate for the purpose of availing Priority Sector Lending (PSL) benefits.
4. Government of India has clarified to RBI that IMEs are those enterprises which are unable to get registered on the Udyam Registration Portal (URP) due to lack of mandatory required documents such as Permanent Account Number (PAN) or Goods and Services Tax Identification Number (GSTIN). Hence such enterprises are unable to avail the benefits of Government schemes or programmes. Further, it has been clarified that the turnover of enterprises exempted from filing returns under the provisions of the Central Goods and Services Tax Act, 2017 shall be the sole criterion to be defined as IMEs for the purpose of UAP. Accordingly, IMEs are those enterprises that are not covered in the Goods and Services Tax regime.
5. An interface has been created between the UAP and Udyam Registration Portal (URP) to enable the transition and migration of the IMEs from UAP to URP, once IMEs obtain the mandatorily required documents.

6. In view of the aforementioned notification and clarification, IMEs with an Udyam Assist Certificate shall be treated as Micro Enterprises under MSME for the purposes of PSL classification.

Levy of charges on forex prepaid cards/ store value cards/travel cards, etc.

May 09, 2023

1. Attention of Authorised Dealers is invited to relevant instructions contained in A.P. (DIR Series) Circular No. 46 dated June 14, 2005 and A.P. (DIR Series) Circular No. 102 dated April 02, 2012, regarding use of International Debit Cards/Store Value Cards/Charge Cards/Smart Cards or any other instrument that can be used to create a financial liability, as 'currency'.
2. A few Authroised Persons are levying certain fees/ charges, which are payable in India on such instruments, in foreign currency. It is advised that fees/ charges payable in India have to be denominated and settled in Rupees only.
3. 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.

LIBOR Transition

May 12, 2023

1. Attention of banks/financial institutions (FIs) is drawn to the Reserve Bank advisory on "Roadmap for LIBOR Transition" dated July 08, 2021 wherein banks/FIs, inter-alia, were (i) encouraged to cease, and also encourage their customers to cease, entering into new financial contracts that reference London Interbank Offered Rate (LIBOR) as a benchmark and instead use any widely accepted Alternative Reference Rate (ARR), as soon as practicable and in any case by December 31, 2021 and (ii) urged to incorporate robust fallback clauses in all financial contracts that reference LIBOR and the maturity of which was after the announced cessation date of the LIBOR settings.
2. With the concerted efforts of banks/FIs as well as industry associations like the Indian Banks' Association, a smooth transition with respect to LIBOR settings that have ceased to be published/become non-representative after December 31, 2021 has been achieved. The transition away from LIBOR was also facilitated by the continuing publication of US$ LIBOR settings in five tenors which provided a longer transition period particularly for the insertion of the fallback clauses in legacy financial contracts that reference LIBOR. New transactions are now predominantly undertaken using ARRs such as the Secured Overnight Financing Rate (SOFR) and the Modified Mumbai Interbank Forward Outright Rate (MMIFOR). At the same time, there have been instances of a few US$ LIBOR linked financial contracts undertaken/ facilitated by banks/FIs after January 1, 2022. Also, while banks have reported that substantial progress has been made towards insertion of fallback clauses, the process is yet to be completed for all contracts where such fallbacks are required to be inserted.
3. After June 30, 2023, the publication of the remaining five US$ LIBOR settings will cease permanently. While certain synthetic LIBOR settings will continue to be published after June 30, 2023, the Financial Conduct Authority (FCA), UK, which regulates the LIBOR, has made it clear that these settings are not meant to be used in new financial contracts. The MIFOR, a domestic interest rate benchmark reliant on US$ LIBOR, will also cease to be published by Financial Benchmarks India Pvt. Ltd. (FBIL) after June 30, 2023.
4. Banks/FIs are advised to ensure that no new transaction undertaken by them or their customers rely on or are priced using the US$ LIBOR or the MIFOR. Banks/FIs are also advised to take all necessary steps to ensure insertion of fallbacks in all remaining legacy financial contracts that reference US$ LIBOR (including transactions that reference MIFOR). Fallbacks in such contracts should be inserted at the earliest so as to ensure that transition of any remaining US$ LIBOR-linked contracts is completed well before the deadline of end June 2023 and any disruptions due to a last-minute rush to insert fallbacks is avoided. Banks/FIs are advised not to rely on the availability of synthetic LIBOR rates as a substitute for fallbacks in legacy contracts.
5. Banks/FIs are expected to have developed the systems and processes to manage the complete transition away from LIBOR from July 1, 2023. Continued efforts in sensitising customers on the steps to be taken to manage the associated risks will enable a smooth completion of the final leg of the transition.
6. The Reserve Bank will continue to monitor the efforts of banks/FIs for ensuring a smooth transition from LIBOR.

Public Sector Banks : Income

As on March 31 *(Rs. Crore)*

S. N.	Banks	Interest Income			Other Income			Total Income		
I	**NATIONALISED BANKS**	**2020**	**2021**	**2022**	**2020**	**2021**	**2022**	**2020**	**2021**	**2022**
1	Allahabad Bank	16,925	-	-	2,457	-	-	19,382	-	-
2	Andhra Bank	19,784	-	-	2,743	-	-	22,527	-	-
3	Bank of Baroda	75,984	70,495	69,881	10,317	12,934	11,484	86,301	83,429	81,365
4	Bank of India	42,353	40,599	38,076	6,713	6,842	7,879	49,066	47,441	45,955
5	Bank of Maharashtra	11,495	11,869	13,019	1,649	2,628	2,652	13,144	14,497	15,672
6	Canara Bank	48,935	69,280	69,410	7,813	14,924	16,497	56,748	84,205	85,907
7	Central Bank of India	23,562	22,730	22,802	3,637	3,116	2,968	27,199	25,846	25,770
8	Corporation Bank	16,171	-	-	3,749	-	-	19,920	-	-
10	Indian Bank	21,405	39,106	38,856	3,312	5,650	6,915	24,717	44,756	45,772
11	Indian Overseas Bank	17,406	16,966	16,730	3,360	5,559	4,903	20,766	22,525	21,633
12	Oriental Bank of Commerce	19,193	-	-	3,205	-	-	22,398	-	-
13	Punjab & Sind Bank	7,930	6,974	7,096	897	903	959	8,827	7,877	8,055
14	Punjab National Bank	53,800	80,818	74,880	9,274	11,922	12,320	63,074	92,741	87,199
15	Syndicate Bank	21,915	-	-	3,047	-	-	24,962	-	-
16	UCO Bank	15,134	14,446	14,981	2,871	3,424	3,101	18,006	17,870	18,082
17	Union Bank of India	37,231	68,767	67,944	5,261	11,744	12,525	42,492	80,512	80,469
18	United Bank of India	9,656	-	-	2,589	-	-	12,245	-	-
	TOTAL OF NATIONALISED BANKS [I]	**458,880**	**442,051**	**433,674**	**72,894**	**79,647**	**82,204**	**531,774**	**521,699**	**515,878**
II	State Bank of India (SBI)	257,323	265,151	275,457	45,221	43,496	40,564	302,544	308,647	316,021
	TOTAL OF PUBLIC SECTOR BANKS [I+II]	**716,203**	**707,202**	**709,131**	**118,115**	**123,143**	**122,768**	**834,319**	**830,346**	**831,899**

Source : Reserve Bank of India.

Private Sector Banks : Income

As on March 31 *(Rs. Crore)*

S. N.	Banks	Interest Income			Other Income			Total Income		
		2020	2021	2022	2020	2021	2022	2020	2021	2022
1	City Union Bank Ltd.	4,169	4,135	4,105	680	689	759	4,849	4,823	4,864
2	Tamilnad Mercantile Bank Ltd.	3,466	3,609	3,834	526	644	823	3,993	4,253	4,656
3	The Catholic Syrian Bank Ltd.	1,510	1,872	2,038	222	303	247	1,732	2,175	2,285
4	Dhanlaxmi Bank Ltd	988	931	917	113	122	169	1,100	1,053	1,086
5	The Federal Bank Ltd.	13,211	13,758	13,661	1,931	1,959	2,089	15,142	15,717	15,750
6	The Jammu & Kashmir Bank Ltd.	8,446	8,111	8,013	546	692	781	8,992	8,803	8,794
7	The Karnataka Bank Ltd.	6,475	6,232	6,222	1,262	1,404	954	7,736	7,637	7,176
8	The Karur Vysya Bank Ltd.	5,990	5,470	5,588	1,155	919	769	7,145	6,389	6,357
9	The Lakshmi Vilas Bank Ltd.	2,207	-	-	351	-	-	2,558	-	-
10	Nainital Bank Ltd.	687	593	562	41	49	46	728	642	608
11	RBL Bank	8,514	8,329	8,176	1,910	1,884	2,341	10,425	10,213	10,516
12	The South Indian Bank Ltd.	7,764	7,305	6,587	1,046	1,229	1,034	8,810	8,535	7,621
I	**TOTAL OF 12 PVT BANKS [I]**	**63,426**	**60,346**	**59,701**	**9,782**	**9,895**	**10,011**	**73,208**	**70,241**	**69,712**
II	**NEW PRIVATE SECTOR BANKS**									
13	Axis Bank Ltd.	62,635	63,346	67,377	15,537	12,264	15,221	78,172	75,610	82,597
14	DCB Bank Ltd.	3,537	3,458	3,513	391	446	452	3,928	3,904	3,965
15	HDFC Bank Ltd.	114,813	120,858	127,753	23,261	25,205	29,510	138,073	146,063	157,263
16	ICICI Bank Ltd.	74,798	79,118	86,375	16,449	18,969	18,518	91,247	98,087	104,893
17	Indusind Bank Ltd.	28,783	29,000	30,822	6,951	6,559	7,397	35,734	35,558	38,219
18	Kotak Mahindra Bank Ltd.	26,930	26,840	27,039	5,372	5,007	6,354	32,302	31,847	33,393
19	YES Bank	26,067	20,042	19,024	11,856	3,012	3,262	37,923	23,054	22,286
20	Bandhan Bank	10,885	12,524	13,871	1,549	2,022	2,823	12,435	14,546	16,694
21	IDFC First Bank Ltd.	15,867	15,968	17,173	1,722	2,211	3,222	17,589	18,179	20,395
22	IDBI Ltd.	20,825	19,938	18,295	4,470	4,559	4,690	25,295	24,497	22,985
II	**TOTAL OF NEW PVT BANKS [II]**	**385,140**	**391,093**	**411,242**	**87,559**	**80,251**	**91,449**	**472,698**	**471,344**	**502,691**
III	**TOTAL OF PVT BANKS [I+II]**	**448,566**	**451,439**	**470,943**	**97,341**	**90,146**	**101,460**	**545,907**	**541,585**	**572,403**

Source : Reserve Bank of India.


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