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In this issue

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From The Desk Of
Editor-in-Chief

Bank credit growth slowed down to 16.8% in the October-December 2022 period from a year earlier, RBI data has showed. 17.2% growth in lending growth in credit was led by bank branches in metropolitan centres, which account for nearly 60% of the total credit by scheduled commercial banks.

Public sector banks increased their credit portfolio by 15.7% during the calendar year 2022 compared with 4.7% in 2021, the RBI report said. Corresponding growth for private sector banks, however, remained higher at 19.1%.

Aggregate deposits increased by 10.3% in December 2022 compared with 9.6% a year ago, led by 13.2% growth in term deposits. Current and savings deposits recorded moderate growth of 4.6% and 7.3%, respectively.

The increase in the overall bank credit has also been influenced by the shift in borrower's funding choices from volatile bond markets, where yields have increased, and external commercial borrowings, where interest and hedging costs have increased, towards banks, the Economic Survey said in January. Overall the scenario seems to be on path of recovery.

The Adani group woes does not seem to stop. Its shares are continuously going down in stock market. The Reserve Bank of India is examining the utilization of sanctioned bank loans by the Adani group to determine if the company is relying excessively on domestic lenders to fund its operations and expansion plans. All the banks are keeping a close watch on the developments.

Indian banks are not prepared to adopt environmental, social and governance (ESG) norms as part of their lending models due to reasons including a lack of clarity on how they apply to lenders, a survey conducted by an industry body on behalf of the central bank showed.

The Reserve Bank of India (RBI), which has acknowledged climate change as a source of financial risk, will likely use the findings to frame the first set of guidelines to boost green finance, the people said. The guidelines will likely be issued later this year.

Contents

News

Features

Articles

Banking News

Bank of Baroda Q3 result: Net profit jumps 75% to Rs 3,853 crore

Bank of Baroda has hiked marginal cost of funds based lending rate (MCLR) by up to 35 bps across tenors. The rate hike has come effect from January 12.

Bank of Baroda on February 3 reported a net profit of Rs 3,852.74 crore for the December quarter, a 75 percent year-on-year increase that was helped by strong net interest income growth.

The public sector lender's interest income rose to Rs 2,3540.14 crore from Rs 17,963 crore a year ago.

The net interest income rose 26.5 percent to Rs 10,818 crore for the three months ended December. This comes on the back of a robust loan growth of 19.7 percent and an improvement in net interest margins as well.

Provisions declined 4 percent to Rs 2,403.93 crore for the quarter ended December 31, 2022. In the same period of the previous year, the bank's provisions totaled Rs 2507 crore.

Together with healthy NII growth and modest provisions, the bank's operating profit surged 50 percent year-on-year to Rs 8,232.19 crore from Rs 5,483.33 crore a year ago.

Payments banks' tech-driven services 'no longer their niche'

Technology-oriented business models of Payments Banks (PBs) are no longer their niche as almost all banks are leveraging technology to improve and expand delivery of financial services and products, as per a RBI report.

"These efforts (leveraging technology) have received a boost with the establishment of digital banking units (DBUs). Against this backdrop, concerns are being raised in some quarters about the viability and sustainability of differentiated banking models," RBI said in its Report on Trend and Progress of Banking in India 2021-22.

The central bank said it needs to be ensured that business models of PBs are sufficiently robust and good governance and technological standards are adhered to so that they survive in a competitive environment.

PBs were set up as niche entities to facilitate small savings and to provide payments and remittance services to migrant labour, low-income households, small businesses and other unorganised sector entities.

As of end-March 2022, six PBs were operational, of which only three managed to become profitable in their operations.

"Notwithstanding the increase in both interest and non-interest income, PBs ended 2021-22 with losses due to high operating expenses," RBI said.

SBI Q3 Results: Net profit jumps 68.5% to record Rs 14,205 crore

SBI reported a 68.5 per cent year-on-year jump in net profit to a record Rs 14,205.3 crore for the quarter ended December 2022, far exceeding analysts' expectations.

The PSU banking major's net interest income (NII) - or the difference between interest earned and interest paid - increased 24.1 per cent on a year-on-year basis to Rs 38,068.6 crore, according to a regulatory filing.

State Bank of India's net interest margin - a key measure of profitability for lenders - improved by 14 basis points on a quarter-on-quarter basis to 3.69 per cent, according to a company statement.

The bank's asset quality improved, reflected in its gross non-performing assets (NPAs) as a percentage of total loans, which contracted by 38 basis points sequentially to 3.14 per cent.

Its net NPAs - or bad loans - narrowed to 0.77 per cent from 0.80 per cent in the quarter ended September 2022.

PSB's profit jumps 66% on healthy interest margins

Eleven public-sector banks (PSBs) reported an average of 65.7 per cent year-on-year (YoY) growth in net profit at Rs 28,620 crore in the third quarter ended December 2022 (Q3FY23). Growth came primarily on the back of a steady rise in net interest income (NII).

Sequentially, the state-owned lenders posted a 13.6 per cent rise in net profit over the Rs. 25,183 crore in July-September 2022 (Q2FY23).

Almost 50 per cent of PSB net profit in Q3FY23 came from State Bank of India, the largest lender in India, the data compiled by the research Bureau for the 11 banks showed.

SBI posted the highest quarterly profit of Rs. 14,205 crore. Except Chennai-based Indian Overseas Bank, all PSBs have announced their results.

The State-owned banks posted a growth rate of 24.6 per cent YoY in NIL to Rs. 94,409 crore in Q3FY23. Sequentially, it rose 904 per cent from Rs. 86,314 crore in the second quarter.

The rise in loan volumes, the benefit of repricing loans, and increase in lending rates amid a hardening interest rate cycle also contributed to healthy NIL, bankers said.

The net interest margin (NIM), an indicator of profitability, has risen to 3.55 per cent (FY17-22 average: 3.1 per cent). This is set to change and as banks increase deposit rates, said Fitch Ratings.

Bankers likely to get cover from Lokpal Act

India is eyeing a significant revamp of the banking laws that includes ringfencing bankers from the Lokpal Act, stock options for state-owned banks' employees, and review of the entire scheme of board constitution including composition and selection methodology.

"We are examining all these aspects. In some cases, discussions with stakeholders are at an advanced stage," a government official aware of the deliberations told.

Finance minister Nirmala Sitharaman in her FY 24 budget speech proposed amendments to the Banking Regulation Act, the Banking Companies Act, and the Reserve Bank of India Act to improve bank governance and enhance investors' protection.

The final amendments to the various legislation including Banking Regulations Act may be done after getting the sectoral regulator, the Reserve Bank of India, on board, said the official quoted above.

The changes in the Banking Regulations Act and Banking Companies Act may protect bankers from the Lokpal, and going forward, the Lokpal may not directly refer the vigilance cases against bank employees to investigating agencies like the Central Bureau of Investigation, or CBI.

Banks' net interest income soars 26%

Net interest income (NIM) of banks grew by a record 25.5% to Rs 1.8 lakh crore in the December quarter, driven by a healthy credit offtake and higher yield on advances. The quarter saw banks booking higher yields on advances as the system-wide core profitability metric NIM rose to 3.28%, according to an analysis by Care Rating agencies.

Bank credit grows at 16.3%

Bank credit grew at 16.3 per cent year-on-year (YoY) in the fortnight ended January 27 to Rs 133.41 trillion, latest data by the Reserve Bank of India (RBI) showed, moderating marginally from the growth witnessed till last fortnight (16.5 per cent).

In the fortnight under consideration, credit growth increased by 0.5 per cent or Rs 64,684 crore. It had moderated to 14.9 per cent YoY in the fortnight ended December 30 due to base effect, but picked up subsequently as the effect eased out.

Meanwhile, deposit growth of the banking system came in at 10.5 per cent YoY for the fortnight ended January 27. In the previous fortnight ended January 13, deposit accretion grew at 10.6 per cent YoY.

For the fortnight, deposit accretion saw marginal increase of 0.2 per cent or Rs 44,131 crore. The credit-deposit growth gap has now contracted to 580 basis points (bps) from over 800 bps earlier but still remains quite high.

Banks have increasingly hiked deposit interest rates over the past few months to mobilise funds for the high credit growth in the economy as liquidity in the system has moderated.

"The difference has narrowed, but there is still a difference. It is really up to the banks to mobilise deposits and make up the gap. They are doing so through certificate of deposits and reducing non-SLR investments but they need to mobilise deposits on their own to meet the gap," Michael D Patra, deputy governor of RBI, had said in the post-policy press conference. ❑

Reserve Bank News

Bank loan frauds more than halved

Bank loan frauds decreased by 57% in value terms to Rs 58,303 crore in FY22. The trend has continued in FY23 as well with just Rs 18,746 crore of loan fraud reported in the first half of FY23 as compared to Rs 35,034 crore a year ago.

According to RBI data, the amount involved in loan fraud has steadily declined over three years. The amounts are based on the year the loans are classified and reported as fraud, while the fraud could have occurred several years ago. The amount reported reflects the size of the loan account and do not reflect the amount of loss incurred. Depending on the recovery, the loss incurred gets reduced.

Banks have gone slow on corporate loans due to their own inability as many are faced lending restrictions because of high bad loans.

Close to 7.70 lakh transactions carried out using retail CBDC: RBI DG

RBI said close to 7.70 lakh small value transactions have been carried out using retail digital Rupee (e-Rs.-R) in five cities so far.

The RBI had launched a pilot for retail digital Rupee (e Rs. -R), or retail central bank digital currency (CBDC) on December 1, 2022.

"The total number of (e Rs.-R) transactions (so far) are roughly about 7,70,000 but these are small value transactions so the amount is small," the RBI Deputy Governor T Rabi Sankar said.

He said at present more than 50,000 users and over 5,000 merchants are using retail digital rupee for transactions.

Sankar said there are eight banks that are participating in the pilot phase and the RBI is planning to engage more banks. The pilot has been running in five cities, and the RBI is also looking to expand the retail digital rupee pilot to nine more cities, he said.

RBI hikes repo rate to 6.5%, projects GDP growth at 6.4%

The six-member Monetary Policy Committee (MPC) headed by RBI Governor Shaktikanta Das projected the real GDP growth at 6.4 per cent for 2023-24.

IN a move that will lead to further increase in lending and deposit rates, the Reserve Bank of India (RBI) raised the repo rate by 25 basis points (bps) to 6.5 per cent in its fight against inflation.

Das said while inflation is expected to moderate in 2023-24, it is likely to rule above the 4 per cent target. "The outlook is clouded by continuing uncertainties from geopolitical tensions, global financial market volatility, rising non-oil commodity prices and volatile crude oil prices. At the same time, economic activity in India is expected to hold up well. The rate hikes since May 2022 are still working their way through the system... On balance, the MPC was of the view that further calibrated monetary policy action is warranted to keep inflation expectations anchored, break the persistence of core inflation and thereby strengthen the medium-term growth prospects. Accordingly, the MPC decided to raise the policy repo rate by 25 basis points to 6.50 per cent," he said.

Das said the MPC will continue to maintain strong vigil on the evolving inflation outlook so as to ensure that it remains within the tolerance band and progressively aligns with the target.

Commenting on the policy, State Bank

of India's Chairman Dinesh Khara said the RBI policy statement reaffirmed the commitment to bring inflation down further and ensure financial stability in markets. "In principle, RBI from its vantage position has harmonised key measures, ensuring the economy remains cushioned to the maximum extent from the impact of inflation in everyday lives," Khara said.

Das said the current account deficit (CAD) is expected to moderate in the second half of the fiscal 2022-23 and remain eminently manageable and within the parameters of viability. In the H1 of the current fiscal, CAD stood at 3.3 per cent of GDP.

Central Govt blocks more than 200 offshore gambling, predatory loan platforms

The Ministry of Electronics and IT (MeitY) has issued orders to block more than 200 sites and apps of offshore betting and gambling platforms like Betway and Dafabet.

The list of blocked platforms also include over 90 apps engaged in unauthorised loan services. Some of these entities, sources said, had alleged links to China and were conducting "unacceptable" data transfers and storage.

The blocking orders have been passed under Section 69(A) of the Information Technology Act, 2000, following instructions from the Ministry of Home Affairs, it is learnt.

"The Ministry issued orders to block 138 apps that were involved in betting, gambling and money laundering last evening. A separate order to block 94 apps engaged in unauthorised loan services has also been issued," a senior government official said.

"It is safe to assume that all platforms that were taking advantage in India like Betway have been blocked," another senior official said.

The Ministry had not made public a complete list of the apps that were blocked. To be sure, such lists are rarely made public since blocking orders passed under Section 69 (A) of the IT Act are typically kept confidential.

The move marks the latest crackdown on offshore betting and gambling platforms in India. Apart from that, it is the first time that the government has ordered to blocked predatory loan apps - a menace that several institutions in the country like the Reserve Bank of India (RBI) and local law enforcement agencies have been trying to tackle over incidents of harassment of people who have taken loans through such apps, resulting in people dying by suicide in some instances.

RBI asks large banks for information on exposure to Adani Group

The RBI has sought information from some large banks on their exposure to Adani Group following a rout in stocks of its companies.

A senior banker told that the central bank already has a fair idea of the banking industry's exposure to the group, thanks to the Central Repository of Information on Large Credits. However, since the exposure to the group was a large chunk of bank credit, the RBI wanted to get an idea of the liquidity position, the sanctioned limits and the extent to which loans are secured.

The concern is whether there are any triggers for re-rating and whether the volatility in the international market could create liquidity issues. Bankers said that most of the group companies are sound cash-generating businesses with secured assets. However, there are several greenfield projects that require large investments for capital expenditure.

Indian banks are not directly impacted by the fall in the share price as they have not provided finance for leveraged buyouts (where the shares are the security) as RBI rules do not permit such financing. Adani Group companies have not faced any problem in servicing their debt. A substantial portion of the company's debt is in the form of bonds issued in international markets.

RBI's green bonds issuance oversubscribed on debut

The 5-year and 10-year green bonds were issued at a premium compared to the similar existing maturity sovereign regular bonds.

For the 10-year green bond - New GOI SGrB 2028 - the RBI received 170 competitive bids worth Rs 19,367 crore - nearly five times the notified amount of Rs 4,000 crore. Of this, the RBI accepted 57 bids worth Rs 3,948.646 crore.

For the 5-year green bond, 96 competitive bids worth Rs 13,525 crore were received, while the number of bids accepted were 32 worth Rs 3,993.124 crore, the RBI said.

The RBI issued the five-year green bond at a cut-off yield of 7.10 per cent and the 10-year green bond at 7.29 per cent.

The 10-year sovereign green bond was

sold at a green premium, or greenium, of 6 basis points (bps) compared to the 10-year benchmark bond yield. The five-year green bond was sold at a premium of 5 bps when compared to the yield on the similar maturity sovereign bond.

The maiden sovereign green bond (SGrB) auction of Rs 8,000 crore held got oversubscribed owing to robust demand from various market participants, primarily banks.

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RBI rejects 57 payment apps

The RBI has returned the applications from four existing payment aggregators - Freecharge, Paytm Payments Services, PayU and Tapits Technologies - but has allowed them to reapply within 120 days. These four entities can continue business as payment aggregators but cannot onboard new merchants.

Payment aggregators are third parties who enable merchants to provide their customers with a wide choice of payment instruments.

The RBI, which released a status list of the applications for payment aggregator licences, said that it had returned the application for a licence from 17 existing payment aggregators and another 40 fresh applicants.

Only P2P remittances under new system: RBI

Only person-to-person (P2P) remittances are allowed under the cross-border linkage between India and Singapore using their respective Fast Payment Systems-Unified Payments Interface (UPI) and PayNow-according to Reserve Bank of India.

Such remittances should be towards the purpose of "maintenance of relatives abroad" and "gift" under the liberalised remittance scheme (LRS), and the prescribed LRS limits would be applicable, RBI said in its frequently asked questions on the UPI-PayNow Interlinkage.

There is a daily transaction limit of Rs. 60,000 in a day, equivalent to around Singapore Dollar (SGD) 1,000, for undertaking cross-border remittance transactions through the UPI-PayNow interlinkage, per the FAQs.

RBI said that there is an opt in/opt out feature in the apps of the participating banks in India for receiving the remittances from Singapore.

Going forward, UPI-PayNow interlinkage can be expected to cover more banks and financial institutions in India, said the RBI.

Cross-border remittance transactions through UPI-PayNow interlinkage can be carried out with ease similar to how the domestic transactions through UPI or PayNow take place, and the transaction can be completed within a minute, it added. ❑

Industry News

80,000 start-ups exempt from angel tax, says govt

Start-ups "registered" with the Department of Promotion of Industry and Internal Trade (DPIIT) are exempt from the "angel tax" extended to them in the Budget, Revenue Secretary Sanjay Malhotra told.

He said the tax provision would apply to all forms of foreign resident investors, including those structured as funds and institutional investors.

"Over 80,000 DPIIT-registered start-ups will not come within the tax purview," he said, adding that "registered" should not be mistaken to be "certified".The certified ones will have to pay additional tax.

The Budget proposed extending the angel tax provisions to transactions involving foreign investors. Till now these provisions are applicable only to local resident investors, but the ambit has been expanded as part of the government's anti-tax avoidance move.

According to the rule, excess premium received on sales of shares by an Indian unlisted company to a foreign investor will be construed as "income from other sources" and taxed.

Malhotra said the Budget addressed the disparity and the loophole in the provision.

"The provision is already there for residents. If local residents invest, there is a tax, so why not tax non-residents? If companies are selling shares at a premium to foreign investors at (a price) over and above the actual price/rate and it makes profit, we are taxing that profit."

DPIIT Secretary Anurag Jain said start-ups recognised by the DPIIT under government's "Startup India" initiative were eligible for exemption under Section 56(2)(viib) of the I-T Act, commonly known as "angel tax".

"Section 56(2) (viib) used to have two provisos. One was preferential treatment of foreign players. That has done away with. But there's no change for start-ups. Start-ups recognised by the DPIIT will not attract angel tax if investment is made in them (by foreign or domestic investors)," Jain said during a post-Budget interaction with reporters.

The Section says if the amount raised by a start-up (during a funding round) is more than its fair market value, it would be deemed income from other sources and taxed at 30 per cent.

Direct jobs created by Indian startups rose 36% in 2022

Even as Indian start-ups went on a lay-off spree that started in 2022 and has continued well into the beginning of the current year, the number of direct jobs created by these new-age firms rose 36 per cent to around 2.7 lakh last year, according to the Economic Survey for 2022-23, tabled in Parliament.

About 48 per cent of the start-ups in the country come from tier II and tier III cities, the Survey said.

The number of start-ups recognised by the Department for Promotion of Industry and Internal Trade (DPIIT) has increased from 452 in 2016 to 84,012 in 2022, which includes more than 1,000 start-ups in the agricultural technology space and over 500 working in millet value chains, it added.

The Survey also said that the rate of job creation by start-ups in 2022 was 64 per cent higher than the average of the previous three years. As per the latest report, in 2020, start-ups created around 1.6 lakh jobs; around 2 lakh jobs in 2021; and close to 2.7 lakh jobs in 2022, a year where start-ups are estimated to have collectively let go of more than 20,000 workers. The Survey also said that the rate of job creation by start-ups in 2022 was 64 per cent higher than the average of the previous three years.

Overall, labour markets and employment recovered beyond pre-Covid levels, and the increase in the women workforce and the decline in school dropouts will aid in socio-economic development, the Survey said.

According to a survey conducted by the Labour Bureau, manufacturing had 122.5 lakh employees, education came in second with 69 lakh, and IT/BPO employed 38.3 lakh people during January-March 2022.

NSE is now the 3rd largest exchange in equity trading

National Stock Exchange of India (NSE) has emerged as the 3rd largest exchange in the world in the equity segment by the number of trades (electronic order book) in 2022, an advancement from the previous year when it ranked 4th as per statistics maintained by the World Federation of Exchanges (WFE).

NSE has also maintained its position as the world's largest derivatives exchange in 2022 by the number of contracts traded based on statistics maintained by Futures Industry Association (FIA), a derivatives trade body.

The calendar year witnessed the benchmark equity index - the Nifty 50 touching lifetime high of 18,887.60. Significant strengthening in liquidity was witnessed in most of the product categories, including equity, equity derivatives, and currency derivatives. In the equity segment, Exchange Traded Funds (ETFs) daily average turnover stood at Rs. 470 crores in CY22, an increase of 51% YoY. Sovereign Gold Bonds daily average turnover in secondary market stood at Rs. 7 crores in CY22, an increase of 59% YoY.

NSE is expected to shortly begin the Social Stock Exchange as segment subject to regulatory approvals. This would enable 'Social Enterprises' particularly the Non-Profit Organisations to showcase their work to a wider audience and mobilise funds through issuance of instruments, such as Zero Coupon Zero Principal Bonds, facilitate participants to participate in philanthropic causes and bring in efficiency and transparency in the overall ecosystem.

Officials booked for alleged fraudulent income tax refund of Rs.263 crore

The Central Bureau of Investigation has booked an Income-Tax Department inspector, a Mumbai-based company and four others for alleged fraudulent refund of Rs. 263 crore.

Among those named in the FIR are Income-Tax official, Tanaji Mandal Adhikari, VJM Media Private Limited, which is now known as Blitz Multimedia Private Limited, Bhushan Anant Patil, Rajesh Mathani, Asish Mehdiratta and Daywind Enterprises Private Limited.

The case has been registered on a complaint from the Central Board of Direct Taxes. The Income-Tax Department had earlier received a tip-off about bogus issuance of refunds in the case of Blitz Multimedia Private Limited for 2007-08 and 2008-09.

On examining the documents, the authorities detected the alleged irregularities. While for 2007-08, the refunded amount was over Rs. 55.98 crore, for the following year, the figure stood at more than Rs. 207.81 crore.

"It is also seen from the orders... that various refunds were issued subsequently between November 2019 and November 2020 on the ITD system after manipulating and increasing the amount of tax deducted at source as against the genuine claim of TDS made by the said company," said the FIR.

Air India offers share benefit scheme to employees

Air India has initiated an Employees Share Benefit Scheme, under which permanent employees can purchase equity in the airline. This is not an employee stock option scheme (ESOP), Air India clarified.

All permanent employees of Air India and Air India Express appointed before January 27, 2022, the date of takeover by Tata Sons, will be eligible for the ESB scheme.

"In accordance with the share purchase agreement signed as part of the disinvestment process, Air India has initiated the Employee Share Benefit Scheme for eligible employees who were in service with the airline on the date of privatisation," said a spokesperson from Air India.

Employees can purchase up to 3% equity or 979 million shares at `0.27 per share. News agency PTI said quoting a source that the price is at a discount compared to the book value of `0.87-0.9 per share at the time of the acquisition.

Women constitute one-third of Internet users in India: Study

Women constitute only one third of internet users in India, said a study conducted by NGO Oxfam India. According to 'India Inequality Report

2022: Digital Divide' released by the NGO, Indian women are 15 per cent less likely to own a mobile phone and 33 per cent less likely to use mobile internet services than men.

In Asia-Pacific, India fares the worst with the widest gender gap of 40.4 per cent, says the study. The report also points to rural-urban digital divide. "Despite registering a significant (digital) growth rate of 13 per cent in a year, only 31 per cent of the rural population uses Internet compared to 67 percent of their urban counterparts," says the report.

The report analyses the primary data from Centre for Monitoring Indian Economy's (CMIE) household survey held from Jan 2018 to Dec 2021.

Among states, Maharashtra has the highest internet penetration, followed by Goa and Kerala, while Bihar has the lowest, followed by Chhattisgarh and Jharkhand, the report said.

"As per the NSS (2017-18), only about 9 per cent of the students who were enrolled in any course had access to a computer with internet and 25 percent of enrolled students had access to the internet through any kind of devices," says the report.

The digital push driven by the pandemic resulted in India experiencing the largest number of real-time digital transactions in 2021 at 48.6 billion.

5 companies in race for 5G private network licence

Major enterprises have commenced taking the first steps to deploy private 5G networks in India. According to top sources at the Department of Telecommunications (DoT), five companies have applied for the Captive Non-Public Network Licence with the DoT. The licences have been applied for 20 geographical locations by the five companies. These companies could be Indian IT majors such as Tata Consultancy Services, Infosys and Wipro. Industry insiders also note that Indian multinational conglomerate Aditya Birla Group could also be in the fray.

The source also added that an internal committee at the DoT has completed its report on the demand studies for private network players. The report likely identifies spectrum bands, which the department might allocate to companies directly.

According to reports, firms such as Tata Communications, Tata Power and Tejas Networks have applied to the DoT for direct allocation of spectrum. The report contains the DoT's decision on this matter.

At present, companies can establish private networks either by availing CNPN-as-a-service from licensed telecom operators or by obtaining a CNPN licence themselves and leasing spectrum either from a TSP or the government directly. Therefore, even as companies await DoT's decision regarding whether the allocation of the spectrum from the government will be applied, they have already started applying for licences in 20 locations.

According to the eligibility requirements for the CNPN licence, the applicant must be an Indian company registered under the Companies Act 2013, and should be the occupant of the area where this licence will be leased. Furthermore, in case the applicant is seeking direct assignment of the spectrum from the government, its net worth should not be less than Rs. 100 crore. The validity period of the licence is 10 years.

Rail passenger revenue zooms 76% YoY

The Indian Railways has recorded 76 per cent year-on-year (YoY) growth in its passenger revenue in the first eight months of this financial year. The national transporter garnered Rs 43,324 crore from its passenger services until November, against Rs 24,631 crore in the corresponding period last year, according to provisional data by the Ministry of Railways.

Proceeds from the reserved segment of the Railways grew by 50 per cent YoY to Rs 34,303 crore as against Rs 22,904 crore during the same period last fiscal year. Unreserved tickets, which had been in short supply during the two Covid years of FY21 and FY22, have garnered 422 per cent more YoY at 9,021 crore.

The aforementioned revenue during April-November 2022 is much higher than that generated during the same periods in 2018 and 2019, indicating a significant boost in the passenger revenue. While the Railways garnered Rs 33,900 crore during April-November in 2018, it generated Rs 35,255 crore during the same months 2019.

Central Government forms panel on digital competition law

The government has set up a panel for examining the various regulatory aspects in dealing with challenges emerging from the digital economy.

According to sources, the panel will be chaired by Corporate Affairs Secretary Manoj Govil. One of the main tasks of the panel is to review whether existing provisions in the Competition Act, 2022, and the rules and regulations framed therein, are sufficient to deal with the challenges that have emerged from the digital economy.

It will also study the international best practices on regulation in the field of the digital markets as well as other regulatory regimes/ institutional mechanisms/ government policies regarding competition in the digital markets. It will further overlook the practices of leading players/Systemically Important Digital Intermediaries (SIDIs) which limit or have the potential to cause harm in the digital markets.

Funding for electric vehicle sector up 117% in 2022, at $1.6 billion

The Budget exemption for Customs duty on capital goods and machinery for manufacture of EV batteries, and the duty cut on lithium batteries from 21 per cent to 13 per cent will lower prices

India's electric vehicles (EV) market is the third-largest in terms of number of companies, next only to the US and China, and the fourth-highest funded market in this space. "Favourable government initiatives like FAME II, a programme to speed up the electrification of public transportation, as well as other elements like growing environmental awareness and rising oil prices, have all contributed to the sector's expansion," said Neha Singh, cofounder of Tracxn, a start-up data platform.

The Budget exemption for Customs duty on capital goods and machinery for manufacture of EV batteries, and the duty cut on lithium batteries from 21 per cent to 13 per cent will lower prices and boost investment in the industry.

The total funding in this segment has increased by 117 per cent, from $766mn in 2021 to $1.66bn in 2022.

Government says 1.28 lakh companies struck off from records for non-compliance

The government has struck off 1,27,952 companies from the records for failing to submit their financial statements for two continuous financial years, Union minister Rao Inderjit Singh said. In a written reply to the Lok Sabha, he also said the term 'shell company' is not defined under the Companies Act, 2013.

The government undertook a special drive for identification and striking off companies u/s 248(1) of the Act read with the Companies (Removal of Names of Companies from the Register of Companies) Rules that had not filed their financial statements and/or annual returns for a continuous period of two immediately preceding financial years.

"A number of 1,27,952 companies have been struck off in last 3 years", the Minister of State for Corporate Affairs said.

He was responding to a query on whether the government has implemented any safeguard measures for firms that unknowingly conduct business with the shell companies.

To put in place safeguard measures with respect to transactions with such struck off companies, Singh said the ministry had amended a schedule of the Act in Mar. 2021. With the amendment, companies having relationship with struck off companies will have to make certain disclosures.

Crore People Yet To Link PAN & Aadhaar

CBDT Chairperson Nitin Gupta said 48 crore PAN cards have been linked with Aadhaar so far, and those who do not link it will not get benefits while undertaking business and tax-related activities

As the PAN-Aadhaar linking deadline is approaching, Central Board of Direct Taxes (CBDT) chairperson Nitin Gupta said out of the total 61 crore Permanent Account Numbers (PANs) issued to individuals till now, almost 48 crores have been linked with Aadhaar to date. Those who do not link it by the declared deadline of March 31 will not get benefits while undertaking various business and tax-related activities,

The linking of the two databases has been made mandatory by the government and individual PANs not attached to the Aadhaar by the end of this financial year (March 31, 2023) will be rendered inoperative. In fact, one has to pay Rs 1,000 in order to link their PAN and Aadhaar between now and March 31.

Employees with advanced digital skills contribute $508 b to India's GDP

A report by Amazon Web Services (AWS), the cloud arm of the e-commerce giant, has revealed that employees in India who use advanced digital skills, including cloud architecture or software development, contribute an estimated $507.9 billion to India's annual gross domestic product (GDP).

According to the research titled 'Asia Pacific Digital Skills Study: The Economic Benefits of a Tech-Savvy Workforce', stated that workers' digital calibre reported 92% higher salaries compared to those with a similar education who do not use digital skills at work.

In addition, it is also found that advanced digital workers in India are benefiting from more than just a boost in their income. Moreover, 91% of workers who use advanced digital skills to express higher job satisfaction, compared to 74% of workers with intermediate skills and 70% of workers with basic digital skills.

The study classifies basic digital skills as the ability to use email, word processors, other office productivity software, and social media. Intermediate digital skills include drag-and-drop website design, troubleshooting applications, and data analysis. Advanced digital skills include cloud architecture or maintenance, software or application development, artificial intelligence (AI), and machine learning.

Rijiju stresses need for institutional arbitration

While addressing the concluding session of the Delhi Arbitration Weekend (DAW) organised by the Delhi International Arbitration Centre, Union Law Minister Kiren Rijiju extended the government's support to the recommendations from the three-day event, calling them "path-breaking".

Rijiju, who was the chief guest of the session, assured that "when courts initiate certain actions, the support from the government is expected."

"I feel so privileged to be part of an event which is court-driven. It is my duty to ensure that whatever comes out of all the recommendations of this three-day intensive event, the government has to support it. It is not just coming out of the blue. It is coming out of deliberations and research. The whole global world of arbitration is looking at India because of this initiative," Rijiju said.

Rijiju emphasised the need for institutional arbitration to enhance the ease of doing business and spoke on the government's action of setting up the Arbitration Council of India, which is expected to incentivise arbitral institutions to improve their functioning and to bring uniformity of norms by framing policies and holding training as well as workshops.

Lithium-inferred resources discovered in Jammu and Kashmir

India has discovered lithium-inferred resources to the tune of 5.9 million tonnes in the Salal-Haimana area of Reasi district of Jammu and Kashmir.

Mines are at the preliminary exploration stage (also called G3). Lithium is one of the key elements used for making EV batteries and other energy storage products.

According to a statement, the Geological Survey of India (GSI) report on lithium resources, along with 15 other resource-bearing geological reports (that are in general exploration and preliminary exploration stages) and 35 geological memoranda, were handed over to respective State governments during the 62nd Central Geological Programming Board (CGPB) meeting.

New roads will reduce the cost of logistics: Gadkari

There's no dearth of funds for infrastructure development in India, and the government's target is to increase the length of national highways (NHs) to 2 lakh km by 2025, Union road transport and highways minister Nitin Gadkari said at the ET Global Business Summit.

"Projects in India have economic viability. For the success of any project, we need proven technology, economic viability, availability of raw materials and marketability. All these are available in India," Gadkari said. "I can even take up projects with investment up to Rs 8 lakh crore-10 lakh crore, and to raise funds I can go to the capital market. People are waiting to invest in our projects as these are viable," he added.

He pointed out that high quality infrastructure is key to attracting investment and pushing industrial growth to eradicate poverty. Gadkari said the government's focus is on greenfield expressways and highways to slash the cost of logistics from 18% of GDP at present to 9%, to make Indian products globally competitive. He said the government has taken up construction of 10,000km of greenfield expressways and economic corridors with an investment of Rs 7 lakh crore.

Air India orders 470 Airbus, Boeing planes

Tata-owned Air India's deal with the two aircraft makers, Airbus and Boeing, to buy 470 aircraft is being hailed as the largest deal in the history of civil aviation, but it seems like this number could go up to as high as 840, as per the airline's Chief Commercial and Transformation Officer, Nipun Aggarwal.

In a post on the professional networking site LinkedIn, Aggarwal wrote: "It is indeed a landmark moment in the history of Air India and Indian aviation. This order of 840 aircraft has been a culmination of a fascinating journey that began almost two years ago starting with the Air India privatisation process."

This means Air India has the option to buy an additional 370 planes from the aircraft manufacturers Boeing and Airbus. ❑

Mutual Fund News

SIP inflows in January hit new high of Rs 13,856 crore

Despite high volatility in the country's stock market and global uncertainty, retail investors continued to pour money into equities through the mutual fund route during January.

As a result, monthly inflows into mutual fund schemes through the systematic investment plan (SIP) route scaled a new all-time peak of Rs 13,856 crore, while small-cap funds attracted net inflows of nearly Rs 2,250 crore, the highest among all equity schemes, data released by fund industry trade body Amfi showed.

According to Amfi chief executive N S Venkatesh, the latest industry data shows a positive trend in equity MF flows. Small-cap funds have witnessed inflows, majorly driven by retail investors as their investment is for the long term. "Encouraging SIP numbers indicate retail investors' trust in mutual funds. We believe that SIP inflow momentum has and will continue to balance out the FII outflows in the market," Venkatesh said. "(January) showed almost 23 lakh new SIPs being registered, which indicates increasing investor belief in the instrument."

The Amfi data showed that it was in October last year when monthly SIP flows topped the Rs 13,000-crore mark for the first time and has remained above that figure for the last four months. Since January of last year, total inflow through the SIP route was almost Rs 79,450 crore.

50k-70k senior citizens may opt for Rs. 30L deposit scheme

The government expects as much as 10% of the seven lakh senior citizens, who are using the full benefit of the Senior Citizens Savings Scheme (SCSS), to take advantage of the decision to double the investment limit to Rs 30 lakh from next financial year.

Of the 50 lakh subscribers of the scheme, which currently offers 8% annually, around 15% currently use the entire limit, data available with the finance ministry showed. While contribution up to Rs 1. 5 lakh is eligible for benefits under section 80C of the Income Tax Act, interest under the scheme is taxable.

Tax experts suggest that the post-tax returns need to be factored in although government officials believe that despite tax on the earnings, it still offers among the best re-turns. For someone in the 30% tax bracket, the post-tax return works out to around 5. 6%. The decision to enhance the limit follows demands from some of the subscribers.

The government has budgeted for a significant part of the increase in the small savings kitty to come from the SCSS, officials indicated. During the next financial year, the government expects the flows into small savings schemes, which include public provident fund and post office deposits, to increase, after seeing adip during the current financial year. The net accretion is budgeted to increase 7. 4% to over Rs 4. 7 lakh crore.

The other source of accretion is expected to come from the Monthly Income Scheme, where the investment limit has been doubled to Rs 9 lakh for single account and to Rs 15 lakh from Rs 9 lakh for joint accounts. The scheme currently offers 7. 1% to subscribers.

The third element where gains are expected is through the new instrument for women, Mahila Samman Savings Certificate, which will come with a two-year tenure and will be open for subscription up to March 2025.

Demat accounts surge 31% to 11 crore in January

As per the data, the number of demat accounts rose to 11 crore in January 2023 from 8.4 crore in January 2022, registering a growth of 31 per cent.

Market experts believe that the addition in dematerialised (demat) accounts over the last one year was mainly due to attractive returns given by the equity markets and the ease of account opening process offered by brokers to their clients.

Also, increased financial literacy and the growing popularity of trading amongst youth have been some other major factors contributing to the rise, they added.

While the number of demat accounts continues to rise, the count of National Stock Exchange (NSE) active clients has been falling for seven consecutive months.

The number of active accounts at the NSE dropped 2.9 per cent month-on-month to 3.4 crore in January, making it the seventh consecutive monthly decline. On a year-on-year basis, the number of such active users rose 2.7 per cent. The intensity of the fall was higher at 10.4 lakh accounts in January as compared to 7 lakh for the past three months.

SEBI mulls shareholders nod for board directors appointment once in 5 yrs

In order to stop the practice of occupying permanent directorship in a company, the capital markets regulator Sebi proposed that the listed entities should take shareholders approval at least once in 5 years for the appointment of directors to serve on their board.

It said not all directors serving on the board of listed entities may be subject to retirement by rotation and there may be some directors who are appointed to the board of a listed entity without a defined tenure and not liable to retirement by rotation.

"In the interest of good corporate governance at listed entities, all directors appointed to the board of a listed entity need to go through periodic shareholders' approval process, thereby providing legitimacy to the director to continue to serve on the board," Sebi proposed in a consultation paper on strengthening corporate governance at listed entities by empowering shareholders.

As on March 31, 2024, if there is any director serving on the board of a listed entity without his / her appointment or re-appointment being subject to shareholders' approval during the last five years i.e., from April 1, 2019, the listed entity shall take shareholders' approval in the first general meeting to be held after April 1, 2024, for his / her continuation on the board of the listed entity, the markets regulator said.

Share of local mutual funds in total institutional equity AUM at a record high in January

The share of the domestic mutual funds in the total asset under management (AUM) of institutional investors was at a record high of 18.3% in January 2023, helped by a consistent domestic inflow of funds. According to the data from depositaries, their share increased by nearly 130 basis points year-on-year, the highest among all investor categories. It is now the second highest after the share of foreign portfolio investors (FPIs) at 37.2%.

NSE asks traders to stop using 61 nomenclatures like mutual funds

National Stock Exchange of India or NSE asked trading members and authorised persons to stop using words like advisors, asset/wealth/portfolio management, mutual funds, mutual fund services and so on as it creates a wrong impression among investors. The exchange has listed 61 words that are not permitted to be used by traders.

"It is observed by Exchange that Trading Members/Authorized Persons are using words such as Advisors, Asset/Wealth/Portfolio Management etc. in their name which is misleading and may indicate to the clients/investors that the Trading Members/Authorized Persons are registered for offering services other than broking services without having the applicable registration for those services with SEBI/other regulators," said the exchange.

The name of Trading Member/Authorized Person should reflect the registration held by the entity and should not in any way create an impression of performing a role for which the entity is not registered, the circular said.

Sebi proposes to introduce 5 new categories under ESG funds

Capital markets regulator Sebi has proposed allowing mutual funds to introduce five new categories under ESG (environmental, social and governance) scheme. The five new categories should be exclusions, integration, best-in-class and positive screening, impact investing and sustainable objectives.

Presently, mutual funds can launch only one ESG scheme under the thematic category of equity schemes.

Considering that AMCs may want to launch multiple diversified ESG schemes under the ESG category, Sebi has proposed that each asset management company should be permitted to launch one ESG scheme each under the five subcategories.

Adani firm repays Rs 1,500 cr to SBI Mutual Fund, Aditya Birla Sun Life

Adani Ports and Special Economic Zone has repaid Rs 1,500 crore loan and will repay another Rs 1,000 crore in commercial papers due in March.

The Adani Group firm paid Rs 1,000 crore to SBI Mutual Fund and Rs 500 crore to Aditya Birla Sun Life Mutual Fund on commercial papers that matured, as scheduled.

"This part prepayment is from the existing cash balance and funds generated from the business operations," a company spokesperson said. "This underscores the confidence which the market has placed on the prudent capital and liquidity management plan for the group."

An SBI MF spokesperson said it has no further exposure. "SBI MF had an exposure of around Rs 1,000 crore to Adani Group, which has been repaid on maturity. We have no further exposure to the Adani Group," the spokesperson said.

Cash pile at mutual funds is at two year high

The average cash holding of top 20 mutual fund houses by Asset Under Management (AUM) was 5.9% at the end of January 2023. This is the highest cash proportion in the past twenty five months or a little over two years, according to the data compiled by a domestic brokerage, Motilal Oswal Financial Services. In February 2021, the average cash holding was 3.1%.

There are a few reasons for such a high average cash holding of top 20 fund houses. First, the valuation of benchmark indices such as the Nifty 50 continue to remain high. According to analysts' estimates, the one-year forward priceearnings (P/E) multiple of the Nifty 50 Index is 18. This is 8-10% higher than the 10-year average P/E multiple of the index. Also, the index valuation is at around 25% premium to other emerging markets compared with the historical premium of 15%.

The second factor is the market sentiments are weak as reflected in the range bound movement of benchmark indices. Third, the macro-economic data is less than encouraging. Widening fiscal deficit, dwindling exports, and high inflation are key concerns among investors.

SBI Mutual Fund launches SBI Dividend Yield Fund

SBI Mutual Fund announced the launch of SBI Dividend Yield Fund, an open-ended equity scheme that will invest predominantly in a well-diversified portfolio of equity and equity-related instruments of dividend yielding companies.

The new fund offer (NFO) is open, and it will close for subscription on March 6. The first-tier benchmark of the fund is the NIFTY 500 TRI.

The investment objective of the scheme is to provide investors with opportunities for capital appreciation and/or dividend distribution by investing predominantly in a well-diversified portfolio of equity and equity related instruments of dividend yielding companies, the press release said.

This is proposed to be achieved by investing in businesses across market capitalisation, be style agnostic with no sector bias, with attractive dividend yields plus potential growth in dividends, and aim to achieve an aggregate dividend yield that is at least 50% higher than that of the Nifty 50 Index. The scheme will consider dividend-paying stocks that have paid dividends or repurchased shares in at least one of the previous three fiscal years, the fund house added. ❑

Co-Operative Bank News

RBI imposes restrictions on 5 co-operative banks

The Reserve Bank of India on Friday imposed several restrictions on five cooperative banks, including on withdrawals, in the wake of the deteriorating financial condition of the lenders. The restrictions will remain in place for six months, the Reserve Bank of India (RBI) said in separate statements.

With restrictions in place, the banks, without prior approval of RBI, cannot grant loans, make any investment, incur any liability, and transfer or otherwise dispose of any of its properties.

Customers of HCBL Co-operative Bank, Lucknow (Uttar Pradesh); Adarsh Mahila Nagari Sahakari Bank Maryadit, Aurangabad (Maharashtra); and Shimsha Sahakara Bank Niyamitha, Maddur, Mandya District in Karnataka cannot withdraw funds from their accounts due to present liquidity position of the three lenders.

However, customers of Uravakonda Co-operative Town Bank, Uravakonda, (Anantapur District, Andhra Pradesh) and Shankarrao Mohite Patil Sahakari Bank, Akluj (Maharashtra) can withdraw up to Rs 5,000.

The eligible depositors of all the five cooperative banks would be entitled to receive deposit insurance claim amount of his/her deposits up to Rs 5 lakh from the Deposit Insurance and Credit Guarantee Corporation, RBI said.

RBI cancels licence of MP-based Garha Co-operative Bank

The Reserve Bank of India (RBI) on Monday cancelled licence of Garha Cooperative Bank, Guna in Madhya Pradesh as the lender does not have adequate capital and earning prospects. About 98.4 per cent of the depositors of the co-operative bank are entitled to receive full amount of their deposits from Deposit Insurance and Credit Guarantee Corporation (DICGC), the RBI said in a statement.

Consequent to the cancellation of its licence, the bank is prohibited from conducting various activities, including acceptance of deposits and repayment of deposits with immediate effect.

"The bank does not have adequate capital and earning prospects," the RBI said while cancelling the licence with effect from the close of business hours.

Further, it said Garha Co-operative Bank with its present financial position would be unable to pay its present depositors in full.

"On liquidation, every depositor would be entitled to receive deposit insurance claim amount of his/her deposits up to a monetary ceiling of Rs 5,00,000 from DICGC," it added.

Amit Shah calls for introspection in cooperative sector, assures Centre's support

Union Minister Amit Shah on Saturday said the cooperative sector in the country needs to introspect to improve systems and this exercise would receive the full support of the Centre.

Speaking at the 'Sahkar Maha Conclave on Banking and Sugar Industry' organised by media group Sakal, Shah also pointed out to the drop in the number of cooperative sugar mills in Maharashtra and the rise in the number of private ones.

"As far as credit societies, urban banks and district cooperative banks are concerned, a lot needs to be done. We had a series of meetings with the Reserve Bank of India and I can say on the issues that were brought to me here on this platform, we will ensure all these institutions do not face any injustice," he said. ❑

Legal News

Ruling against the interest of GST collection

Finance Bill 2019-20 amended the Central Goods and Services Tax (CGST) Act with retrospective effect by inserting a new proviso in section 50(1) to calculate the interest on delayed GST payment.

This amendment has created an arbitrary and unlawful differentiation - when arriving at the net GST cash tax liability - between the balance in the electronic cash register (ECR) due to input tax credit (ITC) and the balance in the electronic credit register (ECrR) due on cash paid to the exchequer's account.

It is illogical that the interpretation of the words 'net cash tax liability' excludes cash already received but includes cash yet to be received (input tax credit) by the exchequer.

The GST delayed payment interest clause is one-sided and varies greatly from the Income Tax Act. For example, if you deposit any income tax, even part payment, with challan, it is considered tax paid. Unfortunately, this is not valid in GST. First you must deposit the tax due in full, file the monthly return GSTR 3B, and adjust the cash deposited in the GST portal, and only then is the GST liability seen to be discharged. Till then, the cash deposited by the taxpayer to the exchequer is considered interest-free deposit. The government gets to have the cake and eat it too.

The Jharkhand High Court delivered a crucial judgement on October 18, 2022, on a writ filed by RSB Transmissions (India) Pvt Ltd, and confirmed that under the current scheme of the CGST Act, any cash deposit in the ECR prior to the due date of filing GSTR 3B return does not amount to discharge of tax liability.

This is the correct interpretation of GST laws, aligned with the judgement of the Madras High Court in the Yamaha Motors case.

However, the judgement has dealt wrongly with the petitioner's prayer to declare the provisions of section 50(1) of the CGST Act as contradictory, arbitrary, unreasonable and violative of article 14 and article 19(1)(g) of the Constitution and wrongly concluded, based on incorrect facts.

A judge is judged everyday, says SC

The Supreme Court said that a judge is judged everyday by the public, litigants and lawyers and their conduct is always under scrutiny as they speak through their judgments.

The observations formed part of an order released by the top court giving reasons for not entertaining a set of two petitions challenging the recommendation to appoint Lekshmana Chandra Victoria Gowri (as she then was) as an additional judge of the Madras high court. The top court had dismissed the petitions, the same day when she took oath, while indicating that detailed reasons will follow.

A bench of justices Sanjiv Khanna and BR Gavai said, "Not only is the conduct and judgments delivered considered at the time of confirmation, a judge is judged everyday by the lawyers, litigants and the public, as the courts are open and the judges speak by giving reasons in writing for their decisions."

"It goes without saying that the conduct of the judge and her/his decisions must reflect and show independence, adherence to the democratic and constitutional values," the short order of 9 pages said. "This is necessary as the judiciary holds the centre stage in protecting and strengthening democracy and upholding human rights and rule of law." it added.

The court had dismissed two petitions filed by lawyers of the Madras high court who objected to the elevation of justice Gowri (as she presently is) on the basis of her statements against minorities and her alleged association with the Bharatiya Janata Party (BJP). She was Deputy Solicitor General representing the Union government before the Madras high court prior to her elevation.

The court referred to several past decisions of the Supreme Court and said, "The question whether a person is fit to be appointed as a judge essentially involves the aspect of suitability and stands excluded from the purview of judicial review."

Supreme Court launches AI for live transcript of court hearings

In a first, the Supreme Court launched the use of Artificial Intelligence and technology powered by Natural Language Processing on a trial basis to provide live transcriptions of court hearings.

The service was launched in the courtroom of Chief Justice of India DY Chandrachud, who is heading a Constitution bench hearing a bunch of pleas on Maharashtra political party Shiv Sena. A screen displaying the live transcription of court proceedings has been placed in the CJI's courtroom facing lawyers.

The CJI said that SC was trying to explore the possibilities of live transcripts. "It is an experiment. Then we will have a permanent record of arguments," he said, adding the facility will help not only judges and lawyers but also law colleges.

Vouchers not goods or services, exempted from GST, says HC

Vouchers are exempted from GST, the Karnataka high court ruled in a recent judgment, asserting that these don't carry any value and they're not goods or services either.

"The definition of 'vouchers' under the CGST Act makes it clear that vouchers are mere instruments accepted as consideration for supply of goods or services. They have no inherent value of their own," a division bench headed by Justice PS Dinesh Kumar said.

"As vouchers are considered 'instruments', they would fall under the definition of 'money'..." as defined by the law, which also "excludes 'money' from the definition of goods and service" and therefore no tax can be levied on it, the HC said.

Allowing a petition filed by Premier Sales Promotion, a Bengaluru-based company, the HC said that in substance, the transaction between the assessee and his clients is procurement of printed forms and their delivery. "Printed forms are like currency. The value printed on the form can be transacted only at the time of redemption of the voucher and not at the time of delivery of vouchers to the assessee's client. Therefore, the issuance of vouchers is similar to pre-deposit and not supply of goods or services," the court said.

The bench said the vouchers involved in the petition are semi-closed prepaid payment instruments (PPIs) in which the goods or services to be redeemed are not identified at the time of issuance. The petitioner had challenged a 2021 order passed by the Karnataka Appellate Authority for Advance Ruling that vouchers are taxable as goods at the time of supply.

Law interpretation must be as per changing times: SC

Holding that the court's interpretation of the Constitution must be in tune with the changing times and some of its earlier interpretations are no longer valid, the Supreme Court has said that excommunication or ostracisation of a person in society is against constitutional ethos as it will result in his "civil death" and decided to re-examine its six decade old verdict permitting a religious community to excommunicate its dissidents.

A five-judge bench of Justices Sanjay Kishan Kaul, Sanjiv Khanna, Abhay S Oka, Vikram Nath and J K Maheshwari said the apex court's 1962 judgment protecting the rights of the Bohra community to excommunicate its members required reconsideration. It said much water has flown after that decision and the court at that time did not examine that Article 26(b), which talks about the right to manage its own affairs in matters of religion, is also subject to morality.

"For example, the narrow interpretation given to Article 21 in the 'A K Gopalan era' is no longer valid. The concept of freedom has undergone changes. In the 21st Century, society looks completely different from what it looked in the last century. We see a change in the socio-cultural ethos of society. Thus, the interpretation of law must keep pace with changing needs of society," Justice Oka said.

CAMSPay receives in-principle authorization from RBI to operate as a Payment Aggregator

CAMSPay, a panoptic payment platform specializing in solving BFSI sector's payment challenges has received in-principle authorization from Reserve Bank of India to operate as a Payment Aggregator (PA).

Part of Computer Age Management Services Limited (CAMS), India's largest registrar and transfer agent of mutual funds (a SEBI regulated entity), CAMSPay has been an integral payments partner supporting Mutual Fund investors, Insurance policyholders and Loan borrowers for over a decade in enabling them move from paper-based mandate process to offering digital payment solutions. As a specialized payments solutions provider to the BFSI segment, the in-principal authorization from RBI to operate as a Payment Aggregator will widen the scope and coverage of CAMSPay.

"CAMSPay provides a wide range of payment options including Digital Payments, Payment Gateway, Cards, UPI, and Net Banking. The in-principle authorization from RBI to operate as a Payment Aggregator is a key milestone towards further strengthening our offerings in the BFSI segment. We reaffirm our commitment to making payments more seamless and secure to all stakeholders " said Mr. Ravi Kiran, Head of New Businesses for CAMS.

Mr. Vasanth Jeyapaul, CEO, CAMSPay said, "We are thrilled to receive the in-principle authorisation to operate as a Payment Aggregator to create a much more robust and inclusive digital payment stack for the chosen merchant segments that we operate in, delivering a variety of acceptance options. The license will help us further fortify our offerings in the payments arena".

Mutual Fund Investors use CAMSPay for their SIP and bullet investments, Insurance Policy holders for paying their policy premia and loan borrowers for repaying their loans. With a comprehensive suite of payment options, CAMSPay is well-known for its strong commitment to compliance and security. CAMSPay works with over fifty financial institutions which include mutual funds, insurance companies, and NBFCs across India. As the first to provide UPI Autopay service to the Mutual Funds sector, CAMSPay continues to lead the market with its innovative payment solutions.

ICICI Bank signs MoU with BNP Paribas

ICICI Bank, a leading private sector bank in India, and BNP Paribas, a top European bank, have signed a Memorandum of Understanding (MoU) to cater to the banking requirements of European corporates operating in India and Indian companies in the European Union.

The MoU establishes a framework of partnership between the two banks for providing financial services to corporate customers operating in the India – Europe corridor.

The MoU was signed at an event held in Mumbai by Mr. Anup Bagchi, Executive Director, ICICI Bank, and Mr. Grzegorz Marczuk, Chief Operating Officer, BNP Paribas India.

Speaking on the occasion, Mr. Anup Bagchi, Executive Director, ICICI Bank said, "We are delighted to enter into a partnership with BNP Paribas, one of the oldest foreign banks in India. As the fifth largest economy in the world and with a strong focus to become a regional manufacturing hub, India is at the forefront of leading the world growth in the near future. This makes India a very attractive destination for trade and foreign investment, with Europe ranking amongst the top regions investing in India. With our strong physical network across the country, world class digital offerings and comprehensive suite of corporate and retail banking products, we are confident that ICICI Bank will support BNP Paribas' customers grow their business in India, and make India one of their key markets. Further, we will leverage BNP Paribas' pan-Europe presence to support our corporate clients for any of their banking requirements across Europe."

Mr. Sanjay Singh, Head of Territory & CEO, BNP Paribas India said, "We do see several Indian corporates emerging as global champions. Our partnership with ICICI Bank will support corporates' expansion plans with a right mix of ICICI Bank's robust domestic physical network combined with our deep global footprint. This alliance will further strengthen our commitment to supporting Indian corporates in their global journey and European corporate clients looking to expand their footprint in India."

India Exim Bank Opens Indian Markets with a Benchmark-sized Sustainability Bond

India Exim Bank has successfully issued a 10-year Sustainability Bond of US$ 1 bn in the 144A/Reg-S format on January 10, 2023, under its Environmental Social Governance (ESG) Framework. This issuance makes India Exim Bank the first Indian issuer to open the markets for dollar and sustainability bond issuances in 2023. On the back of a strong start to the year and a constructive market, India Exim Bank capitalised on the strong demand, with an intraday execution and initial price guidance tightening of 30 bps to end at CT10+190 bps, inside of its secondaries and at par with the fair value point on the curve.

In terms of geographic distribution, the bonds were well distributed, with 39% in EMEA region, 32% in APAC and 29% from the USA. In terms of distribution, the bonds were distributed to high quality investors with around 70% distributed to fund and asset managers, 12% to Banks, and 10% to Sovereign Wealth Funds. Followed by insurance/ pension corporations, private banks and others.

Barclays, Citigroup, HSBC, J.P. Morgan, MUFG, Standard Chartered and Bank of America acted as Joint Lead Managers and book runners for the offering. India Exim Bank has been rated as 'Baa3 (Stable)' by Moody's, 'BBB- (Stable) by S&P and 'BBB- (Stable)' by Fitch, same as the rating of Government of India.

Speaking on the occasion, Ms. Harsha Bangari, Managing Director of India Exim Bank, said, "We are delighted to open the debt markets for Indian issuers with our maiden benchmark-sized sustainability bond under our ESG Framework. This issuance makes India Exim Bank the largest ever single tranche IG ESG issuer out of India. This USD 1 bn issuance is testimony to our commitment towards sustainable financing both in India and partner developing countries, and to align ourselves with the global best practices."

"India Exim Bank has been continuously monitoring the market for a possible issuance window. The quasi-sovereign nature of the Bank, EMBIG index eligibility of the bonds, and the commitment towards sustainable financing garnered significant interest from marquee investors, with a peak orderbook of 3.7X. Given the swift build to the book and the large book size, we elected to move quickly to achieve a significant price tightening by 30 bps from the initial guidance", added Shri Tarun Sharma, Chief Financial Officer, India Exim Bank.

HDFC Bank launches pilot for Offline Digital Payments

HDFC Bank has launched a pilot in partnership with Crunchfish, to test offline digital payments for merchants and customers under the RBI's Regulatory Sandbox Program, known as 'OfflinePay'.

HDFC Bank's 'OfflinePay' will enable customers and merchants to make and receive payments even when there is no mobile network. HDFC Bank is the first bank in the industry to launch a digital payment solution in a completely offline mode. This can boost adoption of digital payments in smaller towns and rural areas with poor network connectivity.

Even in urban centres, it can enable cashless payments during large public events, fairs & exhibitions despite network congestion; underground metro stations, parking lots, & retail stores with network blind spots; and even in airplanes, sea-ferries, and trains with no network.

HDFC Bank has been working with the regulator to pilot offline digital payments under the Payments cohort of RBI's Regulatory Sandbox program. In September 2022, RBI approved HDFC Bank's application, in partnership with Crunchfish, to access the Regulatory Sandbox. Crunchfish Digital Cash AB is a subsidiary of Crunchfish AB, a publicly listed company on Nasdaq First North Growth Market in Stockholm, Sweden. The pilot, if successful, will provide the basis for RBI's guidance and regulatory support in providing offline digital payments based on 'Crunchfish Digital Cash' platform to the payment ecosystem of India.

Digital Payment typically requires one party (either the customer or the merchant) to be online. This limits the usage of such payments to areas with good data connectivity. HDFC Bank's 'OfflinePay' brings in the unique capability where both customer and merchant can be fully offline and yet do the transaction. Merchants can receive an instant payment confirmation even in an offline mode. As soon as either the merchant or the customer goes online, the transaction gets settled.

CHALLENGES AND FUTURE OF NEO BANKING IN INDIAN BANKING INDUSTRY - A WAY FORWARD

Introduction

Neo Bank has acquired popularity recently as a result of its introduction into the financial technology market. If one wishes to characterise Neo Banks, they can be described as Banks with no physical presence who exclusively communicate with their customer base online. The phrase combines the words artificial intelligence and information technology. A Neo Bank's main goal is to give its clients a flawless online banking experience.

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As a result of the loss of confidence in the established banks during the global financial crisis, neo banking business models spread around the globe. In 2015, it reached adulthood in markets like the UK, where it has since grown up. There appear to have been three distinct forms of these "challenger banks" (so-called since they appeared in the wake of the global financial crisis).

The article focuses on neo-banks and online marketplace lenders as two subsectors of the Fintech industry. While online marketplace lenders seek to exclude traditional banks from the credit-processing chain, modern banks offer low-cost deposit services to customers. Both categories of newcomers assert that their aspirations will transform the financial sector by "disrupting" long-established conventional commercial banking business models.

Neobank is still a name that many people in India are unfamiliar with, but this is soon likely to change as Fintech investors and some major entrepreneurs are becoming interested in it. Because of its customer-centric approach to service and the entry of players like NiYO and YONO, India will soon be emerging as a playground for Neo-banks.

Although tech-driven start-ups have also lately entered the banking industry, these "neo-banks" or "challenger banks," as they are more commonly called, have little to no physical presence and instead offer all services through their apps and websites. They are formidable rivals in the field of digital banking thanks to their sole dependence on technology, but this could also introduce new dangers. Monzo, Revolut, and Starling Bank in the UK, as well as Chime, Simple, and Varo Money in the USA, are examples of these types of fintech businesses in this field.

When compared to traditional banks, neobanks offer all the same services, including checking and savings accounts, payment and money transfer services, loans for both individuals and businesses, and other services like assistance with budgeting. These neobanks first appeared around five years ago, specifically in the UK thanks to Fintech players. Some neobank start-ups go through the process of becoming chartered banks. With their universal banking model, which features low cost structures, feature-rich products/services, and simple accessibility, neobanks have begun to disrupt the banking industry's virtually uncontested harmony.

In India, neobanks and the majority of their product offerings are not subject to government regulation. To ensure that their product offerings correspond to the regulatory standards, they are nevertheless subject to indirect regulations (via their relationships with regulated organisations). To guarantee that the sector matures further, it is imperative that rules change gradually in tandem with the development of the industry. With the introduction of new business models and goods, the neobanking industry is becoming more stable. As a result, the sector may need its own rules to keep an eye on the market.

In this case, incumbent banks are replaced by new technology-driven banks (e.g., "neo-banks") with full-service "built-for-digital" banking platforms since they are unable to withstand the wave of technology-enabled disruption. Examples of these banks may be found all over the world, including Atom Bank in the UK, Bunq in the Netherlands, WeBank in China, and Varo Money in the US.

Objectives of the study

- ❖ To study Neo Banking system in India
- ❖ To explore Challenges and future of Neo Banking in Indian Banking Industry

Salient features of Neo Banking

Account Creation

The creation of accounts is one of Neobank's key functions. Users must enter their first and last names, Social Security number (SSN), email address, and password when creating an account.

Single Screen Transfers

Any banking app's ability to facilitate user money transfers is key to its success. Therefore, implementing a single-screen transfer facility would be wonderful. It guarantees a better user experience.

Multiple Payment Options

The simplest approach to incorporate numerous payment alternatives is through third-party API integration. You can incorporate P2P, A2A, ACH, and other channels.

Streamlined Processes

Do you believe that neobanks are popular? The only justification is that, in comparison to conventional banking apps, this process is more frictionless. The best examples include free account opening and synchronising ATMs with international networks.

ATM Map

The Neobanking app getting this feature will be amazing. Users have access to a map of all the ATMs nearby, making it easy for them to find one anytime they need one.

Transaction Tracking

Users must be able to view all transactions, including the history, in a single window. The name, bank account, transaction account, currency, and other details of the beneficiary can all be included.

Customized UX

The user experience is more important than anything else, so it is fine if you implement the app. Users engage with your app while using it, thus it needs to be a great experience for them.

Gamification

The technique of gamification uses procedures in an intriguing way. Gamification in this context indicates that users can customise their accounts. Your Neobanking app will benefit from increased client loyalty and engagement.

Biometrics

Biometrics verification and validation features are present in the majority of modern apps, reducing cyber dangers. The majority of Neobanking customers are young people, and they like simple login and signup processes that prioritise face or fingerprint identification technologies. It will be advantageous to add it to your account.

Real-time Fraud Detection

For all sorts of banking apps, the fraud detection mechanism is crucial. Neobank app development may be a novel idea, but it is still important. It will make it easier to recognise legitimate users and spot any fraudulent activities.

E-wallet

Fintech applications and e-wallets are closely related. Instant payments are made simpler for customers via e-wallets. From a security perspective, it is a fantastic choice to add in your Neobank app. Here, you may benefit your business by fusing the creation of e-wallet applications with Neo banking.

Functions of Neo Banking

Technology, most notably Artificial Intelligence Technology, is what powers Neo banks' operations in India. Neo banks don't have any physical locations, thus their whole service model is based on utilising technology to offer their clients high-quality, highly customised financial services. The Reserve Bank of India (RBI) has not yet given neo banks in India permission to hold a banking licence. Since their banking partners have a banking licence, they are, legally speaking, platforms that provide financial services. Focusing on innovation is one of the essential components of Neo banks. Neo banks are always seeking to advance and improve their use of technology to give clients a smooth experience. They have the extra benefit of having low operating costs because they do not have a physical office from which to offer their services.

Neo Banks in India and its service

Neo banking in India has made huge profits over the past several years thanks to the fintech ecosystem's focus on user friendliness and client happiness. And if experts are to be believed, Neobanks in India have a promising future. Here is a list of Indian neobanks:

Freo, Fi Money, Jupiter, Freo, Instantpay, Fampay, Mahila Money, Niyo, Razorpay, Chqbook, ZikZuk, Finin.

Neo bank services might utilise any one of the following three business models:

- Traditional banks that are starting their own digital operations.
- Companies in the fintech sector that work with conventional banks to offer a mobile or online interface for their partners' goods but lack a licence.
- Neo banks are authorised financial organisations that conduct business independently of regular banks. In nations where it is legal, this is often true of licences for digital banking.

Freestanding licenced neo banks in India have not yet received approval.

FIA Global, a top supplier of business correspondent services, states that the typical neo bank services include:

- Accounts for savings and payments,
- as well as services for transferring money &
- Tools for financial education that assist with budgeting.

Most neobanks give little to no credit in order to reduce their risk, which aids in keeping prices low. On the other hand, some neobanks collaborate with ally banks and credit unions to offer loans to people and enterprises.

Neo banking vs Traditional Banking

Traditional banking is a specific bank's customer service grounded in the actual world in any way-financial, political, or otherwise. Naturally, you are not need to visit the bank location to complete this. A comprehensive range of bank services are available remotely thanks to modern technology. Even very complex operations can be completed remotely from the bank using a desktop or mobile device. Frequently, it doesn't even matter if you are at home or overseas. In conclusion, everything takes place within the framework of a real bank, albeit outside of its walls.

Neo Banking is only available online. It has no physical locations and communicates with customers only through remote means including phone, chat, and email. All of

Neobank's goods are compiled in a useful mobile app. From the comfort of their home or any other location, consumers have access to their money around-the-clock. Typically, these banks don't offer the complete spectrum of financial services. They often develop a few specialised items. Their services are also considerably more useful and superior to comparable ones provided by conventional banks.

Traditional Bank Vs Neo Bank:

Impact of Neo banking on customer Services

Neo banks have upended the banking sector and had a significant impact on how customers are served. With their astounding presence in India and their quick ascent to new heights, they represent a new cliff for the market for neo banks' accelerated expansion. Together, our distinguished guests will delve further, learning about the contribution neobanks have made to the banking sector and the potential it offers going forward.

Neobanks fill the gap between the services provided by traditional banks and the changing client expectations in the digital era. They are altering the face of fintech and may eventually supplant conventional banks.

Customers prefer to keep their accounts with Neo Bank over the long term if the transactional fees and services stay the same, according to a recent PGA Labs poll. Customers of Neobank believe that customer service facilities can be improved by 40% and that cashback and rewards can be improved by 55%. By FY26, the Neobanking industry is anticipated to grow at a CAGR of 14%, creating a US$ 16.7B opportunity.

Challenges of Neo Banking

The technical sector has been growing quickly and steadily, and with it have come an increase in the hazards that come with it. According to study done by Accenture in 2019, cybercrime has become a significant issue related with technology in the financial sector and banking industry and has been rising sharply.

2019 Acenture The same analysis indicates that the cost of cybercrime against the financial sector has been rising continuously.

According to the Accenture analysis, there is risk associated with innovation and growth. This aspect must be taken into account when examining the burgeoning Neobanks, which are quickly gaining in popularity.

Neo banking has the same constraints any fledgling endeavour would encounter because it is a new paradigm.

a) **Lack of Personal Interaction:** Being entirely online is considered as a disadvantage in overhead and expense reduction.

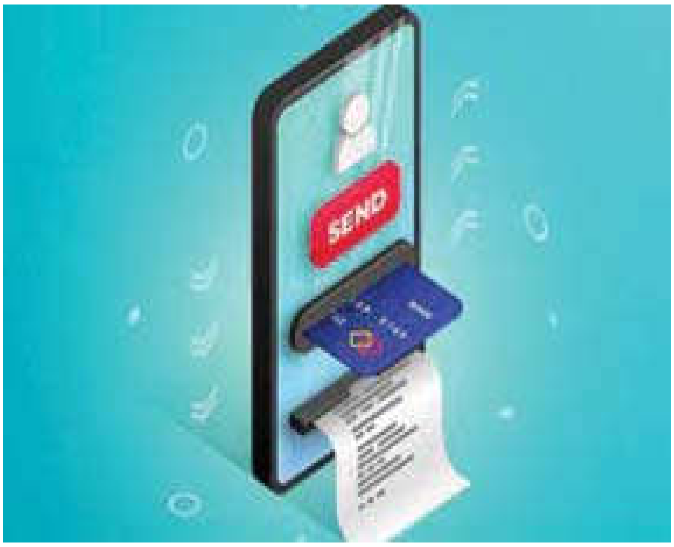
b) **Cash payments:** Even though Indians engage in online shopping and transactions, the preferred method of payment at the payment gateway is cash on delivery in the majority of cases. As a result, neobank must address the needs of making physical cash available and finding alternative sources of income rather than through payment gateways. c) Limited financial products: are given by neobanks because they lack a full licence to operate as a bank and are covered by another registered bank. Neo banking currently does not offer several loan and deposit options. According to the expansion, acceptance, and openness of neo banking, they still need to be developed.

d) **Safety and Security:** The security of the customer's money is one of their top worries when making an online or mobile purchase. Neo banking is obviously very secure and is governed by a local regulatory organisation. The degree of assurance and awareness among the client's needs to be raised.

Neo banking Future in India:

The banking industry's future lies with Neo Bank. In order to deliver hassle-free transactions, Neo Bank is introducing a lot of new user data with an intuitive interface. The Neo Bank will also assist in raising money and putting it in the right accounts so that the government can effectively monitor it. Neo Bank focuses on MSMEs because they are concerned with national development at the lowest possible cost. Because most neo banks also let customers to file their GST returns and other indirect taxes, they can be a good banking alternative for quick payment and collection processes as well as for tax compliance.

India is one of the top countries with a significant potential for digital payments, according to the Digital Evolution Index. We can create a society without cash, which is something that is necessary. To transition from a cash economy to one with less cash is the goal. Revolt unveiled intentions to provide Neo banking services in India, at one stage estimated to be worth $33 billion. The Reserve Bank of India issued a circular in 2019 that permits fin-tech companies to enter the Indian banking business in a limited ecosystem using the idea of neo banks.



A way forward

The RBI, SEBI, and IRDAI are largely responsible for regulating the financial sector in India. These regulators have put out a number of initiatives and rules to improve, standardise, streamline, and ensure the safety of access to financial goods through digital channels. The enormous work done in, it is admirable that all regulators strive to update their rules to reflect the constantly evolving technical advancements and innovations in the financial sector. For instance, the Regulatory Sandbox programme that all regulators launched in recent years allows them to test innovative goods and services in real time within a regulatory framework. In the current environment, initiatives like Video KYC, the creation of the Reserve Bank Innovation Hub, and the implementation of the Account Aggregator architecture are equally noteworthy. Future forecasts predict that the already-expanding neobanking sector will expand quickly if the regulators maintain their proactive attitude.

But because the industry is still developing, it is crucial that laws progress steadily with it. The neobanking industry is anticipated to stabilise with new business models and products in a few years, and Indian authorities, like their international counterparts, may consider actively regulating neobanks.

Conclusion

The concept of banking without banks and banks without branches is growing more and more popular as the world becomes more technologically aware and moves closer to full digitization. Neo banks are the best approach to do that as of recent years. Neo banks, which are virtually existent, operate on the internet, collaborate with banks, and offer the majority of financial services at extremely low costs. Customers are able to get banking services right from their location as they become more knowledgeable about computers and technology. People that have enough education, such as those in industrialised countries, are attempting to get used to this new technology. People in the USA, the UK, Australia, and other countries see this new technology as a way to avoid travelling to various areas to do their business. And as a result, neo banking has grown more rapidly in western nations than in Asian ones. ❑

DIGITAL LENDING - A WAY FORWARD

Abstract

Digital lending is the process of availing credit online. Its increased popularity amongst new-age lenders can be attributed to expanding smart phone penetration, credit range flexibility, and speedy online transactions. In the last few years, India has seen a massive disruption in the fin-tech space that has brought flexibility and the versatile digital customer experience in banking and lending. Additionally, the outbreak of COVID-19 has created a huge space for consumers and business enterprises to heighten the lending market growth. Digital lending has a larger opportunity in India and the total retail loan which could be distributed digitally till 2023 would be over $1 trillion. According to research work of Boston Consulting Group on consumer behaviour across purchase journey, 50% of loan seekers with internet access buy their loans online.

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Digital Lending in India

In India, unmet credit demand of younger cohorts, low financial inclusion, technological advancements and increasing internet penetration are going to be the strong drivers. However, trust in technology, data security and customer protection considerations will play a critical role in determining the extent of Fin-Tech adoption.

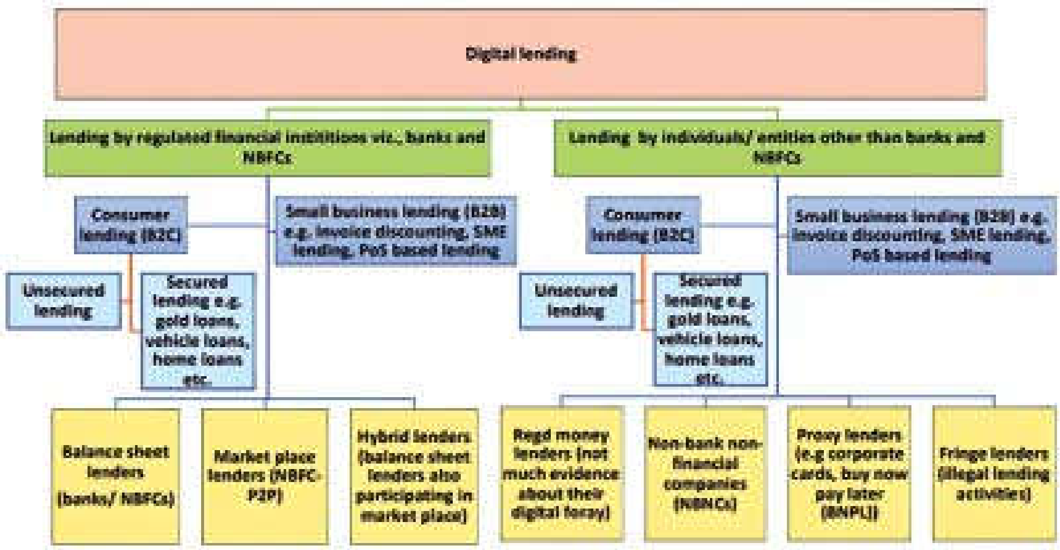
India's vision towards becoming a cash-light economy combined with the growth of public digital infrastructure and the demand for financial inclusiveness makes it a front runner in the digital lending technology arena. Data analysis indicates that digital lending is set to account for 60% of the total Indian fintech market by 2030 (Mukesh Chand. 2022).

India's digital lending market has grown quickly and facilitated $2.2 billion in digital loans in 2021-22. The digital lending market size is set to grow from USD 270 billion in 2022 at a CAGR of 22% between 2022 and 2030 (Inc42 Report, 2022).

Digital ecosystem

Along with customers' behaviour, it is very essential to have favourable digital ecosystem for the development of digital lending. India has pioneered in creating conducive ecosystem for development of Fin-Techs and digital transactions.

The digital lending ecosystem has myriad levels of complexity and is in a constant state of evolution. Digital lending is the process of offering loans that are applied for, disbursed, and managed through digital channels. In this process, lenders use digitised data to make credit decisions and build intelligent customer engagement (Accion, 2018).



(RBI Report 2021)

Digital lending has grown significantly as a result of digital ecosystem through various initiatives like Aadhar, Unified Payment Interface (UPI), Bharat Bill Payment System and cashless economy push Goods. The Digital lending platforms have gained massive popularity among MSMEs post COVID in India due to the quick Turnaround time (TAT) and on-boarding, easy KYC, as well as disbursement within minutes. Additionally, they offer solutions that are designed to suit a particular target segment, such as flexible collateral structures, and customised products tailored to working capital cycles (Balakrishnan & Srinivasan, 2019). Digital lenders are therefore able to cater to new-to-credit customers who were previously unbanked or had thin credit files, and bring them into the fold of formal finance (PwC, 2019). With the rapid adoption of digitization, the lending landscape in India has changed substantially.

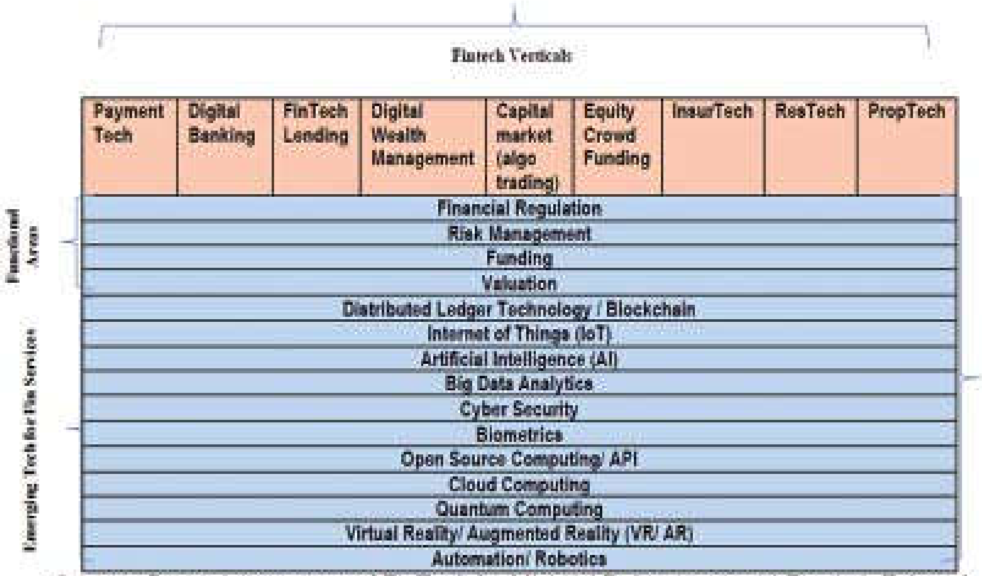
The following could be considered as the major factors for growth of digital lending:

- The smart phone revolution
- Big data analytics, Artificial Intelligence (AI) and Machine Learning (ML)
- Enabling technological developments
- Eco-system conducive for digital lenders and Fin-Tech companies
- Increased digital uptake to overcome challenges posed by COVID-19

Digital Lending Landscape

The Indian Digital Lending landscape has undergone a dramatic shift over the past few years. The legacy systems and traditional practices that were prominent in this space are disappearing and getting replaced with digital processes that are powered by data and AI. This transformation has been further accelerated by COVID-19 and the social distancing norms put to counter it.

India has been whetting its appetite for digital transformation in financial services, slowly but steadily. Digital lending is one of the most prominent off-shoots of Fin-Tech in India. The digital/ Fin-Tech lending has to be seen in the overall context of the Fin-Tech eco system per se, stylised in the following diagram.

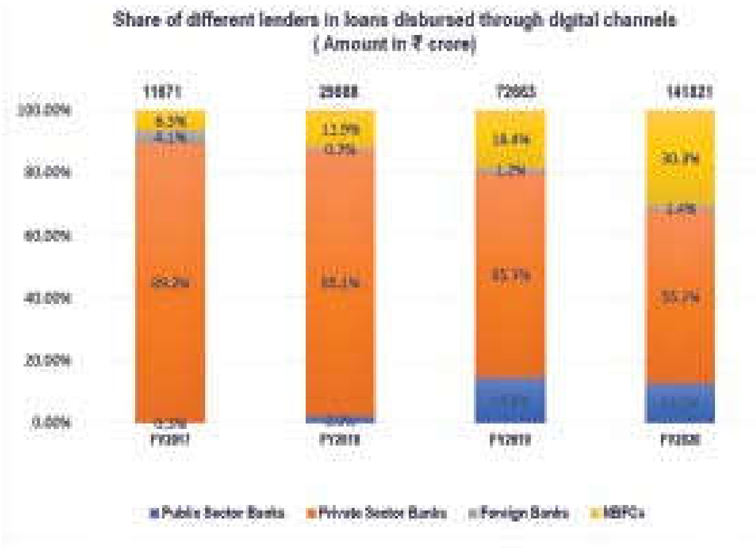


Source/ Base: A taxonomy of FinTech by Michael B. Imerman and Frank J. Fabozzi

Digital loan disbursal count was at 12 times due to the diverse influence of fintech players and digital lending models by the end of 2020. Both private banks and NBFCS 2020, took lead in the lending ecosystem and almost fifty-five per cent to thirty per cent of loans found disbursal through digital platforms.

Digital Lending vis-à-vis Physical Lending

Based on data received by RBI from a representative sample of banks and NBFCs (representing 75 per cent and 10 per cent of total assets of banks and NBFCs respectively as on March 31, 2020), it is observed that lending through digital mode relative to physical mode is still at a nascent stage in case of banks (?1.12 lakh crore via digital mode vis-à-vis ?53.08 lakh crore via physical mode) whereas for NBFCs, higher proportion of lending (?0.23 lakh crore via digital mode vis-à-vis ?1.93 lakh crore via physical mode) is happening through digital mode (RBI report, 2021).



Source: Analysis based on representative data collected from banks and NBFCs

Integration of new-age technologies

While banks have been increasingly adopting innovative approaches in digital processes, NBFCs have been at the forefront of partnered digital lending.

Technology has been a game-changer for the lending industry by addressing key challenges that stand in the way of credit accessibility. Digital lending players are leveraging new age technologies and algorithms to streamline and automate the entire lending process that provides a smooth and efficient experience to borrowers that help in fostering relationships. Fintech companies analyze digital payments data to underwrite in almost real-time fashion efficiently. This leads to all real-time transactions happening over the internet being replaced by fintech's credit-based payment products, such as Buy Now Pay Later (BNPL) or Convert to EMI Products.

These companies utilize their customer's financial and transactional data to underwrite digital loans over an Application Programming Interface (API) - driven approach, thereby substantially lowering the time required to gain personal or pay day loans. New-age tech like artificial intelligence and machine learning optimise the process through predictive analysis enabling lenders to improve customer engagement. It also enables seamless customer on-boarding through personalised solutions and helps lenders with fraud detection at the beginning of the process.

Digital lending for MSME

In India, digital lending is changing the financial framework of the MSME and SME sector. Banks are moving fast to adopt the digital lending platform and automate back-end processes to achieve the short and long-term benefits. The digital lending is not only helping the MSMEs and SMEs in reducing the time taking the process of loan sanction but also reducing the processing cost involved in lending to these units.

MSMEs, SMEs, and financial institutions are exploring some of the upgraded technologies like

- ❖ Robotics,
- ❖ Block chain,
- ❖ Artificial intelligence,
- ❖ Big data and analytics used in digital lending.

New Financial technologies have brought a revolution in the MSMEs and SMEs in India. The upgraded technologies are allowing MSMEs and SMEs to move from traditional funding methods based on advanced cash flow lending.

With the advancement of innovative digital lending platforms, smaller enterprises (MSMEs and SMEs) with less financial records or credit history are getting some suitable access to credit. The use of digital technologies such as Artificial Intelligence, machine learning, and data analytics is helping MSMEs and SMEs to extend customized working capital solutions. Many new-age fintech companies and startups are beating every challenge that becomes the bottleneck of their development to further transform the market like never before. In not-so-distant future, lending in general and especially retail and MSME lending through physical mode may be rendered obsolete as is the case with operational banking today.

Achieving a fine balance

Digital lenders have played a key role in providing credit to traditionally under-banked sectors and segments, such as micro, small and medium enterprises and retail customers that may not have a strong credit history. It is important for any new regulation to strike a balance between protecting consumers and allowing digital lenders to innovate, partner with technology platforms that enable wider access to credit and, most critically, access and analyze data that result in customized financial solutions.

Support from government

The government has given a massive push to the digital lending sector through the introduction of initiatives including the setting up a working group to ensure a safer digital lending ecosystem. The government is in favour of banks working closely with the non-banking financial companies (NBFCs) and fintech companies for co-lending and also push forward the digital route. Digital lending innovation plays a major role in addressing the credit gap, especially among MSMEs and the population living in under-banked areas. Creating transparency in the digital lending landscape will provide a large part of the population access to formal banking and sources of credit, eliminating the informal players.

Conclusion

Digital lending is started to emerge as new alternative to traditional lending due to its cost effective, less time consuming and inclusive approaches. India's digital lending sector has immense potential to transform the current state of credit starved population and drive financial inclusion through last mile connectivity. Digital lending players have barely scratched the surface and have a long way to go. With the help of new age technology clubbed with human assistance, our country is on the right path to achieve our goal of digitally empowered Atmanirbhar Bharat.

Lending has seen a noteworthy evolution in the last few years from Home, Auto and Personal loans to Consumer loans for shopping, medical emergencies, Buy Now Pay Later and short-term loans for an instant need to cover the last 10 days before salary credit. However, there is a massive risk of gathering payments in digital lending solutions and zero manual intervention in the application, disbursal, and collection process. Digital lending will only continue to grow in the coming years as fintech revolutionises industries.

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FINANCIAL INCLUSION- THE JOURNEY AND ROAD AHEAD

Financial inclusion is increasingly being recognized as a key driver of economic growth and poverty alleviation the world over.Access to formal finance can boost job creation, reduce vulnerability to economic shocks and increase investments in human capital.There has been growing evidence on how financial inclusion has a multiplier effect in boosting overall economic output, reducing poverty and income inequality at the national level. Financial inclusion of women is particularly important for gender equality and women's economic empowerment. With greater control over their financial lives, women can help themselves and their families to come out of poverty; reduce their risk of falling into poverty; eliminate their exploitation from the informal sector; and increase their ability to fully engage in measurable and productive economic activities.An inclusive financial system supports stability, integrity, and equitable growth.

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It is also noteworthy to state that, seven of the seventeen United Nations Sustainable Development Goals (SDG) of 2030 view financial inclusion as a key enabler for achieving sustainable development worldwide by improving the quality of lives of poor and marginalized sections of the society. (Home- Sustainable Development Goals, 2018).

Financial inclusion has always been an important policy imperative realising its importance in economic development and social well-being of the populace. We have come a long way in our pursuit for financial inclusion which started with promotion of cooperatives, nationalization of banks, institutionalisation of priority sector lending and lead bank scheme, implementation of BC model and more recently with Pradhan Mantri Jan Dhan Yojana (PMJDY).

In this journey, we have adjusted our strategies and policy focus factoring in the changing demographics, economic situation, and social needs. Given the wide geographical spread and the need to include large unbanked population, the policy thrust for a long time had been on providing access to basic financial services. It is quite rightly recognised that access to a bank and a bank account is the first step toward broader financial inclusion since it enables people to carry out basic banking functions such as remittances besides acting as a gateway to access other financial services. In this effort, RBI mandated banks to open branches in underbanked pockets which led to a considerable increase in bank branches and later Automated Teller Machines (ATMs) in the 1990s to early 2000s.

A roadmap for having banking outlets in villages with population more than 2000 (in 2009) and less than 2000 (in 2012) was also prepared. Subsequently the banks were advised to open brick and mortar branches in villages with population of more than 5000. To strengthen financial inclusion, the branch authorisation guidelines were relaxed and Financial Inclusion Fund (FIF) with an initial corpus of ?2000 crore was established to support adoption of technology and capacity building.

The policy focus is being repositioned from 'access of financial services' alone to 'Usage' and 'Quality' of financial services as well. The FI-Index constructed by RBI, which is an indicator of efforts in this direction, is based on the above three dimensions viz., 'Access', 'Usage' and 'Quality'. The weights of the index are forward-looking with higher weights given to the deepening aspect of financial inclusion.

While the traditional brick and mortar structures have helped in taking basic banking services to the nook and corners of our country, the advent of digital innovations in the extension of financial services, have the potential to be an enabler for graduating to the next level of financial inclusion where the quality of inclusion takes precedence over just availability of financial services. India as a continental economy with multiple languages and cultures, different and sometimes even difficult terrains, large population, and low-income levels need to ensure inclusive growth. The focus is thus not only on opening the bank accounts but also making available a bouquet of financial services - transactions, payments, savings, insurance, and ensure easily accessible and affordable credit to the customers. Inclusive credit will have to be the bed rock of inclusive financial inclusion.

Responsible and sustained financial inclusion requires balancing opportunity and innovation on both the supply and demand side. On the supply side, it includes steps to provide affordable and easy access to savings account and suite of appropriate financial products & services. On the demand side, it seeks to improve financial literacy and awareness which helps in increasing demand for financial products and services. These demand side and supply side measures should ideally complement each other. In emerging market economies like India, there is generally a disequilibrium amongst the demand and supply side factors.

As a first step in tackling supply side issues in the financial inclusion, new financial intermediaries have been introduced for provision of credit and to ensure financial services are available to the customer at 'when and where basis', thus translating into a truly 'anywhere anytime banking'. This includes

P2P lending Platform: In first of such initiatives, RBI came out with P2P regulations at a time when the industry itself was at a nascent stage of development. A 'Peer to Peer Lending Platform' provides an online on-tap avenue to both borrowers to avail and investor to extend mostly small ticket loans. The regulations have been designed in a way to ensure that the framework does not impinge upon the innovative lending services, while at the same time, seeking to protect customer's interests and minimising systemic concerns.

Digital Only NBFCs: Second, RBI came out with registration guidelines for Digital-Only NBFCs, as the name suggests, is an NBFC running solely on a digital platform without any brick-and-mortar presence (except for administrative

purpose). RBI enabled healthy innovation in credit intermediation by permitting the setting up an NBFC over a digital platform in 2018. Though not a new category of NBFC, their licensing conditions mandates on them to provide their products only in a digital mode. Here too, protection of consumers has been kept paramount and the entities are required to maintain audit trails by putting in place required IT infrastructure with adequate safeguards on unauthorised access, alteration, and destruction of data, if any. Regulatory features such as explicit consent for data sharing, domestic location of servers, maintaining audit trails, information security audit, etc. are progressive and at the same time pre-emptive in nature.

Digital Banking Unit: With digital banking emerging as the preferred mode of delivery along with 'brick and mortar' banking outlets, the concept of Digital Banking Units was announced in the Union Budget 2022-23 and the guidelines for operationalising these units were issued by RBI earlier this year. Scheduled Commercial Banks have been authorised to set up digital banking units which are intended as specialised fixed point business units housing certain minimum digital infrastructure for delivering digital banking products & services as well as servicing existing financial products digitally, in both self-service and assisted mode. It is expected that such units would enable customers to have cost-effective, convenient, and enhanced digital experience of such products and services in an efficient, paperless, secured, and connected environment with most services being available in self-service mode at any time.

Creating market infrastructure for inclusive credit

India has made significant strides in creating enabling digital infrastructure in financial services space. UPI, GSTN, TReDS, JAM Trinity and Account Aggregators (AA) to cite a few. This strong ensemble of digital infrastructure has stabilised and as it matures, would pave way for expansion of credit in a seamless and timely manner which could be made digitally available in an almost paperless environment. AA's capability to aggregate financial data spread across different financial service providers and to leverage this data to build analytics and insights to help consumers in their financial planning would allow financial service providers to offer customized products to their customers. The AA framework also has an important element of 'electronic consent architecture' which is an improvement upon the open banking regimes of many developed countries.

As UPI transformed the way people pay, the Account Aggregator has potential to transform credit by making it more seamless and accessible for everyone using digital infrastructure. The JAM trinity has done wonders for FI. The next trinity consisting of UPI, e-KYC and AA is expected to enable the next revolution in banking in the provision of customised and inclusive credit services.

In earlier times people used to talk of the 3-6-3 rule in banking alluding to the banking practices in 1950s right down to the 1970s because of the simplistic and non-competitive conditions in the industry. The rule was to raise deposits at 3%, lend at 6% and play golf after 3 PM. However, FinTech revolution has transformed this into a 2-1-0 formula - 2 minutes to decide, 1 minute to transfer the money with zero human to human contact. This change in the banking business model with supportive technological transformations has expanded the realm of what's possible.

The digital lending landscape has seen a rapid rise in innovative models for product delivery including Point of Sale (PoS) transactions-based lending, Bank-FinTech partnership models, marketplace lending and bank-led digital models. However, most of the digital lending is being enabled by bank/NBFC - FinTech partnerships where FinTech's are acting as Lending Service Providers (LSPs) for banks/ NBFCs.

The deepening and widening of financial inclusion will drive the growth in financialization of savings in India. Increasing adoption of digital modes, GSTN, online shopping, P2P payments, QR code deployment and everything else together will generate reams of customer data. This data could be potentially utilised to chart customer needs, behaviour and repayment capacity and help in digital inclusion. One specific area where digital lending has the potential to be a catalyst for economic growth is cash-flow based lending to MSMEs. MSMEs are an important engine of growth for the Indian economy as they contribute around 45% of exports and provide employment opportunities to more than 11.1 crore people. The provision of appropriate credit for MSMEs through seamless and digital cash-flow based lending will provide them with the much-needed impetus. It would enable lenders to leverage real time cashflow data to reimagine end-to-end lending process and "sachetisation" of products.

Role of Banks in Financial Inclusion:

Customize offerings to raise relevance and broaden the reach of account adoption

While regulators in certain markets have required banks to offer basic accounts, simplify onerous documentation or allow correspondent banking (e.g., by post or phone). Banks must structure highly relevant and possibly simplified financial solutions that meet specific customer needs at an affordable cost. They can do this by developing deeper customer understanding and offering a compelling value proposition. With the right mix of innovative products and services, institutions can earn the loyalty of new customers and drive cross- and up-sell opportunities.

Innovate channels to reach more customers at lower cost

Digital channels have been instrumental in helping providers overcome challenges related to infrastructure and geography in many developing countries.

While digital channels may have the lowest operational costs, effective financial inclusion will likely require a" bricks and clicks" distribution model that includes physical branches to build trust and confidence, perhaps supplemented by correspondent agents (such as post offices and supermarkets). Such a model can still operate efficiently if automation is employed effectively with no-frills mini-branches, kiosks and correspondent agents offering standard products.

Creatively mitigate risk to address absence of credit histories

Many financially excluded individuals and MSMEs lack the financial track record that banks traditionally rely on to support lending decisions. Nor do they necessarily have access to proven identity, address, and security, which cuts off their access to bank credit. Creative credit profiling and credit scoring analytics could help bridge this lending gap. Some nonbanks use digital footprints related to e-commerce, social media, biometrics, and their customers' feedback on product and service credibility as data sources to evaluate business viability and creditworthiness

Role of BC

Achieving the objective of financial inclusion requires a combination of organisational innovation and technology application. Many of the ingredients for this are in place, including the requirement that individual banks articulate their strategy for achieving the objective. However, financial inclusion initiatives will be unsustainable unless it is commercially viable for all stakeholders - banks themselves and the entities they use as BCs to increase penetration. The diversity of conditions across the country makes it difficult to visualize a single approach to ensure viability. General regulatory principles would have to combine with adequate flexibilities to allow viable models to emerge in each region. In this context, the suggestion from some quarters is to allow banks to use corporates, including telecom companies, NBFCs etc as BCs.

The BC model may evolve into two distinct patterns, viz. (a) banks could enter into a separate agreements with corporates for using their retail network with specific responsibilities and functions to be performed by the corporate for a fee while the retail outlet is directly appointed as agent of the bank (b) banks could make the corporate itself as the BC with no direct privity of contract between the retail outlet and the bank - in this model the retail outlet is a sub agent of the corporate BC. Under both models' banks have to be responsible for all acts of the retail agent as it is the point of contact for the customer where banking transactions take place.

Over years, these companies have developed efficient systems of monitoring and control over the retail outlets/ franchises, including cash management, which could be used to advantage. These outlets are already dealing with the local population and are familiar with them. The shopkeepers and other retail agents of the large corporates may be more comfortable dealing with the company that they are already used to and familiar with, rather than with the bank.

Role of Government

Government bodies have been quite active in the financial inclusion programs, and several schemes such as Pradhan Mantri Jan Dhan Yojana, Atal Pension Yojana, Stand Up India Scheme, Pradhan Mantri Mudra Yojana, Pradhan Mantri Suraksha Bima Yojana, and Sukanya Samriddhi Yojana were launched for the financially challenged sections of the society.

However, government bodies need to address the current challenge of providing better infrastructure to enhance acceptance infrastructure across the country, encourage innovation in digital payments methods, increasing the spectrum of social schemes, and better regulatory frameworks. Improving awareness on digital means of payments and ensuring customer grievances are addressed seamlessly in time-bound manner, will help build confidence among those sections of society who are excluded, and reluctant in accepting digital modes of payments

Role of Fintech

India has an 87% fintech adoption rate. This is higher than the world's average adoption rate of 64%. There is no denying that fintech is working towards next-generation financial solutions. They will also without a doubt contribute to financial inclusion.

Fintech companies innovate to enable secure digital payments. With AI, they have been successful in creating instant digital payments that allow transfers, verification, cashless buying and selling, and more. They are all about convenience and flexibility. They are also easy to use. From booking LPG cylinders online to paying utility bills has all become clicks.

Traditional banks typically require a lot of paperwork. Fintech companies, on the other hand, require minimal paperwork. They also use AI for risk assessment on indicators such as income and spending patterns. This is greatly useful for local businesses for micro-financing services and capital investment. Fintech companies also use various tools to educate their audiences. Financial literacy is the way to go forward. Awareness about qualifying for loans and fulfilling credit requirements helps users as well as fintech.

Compliances such as identity verification are fewer for fintech companies. Moreover, the RBI has allowed eAadhaar verification and video KYC to promote digitisation and reduce customer acquisition costs. All this works in favour of fintech companies and they can innovate and roll out new features and products faster, while also adhering to government regulations.

Internet usage has drastically increased in the country. In areas where physical banks cannot be set up, fintech companies have a massive advantage. They can provide access to basic products and services and help unbanked users save and grow their money. Fintech companies can help uneducated and semi-educated users with easy onboarding. They can also provide customer-friendly services with the integration of AI and ML with Big data.

Role of Regulator in FI

The challenge for the regulator in a fast-developing economy like ours is to keep pace with the market innovations and strive to strike a balance between ensuring safety without stifling innovation which is never an easy task. Responsible financial innovation requires balancing innovative products with necessary safeguards for ensuring financial system stability and customer protection. Therefore, while appreciating and recognising the benefits emanating from digital credit, we need to take cognizance of the attendant risks such as data privacy, disruptive business models, aggressive recovery methods, and exorbitant interest rates. We must remember that financial inclusion is not just a goal but also a means to an end as an enabler for sustainable economic growth, reduction of inequality and eliminating poverty

Source:

RBI Speeches and RBI Papers

Platform-as-a-Service (PaaS): A new Frontier

In the recent past, most of the IT oriented people were thinking that the cloud computing paradigm is only a Software-as-a-Service (SaaS) and Infrastructure-as-a-Service (IaaS). However, after the release of Heroku, Windows Azure, AWS (Amazon web Services), and Google App-Engine people have become more and more well known to Platform-as-a-Service (PaaS). Gap between IaaS and SaaS has been filled by PaaS and it allows application owners to still own and implement their own applications without depending on basic IT infrastructure.

PaaS, or Platform-as-a-Service, provides a complete, flexible and cost-effective cloud platform for developing, running and managing applications.

PaaS, or Platform-as-a-Service, is a cloud computing model that provides customers a complete cloud platform-hardware, software, and infrastructure-for developing, running, and managing applications without the cost, complexity, and inflexibility that often comes with building and maintaining that platform on-premises.

The PaaS provider hosts everything-servers, networks, storage, operating system software, databases, development tools-at their data centre. Typically, customers can pay a fixed fee to provide a specified amount of resources for a specified number of users, or they can choose 'pay-as-you-go' pricing to pay only for the resources they use. Either option enables PaaS customers to build, test, deploy run, update and scale applications more quickly and inexpensively they could if they had to build out and manage their own on-premises platform.

Every leading cloud service provider-including Amazon Web Services (AWS), Google Cloud, IBM Cloud and Microsoft Azure-has its own PaaS offering. Popular PaaS solutions are also available as open source projects (e.g. Apache Stratos, Cloud Foundry) or from software vendors (e.g. Red Hat OpenShift and Salesforce Heroku).

Benefits of PaaS

The most commonly-cited benefits of PaaS, compared to an on-premises platform, include:

❖ **Faster time to market.** With PaaS, there's no need to purchase and install the hardware and software you use

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to build and maintain your application development platform-and no need for development teams to wait while you do this. You simply tap into the cloud service provider's PaaS to begin provisioning resources and developing immediately.

- **Affordable access to a wider variety of resources.** PaaS platforms typically offer access to a wider range of choices up and down the application stack- including operating systems, middleware, databases and development tools-than most organizations can practically or affordably maintain themselves.
- **More freedom to experiment, with less risk.** PaaS also lets you try or test new operating systems, languages and other tools without having to make substantial investments in them, or in the infrastructure required to run them.
- **Easy, cost-effective scalability.** With an on-premises platform, scaling is always expensive, often wasteful and sometimes inadequate: You have to purchase additional compute, storage and networking capacity in anticipation of traffic spikes; much of that capacity sits idle during low-traffic periods, and none of it can be increased in time to accommodate unanticipated surges. With PaaS, you can purchase additional capacity, and start using it immediately, whenever you need it.
- **Greater flexibility for development teams.** PaaS services provide a shared software development environment that allows development and operations teams access to all the tools they need, from any location with an internet connection.
- **Lower costs overall.** Clearly PaaS reduces costs by enabling an organization to avoid capital equipment expense associated with building and scaling an application platform. But PaaS also can also reduce or eliminate software licensing costs. And by handling patches, updates and other administrative tasks, PaaS can reduce your overall application management costs.

How PaaS works

In general, PaaS solutions have three main parts:

- Cloud infrastructure including virtual machines (VMs), operating system software, storage, networking, firewalls
- Software for building, deploying and managing applications
- A graphic user interface, or GUI, where development or DevOps teams can do all their work throughout the entire application lifecycle

Because PaaS delivers all standard development tools through the GUI online interface, developers can log in from anywhere to collaborate on projects, test new applications, or roll out completed products. Applications are designed and developed right in the PaaS using middleware. With streamlined workflows, multiple development and operations teams can work on the same project simultaneously.

PaaS providers manage the bulk of cloud computing services, such as servers, runtime and virtualization. As a PaaS customer, company maintains management of applications and data.

Use cases for PaaS

By providing an integrated and ready-to-use platform-and by enabling organizations to offload infrastructure management to the cloud provider and focus on building, deploying and managing applications-PaaS can ease or advance a number of IT initiatives, including:

- **API development and management:** Because of its built-in frameworks, PaaS makes it much simpler for teams to develop, run, manage and secure APIs (application programming interfaces) for sharing data and functionality between applications.
- **Internet of Things (IoT):** Out of the box, PaaS can support a range of programming languages (Java, Python, Swift, etc.), tools and application environments used for IoT application development and real-time processing of data generated by IoT devices.
- **Agile development and DevOps:** PaaS can provide fully-configured environments for automating the software application lifecycle including integration, delivery, security, testing and deployment.
- **Cloud migration and cloud-native development:** With its ready-to-use tools and integration capabilities, PaaS can simplify migration of existing applications to the cloud-particularly via replatforming (moving an application to the cloud with modifications that take better advantage of cloud scalability, load balancing and other capabilities) or refactoring (re-architecting some or all of an application using microservices, containers and other cloud-native technologies).
- **Hybrid cloud strategy:** Hybrid cloud integrates public cloud services, private cloud services and on-premises infrastructure and provides orchestration, management and application portability across all three. The result is a unified and flexible distributed computing

environment, where an organization can run and scale its traditional (legacy) or cloud-native workloads on the most appropriate computing model. The right PaaS solution allows developers to build once, then deploy and manage anywhere ina hybrid cloud environment.

Purpose-built PaaS types

Many cloud, software and hardware vendors offer PaaS solutions for building specific types of applications, or applications that interacting with specific types of hardware, software or devices.

- **AIPaaS (PaaS for Artificial Intelligence)** lets development teams build artificial intelligence (AI) applications without the often-prohibitive expense of purchasing, managing and maintaining the significant computing power, storage capabilities and networking capacity these applications require. AIPaaS typically includes pre-trained machine learning and deep learning models' developers can use as-is or customize, and ready-made APIs for integrating specific AI capabilities, such as speech recognition or speech-to-text conversion, into existing or new applications.
- **iPaaS (integration platform as a service)** is a cloud-hosted solution for integrating applications. iPaaS provides organizations a standardized way to connect data, processes, and services across public cloud, private cloud and on-premises environments without having to purchase, install and manage their own backend integration hardware, middleware and software. (Note that Paas solutions often include some degree of integration capability-API management, for example-but iPaaS is more comprehensive.)
- **cPaaS (communications platform as a service)** is a PaaS that lets developers easily add voice (inbound and outbound calls), video (including teleconferencing) and messaging (text and social media) capabilities to applications, without investing in specialized communications hardware and software.
- **mPaaS (mobile platform as a service)** is a PaaS that simplifies application development for mobile devices. mPaaS typically provides low-code (even simple drag-and-drop) methods for accessing device-specific features including the phone's camera, microphone, motion sensor and geolocation (or GPS) capabilities.

Advantages of PaaS

Cut coding time. PaaS development tools can cut the time it takes to code new apps with pre-coded application components built into the platform, such as workflow, directory services, security features, search and so on.

Add development capabilities without adding staff. Platform as a Service components can give your development team new capabilities without your needing to add staff having the required skills.

Develop for multiple platforms-including mobile-more easily. Some service providers give you development options for multiple platforms, such as computers, mobile devices and browsers making cross-platform apps quicker and easier to develop.

Use sophisticated tools affordably. A pay-as-you-go model makes it possible for individuals or organisations to use sophisticated development software and business intelligence and analytics tools that they could not afford to purchase outright.

Support geographically distributed development teams. Because the development environment is accessed over the Internet, development teams can work together on projects even when team members are in remote locations.

Efficiently manage the application lifecycle. PaaS provides all of the capabilities that you need to support the complete web application lifecycle: building, testing, deploying, managing and updating within the same integrated environment.

Imagine it, PaaS will build it. This term is absolutely true about present PaaS technology. The next generation of PaaS will be achieving the real promise of object-oriented development and 4GLs. Rapid development with less cost and work is now becoming reality. PaaS transformed traditional application development approaches. Now development is bit faster, flexible and cheaper. This happens due to the elimination in most of infrastructure related tasks.

In the coming future, PaaS technology provider will grab the major market share, which will offer more language support, automated development management tools, non-platform-lock-in development environment, security, quality of services and the most important low-cost services. New generation of PaaS application development is technology with more ease, abstraction and low resource consumption. Though, few security issues are still there but the future of PaaS is much aligned with supported technology. ❑

METAVERSE: EXPERIENCING A NEW DIMENSION IN BANKING

The term "Metaverse" was first used in the novel "Snow Crash", a science fiction novel written by Neil Stephenson in the Year-1992.

The Metaverse is a combination of 'meta' and universe.

This concept of Metaverse creates a virtual world parallel to the real world.

In other words, it is a computer-generated universe parallel to the real world where you can enter as avatars by putting on goggles and earphones and connecting to the terminal.

The Metaverse is not only a virtual world, a virtual space, a virtual reality, a digital and virtual economy, a game, a virtual theme park, a new app store, or a new user-generated content (UGC) platform.

It is a virtual environment where you can go inside instead of just looking at a screen into an endless, interconnected virtual world and communities. In this alternate world people can meet, work and play; using virtual reality headsets, augmented reality glasses, smartphone apps or other devices. It will also incorporate different aspects of online life like shopping and social media.

As per Victoria Petrock, an analyst who follows emerging technology "It's the next evolution of Connectivity where the user can live his/her virtual life the same way he/she is living their physical life".

How will banking work in this Metaverse?

To truly realise the possibilities of the Metaverse for banking, one must first understand what is metaverse, and what components make up this digital copy of our current reality. For reaching there it requires four unique pieces of the box

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that is technology, platform, marketplace, and commerce. Each one propelled by a distinct collection of ecosystem participants, each of whom has gone through a distinct maturation process. Two sorts of gadgets will be used to create the Metaverse: holographic and immersive.

Holographic devices project digital items into the actual world, making them appear as if they are there. By concealing the physical environment and substituting it with virtual reality, new ways of creating, displaying and interacting with applications, content and experiences.The new technology has transformed the digital experience by bringing together the virtual with users' sight, sound, and even feel.

Why the bank as well as customers has to experience Metaverse in Banking?

Banking in Metaverse will benefit from a host of new opportunities, delivering immersive User experiences and emotional touch to customers. Metaverse is a new generation technology which is a network of 3D virtual space where people can create, share and explore the virtual world.

In India, on July 08, 2022, Union Bank of India created the "Uni-Verse" virtual Lounge where customers can choose their Avatar to enter the Lounge.

The customers can explore the virtual lounge which is interactive for users and will be able to browse through various schemes and products of the bank.

It will change the User Experience from traditional Mode to Metaverse mode.

In banking, the two aspects are important first is the bank's customer and the second is money, these two are becoming increasingly virtual hence it is just a matter of time before we see most of the banks have joined the virtual world and now giving services online too. Previously banks and customers were in the physical world .since the customers spend hours a day online so the banks are now online too, If the customers are spending hours a day absorbed in an alternate universe, the banks will follow the trend. They must, after all, they need to be where their customers are now.

The Metaverse has gained traction in a variety of industries, including banking. While advances in hardware and software allow the Metaverse to connect the actual and virtual worlds, it also requires an economic system to thrive.

JP Morgan became the first bank to enter a Metaverse at the beginning of the year 2020. It debuted its Onyx lounge in Metajuku, a virtual recreation of Tokyo's Harajuku shopping district, on the Decentraland. Its lounge is furnished with a free-roaming tiger and a portrait of its CEO Jamie Dimon.

Whereas in India, Union Bank of India has created "Uni-Verse" a virtual Lounge where customers can choose their Avatar to enter into the Lounge Metaverse, Uni-verse, the bank's Metaverse Virtual Lounge, will host product information and videos in the initial phase. Uni-verse will deliver a unique banking experience. Union Bank of India has announced the launch of a Metaverse Virtual Lounge & Open Banking Sandbox environment. This initiative is in partnership with Tech Mahindra. The customers can explore the virtual lounge which is interactive for users and will be able to browse through various schemes and products of the bank.

Conclusion:

The Metaverse includes general-purpose computers and smartphones, augmented reality, mixed reality, and virtual reality. It will deliver a unique banking experience to customers. Banks used to sell items that were based on real-world elements, but this has altered due to abstract factors such as algorithms. Money can now be created in cyberspace using cryptocurrencies. Generation Y and Z grew up in the world of the internet, but Generation Alpha is maturing in the Metaverse. Metaverse can bring huge improvements in the banking sector, influencing the way banks engage with their customers, and invent new products and new services. The future will depend on how well bankers, designers and security analysts can identify the elements and offer a unique customer experience to future generations while preventing fraud and addressing concerns around privacy and data protection. Metaverse will be the playground for future generations.

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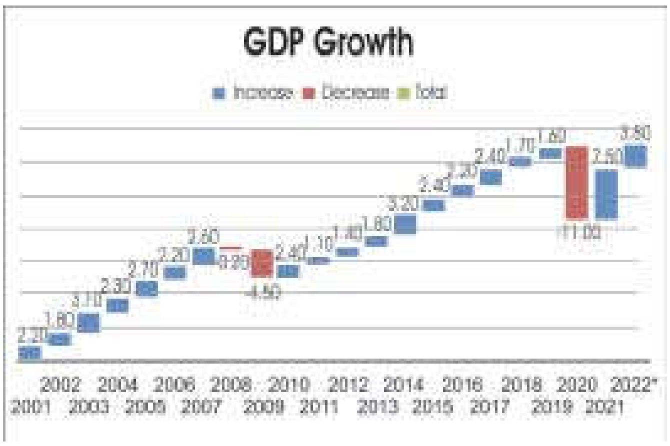
TRUSS LOST THE TRUST, RISHI TO RESOLVE?

The United Kingdom (UK) has the legacy of being the most stable leading economy over the last 500 years. The UK is one of the leading financial markets. Everyone would have heard the term LIBOR (London Interbank Offer Rate) which is the most used word in the debt market. This country is the headquarters of world class bank viz. HSBC, Barclays, RBS, Standard Chartered etc.

This country has the most prestigious universities like University of Oxford, University of Cambridge, Imperial College London, University of Edinburgh, University of Manchester, London School of Economics and Political Science (LSE) etc., getting admission in any of these colleges is an accomplishment for any student across the world. Winston Churchill (former PM) once said "the maxim of the British people is Business as usual". Do these words still prevail in the current context of the UK economy? Let's see

Going back to the era of World War II and the rise of the USA will be too long and complex. A lot has happened in the last 6 year such as Brexit, Pandemic, Ukraine-Russia war, energy crisis, inflation and fiscal policies decisions. There are some Internal and External factors responsible for current status of the UK economy.



Source: GDP data extracted from Statista

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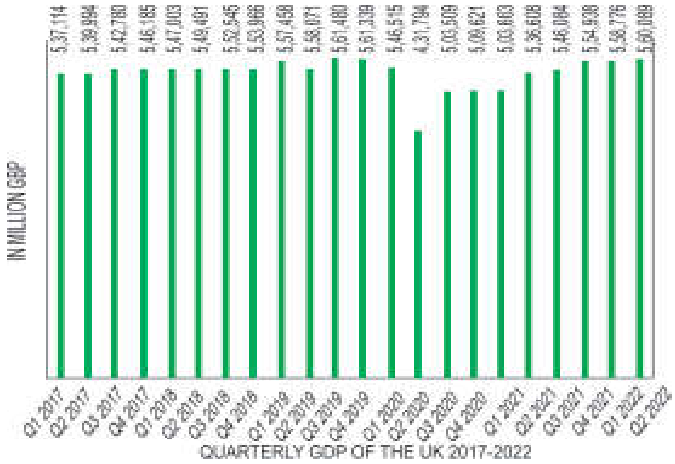
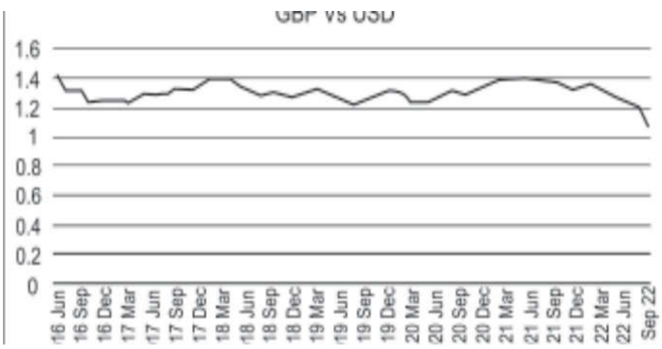
After triggering Article 50 on 4 April, 2017 (2 year countdown for Brexit), the growth rate of GDP has gone down from 2.4% to 1.70% and 1.60% as of 2017, 2018 & 2019 respectively despite normal economic situation in the world at that time, GDP growth slumped by 29.17% in 2018.



Source: Data extracted from Office of National Statistics

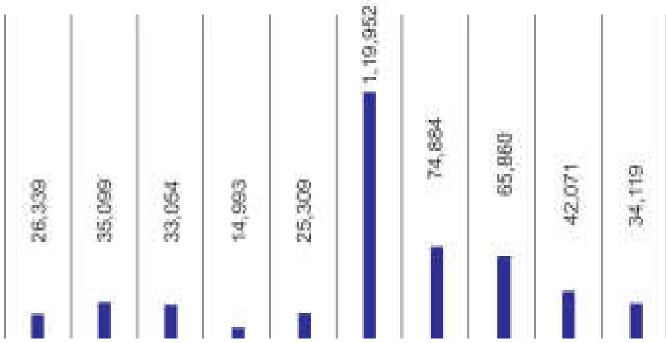
The GDP during 1st Quarter of 2017 was 537114 which increased to 546515 in Q1 of 2020 that means that the accumulated growth during 3 years (Q1 2017- Q1 2020) was just 1.75%. Thereafter, the GDP plunged due to nationwide lockdown on 23 March 2020 by the PM Boris Johnson to control the pandemic. Let's be a little conservative as the comparison period faced 9 days of lockdown period in March 2020. The GDP was down by 0.02 during the last quarter of 2019 while there was no pandemic at that time.

The Brexit refrendum was held on 23 June, 2016 and at that time the GBP value against USD was 1.4209, this value has not been touched since then. However, there has been range bound valuation but the positive outcome of Brexit is not reflected in currency value.



Source: Data extracted from Office of National Statistics

The net flow of Foreign Direct Investment (FDI) was high in 2016 but failed to maintain the momentum. Despite a massive fall in 2017, there was no bounce back and the declining trend continued.



Source: Data extracted from Office of National Statistics

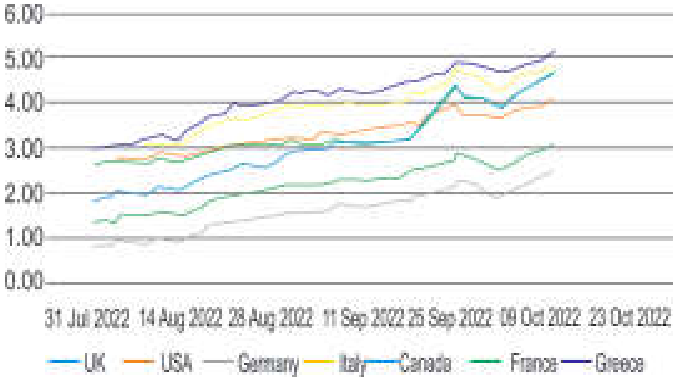
While analyzing the aforementioned graphical representations, it is evident that there is no sudden change in economic situation although the slower outcome of the previous decision. Brexit was a slow puncture of the economy, later hidden by the Pandemic and Ukraine war.

The referendum for Brexit was done on 23 June, 2016 when the majority of people voted to leave the European Union (EU). On 29 April, 2017 invocation of Article 50 (exit process from EU) and beginning of 2 years of withdrawal notificaton. On 14 March 2019, extension of article 50 was sought. On 21 March 2019 the EU permitted the extension. On 28 October 2019 further extension was granted till 31 January 2020. On 12 December 2020 Boris Johnson won the election and reaffirmed Brexit by 31 January 2020. On 31 January 2020, the UK entered a transition period to leave the EU. Finally, on 31 December 2020, the UK left the single custom union and market of the EU.

A huge single market and custom union of 27 countries also got out of hand. It became extremely difficult for businesses in the UK to comply with the rules & regulations of the existing EU. The single EU rules have now been converted into 27 borders which hampered the trade efficiency and cost effectiveness. The transportation of goods which used to take 1 day have turned into 1 week due to separate licenses and clearances with EU countries have made export unviable. The companies from the EU are reluctant to visit the UK counter in trade shows. There is a manpower crisis in the area of hospitality, construction, agriculture etc.

Let's come to the present by stopping the past. The popular Trickle-Down theory introduced by Liz Trussand KwasiKwarteng through Mini Budget has been outrightly rejected by the market due to unclear execution plans. The tax cut for rich people has negligible possibility to translate into investment at this juncture and the UK economy is already facing stagflation (low growth, rising prices and high unemployment). Example- The UK is collecting £ 100 through tax but now there is a tax cut of say 20% then tax collection of £ 80. In this case, the Government has to reduce the expenditure by 20% which may further drop the economic growth. If expenditure cannot be reduced, then the Government has to borrow to bridge the gap of 20% deficit in tax collection. But, here is the dilemma that borrowing cost is high-

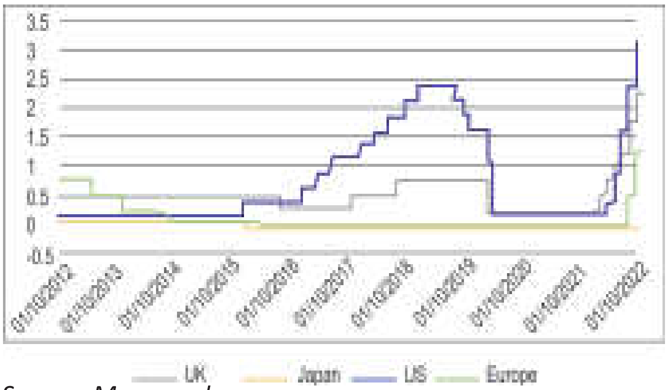
Government Borrowing Cost-



Source: Moneyweb

The war between Russia and Ukraine has disrupted the supply chain and is causing high inflation. The food and energy prices have significantly increased the cost of living. The import bills are increasing owing to weakening GBP. The Central Bank is bound to tighten monetary policy resulting in a high interest rate.

Change of rate by Central Banks



Source: Moneyweb

The journey for new PM Rishi Sunak is not easy ahead. Boosting trade with EU, Foreign Trade Agreement (FTA) with other countries, upgrading skills, to encourage business investment, strengthening Organization for Economic Co-operation and Development (OECD). The image of the Stagnant Nation needs to be broken. The freedom of the country from EU regulation must be uncashed. Proper planning for energy requirements for the upcoming winter. The right combination of monetary and fiscal policies to be introduced to balance inflation and growth. ❑

Banks plan to install 17,000 new ATMs, CRMs

Amid growing demand for more cash in circulation, banks have floated request for proposal for procuring about 17,000 ATMs and cash recycler machines (CRMs) in the current financial year so far.

Overall, these orders for new ATMs/CRMs account for nearly 6.5 per cent of the existing total installed base in the country and more demand is expected to flow, according to Ravi Goyal, Chairman & Managing Director, AGS Transact Technologies Ltd (AGSTTL).

"...We are close to finalising a couple of large order wins, including a large order for 8,000 ATMs and CRMs under managed service portfolio for two leading banks. These two orders will start coming on stream from the next quarter onwards and will be rolled out over the next 12 months," Goyal said in an earnings call.

He also said that AGSTTL is also focusing on gradually increasing its CRM base, which will give additional revenue cash withdrawal, as well as deposit transactions.

On the macro front, Goyal noted that positive regulatory guidelines, such as the inauguration of DBUs (digital banking units) and increase in interchange rate are paving the way for growth in his company's topline.

BUDGET REACTION

Mridu Mahendra Das

Mridu Mahendra Das, Co-founder and CEO, Automovill

Auto and auto service sector have been facing various challenges. In the current scenario when new age entrepreneurs are trying to explore businesses in unorganised sectors like auto services or similar, it becomes difficult to follow procedures of traditional business, as it comes at a cost, and you only have so much bandwidth in terms of resources. Therefore, we value a lot that the budget has taken the same into consideration and by reducing more than 39,000 compliance it has made an effort to add to the ease of doing business in India. Additionally, the tax benefits on their incorporation is being extended by another year and the carry forward of losses to set off against future profits will now be allowed for 10 years instead of 7 years, which is going to provide a lot of relief to startups.-- Mr. Mridu Mahendra Das, Co-founder & CEO Automovill

Anmol Bohre, Co-founder & Managing Director of Enigma

Anmol Bohre

It is really great to see how environmental sustainability has been one of the top 7 priorities in this budget. The Pro-EV budget focuses on much-needed initiatives such as Customs Duty reduction from 21% to 13% on capital goods and machinery required for Lithium Batteries and an extension of the subsidies on EV batteries for one more year. This will certainly encourage each EV manufacturer to contribute to Government initiatives to achieve mass EV adoption by 2030. This will also encourage investments in the EV sector which helps new players to continue with innovation."

Dhananjaya Bharadwaj

Dhananjaya Bharadwaj, Co-founder and CEO, ParkMate

"The Budget 23-24 addressed by Finance Minister Nirmala Sitharaman reinforces the excellence of the Budget introduced last year. The Union budget correctly emphasised the need for a greater accentuation on innovation, research, and development, which are vital to India's ambitious goal of becoming a $5 trillion economy. A special proposal to establish three AI centres will motivate entrepreneurs aiming to launch AI startups. Moreover, it is worth mentioning that the planned infrastructure target is aligned with broader environmental and social goals. Like the rest of the startup community, we fully embrace the Budget 2023".

Muzammil Riyaz, Founder, EVeium Smart Mobility

Muzammil Riyaz

"In the last year alone, EV Sector has seen many ups and downs. At present, EVs contribute to only 2 per cent of the total auto sales in India and extensive support from the government is required to chalk out sustainable growth of the sector. To achieve the ambitious mission of e-mobility in India, initiatives announced in the Union Budget this year including - Customs Duty reduction from 21% to 13% on capital goods and machinery for Lithium Batteries, and an extension of the subsidies on EV batteries for one more year are going to help. These will certainly encourage each EV manufacturer to contribute to the industry initiatives to achieve mass EV adoption by 2030."

Gaurav VK Singhvi, Co-Founder of We Founder Circle

Gaurav VK Singhvi

"For any startup to grow smoothly, easier compliance plays a major role. A lot of decisions of the entrepreneurs and investors depend on the same. In this budget, more than 39,000 compliances have been reduced and more than 3,400 legal provisions have been decriminalized, indicating that even the government sees the startup ecosystem contributing greatly to the future of India. Simultaneously, investors have remained enticed by the agriculture sector in India, and always encourage any innovation that offers support to the largest industry. The announcement of the Agri Accelerator Fund by the government will not only encourage entrepreneurs but also strengthen the agri supply chain which has been struggling for way too long. We have been bullish and investing in Agri startups and have 3 companies in our portfolio, I believe this initiative by the government will see a boost across the entire value chain in the agriculture industry and we definitely see a lot of startups emerging and potentially becoming unicorns from the Agri startup community.

Carrying forward Digital India, and the now renowned IndiaStack or BharatStack of digital solutions for financial inclusion, compliances, governance, and public services, the Honorable FM has announced the launch of various other digital programs such as a digital platform for agriculture, Digital National Library, AI Center for Excellence, extension of eCourts, Unified Skill India Digital Platform, Tourism App, Central Financial Data Repository, Unified Filling Platform, thrust on BharatStack viz. Digilocker, Video KYC, etc.

This is commendable and takes India higher in the tech space. Especially, the unified filling platform, if done properly, can simplify the multiple compliances that companies have to currently do for various regulations through a common digital filling of data/forms."

Mahendra Jajoo, CIO fixed income, Mirae Asset Investment Managers

Mahendra Jajoo

This budget focuses on long term vision, structural reforms and infrastructure and social development. Highest ever capital expenditure of 10tn, on a already high base of last year, is a very encouraging signal for continued positive momentum in Indian economy. Theme of inclusive development and empowerment of women and weaker sections of society would also further strengthen ongoing trend of widening participation by all sections in countries growing prosperity. On Fiscal front, net borrowings projected at INR 11.8tn works to 5.9% of GDP which is a huge improvement on 6.4% last fiscal. Further, finance minister reiterated the commitment to bring the deficit below 4.5% by FY 2025-26. With nominal GDP growth projected at 10.3% and inflation expected to continue easing in coming months, interested rates are expected to stabilize around current levels. A strong budget will also comfort the MPC on supply side management of inflation, growth momentum and fiscal stability which may in turn provide some elbow room for accommodative stance at the margin.

We expect MPC to shift to a pause mood along side other major global central banks by Q2CY23 even as there may still be some rate hike left. Long term rates may already have peaked in current cycle and may stabilize around current range for the time being. Encouraged by in-line borrowing schedule for FY 23-24 and the analysis that nearly 65% of the fiscal deficit is for capital expenditure, bond yields eased by 5-8 bps during the day. Benchmark 10Y govt bond yield was last trading at 7.29%, down 5 bps for the day.

RBI surveys foresee overall improvement in economy

The Reserve Bank of India's forward-looking surveys present an overall uptick in the economy. While the survey of 40 professional forecasters on macroeconomic indicators placed GDP growth forecasts in the range of 6.6-7.2 per cent for 2022-23, a Services and Infrastructure Outlook Survey indicated improvement in the overall business situation with respondents, especially optimistic on employment and availability of finance. Another survey that measures consumer confidence stated that the index improved further both for the current period and for the year ahead with the current situation index (CSI) continuing on its recovery path for the ninth survey round since the historic low recorded in mid-2021; it increased by 1.3 points in January 2023.

Economic Survey 2023: Indian economy to grow 6-6.8 per cent next fiscal year

India's economy is projected to slow to 6-6.8 per cent in the fiscal year starting April - still remaining the fastest growing major economy in the world - as extraordinary challenges facing the globe will likely hurt exports, the Economic Survey said.

The projection of India's gross domestic product (GDP) growth is higher than the 6.1 per cent estimate of the International Monetary Fund (IMF) and compares with the survey's estimated 7 per cent expansion in the current fiscal year (April 2022 to March 2023) and 8.7 per cent in the previous year. The survey that details the state of the economy was tabled in Parliament by Finance Minister Nirmala Sitharaman a day before she presents Union Budget 2023-24.

"At least three shocks have hit the global economy since 2020," the report, prepared by Chief Economic Adviser V Anantha Nageswaran, said.

Starting with the pandemic-induced contraction of the global output, the Russian-Ukraine conflict last year led to a worldwide surge in inflation. And then, central banks across economies led by the US Federal Reserve responded with synchronised policy rate hikes to curb inflation.

The rate hike by the US Fed drove capital into the US markets causing the US dollar to appreciate against most currencies. This led to the widening of the Current Account Deficits (CAD) and increased inflationary pressures in net importing economies like India.

"The Indian economy, however, appears to have moved on after its encounter with the pandemic, staging a full recovery in FY22 (April 2021 to March 2022) ahead of many nations and positioning itself to ascend to the pre-pandemic growth path in FY23.

"Yet in the current year, India has also faced the challenge of reining in inflation that the European strife accentuated," the survey said.

However, the challenge of the depreciating rupee, although better performing than most other currencies, persists with the likelihood of further increases in policy rates by the US Fed. The widening of the CAD may also continue as global commodity prices remain elevated and the growth momentum of the Indian economy remains strong, it said. The survey stated that the inflation projection by RBI at 6.8 per cent for current fiscal (FY23) is above the central bank's tolerance limit but the pace of price increase is not high enough to deter private consumption or low enough to weaken investment.

According to the survey, the pressure on the Indian rupee could continue due to the tightening of monetary policy. CAD may also remain elevated as imports could remain high due to a strong local economy while exports ease due to weakness in the global economy.

India's CAD was 4.4 per cent of GDP in July-September period, higher than 2.2 per cent a quarter ago and 1.3 per cent a year ago, as rising commodity prices and a weak rupee increased the trade gap.

The survey said there has been an improvement in employment conditions in India due to stronger consumption but a pick-up in private investment is essential to creat more jobs.

"The loss of export stimulus is further possible as the slowing world growth and trade shrinks the global market size in the second half of the current year." It indicated that while inflation may not be too worrisome, borrowing costs are likely to remain 'higher for longer' as an entrenched inflation may prolong the tightening cycle.

India's recovery from the pandemic was relatively quick, growth will be supported by solid domestic demand, pick-up in capital investment, the survey said but highlighted the challenge to the rupee with the likelihood of further interest rate hikes by the US Fed.

"The survey projects a baseline GDP growth of 6.5 per cent in real terms in FY24," the report said. "The actual outcome for real GDP growth will probably lie in the range of 6 per cent to 6.8 per cent, depending on the trajectory of economic and political developments globally." CAD may continue to widen as global commodity prices remain elevated and because of strong economic growth momentum. If CAD widens further, the rupee may come under depreciation pressure, it said, adding the overall external situation will remain manageable.

On exports, it said the growth moderated in the second half of current fiscal year. Slowing world growth, shrinking global trade led to loss of export stimulus in the second half of the current year.

India's economic growth in FY23 has been principally led by private consumption and capital formation. It has helped generate employment as seen in the declining urban unemployment rate and in the faster net registration in the Employee Provident Fund.

"Still, private capex soon needs to take up the leadership role to put job creation on a fast track," the survey said.
A slowdown in global growth will likely push down global commodity prices and improve India's CAD in FY24. "However, a downside risk to the Current Account Balance stems from a swift recovery driven mainly by domestic demand and, to a lesser extent, by exports," it said. "The CAD needs to be closely monitored as the growth momentum of the current year spills over into the next." Growth is expected to be brisk in FY24 as a vigorous credit disbursal and capital investment cycle are expected to unfold in India with the strengthening of the balance sheets of the corporate and banking sectors.

Further support to economic growth will come from the expansion of public digital platforms and path-breaking measures such as PM GatiShakti, the National Logistics Policy, and the Production-Linked Incentive schemes to boost manufacturing output.

"Economy has nearly recouped what was lost, renewed what had paused, and re-energised what had slowed during the pandemic and since the conflict in Europe," it said.

Pegging nominal growth at 11 per cent for 2023-24, the survey said the growth in the financial year beginning April 1 will remain strong relative to most global economies, led by sustained private consumption, a pick-up in lending by banks and improved capital spending by corporations.

The optimistic growth forecasts stem from a number of positives like the rebound of private consumption giving a boost to production activity, higher capital expenditure, and near universal vaccination coverage enabling people to spend on contact-based services such as restaurants, hotels, shopping malls and cinemas.

The return of migrant workers to cities to work on construction sites leading to a significant decline in housing market inventory is also a factor for the optimistic growth projection, it said.

The strengthening of the balance sheets of corporates, well-capitalised public sector banks ready to increase the credit supply and the credit growth to micro, small and medium enterprises (MSME) sector have also helped.

Startup funding surges beyond hubs

The year 2022 was when the startup world's shine began to wear off as macroeconomic factors slowed consumer spending. It was also when some new contender cities made their way onto the startup hub charts, and these are expected to grow their share in coming years.

While in terms of absolute values, the usual suspects - Bangalore, Delhi and Mumbai -continued to top the table in 2022, these cities recorded a decline in total investment raised by startups on a year-on-year basis. Chennai, Hyderabad and Pune emerged as top gainers in terms of deal value.

Data sourced from research firm Venture Intelligence showed that Chennai and Hyderabad were the big-gest gainers (see graphic). Experts told TOI this is likely due to B2B and enterprise tech emerging as top picks in a difficult funding environment, and investors getting selective with deploying dry powder to more economically solid companies. Investors noted that their portfolio today is more diverse with successful bets made on founders from Jaipur, Surat, Coimbatore and other non-metros. Investors said there is a drive among entrepreneurs from these cities, and the DNA of these founders is mostly about setting up an efficient, profitable business and they are, by nature, frugal.

VC firm Inflection Point Ventures (IPV), which clocked the largest number of early-stage deals in 2022, said that technology simplified access to entrepreneurs and ideas across the country. "2022 showed that, as investors, we need to get out of the FOMO mentality - ideas and fiscal discipline are more important than where founders come from," IPV founder & CEO Vinay Bansal said.

Arali Ventures managing partner Arun Raghavan said that as the market matures, support ecosystems for startups take shape in places beyond the usual hubs. "The access to entry-level talent is also better and cheaper in smaller cities," he added.

Research firm Tracxn's data also showed that Pune, Chennai and Hyderabad have grown their share of funding and saw hectic unicorn activity in 2022. Three startups turned unicorns this year from Pune, two from Chennai, and one from Hyderabad, Tracxn co-founder Neha Singh said.

Ideaspring Capital managing partner Naganand Doraswamy said that 2021 was perhaps an anomaly and a "year of irrational exuberance", thus making 2022 a funding winter in comparison. "But learnings like ensuring profitability, being frugal and achieving unit economics are key lessons from 2022, and will be taken forward for 2-3 years," he said. ❑

FORM IV (SEE RULE 8)

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Higher home loan EMIs after RBI repo rate hike; how you can cut total interest payout

Time to pre-pay your loans? With the Reserve Bank of India (RBI) raising the repo rate by another 35 basis points to 6.25%, your loan repayment math will change as well. This is the fifth rate hike by RBI this financial year, and is expected to translate into higher loan interest rates for borrowers. The good news, however, is that the rates may be close to peaking as experts see the RBI putting a stop to repo rate hikes in the coming months.

According to Vivek Iyer, Partner and Leader, Financial Services Risk, Grant Thornton Bharat, loan EMIs will rise further in the near future. "With the rise in interest rates continuously over the past 5 monetary policies, the deposit rates will see an uptick and to keep the Net Interest Margin balanced, the rate hikes will be passed to the borrowers which will result in an increase in the EMIs," Iyer tells.

So what should a borrower do? Experts believe that pre-paying your loan or hiking the EMIs further are possible solutions to the increasing interest burden.

How the repo rate hike impacts your loan EMIs and tenor Atul Monga, CEO and co-founder of BASIC Home Loan explains that since a major chunk of home loan EMI goes towards meeting the interest component, with the hike, the EMI burden is expected to increase significantly.

Adhil Shetty, CEO of BankBazaar.com notes that all consumer loans have got costlier this year. Borrowers are under pressure of rising EMIs and mounting interest.

We take a look at how an increase in home loan interest rate from 6.5% to 8.75% on account of the 225 basis repo rate hike so far impacts your home loan payout: home loan.

What should borrowers do?

Monga of BASIC Home Loan recommends revising the repayment plan to manage the increased EMI burden. This can be done by opting for a longer tenure loan to reduce the EMI burden, he says. "In such scenarios, the borrower would pay a higher total interest amount, but his EMIs would remain the same. It would help the borrower with their cash flow monthly," Monga tells.

Adhil Shetty of BankBazaar.com says that since inflation is moderating, the rates are somewhere close to their peak. He advises prepaying home loans based on availability of funds since this can shorten the ballooning loan tenor.

Borrowers can pay 5% of the loan balance every year, which will help them pay off a 20 year loan in just 12 years. "Similarly, if you prepay one additional EMI every year, the loan can be closed in 17 years. If you increase the EMI by 5% every year, the loan can be finished in less than 13 years," Shetty says.

Yet another scenario is that if your EMI increases by 10 % every year, then the loan can be close in 10 years," he adds.

Lastly, he advises that borrowers should consider refinancing their home loan if the rate is not in sync with the market or their credit profile. A difference of 50 basis points warrants a look, he says. ❑

Centre blocks 200 online platforms under Section 69(A) of IT Act: What is the provision, the debate around it

The Ministry of Electronics and Information Technology (MeitY) recently issued orders to block 138 online betting platforms and 94 money lending apps on an "urgent" and "emergency" basis under Section 69(A) of the Information Technology Act, 2000.

The decision was based on a recommendation of the Ministry of Home Affairs (MHA), which had received inputs from central intelligence agencies that some of the sites and apps were allegedly linked to China and contained "material prejudicial to the sovereignty and integrity of India".

What is the danger posed by lending apps?

Over the past three years, several police complaints have been received of extortion and harassment from people who borrowed small amounts through such money-lending apps, often at exorbitantly high interest rates.

In December 2020, DNM Santosh Kumar, a native of Visakhapatnam, died by suicide allegedly after facing harassment by lending apps. Similarly, the Cyber Police Station of Pune received 699 complaints of loan app crimes in 2020. The number increased to 928 in 2021. As many as 3,151 complaints were filed against the loan app operatives till August 2022.

Following this, the MHA started investigating Chinese loan-lending apps and found out that while only 94 are available on e-stores, others are operating through third-party links or websites.

What is Section 69 of the IT Act?

Section 69 of the IT Act allows the government to issue content-blocking orders to online intermediaries such as Internet Service Providers (ISPs), telecom service providers, web hosting services, search engines, online marketplaces, etc. However, the Section requires the information or content being blocked to be deemed a threat to India's national security, sovereignty, or public order.

If the Centre or state government are satisfied that blocking the content is "necessary" and "expedient" on grounds of "sovereignty or integrity of India, defence of India, security of the State, friendly relations with foreign States or public order or for preventing incitement to the commission of any cognizable offence relating to above or for investigation of any offence," it may, for reasons to be recorded in writing, direct any agency "to intercept, monitor or decrypt or cause to be intercepted or monitored or decrypted any information generated, transmitted, received or stored in any computer resource," the law says.

What is the procedure to block such apps?

Since 2009, the MeitY has possessed blocking powers similar to those of the Ministry of Information & Broadcasting. Although MeitY derives these powers from the IT Act, it is the Information Technology (Procedure and Safeguards for Blocking for Access of Information by Public) Rules, 2009 or the IT Rules, 2009, which explain the process to issue such orders. The IT Rules include provisions such as review committees, the opportunity for a fair hearing, strict confidentiality, and maintenance of records by designated officers.

However, there are no recorded instances of the MeitY providing individuals with pre-decisional hearings even while blocking non-emergency content.

What have the courts said?

In a landmark 2015 ruling, the Supreme Court in "Shreya Singhal vs Union of India" struck down Section 66A of the Information Technology Act of 2000, which entailed punishment for sending offensive messages through communication services, etc.

"Section 66A of the Information Technology Act, 2000 is struck down in its entirety being violative of Article 19(1)(a) and not saved under Article 19(2)," the Court held.

The plea had also challenged Section 69A of the Information Technology Rules 2009, but the SC held this to be "constitutionally valid".

"It will be noticed that Section 69A unlike Section 66A is a narrowly drawn provision with several safeguards. First and foremost, blocking can only be resorted to where the Central Government is satisfied that it is necessary to do so. Secondly, such necessity is relatable only to some of the subjects set out in Article 19(2). Thirdly, reasons have to be recorded in writing in such blocking order so that they may be assailed in a writ petition under Article 226 of the Constitution," the Court noted.

The debate over Section 69A was revisited in July 2022 when Twitter sued the MeitY in the Karnataka HC over blocking orders that failed to adhere to the procedural requirement of giving users a hearing.

In response, the Centre told the HC that Twitter was a foreign corporation and did not have any fundamental right or legal remedy. After that, Twitter clarified that their arguments under Articles 14, 19, and 21 were in relation to the rights of the citizens who had Twitter accounts.

On February 8, the most recent date of hearing in this matter, the Centre questioned Twitter's locus standi to argue the fundamental rights of account holders and also questioned what the jural relationship between Twitter and its account holders would be. ❑

Govt readies Rs. 33,000-cr fund to aid corporate debt market

The government is constituting a Rs 33,000 crore ($4 billion) fund to provide liquidity support to its corporate debt market during periods of tension, reported Reuters. An SBI Mutual Fund executive told the news agency that the fund would help stem panic selling and ease redemption pressures.

Deputy Managing Director of SBI Mutual Fund D P Singh said that the government will provide 90 per cent of the money for the fund, and other asset managers would contribute the rest. According to the report, SBI Mutual Fund has been tasked with administrating the fund. It was first proposed by the Securities and Exchange Board of India (SEBI) in 2020 after high-profile defaults rocked the domestic debt market. SBI Mutual Fund is a unit of India's largest state-owned PSB, State Bank of India.

"We have seen in the past that whenever there is a credit event, there is a run on the funds for redemption which in turn creates pressure on liquidity...this fund is being created to avoid such a situation in the future and meet the redemption pressure in any such event," said D P Singh.

CBDT unveils tax calculator to help choose between old, new regime

After adding a sweetener to the new Income Tax regime, the Central Board of Income Tax (CBDT) has introduced a calculator on its website to assist the assessees in choosing between two regimes. The calculator can be accessed through this link. Changes in the new regime are proposed to be applicable from the assessment year 2024-25 (Financial Year 2023-24). These changes will be effective once the Finance Bill 2023 is enacted, which includes raising the rebate to Rs. 7 lakh from Rs. 5 lakh and allowing the standard deduction. As earlier, exemptions under section 80 C of the Income Tax Act and other exemptions, such as interest payment on housing loan and premiums paid towards health insurance, will continue not to be allowed.

RBI CIRCULAR

Central Payments Fraud Information Reserve Bank of India (Financial Statements - Presentation and Disclosures) Directions, 2021 – Disclosures for State Co-operative Banks and Central Co-operative Banks

February 20, 2023

1. The Reserve Bank of India (Financial Statements-Presentation and Disclosures) Directions, 2021 ('Master Direction') are applicable to Commercial Banks and Primary Urban Co-operative Banks (UCBs). They harmonize the regulatory instructions on presentation and disclosure in financial statements across the banking sector.
2. In consultation with the National Bank for Agriculture and Rural Development (NABARD), it has now been decided to make this Master Direction also applicable to State Cooperative Banks and Central Cooperative Banks (also referred to as 'District Central Co-operative Banks').
3. The Master Direction shall apply to State and Central Cooperative Banks (together referred to as 'Rural Co-operative Banks' or 'RCBs') mutatis mutandis, unless explicitly specified otherwise, from the financial year ending March 31, 2023. Certain disclosure requirements specified in Annex III-A shall be applicable, to RCBs, from the financial year ending March 31, 2024.
4. The Reserve Bank of India (Financial Statements - Presentation and Disclosures) Directions, 2021 stands updated to reflect these changes.

Introduction of Foreign Contribution (Regulation) Act (FCRA) related transaction code in NEFT and RTGS Systems

February 16, 2023

1. Under the FCRA, 2010 (amended as on September 28, 2020), foreign contributions must be received only in the "FCRA account" of State Bank of India (SBI), New Delhi Main Branch (NDMB). The contributions to the FCRA account are received directly from foreign banks through SWIFT and from Indian intermediary banks through NEFT and RTGS systems.
2. In terms of extant requirements of Ministry of Home Affairs (MHA), Government of India, the donor details such as name, address, country of origin, amount, currency, and purpose of remittance are required to be captured in such transactions and SBI is required to report the same to MHA on daily basis.
3. Keeping in view the above, necessary changes have been introduced in NEFT and RTGS systems, technical details of which are provided in Annex. Member banks are advised to incorporate necessary changes in their core banking / middleware solutions to capture the requisite details while forwarding the foreign donations through NEFT and RTGS systems to SBI. The instructions will be effective from March 15, 2023.

4. These instructions are issued under Section 10 (2) read with Section 18 of Payment and Settlement Systems Act, 2007 (Act 51 of 2007).

Issuance of PPIs to Foreign Nationals / Non-Resident Indians (NRIs) visiting India

February 10, 2023

1. As announced in the Statement on Developmental and Regulatory Policies dated February 08, 2023, it has been decided to allow access to Unified Payments Interface (UPI) to foreign nationals and NRIs visiting India. To start with, this facility will be extended to travellers from the G-20 countries at select international airports for their merchant payments (P2M) while they are in the country. Going forward, this will be enabled across all entry points in the country. The Master Directions on Prepaid Payment Instruments (PPIs) dated August 27, 2021 (updated as on November 12, 2021) has been updated by inserting paragraph 10.3 therein.
2. These instructions shall come into effect immediately.
3. This circular is issued under Section 10 (2) read with Section 18 of the Payment and Settlement Systems Act, 2007 (Act 51 of 2007).

Implementation of Section 51A of UAPA,1967: Updates to UNSC's 1267/ 1989 ISIL (Da'esh) & Al-Qaida Sanctions List (Amendments to 29 entries)

February 03, 2023

1. Please refer to Section 51 of our Master Direction on Know Your Customer dated February 25, 2016 as amended on May 10, 2021 (MD on KYC), in terms of which "Regulated Entities (REs) shall ensure that in terms of Section 51A of the Unlawful Activities (Prevention) (UAPA) Act, 1967, they do not have any account in the name of individuals/entities appearing in the lists of individuals and entities, suspected of having terrorist links, which are approved by and periodically circulated by the United Nations Security Council (UNSC)."
2. In this connection, Ministry of External Affairs (MEA) has informed about UNSC press release SC/15190 dated February 03, 2023 wherein the Security Council Committee pursuant to resolutions 1267 (1999), 1989 (2011) and 2253 (2015) concerning ISIL (Da'esh), Al-Qaida and associated individuals, groups, undertakings and entities enacted the amendments specified with underline and strikethrough in the entries mentioned in the annex on its ISIL (Da'esh) and Al-Qaida Sanctions List of individuals and entities subject to the assets freeze, travel ban and arms embargo set out in paragraph 1 of Security Council resolution 2610 (2021), and adopted under Chapter VII of the Charter of the United Nations.
3. The UNSC press release concerning amendments to the list is available at URL: https://www.un.org/securitycouncil/sanctions/1267/press-releases
4. The details of the sanction measures and exemptions are available at the following URL: https://www.un.org/securitycouncil/sanctions/1267#further_information
5. In view of the above, REs are advised to take appropriate action in terms of sections 51, 52 and 53 of the MD on KYC and strictly follow the procedure laid down in the UAPA Order dated February 2, 2021 annexed to the MD on KYC.
6. Updated lists of individuals and entities linked to ISIL (Da'esh), Al-Qaida and Taliban are available at:

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

   https://www.un.org/securitycouncil/sanctions/1988/materials
7. Further, as per the instructions from the Ministry of Home Affairs (MHA), any request for delisting received by any RE is to be forwarded electronically to Joint Secretary (CTCR), MHA for consideration. Individuals, groups, undertakings or entities seeking to be removed from the Security Council's ISIL (Da'esh) and Al-Qaida Sanctions List can submit their request for delisting to an independent and impartial Ombudsperson who has been appointed by the United Nations Secretary-General.

   More details are available at the following URL: https://www.un.org/securitycouncil/ombudsperson/application
8. REs are advised to take note of the aforementioned UNSC communications and ensure meticulous compliance.

Public Sector Banks : Deposits/Investments/Advances

As on March 31 *(Rs. Crore)*

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

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

Source : Reserve Bank of India.

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

As on March 31 *(Rs. Crore)*

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

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

Source : Reserve Bank of India.

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