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From The Desk Of
Editor-in-Chief

As the world of banking and finance continues to evolve, it is important to stay informed and aware of the latest trends and developments in the industry. From the rise of digital currencies to the growing emphasis on sustainable investing, there are many topics that are relevant to anyone interested in this field. In this month's issue, we explore some of the most important issues facing the banking and finance industry today.

The Reserve Bank of India wants bank managements and their boards to be on their toes all the time even as they have strong capital back up and have shown ability to withstand stress tests. RBI have asked the banks to remain prepared for shocks even from unassuming quarters.

Recently RBI has amended rules governing know-your-customer checks undertaken by lenders. The changes have been made to align with the recent amendments carried out in the Prevention of Money Laundering (Maintenance of Records) Rules, update them in accordance with recommendations from the Financial Action Task Force and incorporate instructions from the Financial Action Task Force and incorporate instructions from a Union government order.

Reserve Bank of India Governor Shaktikanta Das recently spoke on the recent developments in the U.S., which has seen the implosion of lenders like Silicon Valley Bank and a rush to limit the contagion of stress across the system, may be because of poor business models. He added that Indian banks have been able to stay resilient and have not been impacted adversely by the "recent sparks of financial instability seen in some advanced economies" courtesy the work done in this aspect by RBI and the banks themselves.

The gross non-performing assets ratio of banks have fallen to 4.41% at end-2022. This is the lowest since March 2015 and compares with 5.8% in end-March 2022 and 7.3% as of March 31, 2021. The capital adequacy ratio of banks stood at 16.1% at the end of December, well above the regulatory requirement.

As always, our goal is to provide our readers with a comprehensive and insightful look at the latest trends and developments in the world of banking and finance. We hope that you find this issue informative and thought-provoking, and we look forward to hearing your feedback.

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Banking News

Latest casualty of banking sector turmoil: Signature Bank

Signature Bank was closed by New York state financial regulators as the fallout from recent implosion of SVB Financial Group's Silicon Valley Bank spreads to other lenders.

Depositors at the New York-based bank will have access to their money under "a similar systemic risk exception" to one that will allow Silicon Valley Bank clients to get their money, the Treasury Department, the Federal Reserve and the Federal Insurance Deposit Corp. said in a joint statement.

"All depositors of this institution will be made whole," the regulators said. "As with the resolution of Silicon Valley Bank, no losses will be borne by the taxpayer."

Signature Bank, a New York state-chartered commercial bank that's FDIC-insured, had total assets of about $110.36 billion and total deposits of roughly $88.59 billion as of Dec. 31, the New York Department of Financial Services said in a separate statement.

New York banking regulators appointed the Federal Deposit Insurance Corporation (FDIC) as receiver for later disposition of the bank's assets.

Signature Bank reported deposit balances totaling $89.17 billion as of March 8. As of 31 December, it had approximately $110.36 billion in assets, according to New York state's Department of Financial Services.

Banks may have problems with loan disputes and defaults after Libor switchover

As the end date approaches for the London Interbank Offered Rate (Libor) - the benchmark that has been in vogue for decades for pricing of loans - the Reserve Bank of India (RBI) has asked the banking industry to figure out the transition path for dollar loans in cases of disputes, delays and defaults.

After allegations of manipulation and collusion by big global banks, the end of Libor began in 2017, with 2023 decided as the last year in the transition road. By end-2021 many banks had stopped drawing contracts using Libor and June 2023 was set as the deadline for replacing the guiding rate.

While multiple alternative rates have been proposed, it is feared that the transition would not be smooth where there are disputes between borrowers and lenders, particularly in matters where the loan terms may have to be rejigged and borrowers may not be cooperative.

The banking regulator has asked the industry body Indian Banks' Association (IBA) to explore ways to suggest possible rules for migration from Libor, two people familiar with the matter.

"A difficult borrower and its legal team can always argue that the loan documentation does not provide for switchover to another rate. Even the courts cannot apply it retrospectively. So, this is an issue that has to be sorted out," said a bank CEO.

The Stand-Up India scheme sanctioned Rs. 40,700 crore in loans

Around Rs 40,710 crore in loans have been sanctioned to over 1.8 lakh accounts under the government's flagship Stand Up India Scheme, which is focused on economic empowerment and job creation, according to official data.

Of the funds sanctioned since the inception of the scheme in 2016, about 80% of the loans have been given to women entrepreneurs.

The scheme was launched on April 5, 2016 to promote entrepreneurship amongst women and those in the Scheduled Castes and Scheduled Tribes categories by providing them loans for starting greenfield enterprises in manufacturing, services, the trading sector, and activities allied to agriculture.

In the first year, Rs 3,683 crore was sanctioned, which has now swelled to Rs 40,710 crore as of March 31, 2023, the data showed.

The Karnataka Bank aims for a turnover of Rs. 1.75 lakh crores

Karnataka Bank Ltd has targeted a total business turnover of Rs. 1.75 lakh crore during 2023-14, according to Mahabaleshwara MS, Managing Director and Chief Executive Officer of the bank.

He said as per the provisional numbers, the business turnover of the bank stood at Rs. 1,48,694 crores with a growth rate of 7.63 per cent.

This included deposits of Rs. 87,362 crore and advances of Rs. 61,326 crores. The total CASA (current account savings account) deposits stood at 32.97 per cent of total deposits as on March 31. Karnataka Bank has stepped into its 100th year.

3-4 months until unclaimed deposits portal is ready

Reserve Bank of India said a centralised portal would be ready in three to four months wherein depositors and beneficiaries can access details of unclaimed deposits across various banks.

As of February, this year, about Rs.35,000 crore of unclaimed deposits was transferred to RBI by public sector banks in respect of deposits which were not operated for 10 years or more.

"In order to improve and widen the access of depositors/beneficiaries to such data, RBI has decided to develop a web portal to enable search across multiple banks for possible unclaimed deposits based on user inputs," RBI Governor Shaktikanta Das said while announcing the first bi-monthly monetary policy for the current financial year.

The search results will be enhanced by use of certain AI tools, he said. RBI Deputy Governor M Rajeshwar Rao said, "we expect the portal to be ready in 3-4 months".

World Bank raises 2023 global growth outlook a tad to 2%

World Bank Group President David Malpass said that the lender has revised its 2023 global growth outlook slightly upward to 2% from a January forecast of 1.7% but the slowdown from stronger 2022 growth will increase debt distress for developing countries.

Malpass told that the upward revision was due to an improved outlook for China's recovery from Covid-19 lockdowns, with growth now pegged at 5.1% this year compared to 4.3% in the bank's January Global Economic Prospects report.

Advanced economies, including the U.S., are also doing a bit better than the World Bank anticipated in January, Malpass said.

But the departing World Bank chief warned that turmoil in the banking sector and higher oil prices could again put downward pressure on growth prospects in the second half of 2023.

Two person booked for duping HDFC Bank of Rs. 21.82 crore

The Economic Offences Wing (EOW) of the Mumbai police has registered a case of cheating and forgery against the directors of two private companies for allegedly duping HDFC Bank to the tune of Rs 21.82 crore.

The accused company availed bill discounting facilities from the bank on the basis of bogus bills/invoices and defrauded it.

Bill discounting is a type of lending in which the bank takes the bill drawn by the borrower on his customer and pays him immediately, deducting some amount as a discount/commission.

The police have booked Satnam Singh Maini and Harangad Singh Maini of Agile Security Force & Systems Pvt. Ltd. and Whiskers Infracare Pvt. Ltd.

Public Sector Banks transfer Rs.35000 crore unclaimed deposits to RBI

About Rs 35,000 crore unclaimed deposits as of February 2023 were transferred to the Reserve Bank by public sector banks in respect of deposits which have not been operated for 10 years or more, Parliament was informed.

These unclaimed deposits belong to 10.24 crore accounts transferred to the Reserve Bank of India as of the end of February 2023.

"As per information available with the RBI, as of the end of February 2023, the total amount of unclaimed deposits transferred to RBI by PSBs in respect of deposits which have not been operated for 10 years or more was Rs 35,012 crore," Minister of State for Finance Bhagwat Karad said.

PSBs recovered 14% of written-off loans in 5 years

Public sector banks could recover only 14 per cent of the written-off loans worth Rs 7.34 lakh crore in the last five years ending March 2022, Parliament was informed. Of Rs 7.34 lakh crore written-off loans, state-owned lenders recovered Rs 1.03 lakh crore, Finance Minister Nirmala Sitharaman said in a written reply to the Rajya Sabha.

So, after recovery, net written-off stood at Rs 6.31 lakh crore in the last five years.

Replying to another question, the Finance Minister said non-performing assets (NPAs), including, those in respect of which full provisioning has been made on completion of four years, are removed from the balance-sheet of the bank concerned by way of write-off as per RBI guidelines and policy approved by bank boards.

PSBs may seek pause on paying govt dividends

Public sector banks (PSBs) are considering asking the government to allow them to not pay it a dividend as they look to conserve capital before the expected loss-based approach for loan loss provisioning kicks in, likely from April 1, 2025.

In January, the Reserve Bank of India (RBI) released a discussion paper on the expected loss-based approach for loan loss provisioning. Recently, the government asked public sector banks to conduct a detailed study on the impact of such a norm on their capital position.

At present, banks make provisions on incurred loss, that is, once an account is overdue for more than 90 days, they set aside capital, known as provision.

SBI to launch new variant of current, savings accounts

SBI is planning to launch new variants of current account (with balances of Rs. 50,000 and Rs. 50 lakh) and "Parivar" (family) savings account in FY24 to minimise the gap between deposit growth and credit growth.

The new plans come in the wake of deposit growth lagging credit growth over the last few quarters.

Domestic deposits of India's largest bank grew 8.86 per cent year-on-year (y-o-y) by the end of 2022, while domestic advances were up 16.91 per cent y-o-y.

SBI expects that its domestic deposits and domestic advances will grow about 12 per cent and 16 per cent y-o-y, respectively, in FY24, according the Bank's business plan for the new financial year.

Securitization of retail loans increases

Retail loan securitisations jumped a robust 56% to Rs 1.76 lakh crore in the just concluded fiscal 2023, while that of wholesale rose to around Rs 6,600 crore, coming out of the pandemic blues finally, says a report. The secondary market for standard retail assets has seen a robust growth of 56 per cent in FY23, reflecting the resilient retail asset pools in the secondary market as well as the preference of banks to grow their retail assets to meet priority sector lending requirements, according to a Care Ratings analysis.

Such robust growth was possible as bank lending to NBFCs grew 32 per cent and there is a positive correlation between interest rate and relative premium for PSL assets. Both these factors augur well for securitisation market, the agency said.

"We expect the market to continue to grow but at a moderate pace in FY24," senior directors Sanjay Agarwal and Vineet Jain said in a note.

The two main drivers of growth for the securitisation market continue to be the priority sector lending requirement and the need to expand the retail asset book.

Banks, insurers face GST notices for fake payout

The Goods and Service tax (GST) authorities have issued show-cause notices to 29 insurance companies, a leading private bank, around five non-banking financial companies (NBFCs), and over 100 vendors. These entities were involved in paying for fictitious services to enable the insurers to pay a bank commission that was more than permitted under law.

An insurance company, which is part of the same group as a leading private bank, paid a significantly inflated commission to the bank by supplying them with office staff to sell their insurance policies to loan borrowers. The insurance company outsourced the management of payroll and manpower to a multinational company (MNC) and deployed them at various offices of the bank.

Another 28 private insurers are under investigation by the GST authorities for availing fraudulent input tax credit (ITC) for excess commission payments to finance companies for fictitious services by supplying manpower or by paying in kind. As against the permitted 15% commission, insurers have paid up to 70% of the first-year premium under various heads. The insurance company paid for the manpower utilised by the distributor but claimed ITC.

Total balance in Jan Dhan A/C's sees record spurt in FY23

The total balance in the basic bank accounts under Pradhan Mantri Jan Dhan Yojana (PMJDY) has registered a record surge of Rs. 50,000 crore in the financial year ended March 31, 2023.

The total balance at the end of FY23 stood at Rs. 1.99 lakh crore as against Rs. 1.49-lakh crore at the end of the previous financial year. There is also an addition of 5 crore new accounts under the scheme.

The total number of beneficiaries reached 48.65 crore by the end of the last fiscal compared to 45 crore in the previous financial year. The women beneficiaries were over 27 crore.

"This is the highest-ever increase in year-on-year basis in the total balances which is indicative of the increasing use of these accounts for a variety of purposes by the government as well as the beneficiaries,'' a senior SBI official said, adding that the bank was giving a priority to further expand the scope of the scheme.

DBS Bank India to launch credit card by June

DBS Bank India Limited, a hundred percent subsidiary of Singapore headquartered DBS Bank, will by June this year roll out its proprietary credit cards, Bharath Mani, Executive Director (Head-National Distribution) said.

This credit card offering will be targeted at mass affluent and above (premium segment, including HNIs), he said.

Mani highlighted that the credit card market opportunity is huge and demographics in India also work in favour of banks, such as DBS, to expand its play in the credit card segment (unsecured debt market).

Currently, DBS Bank India has cobranded credit card with Bajaj Finserv -Bajaj Finserv DBS Bank SuperCard.

Meanwhile, Mani said that DBS Bank India is also planning to foray into the affordable housing loans segment this fiscal. It will look to target mostly customers in the Tier II and Tier III cities for selling this product.

DPIIT in talks with IBA to get banks to reach out to start-ups

The Department for Promotion of Investments and Internal Trade (DPIIT) is in discussions with the Indian Banks Association (IBA) on ways to get banks to reach out to Indian start-ups to understand their financial requirements and help improve penetration of branches across sectors and cities, said a senior official.

The government has also allayed fears of a possible start-up funding crunch in India, following the collapse of the Silicon Valley Bank, as programmes such as the start-up fund-of-funds, credit guarantee and seed fund schemes, were providing resilience to the ecosystem.

"We have had talks with IBA so as to take proactive steps to reach out to Indian start-ups, understand their financial requirements, to understand how to improve the penetration of their banks and their branches across different sectors, different cities and in different tier two and tier three towns as well. IBA has also started doing intensive workshops across different states and Union Territories in the country," said Manmeet Nanda, Joint Secretary, DPIIT.

YES Bank, first Indian company with over 50 lakh shareholders

Private sector lender YES Bank has become the first Indian company to have over 50 lakh shareholders, according to the shareholding pattern of the bank on March-end.

Tata Power was a far second with 38.5 lakh shareholders, followed by Reliance Industries with 33.6 lakh shareholders, according to the December 2022 shareholding disclosures.

The bank had 50.6 lakh shareholders as of March 31, 2023, all of whom were public shareholders. This was an increase from 48.1 lakh shareholders as of December 2022, most likely owing to the end of the three-year lock-in period for shareholders that held equity shares of the bank when it underwent the reconstruction scheme in March 2020.

The end of the lock-in period on March 13 allowed for more shares of the bank to be available for public trade. As such, the number of shareholders of the bank has been steadily increasing since the 17.9 lakh shareholders at the time of implementation of the YES Bank reconstruction scheme.

Since then, the total number of shares held has also more than doubled from 1,255 crore to 2,875 crore. ❑

Reserve Bank News

RBI appoints Neeraj Nigam as executive director

The Reserve Bank of India appointed Neeraj Nigam as the new Executive Director (ED) with effect from April 03, 2023.

Prior to being promoted as ED, Nigam was heading the Bhopal Regional Office of the Bank as Regional Director.

"Nigam has, over a span of more than three decades, served in Regulation and Supervision, Human Resource Management, Premises, Currency Management, Bank Accounts and other areas in the Reserve Bank, in its Central Office as well as Regional Offices," stated a press release.

Nigam holds a Bachelor's degree in Civil Engineering from Barkatullah University, Bhopal besides having earned the professional qualification of Certified Associate of Indian Institute of Banking and Finance (CAIIB).

RBI issues framework for acceptance of green deposits by banks, NBFCs

Reserve Bank of India issued detailed guidelines for acceptance of 'green deposits' by banks and NBFCs wherein the funds could be used for financing activities like renewable energy, green transport and green buildings.

Climate change has been recognised as one of the most critical challenges and globally, various efforts have been taken to reduce emissions as well as promote sustainability.

The financial sector can play a pivotal role in mobilising resources and their allocation thereof in green activities/projects. Green finance is also progressively gaining traction in India, RBI said as it issued the framework for acceptance of green deposits by regulated entities.

Some Regulated Entities (REs) are already offering green deposits for financing green activities and projects. The framework will come into effect from June 1, 2023.

The purpose and rationale for the framework, RBI said is to encourage REs to "offer green deposits to customers, protect interest of the depositors, aid customers to achieve their sustainability agenda, address greenwashing concerns and help augment the flow of credit to green activities/projects".

Further, the central bank said the allocation of proceeds raised from green deposits should be based on the official Indian green taxonomy.

Pending finalisation of the taxonomy, as an interim measure, REs would be required to allocate the proceeds raised through green deposits towards a specified list of green activities/projects.

RBI approves re-appointment of Sanjay Agarwal as Chief of AU SFB for three years

The Reserve Bank of India has approved the re-appointment of Sanjay Agarwal as Managing Director & CEO of Jaipur-headquartered AU Small Finance Bank for three years with effect from 19 April, 2023.

The central bank also approved the re-appointment of Uttam Tibrewal as Whole Time Director for three years with effect from 19 April, 2023, the bank said in a regulatory filing.

The bank said the shareholders had already approved the aforementioned re-appointments via postal ballot on 9 March, 2022.

The re-appointment of Agarwal and

Tibrewal for second term was approved by the shareholders via postal ballot on 9 March 2022 for four years from 19th April 2022 till 18 April, 2026, per the bank's annual report.

Can't use penal charges to up revenue: RBI to lenders

Borrowers can expect more reasonable and transparent lending practices as the Reserve Bank of India (RBI) has issued new guidelines for lenders on penal interest charges.

Penal interest charges are additional fees levied on borrowers who default or fail to comply with the terms and conditions of their loan agreement.

Under the new guidelines, banks and non-banking and housing finance companies (NBFCs & HFCs) will not be allowed to introduce any additional components to the interest rate, and penal charges for default or non-compliance will be treated separately from the rate of interest charged on the loan.

The penal charges will be proportional to the defaults or non-compliance of material terms and conditions of the loan contract, and the charges will be clearly disclosed in the loan agreement and displayed on the lender's website.

RBI allows pre-approved credit lines for payments over UPI

Individuals with pre-approved credit lines from banks will soon be able to use it to make payments over the Unified Payments Interface (UPI), the Reserve Bank of India (RBI) said, setting the stage for new credit products over the homegrown payments platform.

Currently, UPI payments can be done between deposit accounts, sometimes intermediated by pre-paid instruments including wallets. Last June, the RBI also approved the use of Rupay credit cards on UPI, stoking hopes that it would eventually allow delivery of credit products through the payments mechanism.

RBI permitted transfer of funds to and from pre-sanctioned credit lines. "In other words, UPI network will facilitate payments financed by credit from banks. This can reduce the cost of such offerings and help in development of unique products for Indian markets," RBI said in a statement. Pre-sanctioned credit lines or pre-approved credit refers to credit that banks approve for customers after analyzing internal data.

UPI currently accounts for 75% of retail digital payments volume in India. In March alone, it recorded 8.7 billion transactions worth Rs. 14.1 trillion, showed data from the National Payments Corp. of India (NPCI).

Credit bureaus to be brought under RBI's Ombudsman

The Reserve Bank of India said it will bring Credit Information Companies (CICs) under the aegis of the RBI Integrated Ombudsman Scheme. Doing so could penalise such firms for delays in updating credit information while limiting the indiscriminate use of customer data by lenders.

"The CICs have been brought under the aegis of the Reserve Bank Integrated Ombudsman Scheme (RB-IOS)," the regulator said in a statement. "It is also proposed to put in place a compensation mechanism for delayed updation and rectification of credit information."

The regulator said there will also be a provision for SMS and email alerts to customers when their credit information is accessed from CICs. The RBI said it will also bring in a time frame for ingestion of data received by CICs from Credit Institutions and disclosures relating to the number and nature of customer complaints received on the website of CICs.

The regulator said these rules are being put in place after the increase in the number of customer complaints regarding credit information reporting and the functioning of CICs.

Nod to Rupees non-deliverable derivatives to residents

The regulator's decision to allow banks to offer Indian residents rupee non-deliverable foreign exchange derivative contracts (NDDCs) will help eliminate arbitrage between domestic and overseas markets, said experts.

Indian banks, which operate International Financial Services Centre (IFSC) Banking Units (IBUs), can offer rupee NDDCs in the onshore market, said the Reserve Bank of India in a statement.

The derivative contracts will be settled in rupees and the central bank will issue directions about them separately, said the statement on developmental and regulatory policies issued along with monetary policy.

RBI said the step intended to develop the onshore Indian rupee (INR) NDDC and provide residents with the flexibility to efficiently design their hedging programmes.

"Bringing the NDF markets to the International Financial Services Area is a welcome move as we may see more realistic forward rates for the rupee against most currencies," said Abizer Diwanji, head--financial services, EY India.

Indian banks operating units in the International Financial Services Centre were permitted to transact in rupee NDDCs with non-residents and with each other with effect from June 1, 2020.

Bad loans down, though willful default accounts shoot up

RBI has reported a sharp decline in gross non-performing assets (NPAs), or bad loans, in the banking system in the last two years, but willful defaults have shot up with more legacy loan accounts now getting added to the willful default category.

There has been a rise of 38.50 per cent, or Rs 94,000 crore, in willful defaults in the last two years, reflecting the gaps in loan appraisals and risk management in the banking sector.

There were 15,778 willful default accounts involving an amount of Rs 340,570 crore as of December 2022 as against 14,206 accounts involving Rs 285,583 crore a year ago in December 2021 and 12,911 accounts for Rs 245,888 crore in December 2020, according to Transunion Cibil, a credit information company registered with the RBI.

As per the Reserve Bank of India's (RBI) classification, a 'willful default' would be deemed to have occurred if the borrower has defaulted in meeting their repayment obligations to the lender even when they have the capacity to honour the said obligations. "This (higher willful default number) has nothing to do with the present. This is all a catch up of the past. So, it is not for the defaults but it is the default of the past and where recovery and insolvency actions are still going on," said an official of a bank.

RBI issues draft norms

RBI issued draft guidelines on penal charges levied by lenders, bringing them under the strict preview of regulatory instructions issued by it.

Centralised portal Pravaah to be launched

Reserve Bank of India will launch a secured web-based centralised portal named 'PRAVAAH' (Platform for Regulatory Application, Validation And AutHorisation) to simplify and streamline application processes.

The portal will show time limits for deciding on the applications/approvals sought. This measure will bring greater efficiencies into regulatory processes and facilitate ease of doing business for the regulated entities of RBI.

Gradually, it will be extended to all types of applications made to RBI across all functions, the central bank said in its statement on Developmental and Regulatory Policies.

The step has also been taken to comply with the Union Budget 2023-24 announcement regarding the need to simplify, ease and reduce cost of compliance by financial sector regulators within laid down time limits to decide the applications under various regulations. ❑

Industry News

Sebi board to approve new ESG framework

Sebi will finalise a new framework around environmental, social, and governance (ESG) ratings and disclosures at its upcoming board meeting on March 29, said people in the know.

The Sebi board is also likely to finalise the annual budget for the next financial year (2023-24). The board meeting is coming at a time when the Supreme Court (SC) has directed the markets regulator to complete its investigation into the Adani-Hindenburg saga within two months and submit the status report.

Sources said the regulator's board could also deliberate on the issue and SC's directions. Sebi has already undertaken an investigation into the allegations made in the Hindenburg Research report and is investigating stock price manipulation and short-selling activity.

Lok Sabha passes Rs. 45 trillion Budget without debate

Lok Sabha approved the Union Budget envisaging an expenditure of around Rs 45 lakh crore for the fiscal year starting April 1 without any discussion, as the Opposition continued to create ruckus over demand for a JPC probe into allegations against the Adani Group.

The Lower House of Parliament took up the Demands for Grants and Appropriation Bills after two adjournments as the ruling and Opposition MPs engaged in a matching duet over demands for an apology by Rahul Gandhi and the Adani issue.

Most of the second leg of the Budget Session has been washed out due to the protest by both sides and it was one of the rare occasions when the Budget was passed without any discussion.

Govt identifies Rs. 25,000 crore projects for Green Financing

The government has identified projects worth Rs 25,000 crore which are to be financed through proceeds from sovereign green bonds (SGBs) issued in the current financial year (FY) and the next FY as part of its green-funding initiative.

The projects identified for green financing are primarily in the renewable energy and clean transportation segments. For this, a green finance working panel is mandated to select the projects from the proposals submitted by various government departments.

The government had announced plans to raise Rs 16,000 crore through green bonds in two equal tranches in the current FY. The first tranche saw the first issuance of SGBs in India worth Rs 8,000 crore in January, 2023. More of such green projects are expected to be identified for funding in the later phase.

Windfall tax on diesel export hiked

The government has hiked the windfall profit tax on export of diesel to Re 1 per litre while the levy on domestically produced crude oil has been cut by a fifth, according to an official order.

The levy on crude oil produced by companies such as Oil and Natural Gas Corporation (ONGC) has been reduced to Rs 3,500 per tonne from Rs 4,400 per tonne, the order dated March 20 said.

The government raised the tax on export of diesel to Re 1 per litre from Rs 0.50, and the same on overseas shipments of ATF remains at nil. The new tax rates come into effect from March 21, the order said.

Crude oil pumped out of the ground and from below the seabed is refined and converted into fuels like petrol, diesel and aviation turbine fuel (ATF).

Customer centricity essential for fintechs

Fintechs should keep customers at the centre of their innovation and follow high standards of good governance as part of culture, RBI Deputy Governor M K Jain said.

He said for the sustainable development of the sector, it is essential that fintechs inculcate the values of accountability, fairness, transparency, and independence.

"Regulation is merely a guardrail to keep the sector on the right path. However, beyond its ability to innovate, the development of this sector will largely depend on two critical elements. These two elements are (i) Customer Centricity and (ii) Governance," Jain said.

He was addressing an event organised by Indian Institute of Management (IIM), Ahmedabad and Centre for Advanced Financial Research and Learning (CAFRAL) in Ahmedabad.

When developing products and processes, fintech should design robust customer centric products that avoid fintech-induced losses to customers such as those from cybersecurity breaches, technical glitches, frauds, etc. They should ensure customer suitability and appropriateness and make sure that any inherent biases in models are addressed in a fair manner.

17 airports made operational in North East

As many as 17 airports have been made operational in the northeastern region, Union Minister for Development of North Eastern Region G Kishan Reddy said in Lok Sabha.

Reddy also said the development of a new greenfield airport at Tezu in Arunachal Pradesh, and that of Dibrugarh, Guwahati and Silchar airports in Assam, Imphal airport in Manipur, Barapani airport in Meghalaya and Agartala airport in Tripura are ongoing.

In the northeastern region, 17 airports have been made operational. Recently Donyi Polo airport (erstwhile Holongi Airport) has been inaugurated in Arunachal Pradesh, he said in reply to a question.

Referring to the railway projects, the minister said new projects worth Rs 19,855 crore have been sanctioned for constructing railway tracks of 864.7 km since 2014-15 till date.

ED charge sheet against Razorpay, fintechs, NBFCs

The Enforcement Directorate said it has filed a charge sheet against payment gateway Razorpay, three fintech companies controlled by Chinese nationals and as many NBFCs and some others in a money laundering probe linked to Chinese loan apps which allegedly cheated numerous people.

The federal probe agency said in a statement that the special Prevention of Money Laundering Act (PMLA) court based in Bengaluru has taken note of the prosecution complaint.

The accused entities include fintech companies Mad Elephant Network Technology, Baryonyx Technology and Cloud Atlas Future Technology which are "controlled" by the Chinese nationals and three NBFCs registered with RBI named X10 Financial Services Track Fin-ed and Jamnadas Morarjee Finance.

Accounting audit trail mandatory from April 1

Starting from 1st April 2023, the Ministry of Corporate Affairs (MCA) has made it mandatory for companies to maintain an audit trail for all their transactions. The new audit trail requirement introduced by the MCA is ahead of its time and is also an essential step towards greater transparency and accountability in business operations. Maintaining a detailed record of all transactions would help all stakeholders identify the source of the financial irregularities. Using these tools auditors and investigative agencies will ensure a more compliant financial reporting framework.

So, what exactly is an audit trail? An audit trail is a record of all the transactions in a company, including financial transactions, operational activities, and administrative tasks. It includes information about who initiated the transaction, when it was initiated, and the nature of the transaction. This information is recorded systematically and chronologically, making it easy to trace the history of any particular transaction.

Govt extends deadline for linking PAN with Aadhaar till June 30

The government extended the deadline for linking PAN card with Aadhaar to June 30, 2023 from March 31, 2023.

The Central Board of Direct Taxes (CBDT) said that the date for linking PAN and Aadhaar has been extended to provide some more time to the taxpayers.

Earlier, the last day to link PAN with Aadhaar was March 31, 2023. According to the income tax department, failure to do so would have led to the unlinked PAN becoming inoperative.

The Aadhaar-PAN linking was free before March 31, 2022. A fee of Rs 500 was imposed from April 1, 2022 and was later increased to Rs 1,000 from July 1, 2022.

Aadhaar to be deactivated with holder's death soon

The Unique Identification Authority of India (UIDAI) and the Registrar General of India have begun work on rolling out a mechanism that will allow for deactivation of Aadhaar once a death certificate is issued.

Once a death certificate is issued by the agency concerned, a communication will be shared with the family members of the deceased and only after their consent the number will be deactivated, official sources told TOI.

The move will have to be implemented along with the state governments for which discussions are underway, they added. This will require the family members to share the Aadhaar number when the death certificate is issued.

The step comes after the UIDAI had implemented a scheme for allotting Aadhaar while issuing birth certificates. So far over 20 states have implemented the system, with others expected to follow suit in the coming months.

Centre aims to settle 500 cases, involving about Rs. 1 trillion

The Central government is aiming to resolve about 500 cases, involving an estimated Rs 1 trillion, under the new voluntary settlement scheme, which has been proposed to bring an end to its contractual disputes with private parties, according to officials.

The Budget this year has proposed the Vivad se Vishwas-2 scheme to settle long-pending litigation in cases where an arbitration order has been challenged in any Indian court.

Government-held entities such as Oil and Natural Gas Corporation (ONGC) and National Highways Authority of India (NHAI) have many disputes with private contractors.

India's per capita income doubles since 2014-15

India's per capita income in nominal terms doubled to Rs 1,72,000 since 2014-15 when the Narendra Modi-led NDA came to power but uneven income distribution remains a challenge. As per the National Statistical Office (NSO), the annual per capita (net national income) at current prices is estimated at Rs 1,72,000 in 2022-23, up from Rs 86,647 in 2014-15, suggesting an increase of about 99 per cent.

In real terms (constant prices), the per capita income has increased by about 35 per cent from Rs 72,805 in 2014-15 to Rs 98,118 in 2022-23.

Srinagar to get mega-mall, IT tower as UAE's Emaar marks J&K's first FDI

Almost a year after CEOs from several Gulf countries visited the Valley to explore investment opportunities, the UAE-based Emaar Group, the developer of the Burj Khalifa, marked its entry into J&K by announcing a shopping mall and an IT tower in Srinagar.

The announcement came on a day Srinagar hosted an India-UAE investors' meet similar to the one held in March last year.

The J&K government said Emaar's projects mark the first foreign direct investment (FDI) in the Union Territory.

J&K Lieutenant Governor Manoj Sinha performed the 'Bhumi Pujan' (prayer ceremony)' for the 10-lakh sq. foot mega-mall - "Mall of Srinagar" - and an IT tower at Sempora on the outskirts of Srinagar. He said an IT tower will also come up in Jammu.

Tax demand worth Rs. 13,566 crore raised during FY19-22

The income tax department has raised tax demand worth Rs 13,566 crore and passed349 assessment orders during the four financial years (FY19-FY22) under the Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015, the government informed Parliament.

Government data also showed that 686 searches were conducted during 2021-22, while assets worth Rs 1,159.59 crore were seized by the income tax department. A total of 5,931 groups have been searched during the last eight financial years since 2014-15, with seizure of assets worth Rs 8,832.92 crore.

In a written response to a question in Lok Sabha, Minister of State for Finance Pankaj Chaudhary said 183 assessment orders were passed in 2021-22 and a demand of Rs 5,350 crore was raised under the black money law.

Immovable properties worth Rs. 10,683 crore attached so far in FY23 by tax authorities

A total of 204 immovable properties

worth Rs 10,683 crore have been attached in the current financial year 2022-23 (till January 31) by both direct and indirect tax authorities in various investigations against tax offenders, data shared by the government in Parliament showed.

Central Board of Direct Taxes (CBDT) and Central Board of Indirect Taxes and Customs (CBIC) had attached 1,657 immovable properties in 2021-22 worth Rs 19,832 crore, out of which five immovable properties worth Rs 23.95 crore were disposed of by the authorities. In 2020-21, a total of 1,304 properties were attached worth Rs 16,949 crore, while 12 properties worth Rs 3.11 crore were disposed of by the tax authorities.

"Many cases where properties are attached by CBDT and CBIC are challenged before the Court and unless Court decides the matter, these properties cannot be disposed of," Minister of State for Finance Pankaj Chaudhary said in a written response to a question in Rajya Sabha.

Assets of Rs. 1 lakh crore seized, Rs. 71 crore disposed of by taxmen

The Centre's direct and indirect tax wings have seized immovable property valued at over Rs 1 lakh crore, but disposed of assets to the tune of Rs 71 crore, the government told the Rajya Sabha.

"Many cases where properties are attached by Central Board of Direct Taxes and Central Board of Indirect Taxes and Customs are challenged before the court and unless court decides the matter, these properties cannot be disposed of," minister state for finance Pankaj Chaudhary told Parliament.

According to the data shared by him, the ED has also secured confiscation of proceeds of crime of Rs 15,600 crore.The minister also said that assets of Rs 15,114 crore have been restituted to public sector banks.

Out of this, a consortium of banks, led by SBI, has realised Rs 7,975 crore through the sale of assets handed over to them by the ED.

The laws allow for confiscation of property by CBDT and CBIC for recovery of tax, after following due process.

In recent years, the government has also gone after benami property, which is also being dealt with by CBDT.

Adani stocks bounce bank on prepayment of share-backed loans

Most Adani stocks rebounded after the group said it has completed full prepayment of margin-linked share backed financing of $2.15 billion, and all corresponding pledged shares have been released. The group's m-cap rose by Rs. 20,205 crore to Rs. 9.09 lakh crore.

Lok Sabha passes Competition Bill

The Lok Sabha passed amendments to the competition law for stricter compliance, including by empowering the antitrust regulator to impose penalties on global turnovers of erring firms, a move that could open the doors for harsher punishments on entities like Big Tech firms.

The changes, proposed as part of the Competition (Amendment) Bill, 2022 that was cleared amid pandemonium in the House, also include expanding the scope of penalties to entities collaborating in cartelisation.

At present, the antitrust watchdog, the Competition Commission of India (CCI), cannot impose penalties on corporate entities based on their global turnover. Penalties are currently restricted to the company's sales in the relevant market only, experts said.

The amendments also make compliance easy by allowing CCI to regulate mergers and acquisitions (M&A) based on the value of transactions with Rs. 2,000 crore threshold, if the target entity has substantial business operations in India. It also proposed that CCI would need to take a view within 30 days on the likelihood of a combination or M&A causing adverse effect on the competition.

Govt plans to borrow Rs. 8.88 lakh from market in FY24

The Centre plans to borrow Rs 8.88 lakh crore via bonds from the market in the first six months of the fiscal year starting on April 1, the finance ministry said in a release.

The Centre's borrowing has more than doubled from 2019 levels as the government's social spending on free food and subsidies rose to record highs largely due to the Covid pandemic.

Out of the Gross Market borrowing of Rs 15.43 lakh crore projected for FY 2023-24 in the Union budget, Rs 8.88 lakh crore (57.55%) is planned to be borrowed in 26 weekly tranches of Rs 31,000-39,000 crore.

Sahara co-operatives' investors to get money back in 9 months

The government said money will be returned to 10 crore investors of 4 cooperative societies of Sahara group within 9 months following a Supreme Court order directing transfer of Rs

5,000 crore from Sahara-SEBI refund account to the Central Registrar.

Earlier in the day, the Supreme Court allowed a plea by the Centre seeking allocation of Rs 5,000 crore, out of Rs 24,000 crore deposited by the Sahara group with market regulator Sebi, to repay depositors of the cooperative societies.

The direction came on an application filed by the Centre in a PIL by a person, named Pinak Pani Mohanty, who sought a direction to pay the amount to the depositors who invested in several chit fund companies and Sahara credit firms.

A bench of Justices M R Shah and C T Ravikumar said the amount shall be disbursed to depositors duped by the Sahara group of cooperative societies.

The entire process will be monitored by former apex court judge Justice R Subhash Reddy, the bench said.

In a statement, the Ministry of Cooperation said the Supreme Court, while giving a historic decision, ordered to return the deposits of about 10 crore investors of 4 cooperative societies of Sahara group from the Sahara-SEBI refund account.

Justice Reddy, with the assistance of Gaurav Agarwal, will complete the payment process in 9 months, the ministry said.

MGNREGS still gives work to more people than pre-Covid year

Just as the fiscal year draws to a close, about 61.1 million households have worked under the flagship Mahatma Gandhi National Rural Employment Guarantee Scheme (MGNREGS) this year. This is nearly 16 per cent less than the number of people who worked under the scheme in the preceding fiscal year (2021-22, or FY22) but still higher than the number of families that worked under the scheme in the pre-pandemic years of 2019-20 (FY20) and 2018-19 (FY19).

In FY20, 54.8 million households worked under the programme; in FY19, this number was 52.7 million.

Although the final number of households that worked under the scheme might undergo some revision in 2022-23 (FY23), experts say the revision will be nominal.

Govt specifies retail price based GST cess for pan masala, tobacco

The government has specified the retail sale price-based GST cess rate that would be levied on pan masala and tobacco manufacturers with effect from April 1.

This is a departure from the earlier regime that imposed cess, over and above the 28 per cent Goods and Services Tax (GST) rate on ad-valorem basis.

As per a finance ministry notification dated March 31, the GST cess rate that would be applicable on pan masala is 0.32 times the retail sale price (RSP) of the pan masala pouch.

Pan masala, containing tobacco gutkha, now has a cess rate of 0.61 times the RSP, while the rate for smoking mixtures for pipes and cigarettes is 0.69 times.

Chewing tobacco , filter khaini, and jarda scented tobacco attract a cess of 0.56 times the RSP, and the rate for branded unmanufactured tobacco and hookah or gudaku is 0.36 times the RSP.

The new rates are applicable from April 1, 2023. Moving to RSP-based levy would mean that manufacturers would now have to pay the cess on the final retail price of masala and chewing tobacco at the time it crosses the factory gate.

This would help curb tax evasion as the cess would be collected at the first point itself. The estimated revenue from RSP-based cess rate on pan masala and tobacco is almost at the same level as was in the earlier ad-valorem regime.

Reliance, Jio raise $5 billion in largest syndicated loan in India

Reliance Industries Ltd (RIL) has secured an additional credit line of $2 billion from 18 banks after obtaining a $3 billion from 55 banks recently.

The conglomerate has thus got a total loan of $5 billion, making it the largest fundraising through the syndicated loan route in India's corporate history.

Reliance Jio Infocomm Ltd, a unit of RIL, secured the $2 billion add-on facility with the same terms as its recent $3 billion syndicated loan.

The funds will mainly be allocated towards RIL's capital expenditures and Jio's nationwide 5G expansion.

"The $2 billion add-on will be split equally between RIL and Jio and is likely to be wrapped up by the end of April," said one of the three people, requesting anonymity.

Mobile exports surpasses Rs. 90,000 crore in FY23: ICEA

India's mobile phone exports doubled year-on-year to Rs 90,000 crore in FY23, surpassing the estimated Rs 75,000 crore, the India Cellular and Electronics Association (ICEA) said.

FE was the first to report on March 17 that exports will cross the targeted Rs 75,000 crore mark, with Apple all set to export iPhones in excess of Rs 37,000 crore.

"With the doubling of exports of smartphones to more than $11 billion, India is well on its way to become a leader in the mobile device market of the world and play a major role in electronics exports. This is a major win for PM Narendra Modi's Make in India programme," said Union minister Ashwini Vaishnaw on the record smartphone exports from India.

Pre-packaged insolvency plans may cover big companies

India is looking to offer pre-packaged insolvency resolution process (PIRP) to bigger companies as part of large-scale changes to the Insolvency and Bankruptcy Code likely in the Monsoon session of Parliament.

A bill to amend the Companies Act could also be introduced in the same session, a senior government official said.

The session is likely to commence in late July or August.

The changes to the IBC will be based on the discussion paper floated by the ministry of corporate affairs in January which mooted Fast Track Corporate Insolvency (FIRP) through which corporate debtors of a company can choose to opt for a resolution process outside the judicial process.

The proposed changes could also expand the scope of PIRP. During Covid-19 outbreak, the government allowed debtors classified as micro, small and medium enterprises (MSMEs) to avail PIRP scheme to alleviate the disruption caused by IBC proceedings. While the mechanism may not be extended to all large companies, it is likely to allow companies below a certain turnover to avail it.

Uttarpara plant to manufacture 80 Vande Bharat trains over 6 years

The major portions of 80 sleeper-class Vande Bharat trains will be manufactured at the Uttarpara plant of Titagarh Wagons Limited (TWL), about 15km from Kolkata, after a consortium of the Bengal-headquartered TWL and the PSU Bharat Heavy Electricals Limited (BHEL) bagged a Rs 24,000-crore order to supply and maintain the trains.

The manufacturing deal is worth nearly Rs 10,000 crore, according to which the consortium will provide the trains to the Indian Railways over six years. The total deal also includes a 35- year annual maintenance contract, worth Rs 14,000 crore. Each train will cost Rs 120 crore.

Ready to trade in Re with nations having Dollar $ shortage

India is ready to trade in Indian Rupee (INR) with countries which are facing currency failure or have dollar shortage, said Commerce Secretary Sunil Barthwal during the unveiling of new Foreign Trade Policy.

Barthwal said that the government is focusing on strengthening the rupee payment system. The commerce ministry has made changes in the FTP to allow international trade settlement in Indian Rupee with a view to making INR a global currency.

Addressing the gathering, Commerce and Industry Minister Piyush Goyal exuded confidence that the export target of USD 2 trillion by 2030 will be met.

He stressed that any industry cannot succeed only on the basis of subsidy or crutches. In the coming days, the idea of exports will change in the country, Goyal said. FTP 2023 has been announced to provide policy continuity and a responsive framework, said Director General of Foreign Trade (DGFT) Santosh Sarangi.

The FTP has also introduced an amnesty scheme for one-time settlement of default in export obligation by Advance Authorisation and EPCG authorisation holders.

Direct tax mop-up skyrockets 173%

India's gross direct tax collection increased 173 per cent to over Rs 19.68 lakh crore in 10 years to 2022-23.

On a net basis, after adjusting refunds, direct tax collection zoomed 160 per cent since the 2013-14 fiscal to over Rs 16.61 lakh crore in 2022-23.

The Central Board of Direct Taxes (CBDT) has released Time-Series data as updated up to fiscal 2021-22 and also provided provisional data for 2022-23.

Direct Tax Buoyancy at 2.52 in FY 2021-22 is the highest Direct Tax Buoyancy recorded over the last 15 years.

The direct tax to GDP ratio has increased from 5.62 per cent in 2013-14 to 5.97 per cent in 2021-22.

The cost of collection has decreased from 0.57 per cent of the total collection in FY 2013-14 to 0.53 per cent of the total collection in FY 2021-22, CBDT added. ❑

Mutual Fund News

Sebi imposes Rs. 36 crore fine on PNB Finance

Sebi imposed penalties totaling Rs 35.67 crore on PNB Finance and Industries Ltd, Camac Commercial Company Ltd and various other entities, including promoters Samir Jain and Meera Jain who have also been barred from the securities market.

Apart from the market ban, Samir Jain and Meera Jain have been restrained from holding any key managerial position or associating with any listed public company. These restrictions will be in place till the two companies comply with the minimum public shareholding requirement under Sebi norms, according to two separate orders.

As per Sebi, the two companies did not make adequate disclosures about their promoter entities. The companies, listed on Calcutta Stock Exchange, have also been directed to disclose details about their promoters.

NSE declares 32 brokers defaulters in 5 years

At total of 32 brokers have been declared defaulters by the NSE during the last five years, the Parliament was told. Market regulator SEBI, along with the exchanges, conducts regular inspection of brokers based on certain criteria and takes action as per its regulations and bye-laws of the Exchanges, Minister of State for Finance, Pankaj Chaudhary told the Lok Sabha in a written reply.

As per the SEBI's orders dated November 22, 2019 and November 24, 2020, securities worth around Rs 2,000 crore and belonging to 82,559 clients were transferred to fully paid-up clients of Karvy Stock Broking Ltd (KSBL). NSE and BSE have suspended trading terminals of KSBL with effect from December 2, 2019 and declared it as a defaulter on November 23, 2020. Further, based on the findings of forensic audit report and observations of the NSE, the SEBI has initiated enforcement action against KSBL, its directors, its CEO and against two group companies of KSBL under its relevant Regulations, said the reply.

SEBI issues code for ads to rein in 'finfluencers'

The Securities and Exchange Board of India (Sebi) has issued a new advertisement code for investment advisers and research analysts following the mushrooming of 'finfluencers' who give online advice on stock markets.

This code is applicable to all forms of communications that are issued by or on behalf of such advisers and analysts that could influence investment decisions.

The code for advertisements from advisers covers traditional communication channels as well as all electronic, wired, or wireless communication such as e-mail, messaging platforms, social media platforms, radio, telephone, or any other form over the internet.

Sebi approves ASBA like facility for trading in secondary market

Sebi approved a framework for Application Supported by Blocked Amount (ASBA) like facility being made available to investors for secondary market trading.

ASBA is an application containing an authorization to block the application money in the bank account, for subscribing to an initial public offering (IPO).

Sebi said under the framework client will continue to earn interest on his blocked funds in his savings account till the time amount is debited. There will be a direct settlement with clearing corporation (CC), without passing through pool accounts of the intermediaries, thereby providing client level settlement visibility to CC and thus avoiding the risk of co-mingling of clients' funds and securities.

The Sebi board introduced an alternative route to enable a diverse set of entities to become sponsors of mutual fund (MF).

"Such entities, who otherwise may not have been eligible to be sponsors, include private equity funds, with requisite safeguards included in the proposal," the market regulator said.

25 million demat accounts added in FY23

Around 25 million dematerialised (demat) accounts were added in the 2022-23 financial year (FY23), at a monthly average of over 2 million despite lacklustre returns and sustained volatility in the market.

The number of demat accounts opened with two depositories - the Central Depository Services (CDSL) and the National Securities Depository (NSDL) -- jumped 27 per cent in the past 12 months, from 89.7 million to 114.46 million.

At the same time, the benchmark Nifty50 declined 0.6 per cent in FY23, while the Nifty Midcap 100 rose a meagre 1.2 per cent and the Nifty Smallcap 100 fell 13.8 per cent.

Sustained rate hikes by global central banks, the Russia-Ukraine war, stubborn inflation, and the banking crisis in the developed world raised volatility the year gone by.

Even the number of initial public offerings (IPOs), seen as an investor lodestone, declined in FY23. In FY22, around 53 companies raised Rs 1.11 trillion through public offers while in FY23, 37 firms raised Rs 52,115 crore.

Reacting to the numbers, market experts said that volatility is not such a big hindrance for new customers as they believe that it affects investors who are in the market for a while, not the ones new to it. Sentiment will affect new customers more.

MFs invest Rs. 1.82 trillion in equities in FY23

Mutual funds remained bullish on the Indian equities in 2022-23 and invested Rs 1.82 lakh crore largely due to a strong interest from retail investors and the correction in the market that led to reasonable valuation. This comes following a similar amount of Rs 1.81 lakh crore invested by mutual funds in the stock market in preceding financial year 2021-22 (FY22). Before that, they had pulled out Rs 1.2 lakh crore from equities in 2020-21, according to the data with the Securities and Exchange Board of India (Sebi).

Going ahead, equity outlook for the current financial year (FY24) will start improving in a couple of quarters once inflation starts coming down in the US and its central bank -- US Federal Reserve -- will change its policy stance from hawkish to dovish, Rajiv Bajaj, Chairman and Managing Director of Bajaj Capital, said. In the longer-term, India's growth prospect is higher amidst concern of slowing growth in major developed economies.

According to the Sebi data, mutual funds have invested a net amount of Rs 1.82 lakh crore in the just concluded financial year.

Indian regulator plans to allow mutual funds with performance-based fees

India's market regulator is planning to permit a new category of mutual fund schemes where asset managers' charges will partly be linked to performance, according to an official document reviewed by Reuters and a source directly familiar with the matter.

As part of the proposal, the Securities and Exchange Board of India (SEBI) wants to allow additional charges if a fund consistently outperforms a relevant benchmark index and gives higher annualised returns, according to an internal SEBI document.

The proposal to introduce performance-linked charges on select mutual fund schemes has not been previously reported. According to the plan, the base fees currently charged for mutual funds would be reduced and additional charges would be based on performance.

Mutual Funds' SIP collection rises 25 per cent to Rs 1.56 lakh crore in FY23

Inflows in the mutual fund industry through systematic investment plans or SIPs reached Rs 1.56 lakh crore in 2022-23, up 25 per cent from the preceding fiscal, suggesting retail investors' trust in the route despite volatility in the markets. In comparison, an inflow of Rs 1.24 lakh crore through the route was registered in 2021-22 and Rs 96,080 crore in 2020-2021, data with the Association of Mutual Funds in India (Amfi) showed.

Moreover, mutual fund SIP contribution has seen over three-fold rise during the last seven years. It was at Rs 43,921 crore during 2016-2017.

Additionally, SIP book has also grown consistently from Rs 12,328 crore in March 2022 to an all-time high of Rs 14,276 crore in March 2023, indicating a growth of 16 per cent. ❑

Co-Operative Bank News

Crisis-ridden cooperative banks continue to face RBI's strictures

India's crisis-ridden cooperative banks continue to face the wrath of the regulator, which cancelled the license of eight and imposed monetary penalties 114 times on wrongdoers in FY 2023, a Moneycontrol analysis showed.

Cooperative banks, which have played a critical role in extending banking services in villages and semi-rural areas, have been dealing with a range of issues from dual regulation and weak finances to interference by local politicians. The Reserve Bank of India (RBI) has been clamping down on errant cooperative banks.

The banks whose permits were cancelled by the RBI in FY 2023 were Mudhol Cooperative Bank, Millath Cooperative Bank, Shri Anand Cooperative Bank, Rupee Cooperative Bank, Deccan Urban Cooperative Bank, Laxmi Cooperative Bank, Seva Vikas Cooperative Bank and Babaji Date Mahila Urban Bank.

Reasons for cancellation varied from inadequate capital to failure to comply with legal regulations under the Banking Regulation Act and lack of earning prospects in the future.

The regulator has been keeping a watchful eye on the cooperative banking sector for many years. In 2022, the central bank cancelled the license of 12 banks. A year before that, in 2021, RBI cancelled the license of three banks. In 2020, two cooperative banks were told to shut shop.

Capital adequacy ratio norms enforcement for UCBs advanced to FY23-end

In a surprise move, the Reserve Bank of India (RBI) advanced by a day the enforcement of capital adequacy and net worth norms for urban co-operative banks (UCBs), from the earlier date of April 1, 2023.

It has been decided that the instructions shall come into effect on March 31. All other instructions of the circular dated December 1, 2022, remain unchanged, the RBI said in its latest circular.

According to UCB executives, the RBI's move may put banks in a difficult position as only a few days are left to refigure the norms' enforcement.

In December 2022, the RBI said the circular -- Revised Regulatory Framework for Urban Co-operative Banks - Net Worth and Capital Adequacy -- is applicable to all primary UCBs. These instructions were to come into effect on April 1, 2023.

Under the revised norms, the RBI has categorised all unit UCBs into a four-tier structure. Banks having deposits up to Rs 100 crore have been placed in tier 1.

In tier 2, there will be UCBs with deposits between over Rs 100 crore and up to Rs 1,000 crore. Tier 3 will cover banks with deposits over Rs 1,000 crore and up to Rs 10,000 crore. UCBs with deposits of more than Rs 10,000 crore have been categorised in tier 4.

The RBI said cooperative banks in tier I shall have a minimum net worth of Rs 2 crore. All other UCBs (of all tiers) shall have a minimum net worth of Rs 5 crore. For UCBs, which do not meet the net worth norms, the RBI gave a glide path until March 31, 2028, to comply with revised norms.

Such UCBs shall achieve at least 50 per cent of the applicable minimum net worth on or before March 31, 2026, and the entire stipulated minimum net worth on or before March 31, 2028.

Such UCBs shall achieve the CAR of at least 10 per cent by March 31, 2024, 11 per cent by March 31, 2025, and 12 per cent by March 31, 2026. ❑

Legal News

Travel co asked to refund flyers Rs. 8 crore it got from airlines for pandemic disruptions

The Central Consumer Protection Authority (CCPA) ordered online travel agency Yatra to refund the payments of Rs 8.32 crore to customers, which it has received from airlines but has not been able to return to the customers for the suspension of flights during Covid-19 pandemic. The company has been directed to submit an action plan for payment of refund.

The CCPA has initiated suo motu probe into the pending refund of payments to customers by Yatra Online despite the direction from Supreme Court in October 2020 to make the refund within three months. Stating that the company has violated the direction of the Supreme Court, the CCPA said, "It is clear that the company has not made any significant effort and neither has created any specific arrangement to refund Rs 8.32 crore to 16,090 customers and are sitting tight over the refunds received by various airlines."

The order was passed by CCPA chief commissioner, Nidhi Khare and commissioner, Anupam Mishra after examining the reply from the company and after conducting a random check by making direct calls to 70 consumers who had booked tickets through the online firm. The company had submitted to the authority how it is "committed to ensuring all out efforts towards completing the pending refunds" and had even said it was "ready to deposit" the pending refund amount of Rs 8.32 crore in "an escrow account", if it was directed to do so.

Invoices, cheque payment, insufficient to claim Input Tax Credit: SC

The Supreme Court (SC) has set aside a Karnataka High Court order that allowed dealers to claim input tax credit (ITC) under the VAT regime by producing invoices and cheque payments.

The SC allowed tax authorities' appeal against the High Court judgment. It said a dealer claiming ITC has to prove beyond doubt the occurrence of the actual transaction" and the "actual physical movement of the goods".

It pronounced the order HC as "erroneous" and said that, "for claiming ITC, genuineness of the transaction and actual physical movement of the goods are the sine qua non and the aforesaid can be proved only by furnishing the name and address of the selling dealer, details of the vehicle which has delivered the goods, payment of freight charges, acknowledgement of taking delivery of goods, tax invoices and payment particulars etc."

However, the SC added that while the tax invoice and cheque can be said to be proving one of the documents, it is not sufficient to prove the genuineness of the transaction.

It should be noted that e-way bills and e-invoicing under the GST regime can come handy to claim ITC in this regard.

"Though the ruling is under VAT, GST authorities may now ask for additional documents to substantiate input tax claims by placing reliance on the principles laid down in the ruling. However, apart from invoice and proof of payment, documents such as E-waybill and E-Invoice, could help in substantiating the genuineness of the transaction under the GST regime," said Harpreet Singh, partner at KPMG India.

Inherited assets tax: ITAT bats for legal heir

The Mumbai bench of the Income Tax Appellate Tribunal (ITAT) has settled in a recent order the contentious issue relating to determining the cost of acquisition and the indexed cost in case of inherited assets.

In this case of US resident Sohrab Fali Mehta, the ITAT bench disagreed with the tax department that the indexed cost of acquisition should be based on the year in which Mehta inherited his share following his mother's death. The tax tribunal, which adjudicates income tax (I-T) disputes, held that the indexed cost of acquisition has to be computed with respect to the year in which the initial owner first held the asset.

Tax experts point out that litigation on the issue of the 'cost of acquisition' and also the 'cost inflation index' to be used in computing capital gains is common in cases of inheritance.

In simple terms, capital gains is the difference between the sale price and the indexed cost of acquisition.

In case of an inheritance, the cost of acquisition is nil as the inheritor has not paid anything for acquiring the asset.

However, according to the provisions of the I-T Act, for computing capital gains, the cost to the previous owner is considered as the cost of acquisition.

HC: Bank can't bar loan defaulter from foreign trip

The high court authorised a city-based businessman to travel to (UAE) and Saudi Arabia for business purposes, pointing out that travel of a citizen cannot be curtailed by a bank on the ground that he is in default of a loan amount.

Himayat Ali Khan, a resident of Bengaluru, had challenged the March 7, 2022 LOC (look out circular) issued by and executed by the Bureau of Immigration.

The bank had claimed that there are recovery proceedings pending against Associate Décor Limited, a company which had taken loan by mortgaging property worth Rs 199 crore. The petitioner is one of the directors of the said company.

Delay in TDS remit shall not attract penalty: SC

The Supreme Court (SC) held that the delay in remitting tax deducted at source (TDS) by assessee is not liable for penalty. It stated the revenue department should adopt a literal interpretation of the penal provision.

The apex court even observed that the appeal concerned is not the case of "non-deduction" of TDS.

Evidence against 3rd parties subject to tax proceedings, rules SC

The Supreme Court upheld an amendment that allows income tax officials to proceed against "third parties" against whom incriminating evidence was found at another person's premises during search operations. It also said that the amendment would apply retrospectively.

The matter pertains to the application of Section 153C of the Income Tax Act, which provides the revenue department the power to proceed against third parties and issue notice and assess and reassess income in case of undisclosed income and assets. This amendment was passed through the Finance Act of 2015, which came into effect on June 1, 2015.

SC rejects BIFR cases

The Supreme Court recently disposed of a bunch of cases in which the basic legal question was whether, after the approval of a scheme by the Board for Industrial and Financial Reconstruction (BIFR) under the Sick Industrial Companies (Special Provisions) Act, an unsecured creditor has the option not to accept the scaled down value of its dues, and to wait until the scheme for the rehabilitation of the respondent company has worked itself out, with an option to recover the debt with interest post rehabilitation.

The apex court answer with a 'no'. Taking the case of Modi Rubber vs Continental Carbon as an exemplary one that will settle other such cases, too, a Supreme Court bench comprising Justice MR Shah and Justice CT Ravikumar noted that the submission that unsecured creditors should have an option not to accept the scaled down value of dues "has no substance and cannot be accepted".

No service tax on Corporate guarantees provided by firms to arms: SC

The Supreme Court has ruled that no service tax would be levied on corporate guarantees provided by a parent company to its subsidiaries as there is no consideration involved, resolving a longstanding service tax conflict.

The decision was made in the case of the Commissioner of CGST and Central Excise versus Edelweiss Financial Services, and is expected to resolve past cases related to service tax on corporate guarantees, tax experts said.

"No effort was made on behalf of the revenue to assail the...finding or to demonstrate that issuance of corporate guarantees to group companies without consideration would be a taxable service," the top court observed while upholding a ruling by the principal commissioner of goods and services tax (GST). ❑

ICICI Bank offers a strong network of Rupee Vostro Accounts, expedites settlement of international trade transactions in INR

ICICI Bank announced that it offers Rupee Vostro Account to enable Indian exporters and importers to pay and settle export-import transactions in Indian Rupees (INR). The proposition reduces the foreign currency risk borne by Indian exporters and importers as they can use INR for invoicing, payment, and settlement of their transactions.

This initiative is in line with India's Foreign Trade Policy 2023 and RBI's framework for invoicing, payment, and settlement of exports/imports in INR, in addition to US Dollar, Euro and other currencies.

The Authorised Dealer (AD) banks in India can open Rupee Vostro Accounts of correspondent bank/s of a partner trading country to facilitate trade transactions in INR. ICICI Bank has a wide array of over 100 Rupee Vostro Accounts of correspondent banks across 29 countries including USA, Canada, UAE, Saudi Arabia, UK, Germany, and Malaysia.

Speaking about the initiative, Mr. Sumit Sanghai, Head – Large Clients Group, ICICI Bank said, "In line with the Government of India and Reserve Bank of India's move to boost foreign trade in rupees, ICICI Bank is offering Rupee Vostro Account to Indian exporters and importers to settle their international trade transactions in INR. ICICI Bank has a strong footprint of over 100 Rupee Vostro Accounts of banks located across 29 countries. As these countries cover most of India's export/import corridors, Indian exporters and importers can easily settle their trade transactions in INR, and help to promote the growth of Indian global trade and increase international trade in Indian Rupees. Export-import is one of the biggest contributors to India's economic growth. We believe our initiative will reduce the foreign currency exchange risk borne by our exporters and importers and will expedite international trade settlements."

Mr. Tarun Sharma takes charge as India Exim Bank's Deputy Managing Director

Mr. Tarun Sharma took charge as the Deputy Managing Director (DMD) of India Exim Bank on April 18, 2023. Prior to this, he was the Chief Financial Officer of the Bank and also led the Bank's technology initiatives. He has over two decades of global experience in trade, competitiveness, industry and infrastructure development and policy, and recently conceptualised and developed a new trade facilitation initiative, viz., Trade Assistance Programme (TAP), which provides credit enhancement to trade instruments to enhance the capacity of commercial banks to support cross-border trade transactions. Mr. Sharma is the Chair of the BRICS Financial Services Working Group, India Chapter since March 2022, and has earlier led the Task Force on SME cooperation.

Prior to being the CFO, Mr. Sharma was heading the Bank's New Delhi Office, with responsibilities covering structuring finance for enhancing capability of Indian companies; recovery and debt resolution; supporting socio-economic development projects in partner countries; handling government affairs and contributing to policy formulation. During this time, he was also responsible for launching a new initiative 'Ubharte Sitaare Programme' to identify enterprises that have latent potential by way of technology, product or process, and support through a mix of debt, equity and technical assistance. Mr. Sharma also established and managed a programme to support strategic projects globally under a concessional financing scheme of the Government.

Mr. Sharma has worked in various functional groups across the Bank, and has also served as the Bank's Resident Representative (Americas) based in Washington DC, followed by a stint as a consultant with the World Bank's Capacity Development and Partnerships Unit.

Mr. Sharma has authored a book 'Project Exports: Connecting Continents with Indian Expertise', exploring the instrumental role that project exports are capable of playing in India's quest for a sustainable rapid economic growth. Mr. Sharma has a bachelor's degree in engineering from Pune, followed by a postgraduate programme in management studies from Mumbai. He has also completed advanced executive management programmes from Cornell University in the U.S. and the Indian Institute of Management, Bangalore.

THE ROLE OF ARTIFICIAL INTELLIGENCE IN REVOLUTIONISING AGRICULTURE IN INDIA: A LOOK AT THE LATEST ADVANCEMENTS AND USE CASES

Agriculture has been one of the most fundamental practices that sustains human life, and the advancements in technology have made it possible to optimize the processes involved in Agriculture and allied activities. India's backbone is still its farmers. Artificial Intelligence (AI) holds the key to revolutionising the lives of farmers in India and has been one of the latest technologies that have gained significant recognition in the agricultural sector.

There's no doubt that crop yields, quality, and labour practices are more efficient now than they were 50 years ago. However, there's still a major need and scope for improvements. The global human population is exploding, with an estimated 9.9 billion of us on the planet by 2050 and with food demand projected to leap by 35%-56% in that time. And that's not to mention climatic changes that make resources like water and farmable land scarcer. From leveraging computer vision technology for crop and soil monitoring to disease detection and predictive analytics, the agriculture industry is entering a whole new phase of evolution-thanks to AI.

About the author

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Not only is there potential, but also rapidly growing interest and investment:

- Forbes reports that global spending on "smart" agriculture, including AI and machine learning, is projected to triple to $15.3 billion by 2025.
- Research suggests that the market size of AI in agriculture should expect a compound annual growth rate (CAGR) of 20%, reaching $2.5 billion by 2026.

Finance Minister Sitharaman, in her speech during budget 2023-24, also mentioned building a "digital public infrastructure" for agriculture to enable "inclusive, farmer-centric solutions through relevant information services for crop planning and health, improved access to farm inputs, credit and insurance, help for crop estimation, market intelligence, and support for growth of Agri-tech industry and start-ups". In fact, the overall allocation for the sector saw an increase of 4.7 per cent - from Rs 11,02,54.53 crore in the Revised Estimates (RE) of financial year (FY) 2022-23 to Rs 11,55,31.79 crore in 2023-24.

Advances in computer vision, mechatronics, artificial intelligence, and machine learning are enabling the development and deployment of remote sensing technologies to identify and manage plants, weeds, pests and diseases. This also provides a unique opportunity to develop intelligent seeding methods for precise fertilization. Artificial intelligence solutions can enable farmers not only to reduce wastage, but also improve quality and ensure faster market access for the produce.

Cognitive computing has become the most disruptive technology in agricultural services as it can learn, understand, and interact with different environments to maximize productivity. Microsoft is currently working with 175 farmers in Andhra Pradesh to provide agricultural, land and fertilizer advisory services. This initiative has already resulted in 30% higher average yield per hectare last year.

AI in agriculture involves the use of machine learning, computer vision, and robotics to optimize various aspects of farming. The technology helps farmers to analyse data, make informed decisions, and automate tasks that would be time-consuming and expensive when done manually.

Here we will be discussing some of the use cases of AI, Robotics and other technologies in Agriculture and allied activities.

Robots in farming have been gaining traction in recent years, as they offer the potential to revolutionize the agricultural industry. Robotic systems can be used to perform various tasks, such as planting, harvesting, weeding, and crop monitoring. Some of the way's robots are being used in farming are:

1. **Planting and Harvesting:** Robots can be used for precision planting and harvesting, which allows farmers to optimize their crop yields and reduce labour costs. For example, robots can be programmed to plant seeds at a specific depth and spacing, which can help ensure optimal growth and reduce waste.
2. **Automatic Weeding:** Robots can be used for automated weeding, which can help reduce the use of herbicides and improve crop yields. Automated weeding robots can use computer vision and machine learning algorithms to identify and target weeds, while avoiding crops.
3. **Crop and Soil Monitoring:** Robots can be used for crop monitoring, which can help farmers identify potential problems early and take corrective action. For example, robots can be equipped with sensors to monitor soil moisture levels, temperature, and nutrient levels.
4. **Dairy Farming:** Robots can also be used in dairy farming to automate tasks such as milking cows and feeding them. Automated milking robots can use sensors to detect when a cow needs to be milked, and then automatically attach and detach milking machines.
5. **Insect and Plant disease monitoring:** Using image recognition technology based on deep learning, we can now automate detection of plant diseases and pests. This works using image classification, detection, and image segmentation methods to build models that can "keep an eye" on plant health.
6. **Ariel survey and imaging:** AI can analyse imagery from drones and satellites to help farmers monitor crops and herds. That way they can be notified immediately if something looks amiss without having to constantly observe the fields themselves. Aerial imaging is also useful for boosting the precision and efficiency of pesticide spraying. As mentioned previously, ensuring that pesticides only go where they're intended saves money as well as the surrounding environment.
7. **Management of livestock:** Farmers can use sensors to track the health and behaviour of their animals, and machine learning algorithms can analyse the data to detect patterns and identify potential health problems. This helps farmers to prevent the spread of disease, reduce the use of antibiotics, and improve the overall health of their animals.

One of the advantages of using robots in farming is that they can work 24X7, without the need for breaks or rest. This can help farmers improve their efficiency and reduce labour costs. However, the initial investment required to purchase and implement robotic systems can be significant, and there may be ongoing maintenance costs.

Robots are playing an increasingly important role in farming, and they have the potential to revolutionize the industry. Robotic systems can help farmers optimize their crop yields, reduce labour costs, and improve the overall efficiency of their operations. As the technology continues to evolve, we can expect to see even more innovative applications of robotics in agriculture.

One of the significant applications of AI in agriculture is precision farming. Precision farming involves the use of sensors, drones, and other technologies to collect data on soil conditions, weather patterns, and crop growth. The data is then analysed using machine learning algorithms to provide farmers with real-time information on crop health, irrigation, and fertilization. This helps farmers to optimize crop production, reduce costs, and improve yields.

AI is also being used in crop monitoring, disease detection, and pest management. Computer vision algorithms can analyse images of crops and identify signs of disease or pest infestation. This helps farmers to identify potential problems early and take corrective action before the situation worsens.

Supply chain optimization in agriculture involves using data-driven approaches and technologies to improve the efficiency of the various processes involved in the production and distribution of agricultural products. This includes activities such as procurement, transportation, storage, processing, and delivery of agricultural goods.

Some potential benefits of supply chain optimization in agriculture include:

1. **Reduced waste:** By optimizing the supply chain, farmers and other stakeholders can minimize losses due to spoilage, damage, or other forms of waste. This can lead to increased profitability and reduced environmental impact.
2. **Improved traceability:** With an optimized supply chain, it is easier to track the movement of agricultural products from farm to fork. This can help to ensure food safety, enhance transparency, and meet regulatory requirements.

3. **Increased efficiency:** By reducing bottlenecks, optimizing inventory management, and streamlining logistics, supply chain optimization can improve overall efficiency and reduce costs.
4. **Better decision-making:** By leveraging data and analytics, farmers and other stakeholders can make more informed decisions about when and where to sell their products, how to allocate resources, and how to respond to changing market conditions.

Some examples of supply chain optimization technologies in agriculture include:

1. **Internet of Things (IoT)** sensors and devices that can monitor temperature, humidity, and other environmental factors throughout the supply chain.
2. **Blockchain-based** systems that can provide a secure and transparent record of the movement of agricultural products.
3. **Artificial intelligence (AI)** algorithms that can analyse data from various sources to optimize logistics, reduce waste, and improve decision-making.

Overall, supply chain optimization is becoming increasingly important in agriculture as stakeholders seek to improve efficiency, reduce waste, and meet the growing demand for sustainable and traceable food products.

In conclusion, AI is transforming agriculture by helping farmers to optimize crop production, reduce costs, and improve yields. The technology is also helping to improve the overall health of crops and animals and reduce the environmental impact of farming. As AI continues to evolve, it is expected to play an increasingly important role in the agricultural sector. ❑

GLOBAL REGULATORY PRIORITIES

Financial regulations refer to a form of regulation or supervision of financial markets and institutions. Though financial regulations and its implementation have been among the key functions in any economy, It was only after the 2008 financial crisis where regulators took aggressive action towards regulating the financial markets in a more prudent manner. Governments around the world were authorized to make global markets safer by providing transparency of transactions in order to stabilize the financial system. One of the key purposes of establishing financial regulations is to maintain the integrity of the financial system.

We all depend on the financial system-from saving and accessing money, borrowing money to maintain business, taking out mortgage or insurance, to getting claims paid when something goes wrong. When a bank fails due to its inability to meet its obligation towards depositors or other creditors, the effect can spread to the wider economy.Financial regulations aim to enforce applicable laws, prosecute cases of market misconduct, license providers of financial services, protect clients, investigate complaints, and maintain confidence in the financial system.

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The Challenge: The prospects for sustaining the global recovery that characterised the year 2021 on the back of unprecedented policy stimulus and rapid pace of vaccinations have been dimmed by the Russia-Ukraine war and synchronized and front-loaded monetary policy tightening in the face of surging global inflation. With persisting concerns about the near-term inflation outlook, amplified market volatility is raising financial stability risks. During these difficult times, higher capital and liquidity buffers have helped banks and financial institutions to remain resilient and stable. Nonetheless, fears of a hard landing have increased worldwide. For emerging market economies, these factors have translated into surges in capital outflows, sharp depreciation of exchange rates, loss of reserves and darkening macroeconomic prospects.

The global banking sector survived the pandemic shock well, gaining strength from capital buffers built since the Global Financial Crisis (GFC) and supported by various regulatory concessions to mitigate the impact of the pandemic. In the fast-changing global macroeconomic environment, fraught with geopolitical and pandemic-related concerns, however, the banking sector faces new challenges emanating from rising interest rates and the likely increase in debt servicing burdens. Credit demand-which is largely procyclical- is likely to remain subdued in response to the weakening economic outlook, with depressed treasury income, the likelihood of increasing delinquencies and dents to profitability.

(Source: Bank Lending Survey Q2: 2022-23, RBI)

Global regulatory priorities have shifted back to consolidation of the regulatory framework and protecting the financial system from the knock-on effects of an uncertain, volatile and hostile macroeconomic environment. Integrating climate risk into existing frameworks and mitigating the rising cyber risks are major areas of focus. Domestically, the emphasis is on improving the resilience of financial intermediaries, enhancing customer and investor protection, accelerating digitalisation, developing financial markets and strengthening the supervisory architecture. The Financial Stability and Development Council (FSDC) and its Sub-Committee remain steadfast in their commitment to develop a robust and efficient financial system for the Indian economy.

As the global economy transitions through a period of multiple shocks, regulatory efforts are refocusing on building up the resilience of the financial system. Specifically, global regulatory initiatives aim to address fragilities in non-bank financial intermediation and certain segments of financial markets, leveraged lending, cyber risks and crypto assets. Efforts are also on to integrate climate risk into regulatory frameworks. The following are major recent regulatory efforts made both internationally and in India to strengthen the stability and efficiency of the financial system.

1. Recent Global Regulatory Developments and Assessments

Liquidity imbalances in bond market: In the light of dislocations in sovereign debt markets, the FSB(Financial Stability Board) examined the liquidity, structure, and resilience of core government bond markets and observed that changes in market structure have rendered these markets susceptible to liquidity imbalances during periods of stress. According to the FSB, dealers' risk warehousing capacity to support intermediation is lower than the magnitude of trade flows, especially during times of stress, and non-bank liquidity sources do not seem to enhance market making. Elevated debt levels and increased usage of government bonds by some investors for trading, hedging and liquidity management strategies may have made some investors more susceptible to shocks. Central bank interventions, though effective in alleviating market strains, come with a price and should not replace market participants' responsibilities towards managing their own risks. To improve market resilience, the FSB also suggests policy measures such as enhanced use of central clearing for cash and repo transactions and use of all-to-all (A2A) trading platforms to lessen the need for dealer intermediation.

Review of Margining Practices: Heightened market volatility experienced in March 2020 led to a spike in margin calls across the financial system, for both centrally and non-centrally cleared markets. There was significant dispersion in the size of increases in initial margins (IMs) across and within asset classes. Evidence suggests that transparency around IM models differs across CCPs(Centrally Cleared Markets) and jurisdictions. In this context, the BIS and the International Organisation of Securities Commissions (IOSCO) reviewed margining practices. and suggested areas for further policy work such as increasing transparency in centrally cleared markets through consistent metrics and disclosures concerning procyclicality. They also recommend improving disclosures about liquidity, identifying data gaps in regulatory reporting and streamlining variation margin (VM) processes in centrally and non-centrally cleared markets.

A CCP is an entity that interposes itself between the two counterparties in a financial transaction. After the parties have agreed to a trade, the CCP becomes the buyer to every seller and the seller to every buyer. In doing so, the CCP reduces counterparty credit and liquidity risk exposures through netting. It also provides standardised and transparent risk management.

Financial Reporting and Disclosure during Economic Uncertainty: In its statement on financial reporting and disclosure during economic uncertainty, the IOSCO (International Organization of Securities Commissions) has emphasised that auditors have the responsibility of establishing and maintaining effective internal controls over financial reporting, and providing transparent, entity-specific disclosures to investors about the current and future effects of economic uncertainty.

Enhancing the Resilience of Non-Bank Financial Intermediation: The FSB published a progress report on enhancing the resilience of non-bank financial intermediation (NBFI). This was aimed at assessing and addressing vulnerabilities in specific NBFI areas that may have contributed to the build-up of liquidity imbalances and their amplification in times of stress. These areas include money market funds, open-ended funds, margining practices, bond market liquidity and fragilities in USD cross-border funding. The policy proposals aim to reduce liquidity demand spikes; enhance the resilience of liquidity supply in stress; and enhance risk monitoring and the preparedness of authorities and market participants. They involve largely repurposing existing policy tools rather than creating new ones, given the extensive micro-prudential and investor protection toolkit already available. The FSB will assess in due course whether repurposing such tools is sufficient to address systemic risk in NBFI, including the need to develop additional tools for use by authorities.

Non-bank financial intermediaries (NBFIs) comprise a mixed bag of institutions, ranging from leasing, factoring, and venture capital companies to various types of contractual savings and institutional investors (pension funds, insurance companies, and mutual funds). The common characteristic of these institutions is that they mobilize savings and facilitate the financing of different activities, but they do not accept deposits from the public.

Climate Related Risks and Financial Stability: Climate risk, even a decade back, was not a prerogative of either the policymakers, regulators, or the businesses. However, with the countries becoming increasingly exposed to climate related catastrophe (like wildfires in California, Australia, and Brazil) and extreme weather events (droughts or floods) often causing severe disruption in supply chain or hampering business continuity, the issue of climate change has come to the fore. The risk is further compounded by mitigation related regulatory policies (say due to a carbon tax or cap on fossil fuel usage or banning of diesel cars) that imposes high adjustment costs for the businesses.

The FSB's final report on regulatory approaches to climate-related risks has highlighted the need for policy authorities to focus on defining, identifying, and gathering climate-related data and indicators that can help with monitoring and assessing climate risk as well as arrive at common definitions for different risks. The report also notes that micro-prudential tools alone may not sufficiently address the cross-sectoral, global and systemic dimensions of climate-related risks. Authorities should consider the possible extensive effects of climate related risks on the financial system and develop macro prudential tools by expanding the use of climate scenario analysis and stress testing, with research and analysis on appropriate enhancements to regulatory frameworks.

Crypto Assets and Financial Stability: The Basel Committee has prescribed a global minimum prudential treatment for banks' exposures to crypto assets to mitigate the risk from crypto assets, which was endorsed by the Governors and Heads of Supervision (GHOS) on December 16, 2022. Under the new standard, banks are required to classify crypto assets on an ongoing basis into the following two groups, where those in Group 2 will be subjected to newly prescribed conservative capital treatment effective from January 1, 2025.

Group 1: Tokenised traditional assets; and crypto assets with effective stabilisation mechanisms that are subject to capital requirements based on the risk weights of underlying exposures as set out in the existing Basel Framework; and

Group 2: those that pose additional risks compared with Group 1. This includes all unbacked crypto assets along with any tokenised traditional assets and stablecoins that fail certain classification conditions. For group 2 crypto assets, a bank's total exposure must not exceed 2% of Tier 1 capital and should generally be lower than 1%.

The new standard includes description of how the operational risk, liquidity, leverage ratio and large exposure requirements would be applied to banks' crypto assets exposure.The FSB has proposed a framework for the international regulation of crypto assets activities. It observed that the turmoil in crypto assets market highlights their intrinsic volatility and structural vulnerabilities whereas their interconnectedness with the traditional financial system is increasing. Its recommendations seek to promote international consistency on regulatory and supervisory approaches, which are grounded in the principle of "same activity, same risk, same regulation" approach.

Financial Innovation and Financial Stability: The IOSCO report on innovation facilitators (IFs) has highlighted the use of financial technology to enhance risk management, compliance, and supervision. It covers three types of IFs, viz., innovation hubs, regulatory sandboxes and regulatory accelerators. Innovation hubs and regulatory sandboxes may provide regulators with additional market intelligence and can constitute a source for understanding potential risks and mitigating elements. While establishing IFs, authorities should undertake a comprehensive analysis of function, scope and structure along with potential impact on investor protection, market integrity and financial stability. Test scenarios,expected outcomes and the target audience should be properly defined, and authorities should engage with key stakeholders, industry associations and other relevant authorities to address regulatory barriers for beneficial innovations.

Cyber Risk and Financial Stability: The FSB's consultative document on cyber incident reporting has proposed greater convergence in cyber incident reporting (CIR) for enhancing cyber resilience of the financial system. It has set out recommendations to address operational challenges arising from the process of collection of information as well as reporting of cyber incidents to multiple authorities, especially during the early stages of a cyber incident when confidence may be low about the cause and probable impact of the incident. The consultation also covers establishing common terminologies related to cyber incidents and the proposal to develop a common format for incident reporting exchange (FIRE). Harmonised CIR schemes necessitate a common language and common definition and understanding of what constitutes a cyber incident, to avoid over reporting of incidents. A review of incident reporting templates and stocktake of authorities' cyber incident reporting regimes indicated a high degree of commonality in the information requirements for cyber incident reports. Building on this, it is proposed to develop a common reporting format that could be further considered among financial institutions.

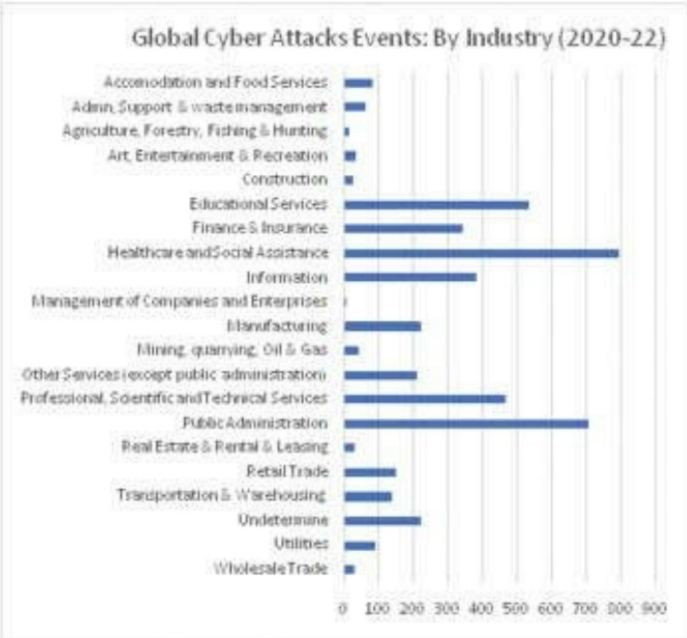
The BIS working paper on cyber risk in central banking has highlighted phishing and social engineering as the most common methods of cyber-attacks related to central banks. The growing adoption of cloud-based services as well as the shift to remote work has key implications for cyber security strategies. In the absence of a well-defined perimeter, one of the challenges of cloud adoption relates to information security being threatened by lack of consistently applied security controls. The BIS survey reveals that central banks have notably increased their investments in cyber security since 2020, giving priority to technical security control and resiliency and focussing on developing incident response plans. Major cyber shocks may exacerbate liquidity risk and consequent fire-sale of assets for firms. Thus, cybersecurity measures and regulations are receiving greater attention from policymakers.

Source: University of Maryland CISSM Cyber Attacks Database.

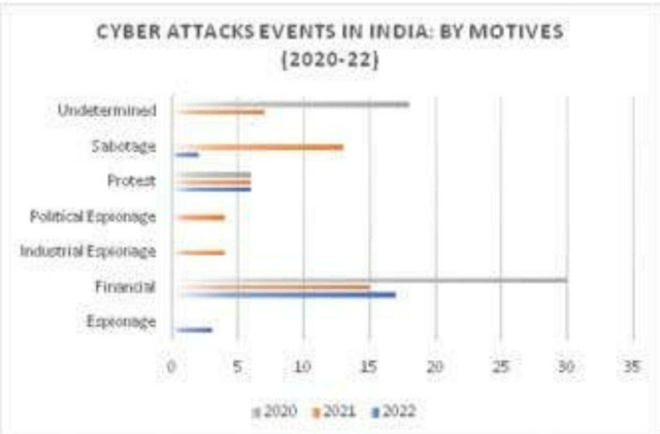
Source: University of Maryland CISSM Cyber Attacks Database.

2. Domestic Regulatory Developments

The Financial Stability and Development Council (FSDC), chaired by the Union Finance Minister, met on September 15, 2022. The Council deliberated on early warning indicators for the economy, improving the efficiency of the existing financial/ credit information systems, issues of governance and management in systemically important financial institutions (SIFIs), strengthening the cyber security framework in financial sector, common know-your-customer (KYC) for all financial services and related matters, status of the account aggregator (AA) framework, issues relating to financing of the power sector, the strategic role of the International Financial Services Centre (IFSC) in India, inter-



regulatory issues relating to Gujarat International Finance Tec-City (GIFT) - IFSC, and the need for utilisation of the



services of registered valuers by all government departments. The Council noted that there is a need to monitor financial sector risks and market developments on a continuous basis to ensure appropriate and timely action for strengthening financial stability. The Council also took note of the preparations in respect of financial sector issues to be taken up during India's G-20 Presidency. Members resolved to remain vigilant and proactive to ensure that financial markets and financial institutions remained resilient amidst destabilising global spill overs.

Reserve Bank of India (Unhedged Foreign Currency Exposure) Directions, 2022: Entities which do not hedge their foreign currency exposures can incur significant losses during a period of heightened volatility in foreign exchange rates. These losses may reduce their capacity to service the loans taken from banks and increase their probability of default thereby affecting the health of the banking system. To address the risk emanating from banks' exposure to entities having Unhedged Foreign Currency Exposure (UFCE), several guidelines / instructions were put in place starting from October 1999. A review of these guidelines was undertaken and consolidated as master directions to all commercial banks (excluding payments banks and RRBs). Some of the key changes incorporated in the directions are to provide clarity/ reduce compliance burden are as under:

a) Exemption from UFCE guidelines: Banks' exposures to entities arising from derivative transactions were exempted, provided such entities have no other exposures to banks in India. This exemption has been expanded to include factoring transactions.

b) Alternative method for exposure to smaller entities: To reduce the compliance burden, the threshold for 'smaller entities' based on total exposure from banking system has been revised to Rs. 50 crores (up from Rs.25 crore). For such entities, banks will not be required to periodically obtain hedging information.

Review of Regulatory Framework for ARCs: Asset reconstruction companies (ARCs) play a vital role in the management of distressed financial assets of banks and financial institutions. Based on the recommendations of a committee set up by the Reserve Bank to undertake a comprehensive review of their working, the extant regulatory framework has been amended to strengthen governance norms, enhance transparency and disclosures, strengthen prudential requirement and increase the efficacy of ARCs. The guidelines inter alia mandate an independent director as Chair of the Board, maximum continuous tenure of 15 years for the Managing Director (MD)/ Chief Executive Officer (CEO) and wholetime Directors, constitution of an Audit Committee and a Nomination and Remuneration Committee.

ARCs are required to disclose the information about the track record, rating migration and engagement with rating agency of schemes floated by them over the last eight years. From a prudential perspective, the minimum net owned fund (NOF) of ARCs has been increased to Rs.300 crore. They are required to invest in security receipts (SRs) at a minimum of the higher of the 15 per cent of transferors' investment in the SRs or 2.5 per cent of the total SRs issued. ARCs are also permitted to act as resolution applicant under the Insolvency and Bankruptcy Code (IBC), 2016, subject to certain conditions. Lenders can now transfer all categories of special mention accounts to ARCs. Furthermore, the avenues for deployment of surplus funds have been broadened. Linking the collection of management fee/ incentive to the recovery effected from the underlying financial assets is expected to shift the focus of ARCs from a management fee mindset to resolution mindset.

Regulations Review Authority 2.0: The Regulations Review Authority 2.0 (RRA) was set up by the Reserve Bank in 2021 with the objective of inter alia enhancing the ease of compliance for regulated entities (REs). Based on internal and external review process, the RRA made recommendations on reduction of regulatory burden, rationalisation of reporting mechanism and streamlining of regulatory instructions and communication. For further ease of access to information, a 'Regulatory Reporting' portal has been created within the RBI website, which contains information relating to statutory, regulatory and supervisory returns at a single source. For dissemination among the REs and stakeholders, press releases recommending withdrawal of certain regulatory instructions and discontinuation/ merger/ online submission of returns were issued.

Regulatory changes undertaken in respect of Urban Cooperative banks:

The Reserve Bank had formed an Expert Committee on UCBs in 2021. The recommendations of the Committee have since been examined for implementation duly factoring in the feedback received. The major recommendations, which have been accepted/ accepted with modification include:

(a) Adoption of a simple four-tiered regulatory framework with differentiated regulatory prescriptions aimed at strengthening the financial soundness of the existing UCBs. Specifically, a minimum net worth of Rs.2 crore for Tier 1 UCBs operating in single district and Rs.5 crore for all other UCBs (of all tiers) have been stipulated. The UCBs which do not meet the requirement, have been provided with a glide path to facilitate smooth transition to revised norms.

(b) Revision of minimum CRAR to 12 per cent to strengthen the capital structure of Tier 2, Tier 3 and Tier 4 UCBs. UCBs which do not meet the revised CRAR have been provided with a glide path for achieving the same in a phased manner. For Tier 1 UCBs, CRAR is retained at 9 per cent.

(c) Introduction of automatic route for branch expansion to UCBs which meet the revised financially sound and well managed (FSWM) criteria and permitting them to open new branches up to 10 per cent of the number of branches as at the end of the previous financial year, subject to a minimum of one branch and a maximum of five branches.

(d) Assignment of risk weights for housing loans based on Loan to Value (LTV) Ratio alone, which would result in capital savings.

(e) Inclusion of revaluation reserves in Tier-I capital subject to applicable discount on the lines of scheduled commercial banks.

Appointment of Internal Ombudsman by the Credit Information Companies: With a view to strengthening and improving the efficiency of the internal grievance redressal mechanism of credit information companies (CICs), it has been decided to bring the CICs under the Internal Ombudsman (IO) framework. Under the mechanism, all complaints that are partly or wholly rejected by CICs will be reviewed by the IO before the final decision of the CIC is conveyed to the complainant.

Guidelines on Digital Lending: Based on the recommendations made by the Working Group on Digital Lending, the Reserve Bank issued guidelines on digital lending applicable to all commercial banks, primary (urban) co-operative banks, state co-operative banks, district central co-operative banks and non-banking financial companies, including housing finance companies (collectively referred to as REs). The guidelines seek to achieve transparency and fairness inter alia by (a) mandating flow of funds between lenders and borrowers only through their bank accounts without any pass-through account/ pool account of any third party; (b) ensuring loan service providers do not collect any fee/charges directly from the customer; (c) transparent disclosure of the key facts of the borrowing arrangement including the all-inclusive cost to a borrower; (d) ensuring need based collection of data with audit trails backed by explicit customer consent; and (e) putting in place an appropriate privacy policy with regard to customer data.

International Trade Settlement in Indian Rupees: In order to promote trade with emphasis on exports from India and to support the increasing interest of the global trading community in INR, an additional arrangement has been put in place for invoicing, payment and settlement of exports/ imports in INR. Under the Foreign Exchange Management Act, (FEMA), 1999 the broad framework for cross border trade transactions in INR is: (a) all exports and imports under this arrangement may be denominated and invoiced in INR; (b) the exchange rate between the currencies of two trading partner countries may be market determined; and (c) settlement of trade transactions under this arrangement shall take place in INR. Accordingly, subject to prior approval from the Reserve Bank, Authorised

Dealer (AD) banks in India are permitted to open Special Rupee Vostro Accounts of correspondent bank/s of the partner trading country for settlement of trade transactions, and Indian exporters may receive advance payment in INR against exports from overseas importers through this channel.

Master Directions on Transfer of Loan Exposures and Securitisation of Standard Assets (Amendments): Master Direction on Transfer of Loan Exposure was amended to inter alia permit overseas branches of specified lenders to (a) acquire only 'not in default' loan exposures from a financial entity operating and regulated as a bank in the host jurisdiction; (b) transfer exposures 'in default' as well as 'not in default' pertaining to resident entities to a financial entity operating and regulated as a bank in the host jurisdiction; and (c) transfer exposures 'in default' as well as 'not in default' pertaining to non-residents, to any entity regulated by a financial sector regulator in the host jurisdiction. Amendments have also been made in certain provisions related to minimum holding period (MHP), valuation of security receipts (SRs), transfer of stressed loans to ARCs, and credit/ investment exposure of lenders. Additionally, the term 'Economic Interest' has now been explicitly defined as 'the risks and rewards that may arise out of loan exposure through the life of the loan exposure'. In December 2022, the Reserve Bank, disallowed securitisation of loans with residual maturity of less than 365 days. Furthermore, it was clarified that the minimum holding period (MHP) for commercial or residential real estate mortgages shall be counted from the date of full disbursement of the loan, or registration of security interest with the Central Registry of Securitisation Asset

Reconstruction and Security Interest of India (CERSAI), whichever is later.

Identification of NBFCs in the Upper Layer: The blow-up of IL&FS four years back was one of the biggest financial crises involving a big conglomerate that seized the financial system and sapped liquidity. The debt involved was about Rs.1 lakh crore, of which only Rs 55,000 crore have been resolved and about 62% of it is unresolved. Considering the evolution of NBFCs in terms of size, complexity, and interconnectedness within the financial sector, the Reserve Bank had issued 'Scale Based Regulation (SBR): A Revised Regulatory Framework for NBFCs' on October 22, 2021, to align the regulations for NBFCs with their changing risk profile. The framework categorised NBFCs in Base Layer (NBFC-BL), Middle Layer (NBFC-ML), Upper Layer (NBFC-UL) and Top Layer (NBFC-TL) and stated that the Upper Layer shall comprise those NBFCs which are specifically identified by the Reserve Bank, based on a set of parameters and scoring methodology as provided in the framework. The top ten NBFCs in terms of their asset size shall always reside in the Upper Layer. Accordingly, a list of sixteen NBFCs categorised as NBFC-UL was released on September 30, 2022.

Digital Rupee (e₹) - Wholesale and Retail: Digital Rupee (e₹), the CBDC in India, is similar to the physical currency in terms of being a legal tender, accepted as a medium of payment and a safe store of value. The e₹ will provide an additional form of money to be used by the public. A pilot for e₹ in the wholesale segment (e₹-W) for settlement of secondary market transactions in government securities, was launched on November 1, 2022with the participation of nine banks. It is expected to make the inter-bank market more efficient and reduce transaction costs by pre-empting the need for settlement guarantee infrastructure or for collateral to mitigate settlement risk. Based on the learnings from this pilot, other wholesale transactions and cross-border payments will be the focus of future pilots. The first pilot e₹ in the retail segment (e₹-R) was launched on December 1, 2022 in select locations in a closed user group comprising customers and merchants across the country. The first phase has begun with four banks, and more banks will join this pilot subsequently. The e₹-R pilot will provide the public with a risk-free medium of exchange as it represents a direct liability of the central bank, with features of physical cash like trust, safety and immediate settlement finality in digital transactions.

Enabling framework for Regulatory Sandbox: The Reserve Bank issued standard operating procedure (SOP) for Interoperable Regulatory Sandbox (IoRS) to facilitate testing of innovative products/ services whose business models/ activities/ features fall within the regulatory ambit of more than one financial sector regulator. The SOP for IoRS has been prepared by the Inter-Regulatory Technical Group on FinTech (IRTG on FinTech). The regulatory sandbox framework of the regulator under whose remit the 'dominant feature' of the product falls, shall govern it as 'Principal Regulator (PR)'. The regulator/s under whose remit the other features apart from the dominant feature of the product fall shall be the 'Associate Regulator (AR)'. The test design shall be finalised by the PR in consultation with the AR.

REITs and InvITs - Fund Raising and Future Outlook: Real Estate Investment Trusts (REITs) comprise of portfolios of commercial real estate assets, a major portion of which is already leased out. While Infrastructure Investment Trusts (InvITs) comprise of portfolios of infrastructure assets such as highways and power transmission assets etc. REITs and InvITs facilitate real estate and infrastructure financing and investment in the country. There are five registered REITs and 19 registered InvITs with the SEBI as on November 30, 2022. Till November 30, 2022, InvITs raised Rs.79,483 crore, while REITs raised Rs.15,250 crore. The Union Budget of 2022-23 has allocated Rs.7.5 lakh crore for infrastructure, which is 35.4 per cent more than the allocation in the previous year. The Government of India has also laid an added thrust on infrastructure development, with its focus on initiatives like PM GatiShakti, National Infrastructure Pipeline, inclusive development and financing of investments.

Corporate Insolvency Resolution Process (CIRP):

Since the inception of the Insolvency and Bankruptcy Code (IBC) in December 2016, 5,893 CIRPs had commenced by end-September 2022, of which 67 per cent have been closed. Of these, around 21 per cent were closed on appeal or review or settled, 19 per cent were withdrawn, 46 per cent ended in orders for liquidation and 14 per cent culminated in approval of resolution plans). Till September 30, 2022, 553 CIRPs have ended in resolution. Where the processes were initiated under section 7 of the Code, realisation by financial creditors (FCs) under resolution plans in comparison to liquidation value was 201 per cent while the realisation by them was 33 per cent of their claims. 46 per cent of the closed CIRPs yielded orders for liquidation, as compared to 14 per cent ending up with a resolution plan.

However, more than 76 per cent of the CIRPs ending in liquidation (1349 out of 1774 for which data are available) were earlier with the Board for Industrial and Financial Reconstruction (BIFR) and/ or are defunct. The economic value of most of the corporate debtors that ended in liquidation had almost completely eroded even before they were admitted into CIRP. These CDs had assets, on an average, valued at less than 8 per cent of the outstanding debt amount.53 per cent of CIRPs initiated by operational creditors (OCs) were closed on appeal, review, or withdrawal. Such closures accounted for about 72 per cent of all closures by appeal, review, or withdrawal. There is a need for more prompt action through identification and filing of accounts so that resolution process may result in sufficient value for the stakeholders.

Conclusion

Financial sector regulation involves continuous assessment of risks with pro-active policy responses. In the current challenging global environment, regulatory efforts are focused on addressing vulnerabilities in non-bank financial intermediation and core segments of financial markets. Protecting the financial system from the ill effects of climate risk is a major policy goal for regulators. The increasing threat of cyber risk is another key focus area for regulators, given its potential to increase vulnerabilities at institutional and system levels. Domestically, the goal is to safeguard the domestic financial system from internal and external shocks while protecting customers and preserving financial stability.

In this context, regulatory measures are aimed at improving the resilience of financial intermediaries, easing compliance,

reducing regulatory costs, driving digitalisation, improving customer protection and access to finance. Regulators remain alert to the rapidly changing financial ecosystem with a view to enhancing its efficiency and ensuring its soundness and stability. The right policy trade-offs, in emerging markets like India, is the need of hour and the central bank when designing regulation and supervision for the banking sector must address all tough challenges to ensure a sustainable growth.

There is evidence that the economic reforms undertaken since 2008 have provided many wide-spread benefits. This includes macroeconomic benefits that have resulted in more stable economic growth and restrained inflation. It also includes microeconomic benefits that have resulted in a greater amount of choice for consumers, lower prices and improved quality of services. Every reform brings visible changes in the sectors for which it is targeted but such an impact cannot be isolated only to that segment of economy.

No matter how relevant the present policies of a bank are, we must study the possible impact of such reforms on our working to ensure continuous improvement. The disguised impact of economic reform needs to be recognized and arrangements to assist transition can be an important part of policy design. A reform is always for betterment of prevailing conditions, and we have to be adaptive to such changes so that banks remain in good shape in the marathon of economic development and the public money is safely and profitably deployed.

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REINVENTING CUSTOMER EXPERIENCE THROUGH CONVERSATIONAL BANKING

Introduction

The Banking, Financial Services & Insurance (BFSI) industry is continuously undergoing a remarkable digital transformation that is leading the way with new FinTech, InsurTech and RegTech services. Taking a cue from this, banks that have moved from traditional banking methods to digital methods should start thinking about engaging their customers through conversational banking strategies.

Research shows that most of the institutions, at some point, considered determining the next best action in customer communication using strategies that involved optimizing the use of technology by leveraging Customer/ Data Analytics, Artificial Intelligence and Machine Learning to improve the overall experience of the customer.

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What is Conversational Banking?

Conversational banking means banking digitally through voice, text messaging apps or by engaging the customer using visual tools. The communication can take the form of a chat, either text or voice or video, where the customer can directly chat with the bank. Soon, this can even take the form of communicating face-to-face in a virtual environment (metaverse, for example).

Advantages

Conversational banking facilitates customers to interact with chatbots, voice assistants, human agents via live chat, mobile apps to get customized advice. By adding a personal touch on the customers' preferred mode of digital interaction, along with the convenience, they are also offered a quick and logical solution with an emotional touch.

Meansof Conversational Banking

Support through Automation

Chatbots in banking can assist to conduct a wide variety of financial transactions in a customer-friendly conversational manner. This interaction is conducted securely and offers a range of transactions like account overview, funds transfer, policy renewal, refund processing, and similar simple tasks.

Banks	Customers
Cost-saving: Using chatbots to handle common customer requests can save huge operational costs.	Always avqailable: 24x7x365 availability with zero wait time to handle general queries.
Fewer errors: Manual work is more prone to errors and customer dissatisfaction eventuality. AI alded digital interaction delivers error-free service.	Service quality: Fewer errors in interaction lead to faster and more effective resolution.
Scalability: Sudden increase in volume to service will not be affected.	Customer engagement: Customers can also be reached proactively to improve satisfaction and brand loyalty.

Bank of America deployed a virtual financial assistant named Erica, a bot that has efficiently handled customer service queries in various ways like sending notifications and providing balance information, sharing money-saving tips, providing credit report updates, facilitating bill payments, etc.Closer home, State Bank of India has deployed virtual assistants in all its apps and websites like SIA, SBI Voice Assist, ILA, etc that guide and engage the customers for their basic banking needs.

Support in Real-time through co-browsing

Co-browsing is a live engagement tool, which is collaborative where both parties can browse together and interact in real-time. This scenario allows agents to see what the customer sees making the interaction successful. The security aspect is taken care of by blocking other information on the device and by masking certain fields with sensitive information.

Co-browsing benefits

- Personalized service delivery
- Faster resolution rate
- Customer education

Support in Real-time through Video Tools

One step ahead of support through chat is extending the same through video-based tools. In situations where the customer is unable to visit physically, this type of interaction would be a blessing that will help build an effective relationship. The video interaction can also be used for product demos for seamless onboarding as visual communication is always better. The round-the-clock service offers customers to converse with a video banker through a smartphone, tablet, or computer at a time and place convenient to them.

Experience Design

To create a great conversational banking platform, thereby, creating an appealing experience to the customer, the flow of the financial services offered have to be streamlined. The steps to be followed are

1. Identify all the customer interaction touchpoints and deliver a consistent omnichannel experience.
2. Divide the customer journey based on their category like established, new and prospective customers.
3. Identify common queries and automate the same using a bot. Repetitive and general questions can be handled by the automated system more efficiently.
4. Make sure that a human agent is available to take overcomplex queries where the bot cannot handle,and the switch must be seamless.
5. Engage the customer in real-time chat, voice or video

(even co-browsing) to deliver effective solutions with personalized conversations.

Customer Data Privacy

Customer data, being a huge responsibility for the banks, risks associated with conversational banking must be completely taken care of to protect the data and retain trust.

Measures banks can adopt to protect data are

1. Leveraging automated technologies like chatbots also means several security measures can be built-in to protect customer data like proper identification and authentication.
2. The messaging app used by the customer for the banking services should be secure with no data storing capability and fully encrypted end-to-end.
3. The coordination and collaboration among the teams like technology, information security, finance, legal and compliance in the bank will pave way for a safe and secure banking experience.
4. In the case ofthird-party tie-ups in, sufficient careshould be ensured for confidentiality and non-disclosure.

The Near Future

The influence and involvement of conversational interfaces are going to be huge for banking services. The landscape in conversational banking will surely undergo drastic change and can shortly be more advanced.

- In addition to handling common queries, conversational AI will be able to handle complex queries and respond accordingly by understanding the mood and emotion of the customer.
- The hybrid form of interaction will be the norm with a convenient mix of chat, voice and human interface.
- The shift between channels will be smooth with the continuation of the contextual engagement seamlessly to avoid repetition.

The next big step will be opening the banking channels completely to popularly available voice assistants (like Siri, Google Assistant, Alexa, Cortana) and messaging applications (like WhatsApp, Telegram, Signal, Messenger, WeChat, etc). In fact, this is already a reality asbanks worldwide and a few of them in India (like Axis Bank) have enabled this facility in smart speakers.And many have integrated their services with messaging applications to offer services over chat.

Conclusion

An approach with suitable policies and vision in building AI-based conversational banking solutions will surely help banks gainsubstantialyields. Research and experience to date show that conversational banking can aid in revenue growth significantly in addition to cost reduction. This itself should push banks to grab the opportunity and embrace the trend to offer a personalized experience through customers' preferred means. ❑

NCLAT upholds Rs. 1,338-crore fine on Google, grants partial relief

An appellate tribunal handed out a mixed verdict on Google's alleged anti-competitive practices in the android mobile devise case - upholding a fine of Rs. 1,338 crore but scrapping conditions like allowing hosting of third-party app stores on its Play Store.

While upholding the fine imposed by the CCI for exploiting its dominant position in Android, the NCLAT struck down anti-trust regulator order that had said Google will not restrict the removal of its pre-installed apps by the users.

Notably, the NCLAT in its 189-page order, upheld CCI's six directions, including one in which Google was asked to allow the users during the initial device setup to choose their default search engine, and another that made it clear that OEMs cannot be forced to pre-install a bouquet of apps.

Google said it is reviewing the NCLAT order and is in the process of evaluating legal options. A two-member bench of the National Company Law Appellate Tribunal (NCLAT) has asked Google to implement the direction and deposit the amount in 30 days.

QR: THE NEXT BIG DISRUPTOR

QR codes have been around for more than two decades, but they're only just starting to gain real traction as a disruptive technology. The square, black and white codes are essentially a type of barcode that can be scanned by a smartphone or other device, allowing users to quickly access information or complete tasks. While QR codes have been used in marketing and advertising for several years, they're now being embraced by a wider range of industries, from healthcare to finance.

QR codes were first developed in 1994 by a Japanese company called Denso Wave. Originally, they were used in the manufacturing industry . Over time, QR codes were also used in marketing, allowing customers to scan codes on products or advertisements to learn more about a product or access special promotions.

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What are QR Codes?

QR codes are two-dimensional barcodes that were first developed in Japan . They were originally designed for use in the automotive industry, where they were used to track parts and inventory. However, their potential soon became clear, and they were quickly adopted in a variety of other industries, including advertising, marketing, and retail.

The basic structure of a QR code consists of a matrix of black and white squares, which can be read by a QR code scanner. The scanner uses the pattern of squares to decode the information that is contained within the code, which can be anything from a website URL to a product description.

How do QR Codes Work?

QR codes work by encoding information in a way that can be read by a QR code scanner. The scanner uses a camera to capture an image of the code, and then uses software to decode the information that is contained within it. The software then performs the appropriate action, such as opening a website or displaying a product description.

QR codes can be used to encode a wide variety of different types of information, including text, URLs, email addresses, phone numbers, and more. They can also be customized with different colours, logos, and designs, making them a versatile and effective tool for marketing and advertising.

However, despite the potential benefits of QR codes, they never really caught on with the general public. One reason for this was that in the early days, users needed a special app to scan QR codes, which created an additional barrier to entry. Additionally, the codes were often small and difficult to scan accurately, which made the process frustrating for users.

However, recent advances in technology have made it easier than ever to scan QR codes. Most smartphones now have built-in QR code readers, so users no longer need to download a separate app. Additionally, QR codes are now being used in larger formats, such as on billboards or signs, which makes them easier to scan and more noticeable to users.

One of the industries that is currently embracing QR codes is healthcare. With COVID-19 pandemic, QR codes have become a crucial tool for tracking and tracing. QR codes are also being used in healthcare settings to track patient data and improve communication between healthcare providers.

Another industry that is benefiting from QR codes is finance. QR codes are increasingly being used as a payment method in many countries, particularly in Asia. Users can simply scan a QR code to make a payment, eliminating the need for physical cash or credit cards. This has the potential to make payments faster, more convenient, and more secure.

QR codes are also being used in education to improve communication between teachers and students. For example, teachers can display QR codes in the classroom that link to additional resources or assignments. Students can then scan the codes with their smartphones to access the resources directly. This can be particularly helpful in remote or hybrid learning environments, where students may not have access to physical resources or textbooks.

One potential benefit of QR codes is that they can help reduce physical contact in a variety of settings. For example, QR codes can be used to order food or drinks in a restaurant without having to interact with a server. QR codes can also be used to check into hotels or rental properties without having to interact with a receptionist.

Why are QR Codes the Next Big Disruptor?

There are several reasons why QR codes are poised to become the next big disruptor:

They are convenient and efficient. QR codes allow information to be transmitted quickly and easily, without the need for manual input. This makes them ideal for a variety of applications, from shopping to ticketing to information sharing.They are versatile. QR codes can be used to encode a wide variety of different types of information, making them a flexible tool for marketers and businesses.They are cost-effective. QR codes can be generated and printed at a low cost, making them accessible to businesses of all sizes.

They are ubiquitous. QR codes are already widely used in many countries around the world, and their adoption is only expected to grow in the coming years.

How are QR Codes being used today?

QR codes are already being used in a wide variety of applications, from marketing and advertising to ticketing and payments. Here are a few examples of how QR codes are being used today:

Marketing and Advertising: QR codes are being used by businesses to drive traffic to their websites, promote special offers, and provide customers with more information about their products and services.

Ticketing: QR codes are being used by airlines, theatres, and other businesses to streamline the ticketing process. Instead of printing physical tickets, customers can simply scan a QR code on their mobile device to gain entry.

Payments: QR codes are being used in many countries as a way to facilitate mobile payments. Customers can simply scan a QR code at the point of sale to make a payment.

Information Sharing: QR codes are being used by museums, art galleries, and other cultural institutions to provide visitors with more information about the exhibits. Visitors can simply scan a QR code to access audio guides, videos, and other multimedia content.

The Future of QR Codes

As technology continues to advance, the potential uses for QR codes are only expected to grow. Here are a few potential applications for QR codes in the future:

Contactless Payments: As the world continues to move towards contactless payments, QR codes are likely tobecome an increasingly important tool for facilitating these transactions. With the ability to encode payment information and securely transmit it to a point of sale, QR codes could become a more widespread and convenient way to make payments without the need for physical credit cards.

Digital Identity: QR codes could also be used as a way to store and transmit digital identity information. With the ability to encode personal data such as name, address, and identification numbers, QR codes could become a secure and efficient way to verify identity in a variety of contexts, from voting to accessing government services.

Health and Safety: QR codes could also play a role in promoting health and safety. For example, QR codes could be used to provide information about vaccination status, allowing individuals to easily demonstrate that they have been vaccinated against a particular disease. QR codes could also be used to provide information about sanitation protocols or contact tracing, helping to prevent the spread of infectious diseases.

Augmented Reality: QR codes could also be used as a tool for augmented reality experiences. By encoding information that is specific to a particular location or object, QR codes could allow users to access interactive content and experiences that are tailored to their surroundings.

Conclusion

QR codes have the potential to become the next big disruptor in a variety of industries, from marketing and advertising to payments and digital identity. As technology continues to advance, the potential uses for QR codes are only expected to grow. With their convenience, efficiency, and versatility, QR codes are a powerful tool for transmitting information and interacting with the world around us. It remains to be seen exactly how QR codes will be used in the future, but their potential is undeniable. ❑

PSUs must get shareholders nod for appointing directors

Listed public sector companies, including banks, will be required to take shareholders' approval for any appointment or reappointment to the board of directors in the immediate next general meeting, capital markets regulator Sebi has clarified. In case shareholders do not clear resolution for the appointment, such a person would cease to be a director, it added.

Providing informal guidance to state-owned Bank of Baroda, the Securities and Exchange Board of India (Sebi) indicated that its views might differ on a case-to-case basis. The clarification came after Bank of Baroda sought informal guidance in relation to amendments made in LODR (Listing Obligations and Disclosure Requirements) rules pertaining to shareholders' requirement for appointment on the board.

PSU banks set target for selling flagship govt insurance schemes in FY24

Public sector banks (PSBs) have set a target for the sale of flagship government insurance schemes Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and Pradhan Mantri Suraksha Bima Yojana (PMSBY) in FY24. Besides, they have also set goals for other financial inclusion schemes like Mudra Yojana and StandUp India Scheme. There are about 8.3 crore beneficiaries under PMJJBY and 23.9 crore under PMSBY, as of now. Since the launch of the schemes in 2015, 15.99 crore enrolment has taken place under PMJJBY, while 33.78 crore under PMSBY as of March 31, 2023.

Last year, the finance ministry revised rates from Rs 330 to Rs 436 under PMJJBY and from Rs 12 to Rs 20 for PMSBY, effective June 1, 2022. The revision was being undertaken because of the long-standing adverse claims experience by the schemes and to make them economically viable.

CATASTROPHIC BONDS - ISSUANCE, TYPES, BENEFITS AND RISKS INVOLVED

Catastrophic bonds, also known as catastrophe bonds, are a form of risk management instrument. It is a high-yield debt instrument that is designed to raise money for companies in the insurance industry in the event of a natural disaster. They have short maturity dates of between three-to-five years. They are designed to transfer the financial risk of catastrophic events from insurers or reinsurers to investors in the capital markets. Catastrophic events, such as natural disasters or pandemics, can result in significant losses for insurers, which can impact their ability to pay claims. Catastrophic bonds provide insurers with a mechanism to transfer some of this risk to the capital markets, thereby reducing their exposure to losses.

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The use of catastrophic bonds has grown in popularity in recent years as insurers seek to manage their risk exposure to catastrophic events.In recent years, catastrophic events such as hurricanes, earthquakes, and pandemics have caused significant losses to insurers and reinsurers. Catastrophic bonds provide a mechanism for transferring the financial risk of these events to the capital markets.

The use of catastrophic bonds has grown significantly in the past decade. According to the Insurance-Linked Securities (ILS) market report by Willis Towers Watson, the global market for ILS, which includes catastrophic bonds, grew to $93 billion in 2020, up from $91 billion in 2019. Catastrophic bonds accounted for a significant portion of this growth.The market in catastrophe bonds could grow to $50 billion by the end of 2025.

Process for Issuance of Catastrophic Bonds

Catastrophic bonds are typically issued as part of a securitization transaction.

- The bonds are structured as a form of insurance-linked security (ILS) and are issued by a special purpose vehicle (SPV), which is created specifically for the purpose of issuing the bonds. The SPV is typically a bankruptcy-remote entity that is separate from the insurer or reinsurer that is transferring the risk.
- The SPV issues bonds to investors in the capital markets, with the proceeds used to invest in low-risk assets, such as government bonds. The investor in turn receives a fixed rate of return over the life of the bond.
- The proceeds from the sale of the bonds are used to provide coverage for a specific catastrophic event, such as a hurricane or earthquake.
- If the event does not occur during the term of the bond, the investors receive their principal and interest payments as scheduled.
- However, if the catastrophic event does occur, the investors may lose some or all of their investment, depending on the terms of the bond.
- The amount of the loss is determined by the terms of the bond, which may be based on the amount of losses incurred by the issuer, the occurrence of a predefined event, or the total amount of losses incurred by the insurance industry.

(Source: www.wallstreetmojo.com)

The Role of Catastrophic Bonds in the Insurance Industry

Catastrophic bonds play an important role in the insurance industry, providing insurers with a mechanism to manage their risk exposure to catastrophic events. The use of catastrophic bonds has several benefits for insurers, including:

- **Risk Transfer:** Catastrophic bonds allow insurers to transfer the financial risk of catastrophic events to the capital markets, reducing their exposure to losses. This allows insurers to manage their risk exposure and improve their financial stability more effectively.
- **Capital Efficiency:** Catastrophic bonds provide a more capital-efficient way for insurers to manage their risk exposure than traditional reinsurance. Insurers can issue catastrophic bonds with different maturities, enabling them to match the duration of the bond with the duration of the risk.
- **Diversification:** Catastrophic bonds offer diversification benefits to insurers, as their returns are not correlated with traditional fixed income or equity markets.

Types of Catastrophic Bonds

There are several types of catastrophic bonds, including:

- **Indemnity-based bonds:** These bonds provide coverage based on the actual losses incurred by the insurer or reinsurer due to the catastrophic event. The pay out to investors is based on the amount of losses incurred by the issuer.
- **Parametric bonds:** These bonds provide coverage based on predefined parameters, such as wind speed or earthquake magnitude. The pay out to investors is based on the occurrence of the predefined event and the level of intensity.
- **Industry loss-based bonds:** These bonds provide coverage based on industry-wide losses resulting from a catastrophic event. The pay out to investors is based on the total amount of losses incurred by the insurance industry.

Benefits of Catastrophic Bonds

Catastrophic bonds offer several benefits to insurers and investors.

- For insurers, they provide a mechanism to transfer the financial risk of catastrophic events to the capital markets, reducing their exposure to losses. This allows insurers to manage their risk exposure and improve their financial stability more effectively.

- For investors, they offer the potential for high returns, as the risk of loss is typically higher than other forms of fixed income securities.
- Catastrophic bonds can provide diversification benefits to an investment portfolio, as their returns are not correlated with traditional fixed income or equity markets.

Risks of Catastrophic Bonds

Catastrophic bonds are a unique form of risk management instrument that offer insurers a mechanism to transfer the financial risk of catastrophic events to the capital markets. While they offer potential benefits to both insurers and investors, they also come with risks that should be carefully considered. Despite their potential benefits, catastrophic bonds also come with risks.

- The primary risk for investors is the possibility of losing some or all of their investment if a catastrophic event occurs.
- Catastrophic bonds can be complex instruments, and investors may not fully understand the risks involved.
- Catastrophic events can be difficult to predict, which can make it challenging to accurately price the bonds.
- For insurers, there is also the risk that investors may not be willing to invest in the bonds at the desired rate. If there is insufficient demand for the bonds, insurers may be unable to transfer the financial risk of catastrophic events to the capital markets.

The Future of Catastrophic Bonds

The future of catastrophic bonds looks bright. As the frequency and severity of catastrophic events continue to increase, catastrophic bonds are likely to play an increasingly important role in the global risk management landscape. Insurers are likely to continue to turn to catastrophic bonds as a way to manage their risk exposure and improve their financial stability.In addition to the growing demand for catastrophic bonds from insurers, there is also increasing interest from investors. As interest rates have remained low in recent years, investors have been searching for higher-yielding fixed income investments. Catastrophic bonds offer the potential for high returns, making them an attractive investment option for some investors.

Conclusion

In conclusion, catastrophic bonds are a unique form of risk management instrument that offer insurers a mechanism to transfer the financial risk of catastrophic events to the capital markets. While they offer potential benefits to both insurers and investors, they also come with risks that should be carefully considered. As the frequency and severity of catastrophic events continue to increase, catastrophic bonds are likely to play an increasingly important role in the global risk management landscape.The growth of the market for catastrophic bonds in recent years underscores their importance in the insurance industry and their potential as an investment option for investors. ❑

ICICI to offer EMIs for UPI payments above Rs. 10,000

ICICI Bank has introduced an equated monthly instalment (EMI) facility for UPI payments made by scanning QR code. The facility will be available for customers who are eligible for the bank's 'buy now pay later' scheme - PayLater. Customers can pay transaction amount above Rs 10,000 in the form of instalments in three, six, or nine months. The EMI facility for PayLater will shortly be extended for online shopping as well, the bank said in a statement. The facility can be availed of across a host of categories such as electronics, groceries, fashion apparel, travel, and hotel bookings.

Bijith Bhaskar, Head- Digital Channels & Partnership, ICICI Bank, said "We have seen that maximum payments these days are made through UPI. In addition, we have observed that customers are increasingly opting for UPI transactions from PayLater, the Bank's 'buy now, pay later' service. ICICI Bank introduced PayLater facility in 2018 to enable customers to buy small ticket items immediately in a completely digital and paperless manner. PayLater facility enables customers to shop online, pay bills, and pay to any merchant UPI ID at physical stores instantly.

During the monetary policy review announcement earlier this month, the Reserve Bank of India (RBI) proposed to expand the scope of UPI by enabling transfer to/from pre-sanctioned credit lines at banks. At present, UPI handles 75 per cent of the digital payment volumes in India.

DEPOSIT INSURANCE: A COMPARATIVE STUDY ON FDIC AND DICGC

Abstract

Deposit insurance has been an integral part of banking industry in ensuring the stability of financial systems. The Federal Deposit Insurance Corporation (FDIC) in the United States has been providing deposit insurance since 1933, whereas the Deposit Insurance and Credit Guarantee Corporation (DICGC) in India was established in 1978. While both institutions serve similar functions, there are some notable differences in their policies and operations. This paper aims to explore the lessons DICGC can learn from FDIC and how it can be useful for the Indian banking industry and its customers. The study uses a qualitative research approach, utilizing secondary sources of data. The findings suggest that the DICGC can learn from the FDIC's best practices in terms of risk-based premiums, effective communication with stakeholders, and continuous review of policies. The study concludes that implementing these practices can enhance the efficiency and effectiveness of DICGC in ensuring the stability of the Indian banking system.

Introduction:

The financial stability of a country's banking industry is crucial for economic development. Deposit insurance plays a key role in maintaining financial stability by protecting depositors in case of bank failures. The FDIC in the United States and the DICGC in India are two prominent deposit insurance corporations that protect the deposits of bank customers. While both institutions have similar objectives, there are notable differences in their policies and operations. This paper aims to explore the lessons DICGC can learn from FDIC and how it can be useful for the Indian banking industry and its customers.

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Literature Review:

The FDIC has been providing deposit insurance since 1933, and its policies and operations have evolved over time to address changing economic and financial conditions. One of the key features of the FDIC's deposit insurance system is risk-based premiums. Banks that are deemed to have higher risks are required to pay higher premiums, which incentivizes them to adopt more conservative lending practices. The FDIC also engages in effective communication with stakeholders to enhance transparency and accountability. It publishes regular reports on bank performance and provides updates on its policies and operations.

The DICGC, on the other hand, was established in 1978 and has a different set of policies and operations. The DICGC provides insurance cover of up to Rs. 5 lakh per depositor per bank. Unlike the FDIC, the DICGC does not have risk-based premiums, and all banks pay the same premium regardless of their risk profile. The DICGC also does not engage in effective communication with stakeholders, which can lead to a lack of transparency and accountability.

Role Played by DICGC:

DICGC provides insurance cover to deposits in all commercial banks, local area banks, regional rural banks, and cooperative banks.

Here are some key statistics and data on DICGC's work:

Deposit insurance cover: DICGC provides insurance cover to each depositor up to a maximum of Rs. 5 lakh (about $6,700) per bank, per depositor, for both principal and interest amount held by the depositor in the same right and same capacity as on the date of liquidation/cancellation of bank's licence or the date on which the scheme of amalgamation/merger/reconstruction comes into force.

Number of insured banks: As of March 2020, DICGC provided deposit insurance cover to a total of 2,098 banks in India, including 157 commercial banks, 1,562 cooperative banks, 43 regional rural banks, and 336 local area banks.

Claims settlement: DICGC settles claims in the event of a bank failure within a period of two months from the date of receipt of claim list from the liquidator of the failed bank. In the last 10 years, DICGC has settled claims worth Rs. 6,390 crore (about $856 million) to depositors of failed banks.

Recovery of funds: After settling the claims, DICGC takes necessary steps for recovering the amount paid to the depositors from the assets of the failed bank. In the last 10 years, DICGC has recovered Rs. 12,153 crore (about $1.6 billion) from the assets of failed banks.

Compared to FDIC in the US, DICGC provides lower insurance coverage per depositor and has a smaller number of insured banks. However, DICGC has a similar mandate as FDIC to protect depositors and ensure stability in the banking system. DICGC has been successful in settling claims of depositors in a timely manner and recovering funds from failed banks. There have been no major bank failures in India in recent years, which can be attributed in part to the presence of deposit insurance provided by DICGC.

A comparative study:

FDIC (Federal Deposit Insurance Corporation) and DICGC (Deposit Insurance and Credit Guarantee Corporation) are two organizations that provide deposit insurance to protect depositors in case of bank failure. Here is a comparison of the two:

Coverage Limit: FDIC covers up to $250,000 per depositor, per bank, per ownership category, while DICGC covers up to Rs 5 lakh per depositor, per bank, per ownership category. Coverage Types: FDIC covers deposits in banks, savings associations, and other financial institutions insured by the FDIC, while DICGC covers deposits in banks and cooperative banks in India.

Type of Insurance: FDIC is a federal agency that provides deposit insurance to banks and savings institutions in the United States, while DICGC is a subsidiary of the Reserve Bank of India and provides deposit insurance to banks in India.

Membership: FDIC requires all banks and savings institutions in the United States to be insured by the FDIC, while DICGC provides voluntary insurance to banks in India.

Funding: FDIC is funded by insurance premiums paid by the banks it insures, while DICGC is funded by the insurance premiums paid by the banks it insures and by contributions from the Reserve Bank of India.

Governing Body: FDIC is governed by a board of directors appointed by the President of the United States, while

DICGC is governed by a board of directors appointed by the Reserve Bank of India.

In summary, FDIC and DICGC are two organizations that provide deposit insurance to protect depositors in case of bank failure. While they have some similarities in their mission, their coverage limits, coverage types, type of insurance, membership, funding, and governing bodies differ due to the different regulations and banking systems in the United States and India.

Findings:

Lower Coverage Limit: The coverage limit for deposit insurance in India is Rs. 5 lakh per depositor per bank, which is lower compared to many other countries. For example, in the US, the FDIC provides coverage of up to $250,000 per depositor per bank.

Limited Coverage for Deposits: DICGC only covers deposits in savings, current, recurring and fixed deposit accounts. It does not cover other types of deposits such as money market deposits or certificate of deposits.

Exclusion of Certain Depositors: One of the limitations of DICGC is the exclusion of certain depositors from the coverage of the deposit insurance scheme. For example, the deposit insurance coverage is not extended to deposits of foreign governments, central/state government, inter-bank deposits, and deposits of state land development banks. This exclusion of certain depositors may create a sense of unfairness and inequality among depositors, especially those whose deposits are not covered by the scheme.

Moreover, DICGC has also set a limit of Rs. 5 lakh per depositor per bank as the maximum coverage amount, which means that any amount deposited above this limit is not covered by deposit insurance. This limitation may affect depositors who have higher amounts of deposits with a bank, leaving their deposits at risk in case of a bank failure.

Overall, the exclusion of certain depositors and the limitation of coverage amount can be seen as a lacuna in DICGC's deposit insurance scheme, and there is a need for the authorities to address these issues to ensure the safety of all depositors in the banking system.

Inadequate Funding: One of the major lacunae in DICGC compared to other deposit insurances is inadequate funding. DICGC relies heavily on the contributions made by member banks to its deposit insurance fund. However, the fund has often been found to be insufficient to cover the losses incurred by bank failures, especially in the case of bigger banks.

For example, during the Global Financial Crisis in 2008, the deposit insurance fund of the FDIC had to be replenished multiple times as many large banks failed. In contrast, the deposit insurance fund of DICGC is currently capped at Rs. 5 lakh per depositor per bank, and there have been concerns about whether this amount is sufficient to cover the losses in the event of a major bank failure.

Inadequate funding can create a crisis of confidence in the banking system and erode public trust, leading to bank runs and panic. Therefore, it is imperative that DICGC takes steps to ensure that its deposit insurance fund is adequately funded to mitigate the risks and ensure stability in the Indian banking sector.

Limited Consumer Awareness: Many bank customers in India may not be aware of the existence and scope of DICGC, which can lead to confusion and mistrust in case of a bank failure.

Conclusion:

Based on the available data and statistics, it can be concluded that while DICGC has been successful in safeguarding the interests of depositors in India, there is still room for improvement. The organization can learn valuable lessons from FDIC's approach in the US, particularly in terms of risk management and resolution strategies. By adopting some of the best practices from FDIC, DICGC can further strengthen its role in maintaining financial stability and instilling confidence in the Indian banking system. Furthermore, it is important for DICGC to continue to adapt to the evolving needs of the banking industry and its customers, in order to effectively fulfil its mandate of protecting the interests of depositors.

References:

Various Sources.

650 firms that underwent resolution under IBC doing very well

Insolvency regulator IBBI has commissioned IIM Ahmedabad to undertake a study on how the IBC's 650 resolutions (since its inception) involving Rs.•2.7lakh crore have led to a change in the economy, IBBI Chairman Ravi Mital said.

Giving a sneak preview of the findings of the study — which is expected to be made public in the next two months — Mital said 650 companies that underwent resolution have seen a "manifold" increase in their sales, EBIDTA, profit after tax (PAT), and market capitalisation post-resolution.

"I hope in the next two months, once this report comes out, we will have a better understanding of what the IBC means for resolution," Mital said at a CII-organised conference on the Insolvency and Bankruptcy Code (IBC) in the Capital.

IBC's performance in fiscal 2022-23 was much better than that in the previous fiscal.

"We have done better in 2022–23 than in the previous year. Our performance is improving. But there is a lot of room for improvement. If you (creditors) reduce delays by a year, you will gain 5 to 10 per cent in valuation," he said.

Voluntary Liquidation

Mital also underscored the need to encourage innovation in taking the entire IBC process forward. Mital urged promoters to initiate early adoption of Section 10 (voluntary liquidation) under the IBC, to ensure that they face fewer problems later.

"My experience is that industrialists know when their company is going bad. Why don't promoters take the initiative under Section 10. The advantage in coming early is that your moratorium starts and debt stops," he said.

The promoters have given personal guarantees in the majority of cases, Mital said. The Supreme Court ruling in the personal guarantors' case — which could impact personal guarantees worth Rs. 12.5 lakh crore — is expected in the next two months, Mital said, asking promoters to gear up for the apex court pronouncement that could impact their cases before NCLT.

Put simply, the IBBI Chief has nudged promoters to work on a mechanism that freezes their debt in cases where the payment against guarantee will fall on their heads, Shardul Shroff, Executive Chairman, Shardul Amarchand Mangaldas & Co., later told.

"He is nudging promoters to go along the route of voluntary liquidation so that the liability on the guarantee is capped. It's a good suggestion. You stop the meter of interest running when you stop the clock through voluntary liquidation by opting for Section 10," Shroff• added.

Ashok Haldia, Chairman, Indian Institute of Insolvency Professionals of ICAI, said that in the IBC model, where the creditor is in control, the promoter loses control over the company and faces the consequences, acting as a persuasive force to resort to Section 10 and get the benefi•t of the moratorium available under IBC. "Clarity on the promoter's personal guarantee invocation in an effective manner will add to that. The promoter, without fraudulent or malicious intention, may take advantage of Section 10 for expeditious resolution," Haldia said.

Aseem Chawla, Managing Partner, ASC Legal, said a businessfriendly ecosystem should facilitate bonafi•de cases of voluntary liquidation, which would unlock capital and bring resources back into the economic mainstream, thereby ensuring timely payments to lenders and ensuring that the interests of all stakeholders are protected. This gives room for setting up more new businesses, he added. *(Source: BL)*

Risk Management shouldn't be limited to regulatory minimums

Root causes of financial crises have similarities. Consider three of the past 15 years: the global financial crisis (GFC), Indian corporate-loan crisis and Silicon Valley Bank (SVB) failure. Seeds for these were sowed by faulty assumptions, bolstered by narratives and selective data usage, that seemed reasonable at one time. For the GFC, US house prices were assumed never to fall. For the Indian banking crisis, it was assumed that Indian growth was decoupled from the world's and 6-8% per year was up for grabs. For SVB, it was that US interest rates would remain low for long; so borrowing short-term funds at ultra low rates and exposure to long-term assets with higher yield looked reasonable.

In response to the recent banking turmoil in the West, India's finance minister asked all public sector banks to take a health check. As reported, it includes a detailed scenario analysis of various risks and the ability of banks to handle such contingencies. While this is prudent, major risk concerns could still escape notice. There's room for complacency. Indian bank balance sheets are at their strongest since 2010, systemic non-performing asset (NPA) rates are reducing, and corporates borrowers are showing lower aggregate leverage and better cash-flows. But our risk radars need to turn in another direction to spot future worries. Just focusing on past causes of blow-ups may offer false comfort.

Bankers are likely to focus on interest rate and liquidity risks over and above credit risk. Between 2010 and 2015, the US Fed's interest rate was almost zero. However, between 2016 and June 2019, its rate rose to 2.375%. This eroded almost one-fifth the value of bonds purchased when the Fed funds rate was near zero (0.125%), but as it rose over a period of 30 months, the shock was not severe. After covid, the US Fed reduced that rate and then raised it sharply in response to inflation; it spiked from 0.125% in January 2022 to 4.8% in February 2023. Bond prices crashed by 30-35% in these 14 months. A portion of a bank's securities portfolio is marked-to-market (MTM); i.e., revalued daily by market prices. Another part is held-to-maturity (HTM), with its value logged at original purchase prices. While MTM bond prices were adjusted down as the Fed's rate rose, HTM holdings were not, even though their market value also crashed. When SVB was forced to sell HTM bonds, huge losses were booked which had to be adjusted against equity. As the Fed had raised its rate by 2 percentage points between 2016 and 2019, a popular post-covid narrative expected the rate to rise similarly at most. So this was the worst-case scenario for a stress test. On this, SVB was compliant with regulatory asks and peer practices. A 4.5 percentage point rate spike over 14 months was not seen as plausible. But it happened.

In India, since July 2020, the 10-year G-Sec yield rose from about 5.75% to 7.3%. It would have eroded bond prices by 12% to 14% over a 33-month period. In its published stress test, RBI uses stress scenarios that are 1.25-2.5 standard deviations away from average values. If a bank does not model a scenario of, say, a 4% interest rate spike in 12 months, it would still be compliant. This assumes such a steep rise cannot happen in India. In addition, the stress-testing capability of most Indian banks may not be robust enough for the rigour required. So, overall, banks are unlikely to give the finance minister much to worry about.

However, our banks still need to enhance their analytical capabilities to cover potential but unprecedented events that could spring nasty surprises.

One, retail lending: There is only a limited view available on Indian household leverage. While credit disbursed has risen, a look at coincidental NPA rates on an expanded lending base will fail to send a warning signal.

Two, climate risk: India will be significantly impacted. Most banks appear unaware of how heat waves might impact retail credit, not to mention a water crisis which may create stalled assets in long-term asset financing deals.

Three, cyber risk: Instances of customer data breaches at major banks are becoming worrisomely regular. Since banks are not meaningfully penalized for such breaches, investment in cyber security is often not a top priority for them. Careless banks, though, may lose more than customer data in a potential attack, which could impact their reputation and stock price. *(Source: Mint)*

Protecting banks against failures

It is some coincidence that a movie titled Everything, everywhere all at once stormed the Oscars the same weekend a storm hit the US banking and financial markets affecting everyone, everywhere and all at once. In a couple of days, the tremors reached Europe and then left banks around the world looking closely at their balance sheets and, in particular, the composition of their uninsured depositor base, their asset-liability mismatches and the interest rate risk on their sovereign books to see whether they could also come under fire.

Pundits began publishing lists of the next set of banks with similar business models or portfolios that could go under, contributing to the nervousness in the markets.

Deposits moved from smaller banks to the big ones on the assumption that these would not be allowed to fail given their systemic importance, and banking stocks reeled in a manner reminiscent of the Global Financial Crisis (GFC) of 2008.

The reaction from the authorities was quick and they signalled their willingness to stand behind all depositors while the Federal Deposit Insurance Corporation (FDIC) moved to resolve the failed banks.

In the Indian context, state ownership of the majority of bank assets offers implicit assurance of safety for their depositors. For the remaining, the authorities have demonstrated the willingness, at times compulsion, to bail out troubled banks and FIs through either forced mergers, or sometimes through regulatory forbearance and unconventional regulatory engineering. This happened in the case of the Punjab and Maharashtra Cooperative (PMC) Bank bailout.

Further, the stigma attached to bank failures under any political regime has propelled the authorities to convince willing banks to fund a collapsing bank or to invoke fine prints, obscured in covenants and agreements, to rescue such banks. Other pressures, mainly public voice, have also brought this compulsion upon the regulator to use this option.

During the last three years, India has witnessed three bank failures — PMC Bank, YES Bank and Laxmi Vilas Bank. The regulator, with some hand-holding by the government, has not failed the depositors of any of them. In fact, so much is the pressure of public voice that India has not even allowed software companies to fail.

Deposit insurance, a legitimate instrument to minimise the impact of bank failure, has been used sparingly in India. This has raised other issues. Deposit insurance in India has long been funded by the banks themselves. Banks' contributions are, however, not 'risk-priced'.

This means that every bank covered under the Deposit Insurance and Credit Guarantee Corporation of India Act pays premium to insure its deposits at the same rate irrespective of its quality of assets and financial health. Stronger banks have often resisted this.

Although depositors have so far ultimately been paid back through deposit insurance, the measures taken to suspend operations for a brief and uncertain period — the moratorium — scuppers the customers, especially small depositors, as their funds are stuck. Meanwhile, formal mechanisms for expeditious liquidation of banks like the proposed Banking Resolution Corporation have not fructified.

Apart from the depositor trauma and investor losses, bank failures can lead to a rise in fees and interest rates as banks would look to cross-subsidise their losses. Worse still, one bank failure could lead to a chain of failures due to domino effect and even a sharp pull-back in bank lending, slowing down the economy. No central bank would ever welcome such a banking crisis.

So, what next?

The Silicon Valley Bank (SVB) episode has opened up many-an-old discussion. Should supervision be with central banks or does that conflict with their ability to combat inflation? Should regulated entities, whether in the private or public sector, be represented on the board of supervisory agencies, or do they impact the ability to conduct independent supervision? Should international standards be applied to all banking institutions and, if so, is it possible to craft supervisory expectations of risk management that are proportionate to their risk profile?

Or, should deposit insurance be 100 per cent (that is in value terms and number of depositors) not just in practice but also in policy, with costs shared by all stakeholders (central bank, banks, depositors' protection fund and government) through innovative instruments and funds? Will this increase moral hazard and create greater incentives for risk-taking, and if so, how should this be kept in check?

Banks were always considered special because they play a key role in financial intermediation. But they face the risk of depositor runs, which are contagious. Hence, they are subject to prudential regulation and have access to special safety nets. The original mandate of the regulators has been expanded over time from depositor protection to financial stability in the face of systemic risks, which are heightened by a highly interconnected financial system as was evidenced in the GFC.

Thankfully, the lessons of that crisis were learnt and an impressive list of enhancements of regulatory and resolution policies and supervisory and enforcement practices rolled out in record time. Yet, implementation of these reforms remains uneven across the G20 fifteen years later.

The RBI has been taking a series of measures to strengthen Indian banks and the financial system as a whole. Depositors should repose faith in its ability to safeguard their interests. India's leadership of the G20 offers an opportunity to reinforce the importance of the post GFC regulatory agenda. Implicit guarantees, unfunded insurance and shotgun mergers may help stem the bleeding in a crisis, but in the long term it is the full implementation of international standards in regulation, supervision, governance, resolution and deposit insurance that will best help convince the markets of the stability of the banking system. *(Source: BL)*

NPCI: 99.9% of all UPI transactions to remain free

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

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

SBI offers second innings to retired bank employees

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

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

Onus on banks to push financing of foreign trade

Foreign Trade Policy 2023, as a continuing vision document with no sunset clause, opens up immense opportunities to activate the financing of foreign trade (FFT). The FTP has set an ambitious export target, from $760-70 billion in FY23 to $2 trillion by 2030, with half of this expected to come from merchandise exports.

Flagship government schemes like Make in India, PLI and MITRA are expected to strengthen the manufacturing base for raising export capabilities. E-commerce is projected to reach $200-300 billion by 2030 from $5-10 billion now.

FTP23 assures more benefits to export entrepreneurs who can facilitate settlement of foreign trade transactions in rupee instead of dollar.

Taking cue from the spirit of the new FTP, the stakeholders, more importantly banks, should join the government in simplifying the processes and procedures in FFT, for improving the ease of doing business for entrepreneurs.

The government is promoting the digitisation of export-related documentation, processes and procedure to ensure easy compliance. Automatic rule-based approval system is to be introduced using business analytic tools. Specific timelines for approvals have been fixed to ensure promptness in handling grievances of exporters.

Ease of doing business is a value chain created by every stakeholder. The RBI, banks, Foreign Exchange Dealers' Association of India (FEDAI) and Federation of Indian Export Organisations (FIEO) need to work closely to impart education and digital literacy to export entrepreneurs, to create a vibrant exporting community.

The network of financial literacy and credit counselling centres (FLCCs) operated through banks should be extensively used as nodal centres to disseminate export orientation at the grassroots level.

Even within banks, the knowledge, skill building and training should be widely imparted to increase FFT. Identified bank branches at export epicentres spread in different geographies have to be galvanised to increased FFT.

Export credit

In order to push FFT to the new scale, banks will have to not only prepare people but simplify procedures and set time lines for its major activities. The RBI data indicate that export credit from banks has seen a 25.1 per cent dip to ?16,909 crore at the end of October 21, 2022, compared with what it was a year ago. The lack of liquidity is a big challenge for exporters, and branches should be made to focus on FFT.

The RBI had fixed a threshold for export credit at a minimum of 2 per cent of the total bank credit but the current performance is far lower than the level. Systems, people and processes have to be reinvented and galvanised to mine the full potentiality of FFT opened up with FTP23.

Technology should be explored to improve efficiency, monitoring, and facilitate timely interventions to create the right kind of performance incentivisation.

Syncing performance parameters of FFT with the larger performance management system will be essential to harness its full potential.

Going forward, the export entrepreneurs should be empowered with right knowledge and financial support guided by FTP23, which can be revamped to suit the evolving international business ecosystem. *(Source: BL)*

RBI CIRCULAR

Remittances to International Financial Services Centres (IFSCs) under the Liberalised Remittance Scheme (LRS)

April 26, 2023

1. Attention of Authorised Dealer Category-I (AD Category-I) banks is invited to A.P. (DIR Series) Circular No. 11 dated February 16, 2021, on "Remittances to International Financial Services Centres (IFSCs) in India under the Liberalised Remittance Scheme (LRS)" and Master Direction No. 7/2015-16 on Liberalised Remittance Scheme (LRS) as amended from time to time.
2. On a review and with an objective to align the LRS for IFSCs set up under the International Financial Services Centres Authority Act, 2019 vis-à-vis other foreign jurisdictions, it has been decided to amend the directions under para 2 (ii) of the aforementioned A.P. (DIR Series) Circular dated February 16, 2021, as – "Resident Individuals may also open a Foreign Currency Account (FCA) in IFSCs, for making the above permissible investments under LRS." Thus, the condition of repatriating any funds lying idle in the account for a period up to 15 days from the date of its receipt is withdrawn with immediate effect, which shall now be governed by the provisions of the scheme as contained in the aforesaid Master Direction on LRS.
3. The Master Direction No. 7 is being updated to reflect these changes.
4. AD Category - I banks should bring the contents of this circular to the notice of their constituents and customers.
5. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions/approvals, if any, required under any other law.

General Credit Card (GCC) Facility – Review

April 25, 2023

1. Please refer to our Circular RPCD.MSME & NFS.BC.No.61/06.02.31/2013-14 dated December 02, 2013 on the Revised General Credit Card (GCC) Scheme.
2. On review of the above, and in the light of the provisions contained in the Master Direction – Credit Card and Debit Card – Issuance and Conduct Directions, dated April 21, 2022, revised instructions on GCC are as follows:
   - i) The GCC Scheme shall henceforth be called "General Credit Card (GCC) Facility".
   - ii) The instructions shall apply to all banks which are eligible to issue credit cards under the above Master Direction.
   - iii) Individuals/entities sanctioned working capital facilities for non-farm entrepreneurial activities which are eligible for classification under the priority sector guidelines, may be issued General Credit Cards.
   - iv) GCC shall be issued in the form of a credit card conforming to the stipulations in the above Master Direction as updated from time to time.
   - v) The terms and conditions of the credit facilities

extended in the form of GCC shall be as per the Board approved policies of the banks, within the overall framework laid down by Reserve Bank. Guidelines on collateral free lending for micro and small units issued from time to time shall apply.

vi) Bank shall adhere to the instructions on reporting GCC data as issued by RBI from time to time.

3. These instructions supersede the GCC guidelines issued in December 2013 and come into effect as on the date of this circular. Debit cards, if any, already issued under the circular of 2013 shall remain valid till their expiry/ repayment of the existing credit facilities, whichever is earlier.

Authorised Dealers Category-II - Online submission of Form A2

April 12, 2023

1. Attention of Authorised Dealer (AD) Category-I banks and AD Category-II entities is invited to paragraph 4 of A.P. (DIR Series) Circular No. 50 dated February 11, 2016 on 'Compilation of R-Returns: Reporting under FETERS' in terms of which AD banks, offering internet banking facilities to their customers were permitted to allow online submission of Form A2.
2. It has now been decided to permit AD Category-II entities also to allow online submission of Form A2. AD Category-II entities shall frame appropriate guidelines with the approval of their Board within the ambit of extant statutory and regulatory framwework.
3. The terms and conditions mentioned in aforesaid A.P. (Dir Series) circular No. 50 dated February 11, 2016 shall continue to apply, as hitherto, to all Authroised Dealers. The relevant provisions of FEMA 1999, and 'Master Direction – Know Your Customer (KYC) Direction, 2016' as updated from time to time, issued by the Department of Regulation, RBI, have to be complied with by the ADs, for all transactions.
4. Authorised Dealers may bring the contents of this circular to the notice of their constituents.
5. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions/approvals, if any, required under any other law.

Framework for acceptance of Green Deposits

April 11, 2023

1. Climate change has been recognised as one of the most critical challenges faced by the global society and economy in the 21st century. The financial sector can play a pivotal role in mobilizing resources and their allocation thereof in green activities/projects. Green finance is also progressively gaining traction in India.
2. Deposits constitute a major source for mobilizing of funds by the Regulated Entities (REs). It is seen that some REs are already offering green deposits for financing green activities and projects. Taking this forward and with a view to fostering and developing green finance ecosystem in the country, it has been decided to put in place the enclosed Framework for acceptance of Green Deposits for the REs.
3. The framework shall come into effect from June 1, 2023.

Lead Bank Scheme

April 03, 2023

1. The Reserve Bank of India has issued a number of guidelines/ instructions on Lead Bank Scheme from time to time. This Master Circular consolidates the relevant guidelines/ instructions issued by Reserve Bank of India on Lead Bank Scheme up to March 31, 2023 as listed in the Appendix I.
2. This Master Circular has been placed on the RBI website https://www.rbi.org.in

Disbursement of Government Pension by Agency Banks

April 03, 2023

1. Please refer to our Master Circular RBI/2022-23/09 dated April 01, 2022 on the above subject. We have revised and updated the Master Circular which consolidates important instructions on the subject issued by the Reserve Bank of India till March 31, 2023.
2. A copy of the revised Master Circular is enclosed for your information. This circular may also be downloaded from our website https://mastercirculars.rbi.org.in. ❑

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**

Source : Reserve Bank of India.

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

As on March 31 *(Rs. Crore)*

S. N.	Banks	Total Assets			Gross NPA			Net NPA		
		2020	2021	2022	2020	2021	2022	2020	2021	2022
1	City Union Bank Ltd.	49,734	53,312	61,531	1,413	1,893	1,933	778	1,075	1,191
2	Tamilnad Mercantile Bank Ltd.	42,759	47,527	52,858	1,021	1,085	571	497	614	318
3	The Catholic Syrian Bank Ltd.	18,868	23,337	25,356	409	393	290	217	169	107
4	Dhanlaxmi Bank Ltd	12,265	13,097	13,796	401	657	534	101	323	232
5	The Federal Bank Ltd.	180,638	201,367	220,946	3,531	4,602	4,137	1,607	1,569	1,393
6	The Jammu & Kashmir Bank Ltd.	108,872	120,292	130,602	7,672	6,955	6,521	2,244	1,969	1,750
7	The Karnataka Bank Ltd.	83,313	85,615	92,041	2,800	2,588	2,251	1,755	1,645	1,377
8	The Karur Vysya Bank Ltd.	68,278	74,623	80,044	4,213	4,143	3,431	1,809	1,719	1,261
9	The Lakshmi Vilas Bank Ltd.	24,422	-	-	4,233	-	-	1,388	-	-
10	Nainital Bank Ltd. *	8,439	8,182	8,338	536	651	508	184	207	164
11	RBL Bank	88,978	100,651	106,209	2,137	2,602	2,728	1,189	1,241	807
12	The South Indian Bank Ltd.	97,033	94,149	100,052	3,262	4,143	3,648	2,151	2,735	1,778
I	**TOTAL OF 12 PVT BANKS [I]**	**783,599**	**822,153**	**891,773**	**31,628**	**29,713**	**26,551**	**13,921**	**13,267**	**10,377**
II	**NEW PRIVATE SECTOR BANKS**									
13	Axis Bank Ltd.	915,165	986,798	1,175,178	30,234	25,315	21,822	9,360	6,994	5,512
14	DCB Bank Ltd.	38,505	39,602	44,840	632	1,083	1,290	294	594	573
15	HDFC Bank Ltd.	1,530,511	1,746,871	2,068,535	12,650	15,086	16,141	3,542	4,555	4,408
16	ICICI Bank Ltd.	1,098,365	1,230,433	1,411,298	40,829	41,373	33,920	9,923	9,180	6,961
17	Indusind Bank Ltd.	307,058	362,973	401,975	5,147	5,795	5,517	1,887	1,477	1,530
18	Kotak Mahindra Bank Ltd.	360,252	383,470	429,428	5,027	7,426	6,470	1,558	2,705	1,737
19	YES Bank	257,827	273,543	318,220	32,878	28,610	27,976	8,624	9,813	8,205
20	Bandhan Bank	91,718	115,016	138,867	993	5,758	6,380	389	2,861	1,564
21	IDFC First Bank Ltd.	149,200	163,144	190,182	2,280	4,303	4,469	809	1,883	1,808
22	IDBI Ltd.	299,928	297,764	301,419	47,272	36,212	34,115	5,439	2,519	1,856
II	**TOTAL OF NEW PVT BANKS [II]**	**5,048,529**	**5,599,613**	**6,479,943**	**177,940**	**170,961**	**158,099**	**41,825**	**42,582**	**34,154**
III	**TOTAL OF PVT BANKS [I+II]**	**5,832,128**	**6,421,765**	**7,371,716**	**209,568**	**200,673**	**184,650**	**55,745**	**55,848**	**44,531**

* Gross NPA amount in FY 22 is net of interest suspense amount

Source : Reserve Bank of India.

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