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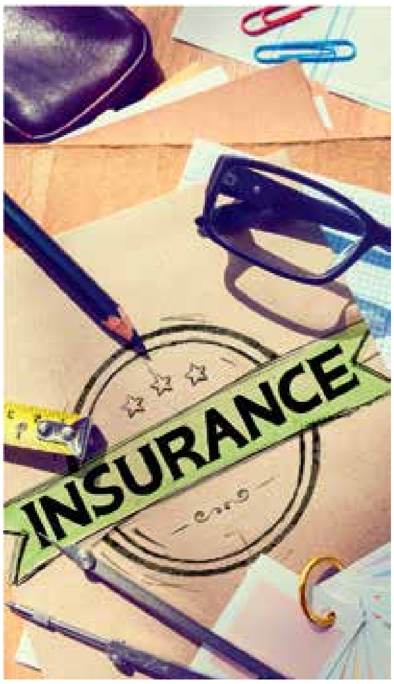

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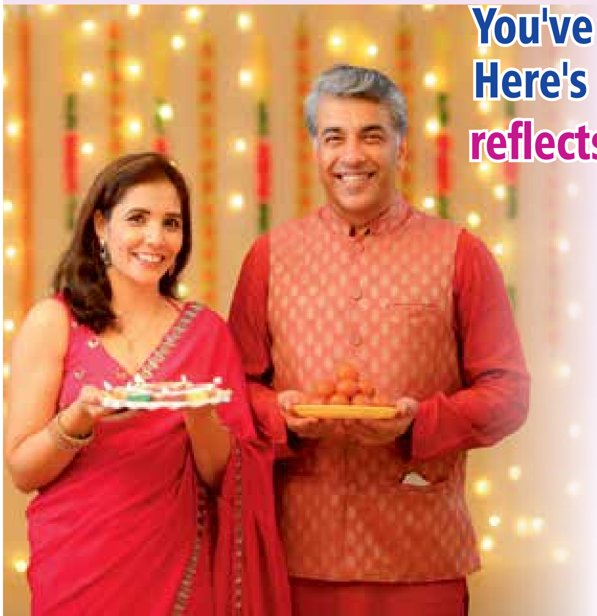

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CONTENTS

INDUSTRY ARTICLE IN THE MONTH

Enterprise Risk Management: A Strategic Approach to Managing Uncertainty

Enables organisations become more resilient and competitive through effective, structured and holistic risk management

Overview

Today's organisations are increasingly facing a wide spectrum of dynamic and interconnected risks. Some of the key risks are:

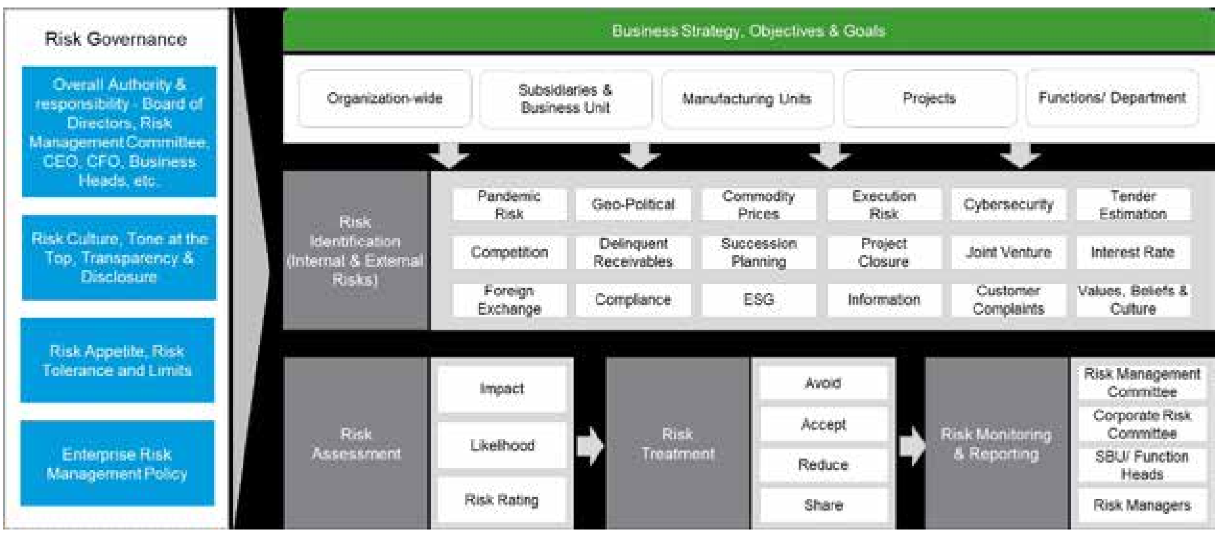
- Geo-political risks due to ongoing conflicts, bipolarisation of the world and recent developments in our neighbouring countries, De-globalisation and increasing protectionism adopted by countries and Climate change and environmental risks
- Competition, technological advancements and disruptive business models
- Supply chain, labour disputes, business disruption related risks
- Interest rate, currency, country and financial risks
- IT and Cyber risks

These risks can cause serious damage to the operations, reputation, profitability, and at times even the viability of the organisations. Moreover, as businesses diversify into other sectors in search for additional revenue streams, they expose themselves to newer risks. Also, organisations can get exposed to risks through alliances, partnerships and joint ventures. All these factors make adoption and implementation of a holistic and structured enterprise risk management (ERM) program extremely imperative for organisations to sustain and grow their businesses.

What is Enterprise Risk Management?

Enterprise risk management is a proactive and disciplined approach wherein organisations identify, analyse, evaluate, and mitigate their key strategic, operational, financial and regulatory risks to avoid losses and seize opportunities. Unlike traditional risk management, which has a narrow and silo focus, contemporary ERM takes a more holistic view, considering all risk types that could potentially impact an organisation's business and operations. Key components of an ERM framework are Business Strategy, Objectives and Goals, Risk Governance, Risk Management and Risk Reporting.

ERM Framework



Practical approach to implementing an effective ERM program

For Enterprise Risk Management to be successful, it is important that it gets full support and sponsorship from the top management on an ongoing basis. The board of directors and the C Suite executives should be able to very clearly demonstrate that risk management is part of all critical decisions made by the organisation. On the other hand, profit at any cost mentality, focusing only on short term benefits, unethical or illegal conduct without accountability, lack of transparency and no clear demarcation of roles and responsibilities would be few red flags indicating weak tone at the top and may impact the effectiveness of the ERM program.

Identification of Risks

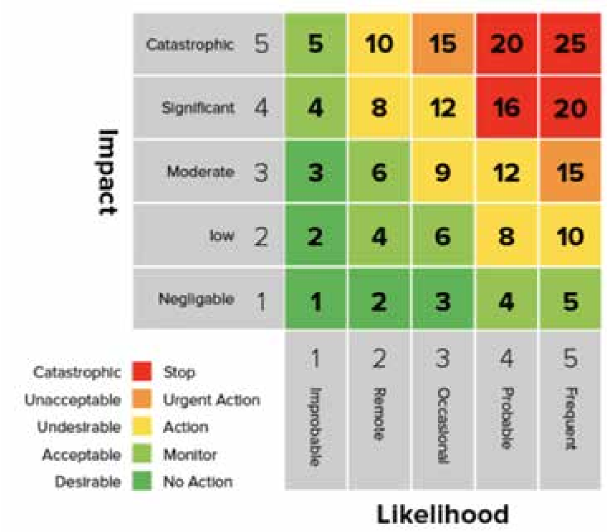
This is the first step in the enterprise risk management process. It is important to involve the right stakeholders in the identification process so that all potential risks and their interdependencies are adequately captured. Risks can be identified through various techniques such as interviews, questionnaires, brainstorming, etc. Risk assessments should be customised to the requirement of each organisation depending on its size, complexity, nature of business and geographic reach. Also risk assessment should be kept dynamic, and the process should be revisited if there is any shift in strategy, market conditions or risk profile.

Defining Risk Appetite

Risk appetite is the level of risk an organization is willing to accept in pursuing its strategic goals & objectives. These are tolerance limits within which risks must be managed. They have to be properly communicated to all concerned to ensure that no undue risks are undertaken thereby exposing the organisation.

Risk Assessment & Prioritization

Risk and opportunities are typically assessed in terms of their significance of impact and likelihood of occurrence. Many organisations also see utility in



evaluating risks along additional dimensions such as vulnerability (how vulnerable you are to a risk event) and speed of onset (how fast the risk could arise). It is important to focus on the risks that matter the most. Accordingly, risks are then prioritised into High, Medium and Low risks which then becomes the basis of appropriate response to mitigate the risks

Mitigating Risks through appropriate Risk Response

To mitigate the risks, there are different possible options to respond such as:

a. **AVOID** the risk by not commencing or continuing the activity that results in risk to the organisation.

b. **MANAGE** the risk. This would involve providing organisational solutions in terms of strategy, people, processes and systems.

c. **TRANSFER** the risk to a third party though contracts, insurance, etc.

d. **RETAIN** the risk after proper assessment and approval.

The aim of the risk response should be to bring the risk to an acceptable level. All risk responses should have a risk owner and a timeline to complete. This would ensure that the organisation does not remain exposed to the risk beyond agreed timelines.

Risk reporting

The risks that are identified, prioritised and corrective and prevention actions taken to address the underlying risks need to be communicated to all relevant stakeholders. This reporting should be done periodically depending upon the size and complexity of the organisations and number and type of risks it is exposed to. Regular risk reporting helps organisations to assess on ongoing basis, the adequacy of the risks identified, changes if any, required in their prioritisation due to changes in business or external environment and helps in assessing timeliness and effectiveness of the identified risk responses and any changes required therein.

By adopting an Enterprise Risk Management approach, organizations can proactively manage risks, capitalize on opportunities, and achieve their strategic objectives.

RSM

Nariman Point: 8th Floor, Bakhtawar, 229, Nariman Point, Mumbai 400 021.
Andheri: 3rd Floor, Technopolis Knowledge Park, A Wing, MIDC, Andheri (E), Mumbai 400 093.
Tel.: +91 22 6121 4444 • www.rsmindia.in

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TOP SPEECHES

Local to Global: The Role of the Financial Sector in MSME's Development (Speech by Shri Swaminathan J, Deputy Governor, Reserve Bank of India - August 21, 2024 - at the Annual Day of the Foreign Exchange Dealers Association of India (FEDAI) held in Mumbai

Distinguished guests, ladies, and gentlemen. A very good evening to all of you.

It is a great honour to speak to this august gathering on FEDAI's Annual Day. Through its tireless efforts in clarifying the complexities of inter-bank foreign exchange business and serving as a crucial voice with regulators, FEDAI has played a pivotal role in shaping the rules of foreign exchange business in India. So, when Mr. Sindhwani, Chief Executive invited me to this event, I knew it was an opportunity I could not miss.

As we celebrate FEDAI's achievements, it is also an opportune moment to reflect on the broader vision for India's economic future. In 2022, as our nation commemorated 75 years of independence, the Hon'ble Prime Minister outlined five key resolves for the country, one of which was the ambitious goal of transforming India into a developed nation by 2047. Realising this vision will require a unified effort across all sectors, with Micro Small and Medium Enterprises (MSMEs) playing a pivotal role in driving economic output and boosting exports. MSMEs, often referred to as the backbone of our economy, hold immense potential to become national champions—potential that remains largely untapped. With this in mind, I have chosen the theme 'Local to Global: The Role of the Financial Sector in India's Development' for my address today.

The Role of MSMEs in India's Economic Growth

With a vast network of approximately 63 million units, MSMEs contribute nearly one-third of the nation's GDP and account for around 40 per cent of its manufacturing output1.

More importantly, it is the MSME sector's ability to foster entrepreneurship and create substantial employment opportunities –the key factors in realising India's demographic dividend. Additionally, as critical ancillary units, MSMEs support larger industries and significantly contribute to the secondary and tertiary sectors. With millions of jobs generated, the MSME sector stands as one of the most significant sources of employment in India, underscoring its importance in sustaining livelihoods and driving inclusive growth.

The MSME sector's impact extends beyond domestic boundaries. In the realm of international trade, these enterprises have proven their competitiveness, contributing more than 40 per cent to India's exports. This growing presence in global markets reflects the increasing acceptance and demand for Indian MSME products and services, positioning the sector as a key player in enhancing India's global economic footprint.

Despite these achievements, the sector faces significant challenges, notably the issue of the "missing middle". While micro-enterprises make up most of the MSME employment, they often struggle to transition into small or medium-sized firms. This limitation hampers their ability to achieve economies of scale, invest in fixed assets, and adopt innovative technologies. In my address today, I will focus on these challenges and explore how the financial sector can play a crucial role in addressing them, thereby supporting the growth and development of MSMEs into larger corporations.

Challenges Faced by MSMEs

Let me discuss a few challenges that MSMEs face today. I am sure you are aware of most of them, so I will limit myself to briefly stating four key issues.

Access to finance

The first issue is access to affordable finance. Credit is crucial for the growth of MSMEs, and affordable funds can boost their competitiveness. Banks often use asset-based lending, which relies on collateral rather than cash flow. However, many MSMEs lack adequate assets for collateralization, particularly for working capital needs, often leaving smaller businesses excluded from funding opportunities from the formal banking sector. Further, as many MSMEs mainly operate in the informal space, assessing their creditworthiness can be difficult due to information asymmetry, particularly with respect to the financial performance of their businesses. Although initiatives like GST and digital payments aim to facilitate digitisation among MSMEs, the adoption of formal digital documentation methods remains limited, which impedes an efficient credit underwriting process.

Delayed payments

Secondly, MSMEs commonly encounter a persistent issue of delayed payments. The delay in receiving payments prolongs their operating cycles and diminishes their capacity to fulfil existing orders or secure new ones. Despite the existence of statutory provisions which entail penalties for delayed payments by buyers, MSMEs often refrain from invoking these provisions. Their reluctance stems from a combination of weak bargaining power and the fear of losing future business opportunities.

Infrastructure bottlenecks

Thirdly, despite attempts to enhance infrastructure, MSME clusters, especially micro enterprises, lack vital support systems. This deficiency not only obstructs their day-to-day operations but also hinders their future growth potential. Developing MSME clusters can provide shared infrastructure, services, and access to larger markets, which can significantly enhance their growth potential.

Requirements of Compliance

As businesses transition from an informal to a formal entity, they encounter significant rise in regulatory obligations and cost of compliance. Sometimes these requirements involve the interpretation of laws, knowledge of compliance procedures, etc. Instances of difficulties with financing entities are not uncommon as the MSMEs attempt to scale up. The Government and Regulators have been taking various initiatives to reduce difficulties and ease the cost of doing business.

The Financial Sector's Role in Empowering MSMEs

Having discussed some of the key challenges being faced by the MSME sector, taking advantage of the large audience that is present here from the financial sector, I would like to highlight some of the ways in which we can support its growth and development.

Digitisation and Innovative financing solutions

With more MSMEs adopting digital payment systems, mobile banking, and online accounting tools, the resultant digital footprint allows financial institutions to gather more accurate and comprehensive data on an MSME's financial health, transaction history, and cash flow patterns.

We have seen significant traction towards end-to-end digitalisation of credit delivery in the past few years, largely in Retail and to some extent in MSME sector. I would urge bankers to explore these opportunities further for greater digitalisation of their transactions with MSMEs. Digital applications and platforms reduce the paperwork and administrative burden associated with traditional lending, and also brings in complete transparency. By using digital tools for application processing, verification, and disbursement, financial institutions can expedite approval times and significantly lower the costs of availing credit.

The data derived from the enlarged digital footprint would enable a better risk assessment and the development of customized financing products. Indeed, extending finance after a proper understanding of the cash flows of MSMEs, including factoring in the possible delayed payments from their buyers, will ensure a proper reading of the actual working capital cycle and ensure adequate financing. Inadequate understanding of the actual cash flows and its timings may result in the repayment schedules not keeping up with the reality.

On its part, the RBI has taken various initiatives to promote innovation in financing to MSMEs. Recently, the third cohort of the RBI Regulatory Sandbox2 was dedicated for MSME lending, where five ideas were found viable. Earlier, to address the issue of delayed payments to MSMEs, RBI had initiated the Trade Receivables Discounting System (TReDS) in 2014. The scheme facilitates the financing of trade receivables of MSMEs from corporate and other buyers, including government departments and Public Sector undertakings (PSUs) through multiple financiers electronically. While there has been an uptick in transactions in the last couple of years, there is a long way to go in onboarding by more corporate buyers and MSME sellers on the platform to reap its full potential. RBI is engaging with the Government on this aspect, I would also urge bankers to leverage their corporate relationships to encourage larger corporates to get themselves onboarded on the TReDs platforms.

Capacity building and financial literacy

Apart from access to finance and digital tools, enhancing financial literacy among MSMEs is equally important. Many small business owners lack the knowledge and skills to effectively manage their finances, which can hinder their growth.

While RBI has been facilitating capacity building on MSME finance for bankers under the NAMCABs3 programme, I believe the financial sector can play a vital role in providing capacity-building programs tailored to the needs of MSMEs.

These programs could include training on financial management, understanding credit and forex products, and using digital tools effectively. By equipping MSMEs with the right knowledge and skills, we can help them make informed financial decisions, optimise their operations, and reduce the risk of default. Partnerships between financial institutions, government agencies, and industry bodies can ensure that these capacity-building initiatives reach the businesses that need them most.

As you may be aware, the Government of India has adopted the Cluster Development approach as a key strategy for enhancing the productivity and competitiveness as well as capacity building of Micro and Small Enterprises (MSEs). In this connection, RBI has advised convenors of all State Level Bankers' Committees (SLBC) to incorporate credit requirements of these identified clusters in their Annual Credit Plans. To further support this initiative, I would request banks to consider opening more MSE-focused branch offices preferably with forex facility, within these clusters. These specialised branches will not only facilitate easier access to credit for MSEs but will also serve as Counselling Centres, offering tailored financial advice and capacity-building services to these enterprises.

Boosting MSME Exports

The financial sector can play a crucial role in boosting MSME exports by offering targeted support and tailored services that address the unique challenges these businesses face in the global market.

Beyond traditional products like pre- and post-shipment finance, factoring, and invoice discounting, the sector can significantly aid MSMEs in managing risks through export credit insurance and currency risk hedging solutions. These financial instruments not only protect against payment defaults and currency fluctuations but also provide MSMEs with the confidence to explore and expand into new international markets.

Current regulations mandate that forex needs, including cash and hedging products, must be met through authorised dealers, with scheduled commercial banks playing a dominant role. These banks, holding a privileged position, have a fiduciary duty to act fairly and transparently, particularly with smaller clients like MSMEs.

The introduction of the FX-Retail platform in 2019 aimed to enhance transparency and fairness in retail foreign exchange transactions has seen only a limited success. I would request banks to take proactive steps to increase awareness and facilitate higher customer participation on the FX-Retail platform.

Sensitivity towards the sector

Finally, considering the key role that MSMEs play in the economy, the financial sector should adopt a more sensitive and empathetic approach towards them. While financial discipline is crucial, the unique challenges faced by MSMEs—such as low capital base, lack of scale, cash flow constraints from delayed payments, fluctuating market conditions, and external economic pressures—necessitate a more nuanced approach to assessment as well as follow up.

While timely repayment of dues is crucial to maintain the health of the financial system, financial institutions should focus on deploying supportive measures such as restructuring options, grace periods, and tailored repayment plans that give MSMEs the breathing space they need to recover and get back on track while encountering difficult situations.

Collaboration and dialogue between lenders and borrowers can help create solutions that protect both the financial interests of the lender and the viability of the MSMEs.

Conclusion

In conclusion, the journey of India’s economic transformation cannot be complete without the robust development of our MSME sector. MSMEs are not just the backbone of our economy—they are the engines of growth, innovation, and employment. However, for these enterprises to truly thrive and scale up, the financial sector must step up with innovative solutions, sensitivity, and a forward-looking approach. This is not just about providing credit; its about enabling these enterprises to compete globally, drive exports, and contribute to the nation’s goal of becoming a developed economy by 2047. While financial instruments and support mechanisms are crucial, the way we engage with the MSME sector—our sensitivity to their challenges and our commitment to their success—will ultimately determine the strength and sustainability of this partnership.

With this I thank FEDAI for inviting me and wish it continued success in its role as a catalyst for the smooth functioning of foreign exchange markets through close coordination with stakeholders. Thank you all for your attention.

Source - https://rbi.org.in/Scripts/BS_SpeechesView.aspx?Id=1455

Cross-Border Payments - Unlocking New Frontiers

Address by Mr Agustín Carstens, General Manager of the BIS, to the Reserve Bank of India Global Conference on "Digital Public Infrastructure and Emerging Technologies", 27 August 2024.

Good morning, Minister Sitharaman, Governor Das, distinguished guests. Thank you for the invitation to speak today.

Let me take this opportunity to congratulate the Reserve Bank of India (RBI) on its 90th anniversary. This is a significant milestone for the institution and one that is worth celebrating.

India's economy has evolved tremendously over the past nine decades. Throughout this time, the RBI's commitment to safeguarding monetary and financial stability has helped to lay the foundation for the country's economic growth and development.

To remain relevant and effective over many decades amid rapid change, institutions must be able to adapt. The RBI – and other central banks throughout the world – have repeatedly shown their ability and willingness to adjust their operations and tools in response to changing economic and financial circumstances.

The need to move with the times applies even to one of the most fundamental central banking activities – the provision of money. Central bank money represents the trusted core of the entire financial system, ensuring finality of payments and the singleness of money. As society and the economy evolve, individuals and businesses will naturally demand that the money that they use comes in a form, and has features, that meet their changing needs. If central banks and trusted financial institutions do not provide money and payment services that meet these demands, individuals and businesses will look elsewhere. It is imperative for central banks to understand these changing demands, to prepare for them and, ultimately, to provide money in a form that is relevant for society. The RBI has led the way in this regard, through its highly successful retail and wholesale CDBC pilots.

In this light, it is clear that the theme of today's conference – digital public infrastructure and emerging technologies – is an important one that is central to the mission of both the RBI and the Bank for International Settlements.

India stands at the forefront of digital public infrastructure development, and its experiences offer many lessons for other policymakers.

The rapid deployment of infrastructure such as Aadhar and the Unified Payments Interface (UPI) has delivered substantial advances in financial inclusion and payments efficiency. It has shown how public authorities, by thinking big, acting fast and embracing cutting-edge technology, can deliver transformative change and unlock the full creative potential of the private sector for the benefit of all. This last element – the involvement of the private sector – deserves special emphasis. It is key to today's two-tier monetary system, and it will remain crucial as the monetary and financial system continues to evolve into the future, both in India and globally.

We should bear India's experience in mind as we think about how public authorities can encourage the efficient and safe deployment of new financial market infrastructures, including emerging technologies such as tokenisation and artificial intelligence (AI), in the context of a more efficient and secure financial system.

These lessons are not only relevant for individual jurisdictions. They are also relevant in thinking about how to enhance the global financial system.

This brings me to the main theme of my remarks today: enhancing the efficiency of cross-border payments.

The topic is critical. It has long been recognised that increased integration of global economies and financial markets creates a heightened need for businesses and individuals to move money across borders. At the same time, more efficient cross-border payment systems would also promote global economic integration.

Cross-border payments typically lag domestic ones in terms of cost, speed, access and transparency. To an extent, this is to be expected, as the transactions are necessarily more complex, often involving multiple participants, time zones, jurisdictions and regulations.

Yet the shortcomings of international payment systems exceed these unavoidable technical frictions. And, in some jurisdictions, the availability and cost of international payments has deteriorated over time, in part due to the well documented shrinking of correspondent banking links. This matters because correspondent banking still plays an important role for many workers living and working overseas in sending remittances home.

It was in part to address these shortcomings that the G20 launched its Roadmap for Enhancing Cross-border Payments in 2020. The BIS, through its Committee on Payments and Market Infrastructures and Innovation Hub, has played an active role in delivering on the roadmap.

Significant focus and resources have been devoted to this end, but much remains to be done.

The good news is that the technology to deliver a vastly improved cross-border payment system exists. And, increasingly, this is being matched by the will and cooperation needed to do so.

Let me discuss two areas where great practical innovation is taking place.

Central banks and other public authorities are playing a catalytic role in both. They are setting the rules of the game, providing key infrastructure and working productively with the private sector to deliver a better system for all participants. They are also ensuring that measures to secure the integrity of the financial system – including compliance with international sanctions, as well as anti-money laundering and know-your-customer regulations – continue to be adhered to, but with less cost and greater rigour than in today's system.

The first area I would like to highlight is the linking of fast payment systems – like India's UPI system – across borders. These systems leverage on the existing infrastructure that delivers instantaneous, high-volume, low-value payments domestically to facilitate similar payments in a cross-border context. As most instant payment systems (IPS) process domestic payments within 30 seconds, interlinking these systems could conceivably allow cross-border payments to flow in 60 seconds or less – a vast improvement on traditional approaches.

Several countries have already linked their fast payment systems on a bilateral basis. A link exists between the UPI here in India and the PayNow system in Singapore.

These bilateral channels are a good start. But we should aim higher. Bilateral links are hard to scale. Since every IPS has different technical standards, business processes and regulatory requirements, each bilateral link requires a new negotiation and harmonisation of technological and regulatory practices. As the number of participating jurisdictions increases, the number of bilateral links needed to complete the network rises exponentially.

To make progress at a global scale, a multilateral approach is required.

This is what Project Nexus – a joint venture between six central banks and payment system operators and the BIS Innovation Hub's Singapore Centre – seeks to achieve.

Nexus is a multilateral scheme that provides a standard blueprint for domestic instant payment systems to communicate with each other. All they need to do is make a single connection into the network and they can be linked with all other participants.

I am delighted that the RBI has signed up to be a full participant in stage 4 of the project, alongside the central banks and instant payment system operators of Malaysia, the Philippines, Singapore and Thailand. In this phase of the project, the BIS will support the participating central banks and IPS as they work towards live implementation of Nexus. Once it is operational, Nexus will enable almost 1.5 billion people to make cross-currency transfers at the click of a button. And it would pave the way for other interested jurisdictions to join this multilateral network in due course.

The second novel approach to improving cross-border payments that I would like to discuss involves applying new technology to enhance the effectiveness of the correspondent banking system. The adoption of tokenised commercial bank deposits is a key advance here. They provide three key benefits. First, they enable the pre-programming of financial integrity controls, greatly lowering the costs for financial institutions of providing cross-border payment services. Second, when brought together on a unified ledger, they can help to streamline clearing and settlement, enabling faster, less risky and more secure payments. Thirdly, through smart contracts, they can facilitate entirely new, more flexible, contingent payments.

The benefits of tokenised commercial bank deposits as a tool for cross-border payments could be even greater if combined with tokenised wholesale central bank money, to be used as a settlement asset. This approach could also facilitate high-value wholesale payments, which cannot feasibly be sent through IPS.

The BIS Innovation Hub recently launched Project Agorá together with seven central banks. In partnership with a large group of private financial firms convened by the Institute for International Finance, this project will examine the feasibility and use cases of the basic structure I have laid out.

The two approaches to improving cross-border payment systems that I have described are intrinsically worthwhile. They also feed into a broader vision of how the financial system should work in the future.

Recently, Nandan Nilekani and I proposed the concept of the Finternet as a way to articulate this vision. What we have in mind is a system where the combination of a sound economic architecture and application of advanced technologies within a robust regulatory and governance structure will enable individuals and businesses to transfer any financial asset, in any amount, at any time, using any device, to anyone else, anywhere in the world.

To realise that vision, we need to deploy novel technologies – including tokenised assets, unified ledgers and fast payment systems – in an integrated way.

The aim is not to use technology for its own sake, but rather to address major pain points and inefficiencies in the current system. This will deliver faster, more secure and cheaper transactions, providing more choice and better services for users of financial services, and bolstering financial inclusion.

Improving cross-border payments would certainly resolve a significant pain point in today's financial system. And doing so by interlinking fast payment systems and bolstering the correspondent banking system through the use of tokenised deposits and wholesale central bank money would also help to strengthen the integration and technological advancement of the financial system as a whole.

Thank you for your time. I wish you an insightful and worthwhile conference, and the RBI many more years of monetary and financial stability.

Source: https://www.bis.org/speeches/sp240827.htm

TOP BANKING NEWS

- **FM Nirmala Sitharaman seeks RBI help to clear RRB dues with states**

Finance Minister (FM) Nirmala Sitharaman on Thursday sought the Reserve Bank of India's (RBI's) intervention for clearing the pending dues of Regional Rural Banks (RRBs) with state governments.

During a review meeting on the performance of nine RRBs from Gujarat, Maharashtra, Madhya Pradesh, Chhattisgarh, and Rajasthan, held in Udaipur, Sitharaman directed RRBs to leverage their healthy Current Account Savings Account (Casa) ratio to provide more credit.

The meeting was attended by M Nagaraju, secretary of the department of financial Services (DFS), additional secretary, senior DFS officials, chairpersons of RRBs, CEOs of sponsor banks, representatives from the RBI, Small Industries Development Bank of India (SIDBI), National Bank for Agriculture and Rural Development (Nabard), and senior officers from these five states.

The FM also directed RRBs to become more customer-friendly and use their local connections to further improve performance. Sponsor banks play a significant role in these efforts by providing technical assistance, sharing best practices, and ensuring that RRBs have access to the resources they need to succeed.

She emphasised the importance of active outreach by RRB branches located in Micro, Small, and Medium Enterprises (MSME) clusters to ensure credit for small and micro enterprises. Although all RRBs have devised customised MSME products aligned with cluster activities, they need to regularly review their credit portfolios in this segment, according to the finance ministry's press statement.

The finance minister highlighted that sponsor banks and RRBs must recognise the challenges ahead, particularly in maintaining asset quality, expanding digital services, and ensuring robust corporate governance.

The Consolidated Capital to Risk (Weighted) Assets Ratio (CRAR) of RRBs has increased from 7.8 per cent in FY2021 to 13.7 per cent in FY 2024 and profitability has improved from losses of Rs 41 crore in FY2021 to net profit of Rs 2,018 crore in FY2024 and Gross Non-Performing Assets (GNPA) are relatively lower with a ratio of 3.9 per cent.

During the meeting, Sitharaman noted the potential of the PM Surya Ghar Muft Bijli Yojana scheme in Gujarat and Rajasthan and urged RRBs to generate awareness and provide credit under the scheme.

"The potential of the One District One Product (ODOP) programme was also highlighted to increase credit penetration by RRBs. Similarly, RRBs were directed to identify potential trades under the PM Vishwakarma scheme in their areas of operation to provide credit. RRBs were also directed to increase their share in ground-level agriculture credit disbursement and achieve the stated objectives of Priority Sector Lending," the finance ministry's press statement said.

Sitharaman noted the lower offtake of the MUDRA scheme in the Bundelkhand region and directed the State Level Bankers' Committee (SLBC) to hold specific meetings with state government officials, sponsor banks, and RRBs to improve the performance of the MUDRA scheme and other financial inclusion schemes in the Bundelkhand region and aspirational districts.

Source: https://www.business-standard.com/industry/banking/fm-sitharaman-urges-rbi-to-intervene-to-clear-dues-of-rrbs-from-state-govts-124082201195_1.html

- **Bank credit growth declines, gold loans rise 30.5%, credit card outstanding rises by Rs 51,000 cr.**

An Unfavourable base effect brought down the overall non-food credit growth of the banks to 13.9 per cent at Rs 163.46 lakh crore as of June 30, 2024 as against 16.3 per cent in June 2023, even as gold and housing loans rose sharply, according to the Reserve Bank's latest data.

The growth in credit card outstanding, meanwhile, declined during the 12-month period.

Analysts have attributed the slower rate to RBI measures such as higher risk weights on unsecured loans, a higher base effect and banks' focus on managing the credit-to-deposit ratio. Gold loan outstanding jumped by 30.5 per cent to Rs 123,776 crore as of June 2024 from Rs 94,872 crore (19.3 per cent growth) in June 2023. Credit card outstanding rose by Rs 51,000 crore to Rs 273,044 crore, showing a slower growth of 23.3 per cent as against 37.6 per cent a year ago, according to RBI data.

"The rise in gold loans could be due to the sharp rise in gold prices in the last one year which prompted people to pledge gold to raise finances," said a banking source. Gold loan NBFCs also hold a sizeable gold portfolio with Muthoot Finance alone accounting for a loan asset portfolio of Rs 63,200 crore in 2023.

Overall growth in the personal loan segment was lower at 16.6 per cent (Rs 50.91 lakh crore) in June 2024 as compared to 21.3 per cent a year ago, largely due to moderation in growth recorded in 'other personal loans' and 'advances against fixed deposits'. However, credit growth to housing, the largest constituent of the segment, accelerated by 18.2 per cent at Rs 24.27 lakh crore in June 2024 from 14.8 per cent (Rs 20.52 lakh crore) a year ago, RBI data shows.

RBI measures to check the unprecedented growth in unsecured loans had slowed down the growth in the segment. In November 2023, the RBI had increased risk weight on the exposure of banks towards consumer credit, credit card receivables and non-banking finance companies (NBFCs) by 25 per cent up to 150 per cent. The move was aimed to address build-up of any risks in these segments.

RBI data shows that credit growth to agriculture and allied activities remained robust at 17.4 per cent (y-o-y) in June 2024, but it was lower compared with 19.7 per cent a year ago.

Credit to industry grew at 7.7 per cent to Rs 37.12 lakh crore in June 2024 as compared with 7.4 per cent in June 2023. Among major industries, while y-o-y growth in credit to chemicals and chemical products, food processing and infrastructure was higher in June 2024, credit growth to basic metal and metal product, petroleum, coal products and nuclear fuels and textiles moderated, RBI says.

However, credit growth to services sector moderated substantially to 15.1 per cent in June 2024 from 26.8 per cent a year ago, primarily driven down by lower credit growth in non-banking financial companies (NBFCs) and trade segments.

According to CareEdge Ratings, if the credit and deposit inflows over the past 3 months and 6 months are studied, credit offtake at 5.3 per cent for six months and 2.3 per cent for 3 months has lagged the deposit growth numbers of 6.0 per cent and 3.4 per cent for a similar period.

Meanwhile, in absolute terms, deposits expanded by Rs. 23.9 lakh crore over the last 12 months and reached Rs. 211.8 lakh crore as of July 12, 2024. Deposit growth is expected to be prominent in FY25 as banks intensify efforts to strengthen their liability franchise. The banks are also sourcing funds via certificates of deposits (at a relatively higher cost) which have shown significant traction. This aims to prevent constraints on credit uptake due to deposit growth. The absolute growth in credit offtake stood at Rs 8.4 lakh crore for six months and Rs 3.8 lakh crore for 3 months has lagged the deposit numbers of Rs 11.9 lakh crore and Rs 7 lakh crore for the similar period, CareEdge said.

Source: https://indianexpress.com/article/business/banking-and-finance/bank-credit-growth-declines-gold-loans-rise-30-5-credit-card-outstanding-rises-by-rs-51000-cr-9487805/

SELECT RBI CIRCULAR

Circular Number	Date of Issue	Department	Subject	Meant For
RBI/2024-2025/72 CO.FMRD.FMIA. No.S242/ 11-01-051/2024-2025	29.8.2024	Financial Markets Regulation Department	Scheme for Trading and Settlement of Sovereign Green Bonds in the International Financial Services Centre in India	All Eligible Market Participants
RBI/2024-2025/71 DOR.STR. REC.41/04.02.001/ 2024-25	29.8.2024	Department of Regulation	Interest Equalization Scheme (IES) on Pre and Post Shipment Rupee Export Credit	All Scheduled Commercial Banks (excluding RRBs), Primary (Urban) Cooperative Banks & State Cooperative Banks (scheduled banks having AD category-I license), and Exim Bank
RBI/2024-2025/70 DOR.AML. REC.42/14.06.001/ 2024-25	27.8.2024	Department of Regulation	Implementation of Section 51A of UAPA, 1967: Updates to UNSC's 1267/ 1989 ISIL (Da'esh) & Al-Qaida Sanctions List: Amendments in 01 Entry	The Chairpersons/ CEOs of all the Regulated Entities
RBI/2024-2025/69 DoR.RET. REC.40/12.07.160/ 2024-25	22.8.2024	Department of Regulation	Cessation of "Krung Thai Bank Public Company Limited" as a banking company within the meaning of sub section (2) of Section 36 (A) of the Banking Regulation Act, 1949	All Commercial and Co-operative Banks
RBI/2024-2025/68 DoR.RET. REC.39/12.07.160/ 2024-25	22.8.2024	Department of Regulation	Exclusion of "Krung Thai Bank Public Company Limited" from the Second Schedule of the Reserve Bank of India Act, 1934	All Commercial and Co-operative Banks
RBI/2024-2025/67 DoR.RET. REC.38/12.07.160/ 2024-25	22.8.2024	Department of Regulation	Exclusion of "Credit Suisse AG" from the Second Schedule of the Reserve Bank of India Act, 1934	All Commercial and Co-operative Banks

RBI/2024-2025/66 DoR.RET. REC.37/12.07.160/ 2024-25	22.8.2024	Department of Regulation	Cessation of "Credit Suisse AG" as a banking company within the meaning of sub section (2) of Section 36 (A) of the Banking Regulation Act, 1949	All Commercial and Co-operative Banks
RBI/2024-2025/65 DoR.RET. REC.36/12.07.160/ 2024-25	22.8.2024	Department of Regulation	Inclusion of "UBS AG" in the Second Schedule of the Reserve Bank of India Act, 1934	All Commercial and Co-operative Banks
RBI/2024-2025/64 CO.DPSS.POLC. No.S528/02-14-003/ 2024-25	22.8.2024	Department of Payment and Settlement Systems	Processing of e-mandates for recurring transactions	The Chairman/ Managing Director/ Chief Executive Officer All Scheduled Commercial Banks, including Regional Rural Banks/ Urban Co-operative Banks/ State Co-operative Banks/ District Central Co-operative Banks/ Payments Banks/ Small Finance Banks/ Local Area Banks/ Non-bank Prepaid Payment Instrument issuers/ Authorised Card Payment Networks/ National Payments Corporation of India
RBI/2024-2025/63 DoR.FIN. REC.35/03.10.124/ 2024-25	16.8.2024	Department of Regulation	Review of Master Direction - Non-Banking Financial Company – Peer to Peer Lending Platform (Reserve Bank) Directions, 2017	All Non-Banking Financial Company – Peer to Peer Lending Platforms
RBI/2024-2025/62 DOR.CRE. REC.33/08.12.001/ 2024-25	12.8.2024	Department of Regulation	Review of Risk Weights for Housing Finance Companies (HFCs)	Housing Finance Companies

RBI/2024-2025/61 DOR.FIN.REC. No.34/03.10.136/ 2024-25	12.8.2024	Department of Regulation	Review of regulatory framework for HFCs and harmonisation of regulations applicable to HFCs and NBFCs	All Housing Finance Companies (HFCs) All Non-Banking Finance Companies (NBFCs)
RBI/2024-2025/60 DoR.FIN.REC. No.32/20.16.056/ 2024-25	08.8.2024	Department of Regulation	Frequency of reporting of credit information by Credit Institutions to Credit Information Companies	All Commercial Banks (including Small Finance Banks, Local Area Banks and Regional Rural Banks, and excluding Payments Banks) All Primary (Urban) Co-operative Banks/State Co-operative Banks/ Central Co-operative Banks All-India Financial Institutions (Exim Bank, NABARD, NHB, SIDBI and NaBFID) All Non-Banking Financial Companies (including Housing Finance Companies) All Asset Reconstruction Companies All Credit Information Companies
RBI/2024-2025/59 FIDD.CO.FSD. BC.No.8/ 05.02.001/ 2024-25	06.8.2024	Financial Inclusion and Development Department	Modified Interest Subvention Scheme for Short Term Loans for Agriculture and Allied Activities availed through Kisan Credit Card (KCC) during the financial year 2024-25	The Chairman/Managing Director/Chief Executive Officer All Public Sector Banks, Private Sector Banks and Small Finance Banks
RBI/2024-2025/58 DOR.CAP.REC. No.27/09.18.201/ 2024-25	02.8.2024	Department of Regulation	Prudential Treatment of Bad and Doubtful Debt Reserve by Co-operative Banks	All Primary (Urban) Co-operative Banks, State Co-operative Banks and Central Co-operative Banks

Source- https://rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx

STATISTICAL SUPPLEMENT – RBI

Reserve Bank of India – Bulletin Weekly Statistical Supplement – Extract					
1. Reserve Bank of India - Liabilities and Assets*					
					(₹ Crore)
Item	2023	2024		Variation	
	Aug. 25	Aug. 16	Aug. 23	Week	Year
	1	2	3	4	5
4 Loans and Advances					
4.1 Central Government	0	0	0	0	0
4.2 State Governments	16470	26767	26802	36	10332

** Data are provisional; difference, if any, is due to rounding off.*

2. Foreign Exchange Reserves*								
Item	As on Aug. 23, 2024		Variation over					
			Week		End-March 2024		Year	
	₹ Cr.	US$ Mn.	₹ Cr.	US$ Mn.	₹ Cr.	US$ Mn.	₹ Cr.	US$ Mn.
	1	2	3	4	5	6	7	8
1 Total Reserves	5719971	681688	55893	7023	328715	35269	803098	86830
1.1 Foreign Currency Assets #	5014012	597552	47553	5983	252167	26602	655967	70303
1.2 Gold	511818	60997	7224	893	72499	8322	145202	16642
1.3 SDRs	154888	18459	905	118	3665	327	4505	265
1.4 Reserve Position in the IMF	39253	4680	211	30	384	18	-2575	-381

** Difference, if any, is due to rounding off.*
 # Excludes (a) SDR holdings of the Reserve Bank, as they are included under the SDR holdings; (b) investment in bonds issued by IIFC (UK); and (c) amounts lent under the SAARC and ACU currency swap arrangements.

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3. Scheduled Commercial Banks - Business in India						
						(₹ Crore)
Item	Outstanding as on Aug. 9, 2024	Variation over				
		Fortnight	Financial year so far		Year-on-Year	
			2023-24	2024-25	2023	2024
	1	2	3	4	5	6
2 Liabilities to Others						
2.1 Aggregate Deposits	21328461	134751	1194012	853235	2289247	2090536
	(21247798)		(1045530)		(2140766)	(2158354)
2.1a Growth (Per cent)		0.6	6.6	4.2	13.5	10.9
			(5.8)		(12.6)	(11.3)
2.1.1 Demand	2413376	-30844	1639	-30477	206260	231306
2.1.2 Time	18915085	165595	1192372	883712	2082987	1859230
2.2 Borrowings	850641	-84549	352034	72698	320053	53278
2.3 Other Demand and Time Liabilities	910316	11431	68558	-27112	200009	52107
7 Bank Credit	16881262	67327	1185557	449098	2435074	2020470
	(16392648)		(582260)		(1831777)	(2135153)
7.1a Growth (Per cent)		0.4	8.7	2.7	19.6	13.6
			(4.3)		(14.7)	(15.0)
7a.1 Food Credit	27931	-259	24	4850	-12167	8001
7a.2 Non-food Credit	16853330	67586	1185532	444247	2447241	2012469

1. Data since July 14, 2023 include the impact of the merger of a non-bank with a bank.
2. Figures in parentheses exclude the impact of the merger.

4. Money Stock: Components and Sources

(₹ Crore)

Item	Outstanding as on		Variation over									
	2024	Fortnight	Financial Year so far		Year-on-Year				Year-on-Year			
					2023-24		2024-25		2023		2024	
	Mar. 31	Aug. 9	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	1	2	3	4	5	6	7	8	9	10	11	12
M3	24831384	25727224	137235	0.5	986382	4.4	895839	3.6	2294295	10.9	2397081	10.3
	(24939627)	(25807887)	(134697)	(0.5)			(868261)	(3.5)			(2329263)	(9.9)
1 Components (1.1.+1.2+1.3+1.4)												
1.1 Currency with the Public	3410042	3424802	-822	0	-61433	-1.9	14760	0.4	122880	4.0	209799	6.5
1.2 Demand Deposits with Banks	2586888	2556562	-30851	-1.2	-18	0	-30326	-1.2	204053	9.6	235982	10.2
1.3 Time Deposits with Banks	18739918	19653158	167432	0.9	1053763	6.3	913240	4.9	1952480	12.4	1930429	10.9
	(18848160)	(19733821)	(164893)	(0.8)			(885661)	(4.7)			(1862611)	(10.4)
1.4 'Other' Deposits with Reserve Bank	94536	92702	1477	1.6	-5930	-7.6	-1834	-1.9	14883	26.1	20870	29.1
2 Sources (2.1+2.2+2.3+2.4-2.5)												
2.1 Net Bank Credit to Government	7512016	7674120	61259	0.8	188857	2.6	162104	2.2	840623	12.9	319730	4.3
	(7603571)	(7739034)	(60821)	(0.8)			(135463)	(1.8)			(271981)	(3.6)
2.1.1 Reserve Bank	1193213	1107752	46842		-198937		-85461		112074		-144437	
2.1.2 Other Banks	6318803	6566368	14417	0.2	387794	6.8	247565	3.9	728549	13.6	464167	7.6
	(6410358)	(6631282)	(13979)	(0.2)			(220924)	(3.4)			(416418)	(6.7)
2.2 Bank Credit to Commercial Sector	16672145	17156415	72233	0.4	565835	3.9	484270	2.9	1829756	13.9	2160944	14.4
	(17202832)	(17645028)	(67210)	(0.4)			(442196)	(2.6)			(2046260)	(13.1)
2.2.1 Reserve Bank	14406	10439	-495		-22436		-3967		-21697		6327	
2.2.2 Other Banks	16657739	17145975	72729	0.4	588271	4.1	488236	2.9	1851453	14.1	2154617	14.4
	(17188425)	(17634588)	(67706)	(0.4)			(446163)	(2.6)			(2039934)	(13.1)

Note: Figures in parentheses include the impact of merger of a non-bank with a bank.

5. Liquidity Operations By RBI

(₹ Crore)

Date	Liquidity Adjustment Facility						Standing Liquidity Facilities	OMO (Outright)		Net Injection (+)/ Absorption (-) (1+3+5+7+9-2-4-6-8)
	Repo	Reverse Repo	Variable Rate Repo	Variable Rate Reverse Repo	MSF	SDF		Sale	Purchase	
	1	2	3	4	5	6	7	8	9	10
Aug. 19, 2024	-	-	-	21685	1690	95740	-	270	-	-116005
Aug. 20, 2024	-	-	-	875	1202	103244	-	610	-	-103527
Aug. 21, 2024	-	-	-	-	14226	69962	-	300	-	-56036
Aug. 22, 2024	-	-	-	-	1019	84413	-	365	-	-83759
Aug. 23, 2024	-	-	-	20377	1818	98793	-	230	-	-117582
Aug. 24, 2024	-	-	-	-	722	66501	-	-	-	-65779
Aug. 25, 2024	-	-	-	-	1794	66500	-	-	-	-64706

SDF: Standing Deposit Facility; MSF: Marginal Standing Facility.

Source: https://rbi.org.in/Scripts/BS_ViewWssExtractdetails.aspx?id=58603

TOP NON-BANKING FINANCE COMPANIES & MICRO FINANCE INSTITUTIONS NEWS

- **RBI tightens guidelines for NBFC P2P lending**

The central bank tightened norms for non-bank lenders operating as peer-to-peer (P2P) lending platforms, barring them from selling insurance products that are in the form of credit enhancement and prohibiting P2P platform from providing any assurance or guarantee on the recovery of loans.

The Reserve Bank of India (RBI) also directed non-banking finance companies (NBFC) to charge a fixed fee, which should not be linked to the borrower's repayment. The regulator also reiterated that the platform cannot provide credit guarantee.

The banking regulator's master direction issued on Friday comes into force with immediate effect. Crowdfunding through the P2P platform connects individual lenders with borrowers to facilitate unsecured loans. There are 26 NBFCs-P2P registered with the RBI as of March 31, 2024.

RBI directed NBFC-P2P not to promote the 'investment product with features like tenure linked assured minimum returns, liquidity options at times acting like deposit takers and lenders instead of being a platform.'

It also said that any loss of principal or interest or both on funds lent by lenders to borrowers on the platform shall be borne by the lenders while adding that the platform cannot provide credit enhancement or credit guarantee.

Further, the platform should obtain a declaration from lenders that he understands that 'there exists a likelihood of loss of entire principal in case of default by a borrower. The P2P platform shall not provide any assurance or guarantee for the recovery of loans.'

The RBI also barred NBFC-P2P from selling any insurance product in nature of credit enhancement or credit guarantee. Also, NBFC-P2P cannot utilise funds raised from one lender with another. They can only charge a fixed fee, which should not be linked to the borrower's repayment.

"The RBI has clarified multiple ambiguities such as the fact that returns on lending cannot be guaranteed and P2P platforms cannot profit credit enhancement of the loans," said Bhavin Patel, founder and CEP of LenDenClub, a NBFC-P2P platform

The regulator has retained the Rs 50 lakh cap of the aggregate exposure of a lender to all borrowers. If the amount lent crosses Rs 10 lakh, the lender must provide a net worth certificate from a chartered accountant.

he RBI has said that the platform should only disburse any loan if the lenders and the borrowers have been matched and mapped. Also, individual lenders must approve the individual recipient of the loan, and all concerned participants have signed the loan contract.

Under the fund transfer mechanism, funds from the lenders' bank accounts shall only be transferred to the Lenders' Escrow Account. These lender funds can only be disbursed to the specific borrower's bank account.

The borrower shall transfer the loan repayment amount from his bank account to the Borrowers' Escrow Account, from where the funds shall only be transferred to the respective lender's bank account.

The RBI prohibited cash transactions while adding that all fund transfers should be through and from bank accounts.

The NBFC-P2P should disclose the share of non-performing loans on its website, segregated by age. They should also disclose losses born by the lenders on principal or interest or both.

Source: https://economictimes.indiatimes.com/news/economy/policy/rbi-tightens-guidelines-for-nbfc-p2p-lending/articleshow/112573403.cms?from=mdr

- **Public sector banks' NPAs on Mudra loans fall to 3.4 pc in 2023-24: Sitharaman**

Public sector banks' non-performing assets associated with the Mudra loan category have declined to 3.4 per cent in the 2023-24 fiscal, Finance Minister Nirmala Sitharaman said on Monday. This marks an improvement from 4.77 per cent in 2020-21, 4.89 per cent in 2019-20, and 3.76 per cent in 2018-19, she said in response to a query in the Lok Sabha during the Question Hour.

Lok Sabha during the Question Hour.

Sitharaman addressed questions regarding the non-performing assets (NPA) associated with Mudra loans, highlighting a significant reduction in NPA rates over the past few years.

The finance minister informed the House that the NPA for public sector banks on Mudra loans has decreased to 3.4 per cent in the financial year 2023-24.

She further said Mudra loan NPAs in private sector commercial banks fell to 0.95 per cent in 2023-24 from a peak of 1.77 per cent in 2020-21 and 0.67 per cent in 2018-19.

Non-performing assets (NPAs) are loans or advances for which the principal or interest payment remains overdue for 90 days.

NPAs are a critical indicator of the health of the banking sector, as high levels of bad loans indicate a higher risk of default, leading to financial instability.

Regarding interest rates for Mudra loans, Sitharaman said they vary across different banking sectors. Public sector banks offer rates between 9.15 per cent and 12.80 per cent, while private sector banks range from 6.96 per cent to 28 per cent.

Despite these variations, she emphasised that monitoring mechanisms are in place to ensure fair recovery processes and address any instances of harassment.

"Recovery harassment is closely monitored, and we welcome reports of any such instances so that they can be promptly addressed," Sitharaman said.

She highlighted that data collection on NPAs is conducted annually, ensuring that public and private sector banks follow up on their recovery processes diligently.

The minister also shared NPA figures for other financial institutions involved in disbursing Mudra loans.

Regional Rural Banks' (RRBs) NPAs dropped from 3.86 per cent in 2018-19 to 2.47 per cent in 2023-24.

Small Finance Banks and State Cooperative Banks also showed improvements.

Notably, NBFCs reported a decline in NPA from 0.47 per cent in 2018-19 to 0.22 per cent in 2023-24.

"Overall, the NPA on disbursement for Mudra loans has come down to 2.10 per cent," Sitharaman said.

The Mudra loan scheme, launched in 2015 under the Pradhan Mantri Mudra Yojana (PMMY), aims to provide financial support to micro and small enterprises.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/public-sector-banks-npas-on-mudra-loans-fall-to-3-4-pc-in-2023-24-sitharaman/articleshow/112285672.cms

TOP INSURANCE NEWS

- **Pvt insurers ceded ground in rural areas in FY24; Tier-II,-III saw growth**

The share of life insurance policies sold by top private insurers in the rural areas declined in the financial year 2023-24 (FY24) compared to previous year.

SBI Life, HDFC Life, ICICI Prudential Life Insurance – the top three players from the private sector-- have seen the share of insurance policies sold in rural areas drop in FY24 as compared to the previous financial year. Max Life Insurance's share of rural policies recorded an increase in FY24.

On the other hand, state-run Life Insurance Corporation of India's share of insurance policies sold in rural areas jumped from 22.25 per cent in FY23 to 47.72 per cent in FY24.

According to experts, the industry witnessed higher growth in sale of policies from tier 2 and tier 3 cities while the rural areas saw a normalised growth, resulting in overall drop in share of policies sold in rural areas.

In addition, there was an increased demand for Unit Linked Insurance Plans (Ulips) in urban areas in FY24 amid buoyant equity markets.

In the Union Budget for FY24, Finance Minister Nirmala Sitharaman proposed that insurance policies (excluding unit linked insurance plans or Ulips) with an aggregate premium exceeding Rs 5 lakh, and the maturity amount, would not be exempt from tax.

This rule came into effect on April 1, 2023 which led to a surge in sale of policies in tier 2 and tier 3 cities in March 2023. However, the growth of rural and social sector policies grew at normalised rate lowering the share of policies sold in rural areas compared to the year ago period.

"My overall number of policies grew handsomely. After the changes in budget, more policies were sold in tier 2 and 3 cities whereas my rural and social sectors policy grew at a normal rate, so optically it looks like the percentage has fallen," said Vibha Padalkar, managing director (MD) & chief executive officer (CEO), HDFC Life Insurance

Analysts said that there was a surge in demand for Ulip products mainly in the urban areas as a result of the healthy performance of the equity market further driving the overall sale of policies.

% of Rural policies sold to total policies

Life Insurance Companies	FY24	FY23
Life Insurance Corporation of India (LIC)	47.72%	22.25%
SBI Life Insurance	30.78%	31.87%
HDFC Life Insurance	23.61%	30.44%
ICICI Pru Life Insurance	20.90%	22.63%
Max Life Insurance	23.90%	21.13%
Source: Annual Report		

Source https://www.business-standard.com/finance/insurance/life-insurance-policy-share-of-private-insurers-in-rural-areas-fell-in-fy24-124082001182_1.html

TOP CORPORATE BOND MARKET NEWS

- **India's first perpetual bond issue since valuation rule tweak sees strong interest**

India's first additional Tier I perpetual bond issuance after recent rule changes to make them more appealing was sold at a lower-than-expected coupon, indicating a revival in demand for such papers, four merchant bankers said on Tuesday.

Canara Bank sold perpetual bonds with a call option at the end of 10 years at a coupon of 8.27% compared to expectations of 8.30%-8.34%.

KEY CONTEXT

Additional Tier I perpetual bonds have no pre-defined maturity date and mature when an issuing bank exercises the call option.

Funding through such paper had dropped to 175 billion rupees in fiscal 2024 from 344 billion rupees the previous year.

To drum up interest, the Securities and Exchange Board of India (SEBI) recently allowed mutual funds to value these papers as per call option, instead of 100-year papers.

WHY IT'S IMPORTANT

Funding via this route opens up another option for banks to raise capital, especially as they struggle to raise deposits.

This was the first such debt issue from any lender this financial year and paves the way for others, with State Bank of India among at least three set to sell such debt soon.

BY THE NUMBERS

Canara Bank's perpetual bond issue received bids worth 46.58 billion rupees ($555.24 million), which is over 4.5 times its base size of 10 billion rupees.

KEY QUOTES

"There was a good response from investors in Canara Bank issue, as the full amount was raised and at a reasonably tight rate of 8.27%. This indicates that there is decent investor demand for mid-sized issues of AA+ rated perpetual bonds from AAA-rated issuers," said Shameek Ray, head of debt capital markets at ICICI Securities Primary Dealership.

"There was participation from some mutual funds along with insurers, and Canara Bank also had the early mover advantage which worked in its favour," a senior merchant banker said requesting anonymity as he is not authorised to speak to media. ($1 = 83.8920 Indian rupees)

Source: https://economictimes.indiatimes.com/markets/bonds/indias-first-perpetual-bond-issue-since-valuation-rule-tweak-sees-strong-interest/articleshow/112836981.cms

Department of Banking & Financial Services Upcoming Programme

Global ESG Conclave 3.0	26th September 2024
19th Annual Summit & Awards on Banking & Financial Sector Lending Companies	17th October 2024

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Further Details Please Contact:

Dr Rajesh Singh
Additional Director & HOD
(Department of Banking & Financial Services)
Mobile: 9871204880 | Email: rajesh.singh@assocham.com

CORPORATE OFFICE:

THE ASSOCIATED CHAMBERS OF COMMERCE AND INDUSTRY OF INDIA

4th Floor, YMCA Cultural Centre and Library Building, 01, Jai Singh Road, New Delhi – 110001

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