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TOP SPEECHES

Emerging India: A Land of Stability and Opportunities

(Keynote Speech by Shri Shaktikanta Das, Governor, Reserve Bank of India - November 9, 2023 -

Delivered at the Symposium on Indian Economy 2023 organised by Institute of Indian Economic Studies

The global economy continues to face multiple macroeconomic and geopolitical shocks. The prediction of a global recession has not come true but there are indications that global growth is slowing down amid tightening financial conditions and still elevated inflation. Even as the fallouts of the pandemic, the war in Ukraine and the unprecedented tightening of monetary policy reverberate across the world, the recent developments in West Asia have added to the litany of challenges for the global economy. Policymaking in this scenario becomes extremely challenging with difficult trade-offs – growth versus inflation; price stability versus financial stability; and current exigency versus future sustainability. There is always a risk of doing too little or doing too much. In such a scenario, I would like to start with the Reserve Bank of India's approach to policy making during this turbulent period.

Our Approach

To protect the economy from the relentless shocks in the recent period, our endeavour has been to remain proactive, pragmatic and prudent in our policy response. We were conscious of the fact that an overdose of monetary medicine, while relieving the pain in the short run, could give rise to increased vulnerability and fragility over a period of time. Following the onset of the COVID-19 pandemic, we injected liquidity, but almost every measure of liquidity injection was for a limited period and was targeted. By doing so, we avoided the pitfall of a liquidity trap. Further, our lending standards were not diluted in terms of our counterparties (banks) and collateral requirements for on-lending to stressed entities or sectors.

On the regulatory side also, our actions were measured. We allowed lenders to offer moratorium

on loan repayments and interest payments. We put in place loan resolution frameworks for the COVID-19 related stressed assets thereafter. These loan resolution frameworks were not open ended but subject to achievement of certain financial and operational parameters. The idea was to avoid the phenomenon of 'moral hazard' and other pitfalls typically associated with open ended restructuring of loans.

We are acutely aware that a healthy and efficient banking and financial system is the primary stabilising force against various shocks. Mindful of this, we have carried out a series of reforms in our regulatory and supervisory architecture. We have come out with certain governance guidelines for banks and introduced a scale-based regulation for non-bank financial companies (NBFCs), based on the size and complexity of their businesses. The process of supervision of banks, NBFCs and other financial entities has also been substantially strengthened with the focus being on early detection and pre-emptive correction, rather than reacting to the symptoms of weaknesses.

Thanks to a confluence of factors, including to a large extent, the steps taken by the Reserve Bank, the Indian economy has emerged as an epitome of stability and opportunity. We have not only kept our house in order against large and overlapping global shocks, but also improved our macroeconomic fundamentals and buffers. While growth remains on track, inflation is on a path of moderation, though it is still above the target. The balance sheets of banks and corporates are healthiest in a long time and with the public investment push by the Government, they create favourable conditions for a sustained revival in investment. Consumer confidence, as evident from our surveys, is on a rising trajectory since the pandemic

lows. Our external sector inspires confidence as we are reaping export opportunities, in the services sector; our current account deficit remains eminently manageable; and we have bolstered our forex reserves to deal with potential eventualities.

Today, India has become the new engine of global growth with its young demography¹, improving physical and digital infrastructure and above all, an enabling policy environment. In this context, Japan and India continue to be the natural partners. We share deep historical ties. The teachings of Gautama Buddha have inspired our shared ethos and cultures. We look up to the Japanese “Economic Miracle” as a learning opportunity as we prepare the ground to uplift India’s growth trajectory. Japan has played a critical role in infrastructure building in India through several public and private sector partnerships.² There are many collaboration opportunities in frontier technologies such as space technology, artificial intelligence, quantum computing, rare-earths extraction, semiconductors and resilient supply chains, and other areas. Our partnership could also be potentially strengthened in the sphere of human resources. I am sure the future offers limitless possibilities to deepen our engagements for the benefit our people and the entire world.

It would be worthwhile here to look a little deeper into India’s growth drivers, its experience of managing inflation since the pandemic, and the emerging opportunities and challenges especially in the FinTech space.

Growth Drivers

Policy focus on strengthening macroeconomic fundamentals and continued structural reforms have made India distinct in terms of growth outcomes. This was reflected in the rebound in GDP growth after the pandemic from a contraction of 5.8 per cent in 2020-21 (pandemic year) to a growth of 9.1 per cent in 2021-22 and 7.2 per cent in 2022-23. The GDP grew by 7.8 per cent in the first quarter of 2023-24, and the available high frequency indicators suggest continuation of this momentum. For the full year 2023-24, real GDP growth is projected at 6.5 per cent by the Reserve Bank.

The innate resilience of the Indian economy could be attributed to its well diversified economic structure. Although India has made rapid strides in external openness through trade and financial channels and gained competitiveness, its core dependence for growth continues to be its domestic demand which also provides a cushion against external shocks. Among the constituents of aggregate demand, private consumption accounts for over half of GDP (around 57.0 per cent average share during 2011-12 to 2022-23), followed by fixed investment and government consumption. During the post-pandemic recovery, private consumption contributed an average of 66.0 per cent to GDP growth during 2021-22 and 2022-23.³ At the same time, structural reforms related to banking, digitalisation, taxation, manufacturing, etc., have laid the foundation for a strong and sustainable growth over the medium and long term.

On the supply side, while the agricultural and the industrial sectors are maintaining their underlying momentum with renewed focus on manufacturing, a major part of the India’s growth is coming from the services sector which again largely depends on domestic demand. With crucial transformations underway, India’s services sector is expected to lift its future trajectory of growth with a major impetus coming from rapid digitalisation of the economy, which could be a game-changer for economic development. The external demand for India’s services is also increasingly gaining significance with services exports growing rapidly on the back of rising competitiveness in niche areas. India’s services exports are diversifying from information technology (IT) related services to other professional services such as business development, research and development, professional management, accountancy and legal services. Domestic services are also undergoing a steady shift from low-skill consumer-oriented services towards more technology-enabled business services. The newly emerging start-ups are largely concentrated in the services sector. Capitalising on India’s impressive public digital infrastructure⁴, many of these start-ups function as service providers for other businesses by

offering services ranging from facilitating digitization and improving access to credit.

Managing Inflation

As in the case of growth, there are some nuances in India's experience in managing inflation vis-à-vis other countries. The nature of inflation shocks throughout much of 2020 and 2021 in India were largely supply side shocks, coming from COVID-19 lockdowns and adverse weather events. As lockdowns were withdrawn and the impact of weather disturbances waned, forces of inflation correction began to operate. The monetary and fiscal support provided during the pandemic were measured and targeted. Consequently, demand-led inflation pressures in India were much less compared to several other economies. The monetary policy committee (MPC) of the Reserve Bank was, therefore, able to look through the intermittent higher inflation prints with the aim of supporting economic growth during and in the aftermath of the COVID-19 pandemic. The MPC took the considered view that policy tightening in such a scenario would only accentuate the growth slowdown and impart higher volatility, without being able to properly address the first-round effects of temporary supply side shocks. This approach was in consonance with the flexibility embedded in our flexible inflation targeting framework wherein the primary objective of monetary policy is to maintain price stability while keeping in mind the objective of growth.

In early 2022, with the waning of COVID-19 shocks on inflation, gradual easing of supply bottlenecks and forecast of a normal monsoon, inflation was expected to witness a significant moderation to the target rate of 4 per cent by Q3:2022-23. These expectations were completely overturned by the war in Ukraine. Initially, the shocks came from the spike in global fuel and food prices, which got further accentuated by local adverse weather events. These shocks got transmitted to the retail prices of goods and services, as domestic economic recovery and rising demand enabled pass-through of the large pent-up input costs. This also imparted stickiness to underlying core inflation. The result was a generalized inflationary impulse.

In the period that followed the Ukraine war in 2022, what stood out in India was the coordinated monetary and fiscal policy response to tame the inflationary pressures. The MPC quickly changed gears by prioritising inflation over growth, while changing its stance from being accommodative to withdrawal of accommodation in April 2022. The MPC then went on to increase the policy repo rate by 250 bps cumulatively between May 2022 and February 2023, to keep inflation expectations anchored, break the core inflation persistence, and contain second round effects.

Looking back, there were several aspects in our conduct of policy that helped in taking decisive and timely action during the heightened inflation pressures seen in 2022-23. First, prudence was the cornerstone of the monetary policy response to the COVID-19 shock, with most of the extraordinary liquidity injection measures being targeted with pre-set end dates. This ensured an orderly unwinding of the monetary stimulus as growth recovered. Second, the Government also adhered to fiscal prudence, with actual fiscal deficit for 2022-23 kept in line with the Budget Estimates. Third, complementing the monetary policy measures were a series of proactive and targeted supply side measures by the Government.⁵ All these factors put together, proved to be critical in moderating the price pressures.

As things stand today, the MPC in its October 2023 meeting has projected CPI inflation at 5.4 per cent for 2023-24, a moderation from 6.7 per cent in 2022-23. Headline inflation, however, remains vulnerable to recurring and overlapping food price shocks. The core inflation has also moderated by 170 basis points since its recent peak in January 2023. In these circumstances, monetary policy remains watchful and actively disinflationary to progressively align inflation to the target, while supporting growth.

FinTech Space

The advent of FinTechs has transformed the landscape of traditional financial services. This has tremendously improved the delivery of financial services by making them faster, cheaper, efficient and

more accessible. India is currently the world's third largest FinTech ecosystem in terms of the number of FinTechs operating in India. It is growing at a robust pace and is projected to generate around US\$200 billion in revenue by the year 2030, contributing to approximately 13 per cent of the global FinTech industry's total revenue in 2030. The defining feature of the Indian 'model' of digitisation is the lead taken by the Government and the Public Sector in building infrastructures, on top of which innovative products are created by private sector FinTech firms and start-ups.⁷ The JAM trinity – a combination of bank accounts (Jan Dhan); Aadhaar, India's biometric identity system that provides a single and portable proof of identity; and Mobile phone numbers – has revolutionised India's FinTech ecosystem in terms of financial inclusion, digitisation of financial services, and overall service delivery.

On top of this, the Unified Payments Interface (UPI) has played a phenomenal role in the FinTech revolution in India. Its success story has in fact become an international model. Its ability to instantly transfer money between bank accounts through mobile applications has transformed the way people make digital transactions. The interoperability of UPI across banks and payments systems has created a unified payment ecosystem. It has facilitated digital payments even for small businesses and street vendors, leading to greater financial inclusion. UPI has also spurred development of new payment related products and services⁸. Further, linking of the UPI with fast payment systems of other countries is also being undertaken. Linkage of fast payment systems of India and Japan may also be explored to leverage the power of fintech and make cross-border payments more efficient and less costly.

The Reserve Bank has also commenced pilot runs of India's central bank digital currency (CBDC), the e-Rupee, for specific use cases in both wholesale and retail segments. Our approach to FinTech ecosystem is customer-centric; focus on good governance; ensuring effective oversight, ethical conduct and risk management; and encouraging self-regulation by

the FinTechs themselves through a Self-Regulatory Organization (SRO).

Although financial innovation enhances ease of payment and lowers its cost, they also pose risks and challenges to the financial system. These risks have a bearing on overall financial stability and market integrity. We, therefore, intend to play a dual role of acting as promoter of innovation as well as being the regulator. While promoting innovation, our focus is on ensuring a well-regulated ecosystem that addresses systemic risks and challenges.

Concluding Observations

It is a matter of satisfaction that the Indian economy has sailed through the turbulent waters smoothly during the recent years. Driven by its inherent dynamism and supported by a prudent policy mix, growth is getting stronger foothold while inflation is also coming under control. Our economic performance also owes a lot to the very calibrated, focused and targeted monetary and fiscal responses since the pandemic.

I must add that in the current uncertain environment, it is best to avoid any sense of complacency. We remain agile and continue to fortify our macroeconomic fundamentals and buffers. Today, the confidence and trust in India's prospects are at an all-time high. To seize the moment, India looks at Japan as a close partner to usher in a new era of growth and prosperity, for both our countries. We will be celebrating the festival of lights, Deepavali, in a few days in India. With Japan as our close partner, I am sure the land of the rising sun will further light up our spirits to take our economies and well-being of our people to greater heights.

Thank you. Namaskar.

Source: https://rbi.org.in/Scripts/BS_SpeechesView.aspx?Id=1391

Reflections: Challenges in Regulations

(Remarks delivered by Shri M. Rajeshwar Rao, Deputy Governor, Reserve Bank of India – November 2, 2023 - at the Gatekeepers of Governance Summit organised by 'Excellence Enablers' in Mumbai)

Do we need Regulations?

Many believe that minimal regulations, is the best way to foster growth of the enterprise. But history is replete with the examples of how minimal regulation coupled with lenient supervision and restrained enforcements have often led to financial crises. In fact, we would all agree that nothing could be more damaging to sustainable growth than a misfiring banking and financial sector. While in an ideal scenario, the 'invisible hand' would ensure that the system functions flawlessly for the greater good with minimal regulatory oversight, in reality it does not happen that way. As such, to control the irrational exuberance in the financial sector, there is need for a regulator who sets the boundaries and also enforces them for ensuring a sound and robust set of financial institutions and thereby promotes financial stability.

Regulations, usually, impose restrictions on the entry and operations of the entity while controlling the what and how of the business that is undertaken. This 'process' imposes opportunity cost on regulated entities to achieve the desired objectives. However, these are distributable costs to deliver a collective good. Therefore, regulations ensure that the overall financial system fulfils its supportive role to the real sector through efficient financial intermediation and its remains stable, robust and responsive.

Moreover, financial sector and banking industry is special. The inherent ability of banks to generate leverage and the potential to trigger a domino effect in the financial system makes it unique. Further, banks are not just the custodians of the customer's hard-earned savings but also custodians of public trust. It is RBI's responsibility to ensure that the trust reposed by the customers and depositors on banks is resolutely upheld.

Managing Transitions

As we look at the challenges in the financial sector today, it becomes important to address the profound structural shifts that are transforming the shape of the financial sector. These transitions encompass a myriad of factors, each with its own set of unique challenges. These are also complex, multifaceted issues that demand nuanced, adaptable solutions. Striking the right balance between encouraging innovation and maintaining the stability and security of the financial sector is always a formidable task. Let me elaborate on few of such transitions which we are engaged with.

Climate Transition

We are all aware of the global challenge that climate change poses to our planet and its impact which is felt across the world. The transition to a more sustainable, environmentally responsible financial sector is no longer an option but an imperative. As societies demand greater commitment towards a cleaner greener environment, regulators must undertake the task of integrating climate risks into the regulatory frameworks. Ensuring that financial institutions consider the environmental impact of their actions while simultaneously managing the flow of credit, demands a delicate balancing act and requires collaborative solutions.

The moot question which the regulators have to deliberate on is whether climate risk is a unique risk that need to be captured separately and thus requires a separate framework on a standalone basis or whether it transverses across credit, market and operational risks and can be captured as a part of the existing risk frameworks. Another point of debate is whether these risks need to be captured as combination of pillar 2 (supervisory review) and pillar 3 (market discipline and disclosures) requirements

or is it better to capture the risk as part of pillar 1 (capital and liquidity) straight way.

Technology Transition

Technology is reshaping the landscape of finance at an unprecedented pace and has emerged as a transformative force reshaping operations and customer experiences alike. Digitalisation is helping to enlarge the options available to customers and lenders, increase efficiency and competition in the provision of financial services, and, more importantly, making these services available to larger segments of the population.

As we embrace these technological advancements, it is imperative that regulatory frameworks evolve in tandem to ensure the security, privacy, and integrity of financial system. In an era defined by data, the protection of personal and financial information has come the fore. In India, the Digital Personal Data Protection Act, 2023 (DPDP Act) has been recently enacted. Such a legislation was necessary for safeguarding individuals' rights and ensuring responsible handling of personal data.

Banks and other financial institutions, as custodians of vast volumes of sensitive customer data, must make the required efforts to adhere to the provisions of the Act and related regulations. To manage this transition smoothly, financial institutions must invest in robust data governance frameworks, ensuring that they and their data processors collect, process, and store data in complete adherence to the law and the regulations. Managing the transition to a more data-conscious and 'data cultured' institution necessitates treading a delicate path.

The Digital Intermediation Transition

Post the pandemic, digital lending and emergence of digital platforms providing loans has seen an exponential rise in various emerging economies, including India. While this led to an increase in scale and velocity of credit in an increasingly digital environment, it has raised a host of business conduct issues.

The questions for any regulator to consider are whether they should try to be ahead of the curve to ensure that financial innovations are enabled only after putting in place an appropriate regulatory and supervisory framework; or to follow a relaxed approach of allowing the markets to develop on its own? By being more accommodating, do the regulators then run the risk of having to deal with unanticipated business conduct concerns and in extreme cases, confront and deal with potential events that could trigger systemic risks which may lead to outcomes that are difficult to anticipate and manage?

Nonetheless, for a regulator, inaction can never be an option. The pace with which newer business models, players and products are coming up, with such entities often exploiting the gaps in existing regulations or conducting business operations that fall in a regulatory grey area, continues to be a challenge. The business models that are built to challenge the regulatory perimeters, aggressive marketing strategies, and those that are engaged in exploitation of gullible customers makes it clear that such issues need intervention. But, the dilemma lies in deciding the extent of regulatory intervention which will contain and restrict the customer abuse without significantly altering the nature of FinTech led innovation.

For example, in the beginning of 2020, the lending activities of the new technology driven platforms involved small ticket size loans granted to a large number of borrowers, mostly falling in the lower income strata of the society such as students, retail businesses, gig workers, etc. For these borrowers, taking a loan at an exorbitant interest rate meant falling into a vicious debt trap. What made the situation worse was the fact that borrowers were not even aware of such high interest rate or charges before taking the loan as these were not disclosed upfront, there was no interface except the mobile app to raise their grievances and the recovery practices were harsh and unorthodox.

We had also observed that right from credit underwriting to recovery, every activity was being outsourced with scant regard to customer privacy

and protection. Digital Lending was operating on a 'rent an RE' model, where the FinTech platform was undertaking all the lending activities on behalf of the regulated entity by posing itself as principal. In many cases, the customers were not even aware of the name of the bank or NBFC which had sanctioned the loan.

To tackle this issue, the regulatory stance has converged on regulating the digital lending activity and the arrangements between regulated entities and FinTechs providing specified services to REs (which were rechristened as Lending Service Providers or LSPs). RBI's digital lending regulations have laid down a broad regulatory framework under which FinTechs can become enabling partners with regulated entities. These guidelines are a mix of reiteration of the extant guidelines like reporting to CICs, conducting due diligence before engaging LSPs, etc. and some fresh ones, with REs being the fulcrum around which digital lending activities are required to operate with the regulatory compliance being made their responsibility.

The Social Media Transition

Social media has revolutionized the speed and scope of dissemination of information. Information sharing has never been so quick and unhindered thus far. But this also means that unsubstantiated rumors and false news can also spread equally quickly and can adversely affect financial institutions, especially banks. The recent banking turmoil in USA has jolted some of the widely held views regarding principles of liquidity management and nature and speed of bank runs.

The banking turmoil in the United States and Europe in early March 2023 has had a significant impact on the global financial system. This episode has highlighted the need for a reassessment of global standards in financial sector regulations. This episode has offered two important lessons: First, the trust is vulnerable to perceptions of weaknesses and misinformed social media commentary.

Second, that in an age of social media and internet banking, the speed with which bank runs occur is unprecedented and therefore, the response time to handle any such crisis has telescoped to a fraction of

what was hitherto considered acceptable. To address these challenges, constant and effective supervision, complemented by ability of the bank concerned to monitor and prevent spread of misinformation over social media, has become vital.

How is RBI Managing these Transitions?

RBI's approach has always been to foster and support innovations and dynamism while balancing it with financial stability considerations. Therefore, let me elaborate what are we doing to manage these transitions.

Simplifying Regulations

The regulatory instructions have evolved over a period of time in consonance with the developmental trajectory of the financial system and institutions. The regulatory perimeter has also expanded as the Indian financial system has ventured into newer business models, product lines and geographical territories. Over time, this may have led to certain regulations becoming complex with concomitant increase in compliance burden. Therefore, a periodic stocktake is useful to review the regulatory instructions and compliance procedures with a view to streamlining/rationalising them and making them more effective.

The RBI had set-up Regulations Review Authority 2.0 (RRA) in 2021 (following the RRA 1 set up in 1999) to undertake this task and ensuring simplicity of regulations that has become a priority for us. In my view, future regulations must be responsive to the evolving need of the financial system. For this to happen, we have adopted a five-pillar strategy –

1. First, we are making sure that future regulations are forward looking and proactive.
2. Second, we have become nimble in our approach. This is critical as the pace of change has accelerated.
3. Third, our approach to regulation making has become more data driven and impact assessment oriented. This, in turn, has led to a more analytical decision making process and is helping in making provision for a suitable path for transition, wherever warranted.

4. Fourth, we have been adopting a more consultative approach to regulation making. Prior consultation with stakeholders enables us to gather diverse viewpoints and incorporate them in the regulations. This also makes implementation of regulations better.
5. The fifth and last pillar is collaboration. We are engaging more and more with stakeholders, government and with other regulators and industry to evolve a safe and resilient financial sector.

The Reserve Bank has been conferred upon the powers to make subordinate legislation under a wide spectrum of statutes. This casts a responsibility upon RBI to ensure that its instructions are within the perimeters set by the statutory mandate, clear in language, appropriate and proportional. Therefore, we have increased our focus on providing suitable training and skills to our officers so that the regulations can be written in simple language and there is better clarity on the regulatory intent.

Bringing customer conduct into focus

In whole scheme of things, the 'customer' should and must remain the centre. The two primary objectives of regulation viz. ensuring financial stability and protecting customer interest leads to two broad categories of regulations – prudential regulations and conduct regulations. Prudential regulation builds foundation for financial stability, while conduct regulation lays the ethical foundation for maintaining customer trust, together help in safeguarding the integrity of our financial system.

Accordingly, our endeavour has been to inculcate responsible conduct on the part of the regulated entities. We have asked banks to design suitability and performance requirements for financial products and financial services keeping in mind the interests of its customers. This includes Board level oversight arrangements that a bank must put in place in order to meet these objectives. As we further strengthen our approach towards addressing the concerns in the area of conduct based regulations, the guiding philosophy would be to set certain minimum

regulatory expectations, with the option for entities to adopt higher standards depending upon their size, proportionality and customer focus. The ultimate message is that the regulated entities should treat all customers - big or small, urban or rural, educated or less educated, in a transparent and ethical manner.

Principle Based vs Rule Based Regulations

There is an ongoing debate of whether a principle based approach is preferable or whether a rule-based approach to regulations is the better option. At different points in time, one approach has influenced the policymakers more than the other.

The benefit of rules-based regulations is that it provides certainty and firm guidance on what regulated entities are required to do, and from the regulator's point of view, the measurable and explainable regulatory targets and responsibilities that can be easily monitored and enforced. But in a prescriptive approach to regulation, the rules might end up becoming more important than the intended outcome for which they were designed, leading to a culture of "box ticking" compliance.

In contrast, principle-based regulation is more like a compass, providing regulated entities with a general direction, without specifying the precise route to be taken. The principles are crafted to be suitable for a wide array of situations and emphasize on desired outcomes. They grant regulated entities the flexibility to adapt to evolving circumstances and to innovate; however, it also requires them to exercise prudent judgment and make responsible decisions. But, often, to make the regulatory expectations clear, principle-based regulations are required to be supplemented with clarifications, illustrations and guidance notes.

So where do we stand in the continuum of rule-based and principle-based regulatory approach? The Reserve Bank, as a matter of policy, has been gradually giving banks greater operational freedom to conduct their business operations within the overarching regulatory framework. We are thus moving at a good pace towards making our regulations increasingly principle-based.

Maintaining a Level Playing Field

A level playing field ensures that all participants operate within a fair and consistent regulatory framework where the potential risks and rewards of the financial system are evenly balanced. There is widespread agreement that a level playing field is a key condition for a competitive financial sector. As a regulator, we are following the principle of “same activity, same risk, same regulation”. This approach can be seen in the case of our guidelines on Digital lending, first loss default guarantee (FLDG) and microfinance sector.

However, maintaining a level playing field has to be counter balanced by ensuring regulations that are proportionate to the risks posed by the firm to the financial system. We are quite mindful of the need to ensure that the regulatory burden on an entity should be proportionate to the risks posed by it to the financial system and to the size of its operation. This thought has underscored our revised scale-based regulatory approach to NBFCs and revised regulatory framework for UCBs.

It, however, must also be appreciated that limiting the potential for regulatory arbitrage and establishing

a level playing field for market participants is an important objective for regulators, but it is not the overriding one. To ensure efficient market functioning and, more broadly, to safeguard the public interest, policymakers may, at times, need to treat different players differently.

Conclusion

Let me conclude.

Framing regulations in today's dynamic and interconnected world is a challenging task, but it is a challenge that we are fully committed to overcoming. As a regulator, our most important contribution to the society is that we do our job – by making forward looking, risk-based and proportionate regulations and implement them in a consistent manner. At the same time, we are conscious that process of regulation making must yield a net surplus for the financial system. Even as we move forward on these lines, we need to remain steadfast in our dedication to maintaining stability, fostering growth, and safeguarding the interests of customers.

Source: https://rbi.org.in/Scripts/BS_SpeechesView.aspx?Id=1391

BANKING, FINANCIAL SERVICES & INSURANCE (BFSI) ACTIVITIES IN THE MONTH

2nd National Summit

Financial Inclusion

"Accelerating Tech Driven Financing to the Unbanked"

Thursday, 30th November 2023, Guwahati



Financial inclusion is a critical issue that demands our attention. Microfinance institutions play a crucial role in filling the void to provide financial services in rural areas, stated, Smt. Laya Madduri, Secretary, Government of Assam at the 2nd National Summit on Financial Inclusion - "Accelerating Tech-Driven Financing to the Unbanked." The national summit was organised by the Associated Chambers of Commerce and Industry of India (ASSOCHAM) in Guwahati.

Highlighting the significance of saving and retirement planning, Smt. Madduri underscored, "Even those with access to financial resources often lack clarity on saving for the future. This is a concern we must address, especially for the rural population."

Sharing a practical experience, Smt. Madduri discussed challenges faced during the implementation of a housing scheme a decade ago. She emphasised, "Creating an ecosystem that facilitates financial transactions, especially in rural areas, is vital for inclusive growth."

Addressing challenges in Assam's tea gardens during demonetisation, Smt. Madduri stressed the need for increased awareness and confidence in digital transactions. She stated, "Improved banking penetration is essential to ensure the success of initiatives transitioning to online transactions."

Lastly, Smt. Madduri linked financial inclusion with climate change resilience. Recognising Assam's

vulnerability, she stated, "Financial services, including insurance, play a crucial role in improving resilience and mitigating the impact on rain-fed agriculture."

Shri Pramod Rao, Executive Director, Securities and Exchange Board of India (SEBI) who was Guest of Honor at the summit emphasised technology's pivotal role in financial inclusion during the summit. Collaborating with entities like Ispirit, he highlighted their impact on lending opportunities in government e-marketplaces. Rao stressed finance as a growth engine, expressing, "Finance is an engine of growth akin to wind beneath the wings that give fuel to the flights."

Identifying obstacles, he praised the Jam Trinity – Aadhaar, mobile, and Jan Dhan accounts – for bringing the unbanked into the formal system. Acknowledging challenges in bank reluctance, Rao introduced the account aggregator system, empowering consumers, remarking, "The account aggregator system is a means of harnessing the benefits of Jam Trinity and is entirely digital." He advocated overcoming language barriers with Bhashini, promoting comprehensive financial solutions, and proposed transforming savers into investors, stating, "It's time to transform savers into investors."

In her Special Address, Ms Sumeet Kaur Kapoor, Executive Director of the Pension Fund Regulatory & Development Authority (PFRDA), stressed the need to redefine financial inclusion, stating, "It should extend beyond banking to frequent use of bank accounts, diverse payment systems, and various financial products." Emphasising the often-neglected pension sector, Kaur noted, "Longevity is increasing, and we can't solely rely on familial support in old age; it's essential to invest in building a pension fund."

Addressing the demographic shift, she commended the government for launching the National Pension System (NPS) in 2003, anticipating the peaking of India's demographic dividend in 2040. Discussing technology's impact, Kaur highlighted, "The 'Jam Trinity' played a crucial role in onboarding six crore subscribers." She emphasised the tech-driven efficiency of the NPS, stating, "From

DigiLocker for onboarding to QR code-enabled UPI for contributions, technology streamlines the entire subscriber journey." Kaur encouraged feedback for improvement, particularly in reaching underserved areas, asserting, "We aim to make the journey easier through technology."

Shri Shachindra Nath, Co-Chairman, ASSOCHAM National Council for NBFC & Infrastructure Financing and VC & MD, UGRO Capital Ltd in his welcome address, stated, "India is converging into a digital Bharat." Emphasising the transformative impact, he said, "Our digital footprint reaches far beyond places with no traditional connectivity." Highlighting the "JAM Trinity" (Jandan account, Aadhar, and Mobile), he noted its role in reaching every Indian. Discussing the digital ecosystem shift, he added, "There is a titanic shift happening in the digital ecosystem, from MSME to the creation of Odium account aggregation, GST, and digital banking." Pointing to UPI's global impact, he mentioned, "Unified Payments Interface (UPI), managed by National Payments Corporation of India (NPCI), has taken the world by storm, leading to similar solutions in developing countries."

Shri Jiji Mammen, Executive Director & CEO, Sa-Dhan, while addressing the summit commented on the significant progress in financial inclusion, stating, "The real boost came in 2014 with the Pradhan Mantri Jan Dhan Yojana, resulting in over 50 crore accounts and a significant increase in banking outlets." He highlighted the success of schemes like Pradhan Mantri Mudra Yojana, insurance, and pension schemes, emphasising their impact on the financial landscape.

Mr. Mammen praised the pivotal role of technology, stating, "The JAM Trinity – Jan Dhan, Aadhaar, and the Mobile revolution – has been a driving force behind financial inclusion." He specifically pointed to the India stack and the success of UPI, facilitating over a billion transactions monthly. Regarding microfinance, Mammen highlighted, "Today, these institutions have a customer base of over seven crore people and outstanding loans of Rs 3.6 lakh crores," underscoring the remarkable growth driven by technology-enabled processes.

TOP BANKING NEWS

- **RBI imposes monetary penalty on five co-operative banks.**

The Reserve Bank has imposed monetary penalties on five co-operative banks for deficiencies in regulatory compliance. These co-operative banks are: Shri Mahila Sewa Sahakari Bank Ltd, Porbandar Vibhagiya Nagarik Sahkari Bank Ltd, Sarvodaya Nagarik Sahakari Bank Ltd, The Khambhat Nagarik Sahakari Bank Ltd and The Vejalpur Nagarik Sahkari Bank Ltd.

The Reserve Bank imposed a monetary penalty of ₹2.50 lakh on Shri Mahila Sewa Sahakari Bank Ltd., Ahmedabad, Gujarat for non-compliance with the directions issued by RBI on 'Placement of Deposits with Other Banks by Primary (Urban) Co-operative Banks (UCBs)' and 'Reserve Bank of India (Co-operative Banks - Interest Rate on Deposits) Directions, 2016'.

The apex bank said that the Shri Mahila Sewa Sahakari Bank had breached the prudential inter-bank counterparty exposure limit, and not paid interest on matured term deposits from the date of maturity till the date of their repayment at the applicable rate. The bank failed to pay interest on term deposits for the Sundays, holidays and non-business working days on which the same had matured and which were repaid on the succeeding working day, the RBI added.

The RBI imposed a monetary penalty of ₹2.00 lakh on Porbandar Vibhagiya Nagarik Sahkari Bank Ltd., Porbandar, Gujarat for non-compliance with the directions issued by RBI on 'Placement of Deposits with Other Banks by Primary (Urban) Co-operative Banks (UCBs)'. The RBI said that the Porbandar Vibhagiya Nagarik Sahkari Bank had breached inter-bank counterparty exposure limit.

The banking regulator imposed a monetary penalty of ₹1.00 lakh on Sarvodaya Nagarik Sahakari Bank Ltd., Himmatnagar, Gujarat for non-compliance

with the directions issued by RBI on 'Placement of Deposits with Other Banks by Primary (Urban) Co-operative Banks (UCBs)'. The RBI said that the Sarvodaya Nagarik Sahakari Bank had breached inter-bank counterparty exposure limit.

The Reserve Bank imposed a monetary penalty of ₹50,000 on The Khambhat Nagarik Sahakari Bank Ltd., Khambhat, Gujarat for non-compliance with the directions issued by RBI on 'Loans and Advances to directors, relatives and firms/ concerns in which they are interested' read with 'Loans and Advances to Directors etc. - Directors as surety/guarantors – Clarification'. The RBI said that the Khambhat Nagarik Sahakari Bank had sanctioned loans where a relative of one of the directors of the bank stood as guarantor.

Source: <https://www.livemint.com/industry/banking/rbi-imposes-monetary-penalty-on-five-co-operative-banks-details-here-11700744701074.html>

- **SBI chairman, Dinesh Khara says bank's unsecured lending to moderate after RBI tightening.**

After Reserve Bank of India's move to mandate higher risk weights on consumer loan segment, the State Bank of India will see "moderation" in its unsecured lending portfolio, said SBI Chairman Dinesh Khara on Wednesday.

He also said that the impact of higher risk weights will have a 0.02-0.03 per cent impact on its net interest margins in the December quarter. However, a better picture is likely to emerge in the next quarter, said Dinesh Khara.

"Whatever we were doing, we will continue to do, but there will be a moderation," Khara told reporters on the sidelines of a FIBAC event here, when asked about the RBI's tightening of norms.

Earlier this month, the national banks regulator had asked lenders to be cautious and increase risk weights on unsecured lending for banks as well as non-banks.

The RBI has asked lenders to allocate more funds against each risky loan. The move will ensure better cushioning of these unsecured loans with higher buffers to help in case of any stress. On the other hand, the announcement will result in personal loans and credit card borrowings getting costlier.

Due to the increasing cost of funding, the interest rates on such loans will also go up, pointed out Khara. He also said that the move will lead to an increase in capital cost that will be borne by the bank because of new RBI norms.

He later stressed on already "robust" norms at SBI and said that there will not be any change from a diligence perspective. He noted that SBI's gross non-performing assets from unsecured loans portfolio stands at 0.70 per cent.

Earlier in November, Khara had said that the bank is not concerned with its unsecured loan portfolio because of the strong performance of the portfolio.

Source: <https://www.livemint.com/industry/banking/sbi-chairman-dinesh-khara-says-banks-unsecured-lending-to-moderate-after-rbi-tightening-11700660510464.html>

- **NBFCs must focus on diversification of products, funding profile, says Crisil.**

Non-banking financial companies (NBFCs) will have to focus on diversifying product offerings and funding profiles, given that growth in assets under management (AUM) is expected to moderate next fiscal, Crisil Ratings said on Wednesday.

As per Crisil, non-bank AUM will likely grow 14-17% in FY25, on the back of continued strong credit demand across retail loan segments, but less than the 16-18% expansion expected in the current fiscal (FY24).

The slowdown is partly due to an anticipated deceleration in unsecured retail loans, which have previously been the fastest-growing segment for NBFCs, as they recalibrate their strategies following recent regulatory measures issued by the Reserve Bank of India (RBI), the Crisil note said.

"Product diversification will be a key agenda for NBFCs whose core competence lies in the ability to reach, underwrite and cater to difficult-to-address customer segments. The diversification is expected to be through a mix of organic, inorganic and partnership routes," said Krishnan Sitaraman, senior director and chief ratings officer, Crisil Ratings.

RBI governor Shaktikanta Das on Wednesday advised NBFCs to lessen their reliance on bank borrowing, which has seen a compound annual growth rate of 18% over the last five years and stood at ₹12.3 trillion as of September. Crisil noted that strategic co-lending and debt capital funding would be crucial for NBFCs to secure stable funding.

Meanwhile, RBI governor Shaktikanta Das said at an event on Wednesday that NBFCs should try to broaden their funding sources and reduce overdependence on banks. As per Crisil, the share of bank borrowings has been increasing in recent years, and over the last five fiscals, bank loans to NBFCs logged a compound annual growth rate (CAGR) of 18% and stood at ₹12.3 trillion as of September.

"To ensure access to consistent and stable funding, we expect NBFCs to consciously diversify their resource mix and increase share of avenues like securitisation and debt capital funding. Focus on co-lending and direct assignments for capital-efficient growth is expected to continue," said Sitaraman of Crisil.

Last week, RBI raised risk weights on personal loans, credit cards and bank loans to non-banks, a move expected to impact non-bank financiers more.

"The recent regulatory measures are targeted at unsecured retail loans and do not impact the secured asset classes where growth is expected to be steady. Importantly, the regulatory changes do not impact HFCs (housing finance companies)," said Gurpreet Chhatwal, managing director, Crisil Ratings.

As per Crisil, the two largest traditional segments of home loans and vehicle finance now comprise 25-27% each of the NBFC AUM. Both segments are expected to report steady growth.

In the home loan segment, growth of 12-14% next fiscal will be driven by housing finance companies' focus on affordable home loans — ticket sizes of less than ₹25 lakh — while vehicle finance is expected to grow 18-19% this fiscal and 17-18% next fiscal, on the back of solid underlying asset sales, the Crisil note said.

Source : <https://www.livemint.com/industry/banking/nbfc-must-focus-on-diversification-of-products-funding-profile-says-crisil-11700650601388.html>

- **ECB to impose penalties on 20 banks if they fail to address issues in climate risk management:**

The European Central Bank (ECB) has said that it will impose penalties on 20 banks if they fail to address shortcomings in their management of climate risk, said a report by news agency Bloomberg on Wednesday.

Citing people familiar with the matter, the report said that the ECB has sent letters to the banks and gave them individual deadlines to fix the issues it identified.

According to the report, the fines threatened by the ECB would rack up every day and can amount to 5% of their daily average revenue.

The severity of the shortcomings observed by the ECB varies across lenders, and it is unlikely that all of them will get hit by penalties, the report added.

The ECB had found that several lenders had not delivered in meeting an interim deadline of last March.

In October, the European Banking Authority had said that it was revising the framework that sets industry-wide capital requirements to better incorporate ESG.

The European Central Bank directly oversees the 109 banks in Europe.

"We expect banks to manage C&E (climate-related and environmental) risks just like any other

material risk they are exposed to," ECB executive board member Frank Elderson said in a Brussels address earlier this month.

He had also said that the ECB had found banks were generally lagging in this respect "and we have told those banks to remedy the shortcoming by a certain date and, if they don't comply, they will have to pay a penalty for every day the shortcoming remains unresolved."

Elderson also said, "By failing to complete a proper materiality assessment, these banks are continuing to turn a blind eye to potential risks on their balance sheet."

In 2020, the ECB had published a slew of recommendations regarding bank governance in climate risk terms, including listing the percentage of carbon-related assets in each portfolio.

Source : <https://www.livemint.com/industry/media/sam-bahadur-box-office-collection-day-7-vicky-kaushal-s-movie-to-cross-rs-50-crore-mark-today-check-full-stats-here-11702007246318.html>

- **RBI governor Das pitches linking fast payments of India, Japan**

Reserve Bank of India (RBI) governor Shaktikanta Das on Thursday suggested linking fast payment platforms of India and Japan for easy cross-border transfers.

India's UPI (unified payments interface) has spurred development of new payment-related products and services, Das said, adding that linking the UPI with fast payment systems of other countries is being undertaken.

"Linkage of fast payment systems of India and Japan may also be explored to leverage the power of fintech and make cross-border payments more efficient and less costly," he said at the Symposium on Indian Economy 2023 in Tokyo.

In March, Japan's digital minister Kono Taro told Mint that Japan would consider linking systems eventually if his country adopts UPI. The UPI-PayNow linkage for cross-border remittances between India and Singapore was launched in

February 2023 and other similar linkages with several countries are work in progress, said a footnote in the text of his speech uploaded by RBI. Another footnote said that although remittances from Japan make up only a small fraction — 0.2% — of the total inward remittance receipts by India, the cost of sending remittances from Japan to India through banks is much higher than the United Nations Sustainable Development Goals (UN-SDG) target of 3%. These estimations, it said, are based on the World Bank's Remittance Prices Worldwide database.

Das said the advent of fintech has transformed the landscape of traditional financial services, improving the delivery of financial services by making them faster, cheaper, efficient and more accessible.

India, he said, is currently the world's third largest fintech ecosystem in terms of the number of fintechs operating in India, growing at a robust pace and projected to generate around \$200 billion in revenue by 2030. It will contribute to approximately 13% of the global fintech industry's total revenue in 2030.

"The defining feature of the Indian model of digitisation is the lead taken by the government and the public sector in building infrastructures, on top of which innovative products are created by private sector fintech firms and start-ups," said Das.

Speaking on UPI, Das said it has played a phenomenal role in the fintech revolution in India and that its success story has become an international model. Transaction volumes on UPI have crossed 10 billion and stood at 10.6 billion in September, showed data from the National Payments Corporation of India (NPCI).

"Its ability to instantly transfer money between bank accounts through mobile applications has transformed the way people make digital transactions. The interoperability of UPI across banks and payments systems has created a unified payment ecosystem," he said.

However, Das cautioned that while financial innovation improves ease of payment and lowers the cost, it also poses risks and challenges to the financial system, which have a bearing on overall financial stability and market integrity.

According to Das, RBI intends to play a dual role of acting as a promoter of innovation as well as being the regulator.

"While promoting innovation, our focus is on ensuring a well-regulated ecosystem that addresses systemic risks and challenges," he said.

Source: <https://www.livemint.com/industry/banking/rbi-governor-das-pitches-linking-fast-payments-of-india-japan-11699515055340.html>

- **Federal Bank implements UPI Lite for convenient digital transactions.**

Federal Bank, a pioneer in banking innovation, launches UPI Lite, which will power small-value digital transactions in India.

NPCI introduced UPI Lite—a simplified version of the Unified Payments Interface (UPI) system to cater to the growing demand for faster and more efficient small-value payments.

The benefits of UPI Lite for Customers include a reduction in transaction time, a ready-to-access bank statement, a higher payment success rate, and enhanced security. A UPI lite account can be created within the existing UPI app without downloading a new app.

Shalini Warriar, Executive Director, of Federal Bank said, "UPI has been at the centre of India's digital revolution and the addition of UPI Lite to this ecosystem provides customers a faster, more efficient, and cost-effective alternative to cash transactions. We at Federal Bank are proud to be at the forefront of implementing UPI Lite and provide customers with greater digital convenience."

UPI Lite is an 'on-device wallet' feature integrated into existing UPI apps. It enables users to make real-time small-value payments without the need for a UPI PIN. By facilitating direct transactions between the user's mobile device and NPCI, UPI

Lite alleviates stress on the core banking system.

Activating UPI Lite is seamless. Users can enable the UPI Lite feature in their existing UPI app that supports Lite functionality. The process involves logging in, accepting terms and conditions, specifying the amount, selecting the linked bank account, and confirming the request with their UPI PIN.

Transaction Limits in UPI Lite:

- Per Transaction Limit: Up to ₹500
- Maximum Cumulative Usage per Day: ₹4,000
- Maximum Balance in UPI LITE Account: ₹2,000

With its simplified interface, compatibility, and robust security measures, UPI Lite is set to enhance the digital payment experience. Customers can create Lite accounts using the UPI Lite feature in the BHIM, PhonePE, Google Pay, and Paytm linked to their Federal Bank account.

Source: <https://www.livemint.com/industry/banking/federal-bank-implements-upi-lite-for-convenient-digital-transactions-11700031485582.html>

- **UCO Bank says ₹820 crore erroneously credited to account holders, ₹649 crore recovered**

UCO Bank on Thursday said it has recovered ₹649 crore or 79% of the ₹820 crore erroneously credited to some account holders of the bank via Immediate Payment Service (IMPS).

In a regulatory filing, the bank said that by taking various proactive steps, it blocked the recipients' accounts and has been able to recover ₹649 crore out of ₹820 crore.

The bank has initiated requisite actions to recover the balance amount of ₹171 crore, it added.

On Wednesday, UCO Bank said that it faced some technical issues due to which some accounts received erroneous credits.

"It is clarified that the transactions observed by bank were due to internal technical issue as a result of which account holders of our bank have received some erroneous via IMPS. We wish to clarify that there was no issue with the IMPS platform," it had said.

The lender has clarified whether this technical glitch was due to human error or a hacking attempt.

The IMPS platform, a real-time inter-bank electronic funds transfer system, is operated by National Payments Corporation of India (NPCI).

The matter has also been reported to the law enforcement agencies for necessary action, the state-owned bank said.

It said that during November 10-13, the bank had observed, due to technical issue in IMPS, certain transaction(s) initiated by holders of other banks have resulted in credit to the account holders in UCO Bank without actual receipt of money from these banks.

"The bank re-iterates and assures that all other critical systems are operational and available. The bank continues to provide safe and secured services to customers," it said on Wednesday.

UCO Bank had reported a 20% decline in its net profit to ₹402 crore for the quarter ended September 2023 as compared to ₹505 crore in the corresponding quarter a year ago.

Shares of UCO Bank closed at ₹39.22 per unit, down 1.53% on the BSE.

Source: <https://www.livemint.com/industry/banking/uco-bank-says-rs-820-crore-erroneously-credited-to-account-holders-rs-649-crore-recovered-11700136727310.html>

- **UPI adds a billion transactions in two months, hits 11 bn mark amid festive season: RBI Bulletin**

The Unified Payments Interface (UPI) added another billion to reach 11 billion transactions in a short span of two months—the quickest addition of a billion—to date, the Reserve Bank said on Thursday in its monthly bulletin.

The apex bank said that buoyed by the festival season, digital payments witnessed a strong expansion in October 2023, with growth (y-o-y) under major payment modes outpacing the increase in the previous month.

"The Initial Public Offering (IPO) facility through

UPI exhibited robust adoption, with the number of mandates nearly doubling in October 2023 over the corresponding month in 2022," the RBI monthly bulletin added.

The RBI said credit cards continued their ascent, supported by cashbacks, reward points, contactless cards, and UPI-linked credit cards.

In September last week, the global payments service provider Worldline said the UPI transactions in India surged by 62% in the first half of 2023 compared to the same period last year.

Source: <https://www.livemint.com/industry/banking/upi-adds-a-billion-transactions-in-two-months-hits-11-bn-mark-amid-festive-season-rbi-bulletin-11700144590579.html>

- **'Stricter norms a preemptive measure for sustainable lending' says RBI Governor Shaktikanta Das**

RBI Governor Shaktikanta Das, at the annual FIBAC event today, underscored that the recent stricter norms on unsecured lending were aimed at sustainability. He clarified that while certain sectors like housing and vehicle loans, along with small business credits, were exempted, it was due to their positive impact on economic growth.

Emphasising the nature of these actions as "pre-emptive, calibrated, and targeted", Das highlighted additional macroprudential measures announced recently, all oriented towards ensuring sustainability.

Shaktikanta Das highlights various concerns

While expressing the absence of immediate stress in the banking sector, Das urged lenders to persist with stress testing to fortify the system against unforeseen challenges.

Addressing non-banking finance companies (NBFCs), specifically microfinance institutions (MFIs), Das urged the prudent use of rate-setting flexibility provided by the central bank, noting some NBFC-MFIs reporting increased interest margins.

Despite headline inflation indicating a cooling trend, also Das reaffirmed the RBI's unwavering focus on managing price rise concerns.

Noting the Indian rupee's stability amidst elevated US treasury yields and some depreciation, Das highlighted the currency's controlled movements and low volatility.

Advocating for reforms in agricultural marketing and interconnected value chains, Das stressed the necessity for sustained growth, stable prices, and mitigation of price shocks in this sector.

The Indian Banks' Association (IBA) and the Federation of Indian Chambers of Commerce and Industry (FICCI) have jointly organised the FIBAC event

Source: <https://www.livemint.com/industry/banking/stricter-norms-a-preemptive-measure-for-sustainable-lending-says-rbi-governor-shaktikanta-das-11700637184016.html>

- **Finance Minister Nirmala Sitharaman inaugurates SBI branch in Sri Lanka**

Finance Minister Nirmala Sitharaman on Thursday visited Sri Lanka's eastern port town of Trincomalee where she opened a branch of the State Bank of India and appreciated its role in supporting corporates in international trade.

Sitharaman, who is in the country on a three-day visit, started her day by visiting the main Hindu Temple in the multi-ethnic city to pay homage to it before opening a branch of the State Bank of India in Trincomalee

Senthil Thondaman, the Governor of Eastern Province, Gopal Baglay, India's High Commissioner to Sri Lanka, and Chairman SBI Dinesh Khara were also present at the inauguration.

After inaugurating the branch, Sitharaman appreciated that SBI, with its 159 years of significant presence, is the oldest bank in Sri Lanka and continues to grow its business at home and abroad.

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After inaugurating the branch, Sitharaman appreciated that SBI, with its 159 years of significant presence, is the oldest bank in Sri Lanka and continues to grow its business at home and abroad.

During the Sri Lankan economic crisis, SBI's presence in Sri Lanka paved the way for a smooth extension of the Line of Credit worth USD 1 billion by India to Sri Lanka.

Besides, SBI Sri Lanka continues to play a vital role by supporting corporates in international trade.

The SBI in Sri Lanka continues to scale up remittance through a robust digital platform via the SBI Sri Lanka YONO app and online banking, in addition to the in-branch operations.

Sitharaman later visited the Lanka Indian Oil Company complex in the port city.

As Sitharaman visited the country, the two nations also held the 12th round of the Economic and

Technology Cooperation Agreement (ETCA), which had been stalled since 2018.

The talks, from October 30 to November 1, commenced following the visit by Sri Lankan President Ranil Wickremesinghe to Delhi in late July.

Both Wickremesinghe and Prime Minister Narendra Modi had agreed to enhance bilateral trade and investment.

The 12th round covered goods, services, rules of origin, trade remedies, customs procedures and trade facilitation, technical barriers to trade and a range of topics, a press release said.

The 19-member Indian official delegation was led by Anant Swarup, the chief negotiator and the joint secretary of the Department of Commerce and Industry of India.

Source: <https://www.livemint.com/industry/banking/finance-minister-nirmala-sitharaman-inaugurates-sbi-branch-in-sri-lanka-11698915614999.html>

SELECT RBI CIRCULAR

Circular Number	Date of Issue	Department	Subject	Meant For
RBI/2023-2024/86 FED Circular No.08	17.11.2023	Foreign Exchange Department	International Trade Settlement in Indian Rupees (INR) – Opening of additional Current Account for exports proceeds	All Scheduled Commercial Banks (holding AD Category-I license)
RBI/2023-2024/85 DOR.STR. REC.57/21.06.001/ 2023-24	16.11.2023	Department of Regulation	Regulatory measures towards consumer credit and bank credit to NBFCs	Commercial Banks (including Small Finance Banks, Local Area Banks and Regional Rural Banks) Non-Banking Financial Companies (including HFCs)
RBI/2023-2024/84 DOR.AML. REC.56/14.06.001/ 2023-24	15.11.2023	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 05 Entries	The Chairpersons / CEOs of all the Regulated Entities
RBI/2023-2024/83 A.P. (DIR Series) Circular No. 07	10.11.2023	Foreign Exchange Department	Guidelines on import of silver by Qualified Jewellers as notified by – The International Financial Services Centres Authority (IFSCA)	All Category-I Authorised Dealer Banks
RBI/2023-2024/82 FIDD.CO.LBS. BC.No.11/ 02.08.001/ 2023-24	10.11.2023	Financial Inclusion and Development Department	Formation of new districts in the State of Rajasthan – Assignment of Lead Bank Responsibility	The Chairman / Managing Director & Chief Executive Officer Lead Banks Concerned
RBI/2023-2024/81 FMRD.FMID.No.04/ 14.01.006/2023-24	08.11.2023	Financial Markets Regulation Department	'Fully Accessible Route' for Investment by Non-residents in Government Securities – Inclusion of Sovereign Green Bonds	All participants in Government Securities market

STATISTICAL SUPPLEMENT – RBI

Reserve Bank of India – Bulletin Weekly Statistical Supplement – Extract					
1. Reserve Bank of India - Liabilities and Assets*					
(₹ Crore)					
Item	2022	2023		Variation	
	Nov. 18	Nov. 10	Nov. 17	Week	Year
	1	2	3	4	5
4 Loans and Advances					
4.1 Central Government	0	0	0	0	0
4.2 State Governments	5683	20013	17338	-2675	11655

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

2. Foreign Exchange Reserves*								
Item	As on November 17, 2023		Variation over					
			Week		End-March 2023		Year	
	₹ Cr.	US\$ Mn.	₹ Cr.	US\$ Mn.	₹ Cr.	US\$ Mn.	₹ Cr.	US\$ Mn.
	1	2	3	4	5	6	7	8
1 Total Reserves	4958161	595397	37601	5077	203896	16948	487170	48145
1.1 Foreign Currency Assets #	4383515	526391	32405	4387	194383	16700	426936	42103
1.2 Gold	383413	46042	4026	527	11914	842	56526	6031
1.3 SDRs	150988	18131	861	120	-176	-261	4697	225
1.4 Reserve Position in the IMF	40244	4833	309	42	-2224	-332	-988	-214

* 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.

3. Scheduled Commercial Banks - Business in India

(₹ Crore)

Item	Outstanding as on Nov. 3, 2023	Variation over				
		Fortnight	Financial year so far		Year-on-Year	
			2022-23	2023-24	2022	2023
			3	4	5	6
2 Liabilities to Others						
2.1 Aggregate Deposits	19712355	199259	901011	1668441	1319572	2346031
	(19580495)			(1536581)		(2214171)
2.1a Growth (Per cent)		1.0	5.5	9.2	8.2	13.5
				(8.5)		(12.7)
2.1.1 Demand	2288739	36873	-16188	108308	83438	232180
2.1.2 Time	17423616	162385	917198	1560133	1236133	2113851
2.2 Borrowings	832968	3319	213155	387638	230172	345218
2.3 Other Demand and Time Liabilities	878139	-22719	72280	88488	77607	165011
7 Bank Credit*	15565673	126579	1034918	1890438	1876968	2639440
	(14981579)			(1306343)		(2055346)
7.1a Growth (Per cent)		0.8	8.7	13.8	17.0	20.4
				(9.6)		(15.9)
7a.1 Food Credit	22803	2962	-16631	2898	-38487	-15576
7a.2 Non-food credit	15542870	123616	1051550	1887540	1915455	2655016

* Bank credit growth and related variations from December 3, 2021 to November 18, 2022 are adjusted for past reporting errors by select scheduled commercial banks (SCBs).

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									
	2023	Fortnight	Financial Year so far		Year-on-Year				Year-on-Year			
					2022-23		2023-24		2022		2023	
	Mar. 31	Nov. 03	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	1	2	3	4	5	6	7	8	9	10	11	12
M3	22343760	23815816	212752	0.9	964715	4.7	1472056	6.6	1544757	7.8	2357372	11.0
		(23947676)	(210417)	(0.9)			(1603916)	(7.2)			(2489232)	(11.6)
1 Components (1.1.+1.2+1.3+1.4)												
1.1 Currency with the Public	3276436	3206519	4797	0.1	47381	1.6	-69917	-2.1	203743	7.1	123449	4.0
1.2 Demand Deposits with Banks	2320598	2430860	37318	1.6	-15251	-0.7	110262	4.8	87699	4.2	233119	10.6
1.3 Time Deposits with Banks	16668966	18104162	169301	0.9	920201	6.1	1435196	8.6	1230368	8.3	1997356	12.4
		(18236022)	(166966)	(0.9)			(1567056)	(9.4)			(2129216)	(13.2)
1.4 'Other' Deposits with Reserve Bank	77761	74276	1336	1.8	12384	21.2	-3485	-4.5	22946	47.9	3448	4.9
2 Sources (2.1+2.2+2.3+2.4-2.5)												
2.1 Net Bank Credit to Government	7165533	7424442	151236	2.1	131144	2.0	258909	3.6	438554	7.1	815669	12.3
		(7531995)	(147533)	(2.0)			(366463)	(5.1)			(923223)	(14.0)
2.1.1 Reserve Bank	1451126	1116503	97929		-223611		-334623		40180		-110483	
2.1.2 Other Banks	5714407	6307939	53306	0.9	354754	7.1	593532	10.4	398373	8.0	926152	17.2
		(6415493)	(49603)	(0.8)			(701085)	(12.3)			(1033705)	(19.2)
2.2 Bank Credit to Commercial Sector	14429636	15722967	134985	0.9	1040133	8.2	1293331	9.0	1894618	16.1	2066314	15.1
		(16307061)	(132650)	(0.8)			(1877425)	(13.0)			(2650408)	(19.4)
2.2.1 Reserve Bank	26549	5237	-8		-3892		-21312		10538		-7441	
2.2.2 Other Banks	14403087	15717730	134993	0.9	1044025	8.3	1314643	9.1	1884080	16.0	2073755	15.2
		(16301825)	(132658)	(0.8)			(1898737)	(13.2)			(2657850)	(19.5)

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		8	9	
Nov. 13, 2023	-	-	-	-	101975	42455	-	-	-	59520
Nov. 14, 2023	-	-	-	-	4319	11534	-	-	-	-7215
Nov. 15, 2023	-	-	-	-	97042	47916	-	-	-	49126
Nov. 16, 2023	-	-	-	-	102102	54518	-	-	-	47584
Nov. 17, 2023	-	-	-	22442	111386	49482	-	-	-	39462
Nov. 18, 2023	-	-	-	-	5592	11717	-	-	-	-6125
Nov. 19, 2023	-	-	-	-	399	2407	-	-	-	-2008

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

The above information can be accessed on Internet at <https://wss.rbi.org.in/>

The concepts and methodologies for WSS are available in Handbook on WSS (<https://rbi.org.in/scripts/PublicationsView.aspx?id=15762>).

Time series data are available at <https://dbie.rbi.org.in>

Source:- <https://rbi.org.in/scripts/PublicationsView.aspx?id=15762>

TOP NON-BANKING FINANCE COMPANIES & MICRO FINANCE INSTITUTIONS NEWS

- **NBFC-MFIs largest provider of microfinance:**

Micro-finance Industry Network (MFIN), an umbrella body of microfinance institutions (MFIs) of the country, in its report said that NBFC-MFIs are the largest provider of micro-credit amongst other regulated entities. In a report of the MFI sector prepared by MFIN for the year 2022-23,

It said that in the microfinance space, NBFC-MFIs provided finance with loan outstanding of Rs 1,38,310 crore as on March 31, 2023, accounting for 39.7 per cent of total industry portfolio.

Banks, on the other hand, hold the second largest share of portfolio of micro-credit with total outstanding of Rs 1,19,133 crore, comprising 34.2 per cent of the total in the microfinance space.

Small finance banks (SFBs) have a total outstanding of Rs 57,828 crore with a total share of 16.6 per cent, the report said.

At the end of the last financial year, the total MFI portfolio stood at Rs 3,48,339 crore.

According to the report, the MFI sector has immense growth potential with the market size estimated by MFIN to be around Rs 13 lakh crore during the current fiscal 2023-24.

MFIN said that the new regulations have guided the strengthening of governance in microfinance operations

MFIN said that the sector has rebounded post-COVID in terms of funding, portfolio quality and client addition by the individual MFIs. The sector has seen post-COVID that centre meeting attendance have come down significantly due to focus on digital interventions

MFIN said that the sector needs to devise a strategy to ensure that while digital processes go on, client connect through centre meetings is not

diluted, which is important to maintain collection efficiency ratio at higher levels.

Source : <https://www.businesstoday.in/industry/banks/story/rbi-says-15-large-nbfcs-to-comply-with-enhanced-regulatory-requirements-398493-2023-09-14>

- **Microfinance sector lent Rs 3.48 trn in FY23, NBFC-MFI topped:**

The microfinance sector provided loans worth Rs 3.48 trillion to 660 million clients in Financial Year 2022-23 (FY23), said a report on Wednesday.

Non-banking finance companies-microfinance institutions (NBFC-MFI) dispersed the largest amount of credit among regulated entities (REs), said the report by the Microfinance Industry Network (MFIN).

The NBFC-MFI sector had lent Rs 138,310 crore as on March 31, 2023. It was followed by banks, which had a loan portfolio of Rs 119,133 crore. The two sectors together accounted for 73.90 per cent of the total lending by microfinance institutions. Small Finance Banks (SFBs) comprised the third largest sector, lending Rs 57,828 crore.

The average ticket size of microfinance loans increased 6.3 per cent to Rs 41,391 crore in FY23 from Rs 38,929 crore in the year-ago period.

Larger loans are operationally more viable and profitable for entities as operational expenses are directly proportional to the number of clients served irrespective of the ticket size.

Lending has recovered after the coronavirus pandemic in terms of funding, portfolio quality and client addition by MFIs. Regulations have strengthened governance in microfinance operations, said the report.

MFIN estimated that the microfinance industry is worth Rs 13 trillion in FY 23-24.

Source: https://www.business-standard.com/finance/news/microfinance-sector-lent-rs-3-48-trn-in-fy23-nbfc-mfi-topped-report-123111500977_1.html

- **M-cap of 7 of top 10 firms swells Rs 1.50 lakh crore; TCS, Infosys biggest gainers**

The combined market valuation of seven of the top 10 valued firms climbed Rs 1,50,679.28 crore last week, with IT majors Tata Consultancy Services (TCS) and Infosys emerging as the biggest gainers, amid an overall optimistic trend in equities. Last week, the BSE benchmark jumped 890.05 points or 1.37 per cent.

Reliance Industries, TCS, HDFC Bank, Infosys, Hindustan Unilever, ITC and Bharti Airtel were the gainers while ICICI Bank, State Bank of India and Bajaj Finance faced erosion from their market valuation.

The valuation of TCS jumped Rs 62,148.99 crore to Rs 12,81,637.63 crore, emerging as the biggest gainer from the top 10 pack.

The market capitalisation (mcap) of Infosys rallied Rs 28,616.98 crore to Rs 5,96,681.75 crore

The mcap of Reliance Industries climbed Rs 28,111.41 crore to Rs 15,93,893.03 crore and that of HDFC Bank surged Rs 11,136.61 crore to reach Rs 11,42,215.81 crore.

The market valuation of Hindustan Unilever soared Rs 10,032.75 crore to Rs 5,94,317.36 crore and that of Bharti Airtel advanced Rs 6,828.74 crore to Rs 5,32,585.63 crore.

ITC added Rs 3,803.8 crore taking its valuation to Rs 5,47,808.43 crore.

However, the mcap of State Bank of India tumbled Rs 14,502.5 crore to Rs 5,02,589.52 crore and that of ICICI Bank fell by Rs 11,308.97 crore to Rs 6,46,254.41 crore.

The market valuation of Bajaj Finance diminished by Rs 4,973.68 crore to Rs 4,46,169.40 crore.

Reliance Industries retained the title of the most valued company followed by TCS, HDFC Bank,

ICICI Bank, Infosys, Hindustan Unilever, ITC, Bharti Airtel, State Bank of India and Bajaj Finance.

Source: <https://economictimes.indiatimes.com/markets/stocks/news/m-cap-of-7-of-top-10-firms-swells-rs-1-50-lakh-crore-tcs-infosys-biggest-gainers/articleshow/105328139.cms>

- **NBFC assets to grow 25-30 pc in FY24 and FY25; unsecured loans need monitoring: Icra**

Non-bank lenders are set to report growth of 25-30 per cent in their Assets Under Management (AUMs) in FY24 and FY25, a domestic rating agency said on Thursday. Icra Ratings, which made the growth estimate for Non-Banking Financial Companies (NBFCs) having AUMs of up to Rs 10,000 crore, said unsecured loans need to be monitored going forward.

"High growth in the past and the expected AUM expansion going forward, shall keep the portfolio seasoning at low levels, especially for the long-tail loans, namely affordable housing and secured business loans," it said in a report.

Its co-group head for financial sector ratings A M Karthik said the agency assessed the performance of about 105 medium and small NBFCs, accounting for about 14 per cent of the NBFC industry AUM as of March this year.

On the asset quality front, the agency said the reported Gross Stage 3 (GS3) of the entities it assessed was manageable at 2.6 per cent in March 2023 as against 4.2 per cent in March 2022

The same is lower than the levels reported by larger players -- a sample of 39 entities considered for Icra's analysis), driven by write-offs and faster AUM growth, it said.

"Entities in the unsecured loan segments would be required to raise capital in the next 12-18 months to keep their leverage under control.

Source: <https://economictimes.indiatimes.com/industry/banking/finance/nbfc-assets-to-grow-25-30-pc-in-fy24-and-fy25-unsecured-loans-need-monitoring-icra/articleshow/105269745.cms>

- **Xerox India ex-MD is Fino Bank non-executive chairman**

Fino Payments Bank has appointed Rajat Kumar Jain, former MD of Xerox India and Walt Disney India as its non-executive chairman.

The RBI has approved the appointment with effect from November 24 till November 1, 2025. Jain, an alumnus of IIT Delhi and IIM Ahmedabad, also serves as a non-executive director on various boards including group companies of Aditya.

Source - <https://economictimes.indiatimes.com/markets/stocks/news/xerox-india-ex-md-is-fino-bank-non-executive-chairman/articleshow/105575864.cms>

- **NBFC-MFIs largest provider of microfinance:**

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In a report of the MFI sector prepared by MFIN for the year 2022-23, it said that in the microfinance space, NBFC-MFIs provided finance with loan outstanding of Rs 1,38,310 crore as on March 31, 2023, accounting for 39.7 per cent of total industry portfolio.

Banks, on the other hand, hold the second largest share of portfolio of micro-credit with total outstanding of Rs 1,19,133 crore, comprising 34.2 per cent of the total in the microfinance space.

Source - <https://www.ptinews.com/news/business/nbfc-mfis-largest-provider-of-microfinance-report/689193.html>

- **Microfinance industry adds 80 lakh new women clients to its fold in FY23**

The microfinance industry (MFI) in the country added 80 lakh new women clients to its fold during 2022-23, taking the total number of low-income women clients to 6.64 crore across 729 districts through 12.96 crore active loans as of March 2023, according to India Microfinance Review FY23 report.

In FY23, the microfinance industry saw growth in portfolio outstanding as well as improvement in portfolio quality when compared with FY22 – an ideal situation with augurs well for the sector. The total portfolio of the microfinance industry as of March 31, 2023, was ₹3,48,339 crore of all Regulated Entities (NBFC-MFIs, Banks, SFBs, and NBFCs) under the MFI Model.

There has been a consistent trend of growth in the portfolio over the last 5 years barring the Covid period. Last financial year saw a growth of 22 per cent in the outstanding portfolio of the sector, indicating responsible growth and latent demand for microfinance, it added.

Source - <https://www.thehindubusinessline.com/money-and-banking/microfinance-industry-adds-80-lakh-new-women-clients-to-its-fold-in-fy23/article67536455.ece>

- **Fusion Micro Finance to debut on 15 Nov: Experts view on listing of the NBFC**

New Delhi-based Fusion Micro Finance is set to get listed on stock exchanges on Tuesday. The company which launched an initial public offering (IPO) worth over ₹1,100 crore in the first week of November, received an oversubscription of 2.95 times on exchanges. On BSE, Fusion will be listed for trading under the 'B' group of securities. Fusion provides financial services to unserved and underserved women in rural and peri-rural areas across India.

As per BSE notice, it said, "trading members of the exchange are hereby informed that effective from Tuesday, November 15, 2022, the equity shares of Fusion Micro Finance shall be listed and admitted to dealings on the Exchange in the list of 'B' group of securities."

While the NSE circular on Fusion Micro Finance said, "the equity shares of the following company shall be listed and admitted to dealings on the Exchange w.e.f. November 15, 2022. Trading shall be in the Normal Market segment – Compulsory Demat (Rolling Settlement) for all investors."

Fusion launched its IPO on November 2 to raise more than ₹1,100 crore. The issue was available for subscription till November 3. On the last day, the IPO received 2.95 times subscriptions with qualified institutional buyers showing a massive appetite for Fusion shares.

The IPO had a price band of ₹350 to ₹368 per equity share.

Fusion is one of the youngest companies (in terms of getting an NBFC-MFI licence) among the top NBFC-MFIs in India in terms of AUM as of June 30, 2022, according to CRISIL. It has the fourth fastest gross loan portfolio CAGR of 53.89% between the financial years 2017 and 2021 among the 10 largest NBFC-MFIs in India.

Pravesh Gour, Senior Technical Analyst, Swastika Investmart said, Fusion Microfinance is one such company that is among the top 10 NBFC MFIs in India. It offers loans to women entrepreneurs. Its business runs on a joint liability group-lending model, wherein a small number of women form a group and guarantee one another's loans. The company works with a strong focus on rural areas and has a well-diversified and extensive pan-India presence.

Further, Swastika's senior analyst added that the issue had received a muted response from investors on both the institutional as well as Retail side, and the current GMP is 5 i.e. ~ 1.3% over its issue price.

Nevertheless, Swastika's expert added that the company's margins are now in decline mode, and it is facing risk due to the category of borrowers it serves, an increase in the level of NPAs could also be a concern for the company. Secondly, the company demands a price-book (P/B) multiple of 1.8 on a post-IPO basis, whereas its peers like CreditAccess command a P/B of 3.3. As a result, he said, "we were only assigned to high-risk, long-term investors."

Meanwhile, Ravi Singhal, CEO at GCL Securities expects a flat listing of Fusion Microfinance shares

as the sector has remained underperformer in recent times and the public issue too failed to get a strong response.

However, Singhal also added that "much will depend upon the market mood. The stock is expected to give premium up to 5% in case of positive market sentiments however in case of negative bias on Dalal Street, the stock may open at 5% discount. So, one can expect Fusion Microfinance share price debut at around ₹330 apiece levels in case of negative market opening whereas it may be around ₹385 to ₹390 apiece levels in case of strong market opening."

Further, Abhay Doshi, Founder at UnlistedArena.com pointed out that Fusion Micro Finance received a lacklustre response amidst a flood of IPOs. The issue looked pricey, and the microfinance sector has largely underperformed since covid pandemic. Furthermore, multiple IPOs at the same time have largely divided investor interests

Because of all of these factors, Doshi said that the listing may not be very rewarding, and we may see the issue getting listed in flat to minor discount zone.

Earlier, in its IPO note, Nirmal Bang had highlighted that despite covid, Fusion has managed its asset quality well by restricting GNPA/NNPA below the 6%/3% mark over FY21 & 22. Fusion is well placed to deliver ROA/ROE in excess of 4%/20% on a sustained basis barring any unforeseen event which hampers the micro finance industry every few years. Fusion's metrics are similar to those of the largest listed MFI player viz CreditAccess, while Fusion's valuations are at a steep discount of 45% in comparison.

Source- <https://www.livemint.com/market/ipo/fusion-micro-finance-to-debut-on-15-nov-experts-view-on-listing-of-the-nbfc-11668443835416.html>

TOP INSURANCE NEWS

- **Life Insurance Corporation: Here's why India's largest insurer has slipped to the 11th spot in the BT500 list**

Life Insurance Corporation, the country's biggest life insurance company, has slipped to the 11th spot in the BT500 2023 list from No. 9 last year. In fact, among the Top 4 life insurance firms, only one has improved its rank

The life insurance sector has faced a challenging year, with leading companies—including Life Insurance Corporation of India (LIC), HDFC Life Insurance Company and ICICI Prudential Life Insurance Company—witnessing a slump in their average market capitalisation.

LIC, which dominates the segment, saw its average market cap decline by about 10.8 per cent (from Rs 4.42 lakh crore to Rs 3.84 lakh crore) for the period of the BT500 study, while HDFC Life's market cap dropped by 1.3 per cent (from Rs 1.25 lakh crore to Rs 1.23 lakh crore) and ICICI Pru Life's by 11.4 per cent (from around Rs 79,000 crore to about Rs 70,000 crore), per this year's BT500 list.

Among the top firms, SBI Life Insurance alone saw its market cap grow. Its average market cap increased by about 5.4 per cent (from Rs 1.16 lakh crore to Rs 1.23 lakh crore). Market capitalisation refers to the overall value of a company's shares.

This is reflected in the ranking on the BT500 2023 list. LIC fell to No. 11 from No. 9 last year, HDFC Life slipped to No. 41 from No. 39, and ICICI Pru dropped to No. 74 from No. 59. SBI Life, meanwhile, climbed one spot to 42 from 43 last year.

Since it was established in 1956, LIC has become synonymous with the life insurance segment thanks to its near monopoly status for many years. And yet it wasn't until May 2022 that the behemoth was listed on the bourses. In the subsequent year and a half, the corporation has experienced a decline in its share price. This has also been mirrored in its declining market share,

which fell sharply to 58.5 per cent in September 2023 from 68.25 per cent in September 2022, according to data from the Life Insurance Council, a forum for life insurers. For context, just a decade ago in FY14, LIC's market share was around 75 per cent.

In this changed environment, one that is marked by significant volatility, LIC is set to face stiff competition from private insurers. Their innovative products and robust marketing strategies pose a significant challenge to LIC, highlighting the need for it to revamp its offerings and distribution channels to sustain its dominance.

According to Sonam Srivastava, Founder and CEO of investment advisory and research firm Wright Research, the decline in insurance market share can be attributed to multiple factors. "LIC has been criticised for its outdated products and distribution methods, making it challenging to compete against private insurers with innovative solutions. Private insurers have seized this opportunity, aggressively marketing to the younger and affluent demographic, effectively increasing their market share.

Additionally, LIC's stock has displayed a fair bit of volatility this year, with share prices varying from Rs 709.5 on January 2 to Rs 600 on November 1. At this lower price, LIC's shares are trading at a 36 per cent discount from its issue price of Rs 949 per share.

Source: <https://www.businesstoday.in/magazine/deep-dive/story/life-insurance-corporation-heres-why-indias-largest-insurer-has-slipped-to-the-11th-spot-in-the-bt500-list-407245-2023-11-27>

- **Private general insurers expand market share to 53.58% in H1'FY24**

Private general insurers increased their combined market share to 53.58% in gross direct premium underwritten in the first half of the current financial year from 50.81% in the year-ago period.

As many as 31 insurers from the non-life industry

had underwritten gross direct premiums of ₹1.43 lakh crore in the first half of the current financial year, according to data on segment-wise gross direct premiums up to September 2023 released by Insurance Regulatory and Development Authority of India (Irdai).

Private insurers registered an annual increase of 14.86% in gross direct premiums.

The non-life industry had underwritten gross direct premium (GDP) of ₹1,25,194 crore in the April-September period of 2022-23.

"Private general insurers have a combined market share of 53.58% YTD September 2023 with a growth rate of 21.13% as compared to a market share of 50.81% YTD September 2022 with a growth rate of 21.33%," Irdai said.

PSU general insurers had a combined market share of 31.99% during April-September, 2023 period with a growth rate of 12.16% as compared to a market share of 32.76% in the corresponding period of the last financial year, 2022 with a growth rate of 6.43%

Irdai data showed that New India Assurance Company is the largest insurer with a market share of 13.09% followed by ICICI Lombard General Insurance Company (8.67%) and Bajaj Allianz General Insurance Company (7.69%).

These top 3 insurers have a combined market share of 29.46% with a growth rate of 18.45%.

Irdai also said that eight insurers have more than 5% market share of total non-life GDP YTD September 2023.

According to the Irdai data, up to September 2023 health insurance was the largest non-life segment followed by motor (total) and crop insurance.

It also showed that marine cargo, marine hull, crop insurance and liability (total) registered negative growth rate.

Source: <https://www.livemint.com/companies/news/impose-limits-on-foreign-carriers-to-boost-local-airlines-11701017330121.html>

● 'Treat AYUSH treatments on par with allopathic,' Madras HC tells IRDAI

Madras High Court has directed the Insurance Regulatory and Development Authority of India (IRDAI) to treat AYUSH treatments the same as Allopathy treatments with regards to reimbursement of expenses.

According to a report by Live Law, Justice Anand Venkatesh emphasized the work done by AYUSH doctors during the COVID-19 pandemic, and added that traditional medicines were also recommended to the infected patient under AYUSH which provided relief to several patients.

Therefore the Madras HC asserted that it would be irrelevant to deprive policyholders of getting reimbursements for the amount spent on AYUSH treatments under the medical insurance.

The court also said that an individual decides to either opt for an AYUSH treatment or an Allopathic treatment, therefore, the expenses incurred in either of the treatments had to be placed on equal scales.

The judge said giving preference to allopathy would be discriminatory and directed IRDAI to draft a policy keeping AYUSH treatments in mind.

The Madras HC also asked IRDAI to encourage traditional treatments like AYUSH. It said patients who undergo such treatments should be entitled to receive the insurance amount for the expenses incurred by him.

The Madras HC was hearing two pleas filed by an advocate and a clerk claiming full reimbursements of the amount by their respective insurance companies.

The petitioners had taken the policies for a sum of ₹5 lakh and ₹4 lakh respectively after getting Covid treatment at Siddha Hospital and had sought reimbursements for their expenses.

The insurance company said that the policies were by IRDAI's regulations under which a cap was placed on the maximum amount of reimbursements that could be provided for availing treatment at AYUSH hospitals.

The company said that for the policies of the sum of ₹5 lakh, the maximum cap fixed was ₹5 lakh and for ₹4 lakh policies, the amount was fixed at ₹10,000 which was reimbursed to the petitioners. The court noted that expenses incurred for treatment only included allopathy.

The Court recorded that insurance firms involved in the present case had drafted new policies for comprehensive coverage of AYUSH treatments and directed IRDAI to ensure reimbursements for allopathic as well AYUSH treatments on a similar scale.

Sources- <https://www.livemint.com/insurance/news/treat-ayush-treatments-on-par-with-allopathic-madras-hc-tells-irdai-11701833690262.html>

- **LIC keen to keep part of its stake in IDBI Bank to reap benefit of bancassurance**

State-owned LIC, promoter of IDBI Bank, has said it plans to retain a part of its stake in the lender to harness the benefits of the bancassurance. Along with the government, Life Insurance Corporation (LIC) will also divest its stake in IDBI Bank but may not exit completely, LIC Chairman Siddhartha Mohanty told PTI in an interview

"We have made it clear that IDBI Bank is our number one partner in bancassurance. We will retain the some stake in IDBI Bank so that the bancassurance partnership continues," he said.

The government, which owns over 45 per cent stake in IDBI Bank, and life insurance behemoth LIC, with a 49.24 per cent shareholding in the lender, have jointly decided to sell a 60.7 per cent stake.

IDBI Bank became a subsidiary of LIC with effect from January 21, 2019, after the acquisition of an additional 82,75,90,885 equity shares.

On December 19, 2020, IDBI Bank was reclassified as an associate company due to the reduction of LIC shareholding to 49.24 per cent, following the issuance of additional equity shares by the bank under a qualified institutional placement (QIP).

IDBI Bank has been the strongest contributor to the bancassurance channel, he said, adding for

the bancassurance arrangement to continue, LIC may not be required to hold the entire stake.

Bancassurance is an arrangement between a bank and an insurance company, allowing the latter to sell its products to the bank's customers and others through the branch network.

Earlier this month, Department of Investment and Public Asset Monetisation (DIPAM) Secretary Tuhin Kanta Pandey said the stake sale in IDBI Bank may not be completed by March 2024.

The transaction is "on course", but there are aspects like the RBI's fit and proper criteria, which need to be complied with, Pandey said, adding, "We practically don't think that before March, we can conclude it (IDBI Bank stake sale)".

About the concerns of shareholders on the low price of LIC shares post-listing, Mohanty said, "We are very much concerned about the interest of our shareholders and taking steps to create margin by adopting various means, including by changing product mix".

About the concerns of shareholders on the low price of LIC shares post-listing, Mohanty said, "We are very much concerned about the interest of our shareholders and taking steps to create margin by adopting various means, including by changing product mix".

To instil confidence among foreign investors, LIC had conducted a non-deal roadshow in the US, UK, Singapore and Hong Kong earlier this year.

The non-deal roadshow got a good response, and most investors evinced a lot of interest in LIC, Mohanty said.

He expressed hope that FIIs will also take interest because they are observing quarterly performance. Once they are convinced, money will flow.

Source: <https://economictimes.indiatimes.com/industry/banking/finance/insure/lic-keen-to-keep-part-of-its-stake-in-idbi-bank-to-reap-benefit-of-bancassurance/articleshow/105537779.cms>

- **Universal Sompo General Insurance records 47% growth in TN under PMSBY scheme**

Universal Sompo General Insurance, a partner of the Centre's Pradhan Mantri Suraksha Bima

Yojana, insured 21 lakh people in Tamil Nadu in the first six months of the current financial year under the scheme, the company said on Sunday.

Universal Sampo General Insurance is a joint venture between the public sector Indian Bank, Indian Overseas Bank, Karnataka Bank, Dabur Investments, and Sampo Japan Insurance.

The Mumbai-headquartered company has disbursed over Rs 45 crore of claims in Tamil Nadu since the launch of the scheme in 2015. The PMSBY scheme is aimed at providing one year of accidental death and disability coverage at a premium of Rs 20 per annum.

"Universal Sampo General Insurance has insured 21 lakh people in Tamil Nadu in the first half (April-September 2023) of the current financial year with a growth of 47 per cent over last year," a company statement here said.

Universal Sampo General Insurance has 117 offices across the country and offers a range of products catering to retail, rural, SME, and corporate customer segments.

Source- <https://economictimes.indiatimes.com/industry/banking/finance/insure/universal-sampo-general-insurance-records-47-growth-in-tn-under-pmsby-scheme/articleshow/105514493.cms>

- **Private general insurers expand market share to 53.58 per cent in H1'FY24**

Private general insurers increased their combined market share to 53.58 per cent in gross direct premium underwritten in the first half of the current financial year from 50.81 per cent in the year-ago period. As many as 31 insurers from the non-life industry had underwritten gross direct premiums of Rs 1.43 lakh crore in the first half of the current financial year, according to data on segment-wise gross direct premiums up to September 2023 released by Insurance Regulatory and Development Authority of India (Irdai).

Private insurers registered an annual increase of 14.86 per cent in gross direct premiums.

The non-life industry had underwritten gross

direct premium (GDP) of Rs 1,25,194 crore in the April-September period of 2022-23.

"Private general insurers have a combined market share of 53.58 per cent YTD September 2023 with a growth rate of 21.13 per cent as compared to a market share of 50.81 per cent YTD September 2022 with a growth rate of 21.33 per cent," Irdai said.

PSU general insurers had a combined market share of 31.99 per cent during April-September, 2023 period with a growth rate of 12.16 per cent as compared to a market share of 32.76 per cent in the corresponding period of the last financial year, 2022 with a growth rate of 6.43 per cent.

Irdai data showed that New India Assurance Company is the largest insurer with a market share of 13.09 per cent followed by ICICI Lombard General Insurance Company (8.67 per cent) and Bajaj Allianz General Insurance Company (7.69 per cent).

These top 3 insurers have a combined market share of 29.46 per cent with a growth rate of 18.45 per cent.

Irdai also said that eight insurers have more than 5 per cent market share of total non-life GDP YTD September 2023.

According to the Irdai data, up to September 2023 health insurance was the largest non-life segment followed by motor (total) and crop insurance.

It also showed that marine cargo, marine hull, crop insurance and liability (total) registered negative growth rate.

Fire, marine cargo, marine hull, motor third party, overseas medical insurance, crop insurance, credit insurance, liability (total) and all other miscellaneous segments had growth of less than the growth of respective segments for the similar period of the previous year.

Source- <https://economictimes.indiatimes.com/industry/banking/finance/insure/private-general-insurers-expand-market-share-to-53-58-per-cent-in-h1fy24/articleshow/105513933.cms>

TOP CORPORATE BOND MARKET NEWS

- **Corporate bond issuances rebound in November as market gains stability**

Corporate bond issuances rebounded in November following a decline in October as the market gained certainty after the US Federal Reserve adopted a dovish stance, according to market participants. In October, fundraising through corporate bonds experienced a 40 per cent drop, primarily driven by an increase in the cost of borrowing.

Estimates suggest that Indian companies might have raised Rs 82,590 crore as of November 28, according to market sources, against Rs 33,148 crore in October.

Fundraising in November might have been the third-highest in the current financial year (2023-24) after May and June. Corporate bond issuances were Rs 1.03 trillion and Rs 1.2 trillion in May and June of the current year, respectively.

Market participants anticipate that December's issuances may surpass those of November due to positive market sentiment. The market believes that interest rates may have reached their peak and have instilled a sense of stability, prompting investors to explore opportunities within the debt market.

Furthermore, the market is projecting a total increase of a minimum of 15-20 per cent in corporate bond issuances for the entire current financial year compared to the last year.

The main factor driving the increase in issuances in November was the deferral of issuances initially slated for October, market participants said.

Issuers postponed these issuances due to heightened market volatility, with the US yield hovering around 5 per cent. Investors, wary of uncertainty, refrained from placing large bets in the corporate bond market and turned towards the government bond market as the latter is more liquid in nature.

"The primary reason for so many issuances is the stability in the market because in October there was a lot of volatility in the market," said Ajay Manglunia, managing director and head (institutional fixed income) at JM Financial.

"Issuers who were not able to raise money in October due to high rates came to the market in November," he added.

In October, the yield on corporate bonds rose nearly 10-15 basis points (bps) across maturities.

Another factor leading to the rise in issuances was the Reserve Bank of India's (RBI's) decision to raise the risk weight on banks' credit exposure to non-banking financial companies (NBFCs), market participants said.

Source: https://www.business-standard.com/economy/news/corporate-bond-issuances-rebound-in-november-as-market-gains-stability-123112901056_1.html

- **Corporate bond market experiences remarkable expansion on momentum in private placements**

In the dynamic landscape of the financial markets, the corporate bond market has experienced remarkable expansion. So what are these corporate bonds? For those unaware of the terminology, these bonds are debt instruments that businesses issue to raise money, and investors can expect a set interest income from these bonds.

"In FY '22-23, private placements garnered an impressive ₹7.5 lakh crore (USD 94 billion), and in the current fiscal year, FY'23-24, we have already witnessed a substantial raise of ₹4.15 lakh crore (USD 52 billion) by October. It's to be noted that this strong momentum includes obtaining money through private placements," said Abhijit Roy, CEO, of GoldenPi.

As per Abhijit Roy, pivotal developments are poised to shape the landscape into FY'24-25. "SEBI's initiative to reduce the ticket size from ₹10 lakh to ₹1 lakh since January 1, 2023, fosters

increased retail investor participation which has increased from a mere 0.7% in FY '22 to 2% in FY' 23 and is currently at 4% with the potential for further the positive outlook for further increase in the very near future," Roy said

Investor interest in corporate bonds

As per CEO, GoldenPi. SEBI's comprehensive framework for bond settlements in the secondary market via the RFQ route ensures heightened safety and security for retail investors. Simultaneously, the central government's asset monetization program, in which the PSUs raise substantial funds for national development through the NCD IPO route, anticipates continued active retail participation.

Anshul Gupta, co-founder and chief investment officer, Wint Wealth said there is still a lot of scope to increase the participation of retail investors in the corporate bonds space while protecting their interests. For example, the ticket size of privately placed corporate bonds is still much higher than what more retail investors can afford.

He emphasised on the need for a smaller ticket size of privately placed bonds for retail investors.

On November 20, Reuters reported that Reliance Industries Ltd (RIL), is considering its maiden bond issue with a plan to raise up to ₹10,000 crore.

However, in an exchange filing, the company termed the news as mere speculation. "We wish to clarify that currently, the Company has no plans to raise money by way of bond issuance or otherwise. The news item is speculative. We have always made and will continue to make disclosures in compliance with our obligations under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and our agreements with the stock exchanges," JFS Ltd informed in a filing on November 21, 2023.

Source: <https://www.livemint.com/money/personal-finance/corporate-bond-market-experiences-remarkable-expansion-amidst-strong-momentum-in-private-placements-11701153320151.html>

SEBI urges municipal corporations to enhance transparency for urban infrastructure bonds

Sebi chairperson Madhabi Puri Buch on Wednesday asked municipal corporations to display higher levels of transparency by creating digital escrow accounts to ring-fence certain cash flows and obtain credit ratings to burnish the allure of their bonds, adding that investor appetite for quality securities remains strong.

Speaking at an event on Leveraging Private Finance for Urban Infrastructure-Learnings from G20 Infrastructure Working Group in the capital, Buch also called on these bodies to explore obtaining credit enhancement, if required.

There are enough investors who are interested in putting money into securities issued by such bodies if they adopt greater transparency, she indicated. "A combination of escrow (account structure) and credit enhancement can attract a large number of investors in urban infrastructure.

In the Budget for FY24, finance minister Nirmala Sitharaman had said that the Centre will incentivise reforms in urban local bodies to make them creditworthy for municipal bonds.

In recent years, bonds of certain municipal corporations have generated good investor interest

Source - <https://economictimes.indiatimes.com/news/economy/policy/sebi-urges-municipal-corporations-to-enhance-transparency-for-urban-infrastructure-bonds/articleshow/105602262.cms>

Indian insurers to lead bids for Reliance Industries' mega bond issue

Reliance Industries' upcoming bond issue, touted to be the second-biggest for an Indian firm, will see strong demand from insurers, with aggressive bidding enabling the conglomerate to borrow at rates that just top the sovereign yield, several merchant bankers said.

The billionaire Mukesh Ambani-led company aims to raise up to 200 billion rupees (\$2.40 billion) via

10-year bonds on Thursday, its first such fundraise since May 2020

"There is demand from long-term investors like insurance and pension funds. There has been a limited number of corporate bonds issuance in longer tenor in the last two quarters, so, this RIL issue comes at an opportune time," said Badrish Kulhalli, head of fixed income at HDFC Life Insurance.

In February, HDFC raised 250 billion rupees via 10-year bonds at 7.97% coupon, making it the biggest bond issue by an Indian company.

"Reliance's longer-tenor bond issue is very attractive and we expect around 50%-70% of the issue size to be taken up by LIC, and another 10%-20% by a state-run provident fund house," a banker aware of the development said.

Reliance and LIC did not reply to Reuters emails seeking comment.

The company is likely to receive bids in the range of 7.70%-7.80%, around 30-40 basis points (bps) above the 10-year benchmark government bond yield on an annualised basis, traders said, adding they expect over-subscription.

The spread against the 10-year benchmark bond yield for the HDFC issue was around 50 bps.

Reliance's bonds, rated AAA by CRISIL, are partly paid where the 50% of the issue size will be paid on allotment day, which is Friday and the remaining 50% on Dec 15.

"The partly paid debenture structure, with staggered redemption, suits mainly insurance companies," said Venkatakrishnan Srinivasan, founder and managing partner at Rockfort Fincap.

A lack of adequate supply of longer term bonds from private companies will also help Reliance, the bankers said.

Reliance has said it will use proceeds from the issue to refinance existing borrowings, on capex and in investments on domestic subsidiaries where it has a majority stake.

Reliance has said it will use proceeds from the issue to refinance existing borrowings, on capex and in investments on domestic subsidiaries where it has a majority stake.

Source: <https://economictimes.indiatimes.com/markets/bonds/indian-insurers-to-lead-bids-for-reliance-industries-mega-bond-issue/articleshow/105067070.cms>

- **As employees return to office, Corporate India wants them to bond**

Amid growing encouragement for workers to return to office, companies that champion hybrid and flexible work options are increasingly focusing on employee engagement initiatives to reduce the disconnect and boost productivity.

Company executives ET spoke with said the "disconnect" is not only impacting collaboration and productivity, but also leading to lack of bonding. The employee engagement initiatives are seen benefiting all, especially the younger workers who had taken up their first job around the time people were asked to work remotely due to the pandemic, they said.

NatWest Group, Tech Mahindra, EY, and Capgemini are among the companies that have launched a host of initiatives, including frequent team catch-ups, in-person group sessions, 'fun at work' and sports events, and assigning 'buddies' to the new employees - all aimed at promoting cohesiveness at work and improving productivity. NatWest Group has so far organised more than 40 in-person group sessions for employees who joined during the pandemic.

"We realised that the 7,000-plus colleagues who joined us virtually during the pandemic had missed the opportunity to deepen relationships and build connections," said Maneesh Menda, head of human resources, international hubs, NatWest Group. "This was part of our strategy to engage them

According to a recent employee experience survey by Qualtrics, 83% of the new hires who participated in the survey reported lower engagement at work, indicating a decline in the 'first-year experience'. Moreover, only 24% of them affirmed their 'intent to stay'. Other companies like Tech Mahindra are leveraging technology to drive employee engagement.

"With a dispersed and large workforce, we have leveraged technology to embed people engagement in our core business strategy, TechMHRNxt," said Harshvendra Soin, global chief people officer at Tech Mahindra.

The tech firm has launched an internally developed artificial intelligence (AI) coach to nudge managers and engage with employees. It has also rolled out BeMe, an AI-powered tool which enables robust engagement among employees. Others like EY and Capgemini are focusing on improving the onboarding system.

At professional services firm EY India, every new employee is paired with a peer-level colleague (a 'buddy') who has at least three years of experience at the firm. These 'buddies' serve as primary points of contact for the new workers, helping them adjust in the organisation, thereby driving better engagement, said Sandeep Kohli, EY India talent leader

Capgemini has piloted the India Continuous Assimilation Program, which supports new workers to feel welcomed, engaged, and supported during onboarding, and to instill a culture of belongingness. "The onboarding journey of the employee starts prior to the actual joining and culminates with them culturally acclimatising to the organisation," said Aarti Srivastava, chief human resources officer, India, Capgemini.

Source: <https://economictimes.indiatimes.com/jobs/hr-policies-trends/as-employees-return-to-office-corporate-india-wants-them-to-bond/articleshow/105454570.cms>

● Companies pay more for debt fundraise as liquidity's tight

Bereft of the extra funds sloshing about within the financial system during the Covid pandemic, top-rated companies are now paying more to raise money through bond markets, with the pricing of issues by even the likes of Reliance Industries reflecting the divergence between sovereign and corporate debt.

Over the past year-and-a-half, as the Reserve Bank of India has raised interest rates and progressively drained the banking system of excess liquidity, the spreads between government bond (Gsec) yields and AAA-rated corporate bond yields have shot up.

The rate of interest that companies pay to investors to raise money through bonds is determined by yields on Gsecs. A higher spread implies a rise in borrowing costs for companies vis-a-vis what the government pays to raise funds.

While the spreads for 5-year and 10-year AAA corporate bonds are still lower than the historical average of 43 basis points and 50 basis points, respectively, the gap has increased significantly from just 1 bps and 6 bps at the end of April 2022, data provided to ET by CRISIL Market Intelligence and Analytics showed. One basis point equals 0.01%.

At the time, the RBI had not yet started raising interest rates, while liquidity was in a surplus of more than ₹5 lakh crore.

Source: <https://economictimes.indiatimes.com/markets/bonds/companies-pay-more-for-debt-fundraise-as-liquidity-tight/articleshow/105575665.cms>

Department of Banking & Financial Services Upcoming Programme

Bi-Monthly Shadow Monetary Policy Committee Meeting held on (WebEx)	04 th December 2023
ASSOCHAM 15 th Global Insurance Summit & Awards	14 th December 2023

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