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CONTENTS

Top Speeches 05

Industry Article of the Month 16

Top Banking News 20

Select RBI Circular 26

Statistical Supplement – RBI 31

Top NBFC's-MFI News 35

Top Insurance News 40

Top Corporate Bond Market News 46

Upcoming Programmes & Branding Opportunity 51

TOP SPEECHES

Welcome Address by Shri Shaktikanta Das, Governor, RBI at the RBI@90 Commemoration function on April 1, 2024, Mumbai

Hon'ble Prime Minister, Hon'ble Governor of Maharashtra, Hon'ble Finance Minister, Hon'ble Chief Minister of Maharashtra, Hon'ble Union Ministers of State for Finance, Hon'ble Deputy Chief Ministers of Maharashtra, Distinguished invitees, Media representatives, and My colleagues from the Reserve Bank, past and present.

Today, the Reserve Bank of India enters the 90th year from its establishment on April 1, 1935. The journey of the Reserve Bank over the last nine decades has been one of efficient functioning and contribution to the nation's progress. On this momentous occasion, it is my proud privilege on behalf of the Reserve Bank, to welcome the Honourable Prime Minister to this commemorative event. Sir, your presence here amidst your busy schedule is a source of great inspiration for all of us. I also welcome the Honourable Finance Minister, who has been a source of support and guidance. Further, I welcome all the distinguished dignitaries on the dais and all our invitees who have made it convenient to be here today.

The Reserve Bank's evolution as an institution has been closely intertwined with the development of the Indian economy. From being a central bank primarily concerned with allocation of scarce resources during the planning period, the Reserve Bank has transitioned into being an enabler for the market economy. We are a full-service central bank with our functions spanning multiple dimensions.

It has been our endeavour to promote a financial sector that is robust, resilient and future ready. The path-breaking structural reforms, such as the enactment of the Insolvency and Bankruptcy Code (IBC) and the adoption of Flexible Inflation Targeting in the recent years, have helped us to deal with the challenges in the banking system and the task of maintaining price stability more effectively.

Given the rapid changes taking place in today's world, especially in the areas of technology, innovation, business practices and growing complexities in the financial sector, the Reserve Bank is constantly evaluating the emerging trends and taking necessary policy measures to remain in sync with the evolving situation. Our effort is to anticipate situations and take proactive action.

The global turmoil arising from the COVID-19 pandemic and the ongoing geopolitical hostilities have tested the resilience of every economy in the world, including India. The well-calibrated and co-ordinated monetary and fiscal policies adopted in our country went a long way in shielding our economy from these shocks and helped us emerge even stronger than before. It is a matter of satisfaction that today our GDP growth is robust; inflation is moderating; the financial sector is stable; the external sector remains resilient; and the forex reserves are at an all-time high.

Over the years, the Reserve Bank has emerged as a symbol of stability, resilience, and commitment to the welfare of our citizens. This has been possible due to the contributions made by generations of Team RBI. As we move towards RBI@100, the Reserve Bank remains focused on ensuring a stable and strong financial system that would act as a bedrock for our country's economic progress.

With these words, let me once again welcome the Hon'ble Prime Minister and the other dignitaries to this commemorative event. I also extend a warm welcome to each one of you in the audience.

Thank you. Namaskar!

Source: https://rbi.org.in/Scripts/BS_SpeechesView.aspx?Id=1428

Evolution of financial markets in India: Charting the Future (Keynote Address by Shri Shaktikanta Das, Governor, Reserve Bank of India - April 8, 2024 - at the FIMMDA-PDAI Annual Conference, Barcelona)

It is my pleasure to be here at the FIMMDA-PDAI annual conference. This year (2024-25) is particularly special for the Reserve Bank. The RBI has entered its 90th year on April 1, 2024. I, therefore, thought it appropriate to dwell upon the journey of the Reserve Bank, especially in the context of its role in developing the financial markets in India in the recent period. I also propose to share some of my thoughts on the way forward.

To give a brief background, the Reserve Bank was set up in 1935 on the recommendations of the Hilton Young Commission with the objective of regulating the issue of bank notes, securing monetary stability and operating the country's currency and credit system. The statutory basis for its functioning was provided by the Reserve Bank of India Act, 19341. The nationalisation of the Reserve Bank, which had started as a joint stock company took place in 1949.

Over the years, the Reserve Bank has performed a wide range of functions to support the Indian economy. Its developmental role came into focus during the planning period, when one of its major roles was to channelise credit to the needy sectors of the economy. With the commencement of the process of liberalisation in the 1990s, the Reserve Bank focused more sharply on core central banking functions like monetary policy, regulation and supervision of the financial sector, development of financial markets and payment systems. Today, the RBI is a full service central bank and an enabler of the market economy.

The journey of the Reserve Bank and its focus on emerging areas has been reflected in the amendments to the RBI Act, 1934 and various other statutes from which the Reserve Bank draws its mandate. The notable changes over the last couple of decades include the statutory amendments for (i) strengthening the legal framework for oversight of non-banking financial companies (NBFCs) (1997)2; (ii) consolidating the laws related to government securities into Government Securities Act (2006)3; (iii) providing the legal framework for regulation of key financial markets (2006)4; (iv) enactment of the Payment and Settlement Systems Act to vest the Reserve Bank with the authority to regulate and supervise the payment systems in India (2007)5; (v) institutionalisation of the flexible inflation targeting framework (2016)6; (vi) vesting the Reserve Bank with the authority to regulate housing finance companies through an amendment of the National Housing Bank Act, 1987 (2019)7; (vii) strengthening the regulatory framework for cooperative banks by amendment of the Banking Regulation Act, 1949, (As Applicable to Cooperative Societies) (2020); and (viii) enabling the issuance of the central bank digital currency (2022)8. These changing priorities and the quest to keep pace with developments, including technological changes, have been reflected in the Reserve Bank's organisational structure, examples of which include the setting up of the Department of Payment and Settlement Systems (2005); the Financial Stability Unit (2010), now called the Financial Stability Department; the Financial Markets Regulation Department (2014); the Financial Market Operations Department (2014); and the FinTech Department (2022).

Financial markets: Fostering trust, stability and innovation

Let me now focus on the journey of our financial markets, a journey in which the Reserve Bank has collaborated with many stakeholders including the FIMMDA and the PDAI who have been valuable partners in the Reserve Bank's endeavor to develop markets, institutions and practices.

The onset of the Global Financial Crisis (2008) altered the way the world looked at financial markets. At that stage, our financial markets were just beginning to develop, buoyed by the needs of a growing economy and

in the background of the transition to market-determined interest rates and exchange rates, convertibility in the current account and gradual liberalisation of the capital account. Significant institutional and market infrastructure developments had also taken place. These included the setting up of the Clearing Corporation of India Limited (CCIL) and the operationalisation of RTGS, the NDS-OM platform and a trade repository for derivatives. Nonetheless, the markets remained in the early throes of development. Bank-intermediated finance was the preferred funding option. Diversity in financial products and participants was limited. The approach to foreign participation in domestic markets was guarded. At the same time, the economy's growing aspirations was placing increasing demands on financial markets while successive global crises necessitated prudent risk management. Meanwhile, global interest in the Indian Rupee, and the offshore Rupee markets, continued to grow. The onshore and offshore Rupee markets remained segmented.

Against this backdrop, the Reserve Bank's efforts in recent years to develop the financial markets focused on meeting the needs of a more confident and aspirational economy. Our reform endeavours have also fostered trust, stability and innovation by (i) making capital raising more efficient; (ii) removing segmentation between onshore and offshore markets; (iii) expanding the participation base by easing access to markets for hedging and expressing views on market movements; (iv) promoting innovation through a larger suite of products; (v) ensuring the integrity and resilience of markets and market infrastructure; and (vi) ensuring fair conduct by market participants.

Let me discuss the major reforms undertaken in the recent years.

Markets for Funding

Government securities market

A key objective of the Reserve Bank has been to foster a robust G-sec market and yield curve, which I have often referred to as a public good. A Benchmark Security Issuance Strategy9 was introduced in 2020 to facilitate the development of the yield curve by providing liquidity at important tenor points. Last year, monthly (instead of fortnightly) issuance of select G-secs was commenced to widen the window between successive auctions and foster greater liquidity.

The regulatory frameworks for the 'when issued' market10 and short selling in G-secs11 were liberalised to enable better management of auction risk and price discovery (2018). The Request for Quote (RFQ) dealing mode on NDS-OM was introduced to enable market participants to negotiate trades electronically (2020). Sovereign green bonds were introduced in January 2023. Lending and borrowing of G-secs was also permitted to facilitate wider participation by different classes of investors in the securities lending market12.

The Reserve Bank, in consultation with the Government, has been progressively liberalising the regulations for foreign investment in G-secs. The Fully Accessible Route (FAR) was introduced to enable Foreign Portfolio Investors (FPIs) to invest in specified G-secs without restrictions (2020)13. The suite of specified securities under FAR was enhanced (2022 and 2023)14. Measures were also taken to facilitate "ease of doing business" by FPIs. For instance, extended timings were allowed for reporting of transactions15 and banks were permitted to fund margins for G-Sec trades of FPIs16. These measures contributed to the recent inclusion of Indian G-secs in certain global bond indices reflecting a growing confidence of global investors in the Indian financial markets and the economy.

Measures have been taken to expand retail participation in G-secs. The 'RBI Retail Direct' scheme, launched in 2021, have enabled individuals to directly access the primary and secondary G-sec markets, including sovereign gold bonds and floating rate savings bonds. A market-making arrangement through primary dealers has been put in place. The National Automated Clearing House (NACH) facility has been introduced allowing investors to create a one-time mandate and use it multiple times for making payments (December 2023). As announced in the recent monetary policy statement on April 5, 2024, a mobile app for accessing the Retail Direct portal will be launched shortly.

Corporate bond market

The Reserve Bank, with co-operation from other stakeholders, has been making efforts to develop a vibrant corporate bond market which is an important enabler of longer-term funding. To attract greater non-resident participation in corporate bonds, the FPI investment limit in corporate debt under the Medium-Term Framework was increased from 9% to 15% of outstanding corporate bonds (2020)17. The Voluntary Retention Route (VRR) was introduced in 201918. The regulatory framework for repo in corporate bonds was rationalised in 201819. Legal recognition was provided for bilateral netting of repo in corporate bonds and credit derivative contracts through requisite notifications under the Act for Bilateral Netting of Qualified Financial Contracts, 2020. The regulatory framework for credit derivatives was revised in 202220. The AMC Repo Clearing Limited was authorised to offer tri-party repos in corporate bonds in 2023. The measures taken by the Reserve Bank during the COVID-19 pandemic, especially the liquidity measures like the Long Term Repo Operations (LTROs), the Targeted Long Term Repo Operations (TLTROs) and the TLTRO 2.0 were also critical in ensuring that the market continued to function smoothly.

Money markets

The regulatory framework for the markets for call, notice and term money; certificates of deposits (CDs); commercial paper (CP) and non-convertible debentures (NCDs) with original maturity up to one year, was comprehensively rationalised in April 2021, June 2021 and January 2024 respectively. The participant base was widened by extending access to the call, notice and term money markets to Payment Banks, Small Finance Banks21 and Regional Rural Banks (RRBs)22. The RRBs were also permitted to issue CDs23. To foster efficiency, call money market participants have been mandated to obtain membership of the NDS-Call platform24. Banks have been provided the flexibility of setting their own limits for call and notice borrowings within the prudential limits for inter-bank liabilities25 and the option of buying back CDs. The operational requirements for CPs and NCDs with original maturity up to one year have been eased, and compliance and disclosure requirements strengthened26.

Development of OTC Derivative Market

The regulatory framework for OTC transactions in interest rate, FX and credit derivatives has transformed over the last few years27. The revised framework is based on the principles of easing access and operations, enabling flexibility and ensuring fair market conduct, customer protection, transparency and risk management, while eschewing detailed procedural prescriptions.

Access to financial markets has been eased. Non-residents can now access the domestic markets at par with residents. Large participants (non-retail users) can access derivative markets to hedge their risks as also express views28. The market-maker base has been expanded by granting authorised person licences to standalone primary dealers. Market-makers have been permitted to offer bespoke or custom-made products to enable efficiency and flexibility in hedging, subject to necessary risk management capabilities. Retail customers can only be offered a set of simple products. New products such as interest rate options, swaptions and FX swaptions have been permitted. Non-deliverable FX derivatives can be offered to residents for hedging29. It is expected that market-makers and banks exercise due caution and diligence while designing and offering such products to customers, keeping in mind the profile of customers.

A significant policy initiative has been to permit the banks to access offshore INR markets for (i) FX derivatives (in 2020)30, subject to the presence of an operating IFSC Banking Unit (IBU); and (ii) for interest rate derivatives (in 2022)31 with a view to improve the efficiency of price discovery and provide greater opportunities to domestic participants. Market-makers have been permitted to deal in such products beyond domestic markets hours. Rupee derivatives settled in foreign currency have also been permitted in GIFT City, both through OTC markets and on the exchanges.

Integrity of markets and market infrastructure

Ensuring the integrity of financial markets and market infrastructure has underpinned many reform initiatives of the Reserve Bank.

A framework for authorisation of electronic trading platforms was put to place in 201832 to ensure that only entities adhering to a robust set of conditions function in RBI-regulated financial markets. This framework is being updated in view of the recent developments in technology that have accelerated the electronification of financial markets. Considering the complaints of cheating and fraud by unauthorised trading platforms, necessary cautionary advice has been issued against undertaking forex transactions on such platforms33. An 'Alert List' of entities offering or promoting unauthorised forex trading facilities has also been issued34.

A risk-based regulatory framework for benchmark administrators was put in place in 201935 and fine-tuned in 202336 to ensure robust governance in benchmark administration in RBI-regulated markets. Regulations for market abuse were put in place in 201937. Similar frameworks have been put in place for (i) governance, risk management and conduct, including customer suitability and appropriateness assessment by market-makers in OTC derivatives (2021)38; and (ii) margins for non-centrally cleared derivatives. Exchange of variation margin was mandated in 202239. The framework for exchange of initial margin will be issued shortly.

Requirements for transparency in pricing of OTC derivative products for retail investors were also set out. In 2019, the FX Retail platform was introduced to create a market infrastructure that would ensure fair and transparent pricing40.

Way forward

The recent financial market reforms undertaken by the Reserve Bank are aimed at providing a strong bedrock for markets to move to the next trajectory for meeting the growing funding requirements in the economy, providing cost effective hedging options and competing effectively in global markets.

The response to the regulatory measures has been encouraging. The participation base has been widening. Retail participation in G-secs through the Retail Direct scheme has been growing. The VRR scheme has attracted interest from FPIs, especially for corporate bonds. In recent months, robust foreign inflows in G-secs have been witnessed. Non-resident participation in OTC derivative markets has increased, adding to liquidity and diversity. Many of you have started participating in the offshore derivative market for the INR. Prices and spreads in the domestic and overseas markets have converged to a great extent.

There are, however, some areas which call for attention. While lot of progress has been made by banks and other market participants, I wish to highlight six specific areas where more can be done. First, participation of domestic banks in derivative markets remains limited with only a small set of active market-makers. Participation of Indian banks in global markets is growing but it is quite small. Domestic banks are dealing with market-makers in global markets rather than with end clients and are yet to emerge as market-makers of note globally. Of course, banks need to do their own due diligence, assess their risk appetite, and then move forward carefully in this direction. Going forward, our focus should be on enhancing and widening the participation of Indian players in markets for INR derivatives, both domestically and offshore, while being prudent.

Second, liquidity in OTC derivatives markets, especially interest rate derivatives, remains confined to a few products, constraining efficient hedging by the larger economy. The market for credit derivatives which is an important enabler for the lower rated corporate bonds is yet to take off. I am, however, happy to note that the first credit default swap (CDS) transaction after the issuance of the revised guidelines came into effect in May 2022 was undertaken last week. In many ways, all domestic market participants are yet to fully embrace the new regulatory framework and exploit the opportunities it presents.

Third, transparency in pricing remains work in progress and more can be done. The retail customer is yet to get a deal at par with large customers. There is a need for effective market-making and finer pricing for smaller deals on NDS-OM. Divergence in pricing in FX markets for the small and large customers are wider

than what can be justified by operational considerations. Banks may need to do more to facilitate the use of the FX Retail platform. We continue to see banking channels being used by certain persons or entities to fund activities on unauthorised FX trading platforms. This warrants enhanced vigilance by the banks.

Fourth, efforts are being made to leverage technology for achieving greater efficiency while also meeting the objectives of market reforms. For example, we are exploring the use of technological platforms to expand the reach of financial markets, in particular the reach of the RBI Retail Direct and FX Retail. In the derivative markets, efforts are underway to introduce electronic trading platforms for a larger number of derivative products and to expand the central clearing of products. To foster greater efficiency, Application Programming Interfaces (APIs) for reporting trades to NDS-OM and accessing the RFQ dealing mode are being contemplated. Introduction of bond forwards is being considered to enable long-term investors to manage their interest rate risks efficiently – draft guidelines in this regard were issued in December 202341. The Reserve Bank remains engaged with stakeholders to assess the need for the introduction of new products and infrastructure based on evolving market developments.

Fifth, bank treasuries need to scale up their dynamism to utilise the opportunities presented in the context of the recent regulatory reforms. This is very critical for achieving efficient market intermediation, effective management of financial risks and alignment of financial variables across different segments and markets. From this financial year (2024-25), the new prudential framework for investment by banks has come into effect. The new regulations provide increased flexibility to banks in managing their treasuries and offer scope for increased efficiency, provided banks manage their treasury function actively. The framework of assessment of a bank's treasury should take into account risks arising out of action and risks arising out of inaction i.e., missed opportunities.

Sixth, appropriate safeguards should be put in place to address the new challenges posed by new products, participants and markets. For example, as sophisticated OTC derivative products are introduced, they must be accompanied by adoption of certain safeguards, both by the market-makers as well as customers. As our markets get integrated with global markets and non-resident participation increases, transmission channels from global developments will become stronger and speedier. This will require greater watchfulness and proactive management of the associated risks by market participants even as the opportunities are grabbed.

Conclusion

To conclude, the Reserve Bank's efforts in recent years has been to develop the financial markets in a manner that can continue to meet the needs of a growing and globally connected economy while fostering trust, stability and innovation. Trust in financial markets has been sought to be promoted through market reforms which have focused on ensuring fair market conduct by preventing market abuse; fair customer conduct through robust market-marking regulations and ensuring price transparency; and enhanced disclosures by market participants. Stability in financial markets has been made possible by ensuring orderly functioning of the financial markets and financial market infrastructure42. Innovation has been sought to be promoted through a move towards principle-based regulation, widening of the participant base, introduction of new products and platforms as well as enabling access to offshore markets.

The achievement of desired outcomes will be contingent on financial institutions and market participants taking forward the reform agenda so that we have vibrant and internationally competitive financial markets. Market participants and their associations including FIMMDA and PDAI will have to play a critical role in this.

As we look forward to the next decade coinciding with RBI@100, we have to work together and usher in the next generation reforms to place India at a position it rightly deserves.

Thank you.

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Charting a Course to Prosperity: The Importance of Financial Literacy (Speech by Shri Swaminathan J, Deputy Governor, Reserve Bank of India - April 8, 2024 at the Conclave on Financial Literacy, Madurai)

Smt. Divyadarshini IAS, Managing Director, Tamil Nadu Corporation for Development of Women; Shri Shankar Narayan, CGM, NABARD, Chennai; Shri Vasimalai, Executive Director, Dhan foundation; Convenors of SLBC, Tamil Nadu and Puducherry; Smt. Uma Sankar, Regional Director, RBI, Chennai; senior bankers; Financial Literacy Counsellors; Associates and Coordinators of Centre for Financial Literacy; Financial Literacy Community Resource Persons; ladies and gentleman, I am happy to inaugurate the Conclave on Financial Literacy at Madurai today.

Madurai holds an important place in the history of Tamil Nadu. The city is famous for its rich heritage, and promotion of Tamil language through "Sangams", thereby, the city is fondly referred as "sangam valartha nagaram".

The city was also graced by the presence of Saint Thiruvalluvar more than 2,000 years ago. In the context of today's conference, I would like to recall one of his famous couplets which succinctly explained the importance of financial planning for the kings and people.

"ஆகாறு அளவிட்டி தாயினுங்
கடேில்லை

போகாறு அகலாக் கடை",
(Thirukural No. 478)

The Saint explains through his Kural that even though the income of a king may be small, it will not cause his ruin if his outflows are not larger than his income.

In fact, this sage advice is even more relevant in today's consumerist economy. A recent survey by the Mint newspaper1 reveals that 50 per cent of Indian shoppers are choosing to consume now rather than focus on long-term financial planning. Therefore, there is a need to instil the idea of financial planning, budgeting, and saving amongst the people, especially youngsters, for ensuring financial discipline from an early age.

Financial literacy2 calls for empowering people with the knowledge and understanding of various financial concepts so that they can make informed choices about their money and utilise financial services appropriately.

Indeed, financial literacy is central to supporting the developmental objectives of inclusive growth. By addressing the demand side of financial inclusion, financial literacy enables people to understand the benefits of formal financial products and regulated financial providers as well as to make suitable choices across savings, credit, insurance, pension and remittances.

Fortunately, the Indian economy today is the fastest growing amongst the major economies of the world. However, for this growth to be inclusive, it is imperative that we have a financial system that works for all. This objective stands at the heart of all the efforts being made by the RBI towards financial inclusion.

Enhancing financial literacy in India demands a multi-faceted approach involving collaboration between the government, financial institutions, non-profit organizations, and the private sector. It requires targeted educational programs, awareness campaigns, and innovative solutions that cater to the diverse needs and preferences of different demographic groups.

Recognising this, India's National Strategy for Financial Education (NSFE) for the period 2020-2025 has been formulated as a forward-looking framework designed to meet these requirements. The '5 C' approach of the strategy emphasises:

i. The development of relevant Content in the curriculum in schools, colleges and training establishments,

ii. Developing Capacity among intermediaries involved in providing financial services,

iii. Leveraging the positive effect of Community-led model for financial literacy,

iv. Appropriate Communication strategy for financial literacy, and,

v. Enhancing Collaboration among various stakeholders.

The strategy aims to equip people from all walks of life with the knowledge and tools they need to navigate the complexities of the financial landscape.

On its part, the RBI has adopted several measures to enhance the channels for disseminating financial literacy. It has promoted various public awareness campaigns such as RBI Kehta Hai and continues to create and update financial literacy content on its website. Today, there is a substantial volume of literature available on the RBI website in 13 languages including English and Hindi to create awareness on financial education for stakeholders to download and use.

The National Strategy for Financial Education also emphasizes the importance of empowering the younger generation with essential money management skills. In keeping with this, RBI through the National Centre for Financial Education3 been promoting financial literacy among students through various initiatives and programs such as integrating financial education in the school curriculum for classes VI to X. The National Financial Literacy Assessment Test of NCFE is globally one of the largest free annual financial literacy tests for school students4.

Last year we conducted an All-India Quiz on Financial Literacy for students of Class VIII, IX and X of Government/Municipal Schools, in which more than one lakh students from nearly 52,000 schools participated. We are also planning for an All-India quiz for college students later this year as part of RBI's 90th year celebrations.

RBI has been observing Financial Literacy Week every year since 2016 with a view to disseminating financial education messages on various important and relevant themes to the public. This year, Financial Literacy Week was observed between February 26 and March 1, on the theme viz. Make a Right Start, Become Financially Smart, targeting students and young adults, with a view to driving home the message that the young generation needs to be equipped with financial literacy and financial planning skills at an early stage.

More than a decade ago, in June 2012, the RBI advised Lead Banks in districts to set up Financial Literacy Centres. These Financial Literacy Centres are required to conduct financial literacy programs, workshops, and awareness campaigns to educate people about basic financial concepts, such as savings, budgeting, borrowing, and insurance, as well as more complex topics like investment strategies and retirement planning. I am happy to note that by December 31, 2023, Lead Banks had established more than 1,500 Financial Literacy Centres at district headquarters. The camps conducted by them have covered more than 30 lakh participants. In Tamil Nadu and Puducherry, the 77 Financial Literacy Centres have covered more than 1.45 lakh participants.

Apart from direct initiatives to promote awareness, the Reserve Bank also collaborates with other stakeholders to increase financial literacy. The Centres for Financial Literacy (CFL) project, initiated in 2017, is a shining example of this collaborative approach involving banks and NGOs with funding support from funds administered by NABARD and RBI. As on March 31, 2024, 2,406 CFLs have been operationalized covering blocks across the length and breadth of the country, 129 of which are in Tamil Nadu and Puducherry.

Despite good progress being made in these areas, there are still significant challenges and gaps that need to be addressed. In this context, I would like to highlight five focus areas.

Bridging the Digital Divide

As financial services increasingly move online, there is a risk of excluding those who lack access to digital technology or who are not familiar with how to

use it. Bridging the digital divide is crucial for ensuring everyone can participate in the modern financial system.

By optimally using technology, we can unlock its transformative potential to advance financial inclusion. Recognizing that many individuals lack access to traditional banking services but may have access to mobile phones or other digital devices, opens a window to explore innovative digital solutions.

To bridge the digital divide, we need to have tailored digital literacy programs that cater to the specific needs and capabilities of different demographic groups. These programs can provide hands-on training on how to use digital financial services, navigate online platforms, and protect against cyber risks, thereby empowering individuals to fully participate in the digital economy.

Capacity Building

Secondly, adequate focus needs to be given to on-going capacity building of the counsellors engaged in financial literacy campaigns so that they are kept abreast of the latest and relevant information on financial products and customer protection.

The financial landscape is constantly evolving, hence it is crucial for counsellors to stay updated to be able to provide accurate and timely guidance. Organizing regular training programs and workshops can provide counsellors with opportunities to enhance their knowledge and skills. Leveraging technology, we can provide counsellors with access to online training modules, webinars, and digital resources.

Greater collaboration

The third aspect I would like to highlight is the need for greater collaboration. There should be synchronization at the ground level between different stakeholders such as Lead District Manager, District Development Manager, Block Level officials, NGOs, SHGs, BCs, Farmer's Clubs, Panchayats, village level functionaries etc. Banks running FLCs and NGOs operating CFLs need to ensure that as far as possible there is no gap in the availability of counsellors either at the FLCs or CFLs so that their activities can be conducted smoothly.

Being outcome and results oriented

Fourthly, I would like to emphasise that CFLs and FLCs should not be mere awareness hubs, but catalysts driving tangible transformation, for a substantive and enduring change. We must strive to gauge the efficacy of our efforts by quantifying outcomes such as the number of beneficiaries successfully integrated into formal financial systems as a direct result of participating in our financial awareness camps and programs.

Recognising the role of women

Lastly and most importantly, I would like to recognise the role of women in promoting financial literacy.

Women play a crucial role in budgeting within households, as they often manage day-to-day finances, make purchasing decisions, and ensure the financial well-being of their families. They are adept at effectively allocating resources to meet the diverse needs of their families. They often negotiate better with vendors and service providers to optimise the family's budget and maximize savings.

It is said that 'educate a man, you educate only one person. If you educate a woman, you educate a generation'. When women are educated and financially literate, they often serve as the primary educators within their families. Therefore, please ensure that you have programmes designed to cater to financial literacy needs of women.

Conclusion

In conclusion, it is evident that financial literacy is not just a matter of individual empowerment but a critical component of inclusive growth and societal development. Hence, it is imperative that we continue to prioritize efforts to enhance financial literacy and foster financial inclusion.

The multi-faceted approach outlined in India's National Strategy for Financial Education provides a comprehensive framework for advancing our

objectives. Through targeted initiatives and partnerships, we can equip people from all walks of life with the knowledge and tools they need to make informed financial decisions and achieve greater financial well-being.

As we celebrate our achievements, bridging the digital divide, ensuring ongoing capacity building for counsellors, promoting greater collaboration among stakeholders, and recognizing the crucial role of women in promoting financial literacy are areas that require continued attention and investment.

By embracing these challenges as opportunities for innovation and collaboration, we can unlock the transformative potential of financial literacy to create a more inclusive and resilient society. Together, let us work towards a future where everyone has the knowledge, skills, and opportunities to achieve their financial goals and aspirations.

Thank you.

Source- https://rbi.org.in/Scripts/BS_SpeechesView.aspx?Id=1431

The Finternet: A Giant Leap for the Financial System Speech by Mr Agustín Carstens, General Manager of the BIS, at the Peterson Institute for International Economics event on "A vision of the future financial system", Washington DC, 19 April 2024

The Finternet is a vision of multiple financial ecosystems that connect with each other, much like the internet. It aims to empower individuals and businesses by helping them to have full control of their financial lives. The application of technology has meant that tasks that were once expensive and time-consuming, like making an overseas phone call or booking a hotel room in an unfamiliar city, can now be done with the flick of a finger. The Finternet aims to bring the same kind of progress to financial services. We foresee a system in which individuals and businesses could transfer any financial asset, in any amount, at any time, using any device, to anyone else, anywhere in the world. Financial transactions would be cheap, secure and near instantaneous. And they would be available to anyone.

This is particularly important for emerging and developing economies. Despite many noteworthy initiatives to bolster financial inclusion – spearheaded by sovereign authorities, central banks, multilateral financial organisations and the United Nations – large gaps in access to financial services between advanced economies on the one hand, and emerging market economies and least developed countries on the other, still exist. It is striking how many financial services and instruments are just not available in many of these countries, particularly to people living in remote areas, or who have low incomes. And even when residents can access financial services, high transaction costs and slow services are pervasive. These reflect a number of structural deficiencies, including a lack of competition, inadequate public infrastructure and bottlenecks induced by legacy systems that have not kept pace with the capacity needs of a modern economy.

Our starting point was the observation that recent years have seen a flowering of innovation in financial technology. This has led to some important breakthroughs.

Programmable ledgers are one example. These digital platforms combine the record-keeping functions of traditional databases, used to track the ownership of financial assets, with the rules and governance arrangements needed to update the databases. The ledgers enable "smart contracts". These are self-executing applications that can trigger an action, for example the sale of an asset, if a pre-specified condition is met. They have the ability to bundle many of these automated transactions together, which is known as "composability".

Tokenisation is another example. Tokens are the digital assets that exist on programmable ledgers. They contain both the information necessary to uniquely identify the assets and their owners, and the rules and logic governing their use.

And more advances could soon arrive. I am particularly encouraged by the transformative potential of artificial intelligence for the financial sector. The BIS will have more to say on this when we release our Annual Economic Report in June.

As reflected on the developments, the focus of innovation efforts on very specific technologies, financial assets and use cases. Surprisingly little thought has been given to how technological innovations could fit together and contribute to public policy objectives.

This matters because the real value of many of these technologies and applications will only come when they are combined into a seamless, interconnected network. To take one example: tokenised assets could drastically lower the reliance on lengthy messaging, clearing and settlement processes that are the cause of so many costs and delays in today's financial system. But they will only do so if different asset tokens – including tokenised forms of money – exist on the same digital ledger, or at least ledgers that can seamlessly interact with one another. Similar "network effects" apply to many of the other financial innovations.

As an analogy, I think you will all agree that mobile phones are much more useful than they were a decade or two ago. This is because of advances in all aspects of phone technology: in the handsets, in the quality of apps and in the shift from 3G to 5G networks. The combination of these advances is worth much more than the sum of their parts. A 5G network would be of little use if we still had the same phones as at the turn of the century. And smartphones would be wasted if we could only use them to make phone calls and send SMS messages.

The principle behind the Finternet is similar. To really unlock the value of financial innovation, we need to bring all of the pieces together and seek to dismantle barriers and silos that exist in the current financial system.

And it is important to do so now, when the technology is mature enough to use, but before we get locked into rigid institutional frameworks or walled gardens. We have a once in a lifetime opportunity to revisit the architecture of the financial system. Instead of asking what financial technologies we will use in the future, we should ask what the entire future financial system will look like. And we should figure out how we can make a quantum leap to get there. The application of more advanced technology is necessary. But technology is not an end in itself. Its value comes when it is applied alongside robust economic and financial architectures and trusted institutions.

The core idea behind our approach is to have a financial system that relies on the exchange of tokens in the context of unified legers. Intermediaries would facilitate the trades, the onboarding, the offboarding and the tokenisation of assets. The management of tokens would be done by the different intermediaries and ledger owners that will be a part of the system. Key procedures would be the authentication of the parties (who is trading), the verification of ownership (who has what), and the off- and on- ramps, as they are key to integrating the system with the rest of the economy. In short, tokens and unified ledgers based on programmable platforms enable a shift in how financial transactions would be conducted.

Source- https://www.bis.org/speeches/sp240419.htm

INDUSTRY ARTICLE IN THE MONTH

Logistics Reforms to Contribute 4% to GDP - How can Businesses Benefit?

India is now the 4th largest economy globally with a GDP of US$ 4 trillion and growth rate of 7%. One of the key initiatives of the Government is "Make in India" to make India the global manufacturing hub. The efficiency of the logistics sector is key to India's emergence as a globally competitive manufacturing option. However, a recent Economic Survey revealed that India's spend on logistics is significantly high, about 14% of the GDP as compared to 8% global benchmark. Indian logistics sector suffered from lack of modern infrastructure in ports & inland waterways, limited freight corridors, lack of nation-wide multi-modal connectivity, inefficient warehousing and inadequate use of technology.

The National Logistics Policy, unveiled in Sept 2022 outline government's plan to make structural reforms and change the logistics landscape in India over the next 5 years. The objective is to bring down the logistics spend from 14% to 10% of the GDP by 2028. How can Indian businesses benefit from this likely complete change in logistics landscape over the next 5 years?

RSM Astute Consulting Pvt. Ltd. has developed a comprehensive model to use a structured approach in this respect to assist its clients in bringing down logistics cost as well as improve efficiency. RSM Logistics Excellence framework approaches each facet of logistics - Different Modes of Transport, Modernising Warehousing, Leveraging Multi-Modal Logistics Parks and Supply Chain Technology Solutions.

- **RSM Logistics & Supply Chain Excellence Framework**

Road Transportation Reforms

Roads are the most common and convenient mode, and highest contributor to lower efficiencies and costs of logistics in India. Significant boost to the National Highway infrastructure underscored by ~ 10000 km of road being constructed since FY18, increase the highway capacity from ~ 1.1 lac km in FY17 to ~ 2 lac km by FY29. Structured guidelines and systematic implementation plan for enhancing vehicle capacities and sizes would further improve cost efficiencies in long haul trucks. Integrating Intelligent Transport Systems (ITS) represents a pivotal strategy to streamline commercial and regulatory processes, facilitating efficient goods movement, while reducing wait times at checkpoints. The implementation of initiatives like the "Green Channel" and a unified "single window clearance system" further enhances efficiency by expediting clearance procedures for single-destination freight and harmonizing administrative tasks across departments.

Additionally, the proposed policy framework for sustainable road transport, focusing on incentivizing biofuel usage, promoting non-motorized transport, and beneficial policies for Electric Vehicles, aligns with broader fuel efficiency and cost reduction goals. By creating dedicated resource pools and linking vehicle compliance to registration and insurance, the government aims to foster a more sustainable and efficient road transport ecosystem while addressing sustainable means to achieve its goal of logistics cost reduction.

Rail Transportation Reforms

The Indian Government has implemented comprehensive reforms to reduce logistics costs in railway transportation, including tariff reforms, private

investment in rolling stock, improvement in transit time, and enhancements in freight terminals and digital enablement. The tariff reforms involve offering discounts for loaded traffic in empty flow directions, rationalizing distance slabs, and introducing long-term contracts and concessions for short lead customers. Private investment initiatives such as the Liberalisation of Special Freight Train Operators (LSFTO) scheme and the General-Purpose Wagon Investment Scheme (GPWIS) aim to enhance rolling stock availability. Measures to improve transit time include the creation of dedicated freight corridors and increasing the maximum permissible freight wagons. Plan to connect the key ports and waterways through Easter and Western dedicated freight corridors would enable more efficient transportation of goods to and from the ports. Additionally, reforms in freight terminals, good-sheds, and parcel services, along with digital initiatives like electronic registration of demand for wagons and online payment systems, contribute to a more efficient and streamlined freight business.

Inland waterways & Costal Transportation Reforms

Ministry of Ports, Shipping and Waterways (MoPSW) in collaboration with Cochin Shipyard Limited (CSL) and the Inland Waterways Authority of India (IWAI) is focused on addressing challenges and exploring solutions in the maritime sector. Aim to design policy centred on decarbonizing the industry through initiatives such as deploying Green Hydrogen Fuel Cell Inland Vessels and exploring the use of Methanol as a green fuel. Financing needs, estimated at Rs 70-75 Lakh Crore as per the Maritime Amrit Kaal Vision 2047, is highlighted, with emphases on the need for a dedicated Maritime Development Fund. Additionally, efforts are made to optimize cargo movement along inland waterways, aligning with the goal of increasing the modal share of Inland Water Transport (IWT) to 5% by 2030 and 7% by 2047.

Modernising Warehousing

India's warehousing sector has started witnessing transformational change, with traditional structures giving way to modern warehousing hubs, and usage of advanced material handling & storage systems. Private sector investments in the space are boosting the modernization, leading to higher efficiency and lower costs. Moreover, the provision of modern mechanized warehousing space tailored to diverse commodity requirements, along with value-added services like customs clearance, enhances operational efficiency and responsiveness within the supply chain ecosystem.

Leveraging Multi-Modal Logistics Parks

Multi-Modal Logistics Parks (MMLP) are envisioned as part of the Logistics Efficiency Enhancement Plan (LEEP). The MMLP would play a multifaceted role, serving as pivotal hubs for freight aggregation, distribution, and multimodal transportation integration. The plan outlines a strategic initiative to establish multimodal logistics parks in 15 key cities characterized by high freight movement, encompassing more than 40% of India's total road freight activity in Phase I. Subsequent phases will extend this development to an additional 20 nodes across the country. By leveraging road and rail connectivity, these parks facilitate seamless movement of goods, optimizing transportation routes and reducing costs.

Indian businesses would be benefited through the current and future reforms in the logistics sector. However, they need to keep a tab on various existing & upcoming initiatives & infrastructural developments and strategize their supply chain network to extract maximum benefits. RSM Astute Consulting Pvt. Ltd.'s comprehensive model to use a structured approach in this respect can assist its clients in leveraging these benefits and bring down the supply chain and logistics cost as well as improve efficiency.

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India's $2 Trillion Export Vision and the increasing Trade Finance Gap

Today India is among the fastest growing economies of the world and accelerated trade volumes is one of the key factors contributing to India's growth. In the fiscal year 2023-24, India's total exports including merchandise and services exports reached a record high of USD 776.68 billion as per official data. It almost remained stable slightly surpassing last fiscal year's figures however this sustained growth rate was remarkable in the face of global uncertainty, geo-political situation, and the Red Sea crisis. This shows India's resilience in international trade and massive potential to continue this trajectory in the future. With government support and various strategic initiatives like Production-Linked Incentive (PLI) scheme, Free Trade Agreements (FTA), India now sets its sights on an ambitious goal of reaching $2 trillion in exports by 2030.

With the rising exports, Bank loans to exporters have also increased by about 5% in the last financial year. Trade finance market in India is expected to reach $3.88 billion by 2027, growing at a CAGR of 7.1%. However, on the flip side, the increasing trade finance gap or the unmet trade finance demand continues to be an unaddressed challenge. As per Asian Development bank (ADB) report, the global trade financing gap reached $2.5 trillion in 2022 and this gap is increasing year on year especially among developing countries. This gap is increasing in India as well with a large number of small and medium sized exporters (MSMEs) at the centre of India's growth story which may hamper India's export vision.

Traditionally, banks have been the primary source of trade financing as banks are able to offer a wide range of trade finance products. Most national and multi-national banks have an international network of correspondent banks that helps facilitate international trade by providing finance, making cross-border payments, risk mitigation and handling commercial documentations. Importers and exporters often have a bank account, which can be a considerable advantage when asking for trade finance through the bank with which they are a client. However, over 50% of trade finance applications, particularly from MSMEs, are refused by banks each year, contributing to the growing trade finance gap. Non-bank trade finance providers can step in here and help fill this gap.

Lots of non-bank finance providers have developed over the years, specifically in the area of international trade finance, in order to meet the specialised needs of MSMEs. These non-bank financiers offer various service package mainly including financing combined with other value-added services such as maintaining sales ledgers, debt collection which banks usually are not able to offer. The overall cost of using this kind of

finance is typically higher than obtaining money from regular banking sources, however this may be justified by the additional services provided.

Non-bank financiers mainly include:

Trade finance houses:

Trade finance houses are typically an extension of large trading companies offering a package of services to their exporters and importers clients, either for a fee/commission or on an equity basis. With mutual trust and collaboration with their clients, trade finance houses can structure finance or risk solutions in the entire supply chain ranging from pre-shipment finance, letters of credit, inventory financing, deferred payment, insurance and so on. Trade finance houses normally specialise in a certain geographical area or in a certain type of product. They may also assist in finding suppliers or buyers, and in some cases also participate in the trade themselves.

Shipping/logistics companies:

Large shipping and logistics companies have also started offering trade finance as a value-added service to their shippers and consignee clients. They usually offer finance in partnership with their banks or factoring companies and in some cases, they also finance from their own balance sheet. They usually offer trade finance products like cargo or BL financing which helps to optimize working capital of their clients and also strengthen their business relationship.

Factoring/Invoice finance companies:

Factoring companies and invoice finance companies specialise in discounting accounts receivables of short maturities typically upto 180 days. They provide advance payments to exporters typically upto 90% of invoice value immediately upon shipment based on the credit worthiness of importers. They offer a package of services including debt collection, credit assessment, maintenance of sales ledgers and credit insurance. There are various types of factoring arrangements for example recourse and non-recourse facilities, silent and notified facilities which can be structured as per the client's requirements. Factoring is usually offered by two/dual factor factoring companies or single factor factoring companies using credit insurance services. Factoring is a powerful tool which not only help to grow client business but also to improve client balance sheet and other key financial indicators which will ultimately improve their company ratings.

Forfeiting houses:

Forfeiting houses are non-bank financial institutions which specialise in the forfeiting or discounting of negotiable bills of exchange. Forfeiting houses buy these bills from exporters without recourse and may on-sell them to secondary markets. Forfaiting companies usually finance medium- to long-term accounts receivables and may fund full finance, up to 100%. Forfaiting is more suitable for financing of capital goods like machinery and equipment.

In summary, non-banks trade finance providers offer good substitute sources of trade finance that can be instrumental in bridging the growing trade finance gap. Regretfully, the majority of small and medium-sized exporters are unaware of these non-bank financing sources, particularly those that operate in rural areas of India. Therefore, it is imperative to engage in capacity building activities in order to connect with a larger exporter base. It will call for coordinated actions from all relevant stakeholders and a comprehensive plan that takes into account the difficulties and facets of trade, including trade finance.

Chirag Patel, CTFP

Director – Business Development, India
Member – Global Supply Chain Finance Forum (GSCFF)

TOP BANKING NEWS

- **RBI finds 'unfair practices in charging of interest', asks banks to review.**

The Reserve Bank of India (RBI) on Monday directed banks and non-bank financiers to review some of their lending practices when it comes to applying interest and other charges to borrowers along with their mode of loan disbursal.

It said a review of the lending practices would be in the interest of fairness and transparency, and the directive comes after RBI found instances where lenders were resorting to certain "unfair practices in charging of interest".

The regulator found that some lenders have been charging interest from the date of sanction of loan or the date of execution of the loan agreement, instead of the date of actual disbursement of the funds to the customer. Similarly, in the case of loans being disbursed by cheque, RBI said it found that some lenders were charging interest from the date of issuance of the cheque, even as the cheque was handed over to the customer several days later.

"The guidelines on fair practices code issued to various regulated entities (REs) since 2003, inter-alia, advocate fairness and transparency in charging of interest by the lenders, while providing adequate freedom to REs as regards their loan pricing policy," it said.

Guidelines exclude payments banks

The directive on Monday is applicable to all commercial banks, including small finance banks, local area banks and regional rural banks, but exclude payments banks. They are also applicable to all urban co-operative banks, state co-operative banks, district central co-operative banks and all non-banking financial companies.

"In the case of disbursal or repayment of loans during the course of the month, some REs (regulated entities) were charging interest for the entire month, rather than charging interest only for the period for which the loan was outstanding," it said

RBI also said that in some cases, it found lenders were collecting one or more instalments in advance but reckoned the full loan amount for charging interest.

"These are matters of serious concern to the Reserve Bank," it said. "These and other such non-standard practices of charging interest are not in consonance with the spirit of fairness and transparency while dealing with customers."

According to the regulator, wherever such practices have come to light, it has advised lenders to refund such excess interest and other charges to customers. RBI said it is also encouraging lenders to use online account transfers instead of cheques in a few cases for loan disbursal.

Source: https://www.livemint.com/industry/banking/rbi-finds-unfair-practices-in-charging-of-interest-asks-banks-to-review-11714398802684.html

- **Kotak Mahindra Bank scam alert! Amid RBI crackdown, customer 'conned' of ₹10k on account opening; money refunded**

Amid the recent crackdown by the Reserve Bank of India (RBI) on Kotak Mahindra Bank's deficiencies and non-compliances in the IT system, a customer on Thursday took to social media platform 'X' to claim that he was 'scammed' and 'conned' by the private sector lender while trying to open a current account online.

The customer, Piyush Dewan, said he lost ₹10,000 during the process of opening an online current account with Kotak Mahindra Bank. Though the money was refunded after his tweets went viral, the bank had not reached out to him with an official communication over what went wrong in the initial stage.

Taking to X, Dewan said he was scammed by the online current account opening workflow of Kotak Mahindra Bank a week before yesterday's RBI action. In a series of tweets, he shed light on the problem faced by him, underscoring the ''gross inadequacy or leakages in Kotak Mahindra Bank's system''.

Dewan wrote, "We initiated an online current account opening through the bank website on 18th Apr. Type Individual. We duly completed the online form except the last step of document upload (as didn't have them handy)."

As expected, he got an SMS from the bank for the completion of the process. On April 19, Dewan used the workflow (sent by the bank via SMS) to complete the document upload.

During the process, Dewan received an OTP confirmation to verify the mobile number and also got Aadhaar OTP twice. "There was no way that we could have smelled a rat at this stage," he said.

As a next step, he was asked to seed this newly opened current account. He used UPI to transfer ₹10,000. "At this stage we were expecting some communication on screen, or email, or phone. We didn't receive any details for the newly opened account," said Dewan.

After waiting for 4-5 days without receiving any confirmation from the bank, Dewan visited the bank branch. The branch employees were unable to find any records for his account, he alleged in his tweets.

"They tried using the PAN, the Adhaar number, mobile number and everything. The branch manager very casually told us that this could be fraud and made us write an application and share these screenshots," said Dewan.

When the branch refused to identify his account and record, the customer identified that there could be two possibilities. "First, the application drop off data went to fraudsters who initiated a fake form and got us to pay. Shows that the system is compromised. Second, the Kotak Bank system is broken, and the application is sitting on some cloud," he said.

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''In the nutshell, we have been conned by Kotak Mahindra Bank. Their system is either broken, or compromised, or both. The RBI crackdown on their online account opening is totally justified, we were unlucky that we trusted them a week prior to the order," said Dewan on X.

"As this series of tweets started picking up traction earlier today, the refund has been initiated from Kotak. Money is back, but trust is gone forever. Yet to receive a word from the bank on what went wrong," he added on the thread.

While explaining the ordeal step-by-step, Dewan has attached all screenshots of the text messages and links received from the bank, which he later found were allegedly from a 'fake website' or a 'fraud'. Before publishing this report, LiveMint

reached out to Kotak Mahindra Bank for an official clarification or statement. The bank's response is still awaited.

In a restriction order on Wednesday, the RBI barred Kotak Mahindra Bank from onboarding new customers through its online portal and mobile app, and restricted it from issuing fresh credit cards, citing "serious deficiencies" in the bank's IT system.

The RBI said it found "serious deficiencies and non-compliances" in IT inventory management, patch and change management, user access management, vendor risk management, and data security for 2022 and 2023.

The central bank also clarified that even as the restrictions are in place, Kotak Mahindra Bank will continue to provide services to its existing bank customers, including its credit card customers. "The bank has taken measures for adoption of new technologies to strengthen its IT systems and will continue to work with RBI to swiftly resolve balance issues at the earliest," a Kotak Mahindra Bank spokesperson said in a statement on Wednesday.

Source: https://www.livemint.com/industry/banking/rbi-crackdown-on-kotak-mahindra-bank-customer-accuses-bank-of-fraud-over-fake-account-opening-bank-refunds-money-11714044778437.html

- **RBI Deputy Governor T Rabi Sankar gets 1 year extension**

The government has extended the term of RBI Deputy Governor T Rabi Sankar for a period of one year, the central bank said in a statement.

"The Central Government has re-appointed Shri T Rabi Sankar as Deputy Governor, Reserve Bank of India, for a period of one year with effect from May 03, 2024, or until further orders, whichever is earlier," it said.

Sankar was appointed as the RBI Deputy Governor in May 2021 for a period of three years.

He joined the RBI in 1990 and worked in various positions at the central bank.

He was Executive Director of the Reserve Bank before being elevated to the post of deputy governor.

As an executive director, he was looking after the Department of Payment and Settlement Systems, the Department of Information Technology, Fintech and the Risk Monitoring Department of the RBI.

Sankar has served as an IMF Consultant (2005-11) on developing government bond markets and debt management. In addition to his professional career at the RBI, he is the Chairman, Indian Financial Technology and Allied Services (IFTAS); member of the Board of Directors, ReBIT; and member of the Governing Council, IDRBT.

Sankar has done Master of Philosophy in Economics from Jawaharlal Nehru University.

Source: https://www.livemint.com/industry/banking/rbi-deputy-governor-t-rabi-sankar-gets-1-year-extension-11713969467567.html

- **PayU Payments gets RBI's approval to operate as payment aggregator**

Prosus-backed PayU Payments said on Tuesday it had received the Reserve Bank of India's in-principle approval to operate as a payment aggregator and onboard new merchants onto its platform.

The approval comes days after the RBI took steps to tighten scrutiny of the payments sector, asking online payment firms to monitor transactions-related activities of merchants on their platforms and ensure they meet fresh guidelines

The RBI's approval is "a testament to our relentless focus on compliance and corporate governance", PayU CEO Anirban Mukherjee said in a statement.

PayU is a payment gateway that also offers services including buy-now-pay-later, and competes with the likes of Tiger Global-backed Razorpay and Walmart-owned PhonePe.

PayU merchant partners can offer their customers the flexibility to decide the downpayment amount with Credit Card EMI, and even combine UPI with

Credit Card EMIs for greater affordability and convenience.

Earlier this month, PayU had announced a partnership with the country's largest customer engagement & loyalty solutions provider, Loylty Rewardz. Through a module called Rewardz Hub, customers from over 20 bank and retail loyalty programs managed by Loylty Rewardz can now also earn & redeem reward points seamlessly on their online transactions processed by PayU.

PayU provide payment gateway solutions to online businesses through its cutting-edge and award-winning technology and has empowered five lakhs businesses, including India's leading enterprises, e-commerce giants and SMBs. It enables businesses to collect digital payments across 150 online payment methods such as credit cards, debit cards, net banking, EMIs, pay-later, QR, UPI, Wallets, and more.

It is a preferred partner in the affordability ecosystem, offering the maximum coverage of issuers and easy-to-implement integrations across card-based EMIs, pay-later options and new-age cardless EMIs. PayU offers e-commerce brands best-in-industry success rates while ensuring a seamless checkout experience.

Source: https://www.livemint.com/industry/banking/payu-payments-gets-rbis-approval-to-operate-as-payment-aggregator-11713892049303.html

- **RBI likely to issue license framework for point-of-sale players soon, 3rd party operators may be affected.**

The Reserve Bank of India (RBI) is soon likely to introduce guidelines for issuing licenses in the point of sales (POS) business, creating a new category within financial services, as per a Hindu Businessline report.

Regulated entities like banks and non-banking financial companies (NBFCs) currently operating in the POS business will not be affected, the sources added. However, third-party operators — BharatPe, MSwipe, Paytm and PineLabs — are expected to be hit, and would need to obtain a license to continue their operations.

The rapid growth of third-party operators in the offline payments sector has increased the need for regulatory measures, the report noted. Banks have also been using third-party POS for the sake of ease of doing business,

These operators manage daily average balances of ₹400 crore, compared to ₹1,000 crore in the online space. An industry stakeholder quoted in the report said that there was a need to implement regulatory changes before the offline market "becomes too big".

Similar to payment aggregator licenses, POS operators may be required to meet certain criteria, including a minimum net worth of ₹25 crore and compliance with RBI's other stipulations.

The RBI did not respond to queries, the report added.

Livemint could not independently verify the report.

The need for a licensing framework stems from three key concerns within the industry. Firstly, there has been a rise in cash loans on credit cards, leading to large, one-time swipes at POS terminals. There are suspicions that some merchants may be offering cash in exchange for these transactions, raising questions about know-your-customer (KYC) procedures and regulatory oversight, a POS company executive told the paper

Secondly, discrepancies in data storage practices among POS operators pose security risks. Varying data retention periods, ranging from 90 days to over a year, highlight the need for standardisation and alignment with security protocols, another industry executive said.

Thirdly, there are apprehensions regarding fund management by third-party players. Delayed settlements to merchants and the risk of unregulated entities mishandling funds underscore the importance of regulatory intervention to mitigate potential risks, one source said. Though

no such case has been found yet, it is a concern.

If the proposed licenses become mandatory, it is not yet clear if players like Paytm and BharatPe, who are awaiting the central bank's approval for payment aggregator services, will be permitted to operate in the offline POS segment.

Source: https://www.livemint.com/industry/banking/rbi-likely-to-issue-license-framework-for-point-of-sale-players-soon-say-report-offline-payment-online-payment-paytm-pos-11713152526119.html

- **PNB Housing PAT jumps 57% on strong AUM growth**

PNB Housing Finance on Monday reported a 57% jump in its net profit to Rs 439 crore for the January-March quarter because of a growth in its assets under management. The net profit rose 30% on a quarter-on-quarter basis.

Assets under management rose nearly 7% YoY to Rs 71,243 crore. Loan assets grew 10% to Rs 65,358 crore, boosted by the retail segment.

Retail loans grew 14% to Rs 63,306 crore, constituting 97% of total loan assets. Retail disbursements rose 24% to Rs 5,541 crore in the quarter under review. Disbursements in affordable segment was 10% of retail disbursements in 2023-24 (April-March).

"Our expansion into high-yielding affordable segment and the growth of our retail loan book showcase our commitment towards meeting diverse market needs," said managing director and CEO Girish Kousgi. "As we move ahead, we look forward with optimism that our fundamentals position us well to achieve the desired growth and profitability."

In recent years, the company has gradually been reducing its corporate loan portfolio in a bid to manage the asset quality. The corporate loan book fell 46% YoY to Rs 2,052 crore as on March 31.

The net interest income, the difference between interest earned and interest expended, rose nearly 7% to Rs 632.2 crore. The net interest margin fell to 3.65% in the March quarter from 3.74% a year ago. The gross margin, net of acquisition cost, stood at 4.18%.

The cost of borrowing at 7.98% in the March quarter was higher from 7.76% a year ago, leading to a compression in margins.

The gross non-performing asset (GNPA) ratio improved to 1.50% as on March 31, from 3.83% a year ago. Corporate GNPA fell to 3.31% from 22.25% a year ago. Net NPA stood at 0.95%.

The company's capital to risky assets ratio stood at 29.26% as on March 31

Source: https://www.financialexpress.com/business/banking-finance-pnb-housing-pat-jumps-57-on-strong-aum-growth-3471894/

- **SBI approaches RBI to cap NBFC lender base**

State Bank of India (SBI) has approached the Reserve Bank of India (RBI) to put a cap on non-banking financial companies' (NBFCs) lender base. Currently, many NBFCs borrow from over 50-60 lenders at the same time.

The country's largest bank believes that large number of lenders dilutes the ability to monitor NBFCs loan books significantly. "Almost all NBFCs today have a large number of banks as their lenders. In some cases, it can be upwards of 50-60 in their liability mix that crimps our ability to do due diligence," a source said. SBI did not respond to queries sent by FE till going to the press

The source explained that there are multiple banks who are lenders to a single NBFC, but they seldom communicate or have meetings to gauge the performance of the borrower.

Their worries also stem from the fact that though NBFCs' non-performing assets (NPA) have come down substantially, it is still on the higher side. That is, the gross NPA ratio of NBFCs has declined from a high of 7.2% in December 2021 to 4.6% in September 2023, according to the RBI's December 2023 financial stability report.

Then, there are unlisted NBFCs as well whose data isn't available on a regular basis. "So if there is any stress building up, it will be difficult for anyone to

know," another source said. He added that cases like Infrastructure Leasing & Financial Services (IL&FS) and erstwhile Dewan Housing Finance Corp (DHFL) have clearly shown that there could be a contagion effect if they go down.

To address these concerns, SBI has proposed that a consortium of lenders can be formed to take common lending decisions for, at least large-sized NBFCs. Further, a mechanism needs to be built that allows monitoring of all NBFCs' performance.

Last October, SIDBI did try to bring all small NBFCs on its growth accelerator programme to become eligible for bank funding, however, the platform has not picked up. Proponents argue that joint platform will only pick up when all the major banks participate or the banking regulator puts its weight behind it.

While the apex bank seems to be seized of the situation and has increased the risk weights of bank loans to NBFCs, many believe that more can be done

Source: https://www.financialexpress.com/business/banking-finance-sbi-approaches-rbi-to-cap-nbfc-lender-base-3455460/

- **RBI plans curbs on suspect bank accounts to fight cyber fraud**

India's central bank plans to soon change guidelines to permit banks to temporarily freeze accounts suspected of being used to commit cyber crimes, as it battles a rising wave of online crime, three sources told Reuters.

The plans come as internal government data shows individuals have lost funds of nearly $1.26 billion in financial institutions to cyber fraud since 2021, with one of the sources saying about 4,000 fraudulent accounts are opened every day.

Tens of thousands of Indians receive daily telephone calls seeking to defraud them by accessing their bank accounts and wallets to siphon off money that then accumulates in the scammers' accounts.

To fight back, the regulator, the Reserve Bank of India (RBI), is likely to let banks suspend such accounts, freeing victims from first having to file police complaints, said two government sources and a third aware of the central bank's thinking.

India's finance ministry, home ministry and central bank did not immediately respond to Reuters' emails seeking comment.

While perpetrators can empty accounts within minutes, banks now freeze accounts only after police register a crime report, a procedure that sometimes takes days, given the number of crimes law enforcers must tackle, the sources said.

Names and details of miscreant account holders will be used to uncover more accounts held in other banks, and suspend those too, one of the government sources said.

However, a new centralised body is needed to investigate cyber frauds, said the source aware of the central bank's thinking, without elaborating.

Source: https://economictimes.indiatimes.com/industry/banking/finance/banking/rbi-plans-curbs-on-suspect-bank-accounts-to-fight-cyber-fraud/articleshow/109588002.cms

SELECT RBI CIRCULAR

Circular Number	Date of Issue	Department	Subject	Meant For
RBI/2024-2025/31 DOR.ORG. REC.21/14.10.001/ 2024-25	30.4.2024	Department of Regulation	Guidance Note on Operational Risk Management and Operational Resilience	All Commercial Banks; All Primary (Urban) Co-operative Banks/State Co-operative Banks/Central Co-operative Banks; All All-India Financial Institutions (viz., Exim Bank, NABARD, NHB, SIDBI, and NaBFID); and All Non-Banking Financial Companies including Housing Finance Companies
RBI/2024-2025/30 DoS.CO.PPG. SEC.1/11.01.005/ 2024-25	29.4.2024	Department of Supervision	Fair Practices Code for Lenders – Charging of Interest	All Commercial Banks (including Small Finance Banks, Local Area Banks and Regional Rural Banks) excluding Payments Banks All Primary (Urban) Co-operative Banks/ State Co-operative Banks/ District Central Co-operative Banks All Non-Banking Financial Companies (including Microfinance Institutions and Housing Finance Companies)
RBI/2024-2025/29 DOR. AML. REC.19/14.06.001/ 2024-25	26.4.2024	Department of Regulation	Implementation of Section 51A of UAPA,1967: Updates to UNSC's 1267/ 1989 ISIL (Da'esh) & Al-Qaida Sanctions List: Amendments in 01 Entry	The Chairpersons/ CEOs of all the Regulated Entities
RBI/2024-2025/28 DOR.LIC. REC.20/16.13.218/ 2024-25	26.4.2024	Department of Regulation	Voluntary transition of Small Finance Banks to Universal Banks	All Small Finance Banks

RBI/2024-2025/27 A.P. (DIR Series) Circular No. 03	26.4.2024	Financial Markets Regulation Department	Limits for investment in debt and sale of Credit Default Swaps by Foreign Portfolio Investors (FPIs)	All Authorized Persons
RBI/2024-2025/26 DOR.RET. REC.18/12.07.160/ 2024-25	25.4.2024	Department of Regulation	Alteration in the name of "AB Bank Limited" to "AB Bank PLC" in the Second Schedule to the Reserve Bank of India Act, 1934	All Commercial and Co-operative Banks
RBI/2024-2025/25 A.P. (DIR Series) Circular No.02	24.4.2024	Financial Markets Regulation Department	Unauthorised foreign exchange transactions	The Authorised Dealer Category – I Banks
RBI/2024-2025/24 DOR.CRE.REC. No.17/21.04.172/ 2024-25	24.4.2024	Department of Regulation	Master Circular - Bank Finance to Non-Banking Financial Companies (NBFCs)	All Scheduled Commercial Banks (excluding RRBs)
RBI/2024-2025/23 DOR.MRG. REC.15/00.00.018/ 2024-25	23.4.2024	Department of Regulation	Dealing in Rupee Interest Rate Derivative products - Small Finance Banks	All Small Finance Banks
RBI/2024-2025/22 FIDD.CO.LBS. BC.No.05/02.08.001/ 2024-25	18.4.2024	Financial Inclusion and Development Department	Formation of new district in the State of Assam – Assignment of Lead Bank Responsibility	The Chairman / Managing Director & Chief Executive Officer Lead Banks Concerned
RBI/2024-2025/21 DOR.AML. REC.14/14.06.001/ 2024-25	16.4.2024	Department of Regulation	Implementation of Section 12A of the Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005: Designated List (Amendments)	The Chairpersons/ CEOs of all the Regulated Entities

RBI/2024-2025/20 FIDD.GSSD.CO.BC. No.03/09.01.003/ 2024-25	16.4.2024	Financial Inclusion and Development Department	Master Circular – Deendayal Antyodaya Yojana - National Rural Livelihoods Mission (DAY-NRLM)	The Chairman/Managing Director & CEO Public Sector Banks, Private Sector Banks (including Small Finance Banks)
RBI/2024-2025/19 FIDD.CO.GSSD. BC.No.04/09.09.001/ 2024-25	16.4.2024	Financial Inclusion and Development Department	Master Circular - Credit facilities to Scheduled Castes (SCs) & Scheduled Tribes (STs)	The Chairman/ Managing Director / Chief Executive Officer All Scheduled Commercial Banks (including Small Finance Banks)
RBI/2024-2025/18 DOR.STR. REC.13/13.03.00/ 2024-25	15.4.2024	Department of Regulation	Key Facts Statement (KFS) for Loans & Advances	All Commercial Banks (including Small Finance Banks, Local Area Banks and Regional Rural Banks, excluding Payments Banks) All Primary (Urban) Co-operative Banks, State Co-operative Banks and Central Co-operative Banks All Non-Banking Financial Companies (including Housing Finance Companies)
RBI/2024-2025/17 A. P. (DIR Series) Circular No. 01	15.4.2024	Financial Markets Regulation Department	Hedging of Gold Price Risk in Overseas Markets	All Authorised Dealer Category – I Banks
RBI/2024-2025/16 DoR.RET. REC.12/12.01.001/ 2024-25	15.4.2024	Department of Regulation	CIMS Project Implementation - Submission of Statutory Returns (Form A, Form VIII and Form IX) on CIMS Portal	The Chairperson / CEOs of all Commercial Banks
RBI/2024-2025/15 DOR.RET. REC.11/12.07.160/ 2024-25	10.4.2024	Department of Regulation	Alteration in the name of "Sonali Bank Limited" to "Sonali Bank PLC" in the Second Schedule to the Reserve Bank of India Act, 1934	All Commercial and Co-operative Banks

RBI/2024-2025/14 DOR.RET. REC.10/12.07.160/ 2024-25	05.4.2024	Department of Regulation	Exclusion of "Kapol Co-operative Bank Limited" from the Second Schedule to the Reserve Bank of India Act, 1934	All Commercial and Co-operative Banks
RBI/2024-2025/13 DOR.STR. REC.9/21.04.048/ 2024-25	02.4.2024	Department of Regulation	Master Circular- Income Recognition, Asset Classification, Provisioning and Other Related Matters - UCBs	The Chief Executive Officers All Primary (Urban) Co-operative Banks
RBI/2024-2025/12 DOR.STR. REC.8/21.04.048/ 2024-25	02.4.2024	Department of Regulation	Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances	All Commercial Banks (excluding RRBs)
RBI/2024-2025/11 DOR.CRE.REC. No.07/08.12.001/ 2024-25	02.4.2024	Department of Regulation	Master Circular – Housing Finance	All Scheduled Commercial Banks (excluding RRBs)
RBI/2024-2025/10 DOR.CRE.REC. No.6/07.10.002/ 2024-25	02.4.2024	Department of Regulation	Master Circular - Housing Finance for UCBs	All Primary (Urban) Co-operative Banks
RBI/2024-2025/09 DOR.CAP. REC.5/09.18.201/ 2024-25	01.4.2024	Department of Regulation	Master Circular- Prudential Norms on Capital Adequacy - Primary (Urban) Co-operative Banks (UCBs)	All Primary (Urban) Co-operative Banks
RBI/2024-2025/08 DOR.CAP. REC.4/21.06.201/ 2024-25	01.4.2024	Department of Regulation	Master Circular – Basel III Capital Regulations	All Scheduled Commercial Banks (Excluding Small Finance Banks, Payments Banks and Regional Rural Banks)

RBI/2024-2025/07 CO.DGBA.GBD. No.S2/31-12-010/ 2024-2025	01.4.2024	Department of Government and Bank Accounts	Master Circular on Conduct of Government Business by Agency Banks - Payment of Agency Commission	All Agency Banks
RBI/2024-2025/06 DGBA.GBD. No.S1/31.02.007/ 2024-25	01.4.2024	Department of Government and Bank Accounts	Master Circular - Disbursement of Government Pension by Agency Banks	All Agency Banks
RBI/2024-2025/05 FIDD.CO.FID. BC.No.1/12.01.033/ 2024-25	01.4.2024	Financial Inclusion and Development Department	Master Circular on SHG-Bank Linkage Programme	The Chairman/ Managing Director/ Chief Executive Officer All Scheduled Commercial Banks
RBI/2024-2025/04 DoR.STR. REC.3/09.27.000/ 2024-25	01.4.2024	Department of Regulation	Master Circular - Guarantees, Co-Acceptances & Letters of Credit - UCBs	The Managing Director/ Chief Executive Officers All Primary (Urban) Co-operative Banks
RBI/2024-2025/03 DOR.STR. REC.2/13.07.010/ 2024-25	01.4.2024	Department of Regulation	Master Circular - Guarantees and Co-acceptances	All Scheduled Commercial Banks (excluding Payments Banks and RRBs)
RBI/2024-2025/02 FIDD.CO.LBS. BC.No.01/02.01.001/ 2024-25	01.4.2024	Financial Inclusion and Development Department	Master Circular – Lead Bank Scheme	The Chairman/ Managing Director/ Chief Executive Officer SLBC/ UTLBC Convenor Banks / Lead Banks
RBI/2024-2025/01 DoR.HGG.GOV. No.1/18.10.010/ 2024-25	01.4.2024	Department of Regulation	Master Circular on Board of Directors - UCBs	The Managing Director/Chief Executive Officer All Primary (Urban) Co-operative Banks

Source: https://www.rbi.org.in/Scripts/BS_CircularIndexDisplay.aspx?Id=12670

STATISTICAL SUPPLEMENT – RBI

Reserve Bank of India – Bulletin Weekly Statistical Supplement – Extract

1. Reserve Bank of India - Liabilities and Assets*

(₹ Crore)

Item	2023	2024		Variation	
	Apr. 21	Apr. 12	Apr. 19	Week	Year
	1	2	3	4	5
4 Loans and Advances					
4.1 Central Government	3145	0	0	0	-3145
4.2 State Governments	3146	12921	17496	4575	14350

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

2. Foreign Exchange Reserves*

Item	As on April 19, 2024		Variation over					
			Week		End-March 2024		Year	
	₹ Cr.	US$ Mn.	₹ Cr.	US$ Mn.	₹ Cr.	US$ Mn.	₹ Cr.	US$ Mn.
	1	2	3	4	5	6	7	8
1 Total Reserves	5344921	640334	-20519	-2828	-46335	-6085	547895	56086
1.1 Foreign Currency Assets #	4681529	560860	-28980	-3793	-80315	-10090	457285	46371
1.2 Gold	474181	56808	8695	1010	34862	4133	95255	10657
1.3 SDRs	150529	18034	-273	-43	-694	-98	-800	-397
1.4 Reserve Position in the IMF	38682	4631	39	-2	-187	-31	-3844	-545

** 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 Apr. 5, 2024	Variation over				
		Fortnight	Financial year so far		Year-on-Year	
			2023-24	2024-25	2023	2024
	1	2	3	4	5	6
2 Liabilities to Others						
2.1 Aggregate Deposits	20998289	523062	404030	523062	1706679	2550345
	(20889504)					(2441560)
2.1a Growth (Per cent)		2.6	2.2	2.6	10.2	13.8
						(13.2)
2.1.1 Demand	2601856	158002	39309	158002	192481	382116
2.1.2 Time	18396433	365060	364721	365060	1514198	2168229
2.2 Borrowings	774584	75	55756	75	221382	273499
2.3 Other Demand and Time Liabilities	889963	-47465	-6465	-47465	163712	106778
7 Bank Credit	16601870	169706	175321	169706	1884683	2751313
	(16077613)					(2227057)
7.1a Growth (Per cent)		1.0	1.3	1.0	15.8	19.9
						(16.1)
7a.1 Food Credit	21208	-1873	1058	-1873	-18871	245
7a.2 Non-food credit	16580661	171578	174263	171578	1903555	2751068

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.
3. '-': Nil/Negligible.

4. Money Stock: Components and Sources

(₹ Crore)

Item	Outstanding as on		Variation over									
	2024	Fortnight	Financial Year so far		Year-on-Year				Year-on-Year			
					2023-24		2024-25		2023		2024	
	Mar. 22	Apr. 5	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	1	2	3	4	5	6	7	8	9	10	11	12
M3	24830291	25375134	544843	2.2	433507	1.9	544843	2.2	2071052	10.0	2597867	11.4
	(24938533)	(25483919)	(545385)	(2.2)			(545385)	(2.2)			(2706651)	(11.9)
1 Components (1.1.+1.2+1.3+1.4)												
1.1 Currency with the Public	3418663	3430269	11606	0.3	23962	0.7	11606	0.3	333196	11.2	129872	3.9
1.2 Demand Deposits with Banks	2586888	2747522	160633	6.2	40958	1.8	160633	6.2	192957	8.9	385966	16.3
1.3 Time Deposits with Banks	18739918	19110923	371006	2.0	374936	2.2	371006	2.0	1531286	9.9	2067022	12.1
	(18848160)	(19219708)	(371548)	(2.0)			(371548)	(2.0)			(2175806)	(12.8)
1.4 'Other' Deposits with Reserve Bank	84822	86420	1598	1.9	-6349	-8.2	1598	1.9	13613	23.6	15008	21.0
2 Sources (2.1+2.2+2.3+2.4-2.5)												
2.1 Net Bank Credit to Government	7313197	7615698	302501	4.1	204341	2.9	302501	4.1	854283	13.1	245825	3.3
	(7404752)	(7703559)	(298807)	(4.0)			(298807)	(4.0)			(333686)	(4.5)
2.1.1 Reserve Bank	994394	1273550	279156		95684		279156		85047		-273259	
2.1.2 Other Banks	6318803	6342148	23345	0.4	108656	1.9	23345	0.4	769236	15.2	519084	8.9
	(6410358)	(6430009)	(19651)	(0.3)			(19651)	(0.3)			(606945)	(10.4)
2.2 Bank Credit to Commercial Sector	16669610	16838577	168967	1.0	170702	1.2	168967	1.0	1903225	15.0	2238239	15.3
	(17200297)	(17362834)	(162537)	(0.9)			(162537)	(0.9)			(2762495)	(18.9)
2.2.1 Reserve Bank	11871	11424	-448		-6159		-448		6624		-8966	
2.2.2 Other Banks	16657739	16827153	169414	1.0	176861	1.2	169414	1.0	1896601	15.0	2247205	15.4
	(17188425)	(17351410)	(162984)	(0.9)			(162984)	(0.9)			(2771462)	(19.0)

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

5. Liquidity Operations By RBI										
(₹ Crore)										
Date	Liquidity Adjustment Facility						Standing Liquidity Facilities	OMO (Outright)		Net Injection (+)/ Absorption (-) (1+3+5+7+9-2-4-6-8)
	Repo	Reverse Repo	Variable Rate Repo	Variable Rate Reverse Repo	MSF	SDF		Sale	Purchase	
	1	2	3	4	5	6	7	8	9	10
Apr. 15, 2024	-	-	-	-	3198	113069	-	-	-	-109871
Apr. 16, 2024	-	-	-	32576	5496	88236	63	-	-	-115253
Apr. 17, 2024	-	-	-	-	4806	70186	-	-	-	-65380
Apr. 18, 2024	-	-	-	75027	5866	71836	-655	-	-	-141652
Apr. 19, 2024	-	-	75001	-	3238	132490	-	-	-	-54251
Apr. 20, 2024	-	-	-	-	1707	55192	-	-	-	-53485
Apr. 21, 2024	-	-	-	-	1565	43866	-	-	-	-42301

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

TOP NON-BANKING FINANCE COMPANIES & MICRO FINANCE INSTITUTIONS NEWS

- **Small NBFCs may turn to SME, mortgage, green finance loans in co-lending business as risk aversion sets in**

Some small non-banking financial companies (NBFC) are likely to increase their share of co-lending loans to micro, small and medium enterprises (MSME), housing and green energy while cutting their co-lending exposure to personal loans, experts said. This is due to personal loans attracting a higher risk-weight after the recent rule changes by the Reserve Bank of India (RBI).

Co-lending or co-origination is a set-up where banks and non-banks enter into an arrangement for the joint contribution of credit for priority sector lending. And large banks like the State Bank of India (SBI) and HDFC Bank have a large number of co-lending partners.

A report by ratings agency CRISIL showed that co-lending assets under management (AUM) of NBFCs is nearing Rs 1 lakh crore after more than five years since the model came into being. It highlighted that out of the current overall co-lending book, personal loans alone account for about a third of the AUM, followed by housing loans at around 20 percent and unsecured MSME loans and gold loans each making up about 13 percent. Secured MSME (including loan against property) and vehicle loans comprise about 20 percent.

"While co-lending books for all asset classes will grow, the pace of growth for personal loans is expected to be slower than that seen in the recent past. NBFCs may increase their focus on other asset classes such as loans to micro, small and medium enterprises (MSME) and home loans given higher risk weights for personal loans," CRISIL said in a report on April 8

Krishna Gopal, Chief Financial Officer (CFO), Aye Finance, said: "Amidst growing concern on the rapid growth of personal and consumption loan portfolios, coupled with corrective regulatory action of increase in risk weights on these portfolios, the focus of co-lending is shifting towards MSMEs."

Green finance focused NBFC Credit Fair is looking at a disbursement of Rs 500 crore in financial year (FY) 2024-25. "We plan to finance 20,000+ homes for rooftop solar installations by March FY25. Till now, we have approved Rs 128 crore worth of loans and Rs 97 crore worth of disbursement is done. And we are looking at a disbursement of Rs 500 crore till the end of FY25," said Vikas Agarwal, Co-founder and Chief Business Officer, Credit Fair.

Similarly, Avishek Gupta, Managing Director & CEO, Caspian Debt, an MSME and green finance focused NBFC, said that the company is targeting Rs 950 crore to 1,000 crore disbursements across segments by FY25. "We had disbursements of Rs 630 crore in FY24 across green finance, MSME, solar finance, waste to fuel finance and other segments. In FY25, we are looking at disbursing Rs 1,000 crore," Gupta said

Source: https://www.moneycontrol.com/news/business/small-nbfcs-may-turn-to-sme-mortgage-green-finance-loans-in-co-lending-business-as-risk-aversion-sets-in-12640591.html

- **Banks, NBFCs hike lending and deposit rates as RBI pushes for monetary transmission**

The central bank has in the recent past called for increased monetary policy transmission in the rates to banks and NBFCs. Transmission is important for the RBI's inflation management.

A clutch of banks and non-banking financial companies (NBFCs) have upped their lending

and deposit rates in recent weeks following the central bank's call for increased monetary policy transmission, analysis of the data and commentary showed.

For example, Bank of Baroda on April 10 increased its lending rates by 5 basis points across selective tenures. HDFC Bank too increased its repo-linked home loan interest rates by 10-15 basis points to a range between 9.05 percent to 9.8 percent in March 2024.

Some NBFCs hiked their interest rates on fixed deposits (FDs). Bajaj Finance on April 9 hiked its interest rates by 60 bps on most tenures. Similarly, Shriram Finance raised its interest rates on FDs by 0.05 to 0.20 bps.

One basis point is one-hundredth of a percentage point.

Experts said lenders are working at increasing their lending and deposit rates after RBI's nudge. RBI Deputy Governor J Swaminathan said transmission was playing out and would happen over a period of time. " Rate transmission is happening and we would like it to continue in that manner," he said

Vijay Singh Gaur, Lead Analyst, BFSI, CareEdge, said lenders are slowly working on increasing their rates. "Rate transmission will happen with time as lenders are slowly looking at pushing their different rates to their customers," Gaur said.

Call for rate transmission

A Moneycontrol analysis of the weighted average domestic term deposit rate (WADTDR) and weighted average lending rate (WALR) showed that WADTDR of banks increased by 233 bps and the WALR on fresh loans rose by 196 bps in the current tightening cycle. The corresponding increase in outstanding term deposit rates and outstanding lending rates of banks was even lower at 157 bps and 112 bps, respectively.

The weighted average domestic term deposit rate is an indicator of the average interest rate paid by banks on term deposits to customers. The weighted average lending rate is the interest rate charged by banks on all loans.

RBI Governor Shaktikanta Das said in the October 2023 MPC meeting that the repo rate hike transmission is not reflected in banks' rates. "The transmission of the 250 bps increase in the policy repo rate to bank lending and deposit rates is still incomplete," Das said during the October 2023 Monetary Policy Committee press conference.

And in the latest MPC meeting on April 5, RBI Deputy Governor Michael Patra said that some rate transmission is happening through banks. "If you look at transmission from April 2023 to February 2024, there is still transmission going on. We are still seeing some transmission going through. We feel that (if) mobilising of deposits takes place at higher and higher rates, there will be more transmission," Patra said at the post MPC press conference.

Rate transmission is important as actions to curb or increase demand are effective only when banks pass on the rate cues to customers. Effective rate transmission is crucial for the central bank's inflation management.

Source: https://www.moneycontrol.com/news/business/banks-nbfcs-hike-lending-and-deposit-rates-as-rbi-pushes-for-monetary-transmission-12624921.html

- **Japan's MUFG in talks to invest $2 bn in HDFC Bank's NBFC arm HDB Financial Services**

Japan's Mitsubishi UFJ Financial Group Inc (MUFG) is in advanced talks to invest up to $2 billion in non-bank lender HDB Financial Services Ltd, a subsidiary of India's largest private sector lender HDFC Bank Ltd, sources aware of the development told Moneycontrol.

The proposed investment by MUFG is likely to value the non-bank lender at close to $10 billion,

sources said. HDFC Bank holds a 95 percent stake in the NBFC arm.

The investment talks with MUFG come ahead of the lender's proposed initial public offering (IPO).

In January, HDFC Bank Chief Financial Officer Srinivasan Vaidyanathan said that the IPO process of HDB Financial Services may commence in the next few months.

Economic Times first reported about the talks between MUFG and HDFC Bank on Fri.

MUFG's interest in picking up a substantial stake in HDB Financial Services highlights the Japanese financial institution's interest in growing its presence in India.

Last year, MUFG invested Rs1 ,910 crore in DMI Finance Pvt Ltd, a fintech company providing digital financial services.

Emails sent to HDFC Bank and MUFG did not elicit a response till press time.

HDB Financial Services has a diversified product base with commercial vehicle/construction equipment financing, comprising 44 percent of the lender's assets under management (AUM), as on December 31, 2023, loan against property comprising 24 percent, and business loans accounting for 24 percent, according to a March 7 report by credit rating agency Crisil.

The lender's AUM grew to Rs 83,989 crore, as on December 31, 2023, from Rs 70,084 crore, as on March 31, 2023.

The NBFC has also expanded into consumer durable financing, gold loans, digital products loans and other related segments and its share has increased to 8 percent of the AUM, as on December 31, 2023, from 3 percent, as on March 31, 2019, Crisil said.

"HDB's overall credit profile remains supported by healthy capitalisation with a net worth of Rs 11,952 crore and gearing stood at 5.59 times as on December 31, 2023," the report said.

HDB Financial Services' gross stage III assets reduced to 2.25 percent, as on December 31, 2023, from 2.73 percent, as on March 31, 2023, led by write-offs and lower slippages.

The NBFC reported a profit of Rs 1,959 crore for fiscal 2023, against a profit of Rs 1,011 crore for fiscal 2022. It reported a profit of Rs 1,805 crore for the nine months that ended in fiscal 2024, as per the Crisil report.

Source: https://www.moneycontrol.com/news/business/banks/japans-mufg-in-talks-to-invest-2-bn-in-hdb-financial-services-hdfc-banks-nbfc-arm-12626801.html

- **Small NBFCs may turn to SME, mortgage, green finance loans in co-lending business as risk aversion sets in**

A report by ratings agency CRISIL showed that co-lending assets under management (AUM) of NBFCs is nearing Rs 1 lakh crore after more than 5 years since the model came into being.

Some small non-banking financial companies (NBFC) are likely to increase their share of co-lending loans to micro, small and medium enterprises (MSME), housing and green energy while cutting their co-lending exposure to personal loans, experts said. This is due to personal loans attracting a higher risk-weight after the recent rule changes by the Reserve Bank of India (RBI).

Co-lending or co-origination is a set-up where banks and non-banks enter into an arrangement for the joint contribution of credit for priority sector lending. And large banks like the State Bank of India (SBI) and HDFC Bank have a large number of co-lending partners.

A report by ratings agency CRISIL showed that co-lending assets under management (AUM) of NBFCs is nearing Rs 1 lakh crore after more than five years since the model came into being.

It highlighted that out of the current overall co-lending book, personal loans alone account for about a third of the AUM, followed by housing loans at around 20 percent and unsecured MSME loans and gold loans each making up about 13 percent. Secured MSME (including loan against property) and vehicle loans comprise about 20 percent.

While co-lending books for all asset classes will grow, the pace of growth for personal loans is expected to be slower than that seen in the recent past. NBFCs may increase their focus on other asset classes such as loans to micro, small and medium enterprises (MSME) and home loans given higher risk weights for personal loans," CRISIL said in a report on April 8.

Krishna Gopal, Chief Financial Officer (CFO), Aye Finance, said: "Amidst growing concern on the rapid growth of personal and consumption loan portfolios, coupled with corrective regulatory action of increase in risk weights on these portfolios, the focus of co-lending is shifting towards MSMEs."

Green finance focused NBFC Credit Fair is looking at a disbursement of Rs 500 crore in financial year (FY) 2024-25. "We plan to finance 20,000+ homes for rooftop solar installations by March FY25. Till now, we have approved Rs 128 crore worth of loans and Rs 97 crore worth of disbursement is done. And we are looking at a disbursement of Rs 500 crore till the end of FY25," said Vikas Agarwal, Co-founder and Chief Business Officer, Credit Fair.

Similarly, Avishek Gupta, Managing Director & CEO, Caspian Debt, an MSME and green finance focused NBFC, said that the company is targeting Rs 950 crore to 1,000 crore disbursements across segments by FY25. "We had disbursements of Rs 630 crore in FY24 across green finance, MSME, solar finance, waste to fuel finance and other segments. In FY25, we are looking at disbursing Rs 1,000 crore," Gupta said.

Source: https://www.moneycontrol.com/news/business/small-nbfcs-may-turn-to-sme-mortgage-green-finance-loans-in-co-lending-business-as-risk-aversion-sets-in-12640591.html

- **MFI loan portfolio rises 21% to Rs 3.9 trillion**

The loan portfolio of the microfinance industry rose 21% year-on-year(y-o-y) to Rs 3.9 trillion as on December 31, the latest report from self-regulatory organisation Sa-Dhan showed.The average ticket size of the microfinance loans rose 17% y-o-y to

Rs 48,160 as on December 31. The total disbursement of microfinance lenders rose 19% y-o-y to Rs 96,754 crore in the December quarter.

The number of loan accounts serviced by micro lenders rose 9% y-o-y to 140.8 million as on December 31. The microfinance disbursements of diversified NBFCs rose 32% y-o-y in the December quarter, the highest among players. The disbursement of banks rose 27% y-o-y, NBFC-MFIs rose 15%, small finance banks rose 4%, even as disbursement by non-profit MFIs fell 17%. Microfinance-focussed non-banking financial companies (NBFCs) held a lion's share in the segment with a 40% market share.

The market share of banks was at 32%, small finance banks (SFBs) at 18%, diversified non-banking financial companies at 11%, and non-profit microfinance institutions at 0.18%.Currently, Bihar, Tamil Nadu, Uttar Pradesh, Karnataka, and West Bengal account for 57% of the portfolio of the microfinance industry.

Bihar's loan portfolio stands at Rs 58,706 crore as on December 31.The number of districts with a portfolio of more than Rs 2,000 crore rose to 30 districts as of December 2023 from 14 districts a year ago. A majority of these districts are in Bihar. The portfolio at risk for loans overdue by more than 30 days improved to 2.24% as on December 31 from 3.43% a year ago. Similarly, the portfolio at risk for loans overdue by more than 60 days

improved to 1.63% as on December 31 from 2.60% a year ago.

"Microfinance sector is on a boom with overall improved performance in every parameter. This growth story has been continuing for last 2 quarter and expected to continue a few more years," Jiji Mammen, executive director and chief executive officer, Sa-Dhan said, adding that there is a need to have expansion of microfinance to other geographies which are not fully served at present.

Source: https://www.financialexpress.com/business/banking-finance-mfi-loan-portfolio-rises-21-to-rs-3-9-trillionnbspnbsp-3444398/

- **MSME-focused NBFC Namdev Finvest raises $19 million funding round led by PE investor Maj Invest**

MSME-focused non-banking financial company (NBFC) Namdev Finvest has raised $19 million in its pre-series C funding round led by private equity player Maj Invest Financial Inclusion Fund III K/S, the company announced on Monday. Promoters group and employees also participated in the round.

"This round of funding will help us to extend our reach into newly expanded rural geographies," said Jitendra Tanwar, Managing Director & CEO, Namd

Established in 2013 by Tanwar, Namdev is present in seven North-Western states, focusing on underserved population with low formal income and limited credit history in rural and semi-urban areas. The company's portfolio includes tailored business loans for MSMEs and green finance options such as e-mobility and solar loans

Operating through over 100 branches, Namdev said has disbursed over 50,000 loans ranging from Rs 4 lakh to Rs 7 lakh, primarily for income generation, accumulating an AUM (assets under management) exceeding Rs 1,120 crore.

"We're eager to support their successful track record, leveraging tech-driven underwriting and a cost-effective liability model," said Siva Vadivelazhagan, Director, Maj Invest Financial Inclusion.

Maj Invest is a Danish asset management company with about $12 billion under management, providing services in asset management and private equity.

Backed by investors such as Incofin India Progress Fund, Maj Invest, BII and LHC, Namdev has collaborations with over 44 lenders, including public, private, and small finance banks, international financial institutions, and domestic financial institutions

Importantly, in the July-September 2023 quarter, 46 per cent of MSME originations were from semi-urban and rural regions of the country, according to the February 2024 TransUnion-CIBIL MSME Pulse report.

One of the key factors towards this expansion was the improvement in credit profiles of MSMEs. The share of high-risk MSMEs had reduced to 13 per cent during the quarter from 15 per cent during the same period in the previous year.

As of FY23, gross NPAs in the MSME sector had declined by 14.3 per cent to Rs 1.31 lakh crore for the financial year 2022-23 from Rs 1.54 lakh crore during FY22, according to the data shared by Bhanu Pratap Singh Verma, Minister of State in the MSME Ministry in a written reply to a question in the Rajya Sabha last year.

Source: https://www.financialexpress.com/business/sme/msme-focused-nbfc-namdev-finvest-raises-19-million-funding-round-led-by-pe-investor-maj-invest/3443068/

TOP INSURANCE NEWS

- **Increased reinsurance capacity keeps April reinsurance renewals flat**

  After a steep rise in the last financial year, reinsurance renewal rates have been nearly flat for India in April renewals on account of increased reinsurance capacity and favourable loss experience, according to industry players. In the current renewal, the rates have been flat to a marginal increase of 5 per cent after adjusting for risk. In comparison to over 30 per cent hardening in the renewal rates seen last year. During the April reinsurance renewals, Indian general insurance companies transfer a portion of their risk portfolios to reinsurers by paying a certain premium to reduce the likelihood of paying a large obligation in the form of a claim.

  "After the hardening last year, the global reinsurance capacity increased materially as favorable reinsurance results and shifting economic factors provided tailwinds. This has led to dedicated reinsurance capital bouncing back in 2023 and softer global 1st January renewals, which is largely driven by the US and UK. The same was observed in the India 1st April renewals where the rates were mostly flat to 10 per cent discounted on a risk adjusted basis," said Nymphea Batra, CEO, Guy Carpenter India, the division of Marsh India Brokers that handles reinsurance.

  Globally, the reinsurance contracts between primary insurers and reinsurers are renewed in January. This time the reinsurance rates in global markets during the renewals remained flat due to increased profitability and better capital position of the reinsurers. Usually before the renewals, the general insurance industry conducts discussions with the international markets to understand trends during renewals and according to general insurers, the feedback from the January renewals revealed that there was no softening of market rates with the rates being nearly flat. According to experts, the reinsurers led by the state-owned GIC Re, are also noted to have increased their capacities across business lines further encouraging the rates to stabilise.

  "We have seen a few new reinsurance capacities coming from both international and domestic players. Most of the treaties are led by the national reinsurer, which is GIC Re. This year, we have seen GIC Re increase their capacities as well. They are pretty comfortable with it. There are losses, but not something that is critical enough or that is a concerning number," said Prateek Singhal, Head Reinsurance, Howden India.

  Voicing a similar opinion, T A Ramalingam, chief technical officer, Bajaj Allianz General Insurance noted that GIC Re has been more active during renewals this year. "In the last 2 years, they have been more cautious. I think this year they have been much more open to write different lines and for bigger players during this renewal."

  Although the Indian insurers suffered Natural Catastrophes (NATCAT) losses during the year, most of it has been absorbed by the domestic market causing the rates to be nearly flat or witnessing a slight reduction in the segment.

  According to Hiten Kothari, Chief Underwriting Officer & Chief Actuary, HDFC ERGO General Insurance Company, there is an increased frequency of natural catastrophes with the general insurance industry increasing the premium rates for STFI (Storm, Tempest, Flood, And Inundation) by around 20 per cent.

  Even as the reinsurance rates remained generally flight across major segments backed by increased capacity, cyber insurance renewals witnessed an upward pressure as the reinsurance community found the segment tough amid surge in cyber risks.

  "The cyber insurance segment continued to see some upward pressure on renewal rates, reflecting

ongoing concerns about the evolving cyber threat landscape," noted Deepak Kumar, Executive Vice President and Head Reinsurance, TATA AIG General Insurance.

However, according to industry officials, certain reinsurers are looking to increase capacity in this segment as it gets more niche. Meanwhile, there is also an increase in insurance companies who are searching for a separate cyber treaty with dedicated cyber capacity providers.

Source: https://www.business-standard.com/finance/insurance/increased-reinsurance-capacity-keeps-april-reinsurance-renewals-flat-124040201019_1.html

- **Bima Trinity: IRDAI may peg Bima Vistaar at Rs 1,500 per individual**

The Insurance Regulatory and Development Authority of India (IRDAI) has reportedly discussed the pricing and other modalities of Bima Vistar, which is part of the Bima Trinity. The first-of-its-kind all-in-one affordable insurance product, Bima Vistaar will offer life, health and property cover. The product has been designed to provide a basic social safety net cover with combined features of life, health, personal accident and property insurances.

As per news reports, Irdai has proposed to price Bima Vistaar at Rs 1,500 per policy. This was done at a summit of insurance CEOs, addressed by IRDAI chairman Debasish Panda on Thursday. Bima Vistaar will include life cover with a premium of Rs 820, health cover at Rs 500, personal accident cover at Rs 100 and property cover at Rs 80. If taken for the entire family on a floater basis, the policy will cost Rs 2,420, with an additional Rs 900 charged for the rest of the family members. Each Bima Vistaar policy offers a sum assured of Rs 2 lakh for life, personal accident and property covers. Additionally, the health cover, known as hospi cash, offers a sum assured of Rs 500 for 10 days. The maximum amount available without producing bills or documents is Rs 5,000. Agents selling Bima Vistaar policies can earn a commission of 10 per cent, incentivising wider distribution and adoption of the product.

Narendra Bharindwal, Vice President at Insurance Brokers Association of India (IBAI) said the comprehensive coverage offered by the Bima Vistaar policy underscores its importance in safeguarding individuals and families against various risks and uncertainties. "This initiative not only encourages more people to invest in insurance for their protection but also promotes financial inclusion," he said.Claim settlements under Bima Vistaar It has been proposed that the claim settlement process will vary across different segments. For the property component of the combined solution, settlements will be executed on a parametric basis, facilitating prompt disbursements contingent upon the severity of the event. In an effort to enhance the product's market penetration, agents distributing Bima Vistaar policies are expected to receive a commission rate of 10 per cent. This incentive is designed to encourage broader dissemination and uptake of the product. It is anticipated that the insurance regulator will officially declare these procedures in the near future.

Insurance penetration According to a Swiss Re Sigma report, India's overall insurance penetration in the financial year 2022-23 (FY23) decreased to 4 percent from 4.2 percent in FY22. This is significantly lower than the global insurance penetration of 6.8 percent. However, there was a slight increase in insurance density in India, rising from $91 in FY22 to $92 in FY23.Earlier, Panda had described 'Bima Trinity' as the UPI-like moment in the insurance sector. The Trinity will include Bima Sugam, the digital platform, Bima Vistaar and Bima Vahak, a women-centric distribution channel to focus on reaching untapped/rural areas. In October 2022, the IRDAI established a committee to investigate and propose methods for enhancing coordination in the functioning and activities of Bima Vahak, Bima Vistaar, and the digital platform, Bima Sugam. Bima Vahak will be responsible for distributing these products. Initially, each gram sabha will be equipped with at least one Bima Vahak, tasked with visiting every

household in their area and persuading them about the product. He had said: "Bima Sugam will be the protocol or the platform. Bima Vistaar is a product that we are trying to design it in a manner that will be accessible to the common man. It will be a bundled product of life, health, causality, and property."

Source: https://www.businesstoday.in/personal-finance/insurance/story/bima-trinity-irdai-may-peg-bima-vistaar-at-rs-1500-per-individual-427185-2024-04-27'

- **Less waiting period, no age gap: ACKO Insurance's Rupinderjit Singh explains IRDAI's new health cover rules.**

IRDAI's reduction of waiting periods to 3 years will raise health policy premiums by 15% says Singh.

The new set of rules by the IRDAI will empower one of the most sensitive demographics to secure them against major health-related concerns, albeit paying higher premiums. Earlier, the 65-plus age group at a big level was not able to avail of treatment benefits from advanced healthcare facilities owing to multiple reasons, the primary concern being unaffordability.

However, with the new reforms coming in, this problem will now be eliminated from the ecosystem.

Moreover, the reduction in the waiting period from 4 years to 3 years, coupled with coverage of all pre-existing health conditions post-waiting period, are among other advantages of the new set of rules.

In an interview with Business Today, Rupinderjit Singh, Vice President of Retail Health at ACKO, explained how the recent initiative by the IRDAI will benefit senior citizens aged 65 and above. He also gave insights about the challenges faced and the potential rise in premium costs for this demographic.

What are the advantages of removing the age cap for the insurance company?

The new order by IRDAI is another instrumental move for the insurers as it will increase the eligible base of customers who can purchase health insurance due to the inclusion of this cohort. Some of the insurers earlier were keeping a higher age capping for customers to buy health insurance. This move will bring more competition and transparency in the >65 years category. Companies can now build new products or enhance the existing products by keeping in mind the comprehensive coverage to the entire family including parents instead of the current approach of restrictive offering for senior citizens.

What does this mean for old-age policyholders?

While this does not impact any existing old age policyholders, it brings in more options for the customers to choose from, in case they want to port from their current covers to more comprehensive coverage.

What are the key challenges you foresee in its implementation?

one of the key challenges that this category could go through in the next few years are:

Accurately pricing premiums for older policyholders due to limited past experience Ensuring adequate coverage without affordable premiums. Administrative/process level hurdles in updating medical underwriting processes.

Are you planning to install any additional screening process for the insured people?

Some insurers already offer insurance products without any capping on the age. Hence they don't foresee any changes in their current screening and underwriting processes.

Are you expecting any impact on your cost?

We risk price our policyholders at the time of onboarding based on their health status, age and other parameters. As new segments of customers come into the fold with more awareness in the market, the impact of the same will be dependent on what the insurers experience in the next few years.

If someone buys a policy at 60, 65, and 70, by how much will the premium increase?

Premiums usually increase with age due to increasing health risks. On average, premiums increase by about ~10% - 20% for every five-year age bracket in line with the experience of respective insurers and the situation of increasing health inflation, which in India stands at around 15%.

Will the waiting period be longer?

As per the IRDAI mandate, waiting periods are capped to a maximum of three years from the current four years, which will see most insurers increasing the cost of insurance to all customers in the range of 10-15%.

Anything more senior citizens should be aware of when buying policies after the removal of the age gap?

The customers within the category may or may not have any health conditions. Users with no medical conditions should look at buying the most comprehensive cover with 100% bill payment and lesser or no wait periods. Customers with any existing health issues should evaluate multiple insurers for the options that they can have and try to optimise coverage and cost of insurance for themselves. Some of the parameters that they should consider are, network coverage, room rent limit, disease sub-limits, consumable cover and other policy T&Cs which may curtail the payout at the time of claim.

Sources- https://www.businesstoday.in/personal-finance/insurance/story/less-waiting-period-no-age-gap-acko-insurances-rupinderjit-singh-explains-irdais-new-health-cover-rules-426571-2024-04-23

- **Big update for senior citizens: Age cap removed, those above 65 yrs too can buy health insurance**

Policyholders with benefit-based policies can file multiple claims with various insurers, enhancing flexibility and options insurance regulator IRDAI has removed the age limit of 65 years for individuals buying health insurance policies, marking a significant departure from the constraints that limited individuals in securing comprehensive coverage.

By abolishing the maximum age restriction on purchasing health insurance plans, IRDAI aims to foster a more inclusive and accessible healthcare ecosystem, ensuring adequate protection against unforeseen medical expenses.

As per the earlier guidelines, individuals were allowed to purchase a new insurance policy only till the age of 65. However, with the recent amendment, which has been effective from April 1, anyone, regardless of age, is eligible to buy a new health insurance policy.

In a recent gazette notification, IRDAI said, "insurers shall ensure that they offer health insurance products to cater to all age groups. Insurers may design products specifically for senior citizens, students, children, maternity, and any other group as specified by the Competent Authority." Besides, insurers have been mandated to offer health policies to individuals with pre-existing medical conditions of any kind.

Consequently, insurers are prohibited from refusing to issue policies to individuals with severe medical conditions like cancer, heart or renal failure, and AIDS. According to the notification, insurers are allowed to offer premium payment in instalments for the convenience of policyholders. Ravel policies can only be offered by general and health insurers, it said. There is no limit on AYUSH treatment coverage. Treatments under systems like Ayurveda, Yoga, Naturopathy, Unani, Siddha, and Homeopathy will receive coverage up to the sum insured without any cap, it said.

Policyholders with benefit-based policies can file multiple claims with various insurers, enhancing flexibility and options, it said. The proposed regulation seeks to handle the complaints and claims of senior citizens via a specialised channel, ensuring a more tailored and responsive approach to their requirements, it added.

Source: https://www.businesstoday.in/personal-finance/insurance/story/big-update-for-senior-citizens-age-cap-removed-those-above-65-yrs-too-can-buy-health-insurance-426284-2024-04-21

- **Irdai reduces pre-existing disease waiting period from 4 to 3 years: Here is what existing policyholders should know**

While the waiting period for pre-existing disease (PED) coverage in health insurance policies has been reduced from four years to a compulsory three years, the moratorium period has been shortened from96to 60 months

Now, health insurers cannot deny coverage for your pre-existing condition once you have completed the three-year waiting period on health insurance policies. The Insurance Regulatory and Development Authority (IRDAI) has updated the definitions of the pre-existing condition and moratorium period (MP) in health insurance policies effective from 1 April 2024.

While the waiting period for pre-existing disease (PED) coverage in health insurance policies has been reduced from four years to a compulsory three years, the moratorium period has been shortened from 96 to 60 months. Insurance companies enforce a "no look back" policy during this period.

Abhishek Bondia, principal officer and managing director at SecureNow.in, said,"The new regulations are extremely positive for the policyholders. While several insurers have already reduced waiting period for pre-existing diseases, the new guidelines set the outer limit to 3 years. It also removes the burden on the policyholders to declare pre-existing diseases for which they have not taken any treatment within the last 3 years or ailments diagnosed beyond 3 years. Many policyholders do not keep historical medical records. The new regulations would reduce such disputes with the insurer."

Rahul M Mishra, CEO and Co-founder of Policy Ensure, said, "The previous definition used the term "look back," which was not clearly defined, leading to ambiguity. The revised policy uses more specific language, stating that policies can't be contested for non-disclosure or misrepresentation after the MP, except in cases of proven fraud."

The revised moratorium period now explicitly includes time covered under previous insurers through portability and migration, which ensures that policyholders will retain moratorium period progress when switching insurers. This clarification benefits policyholders.

"The reduction in moratorium period will shift the onus of a thorough underwriting onto the insurer. Since insurers cannot dispute non-disclosure beyond 5 years, policyholders will be further assured about a smooth claim process. After a continuous renewal of 5 years, a bonafide policyholder need not worry about claim rejection," said bondia.

Additionally, Siddharth Singhal, Business Head - of Health Insurance at Policybazaar.com, says, "By reducing the PED waiting period from 48 months to 36 months, more individuals are likely to opt for health insurance, thereby enhancing insurance penetration in the country. Additionally, the moratorium waiting period which has been reduced from 8 years to 5 years, would too enhance customer confidence by minimising doubts about claim denials. Moreover, the specified disease waiting period may now extend to 3 years, which was four years earlier, providing customers with faster coverage. From a customer perspective, a shorter waiting period is always preferable as it reduces uncertainty and allows for quicker coverage of illnesses or claims against them."

The waiting period for pre-existing diseases disclosed by the persons to be insured shall be a maximum of up to 36 months of continuous coverage under the Health Insurance policy. Insurers may endeavour to have fewer pre-existing disease waiting periods and specific waiting periods for health insurance products, as per the IRDAI (Insurance Products) Regulations, 2024.

"This change means first-time policyholders will enjoy a reduced waiting period going forward. Existing policyholders will also benefit, as the waiting period will be reduced to align with the new 3-year clause upon policy renewal," added Singhal. Overall, this initiative benefits customers, ensuring they receive enhanced benefits and reduced waiting times when accessing health insurance coverage.

The regulator has made these changes to ensure responsive management practices for policyholders, effective oversight, and adequate due diligence regarding insurance products, including innovative products, considering the interests of policyholders.

Source- https://www.businesstoday.in/personal-finance/insurance/story/irdai-reduces-pre-existing-disease-waiting-period-from-4-to-3-years-here-is-what-existing-policyholders-should-know-425325-2024-04-12

- **'How is that an investment': Zerodha's Nithin Kamath on an insurance anomaly you had zero idea about**

The year 2022-23 saw a surge in the surrenders and withdrawals of life insurance policies. It has increased by 25.62 per cent to Rs 1.98 lakh crore compared to Rs 1.29 lakh crore in 2021-2022.

It's the cover story no insurer would like to talk about. In a recent post on X, Zerodha co-founder Nithin Kamath said the persistency ratio of life insurance policies was nearly 50% after five years, implying only half of those who bought a life cover kept it active for over five years.

While drop-outs are bad for both insurers and an underpenetrated insurance market like India, the story doesn't end there. "If you surrender your policy within this time, you might only get back up to 50% of what you've paid," Kamath wrote, "how is that an investment?".

The year 2022-23 saw a surge in the surrenders and withdrawals of life insurance policies. It has increased by 25.62 per cent to Rs 1.98 lakh crore compared to Rs 1.29 lakh crore in 2021-2022. The jump was attributed to several factors ranging from rise in inflation and issues related to mis-selling of insurance policies.

According to Insurance Regulatory and Development Authority of India (IRDAI), the life insurance sector disbursed total benefits amounting to Rs 4.96 lakh crore, approximately 64.08 per cent of the net premium. Interestingly, the benefits paid due to surrenders or withdrawals rose remarkably by 25.62 per cent to 1.98 lakh crore.

This increment was dominated by public sector insurers, accounting for 56.27 per cent of the total, with the remaining being accounted for by private insurers. Moreover, out of the total surrender benefits, 62.51 per cent were from unit liked policies for private insurers and 1.56 per cent for the public life insurer.

Compared it to the previous year that total benefits paid in the fiscal year 2021-22 stood at Rs. 5.02 lakh crore, approximately 73.10 per cent of the net premium. This included a major contribution from LIC, who accounted for 70.39 per cent of the total payments, with the remaining 29.61 per cent coming from private players. The surrender benefits for 2021-22 were centred primarily on ULIP policies, with LIC paying out 1.96 per cent and private insurers at a high of 78.29 per cent.

Swiss Re forecasts global premiums for life insurance to grow by 0.7 per cent in real terms in 2023 in comparison to the 10-year trend of 1.3 per cent growth. High inflation leading to high level of policy surrenders is likely to impact the profitability of the sector, as per the IRDAI report

Source: https://www.businesstoday.in/personal-finance/insurance/story/how-is-that-an-investment-zerodhas-nithin-kamath-on-an-insurance-anomaly-you-had-zero-idea-about-425248-2024-04-12

TOP CORPORATE BOND MARKET NEWS

- **Indian firms collect Rs 9.41 trn from private placement of corporate bonds**

Indian companies garnered Rs 9.41 lakh crore through the issuance of bonds on a private placement basis in 2023-24, a surge of 10 per cent from the preceding fiscal amid surge in credit demand. The 2024-25 fiscal is expected to be very robust as companies will continue to raise capital for capex post-election results. "In an unprecedented era of economic development aided by pro-business reforms and macroeconomic stability, India is set to become the third largest economy globally by 2027 and will continue to see strong flows. "In this backdrop, we expect FY25 to also be a very strong year from a primary capital perspective as companies will continue to look to raise capital for capex post-election results," Neha Agarwal, Managing Director & Head of Equity Capital Markets at JM Financial Ltd, said.

According to data compiled by Prime Database, the amount raised through debt private placement in 2023-24 stood at Rs 9.41 lakh crore, up 10 per cent from Rs 8.52 lakh crore in 2022-23. This was mobilised by 904 institutions and corporates. In addition, there were 17 debt private placements from real estate investment trusts (REITs) and infrastructure investment trusts (InVITs) collecting Rs 14,155 crore.

The funds were mopped up to strengthen balance sheets, retire existing debt and support working capital requirements. In private placement of bonds, firms or trusts issue securities or bonds to institutional investors to raise capital. Market experts believe private placement has become the preferred and cost-efficient route for fund mobilisation compared to other avenues such as initial public offering (IPO), qualified institutional placement (QIP) and bank loans. The higher fund collection through the route could be due to an increase in credit demand, soaring bank loan rates, and expensive overseas borrowing.

The highest mobilisation through debt private placements was by NABARD (Rs 51,855 crore) followed by REC (Rs 48,976 crore) and HDFC (Rs 46,062 crore). Apart from the private placement of corporate bonds, the public bonds market also saw a huge increase with 48 issues raising Rs 20,757 crore in comparison to 32 issues raising Rs 7,444 crore last year. The largest issue was from PFC raising Rs 2,824 crore.

Source: https://www.business-standard.com/companies/news/indian-firms-collect-rs-9-41-trn-from-private-placement-of-corporate-bonds-124040100631_1.html

- **Frenzied Company Bond Sales Show Few Signs of Letting Up in US**

In leveraged loans, seven new deals kicked off, including a $1.25 billion offering to fund Endo International Plc's exit from bankruptcy, and a $400 million loan from private prison operator Geo Group Inc. It's unclear how long the frenzied activity will continue. First-quarter sales broke records in investment-grade corporate bonds, while for high yield, activity was the highest since 2021. But issuance activity often tapers off in April, particularly after the Easter holiday. "We may continue to see supply surprise to the upside, as a combination of M&A activity and insatiable demand from investors to lock in relatively attractive all-in yields before the Fed decides to implement its easing program," said David Schiffman, lead portfolio manager for the Aquila High Income Fund at Aquila Investment Management.

Corporate finance chiefs are taking advantage of low risk premiums, and are often looking

to borrow ahead of risks like the US election and more potential geopolitical conflict that could lift bond spreads and overall financing costs. Strong investor demand has also given companies confidence to move forward with sales. Leveraged loan prices have stabilized around a two-year high, which is also encouraging corporations to borrow. Bank of America Corp. expects investment-grade supply to slow this month, strategists led by Yuri Seliger wrote in a note last week. Their supply target is for $100 billion to $110 billion. TD Securities Inc. strategist Hans Mikkelsen also expects "further moderation of issuance," he wrote in a note. For April, the banks expect $110 billion to $120 billion with a bias toward shorter maturities compared with March.

Even in structured finance activity has been relatively strong, GM Financial is premarketing $1.32 billion of prime auto loan asset-backed securities while a separate $110 million equipment finance loan and lease asset backed offering from Commercial Equipment Finance is also in the queue.

Source: https://www.livemint.com/news/frenzied-company-bond-sales-show-few-signs-of-letting-up-in-us-11712001640814.html

- **Best corporate bond mutual funds to invest in April 2024**

Are you planning to invest in relatively-safe debt schemes to take care of your near-term goals? Or are you searching for 'relatively safe' debt funds to invest for three years or more? If your answer is yes, you can consider investing in corporate bond funds in April 2024.

These schemes invest at least 80% of their corpus in the papers of the highest-rated companies. This makes them relatively safer than other debt schemes such as credit risk funds. They are also safer than gilt funds and long term debt funds that are highly sensitive to interest rate changes in the economy.

You should pay attention to these two factors: safety and interest rates. Safety became a crucial factor for debt fund investors after a series of defaults and downgrades in the debt space almost three years ago. The shutting down of six schemes by Franklin Templeton Mutual Fund shook conservative investors in debt schemes. Though the environment is different now, you should still proceed cautiously.

The second factor of interest rate changes assumes significance at the current juncture. The central banks are trading very cautiously as the inflationary scenario continues to be persistent and they have been warning investors that a rate cut may take time. In India too the RBI has been holding interest rates and it is undecided on the rate cuts.

Don't think that corporate bond funds do not have any risk. Sure, the highest rating of AAA offers you higher safety. But make sure your fund manager is not taking any extra risk to make extra returns.

Here are our recommended corporate bond funds you may consider investing to take care of your short-term investments. There are no changes in the recommendation list this month. If you are investing in these schemes, you can relax and continue with your investments. Follow our monthly updates regularly.

Best Corporate Bond Funds to invest in April 2024:

- *HDFC Corporate Bond Fund*
- *Aditya Birla Sun Life Corporate Bond Fund*
- *ICICI Prudential Corporate Bond Fund*
- *Sundaram Corporate Bond Fund*

Source: https://economictimes.indiatimes.com/mf/analysis/best-corporate-bond-mutual-funds-to-invest-in-april-2024/articleshow/109491801.cms?from=mdr

- **India market and business update – April 2024**

India's embrace of sustainable finance is revolutionising its financial landscape and driving economic growth, whilst championing environmental stewardship and social progress. Through initiatives such as green bonds, sustainability-linked loans, and inclusive investment policies, the nation leads the charge towards a greener, more resilient future.

As outlined in our February update, India has reaffirmed its pledge to attain net-zero emissions by 2070, which has garnered substantial interest from international investors. This commitment, viewed as a cornerstone of sustainable economic development, has sparked a surge of investment into the country. Commentators have coined the exponential growth in this sector as "Green is the new gold"

- **Sustainable Finance in India**

India's Embrace of Sustainable Finance

Globally, green bonds are poised to maintain their dominance in international markets, with projected growth in the broader green, social, sustainable, and sustainability-linked (GSS+) bond market to reach between £750 billion and £850 billion in 2024.

India has already capitalised on this growth by issuing its highly successful inaugural tranches of sovereign green bonds in 2023, presenting a significant opportunity to develop India's sustainable finance capabilities for the future. This can be seen at the Indian state level, with Gujarat issuing Asia's first certified green municipal bond in March 2024, raising 1 billion rupees to build and enhance essential green-hydro projects across the state. Additionally, the Asia-Pacific region now accounts for 25% of the global GSS+ bond market, marking its highest-ever percentage. This highlights India's significant impact on the region and the potential for future growth helping to achieve its wider Sustainable Development Goals (SDGs).

Emergence of the Indian Bond Market

The Indian bond market has emerged as the favoured method of fundraising for Indian companies in FY24, even amidst the backdrop of equities witnessing a historic rise. Privately placed corporate bonds have facilitated an exponential increase in funding, marking a remarkable 15% increase compared to FY23. This increase is largely attributed to their cost-effectiveness in comparison to equities and signals a positive outlook for the remainder of FY24.

A growing Indian bond market is advantageous for the progression of green bonds as it leads to greater investor confidence in the product and diversifies the investor base by attracting an influx of foreign investment. The Reserve Bank of India (RBI) is currently consulting on expanding the participation of non-residents in Sovereign Green Bonds, allowing eligible foreign investors in the International Financial Services Centre (IFSC) to invest. This initiative stands as a powerful testament to India's recognition of the value and significance of sustainable finance, anticipated to emerge as one of the primary strategies in India's ambitious journey towards achieving its SDGs in the forthcoming decades.

Sustainable Finance to a Greener Future

India stands at a pivotal crossroads, ripe for transformative action. Despite the ambitious and challenging goals that lie ahead, its inherent characteristics and economic prowess position it to lead an all-encompassing shift towards sustainability, fuelled by its commitment to sustainable finance. With bold strides and unwavering determination, India is primed to inspire and drive a future where sustainability reigns supreme.

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Source: https://dwfgroup.com/ar-ae/news-and-insights/insights/2024/4/india-market-and-business-update-april-2024

- **Reduction in face value of corporate bond to deepen debt market**

The recent decision by the Securities and Exchange Board of India (Sebi), to reduce the face value of corporate bonds from Rs 1 lakh to Rs 10,000 is expected to make bond investments more appealing and attainable for a broader spectrum of retail investors, said market participants.

In October 2022, the Sebi had reduced the face value of corporate bonds to Rs 1 lakh from Rs 10 lakh.

"As more than 90 per cent of the issued corporate debt is privately placed, reduction in face value of such debt will accelerate the retailisation of the corporate bond markets," said Vishal Goenka, co-founder of IndiaBonds.com.

"Currently, there exists a cumbersome process for identifying and communicating record dates to investors as there is a large variance in practices. Standardising this period streamlines the industry, provides clarity to investors and makes the bond markets more efficient," he added.

Sebi has also standardised the record date to 15 days prior to any interest payment or redemption date. Previously, the date for determining who is eligible to receive interest or principal repayments on non-convertible debentures (NCDs) (record date) could differ depending on the issuer.

However, a segment of the market advocated for regulatory measures to impose reasonable restrictions on the criteria such as outstanding amount and issuer ratings, aiming to mitigate the risk of mis-selling.

"The regulation is good, but there should be caution. There may be restrictions that can be imposed in the interest of investors to avoid mis-selling, where they might cap the ratings up to AA for a lot size of Rs 10,000. And the issuer should have a minimum outstanding of Rs 20,000-25,000 crore," said Vinay Pai, head of fixed income at Equirus Capital.

Funds raised through debt private placements in financial year 2023-24 amounted to Rs 9.41 trillion, marking a 10 per cent increase from Rs 8.52 trillion in the financial year 2022-23, according to data compiled by Prime Database. This capital was raised by 904 institutions and corporates.

The highest mobilisation through debt private placements was by Nabard, amounting to Rs 51,855 crore, followed by REC with Rs 48,976 crore, and HDFC with Rs 46,062 crore.

With easier access to bonds, retail investors can seamlessly integrate them into their portfolios, leveraging benefits such as consistent income and reduced volatility compared to stocks.

The market expects that increased involvement from retail investors will contribute to a more liquid and robust bond market.

The lower investment amount of Rs 10,000 will kick-start a virtuous cycle with larger retail participation in bonds.

This will result in more bond issuances and in a few years very active trading and secondary markets.

"In many ways, this is an inflection point, which will make bond markets at par with equity markets in India. It also aligns with Sebi's objective to create alternative sources of financing for Indian companies and lower their dependence on banks and NBFCs," said Nikhil Aggarwal, founder & CEO, Grip Invest.

Source: https://www.business-standard.com/markets/news/reduction-in-face-value-of-corporate-bond-to-deepen-debt-market-experts-124050100827_1.html

- **Global funds are making a bet on India's longer-maturity bonds**

Global funds are snapping up India's longer-maturity bonds in a bet the central bank will eventually become less hawkish and as they position for those securities that will be included in JPMorgan Chase & Co. indexes.

The proportion of foreign money allocated to local bonds due in 10 years or more climbed to 17% last week, up from just 11% in September, while that in debt maturing in five years of less slipped 10 percentage points to 44% over the same period, according to calculations by Bloomberg.

India's bonds due in 11-to-15 years are "still the favored part of the curve," said Jerome Tay, a fixed-income fund manager at abrdn Plc in Singapore. "It's really backed by the whole idea that inflation is coming down" and the Reserve Bank of India backing off its tight monetary policy, he said.

This year is set to be pivotal f<Cell 1, 0>or Indian financial markets, with Prime Minister Narendra Modi up for reelection and the nation's bonds slated to join JPMorgan's flagship emerging-market index in June. The accession — announced in September — is likely to attract inflows of as much as $40 billion, according to estimates from Goldman Sachs Group Inc. and others.

One reason for global funds to buy longer bonds is the RBI's expected pivot to an easing policy. While economists have been pushing back bets on when rate cuts will start, they are still forecast to begin between October and December, based on Bloomberg surveys. The annual inflation rate fell below 5% in March, edging closer to the central bank's 4% target. RBI Governor Shaktikanta Das has said policymakers wouldn't consider easing unless inflation settles durably around 4%.

Investors anticipating rate cuts typically buy longer-maturity bonds in advance to lock in potential returns.

"I believe investors rather prefer the 10-year or longer since RBI's hawkish stance and low carry versus US dollar funding costs (negative net of taxes) make it difficult for clients for hold on to the shorter end," said Abhay Gupta, a strategist at Bank of America Corp. in Singapore.

Source: https://www.moneycontrol.com/news/business/markets/globalfunds-are-making-a-bet-on-indias-longer-maturity-bonds-12722475.html

Department of Banking & Financial Services Upcoming Programme	
5th National Summit Trade Finance for Inclusive Growth	17th May 2024
10th National Summit Non-Banking Financial Companies & Infrastructure Financing	21st June 2024

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