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TOP SPEECHES

Fundamental Shifts in the Global Economy: New Complexities, Challenges and Policy Options

(Keynote Address by Shri Shaktikanta Das, Governor, Reserve Bank of India - February 15, 2024 - Delivered at the 59th SEACEN Governors' Conference in Mumbai)

On behalf of the Reserve Bank of India, the current Chair of the SEACEN (South East Asian Central Banks) forum, I extend a warm welcome to Governors of central banks and other delegates to this 59th SEACEN Governors' Conference. The weather in Mumbai during this time of the year is pleasant and I hope you get some time for sightseeing. As everyone in this hall is aware, SEACEN plays a pivotal role in promoting collaboration, knowledge sharing and policy coordination among the member central banks, and thereby contributes significantly to the stability, resilience and sustainable development of the regional and the global economy.

We are gathered here at a critical juncture when the international economic landscape is undergoing profound transformations. The prospects of a soft landing have improved for the global economy, but there are multiple challenges with uncertainties looming on the horizon. The theme of the Conference "Navigating Economic Headwinds and Advancing Financial Inclusion: Perspectives and Challenges" aptly fits into the current policy dilemma that all central banks of the region face today. In these times, prudent macro-financial policies assume even greater importance for all of us to not only navigate through the current turbulence, but also to chart a course towards a more promising future. It is heartening to note that the economies in the region are making notable progress and are positioning themselves for continued advancement in the years ahead. There is a need for deeper integration in this region to stimulate economic growth and foster inclusiveness. I am sure the insightful discussions at this conference will offer some takeaways for our future policy making.

I have chosen the theme "Fundamental Shifts in the Global Economy: New Complexities, Challenges and Policy Options" for my address today. First, I propose to speak about the resilience of the global economy in recent years in marked contrast to the earlier periods of crisis. Thereafter, I propose to outline the emerging trends and shifts that are currently reshaping the global economy irreversibly and posing significant challenges for policymakers. Finally, my effort would be to provide a macroeconomic overview of our region, followed by highlighting some policy choices for the future.

Resilience of the Global Economy

According to the latest projection of the International Monetary Fund (IMF), the global growth is projected at 3.1 percent in 2024 and 3.2 percent in 2025, with forecast for 2024 revised upward by 0.2 percentage point from its October 2023 projection. It is interesting to note that that this time around the global economy has been far more resilient, weathering repeated shocks remarkably well. Even the financial system has broadly withstood the unprecedented monetary tightening across the world. The resilience of emerging market economies (EMEs), in particular, stands out unlike previous episodes of volatility which saw EMEs at the receiving end. EMEs have probably learnt from their past experience and played it well this time. While there is no definitive answer to this so called soft landing as yet, let me outline some possible factors.

First, during the global financial crisis (GFC) and the previous episodes of global turmoil, banking crises were a common feature in which insufficiently capitalised banks were at the core of the crisis. In contrast, this time the EMEs did not face adverse spillover effects from the recent banking sector turmoil in the advanced economies (AEs) in March 2023. This has been possible due to the strengthening of prudential regulation through wider adoption of Basel III norms and improvements in supervisory practices, which has resulted in a much-improved banking and financial system. Second, the improved macroeconomic fundamentals and buffers of the EMEs in recent years provided cushion against global shocks of the last four years. Third, fiscal and monetary stimulus provided during the COVID-19 has not been fully rolled back, especially in AEs. This has so far somewhat restricted the degree of spillovers from policy tightening by the AEs. Fourth, greater diffusion of technology in industry and services has gained traction after the pandemic. This has enhanced productivity in several EMEs and offset the adverse impact on output from factors like monetary tightening. In fact, technology has opened up new vistas of opportunities for EMEs, particularly in the services sector. Fifth, due credit also has to be given to calibrated and clear communication by central banks. Effective communication has now become an even stronger tool than earlier in providing forward guidance and anchoring market expectations.

Changing Landscape of the Global Economy

The pandemic was an unprecedented crisis of epic proportions in terms of loss of life and livelihood. In recent human history, recessions have been caused by swings in agricultural production, sharp jump in oil prices and financial upheavals. The global financial crisis also was a manifestation of the financial excesses growing under the benign neglect of policymakers. In contrast, the pandemic was a health emergency leading to a complete shutdown of economic activity and mobility to save lives against an unknown enemy. Consequently, there was no clear or readymade template for policymakers to follow; instead, they had to innovate and learn on the job in framing appropriate policy responses to minimise the negative impact of the pandemic on the economy and the financial system.

When the shadows of the pandemic were receding, geopolitical tensions and supply chain disruptions fuelled new challenges and inflation came back strongly. The resultant regime shift in monetary policy rattled financial market sentiments leading to a period of 'great volatility'. Existing models that were built to explain historical patterns in the data were found wanting in explaining the new realities. These models are now being increasingly challenged by ongoing shocks, geo-economic tensions and supply chain reconfigurations. For instance, models focusing on aggregate analysis fell short to explain what we observed in the aftermath of the pandemic. There was a rotation in demand initially from services to goods and then from goods to services. There was also a period of pent-up and revenge spending. These sectoral imbalances kept the levels of inflation high. The pandemic has indeed highlighted the need for more granular and sectoral analysis. In a sense, paradigm shifts in economic thinking are on the anvil. Let me reflect on some of these issues further.

First, the world after the pandemic has changed fundamentally in terms of shifting labour market dynamics, work processes and technological deepening. Work from home, online education and shopping have received wide acceptance, altering the way we work, learn and live. Technological innovation and digitalisation are permeating through every sector of the economy. Businesses are adapting to these trends for their survival. Frontier technologies like Artificial Intelligence (AI) and Machine Learning (ML) are being used widely to boost productivity. These technologies open new opportunities, but they also present challenges that we need to address.

Second, monetary policy before the pandemic was operating in a low for long regime in its quest for reviving growth while resisting deflationary pressures. This situation changed suddenly and drastically with monetary policy adopting the stance of "higher for longer" rates to fight inflationary pressures, following the war in Ukraine. Such regime shifts in the presence of debt overhang in an environment of high interest rates and low growth raise concerns on macroeconomic stability in many countries. Higher interest rates not only raise the interest servicing burden of heavily indebted countries but also impact the balance sheet of banks and financial institutions, as it was seen during the recent banking sector turmoil in advanced economies. In an extreme sense, high indebtedness of countries may constrain monetary policy due to sharp trade-off between price stability and financial stability.

Third, globalisation had boosted the global economy by enhancing productivity, creating global value chains and free movement of capital and labour across countries. The benefits of globalisation, however, had reached unevenly across countries. Given the recent trends of geo-economic fragmentation, industrial and trade policies worldwide are undergoing a shift. Several economies are now reshoring, nearshoring and friend-shoring1 their production processes on security and strategic considerations. Consequently, there is growing trade fragmentation, technological decoupling, disrupted capital flows and labour movements. All of these do not portend well for an integrated global market for goods and services.

Fourth, from emerging market economies (EMEs) perspective, disruptions in trade flows in food, energy and critical industrial inputs due to recurring geopolitical flashpoints and disturbances in key trade routes are raising concerns for food security and macroeconomic management. Moreover, in view of the volatility in financial markets and capital flows, these countries remain vulnerable to external shocks. In such an environment, creation of domestic buffers in terms of strategic reserves of critical commodities as well as a strong umbrella of forex reserves become imperative for the EMEs.

Fifth, macroeconomic models used by central banks so far have mainly focused on the demand side of the economy. Enough emphasis was not given on supply side factors. The pandemic, followed by the war, and the resultant supply chain disruptions have brought in a sharp focus on the supply side. Overlapping supply shocks, as we saw recently, led to persistent inflationary pressures even when aggregate demand was not unreasonably high. In this context, the role of governments in managing the supply-side or cost-push pressures on inflation has increasingly gained wider acceptance. Going forward, a better understanding of the supply side of the economy has become very important for conducting monetary policy more effectively.

Against this background, let me now briefly touch upon the macroeconomic settings in our region.

Macroeconomic Overview of the SEACEN Region

The South-East Asian economies have shown remarkable resilience in the face of large global shocks. To a large extent, this can be attributed to improved monetary and macroeconomic policy framework that these countries have adopted in recent years. Growth in this region has remained strong, while inflation has been lower than the OECD average. Economic activity of the region has been supported by resilient services activity across sectors such as retail trade, digital services, e-commerce and tourism. This region remains a model of regional integration with close trade and labour flow linkages. Nevertheless, there is significant untapped potential for further trade integration. I strongly feel that promotion of tourism within the SEACEN countries can further strengthen the economies of the region.

Turning to the Indian economy, India has successfully navigated through multiple challenges and emerged as the fastest growing large economy. Prudent monetary and fiscal policies have paved the path for India's success in sailing through these rough waters. The Reserve Bank projects the Indian economy to grow by 7.0 per cent during 2024-25, marking the fourth successive year of growth at or above 7 per cent. Inflation has moderated from the highs of the summer of 2022. Recurring food price shocks and renewed flash points on the geo-political front, however, pose challenges to the ongoing disinflation process. We remain vigilant to navigate through the last mile of disinflation as it is often the most difficult part of the journey. We firmly recognise that stable and low inflation will provide the necessary bedrock for sustainable economic growth.

India's coordinated policy response in the face of a series of adverse shocks can be a good template for the future. While monetary policy worked on anchoring inflation expectations and quelling demand-pull pressures, supply side interventions by the government alleviated supply-side pressures and moderated cost-push inflation. Effective fiscal-monetary coordination was at the core of India's success.

I would now like to turn to some possible policy choices for the future course of the global economy, as new realities take shape in the years to come.

Policy Choices Going Ahead

First, we need to chalk out an effective strategy for global cooperation and coordination to deal with multiple challenges afflicting the global economy. Multilateralism must be re-energised. In this regard, agreements on a "critical minerals corridor" and a "food corridor" for safeguarding food security are necessary. Such arrangements have to be fair and equitable.

Second, there is a need to develop cooperation in areas of common interest and urgent needs such as climate change where no country can devise strategies on its own. Smooth and orderly green transition is necessary to avoid disruptions to economic activity and loss of growth potential. While the investment needs for smooth green transition are large, the actual financial flows to green projects are highly skewed and are, by and large, concentrated in advanced economies. As a result, there is a need to enhance green capital flows to EMEs. At the same time, we have to be mindful of potential financial stability implications of green transition.

Third, improving infrastructure remains key to long-term growth. While investment in hard infrastructure (roads, ports, airports, electricity, water) is important, there has to be equal emphasis on creating soft infrastructure (education, health, legal, financial, institutional). Skill enhancement and increasing female labour force participation are key to enhancing effective labour supply and potential growth of the region.

Fourth, India's experience has shown how Digital Public Infrastructure (DPI) can be utilised for advancing financial inclusion and productivity gains through cost reductions. Our sustained engagement in the India Stack and the Unified Payments Interface (UPI), especially during the pandemic and thereafter, has given us the confidence that digital public infrastructure can become a critical part of global public good when scaled up beyond national boundaries. The linkage of Indian UPI and the fast payment systems of a few other countries drives home the potential of the UPI to become an international model for cross-border payments.

Fifth, new technological developments like artificial intelligence (AI) and machine learning (ML) can bring about significant improvements in efficiency and productivity of businesses. Necessary safeguards, however, need to be put in place to prevent the misuse of technology. In particular, global financial market regulators need to be vigilant about the possible misuse of AI and ML in perpetrating financial fraudulence.

Conclusion

The global economy stands at crossroads. Challenges remain in plenty, but new opportunities are also knocking at the door. Together, the course we take from here will decide our destiny in times to come. We need policies that are attuned to the new realities of the global economy. In an uncertain world, central banks need to be proactive to better serve the objectives of price and financial stability.

In this environment, collaboration is not an option but a necessity. We need greater resolve and coordination to make significant progress in dealing with global challenges. SEACEN, as a platform for central banks of the region, serves as a valuable forum for sharing insights and fostering cooperation in several areas for enhanced progress and prosperity. The cooperation among countries should give due consideration to the principles of comparative advantage and resource endowments so that each one of us benefits. Let us take our deliberations to the next level to achieve well-being of our people and our economies.

Thank You, Namaskar.

Source: https://rbi.org.in/Scripts/BS_SpeechesView.aspx?Id=1419

The Relevance of SEACEN in a Turbulent World

(Closing remarks by Michael Debabrata Patra, Deputy Governor, Reserve Bank of India - February 15, 2024 - at the 59th SEACEN Governors' Conference, Mumbai)

Honourable Governors, Deputy Governors, Managing Directors, delegations from SEACEN central banks, distinguished experts, and panellists, Dr. Mangal Goswami and the SEACEN team, and my colleagues from the Reserve Bank of India.

I join previous speakers in expressing my gratitude to you all for your participation in the rousing discussions that took place today. As this conference draws to a close, I note with great satisfaction the richness and depth of the insights provided in keynote and special addresses, and in the panel discussions about the global economic outlook; the lessons learnt from the fight against the recent worldwide surge in inflation; the financial stability implications of monetary policy actions; and financial inclusion and the role of digital public infrastructure. We live in challenging times, with divergent pathways characterising our jurisdictions, but our common commitment to macroeconomic and financial stability will shine light on the way ahead.

There is broad consensus that the centre of gravity of the global economic order is moving eastwards to Asia. The January 2024 update of the IMF's World Economic Outlook upgrades the outlook for Asia's growth relative to its October 2023 projections, rendering it the fastest growing region of the world2. This growth performance is expected to be underpinned by the resilience of domestic drivers. Overall, Asia will likely contribute about two-thirds of global growth in 2024, a carryover of its blockbuster performance in 2023. Another noteworthy development is that disinflation is expected to remain on track in Asia and convergence with central bank targets is being sighted. Thus, the outlook for Asia in a stormy and unsettled global environment is one of sustained growth with stability.

Within Asia, the group of nations served by SEACEN will likely be its main engine of progress. This presents exciting opportunities as well as trials and tribulations. According to a recent Suara SEACEN blog, the challenges that our central banking community has flagged are changing workforce demographics, the rise of financial products and services beyond the conventional definition of banking, digitalisation, climate change, talent shortages and persistent supply shocks, apart from the pandemic and the recent inflation experience3. It is in this context that SEACEN assumes importance as a supra-national public good committed to building capacity and fostering networking and collaboration in our region. Emboldened by its contributions, I would like to focus on the economic transformation of the economies that have constituted the SEACEN as the theme of my address.

Some Stylised Facts

The countries comprising the membership of SEACEN are home to 45 per cent of the world's population. The share of SEACEN economies in the world economy – measured by the ratio of their combined gross domestic product (GDP) to global output - has risen from 9 per cent at the turn of the century to 27 per cent in 2023. In terms of purchasing power parity (PPP), SEACEN members account for more than a third of global GDP. In terms of per capita GDP at current prices, member countries range from lower-middle income to high income categories, but a common characteristic is that they are high saving economies barring a few outliers4. On a PPP-weighted basis, the average saving rate of SEACEN economies is estimated at 37 per cent of combined GDP, and the weighted average investment rate is estimated at 36 per cent. While bearing out the existence of the Feldstein–Horioka puzzle5, this is also indicative of the predominant role of domestic resources in driving investment and growth in the region6.

The SEACEN group of countries is also a power house of international trade. It accounted for 31 per cent of world exports of merchandise in 2022 according to the World Trade Organisation (WTO), attesting to its international competitiveness and its central position in global supply chains. The SEACEN group also absorbs 28 per cent of world imports of merchandise, thereby underscoring the vital role it plays in boosting net global demand.

According to the United Nations, the SEACEN group region is expanding its footprint in the frontline area of digital trade, estimated at US$ 3.9 trillion globally in 2022. Although information on digital trade for each of the member countries of the SEACEN is not uniformly available, it is noteworthy that the Asia-Pacific region exported digitally deliverable services valued at US$ 958 billion, representing 52 per cent of the region's total services exports7. In fact, the digital landscape in each of our economies has swelled in recent years, encompassing an array of innovations from manufacturing automation to e-commerce platforms, all the way to digital payments. Asia has led the installation of industrial robots in recent years, spearheaded by members of the SEACEN.

There are notable differences among the SEACEN member economies too. Illustratively, gross general government debt to GDP ratios range widely between 2 and 168 per cent, pointing to high variations in fiscal stances, although the median ratio at 58 per cent compares favourably with that of advanced (112.7 per cent) as well as emerging market and middle-income economies (68.6 per cent)8. Similarly, external current account balances range widely from deficits of above 10 per cent of GDP to surpluses of close to 17 per cent9.

The region is also a preferred habitat for international financial flows to which I shall come back shortly. Positive growth differentials vis-à-vis the rest of the world, deep and vibrant financial markets and reasonable stability in financial asset prices contribute to the relative attractiveness of these economies in drawing capital flows. On the other hand, global spillovers from geopolitical developments, geoeconomic fragmentation and the tightening of financial conditions as a result of the aggressive and synchronised monetary policy tightening worldwide have imposed downward pressures on currencies in the region, resulting in widening of risk spreads and reversals of portfolio equity and debt flows.

These stylised aspects of economic performance reflect the growing economic heft of the SEACEN configuration and the locomotive of global growth it is shaping up to become in the medium-term. Against this backdrop, I will now turn to a few areas that have engaged policy attention among SEACEN central banks in the recent period as seen through the lens of valuable research undertaken at the SEACEN centre.

Managing Capital Flows

Right from the establishment of the centre, SEACEN member central banks have expressed an abiding interest in the management of volatile capital flows, especially in mitigating risks to price and financial stability. SEACEN central banks' successes in addressing these challenges are now helping to forge a new consensus on appropriate risk analyses, policy instruments and frameworks as well as proactive policy responses.

A recent book publication by the SEACEN Centre reveals interesting insights into this experience10. Capital inflows to SEACEN member economies have more than doubled from an average of around US$400 billion in 2000-2010 to over US$900 billion in 2011-2021. Multinational enterprises (MNEs) have been prime movers in the form of within-company credits reflected in FDI debt flows, trade credits and cross-border bank deposits. The banking sector, the second largest recipient of capital flows, is facing rising competition from non-bank financial institutions (NBFIs) in cross border financial intermediation. The period 2011 to 2021 also witnessed the significant rise of non-resident bond issuances mostly by the public sector, marking a move towards market-based finance. The volatility of capital inflows into SEACEN economies declined between 2000-2010 and 2011-2021; however, the variability of portfolio equity and trade credit and advances flows rose.

These evolving patterns highlight shifts in drivers and sectors and hence the need for varied responses. Generally, SEACEN economies have loosened capital flow measures (CFMs) while macroprudential measures (MPMs) were mostly tightened.

Monetary Policy and the Cost of Disinflation

The conduct of monetary policy has been a subject of animated interest in the SEACEN Centre and its membership, igniting a proliferation of work on the theme. In 2022, the interest rate cycle turned after several years of global accommodation and aggressive rate increases occurred in response to the sharp and persistent rise in headline inflation. The aim was also to prevent potential second round effects – most notably the wage-price spiral - and from a SEACEN members' perspective, to stem possible capital outflows due to the unparalleled increase in US interest rates. During 2022 and 2023, most Asian economies reported higher than envisaged inflation rates. A February 2023 Bangko Sentral ng Pilipinas survey indicated that private households expected inflation to edge up towards the upper limit of its inflation target11. In response, practically all central banks in the region raised main refinancing rates, leading to tighter financial conditions. Estimates at that time pointed to subdued GDP growth forecasts, down from 5.5 per cent in 2022 to 4. 7 per cent in 202312.

A working paper from the SEACEN centre provides estimates of the sacrifice ratio – the loss of output to achieve a reduction in inflation by one percentage point – for select SEACEN member countries13. For the region as a whole, it estimates with several caveats that the cost of a one percentage point reduction in headline inflation is between zero and 0.5 per cent of GDP. The extent of contraction in output was found to diverge widely across the membership. A factor potentially affecting monetary policies of member central banks was identified as the stance of US monetary policy.

Central Bank Digital Currencies

The growing interest in digital forms of payments worldwide has led SEACEN central banks to explore the possibilities of central bank digital currency (CBDC). Although still in various stages of experimentation in different member countries, the central tendency seems to be a CBDC design under a two-tier hierarchical structure implemented by using public-key cryptography, with the central bank as the root certificate authority for generating digital signatures, and other financial institutions as intermediate certificate authorities. An important design feature is the capability to create secure point-to-point online payments through the use of authorised hardware. The overarching goal for developing CBDC as digital cash among the SEACEN central banks appears to be to create a resilient payment system for consumers and businesses to transact in any situation.

SEACEN central banks are actively coordinating their efforts to develop CBDCs, with near real time exchanges of information on progress. Bank Indonesia is pushing ahead with trials of the digital Rupiah for wholesale interbank settlement. The BIS led Project Dunbar involving the Central Bank of Malaysia and the Monetary Authority of Singapore, has developed two prototypes for a shared platform that could enable international settlements using digital currencies issued by multiple central banks. Bangko Sentral ng Pilipinas (BSP) announced in September 2023 that it will use the Hyperledger Fabric blockchain for its first wholesale CBDC trials under Project Agila. Singapore has started Project Ubin which is aimed at solving challenges faced by the financial industry and the blockchain ecosystem. In Sri Lanka, the central bank is working on a proof of concept for its board before proceeding to a pilot. Thailand's Project Inthanon aims to explore the potential of CBDC for interbank settlements. South Korea will start a pilot for a CBDC involving 100,000 citizens in 2024. Cambodia launched Project Bakong, a blockchain-powered retail payments system that allows interoperability among the different players in the country's payments landscape by using a tokenized deposit system. Hong Kong's pilot, which involves 16 banks and payment companies, tested six potential uses of the e-HKD. India is conducting pilots in both retail and wholesale segments. Myanmar, Lao PDR, Nepal and Vietnam are in various stages of research.

Big Data Applications

To quote Dr. Mangal Goswami in his eloquent foreword to the survey on Big Data Applications in Monetary Policy and Financial Stability for SEACEN Member Economies: The Case of Indonesia14 as part of the SEACEN centre's research project, the use of big data and the associated data analytical techniques is inexorably moving forward in central banking, including in many SEACEN member central banks and monetary authorities. Asian central banks, he pointed out, are some of the most enthusiastic adopters of big data and the associated analytical toolkit such as natural language processing, nowcasting/monitoring exercises and applications to extract economy insights as well as suptech/regtech solutions.

Machine learning has also been used extensively in Asia for research purposes to inform monetary policy decisions, facilitate data management and support regulatory supervision. Dr. Goswami does well to cite the challenges that come along with the analytical opportunities of big data, namely, data management and governance, high upfront costs, legal issues around privacy, the adequacy of the IT infrastructure and most importantly, the necessary human capital. Moreover, big data creation has migrated from the public sector to the private sector, bring in issues relating to data sharing and communication challenges.

According to the 2020 Irving Fisher Committee on Central Bank Statistics survey15,16 to which most of SEACEN members contribute, the share of central banks and supervisory authorities adopting big data and machine learning has risen to 86 per cent in Asia, involving nowcasting exercises, applications to granular financial data, and suptech/regtech applications. The survey cites the computation of the economic policy uncertainty (EPU) indices in India. Other applications in Asian central banks include using text analysis to: i) evaluate monetary policy credibility; ii) ensure consistency in central banks' communication of supervisory issues to financial institutions; iii) improve efficiency in the compilation of statistics; iv) assess the state of the labor market or of trade conditions; v) extract information on tourism activities; and vi) capture firms' sentiment or evaluate employees' feedback. Another important area relates to fraud detection - one third of surveyed Asian central banks deploy big data algorithms for anti-money laundering/ combating the financing of terrorism (AML/CFT) purposes.

Climate Change

Climate change poses a common and potentially overwhelming macro-financial risk for all SEACEN member countries. The alarming rise in the incidence and intensity of extreme weather events in our region in recent years relative to the historical record is causing large agricultural losses, threats to transport infrastructure, risks to manufacturing supply chains, tourism and exports and translating into credit risks for banks as well as tightening of financial conditions.

For instance, the results of a structural vector autoregression panel analysis conducted in 2022 at a SEACEN Centre-National Bank of Cambodia-IMF STI seminar17 estimates that risk premium on account of climate vulnerability in sovereign bond yields in the south East Asian region is as much as 155 basis points as compared with 113 basis points for other EMEs (other than high risk ones). Impulse responses show that bond yields rise in response to a climate shock and the shock becomes permanent after 12 quarters.

Conclusion

56 years ago, Gunnar Myrdal, winner of the Nobel prize for economics in 1974, made a Malthusian prophecy of stunted economic growth in Asia in his magnum opus Asian Drama: An Inquiry into the Poverty of Nations. In his words: "...countries are in constant danger of not being able to lift themselves out of stagnation or even of losing ground as far as average income levels are concerned."18

The preface of the Asian drama starts with the words habent sua fata libelli - books have their own destiny; but as Asia has shown, economic development too has a life and rhythm of its own. Over the last three decades and looking ahead, the dramatic rise of Asia has proved Asian Drama wrong. Macroeconomic performance of the region is standing out in a world that is expected to experience its slowest growth in three decades, according to the World Bank. The membership of SEACEN is at the forefront of this transformation and their central banks are leading the way forward.

Thank you for your patience.

Source- https://rbi.org.in/Scripts/BS_SpeechesView.aspx?Id=1420

(Padma Bhushan Professor Emeritus Dr. M.V. Pylee Memorial Lecture - delivered by Shri M. Rajeshwar Rao, Deputy Governor, Reserve Bank of India on Monday, February 26, 2024, at the School of Management Studies; Cochin University of Science and Technology, Kochi)

Dr. P.G. Sankaran, Vice Chancellor, CUSAT; Dr. Jagathy Raj, Director, School of Management Studies; faculty members, students, ladies, and gentlemen,

At the outset, let me thank Dr. Jagathy Raj for inviting to deliver this memorial lecture in the memory of Dr. M.V. Pylee. I cherish this gesture from my alma mater to deliver this talk and it is indeed an honour and privilege to do so. Padma Bhushan Dr. M. V. Pylee was a distinguished figure in the field of management and administration who enriched the field of management education in not only Kerala but across the country with his scholarly work. He made significant contributions to the society through his thought leadership and academic endeavour and with his enduring legacy. Dr. Pylee's leadership as a Management Guru and as the Director of the School of Management Studies, CUSAT, contributed significantly to the development of management education in Kerala. His vision and guidance helped establish several institutions as centers of excellence in management studies. Unfortunately, I did not have an opportunity to directly interact with Dr. Pylee as he demitted office of Director before I joined SMS, but I have benefitted from his ideals and vision, having completed my MBA from SMS in the year 1982.

Having put in about four decades in the Central Bank, I can certainly testify to the fact that academic research and insights are extremely useful for enlightened public discourse and have potential to alter the path of policy actions. Embracing the philosophy of Dr. Pylee that investing in the skills and knowledge is the most important requirement for progress, during the course of my address today, I wish to share my perspectives on the transformational journey and progress witnessed in the Indian financial system and emphasize on the need for skill building to survive, sustain, and succeed during this transformation.

A changing banking landscape, digitalisation of financial services, new business models, emergence of FinTech and technological progress are transforming financial sector in fundamental ways. This trend has been pronounced over the last decade. The business of banking has transformed with the strategic focus of services shifting beyond traditional financial offerings of banking services to offering up a suite of products including wealth management and other financial products.

What this means is that that the financial institutions would need to continuously reinvent their business models and update their product offerings. For this to happen, a vital cog in the wheel, so to say, is having a set of skilled employees and a motivated workforce. The pace of change we encounter nowadays is swift, and by all indications this pace will only increase, riding on the crest of the digital transformation playing out in the financial services industry. Therefore, it is imperative that the financial institutions and their employees have the capacity to not only deliver on the expected service levels continuously, but also have the capacity to adapt to both foreseen and unforeseen challenges. In current times, building the capacity of employees and continuous upgradation of their skills is not an option but a necessity.

In any service industry, amongst the four factors of production, human capital is the most significant which fundamentally determines the growth trajectory of the institutions and organisations. Human capital is not just important in the areas of the organisational structures and functioning but is also critical in fostering innovation and increasing productivity which contributes substantially towards both individual and institutional growth. This is true in the case of banking industry as well.

The agility demonstrated by banks and financial services firms during the pandemic is a testament to their investment in human resources and technology. As their focus shifted towards digital mode of interface, they scaled up remote engagements and quickly reshaped overall working models. Employees were dynamically redeployed amongst verticals based on evolving business needs. This experiment served the institutions well in various aspects – in optimal utilisation of human resources, in timely on-boarding new customers and in ensuring business continuity. In my view, this exploratory experience would have given many of the banks a sense of comfort and confidence in agility-driven dynamic allocation of a future oriented workforce.

Here, let me emphasize that when I say skilled workforce, I do not mean the to say that the focus should be on the functional and technical knowledge of the employees alone. Soft skills are equally, or dare I say, more important in a service industry like banking. An effective customer engagement together with an empathetic approach acts as a major differentiator in a highly competitive market. Also, unlike technical skills which frequently get obsolete with changing business environment, soft skills fetch perpetual returns as they stay with the individual over his lifetime.

Now, let me now focus a bit more on one of the essential facets of soft skills required for an effective customer engagement – namely 'communication'. The ability to communicate effectively, has, of late, become very important for the entire banking community. In my view, there are two reasons for this change, first – thanks to the sustained efforts of all the regulators and the Government, the customer awareness on financial matters has improved a lot. Members of public, with enhanced awareness, are demanding better services, which is a welcome move. Many customers, however, may still not be fully aware about the finer nuances of the financial offerings. Hence, determining suitability and appropriateness of a customer for a financial product and service becomes necessary for the financial service providers. Effective and clear communication on the risks and rewards of any product, thus becomes a vital pre-requisite while on-boarding a new customer or cross-selling a product to an existing customer.

Second, as the income levels improve, customers' demand for bespoke products and services is expected to increase. In tandem with this, from the supply side, enhanced bouquet of products and services offered by financial entities makes the market significantly dynamic, something which was difficult to imagine a decade back. More so, technology-led delivery mode has expanded the reach of traditional financial institutions to hitherto unexplored geographies and segments. Two decades ago, one could not have imagined transferring money from one account to another without visiting a bank branch. Fast forward to the present and, you don't even need to visit the branch as most of your banking needs can be met digitally.

Even as technology aids the financial institutions to expand their reach and enable round the clock access to financial services to the customers at their convenience, there are also challenges to be handled. These come in the form of high obsolescence rate, which means that financial institutions have no option but to continue investing in technology. However, one resource which no other competitor can replicate easily, is the human capital of an organisation. Therefore, how the banks train their workforce in both aspects – business as well as behaviour, would decide who will have the competitive edge going forward and here communication will be an important dimension of the behavioural training.

Communication in business setting has two important aspects – individual and institutional. Individual communication pertains to the front-line staff – how they communicate with the customer while institutional communication means how the policies and priorities are communicated by the institution to its external as well as internal stakeholders. Effective communication by individual employees can win customers, and the appropriate corporate communication by the institution can enhance its public image and brand value. Therefore, it is imperative that the top echelon of the entity focuses on both – by undertaking appropriate training and sensitisation of front-line staff and by putting in place an appropriate enterprise-wide communication strategy which conforms to its core values and ideology.

The importance of communication pervades the financial system, including the central banks. Communication has gained greater importance for central banks following the global financial crisis (GFC), when evolving mandates and new tools required more explanation to both experts as well as non-expert audiences. Unconventional policies adopted by central banks have also been the subject of public debate. As a result, central banks, over the last two decades, have been trying to demystify their mandates and working to put across their views in a simple manner to anchor stakeholder expectations. The necessity of this manifested with greater urgency during the covid pandemic.

Let me also add that central banks are unique institutions inasmuch as they probably touch lives of almost everyone in the country. They also have a range of mandates – monetary policy, regulation and supervision of financial system, consumer protection and ensuring financial stability, among others. Effective delivery of these mandates in today's dynamic world requires that they are able to communicate their policies, regulations, and the rationale of their actions clearly in a manner which could reach a wider spectrum of audience. Doing so effectively requires a transparent and consistent communication approach, leveraging on the available mediums, tools, and technology to communicate the right material in the right manner to the audience, both external and internal.

Effective communication is like a good recipe. You have to get all ingredients in the right proportion to make it palatable. Most of the times, communication for a central bank - and you all will agree with me on this – is bit of a tight rope walk in the face of strong cross winds. Central banks must always be careful in their communication to avoid any inconsistency between what they say and what is understood and interpreted by the markets and stakeholders. Everyone tries to dissect and parse each and every word, probably looking at the synonyms and semantics in search of the meaning which was not conveyed or intended in what they speak. Any difference in perception between the two could have unintended consequences or dilute the impact of policy actions.

We have come a long way since the days when Central Banks were shrouded in mystery. Central Bank communication has evolved to become more transparent over the decades. In my opinion, two things have brought about this change. First, as the remit and mandates of modern central banks has expanded in last half century or so, they have become increasingly accountable for their actions. Now, in most countries of the world, central banks must demonstrate that they are acting within the statutory mandate and how are they delivering on that mandate. Second, central banks have realised that the policy making can be more effective if the changes are predictable. Now, there is credible amount of literature which points out that successful 'expectations management' by the central banks through effective and credible communication can increase the effectiveness of policy measures.

In India, we have another dimension to central bank communication. This dimension relates to Reserve Bank's regulatory and developmental role. The Reserve Bank is not only responsible for monetary policy but also for an array of functions including regulation, supervision, currency management, payment systems, management of external sector and the government debt. Therefore, the communication mix of RBI must address a large number of issues ranging from financial literacy to financial stability. To achieve this, a considerable amount of work has been done in recent past in expanding the reach of Reserve Bank's communication.

Earlier, most of the people knew about the Reserve Bank only as an issuer of the currency. However, in past one and half decades, we have undertaken concerted efforts to demystify the mandates and functioning of the Reserve Bank through series of financial literacy and awareness campaigns. We are also undertaking several customer education initiatives under 'RBI Kehta Hai' slogan which I am sure many of you would have seen. At the same time RBI communication on monetary policy, prudential policy and financial stability has also undergone significant changes. It has become clearer, continuous and mostly calendar based. You might recall the regular press conferences by the Governor during the COVID lockdown where he telegraphed the policy steps being taken by the Reserve Bank to mitigate the impact of COVID on the economy, industry, and members of the public. Communication with all stakeholders including members of public is an important strategic tool in furthering public policy objectives and mandates for the Reserve Bank. Public understanding can help ease the way for reforms, as well as increase support for policies.

Today's fast-paced world requires us to continually engage in a process of learning, unlearning, and relearning. The ever-changing modes of communication are also keeping us on our toes, so much so that often it seems that we are chasing a moving target. With the advent of social media, the communication is instantaneously consumed, assimilated, and commented, all within few seconds and in few hundred words. As far as central banks are concerned, there is no one-size-fits-all solution for communication. For serious policy issues and monetary policy, it is important that the context, rationale and setting of decision making is placed before the audience to enable them to appreciate the outcome. For public awareness on topical issues, we have a 360-degree media approach to reach out to as many people as possible in the language they understand.

However, at a broader level, it must be appreciated that effective and transparent communication is the key for achieving the mandate set forth at the individual institutions level, be it is Central Bank or a financial entity. This is particularly challenging for us in India as we are dealing with a large populace in a multilingual and multicultural environment. Communication is a vehicle for the financial services industry for raising awareness, shaping expectations, promoting financial education, and financial inclusion. However, the expanding sphere of entities and people who consume our communications presents both – a challenge and opportunity. Opportunity as it helps in achieving our mandates effectively. Challenge as reaching out to this diverse set of end-users with differing level of financial awareness puts our methods to test. Communication is a very powerful tool to set the right expectations during turbulent times and in tempering expectations right during the periods of exuberance.

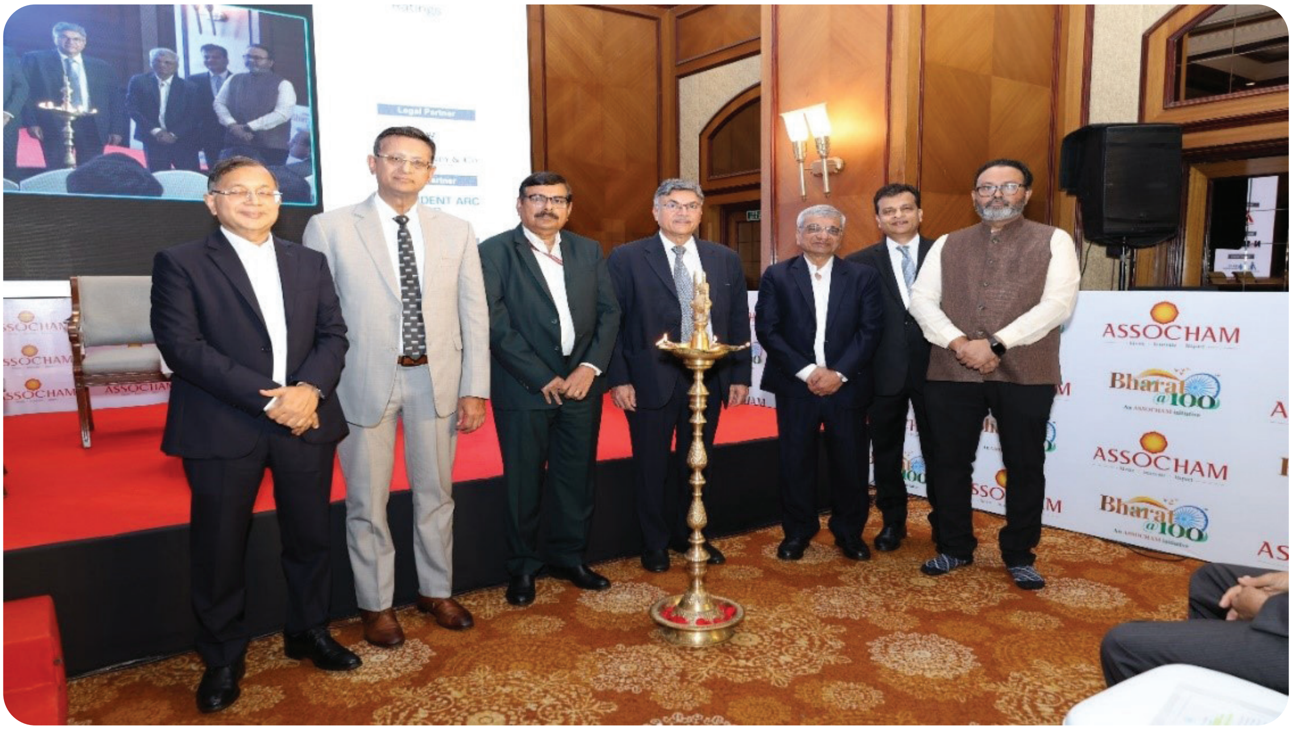
Acquiring appropriate soft skills, including good communication skills, is thus important for an organisation to succeed. Additionally, it is important for us as individuals to excel at a personal level and as responsible members of society and institutions. It is for this reason that business communication is an important facet of management education. It is, in my view, an extremely vital skill you need to consciously develop to chart your individual growth paths. Business communication was and I believe still is, a part of the course curriculum for management programmes developed here at the School of Management Studies. Given my experience with the utility of communication in all facets of life, I should in conclusion pay homage to the role of pioneers like Dr Pylee whose vision for establishing a business school in Kochi enabled several of us to partake of these critical skills which have enriched our lives and hopefully the effectiveness of organisations that we serve.

Source- https://rbi.org.in/Scripts/BS_SpeechesView.aspx?Id=1421

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

7th National Summit on Stressed Assets "Changing Regulatory Landscape And Way Forward"

Thursday, 23rd February 2024 (Mumbai)



"What happened before IBC was the phenomenon of super equity, where the promoter remained in control and played the game of heads I win, tail you lose. IBC has generally put to rest that part. The credible threat of losing the firm has made a big difference now. I hope that the industry will start thinking about the technology and language problems that we had, and focus on the loop holes for promoters to get away." said Prof. Krishnamurthy V. Subramanian ED- India, International Monetary Fund (IMF) & Former Chief Economic Advisor, GoI at the 7th National Summit on Stressed Assets organised by ASSOCHAM

"Evergreening and zombie lending leads to distressed assets not being recognised and capital allocation being very poor in the economy. We should be thinking about bringing disclosure standards on default actually, at least on actual default of payment if not to the level of the advanced economy where even technical default defaults are disclosed. The onus needs to be on banks to get far more intensive on AI, machine learning in addressing both adverse selection and moral hazard problems. There is enough research for banks to assess using data not just the ability to repay even the willingness to repay as well."

"With necessary legal arrangement put in place, a public sector banking network could and should be created so that the scale for a very high level of data analysis with algorithms like artificial intelligence and machine learning are being used to assess objectively both the ability to repay and the willingness to repay." He added.

Shri Sunil Mehta Chief Executive, India Banks Association, said "Stressed assets not only impact the balance sheets of the banking system, it also has an impact on the overall economy as it impacts the capability of the lenders to lend and the available resources are not recycled. The introduction of IBC in brought a lot of change in financial discipline. The corporates got to understand that if financial discipline is not maintained, because of the section 29A, they may not be able to retain their own enterprise and they may have to sell it. Corporate sector delinquencies have come down with Net NPA dropping to 0.28 in September 2023 from 3.8 in March 2017."

"An asset sold after 10 years of NPA doesn't bring value to any stakeholder, so if the lender starts taking proactive decisions of reaching to a resolution stage, that can really help. There is a need for change in the mindset of the banking sector, for early identification of stress and preparing for an early resolution. This will really help the entire ecosystem. The resolution framework, which consists of ARCs, can now act as a resolution applicant in an IBC process. Creating greater confidence in the ecosystem mutually exchanging their thoughts, in mutually understanding, in creating an ecosystem, creating value for each other, because in this, it's a win-win situation" he added.

Shri Sudhaker Shukla Whole Time Member, Insolvency and Bankruptcy Board said, "We have already concluded 228 resolution plans and will touch a humongous figure of 250 resolution during the financial year. Things are moving in the right direction and the settlement of cases is far exceeding the intake of the cases in the IBC processes. We are aligning with market forces to deliver best possible asset market. Six amendments have already been made and this year itself, 12 regulatory changes involving 86 interventions have been made. We have moved through sandbox approach towards sectoral alignment and that journey will continue. We are working to roll out this integrated IT platform by the end of this year to make online orders to be available on the same day real time basis. Design principles for the platform have been decided and we are in the process to get a final vendor who will implement this."

RK Bansal, chairman, Association of ARCs in India and MD & CEO, Edelweiss Arc Pvt Ltd. said, "So finally banks have started lending to Corporates cautiously and the but kind of lending that happened in 2008 to 2012 is not going to come back because of two three reasons. "One, banks have become cautious, the policies have started to be stringent, mismanagement practices are better. Those type of infrastructure projects are not going to come in private sector. And secondly, IBC. So today no industries will like to grow that type of money if you know that something goes wrong and it becomes empty and it goes to IBC. Our asset restructuring Companies (ARCs) has been on the resolution. We should actually be supposed to be able to maintain loans, not only in corporate loans, but it should be useful to the society, useful to the sellers, useful to the system. I think then, nobody can stop the ARC industry."

"There are various inputs from stakeholders, people come with their problems and we need to resolve them. It will encourage more and more applicants, they can have a broader market and also reduce the load on our tribunals and judicial system. Resolution takes time and there is normally 90 days upfront period which is challenging. There is a lot of pressure on the SRA and the team. Pre-admission claims by various stakeholders, statutory authorities take up much time of the SRA. Can there be a regulation for accountability of such actions by statutory authorities? Said, Pradeep Goel, Chairman, ASSOCHAM, National Council for Stressed Assets and MD Prudent ARC.

TOP BANKING NEWS

- **HDFC Bank Group gets RBI nod to buy up to 9.5% in Yes Bank, Axis Bank, 4 others**

The Reserve Bank of India (RBI) on February 5 approved HDFC Bank Group's proposal to acquire "aggregate holding" of up to 9.50 percent in six banks including Axis Bank, Bandhan Bank, ICICI Bank, IndusInd Bank, Suryoday Small Finance Bank, and Yes Bank.

The approvals were issued following applications made by HDFC Bank (acting as a promoter/ sponsor of the Group) to RBI on December 18, 2023. The RBI's approval is valid for one year from the date of the RBI's letter, expiring on February 4, 2025. HDFC Bank is required to ensure that the "aggregate holding" in the aforementioned banks does not surpass 9.50 percent of the paid-up share capital or voting rights of the respective banks at any given time.

The approvals are for HDFC Bank Limited, including its group entities such as HDFC Mutual Fund, HDFC Life Insurance Company Limited, HDFC ERGO General Insurance Company Limited, and others.

The RBI approval is subject to compliance with the Banking Regulation Act, 1949, RBI's Master Direction and Guidelines on Acquisition and Holding of Shares or Voting Rights in Banking Companies dated January 16, 2023 (as amended), provisions of the Foreign Exchange Management Act, 1999, regulations by the Securities and Exchange Board of India (SEBI), and other applicable statutes, regulations, and guidelines, the filing noted.

Source: https://www.livemint.com/industry/banking/rbl-bank-expects-20-loan-growth-over-next-2-years-led-by-retail-assets-says-ceo-r-subramaniakumar-11706143547807.html

- **RBI tweaks norms to standardise filing of supervisory returns by banks, NBFCs**

The Reserve Bank of India (RBI) on Tuesday issued directions to bring clarity, brevity and harmonization to the instructions issued to various supervised entities for submission of returns. The move aims at reducing the burden of compliance on the regulated entities based on the recommendations of the Regulations Review Authority and an Internal Working Group of the central bank. "In order to create a single reference for all supervisory returns and to harmonize the timelines for filing of returns, all the relevant instructions have been rationalized and consolidated into a single Master Direction," the RBI said in a circular. The central bank said 'Master Direction – Reserve Bank of India (Filing of Supervisory Returns) Directions – 2024' will be applicable to all commercial banks (PSBs, private sector banks, SFBs, payment banks, and foreign banks), Urban Co-operative Banks, All India Financial Institutions (Exim Bank, NABARD, NHB, SIDBI and NABFID), all NBFCs, and Asset Reconstruction Companies (ARCs).

The RBI excluded regional rural banks and housing finance companies from the aforesaid norms.

It further said the PSBs must submit half-yearly and quarterly reviews of accounts within 21 days from the date of receipt of the statutory central auditor (SCA) report. Earlier, banks could submit the reviews whenever it was provided by the SCA.

The RBI also mandated lenders to submit interest rate sensitivity returns within 15 days for all months, as against previously mandated quarterly returns within 21 days.

"In case any Supervised Entities is found in violation of these Directions, the Reserve Bank may take necessary action including imposition of a penalty/fine under the extant provisions of the Banking Regulation Act, 1949 or the Reserve Bank of India Act, 1934 or the Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002, as the case may be," the RBI added.

Source: https://www.livemint.com/industry/banking/rbi-tweaks-norms-to-standardise-filing-of-supervisory-returns-by-banks-nbfcs-11709039208816.html

- **Union Finance Minister Sitharaman with start-up, fintech ecosystem stakeholders, recommends monthly meeting with RBI**

Union Finance Minister Nirmala Sitharaman chaired a meeting with start-up and fintech ecosystem entities here on Monday.

The interaction with the start-up and fintech ecosystem partners was organised to enable the free exchange of ideas to bolster and scale up operations to facilitate global competitiveness by enabling growth in the fintech sector. India has approximately 10,244 fintech entities, which is the third largest in the world.

The Union Finance Minister noted the rapid growth of the start-up and fintech sectors in India, especially in the last decade, and welcomed suggestions from the FinTech leaders to achieve greater ease of doing business and ease of living for consumers.

During the deliberations, Sitharaman exhorted the regulators, including the RBI, that they may hold meetings via virtual mode once a month to discuss any questions, queries, or concerns of startups and fintech companies.

During the meeting, it was emphasised that innovative solutions by fintech companies are essential to the financial services sector while ensuring strict compliance with regulations.

It was noted that Aadhar, UPI, and API Setu, among others, have acted as enablers for start-up and fintech organizations; simplified incorporation of companies, recognition of P2P lenders as non-banking financial companies (NBFCs), regulatory sandbox, fintech repository; SRO Framework for Fintech, etc. have facilitated the startup eco-system in India.

The startup and fintech entities appreciated the processes, regulations and efficacy of GIFT City and the IFSCA and noted that they were creating new opportunities for the startups and fintechs.

The number of startups in India has grown significantly from just over 300 in 2016 to over 1.17 lakh in 2023 as recognised by DPIIT, generating more than 12.4 lakh jobs, and 47% of the startups have at least one Women Director.

Additionally, India is home to over 10,000 fintech companies working in diverse sectors and segments. The Union Finance Minister also noted that India's fintech ecosystem is the 3rd largest in the world and growing at 14% CAGR and that the RBI recently floated a draft framework for the recognition of self-regulatory organizations (SROs) for the fintech sector for stakeholder consultation.The following key action points emerged from the deliberations: DFS will conduct a day-long workshop with law enforcement agencies (LEAs) wherein fintech ecosystem partners can voice their issues/concerns. DPIIT mentioned that new patent examiners have been added, which will reduce the turn-around time of patent applications.

The other points that emerged were that; the cost of lending/funding for critical areas, including the priority sector, should be rationalised; Simplification and digitisation of KYC across all fintech segments; RBI, DPIIT and MoF to look at the change of ownership holding and control of listed fintech companies to enable them to be in sync with regulatory compliance; Issues about cybercrime will be suitably addressed in the new Digital India Act.

Source: https://www.livemint.com/industry/banking/bank-holidays-in-march-2024-banks-to-be-closed-on-these-days-check-full-list-here-11709258327270.html

- **UPI suffers outage as several banks' servers down, transactions hit**

UPI users Tuesday evening faced a harrowing time as the banking sector along with the Unified Payments Interface (UPI) suffered an outage across the country. Taking to X, netizens narrated their ordeal and said that they are facing challenges while making payments via UPI-enabled apps like Google Pay, PhonePe, BHIM, etc.

Regretting the inconvenience caused due to some internal technical issues with some banks, the National Payments Corporation of India (NPCI) said the systems are working fine and it is working with these banks to ensure a quick resolution.

"Regret inconvenience on UPI connectivity as few of the banks are having some internal technical issues. NPCI systems are working fine and we are working with these banks to ensure quick resolution", the NPCI said.

However, the NPCI did not name the banks whose customers have been impacted.

HDFC Bank, the largest private sector lender in the country by assets, admitted that its customers were among those impacted.

The HDFC Bank in a post on microblogging platform X (formerly known as Twitter) said it faced "some difficulties on UPI which seems to be part of a larger ecosystem", but was quick to add that it is now back in operations.

"We experienced some difficulties on UPI due to some multi bank system issues. We are back in operations now and regret any inconvenience faced," the bank said.

Down detector, a website monitoring service issues, reported ongoing outages affecting UPI, as well as Kotak Mahindra Bank, HDFC Bank, State Bank of India (SBI) and other banks. Users specifically mention problems with fund transfer with their respective banks.

Source: https://www.livemint.com/industry/banking/upi-suffers-outage-as-several-banks-servers-down-transactions-hit-11707236468120.html

- **SBI expects burden of increased salaries, pensions to reach ₹26,000 crore by March**

State Bank of India, which saw a sharp 35 per cent fall in its December quarter net profit due to a one-time expenditure towards increased salaries and pensions, said the burden will jump to around ₹26,000 crore by March this year.

The country's largest lender on Saturday reported a steep decline of 35 per cent in its net income at ₹9,164 crore during October-December 2023 compared to ₹14,205 crore profit recorded in the corresponding period a year ago and ₹14,330 crore earned in the preceding quarter.

The public sector lender attributed the fall in profit to the additional provision of ₹7,100 crore made in the reporting quarter towards salaries and pensions arising out of the 17 per cent wage hike settlement reached with employee unions in November last year. The revises wages are effective from November 2022.

Explaining the impact of the wage hike settlement, chairman Dinesh Kumar Khara said, "Of the ₹7,100 crore total provisions made in the December quarter, ₹5,400 crore is towards pensions, because there was some anomalies in the way our pensions were calculated. Since 2022, some of our employees were getting 40 per cent and some were getting 50 per cent of their last drawn salary as pension and the matter has been sub-judice since then.

"Now there is legal clarity, we thought of clearing this at a go with this ₹5,400 crore allocation. Following the recent court order, we have decided to pay every one of our 1.8 lakh pensioners at 50 per cent. This allocation takes care of the entire backlog till December 2023," he told reporters.

That means, the wage hike impact will shave as much as ₹25,990 crore off the bank's profit by the end of March, as the bank has already provisioned ₹13,400 crore till September 2023 and an additional ₹7,100 crore in the December quarter. Also, it will have to set aside ₹5,490 crore more in the March quarter, totalling to ₹25,990 crore. And most of the outgo is towards pensions.

Khara further said in fact the bank has been setting aside 10 per cent each year towards salary and pension arrears so far and this adds up to ₹13,400 crore till December 2023.

Now we will have to set aside ₹5,490 crore more for the March quarter.

The chairman further said ₹1,700 crore of the ₹7,100 crore has been provisioned towards neutralising the dearness allowance arrears, also necessitated after the wage hike settlement.

He said this ₹1,700 crore for the pension corpus will be implemented once the government notifies it through gazette and the Reserve Bank of India approves it.

Though both are pending, we decided to set aside the entire quantum in the December quarter itself, he added.

Salaries and other benefits of the employees of state-owned banks along with some of the oldest foreign banks like Standard Chartered Bank and HSBC, and old-generation private sector lenders like HDFC, ICICI, Federal Bank, among others, are decided by the industry lobby IBA under a wage settlement that has a five-year tenure.

Accordingly, the latest wage hike of 17 per cent, up from 14 per cent in the previous settlement, came into effect from November 1, 2022 and was announced in early December 2023. The IBA had said the impact on public sector lenders will be close ₹13,000 crore for salaries.

The revision will benefit over 9 lakh employees and officers. Of the total, 3.8 lakh are with state-owned banks and over 2 lakh with the SBI. The adjustment is set to take effect from November 1, 2022, and will span up to five years.

To calculate the new pay scales, the dearness allowance corresponding to 8,088 points will be merged with the basic pay as of October 31, 2022. Additionally, a loading of 3 per cent will be added, totalling ₹1,795 crore.

The distribution of the annual wage hike between workers and officers will be determined separately based on the break-up of establishment expenses for the fiscal year 2021-22.

While the demand for pension updating for all retirees is still under discussion, it has been agreed that a one-time ex-gratia amount will be considered along with the pension for pensioners and family pensioners as of October 31, 2022.

Source: https://www.livemint.com/industry/banking/sbi-expects-burden-of-increased-salaries-pensions-to-reach-rs-26-000-crore-by-march-11707031736516.html

- **RBI Governor asks bank chiefs to be vigilant against risk build-up**

RBI Governor Shaktikanta Das on Wednesday asked banks to remain vigilant against build-up of risks in the banking system "as there is no scope for any complacency".

Das made this observation at a meeting with the MDs and CEOs of PSU banks and select private sector banks. Governor in his remarks complimented the banks on their improved financial performance and that of the whole banking sector.

Das highlighted the issues relating to business model viability, outlier growth in personal loans, adherence to co-lending guidelines, bank exposure to NBFC sector, liquidity risk management, IT and Cyber security preparedness, operational resilience, digital frauds and strengthening of the internal rating framework.

He stressed that customer grievance redress mechanism and protection of customers' interests are of paramount importance for the safety and stability of the financial system and that of individual financial institutions.

RBI Governor also encouraged the banks to actively participate in RBI's fintech initiatives and give a further push to the Digital Banking Units (DBUs).

Source: https://indianexpress.com/article/business/banking-and-finance/rbi-governor-asks-bank-chiefs-to-be-vigilant-against-risk-build-up-9162195/

- **No top-up or transfer of money to Paytm Payments Bank accounts after March 15**

The Reserve Bank of India (RBI), while extending the deadline for restriction imposed on Paytm Payments Bank (PPBL) till March 15, 2024, issued a detailed list of Frequently Asked Questions (FAQs) Friday for customers of the bank. While the RBI said customers can't transfer or deposit money into the PPBL accounts after March 15, they can use the money lying in PPBL accounts till it's exhausted.

Last month, the RBI had barred Paytm Payments Bank from accepting deposits or top-ups in any customer account, prepaid instruments, wallets, FASTags and NCMC card after February 29, 2024 in the wake of persistent non-compliances and material.

- **Paytm Payments Bank Wallet**

RBI clarified that said after March 15, 2024, wallet users of Paytm Payments Bank will not be able to top-up or transfer money into the wallet or receive any credits, other than cashbacks, or refunds into the wallet.

The refunds and cashbacks which are due in the wallet will also be allowed to be credited after the deadline.

The wallet users of PPBL will continue to use, withdraw or transfer money to another wallet or bank account up to the balance available after March 15, 2024 also, the bank said. However, minimum KYC wallets can be used only for merchant payments, it said.

As per the regulation, a minimum-KYC wallet can be opened by submitting minimal information including a mobile number verified with OTP (one time password), a self-declaration of name and a unique identity / identification number.

A bank customer can also close the Paytm Payments Bank wallet and transfer the balance to their account with another bank. For this, a customer can approach the bank or use its banking app to close the wallet and transfer the balance to an account maintained with another bank in the case of full KYC wallets.

In the case of minimum KYC Wallet, a customer may use the available balance or request for a refund, the RBI said.

Customers having FastTag issued by PPBL will be able to continue to use the FASTag to pay toll upto the available balance. However, no further funding or top ups will be allowed in the FASTags issued by the bank after March 15, 2024.

Customers using FASTag issued by the bank will not be able to top-up and recharge the balance post March 15, 2024. They will have to procure a new FASTag issued by another bank before March 15, 2024 to avoid any inconvenience.

The RBI said since the credit balance transfer feature is not available in the FASTag product, customers will have to close their old FASTag issued by the bank and request the bank for a refund.

Customers who are having savings or current account with PPBL, can continue to use, withdraw or transfer their funds from their account upto the available balance in account after March 15. Similarly, they can use their debit card to withdraw or transfer funds upto the available balance in their account.

The bank's savings bank or current account customers will not be able to deposit money into their account with PPBL after March 15.

"No credits or deposits other than interest, cashbacks, sweep-in from partner banks or refunds are allowed to be credited," the RBI said.

The central bank said that refunds, cashbacks, sweep-in from partner banks or interest are permitted credits into your account even after March 15.

Source: https://indianexpress.com/article/business/banking-and-finance/rbi-faqs-paytm-payments-bank-fastags-wallet-9165557/

- **RBI asks Visa, Mastercard to halt card-based commercial payments**

Close on the heels of regulatory action against Paytm, the Reserve Bank of India (RBI) has asked card networks Visa and Mastercard to bar card-based commercial payments through payment service providers and companies.

While the RBI has not officially announced the reasons for the directive, fintech companies active in the segment said such transactions are being done at outlets which are not authorised to accept such payments. Many fintech firms are reportedly allowing customers to use their cards to pay for tuition fees and rentals even though these fintechs are not authorised to accept payments through cards. This may be a violation of the Payment and Settlement Systems Act, 2007, banking sources said.

"We have been directed by the regulator to ensure that all Business Payment Service Provider (BPSP) transactions be kept in abeyance till further notice. Hence, we kindly ask that all BPSP merchants registered by yourselves with Visa be immediately suspended till advised by us to the contrary," Visa said in a communication to fintechs. "For avoidance of doubt, any transaction authorized prior to the communication would be settled in the ordinary course of business. We kindly ask that you send us a confirmation at the earliest that such merchants/merchant IDs have been blocked and transactions ceased. Failure to adhere to these instructions could result in regulatory sanction and non- compliance assessment under the Visa rules," Visa said.

According to fintech players, the RBI wants to ensure that fintech players and service providers are within the regulatory ambit and that no fraudulent or unauthorized transactions are occurring on the digital platform. "There could be KYC issues at a time when the central bank wants to ensure that all digital transactions are fully KYC compliant," said an official.

On January 31, the RBI barred Paytm from offering all its core services —including accounts and wallets — from March, effectively crippling the company's business citing many KYC and other issues.

Source: https://indianexpress.com/article/business/banking-and-finance/rbi-asks-visa-mastercard-to-halt-card-based-commercial-payments-9162192/

SELECT RBI CIRCULAR

Circular Number	Date of Issue	Department	Subject	Meant For
RBI/2023-2024/128 DOR.MRG. REC.80/00-00-003/ 2022-23	28.2.2024	Department of Regulation	Capital Adequacy Guidelines – Review of Trading Book	All Commercial Banks (excluding Regional Rural Banks)
RBI/2023-2024/127 DOR.GOV. REC.79/18.10.006/ 2023-24	27.2.2024	Department of Regulation	Appointment/re-appointment of Director, Managing Director or Chief Executive Officer in Asset Reconstruction Companies	All Asset Reconstruction Companies
RBI/2023-2024/126 CO.DPSS.POLC. No.S1092/02-14-006/2023-2024	23.2.2024	Department of Payment and Settlement Systems	Amendment to Master Direction on Prepaid Payment Instruments	All Prepaid Payment Instrument Issuers (Banks and Non-banks) and System Participants
RBI/2023-2024/125 DoR.FIN. REC.77/03.10.123/ 2023-24	22.2.2024	Department of Regulation	Inclusion of Clearing Corporation of India Limited as a Financial Information Provider under Account Aggregator Framework	All Regulated Entities of the Bank
RBI/2023-2024/124 DOR.STR. REC.78/04.02.001/ 2023-24	22.2.2024	Department of Regulation	Interest Equalization Scheme (IES) on Pre and Post Shipment Rupee Export Credit	All Scheduled Commercial Banks (excluding RRBs), Primary (Urban) Cooperative Banks & State Cooperative Banks (scheduled banks having AD category-I license), and Exim Bank

RBI/2023-2024/123 FIDD.CO.LBS. BC.No.15/ 02.08.001/ 2023-24	20.2.2024	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/2023-2024/122 DOR.RET. REC.76/12.07.160/ 2023-24	15.2.2024	Department of Regulation	Exclusion of "Rupee Co-operative Bank Limited" from the Second Schedule to the Reserve Bank of India Act, 1934	All Banks
RBI/2023-2024/121 DoR.HGG. GOV.REC.75/ 29.67.001/2023-24	09.2.2024	Department of Regulation	Review of Fixed Remuneration granted to Non-Executive Directors (NEDs)	All the Private Sector Banks including Small Finance Banks (SFBs) and Payment Banks (PBs) as also the wholly owned subsidiaries of Foreign Banks
RBI/2023-2024/119 DOR. AML. REC.73/14.06.001/ 2023-24	08.2.2024	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 85 Entries	The Chairpersons/ CEOs of all the Regulated Entities

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	
	Feb. 17	Feb. 9	Feb. 16	Week	Year
	1	2	3	4	5
4 Loans and Advances					
4.1 Central Government	0	0	0	0	0
4.2 State Governments	12425	20255	13292	-6963	867

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

2. Foreign Exchange Reserves*								
Item	As on February 16, 2024		Variation over					
			Week		End-March 2023		Year	
	₹ Cr.	US$ Mn.	₹ Cr.	US$ Mn.	₹ Cr.	US$ Mn.	₹ Cr.	US$ Mn.
	1	2	3	4	5	6	7	8
1 Total Reserves	5114732	616097	-10233	-1132	360467	37648	465714	54830
1.1 Foreign Currency Assets #	4530988	545783	-6906	-740	341855	36092	421974	49711
1.2 Gold	393310	47376	-3075	-362	21811	2176	46934	5559
1.3 SDRs	150322	18107	-258	-28	-842	-285	-985	-160
1.4 Reserve Position in the IMF	40111	4831	7	-1	-2357	-335	-2209	-280

** 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 Feb. 9, 2024	Variation over				
		Fortnight	Financial year so far		Year-on-Year	
			2022-23	2023-24	2023	2024
	1	2	3	4	5	6
2 Liabilities to Others						
2.1 Aggregate Deposits	20195386	136234	1308212	2151472	1645392	2421860
	(20080931)			(2037018)		(2307406)
2.1a Growth (Per cent)		0.7	7.9	11.9	10.2	13.6
				(11.3)		(13.0)
2.1.1 Demand	2319268	-35747	18559	138838	197130	227963
2.1.2 Time	17876117	171980	1289654	2012634	1448262	2193897
2.2 Borrowings	794818	-16009	188605	349489	196117	331620
2.3 Other Demand and Time Liabilities	920154	29240	133444	130503	152584	145863
7 Bank Credit	16147043	103451	1526746	2471808	1856298	2728983
	(15598722)			(1923487)		(2180662)
7.1a Growth (Per cent)		0.6	12.8	18.1	16.1	20.3
				(14.1)		(16.3)
7a.1 Food Credit	46442	823	-10714	26536	-33684	2146
7a.2 Non-food credit	16100601	102628	1537460	2445271	1889982	2726837

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

4. Money Stock: Components and Sources

(₹ Crore)

Item	Outstanding as on		Variation over									
	2023	2024	Fortnight		Financial Year so far				Year-on-Year			
					2022-23		2023-24		2023		2024	
	Mar. 31	Feb. 9	Amount	%	Amount	%	Amount	%	Amount	%	Amount	%
	1	2	3	4	5	6	7	8	9	10	11	12
M3	22343760	24471048	169973	0.7	1494272	7.3	2127288	9.5	1901997	9.5	2483047	11.3
		(24585503)	(168126)	(0.7)			(2241743)	(10.0)			(2597501)	(11.8)
1 Components (1.1.+1.2+1.3+1.4)												
1.1 Currency with the Public	3276436	3350340	27368	0.8	171384	5.6	73904	2.3	231364	7.8	143267	4.5
1.2 Demand Deposits with Banks	2320598	2461890	-35939	-1.4	17898	0.8	141292	6.1	198440	9.8	231001	10.4
1.3 Time Deposits with Banks	16668966	18575093	175229	1.0	1299605	8.6	1906127	11.4	1460948	9.7	2088883	12.7
		(18689547)	(173382)	(0.9)			(2020582)	(12.1)			(2203338)	(13.4)
1.4 'Other' Deposits with Reserve Bank	77761	83726	3315	4.1	5386	9.2	5964	7.7	11245	21.4	19896	31.2
2 Sources (2.1+2.2+2.3+2.4-2.5)												
2.1 Net Bank Credit to Government	7165533	7262133	145433	2.0	306905	4.7	96600	1.3	626549	10.2	477598	7.0
		(7354963)	(144775)	(2.0)			(189431)	(2.6)			(570429)	(8.4)
2.1.1 Reserve Bank	1451126	998481	64122		-233870		-452644		24609		-218245	
2.1.2 Other Banks	5714407	6263652	81311	1.3	540775	10.8	549245	9.6	601940	12.1	695844	12.5
		(6356482)	(80653)	(1.3)			(642075)	(11.2)			(788674)	(14.2)
2.2 Bank Credit to Commercial Sector	14429636	16352253	112265	0.7	1538644	12.2	1922617	13.3	1885118	15.4	2197089	15.5
		(16900574)	(107350)	(0.6)			(2470938)	(17.1)			(2745410)	(19.4)
2.2.1 Reserve Bank	26549	9178	3941		-4720		-17371		9893		-2673	
2.2.2 Other Banks	14403087	16343075	108325	0.7	1543364	12.2	1939988	13.5	1875225	15.3	2199762	15.6
		(16891396)	(103409)	(0.6)			(2488309)	(17.3)			(2748082)	(19.4)

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
Feb. 12, 2024	-	-	50011	-	18496	49553	-	-	-	18954
Feb. 13, 2024	-	-	-	-	7294	48061	1386	-	-	-39381
Feb. 14, 2024	-	-	25001	-	6414	53142	-	-	-	-21727
Feb. 15, 2024	-	-	-	-	4251	65264	236	-	-	-60777
Feb. 16, 2024	-	-	75007	-	3226	89783	-	-	-	-11550
Feb. 17, 2024	-	-	-	-	2216	83030	-	-	-	-80814
Feb. 18, 2024	-	-	-	-	2173	71050	-	-	-	-68877

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

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

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

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

Ajit Prasad

Director (Communications)

Press Release: 2023-2024/1927

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

TOP NON-BANKING FINANCE COMPANIES & MICRO FINANCE INSTITUTIONS NEWS

- **NBFC-MFIs seek revision in annual household income criteria for giving microfinance loans**

NBFC-MFIs (non-banking finance company-microfinance institutions) want the Reserve Bank of India to revise the criteria relating to annual household income limit for giving micro loans in view of their growing needs of individual borrowers. They want this limit upped from the existing ₹3 lakh to about ₹5 lakh.

The last time criteria relating to the annual household income limit for giving micro loans to individual borrowers was revised was in 2022, when it was upped from ₹1.25 lakh in rural areas and ₹2 lakh in urban- and semi-urban areas to a uniform ₹3 lakh.

Manoj Kumar Nambiar, Managing Director, Arohan Financial Services Ltd, and Vice-Chairperson of Microfinance Industry Network (MFIN), underscored that the request to revise the annual household income limit is part of the ongoing discussions with the RBI.

"Typically, they don't do it on an annual basis, but in about two to three years' time. But they do re-look at the limit...I'm sure after the end of this financial year, when we look at the numbers and when we also index it with the government schemes/ inflation, we will be able to make a case to the RBI to re-look at the limit," said Nambiar.

The RBI defines a microfinance loan as a collateral-free loan given to a household having annual household income up to ₹3 lakh. For this purpose, the household means an individual family unit — husband, wife and their unmarried children.

Average microfinance loans size has increased to ₹47,374 in Q3(October-December) FY24 against ₹41,123 in the year-ago period and ₹39,512 in Q3 FY22, per latest MFIN data.

Alok Misra, CEO & Director, MFIN, said: "Microfinance operations added more than 1 crore unique clients over the last financial year to its fold. The industry saw a robust growth of 24.6 per cent over the last financial year taking the total portfolio of the industry to ₹3,99,442 crore. Portfolio delinquency has reached the pre-Covid levels which indicates improving health of the microfinance portfolio".

According to MFIN data, 91 NBFC-MFIs are the largest providers of micro-credit with a loan amount outstanding of ₹1,56,245 crore, accounting for 39.1 per cent of total industry portfolio.

Banks (13) hold the second largest share of portfolio in micro-credit with total loan outstanding of ₹1,33,759 crore, which is 33.5 per cent of total micro-credit universe. Small Finance Banks have a total loan amount outstanding of ₹70,449 crore with total share of 17.6 per cent. NBFCs account for another 8.9 per cent and other MFIs account for 0.8 per cent of the universe

Source: https://www.thehindubusinessline.com/money-and-banking/nbfc-mfis-seek-revision-in-annual-household-income-criteria-for-giving-microfinance-loans/article67900019.ece

- **Microfinance industry loan portfolio will rise to ₹4.24 lakh crore by March-end: MFIN CEO Alok Misra**

The total loan portfolio of the microfinance industry is likely to grow to ₹4.24 lakh crore by the end of the current financial year, said Microfinance Institutions of India (MFIN) CEO and Director Alok Misra, in an exclusive interview with Moneycontrol.

Microfinance loans are small amounts of credit given to low-income individuals or groups with less access to formal financial services.

"In lending terms, microfinance companies, as of December, 2023, had reached a portfolio of around ₹4 lakh crore. On a Y-o-Y basis, we will see roughly around 20-25 percent growth," Misra said.

"I feel the portfolio will stabilise around ₹4.20 lakh crore to ₹4.24 lakh crore by March-end," he added.

According to the MFIN Micrometer report for Q2FY24, India's microfinance loan portfolio stood at ₹3,76,110 crore as of September 30, 2023.

Source: https://www.moneycontrol.com/news/business/microfinance-industry-loan-portfolio-will-rise-to-rs-4-24-lakh-crore-by-march-end-mfin-ceo-alok-misra-12328581.html

- **NBFCs must watch peer-to-peer lending, underwriting standards: RBI deputy governor**

Non-banking finance companies (NBFCs) should be mindful of poor underwriting standards and risks emerging from increased lending exposure to one segment, said Reserve bank of India deputy governor Rajeshwar Rao.

In a speech delivered at an event organized by the Confederation of Indian Industries (CII), Rao also cautioned NBFCs against peer-to-peer (P2P) lending practices, which are not in line with regulatory guidelines.

"NBFC-P2Ps have been observed to underplay the risks through various means such as promising high/ assured returns, structuring the transactions, providing anytime fund recall facilities, etc. Let me make it clear that any breach of licensing conditions and regulatory guidelines is non-acceptable," he added.

Rao also said that NBFCs should focus on maintaining the quality of their loan portfolio.

"In pursuance of high growth, there seems to be a tendency among the NBFCs to get the customers on board with oversimplified underwriting processes. While the ease and convenience for a borrower is very important, this should not come at the cost of underwriting standards," he said.

Rao also cautioned non-bank lenders about the risk that emerges from businesses concentrated in only one segment, such as consumer loans. "It is in their self-interest that entities should consider these risks and we expect that Boards are having a pulse on such issues," he said.

The central banker also noted that microfinance companies have increased "margins disproportionately". "It has been observed that while the lenders were quick to pass on the increased costs to borrowers, they have been reluctant to pass on the benefits envisaged under the new framework. Some of the MFIs have increased their margins disproportionately in new regime. We are not oblivious to the misuse of the freedom provided to the microfinance sector and irresponsible practices would compel us to act," he added.

Rao also touched upon the issue of allowing NBFCs to accept deposits, saying that it is the non-acceptance of deposits which provides regulatory comfort to the RBI to have lower entry barriers, allow them to specialize in any specific sector of their choice and have lower exit barriers to wind up their businesses.

"Acceptance of deposit, in whatever manner and form, necessitates existence of a macro financial safety net including deposit insurance and central bank liquidity backstop. These safety nets come with increased regulatory rigour and intense supervisory oversight. The NBFCs have evolved as a niche companies serving specific economic function and it is uncharacteristic for them to demand becoming like a bank," he added.

Source: https://www.livemint.com/news/india/supreme-court-to-hear-uddhav-thackeray-factions-petition-on-disqualification-pleas-on-march-7-11709272838239.html

- **Fintech personal loan disbursal doubles in 5 years, defaults drop: Report**

Financial Technology companies have witnessed a steady increase in loan disbursal in the [past five years, according to a report by the Fintech Association for Consumer Empowerment (FACE).

The volume of personal loans disbursed increased from 1.1 million in the first half of FY 2018-19 to 41.6 million in the same period in FY 2024.

The value of loans surged to ₹40,845 crore from ₹5,907 crore during the same period.

The slow burn of bankruptcy filings may be about to end: The average ticket size of these loans has reduced from ₹26,794 to ₹9,816 on the back of a higher volume of small ticket loans, the report added.

On loan delinquencies, the report said it constituted 3.6% of the total portfolio of the Fintech as of September 2023. The loan deliquency was 3.9% in March .2020

It must be noted that the analysis of the report was based on the 90-day loan delinquency rate.

West Bengal has the highest delinquency rate for digital loans at 4.3%, followed by Rajasthan (4%), Uttar Pradesh and Maharashtra (3.9%).

MF industry's shareholding in Paytm increased by 41% in January 2024: Fisdom: Tamil stood at the lowest spot in the 90-day delinquency rate at 3.1%.

The outreach of fintech personal loans expanded to borrowers in tier-III cities and beyond. The share of tier-III cities and beyond rose to 45% as on September 30 from 25% in March 2019.

Medium-risk and low-risk customers constitute 59% of the fintech customer base.

Paytm's loss is BharatPe, PhonePe, MobiKwik and other fintechs' gain: Further, metro cities and urban regions have lower loan default rates at 3.3% as compared to rural regions where the default rate was 4.1%, the report mentioned.

Female borrowers are less likely to default on loans at 3% compared to male borrowers at 3.7%.

Borrowers of fintech loans are majorly below 35 years. Around 49% of loan sanctions are less than ₹50,000.

The report comprised an analysis of personal loan data of 71 Fintech non-banking financial companies (NBFCs) from 2018 April to September 2023.

Source: https://www.livemint.com/industry/banking/fintech-personal-loan-disbursal-doubles-in-5-years-default-drops-11708591979011.html

- **4 NBFCs offer over 8 percent interest rate on their fixed deposits**

Before investing money in a fixed deposit, investors are advised to compare different financial institutions and the interest rates they offer in order to maximise the returns they can earn.

Although financial banks are considered safest institutions to open a fixed deposit, or FD, some investors opt for non-banking financial institutions to earn higher returns. Here, we list out top NBFCs which offer the highest interest rates.

NBFCs offering over 7% interest rate on their FDs

Bajaj Finserv: Bajaj Finserv offers 7.4 per cent for loans of 12-to-14 month-tenure. It increases to 7.5 percent for loans of 15-23-month tenure. The interest rate is 7.55 percent for loans with 24-month tenure.

When the tenure is between 25-35 months, the NBFC offers 7.35 percent interest and when the tenure is between 36 to 60 months, the rate of interest stretches to 8.05 percent.

Muthoot Fincorp: Muthoot Capital offers 7.45 percent on FDs with one-year tenure. When the tenure is between 1-2 years, the interest rate is 8 percent. When the tenure is between 2-3 years, the interest rate is 8.5 percent.

On a 4-year tenure, the NBFC offers 7.4 percent interest. And when the FD tenure stretches to 5 years, the interest rate is 7.5 percent.

Shriram Finance: Shriram Finance offers interest rate in the range of 7.8 to 8.6 percent per annum. The interest rate is 7.8 percent on 12-month deposit, it rises to 7.95 percent when the tenure is 18 months. This further rises to 8.10 percent when the tenure is 24 months.

And when the tenure is 30 months, the interest rate is 8.30 percent. The maximum rate of 8.60 percent is offered when the FD is booked for 50 or 60 months.

Mahindra Finance: Mahindra Finance offers interest in the range of 7.75 percent to 8.05 percent. When the tenure is 15 months, the rate of interest is 7.75 percent. When the tenure rises to 30 months, the interest rate stretches to 7.90 percent. The NBFC holds AAA/Stable rating by Crisil.

When the FD is booked for 42 months, the NBFC offers an interest of 8.05 percent. The minimum amount to be deposited is ₹5,000.

Source: https://www.livemint.com/money/personal-finance/6-famous-investing-principles-of-cathie-wood-stock-market-investments-blockchain-technology-ai-11709196216286.html

- **Bajaj Finance shares fell 14% in a month: Target price, valuation, financials and more**

Shares of NBFC Bajaj Finance Ltd have lost 14% in the last one month. Of this, the large cap stock is down 8.5% after Q3 earnings were announced on January 29.

On the other hand, the benchmark Sensex is down 2.06% in a month. The stock is trading below the 5 day, 10 day, 20 day, 30 day, 50 day, 100 day, 150 day and 200 day moving averages. This signals the NBFC stock is trading in bearish range

Bajaj Finance investors could earn a marginal return of 2.18% in the last one year. Otherwise, the stock delivered negative returns in time periods (one week, YTD, three months, six months and two years) up to three years. It could manage returns of 18% in three years.

The company has a price to book ratio of 7.47. The PE of the company stands at 29.45 against the industry estimate of 31.33.

The stock hit an all-time of ₹8190 on October 6, 2023. Since then, the stock has lost 20% till date

In the previous session, the Bajaj Finance stock closed 1.19% lower at ₹6575.60 on BSE. Market cap of Bajaj Finance slipped to ₹4.06 lakh crore

Total 0.73 lakh shares of the firm changed hands amounting to a turnover of ₹47.91 crore on Monday.

Bajaj Finance's relative strength index (RSI) stands at 33.2 which signals the stock is neither oversold nor overbought. A level below 30 is defined as oversold while a value above 70 is considered overbought. Bajaj Finance stock has a one-year beta of 0.5, indicating low volatility during the period.

Brokerage KR Choksey has maintained its buy call but lowered its target price post Q3 earnings.

"We assign a price to adjusted book value multiple of 4.8 times on FY26 estimates adjusted book value of ₹1,792.4 (earlier 6.2 times FY25E ABV to arrive at a target price of ₹8,600 per share (earlier ₹9,475). Accordingly, we maintain our 'BUY' rating on BAF shares," said KR Choksey.

JM Financial expects the stock to hit the target of ₹10,000. It expects easing of regulatory restrictions for the NBFC, which can spur a rally in the stock.

"We believe that despite minor inch up in credit costs in 3QFY24, Bajaj Finance remains the best play on diversified consumption opportunity with strong risk mechanisms, high growth and superior return ratios. We see Bajaj Finance, being a strong incumbent with long-standing credible track record in consumer lending, only emerging stronger as the concerns around unsecured loans settle over the next 2-3 quarters. BAF's current valuations at 23 time FY25e are attractive given its strong RoA/RoE profile and ability to growth across cycles," JM Financial said.

Bajaj Finance reported a 22% rise in its consolidated net profit for the quarter ended December 2023. Net profit climbed to ₹3,639 crore in the last quarter against ₹2,973 crore profit in the year ago period.

Net interest income in Q3 climbed 29% to ₹7,655 crore from ₹5,922 crore in the same period of last year.

Total income climbed 25% year-on-year to ₹9,298 crore in the October-December period against ₹7,438 crore in the corresponding period of last year.

Source: https://www.businesstoday.in/markets/company-stock/story/bajaj-finance-shares-fall-target-price-buy-sell-hold-417241-2024-02-13

TOP INSURANCE NEWS

- **Nagaland govt announces universal life insurance scheme**

Nagaland government on Tuesday announced a fully-funded universal life insurance scheme to mitigate financial hardship due to untimely demise of a family's breadwinner. The comprehensive scheme is part of the Budget tabled in the state assembly on Tuesday by Chief Minister and Minister in Charge Finance Neiphiu Rio.

The Chief Minister's Universal Life Insurance Scheme will be fully funded by the state government.

This scheme is a testament of the state's continued commitment towards ensuring the financial security and protection of its citizens, complementing the Chief Minister's Health Insurance Scheme introduced in the previous budget, an official statement said.

The CM's Universal Life Insurance Scheme is designed to mitigate the impact that the untimely death of a family's breadwinner can have on the education, health, and socio-economic development of the family, as per the statement.

The scheme will provide life insurance coverage for the breadwinner of the family and accidental insurance coverage for three other members of every family in the state, it added

Source: https://economictimes.indiatimes.com/industry/banking/finance/insure/nagaland-govt-announces-universal-life-insurance-scheme/articleshow/108050874.cms

- **ICICI Lombard appoints Priya Deshmukh as head of health products, operations & services**

ICICI Lombard General Insurance has appointed Priya Deshmukh as head of health products, operations & services, the company said on Wednesday.

In her new role, Deshmukh will oversee the company's health products, underwriting and claims.

Before joining ICICI Lombard, she served as the chief operating officer at Manipal Cigna Health Insurance.

With a career spanning about 27 years, Deshmukh brings in experience and leadership in business and strategic roles within the health insurance and healthcare sectors, the statement said.

Her background includes senior leadership roles at organisations such as Max Bupa, Cognizant and United Health Group, where she contributed to business and strategic development, it said.

Her background includes senior leadership roles at organisations such as Max Bupa, Cognizant and United Health Group, where she contributed to business and strategic development, it said.

Deshmukh said, "With a steadfast commitment to innovation and customer well-being, I look forward to contributing my experience and leadership to grow the health insurance business."

Jerry Jose, chief of human resources at ICICI Lombard, said, "Deshmukh's vast experience and visionary leadership in the health insurance and healthcare industries make her an invaluable addition to team ICICI Lombard."

ICICI Lombard General Insurance has invested significantly in expanding its distribution reach in the health business, through the agency channel, its Banca partners as well as digital alliances. This has resulted in a significant increase in its market share in the health.

Source: https://economictimes.indiatimes.com/industry/banking/finance/insure/icici-lombard-appoints-priya-deshmukh-as-head-of-health-products-operations-services/articleshow/107880372.cms

- **IRDAI chief asks insurance players to underwrite disruptions to improve market penetration**

  Insurance players need to underwrite disruptions to make the vision of 'insurance for all' a reality by 2047, regulator IRDAI's chief Debasish Panda said on Tuesday. The chairman of the Insurance Regulatory and Development Authority of India (IRDAI) also emphasised that the approach of 'one-size-fits-all' has become a thing of past due to the radical technology-driven changes taking place in the industry.

  It's time we retrieve our base, firm up our resolve and collectively underwrite disruptions in the insurance sector and make the vision of 'insurance for all' a reality by 2047. In this process, the role of the actuary becomes paramount. The disruptions in the insurance sector cannot happen without the support of actuaries, Panda said at the 23rd global conference of actuaries organized by the Institute of Actuaries of India

  "There is a need to come out of the traditional and conventional roles and embrace dynamism and agility and also there is a need to see the sector from a different lens," he said, acknowledging the role of actuaries in designing the insurance products and drive the growth of the sector.

  With over 850 million internet users and 750 million smartphone users in the country, every click, every keyboard button press, swipe or tap is generating data. These digital footprints are available and most importantly, today's customers do not shy away from sharing information in exchange of personalised experiences,

  Thus, any insurance company operating purely on the traditional sides will find it difficult to survive against the ones having predicted customer needs and offer the right product through the right channel to the right customer, he said.

  Today, he said, blockchain-enabled smart contracts have enabled the settlement of insurance debt within seconds and even fraud detection has become more effective with the help of data analytics.

  Artificial intelligence, machine learning, big data, internet of things (IoT) and many more such new technologies are causing disruptions and changing the traditional fabric of the sector,

  Sources- https://economictimes.indiatimes.com/industry/banking/finance/insure/irdai-chief-asks-insurance-players-to-underwrite-disruptions-to-improve-market-penetration/articleshow/107654789.cms

- **Irdai proposes to set up online marketplace 'Bima Sugam'**

  Regulator Irdai has proposed to establish an online insurance market place, Bima Sugam, a one-stop solution to enhance availability, accessibility, and affordability of a product. A digital public infrastructure called 'Bima Sugam -- Insurance Electronic Marketplace' is proposed to be established to empower and protect the interest of policyholders, Insurance Regulatory and Development Authority of India (Irdai) said in a draft.

  The aim behind setting up the marketplace is to increase penetration of insurance in India and to enhance availability, accessibility, and affordability, it added.

  Bima Sugam, it said will be a one-stop solution for all insurance stakeholders, vis-a-vis customers, insurers, intermediaries or insurance intermediaries, and insurance agents.

  It would promote transparency, efficiency, collaboration across the entire insurance value chain, technological innovation in the sector, universalise and democratise insurance and achieve the vision of 'Insurance for all by 2047'.

  The draft said Bima Sugam would be a not-for-profit company.

  "The company shall establish, facilitate, develop, operate, and maintain the marketplace for providing various services to the insurance stakeholders," the draft said, listing out the regulatory framework for establishment, governance, functioning of Bima Sugam

Shareholding of the company would widely held amongst life, general and health insurers and no single entity having controlling stake. Shareholders will contribute to capital as and when required.

Irdai has invited comments on the draft Insurance Regulatory and Development Authority of India (Bima Sugam -- Insurance Electronic Marketplace) Regulations, 2024 by March 4.

Source: https://economictimes.indiatimes.com/industry/banking/finance/insure/irdai-proposes-to-set-up-online-marketplace-bima-sugam/articleshow/107696599.cms

- **Insurance agents got extra Rs 25,000 crore via benami companies: I-T Dept**

Over Rs 25,000 crore changing hands in deals involving more than 60 intermediary firms using hundreds of bank accounts mark the contours of the elaborate probe on suspected Benami transactions between agents of insurance companies and go-between entities.

The Income Tax department is learnt to have prepared an assessment report on how a string of intermediaries were used by insurers to pay off extra commission - over and above allowed under regulations - to their agents selling insurance policies.

However, the insurance companies, who were pulled up last year by the I-T department, are not the actors under the benami investigation. The current probe, which is at an initial stage, focuses on the intermediary entities (acting as 'benamidars') and the official agents (which are the real beneficiaries).

The I-T department estimates the benami amount - the quantum of excess, unauthorised payment - to be in excess of Rs 25,000 crore, sources told ET.

"Intermediary companies are typically small entities which won't be able to handle more than a few hundred crores. So, a lot of them had to be used, which in turn moved the money through other entities to hide the trail," said an industry person.

The probe has begun after the I-T department investigation wing submitted a report on its findings suggesting the need of a detailed probe under the Benami Transactions (Prohibition) Act, 2016 (PBPT) against the intermediaries. Last year, the IT department had probed multiple insurance companies and the intermediaries. According to the tax office, insurers have to cough up higher tax as they cannot claim deduction on the extra commission while the amount received by the intermediaries from the insurers is "unexplained income" The agents, which are large corporate bodies, have paid tax on the entire amount – received legitimately from insurers as well as the extra flowing in from intermediaries in a circuitous route. Thus, even as they escaped charges of tax evasion, they are now grappling with allegations of being part of Benami deals.

The notices under the Benami Transactions (Prohibition) Amendment Act, 2016 have been served to the agents who are yet to respond. They have been asked to share details of transactions entailing money received from the intermediaries.

Some perceive that probing the benami angle could be time consuming and difficult for the I-T department. According to Ashish Mehta, partner at the law firm Khaitan & Co, "The onus to prove that a transaction is a Benami transaction lies heavily on the law enforcement agencies, which seems like an uphill task in these matters as the parties have various factual and legal arguments to defend themselves.

One will need to wait and watch how the law enforcement agencies as well as courts look at the implications on these transactions".

A benami transaction or an arrangement is one where stocks or funds are "transferred" to or is "held" by someone though the consideration was provided or paid by another person. Thus, the department has to prove that the holder of the asset (or, the front) is not its true beneficial owner.

In fact, even though the I-T officials have gone after the insurance industry and their partners - first over alleged tax evasion and now on Benami deals - there has been no regulatory action against any of the insurance companies.

Under Benami law, the department can provisionally attach the funds with the insurance agents after show cause notices are served. Currently, the department is gathering information on the deals they suspect are Benami in nature.

The transactions being looked into pertain to those that happened before March 2023 when the individual cap on commission payments on insurance products was replaced with an overall cap on expenses of management of insurers.

Source- https://economictimes.indiatimes.com/industry/banking/finance/insure/insurance-agents-got-extra-rs-25000-crore-via-benami-companies-i-t-dept/articleshow/107669238.cms

- **IRDAI brings AYUSH treatment under health insurance cover from April 1.**

Insurance regulator IRDAI has recently issued directions to all insurance companies telling them to cover AYUSH treatment just as other treatments. AYUSH refers to the treatment given under alternative therapies of Ayurveda, Yoga, Unani, Siddha and Homeopathy.

The latest move stems from the growing prevalence of these treatments, because of which the regulator felt the need to consider these treatments at par with other treatments for the purpose of health insurance.

The IRDAI circular says, "the insurance companies will have a board approved policy for providing AYUSH coverage which will include their approach towards placing AYUSH treatments at par with other treatments for the purpose of health insurance so as to provide an option for the policyholders to choose treatment of their choice."

"The policy will also contain the quality parameters as well as procedure for enrolling AYUSH hospitals/ day care centres as network providers for the purpose of providing cashless facilities," the circular adds.

The circular further says that the insurers will have adequate controls as well as standard operating procedures for a number of activities which include the following:

1. Enrolling hospitals into their network.
2 Placing necessary clauses in their health services agreements with Ayush hospitals/ day care centres.
3. Standard treatment protocols, and
4. Dealing with the possible frauds and abuse of the system, if any

For this purpose, the Ministry of Ayush on Oct 4, 2023 constituted a 'Core Group of Experts for Insurance Sector'.

The insurance companies are told to actively engage with this group in order to develop required modalities for providing Ayush coverage.

The directions issued on Jan 31 will come into effect from April 1, 2024.

High premiums

Meanwhile, in another news IRDAI chief flagged the concern of high premium and highlighted the need for individual risk profiling. IRDAI Chief Debasish Panda said data analytics should ensure that premiums take into account the individual risk and not the average risk of the group.

"There is a need to build an ecosystem where premiums are no longer one-size-fits all but are customised to individual risk profiling," he said.

Source- https://www.livemint.com/insurance/news/irdai-brings-ayush-treatment-under-health-insurance-cover-from-april-1-irdai-ayush-coverage-homeopathy-yoga-11706865256272.html

TOP CORPORATE BOND MARKET NEWS

- **HDFC Bank, ICICI Bank vie for slice of index flows into India**

Large Indian lenders are vying with their global peers for a share of the billions of dollars that are expected to flow following the inclusion of the nation's bonds in JPMorgan Chase & Co's emerging markets debt index.

ICICI Bank Ltd. and HDFC Bank Ltd. are planning meetings with investors in London, Singapore and Hong Kong in the coming months, seeking to woo them with a range of currency hedging products and custodian services, according to people familiar with the matter, who asked not to be identified as the discussions are private.

Spokespersons at ICICI Bank and HDFC Bank did not offer any immediate comments.

The private sector lenders join foreign banks and brokerages including Morgan Stanley and Deutsche Bank AG in engaging with global investors, who could potentially invest large amounts of money in the South Asian nation. The inclusion is expected to attract up to $40 billion of inflows, which exceeds the size of Indian sovereign bonds currently held by foreigners.

"We are seeing early signs that certain types of institutional investors, including sovereign funds and central banks, might be interested in hiring asset management companies to manage their India allocation," said R. Sivakumar, head of fixed income at Schroders Plc-backed Axis Asset Management Co. in Mumbai. "We are seeing some conversations on this happen."

Source: https://economictimes.indiatimes.com/markets/bonds/hdfc-bank-icici-bank-vie-for-slice-of-index-flows-into-india/articleshow/108105532.cms

- **India's Tata Capital plans to raise $750 million in debut foreign funding next fiscal year**

India's Tata Capital is looking at overseas fundraising for the very first time and hopes to raise around $750 million via offshore bonds or loans in the next fiscal year starting in April, a senior company official told Reuters on Wednesday.

"The company, as a part of diversifying its liability base, may evaluate raising up to $750 million through overseas loans or bonds in FY25," said Rakesh Bhatia, chief financial officer at the non-bank financial company (NBFC).

The company is likely to start roadshows for the same by the end of March, he added.

"For overseas borrowings, we may also evaluate dollar bonds as there has been lot of interest by overseas investors in Indian corporates."

Fundraising via dollar-denominated bonds by Indian corporates touched a 14-year low of $4.1 billion in 2023, as Fed rate hikes pushed U.S. yields against which these bonds are benchmarked, sharply higher.

It has bounced back in recent months. State Bank of India, HDFC Bank and Shriram Housing Finance have raised an aggregate of $2.1 billion via dollar bonds in the first two months of 2024.

"Indian companies are increasingly tapping overseas markets for fundraising as U.S. yields have eased and there are expectations of rate cuts," said Soumyajit Niyogi, a director at India Ratings, a fully owned subsidiary of the Fitch Group.

Tata Capital is yet to finalise the tenor or quantum of its borrowing but recently received a first-time issuer rating of BBB- from S&P Global Ratings and

Fitch Ratings.The Tata Group company's loan book stands at around 1.5 trillion rupees ($18.1 billion) which it aims to grow at over 25% in FY25 and sees a similar rise in its borrowing needs.

Funding costs for NBFCs have risen after the Reserve Bank of India asked banks to set aside higher capital on loans to NBFCs, pushing the latter to tap the bond market.

Tight liquidity conditions have also kept the corporate bond yield curve inverted, with yields on short-term debt staying above longer duration papers. NBFCs typically opt for bonds of below five-year maturity for their asset-liability management.

Source: https://economictimes.indiatimes.com/markets/bonds/indias-tata-capital-plans-to-raise-750-million-in-debut-foreign-funding-next-fiscal-year/articleshow/108066755.cms

- **India's IRB Infrastructure appoints bankers for dollar bond issue, term sheet shows**

India's IRB Infrastructure Developers has mandated bankers for a potential dollar bond issue, who will arrange meetings with fixed income investors from Monday, according to a draft term sheet seen by Reuters.

The roads and highways developer has appointed Barclays, Citigroup, CLSA, Deutsche Bank, J.P. Morgan, and Standard Chartered Bank as joint bookrunners to arrange investor meetings and calls in Asia, Europe and the United States.

The company is looking to issue a benchmark sized Regulation-S dollar-denominated bonds maturing in eight years and another offering maturing in 7.25 years may follow, subject to market conditions, the term sheet showed.

The proposed notes are expected to be rated BB+ by Fitch and Ba2 by Moody's, and the company intends to use the proceeds largely for refinancing.

Last week, IRB Infrastructure's board approved raising funds of up to $550 million via foreign currency denominated notes.

Source: https://economictimes.indiatimes.com/markets/bonds/indias-irb-infrastructure-appoints-bankers-for-dollar-bond-issue-term-sheet-shows/articleshow/107999372.cms

- **IRB Infra in talks to tap overseas bond market**

IRB Infrastructure, backed by Singapore's GIC, is exploring the overseas bond market to raise $300 million, mainly to refinance the earlier bonds. The company is in talks with Barclays, Deutsche Bank and JP Morgan to give the fundraising mandate.

Proceeds will be used to refinance the earlier bond raised in 2021. Back then, IRB had raised $300 million 5.5% senior secured notes due 2024 issued by Mauritius-based India Toll Roads (ITR), said two sources. India Toll Roads is an orphan financing vehicle of IRB.

Barclays Bank, Deutsche Bank, Singapore Branch and JP Morgan Securities were the joint lead managers to the issuer.

This month, Fitch Ratings had affirmed the long-term issuer rating at 'BB+' and kept the outlook as stable. Spokespersons of Barclays and JP Morgan declined to comment while Deutsche Bank and IRB did not respond to requests for comment.

The company, which operates projects like Mumbai-Pune Expressway and Ahmedabad-Vadodara Expressway, is a leader in India's road sector, managing more than 15,000 lane km of build-operate-transfer (BOT), toll-operate-transfer (TOT) and hybrid-annuity-model road assets across 12 states.

Source: https://economictimes.indiatimes.com/markets/bonds/irb-infra-in-talks-to-tap-overseas-bond-market/articleshow/107507001.cms

Adani Green Energy likely to tap dollar bond market in March, sources say

India's Adani Green Energy is likely to raise $500 million by issuing dollar bonds in March, two officials aware of the plans said, making it the first Adani group company to return to the overseas bond market in a year.

"The company is doing the groundwork and talking to investors to get a sense on pricing," said a foreign banker, who is a part of the discussions.

"Once there's more clarity on pricing and demand, they will finalise the details and tap the market," the banker said.

Part of Indian billionaire Gautam Adani's ports-to-power conglomerate, Adani Green is likely to use some of the proceeds from the proposed bond issue to refinance existing debt that will mature this year, the officials said.

Both the officials and the banker spoke on condition of anonymity as they are not authorised to speak to the media.

Adani Group did not respond to Reuters' e-mail seeking comment.

A report by U.S. short seller Hindenburg Research in January last year had led to a sell-off in stocks and overseas listed bonds of Adani group companies, forcing them to retreat from the foreign currency bond market and buyback $315 million of listed overseas debt securities.

Since then, most of the group's foreign bonds are back above the levels they traded at before the Hindenburg report, giving the company comfort to look at a fresh issue of dollar bonds.

Adani Green Energy conducted non-deal roadshows in January and reached out to investors in Hong Kong and Singapore. It will soon start roadshows for the proposed bond issue, the officials said without elaborating on the timing.

The company is in talks with foreign banks and investors and is yet to appoint arrangers for this issue, the banker said.

"The spreads for Adani Group's dollar bonds have definitely come down from last year, so the deal should get reasonably priced," according to the banker.

Adani Green Energy recently completed the funding to redeem its $750 million bonds due in September, eight months before they mature.

On Tuesday, Moody's revised Adani Green's rating outlook to "stable" from "negative" considering the company's improved financial flexibility and reduced refinancing risk after the repayment of senior notes.

The rating agency also affirmed Adani Green's Ba3 rating, which reflects predictable cash flow backed by long-term power purchase agreements and high financial leverage.

Among other Adani group companies, Adani Transmission may also tap the overseas bond market this year, according to merchant bankers.

Source: https://economictimes.indiatimes.com/markets/bonds/adani-green-energy-likely-to-tap-dollar-bond-market-in-march-sources-say/articleshow/107681347.cms

India bond yields steady on lack of fresh triggers

Indian government bond yields were steady on Friday amid a lack of fresh triggers, while market participants digested minutes of the central bank's February meeting that showed most members considered current interest rates as appropriate.

India's benchmark 10-year bond yield ended at 7.0764%, following its previous close at 7.0682%. The yield ended two basis points lower this week.

In the minutes, the Reserve Bank of India (RBI) Governor Shaktikanta Das said that at the current juncture, "monetary policy must remain vigilant and not assume that our job on the inflation front is over".

"The minutes reiterate long pause," Anitha Rangan, an economist at Equirus Group said, adding that it also noted a new risk with regard to the market's front-running policy pivot.

The RBI left the key repo rate unchanged at 6.50% earlier this month, and reiterated its commitment to meet the 4% inflation target on a sustainable basis.

"With the Federal Reserve's rate cut getting pushed back further (maybe not more than two cuts in 2024), RBI may not find it appropriate to act in 2024 or even in early 2025," Rangan added.

During the week, bond investors cheered a sustained demand from foreign investors but elevated U.S. yields on expectations that rate cuts by the Fed be pushed to June limited a fall in local yields.

U.S. yields remained higher, with the 10-year yield around the 4.35% mark. Traders said a break could see a move towards 4.50% and trigger a selloff in local bonds.

Strong economic data and a higher-than-expected inflation reading in the world's largest economy have pushed back hopes of imminent rate cuts.

The odds of a Fed rate cut in May have tapered sharply to 24% from 38% last week and 84% last month, according to the CME FedWatch tool.

Source: https://economictimes.indiatimes.com/markets/bonds/india-bond-yields-steady-on-lack-of-fresh-triggers/articleshow/107947737.cms

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