BANKING FINANCIAL SERVICES AND INSURANCE (BFSI)

CHRONICLE

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THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

(Statutory Body under an Act of Parliament)

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Behind every successful business decision, there is always a CMA

MISSION STATEMENT

"The CMA Professionals would ethically drive enterprises globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting."

VISION STATEMENT

"The Institute of Cost Accountants of India would be the preferred source of resources and professionals for the financial leadership of enterprises globally."

ABOUT THE INSTITUTE

The Institute of Cost Accountants of India is a statutory body set up under an Act of Parliament in the year 1959. The Institute as a part of its obligation, regulates the profession of Cost and Management Accountancy, enrols students for its courses, provides coaching facilities to the students, organises professional development programmes for the members and undertakes research programmes in the field of Cost and Management Accountancy. The Institute pursues the vision of cost competitiveness, cost management, efficient use of resources and structured approach to cost accounting as the key drivers of the profession. In today's world, the profession of conventional accounting and auditing has taken a back seat and cost and management accountants are increasingly contributing toward the management of scarce resources and apply strategic decisions. This has opened up further scope and tremendous opportunities for cost accountants in India and abroad.

After an amendment passed by Parliament of India, the Institute is now renamed as ''The Institute of Cost Accountants of India'' from ''The Institute of Cost and Works Accountants of India''. This step is aimed towards synergising with the global management accounting bodies, sharing the best practices which will be useful to large number of trans-national Indian companies operating from India and abroad to remain competitive. With the current emphasis on management of resources, the specialized knowledge of evaluating operating efficiency and strategic management the professionals are known as ''Cost and Management Accountants (CMAs)''. The Institute is the 2nd largest Cost & Management Accounting body in the world and the largest in Asia, having approximately 5,00,000 students and 85,000 members all over the globe. The Institution headquartered at Kolkata operates through four regional councils at Kolkata, Delhi, Mumbai and Chennai and 114 Chapters situated at important cities in the country as well as 11 Overseas Centres. It is under the administrative control of Ministry of Corporate Affairs, Government of India.

Behind every successful business decision, there is always a CMA

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CHAIRMAN'S MESSAGE

CMA Chittaranjan Chattopadhyay
Chairman
Banking, Financial Services and Insurance Board
The Institute of Cost Accountants of India

**"A BOSS has the TITLE
A LEADER has the PEOPLE"**

Prayers and good wishes have no expiry dates. So, I keep praying and wishing good for my CMA families across the world in these difficult times. There is light at the end of the tunnel. Positivity doesn't come from becoming positive, it comes from rejecting the negativity of life. Hope is Hold On Pain Ends. It is not that the mountains ahead, to climb, that wear you out, it is the pebble in your shoe. The best use of imagination is creativity and the worst use of imagination is anxiety. We believe that tomorrow will be better than today. "Make sure we test positive for Faith. Keep our distance from Doubt and isolate ourselves from Fear. Trust in God through it all". At the time of social distancing, let us touch with our hearts, touch withsouls, touch with love. Nothing teaches better than this trio, the golden trio.......The fears, The tears, The years...... we learnt a lot in the last almost 2 years. We never lose, either we win or we learn. A pessimist is somebody who complains about the noise when opportunity knocks in. But here in the Institute of Cost Accountants of India, we keep our eyes and ears open for opportunities for CMAs and their betterment.

India began administration of COVID-19 vaccine on 16 January 2021. As of 24 September 2021, India has administered over 849 million doses and counting. On 17 Sep 2021, India gave jabs to the extent of 25 million in a single day - a record of all sorts for overall including first and second doses of the currently approved Vaccines. The daily cases have fallen to 25,000 levels. While the second wave is waning,the country is fully prepared to face the third wave, if there is one. Easing lock down in a phased manner and accelerated vaccination programme has given a boost to the morale of the country as well a fillip to the economic recovery. Recovery is happening across the sectors of economy whether it is V, W or K shaped and the results are visible.

Asian Development Bank has retained India's forecast at 10%.

Indian Service Sector growth in August 21 is the fastest. IHS Market Services Purchasing Managers Index rose to 56.7 in August – the strongest pace since the pandemic hit the country in March 2020.

Ind-Ra retains stable outlook on Indian banking sector in FY-22.

Crisil ratings has recently revised the credit quality outlook of India Inc for FY-22 to POSITIVE from cautiously optimistic earlier.

Banks' NPAs stable in June quarter and looks manageable as per RBI Governor.

NBFC loans report strong 37.6% growth and their bad loan pressure may ease after Q1 spike.

Fresh loans by NBFC reach pre-Covid levels,

Retail sector inching close to pre pandemic levels according to Retailers Association of India.

Auto debit failures ease in August indicating a gradual return to normalcy after the second wave of pandemic.

Credit ratio rising to 2.3 X, in April-August signals the health of India Inc.. The number of upgrades increased 2.4 times while downgrades dipped by 40%.

India overtakes US to become second most sought after manufacturing destination, it is second only to China.

Sensex has touched 60000 for the first time.

We, in BFSI Board, are putting forth the best of our efforts to showcase the competence of CMAs in the BFSI sector. We do not miss a single opportunity to project our CMAs as Professionals with Management and Audit skills, successfully blended. BFSIB organised the month of July as Banking Month and August as Investor Month in association with NISM. The highlight of Banking Month was a Webint on "52nd year of Nationalisation-Role of PSBs- impact on various sectors of economy and the society - way forward - post consolidation" presided over by Ms. Padma Chundru, MD & CEO, Indian Bank. Four webints were organised during this month with eminent personalities from the banking sector as speakers. One webint was exclusively on Cooperative Banks, keeping in view the pivotal role of these banks in reaching the unreachable.

Investor Month was celebrated by organising **WEBINT** with the central theme of **"New Age Investment in an Era of Low Interest rate"** on 7th August, 2021. Shri S. K. Mohanty, Director NISM and WTM, SEBI graced the occasion as the Chief Guest along with Shri Ravi Varanasi, Chief Business Development Officer, NSE.

On 14th August, 2021 the **2nd WEBINT** on the theme of "Demystifying Mutual funds from investor perspectives" was organized and deliberated by CMA Nilesh Shah, Group President & Managing Director, Kotak Mahindra Asset Management Company and Shri Dhirendra Kumar, Chief Executive Officer, Value Research India Private Limited.

On 21st August, 2021, the **3rd WEBINT** was organized on the theme of "IPO

Investments" was deliberated by CMA Yatrik Vin, Group CFO and Head Corporate Affairs, NSE and Shri Prem from ICICI Securities.

On 28th August, 2021 the **4th WEBINT** was organized on the theme "Global Investments through Indian Mutual Funds". CMA Asim Kumar Mukhopadhyay, Vice-President and Head – Business Finance, Tata Motors Limited was the Guest of Honour and Speaker, Shri Srinivasa Rao, Chief Investment Officer, PGIM Mutual Funds was the speaker and the valedictory session was graced by Shri NehalVora, Managing Director, CDSL.

On 31st August, 2021 the **5th WEBINT** was organized on the theme "Investments in Capital Markets in post covid-19". CMA Jitendra Panda, President - Head Business Strategy & Alliances, Yes Securities was the Chief Guest & Speaker and CMA (Dr.) Latha S Chari, Associate Professor, The National Institute of Securities Markets (NISM) was the Speaker in association with Durgapur Chapter of Cost Accountants.

I keep it on record of our appreciation and thanks to the entire team of NISM for extending whole hearted support to make the Investor Month a memorable one.

Visibility of our Institute and role of CMAs have improved to a great extent with conduct of such programmes. The greatest advantage we derive out of these programmes is encashing the goodwill of all the experts and their participating institutions, for the good of CMAs. This is a continuous process and we take you along, in this exciting journey to reach greater heights.

We had a very important meeting with Dr. T. V. Somanathan, Secretary, Expenditure, MoF, GOI whom we apprised the various activities of BFSIB. We also handed over the various publications of BFSIB.

We had also met Sri Supratim Bandyopadhyay, Chairman, PFRDAI to discuss our activities for the cause of benefit to the stake holders.

Problems aren't solved,they dissolve as you evolve. COVER yourself not only with MASK, but also in PRAYER. If GOD brings you to it, He will bring you through it, let us be positive. The time is always right to what is right. The world is changed by your example, not by your opinion.

Last, but not the least, I express my gratitude to all the members of BFSIB for their commitment, involvement, views and guidance and the team of BFSI department officials and advisors for their efforts in all the activities of the Board.

With Warm Regards

(CMA Chittaranjan Chattopadhyay)

FROM THE DESK OF THE DEPARTMENT

Greetings from team BFSI!

The second quarter of the financial year has given us indications of aspects which will affect the economy in general, to mention a few of the aspects in recent times -

- September, the last and rainiest monsoon month promises to be one of the best monsoon month in recent years for India and the output of food grain is set to reach a new high in excess of 15 crore tonnes this year in the current Kharif season due to better rice output amid strong monsoon.
- The Government announced asset monetisation plan to raise Rs 6 lakh crore by the year 2025 where the top three sectors identified for asset monetisation include railways, airports and coal mining.
- National Asset Reconstruction Company Limited (NARCL) has been incorporated under the Companies Act and has applied to Reserve Bank of India for license as an Asset Reconstruction Company (ARC). NARCL has been set up by banks to aggregate and consolidate stressed assets for their subsequent resolution. While making the announcement of the National Asset Reconstruction Company Ltd, Hon'ble Finance Minister stated that the performance of PSBs has improved, with just two PSBs reporting losses and mentioned that in 2018, just two out of 21 PSBs were profitable. But in 2021, only two banks reported losses for the full year.
- The insurance sector, especially health insurance has witnessed a major northern movement in premium calculations as a fall out of the effects of the COVID-19 pandemic.
- SENSEX reached an all-time high of 60412.32 in September while the Nifty 50 index also surged to a new lifetime high of 17,912.85 during the month.
- Indicating a gradual approach to normalisation of policy, RBI has indicated that inflation is expected to ease to 4%, the lower end of its tolerance band by the FY 24.
- Huge relief for telecom companies announced as Government okays 4-year moratorium on adjusted gross revenue (AGR), spectrum dues.

The BFSI Board and BFSI Department is keenly following the developments in all such matters in the economy in general and in the BFSI sector in particular and is actively initiating necessary and proactive measures to ensure that the CMA profession is firmly embedded in the BFSI sector in all areas of relevance.

The BFSI Board will be coming out with more publications, courses and events covering areas of contemporary significance in the days to come.

Readers will be glad to know that in addition to interesting articles, this issue also carries a digest of recently held themed events and we hope that the readers enjoy reading them.

Stay safe and happy reading!

"PNB GST Express Loan Scheme" Connect with Banks

PNB has launched a customized product namely "PNB GST Express Loan Scheme" to provide hassle free credit to the customers to meet working capital requirements related to Business Activity or for Expansion of Business. Under this scheme, Cash Credit facility is provided for loan above Rs.10.00 lakh to Rs.100.00 lakh for GST registered units.

Higher Maximum Permissible Bank Finance (MPBF) is also allowed based on 25% of the sales reported in last year's GST returns without any margin requirement. Wherever GST returns have been filed for less than one year, MPBF is arrived after annualising GST returns filed for that period provided customer has filed minimum GST returns of the last 6 months.

One of the most important features of this scheme is that customer is not needed to submit financial statements, which is normally a cumbersome work for availing loan from any financial institution. Loan amount is derived based on GST returns without taking into account analysis of financial statements, Benchmark ratios etc. of the customer and is actually based on cash flows of the business.

"PNB GST Express Loan Scheme" has been recognised as one of the best MSME products in terms of providing hassle free credit facility to the customers on easy terms.

BANKING

THE ROLE OF BANKING AND FINANCE IN CORPORATE FINANCE

CMA Dr. P. Siva Rama Prasad
Former Asst. General Manager
State Bank of India, Hyderabad

India is not only the World's largest Independent Democracy, but also an Emerging Economic Giant. Without a sound and effective Banking System, no Country can have a Healthy Economy. Banks play a vital role in the Economic Development of a Country. They accumulate the Idle Savings of the People and make them available for Investment. They also create New Demand 'Deposits' in the process of granting 'Loans' and purchasing 'Investment Securities'. They facilitate Trade Both Inside and Outside the Country by accepting and discounting of Bills of Exchange.

Banks also increase the Mobility of Capital. For the past three decades, India's Banking System has several outstanding achievements to its Credit. It is no longer confined to only the Metropolitans, but has reached even to the remote Corners of the Country. This is one of the reasons of India's Growth Process. Today, the Banking Sector is one of the 'Biggest Service Sectors' in India. Availability of Quality Services is vital for the well-being of the Economy.

All Public Sector Banks as well as major Private Sector Banks, Foreign Banks in India offer all the services that can be extended on a Financial Level to Corporate Entities to ease their Day-to-Day operations with integrated Relationship management. Some of the value-added services offered by the Banks to Corporate Clientele are Corporate Salary Accounts, Payment Gateway Services, Corporate Internet Banking Services, Cash Management Services, Channel Financing, Vendor Financing, Syndication Services, Forex Desk, Money Market Desk, Derivative Desk, Employees Trusts, Tax Collection, Bankers to Right/ Public issues etc.

- 'Channel Financing' is extending 'Working Capital Finance' to Dealers having Business Relationships with Large Companies.
- 'Vendor Finance' is a form of Lending in which a Company lends Money to be

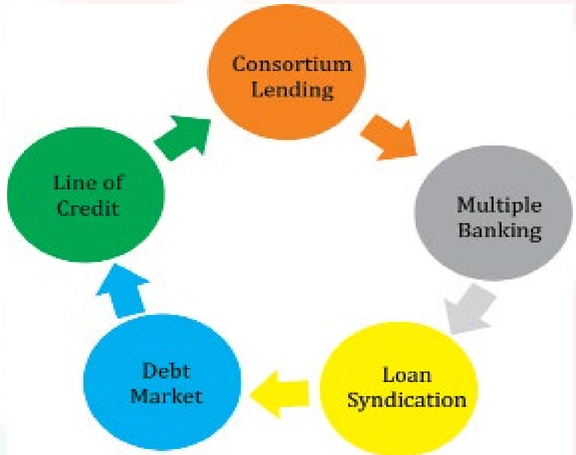
used by the Borrower to Buy the Vendor's Products or Property.

- 'Syndication' allows Banks to Pool their Resources and Share Risks with other Banks while handling a Large transaction viz. Project Finance, Corporate Term Loans, Working Capital Loans, Acquisition Finance, etc.
- 'Fund Based and Non-fund-based Services' extended to Corporate Borrowers are Term Lending, Short Term Finance, Working Capital Finance, Bill Discounting, Export Credit, Bank Guarantee, Letter of Credit, Collection of Bills and Documents etc.

'Wholesale Banking' is Popularly known as 'Corporate Banking', also known as 'Business Banking'. Wholesale Banking or Corporate Banking refers to the aspect of Banking that deals with 'Corporate Customers' such as Trading Houses, Multinational Companies, Exceptionally large Domestic Industrial and Business Houses, Prime Public Sector Companies etc. The above types of clientele opt for the Services of Banks which are Capable of offering with 'Superior and Innovative Products Delivery'.

'Corporate Banking' identifies with the items and services that include Loaning or Credits between the Bank and the Bank's Client. The Corporate Banking Segment of Banks typically serves a diverse Clientele, ranging from Small-to-Mid-sized Local Businesses with a Few Million in revenues to 'Large Conglomerates' with Billions in Sales and Offices across the Country.

Types of Loans & Advances to 'Wholesale Banking' by Banks / NBFCs



Consortium Lending:

In Consortium Lending system, two or more lenders join together to finance a Single Borrower. The Lending Banks formally join together, by way of an inter-se agreement to meet the Credit needs of a Borrower. Here, the sanction of limits to a borrower is completed with Common Appraisal, Common Documentation and Monitoring the Advance with Joint Supervision and follow-up exercises.

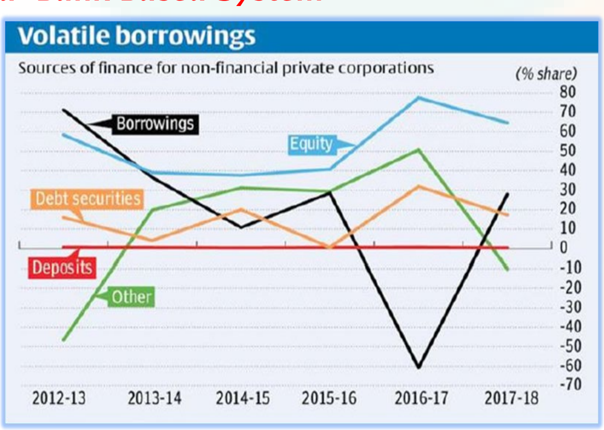
The Borrower Company gives a mandate to a Bank to lead the Consortium, which is commonly referred as a Consortium Lead (Leader) Bank. The Consortium leader will be responsible for holding Common Loan/ Advance Documents executed by the Borrower Company on behalf of Consortium. The "Pari-Passu" Charge will be created on securities offered by the Borrower Company against the Total Credit extend to the Company by all the Lending Institutions of Consortium. "Pari Passu" Charge means that when Borrower entity goes into Dissolution or the Security is Sold or otherwise disposed-off by the Consortium, the Assets over which the charge has been created will be distributed in Proportion to the Creditors' (Lenders) respective holdings.

Thus, the System of Consortium Lending offers Scope and Opportunity to share 'Risk' amongst Banks. The System is considered to be mutually beneficial to the Banks as well as Corporates. In Consortium Advance, the levy of commitment charge is not mandatory and it is left to the discretion of the Financing Banks/ Consortium/ Syndicate. Accordingly, Banks are free to evolve their own guidelines in regard to Commitment Charge for ensuring Credit Discipline.

As per the Consortium Lending Approach, the Group of Banks would have a Common Agreement wherein a Lead Bank would Assess the Borrower's Fund requirements, set Common Terms and Conditions and disseminate information about Borrower's Performance to other Lenders.

No definite guidelines on formation of Consortium of Banks, however, existed in past and it was generally left to the Borrower to decide this Issue.The concept of Consortium Advance has since gone many changes and most of the Large Corporates are now being financed by Banks in Consortium.

'Corporate Finance' in India is largely a 'Bank-Based System'



(Source: RBI Bulletin)

This above Picture negates the view that India is largely a Bank-based System, with borrowing accounting for a dominant share of Corporate Finance. This dependence on Bank Borrowing should have increased after Liberalisation, since the process substantially reduced the Role of the Development Finance Institutions in Financing Corporate activity and encouraged the transformation of Two of them (ICICI and IDBI) into Commercial Banks.

Line of Credit:

In the course of Business Operations there are times when the need for Emergency Cash support Crops Up. In order to meet Corporates Emergency, need of funds, Corporates either approach Individuals, Banks, NBFC or other Lenders to Cope with the Crisis. It is with such a scenario in mind that the Lenders like Banks and NBFCs have designed the 'Line of Credit', which is Plain Term is a facility where Corporates can draw money to the extent necessary from the overall limit and pay the Charges for only the 'Quantum of Money' used for the specified period.

Once Corporate repay the quantum drawn, Limit is restored fully to be accessed when in need again. It has come as a boon to 'Corporates' to meets the Recurring urgent fund needs that helps run their Business.

On the contrary, the Line of Credit is so designed that are approved a Limit Commensurate with Corporate Business parameters and strategies, from which Corporates are free to draw the amount necessary to meet the emergent expenses and service only the used component of the sanctioned credit amount. In this way, Corporates are able to meet periodic fund's Crunch and cater to the Cyclic requirements that endow business with the capability to cope with the timely fund infusion during the ups and downs in Sales and Revenues.

Multiple Banking:

The Multiple Banking arrangements are similar to a Consortium Advance and Loan Syndication, wherein several Lenders Finance a Single Borrower. However, there are many Structural and Operational differences among them. In 'Multiple Banking' arrangements, a Borrower Borrows simultaneously from more than one Bank independent of each other. Each 'Lending Bank' takes separate loan documents and securities offered to each bank are separately charged.

In terms of the Reserve Bank of India (RBI) guidelines, the Banks in their knowledge that their Borrowers are availing Credit Facility from other Bank, shall adhere to a System of Exchange of information with other Banks. The Lenders should exchange information about the Conduct of the Borrower's account with other Banks in the prescribed format at least at Quarterly Intervals. This would provide 'Early Warning' to other Lenders about Irregularities in the accounts of their customer with other Bankers. However, System on sharing of the information had failed to bring desired discipline in 'Multiple Banking' arrangements as many Bankers are not prompt in exchanging the information. The main difficulties in Multiple Banking there is no coordination among Banks regarding Appraisal, Documentation, other Terms and Advances. The absence of Security Sharing, monitoring of End-use of funds and Coordination among the Lenders under Multiple Banking allowed Borrowers to play with Credit Discipline. In such a situation Borrower got the upper hand by playing one Bank against the other.

In Multiple Banking Arrangement, a Borrower gets freedom to deal with each Bank separately and thus can Negotiate Borrowal terms One-to-One with each Bank. As rider, such Borrower also has to spend more time and effort in dealing with Multiple Banks.

Exposure of Top Eight Banks to 'Wholesale Banking / Corporate Banking'

The Corporate Accounts Group is a One-stop-Shop, which provides a wide range of 'Financial Products and Services' offered by the Indian Commercial Banks. The Total Loans and Advances provided by TOP EIGHT Banks in India are:

(Rs. In Crores)

State Bank of India ***Rs. 8,44,215 Crs.***	***HDFC Bank*** ***Rs. 4,79,762 Crs.***	***Panjab National Bank*** ***Rs. 3,63,834 Crs.***	***ICICI Bank*** ***Rs. 3,07,307 Crs.***
Bank of Baroda ***Rs. 2,91,543 Crs.***	***Canara Bank*** ***Rs. 2,72,200 Crs.***	***Axis Bank*** ***Rs. 2,57,557 Crs.***	***Bank of India*** ***Rs. 2,39,265 Crs.***

(Source: Annual Reports)

Loan Syndication:

The Syndication of Loans is an 'Internationally Practiced Model' for Financing Credit requirements of a Borrower in lieu of Consortium Advance. Apparently, the Syndication of Credit line is similar to Consortium finance but 'slightly different' in certain aspects.

First of all, there is no restriction with regard to Quantum of Credit involved for Credit Syndication. If the arrangement suits the Borrower then Financing Banks may opt for Syndication route to lend. In Syndication, the prospective Borrower Company gives a mandate to one of its Bankers to arrange Credit to the Company Jointly by a Group of Lender Banks. The mandate given to a bank (Known as Lead Bank/ Mandated Bank) includes Commercial Terms of the Credit and also prerogatives of the Mandated Bank to tie up with other Banks for disbursement of Loan and resolving the contentious issue in the course of the transaction of complete Syndication.

Thereafter, the Mandated Bank in consultation with the Borrower prepares 'Information Memorandum' about the Borrower and distributes the same amongst the prospective Lenders and invites them to participate in the Credit Proposal. From such information available to them each prospective Lender Bank makes its own independent economy and financial evaluation of the Borrower. If needed prospective Lenders may Collect additional information from other sources also.

Thereafter, a meeting of the Banks who have agreed to Join the Syndication is convened by the Lead Bank. In a meeting conducted by the Lead Bank, the matters related to strategy relating to Co-ordination Communication and Control with the Syndication Process and to finalize the deal timing, Charges for Management, Cost of Credit, share of each participating Bank in the Credit etc. will be discussed and finalized. The Lead Bank (Mandated Bank) would oversee the Credit facility using Common Documents of the borrower and then agreement is signed by all the participating Banks.

The Lead Bank receives an additional fee for this Service, which involves Recruiting the 'Syndicate Members' and Negotiating the Financing Terms.The Benefits of Loan Syndication are:

- 'Best Prices' are available for Business.
- The 'Syndicate Banks' will also share feedback on Issues related to Business.
- Loan Syndication allows the lenders to have a 'Greater Visibility of the Borrowers' in the Open Market.
- Borrowers have the option of choosing among 'Multi-Currency Options', Prepayment Rights, and Risk Management Techniques.

Debt Market:

Debt market is basically a Market where Fixed Income Instruments / Securities issued by the Central and State governments, Municipal Corporations are traded. The Fixed reimbursement securities may also be issued by Commercial Banks, Financial Institutions as well as Corporate Bodies.

Regulators: The Government Securities and Bonds issued by Banks and Financial Institutions are regulated by RBI. The Issues of Corporate (Non-government Securities) viz. Convertible and Non - convertible Debentures, Secured Premium Notes, Deep discount Bonds etc. are regulated by SEBI.

Corporate Bonds	*The Overall Corporate Bonds outstanding as on Sep 2020 at Rs. 34.1 Lakh Crore.*
% in Bank Credit	*For about 33 per cent of the Systemic Bank Credit as Compared to about 24 per cent in Sep 2010*

The term 'Credit Spread' is used in the Fixed Income Corporate Bonds and Bank loans. It is the 'Risk Premium' add-on to the Base Interest Rate used when Pricing Corporate Debt Issues. In Bank Loans Credit Spread (Known as Pricing) is used over Base Rate or MCLR. The Spread is determined on the 'Perceived Loan Repayment' or Prospects of 'Bond Repayment' to the Investors. The Risk involved in Repayment is called Default risk. When 'Corporate Bonds' are issued, the Pricing of the Bond Mirrors the 'Credit Rating or Risk Rating' of the Company, the Maturity of the Issue, Current Market Spread Rates, as well as other Components such as Security and Liquidity.

The 'Credit Spreads' may 'Widen' or 'Tighten' as a Sign of the perceived Capability of the Corporates (Borrower) to Pay its Scheduled Interest and Principal Payments on Time and in Bonds Market the Changing Risk Profile of the Issuer. 'Credit Spreads' vary both on account of Security provided as well as Credit Rating of the Corporates. For example, a Company of Higher Rating offer 'Lower Rate of Interest' than a Bond Issuer Company of 'Lower Ratings' and the 'Banks Widen Spread' on their Advances perceived with Higher Risks compared to a Company of Lower Risk with 'Higher Ratings'.

Conclusion:

Banks offer Corporates a wide range of Products and services, the Technologies to Leverage them anytime, anywhere and the expertise to Customize them to Client-specific requirements. From Cash management to Corporate Finance, from Forex to Acquisition Financing, they provide Corporates with End-to-End services for all Banking Needs.

It is a Segment of Financial Services necessary for Corporates, like Funding, Capital Structure, allocation of Finances and more. It is Largely related to Financial Planning and how Finances must be implemented at Various Stages of the Business. The Basic Function of a Bank is giving 'Credit to its Corporates'. It doesn't just end there. It is the Process that covers various Stages from Granting Credit to its Recovery.

Corporate Banking involves a Specialized Loan Department that Oversees the Process of Granting loans to the Corporates; compliance with the Credit Regulation Policies, and other Management - related Functions. The Loan Department of Corporate Banks must ensure that they must maintain the Bank's Profit.

The Role of the Commercial Banks in the 'Intermediation Process' is very important because of their overwhelming control over the entire Financial Assets of the Economy and more so because of the challenges in 'Capital Market' in our Country. In India, 'Bank Credit' forms a major part of External Funding for Corporate. In Public Limited Companies, Bank Borrowing Accounts for nearly 30% of External Financing and 20% of Total Financing. In Private Limited Companies, Bank Borrowing Constitutes 28.1% of External financing and 17.3% of total Company Financing.

To support the endeavouring effort of the Indian Economy and to sustain its High Growth Rate, it is imperative that Financing Constraints in any form be removed and 'Alternate Financing Channels' be developed in a Systematic manner for Supplementing 'Traditional Bank Credit'. While the Equity Market in India has been is one Source Finance, the Size of the Corporate Debt Market is Very Small in Comparison not only to 'Developed Markets', but also to some of the 'Emerging Market Economies' in Asia such as Malaysia, Thailand and China. A Liquid Corporate Debt Market can play a Critical Role by supplementing the 'Banking System' to meet the requirements of the 'Corporate Sector' for Long-term Capital Investment and Asset Creation.

BANKING

RISK BASED INTERNAL AUDIT OF BANKS

(Including Urban-Cooperative Banks: UCBs, Non-Banking Financial Companies: NBFCs)

Er. Sunil Dasari
Manager (Corporate Services)
Bank of Maharashtra, Pune

Reserve Bank of India (RBI) introduced a Risk Based Internal Audit (RBIA) System for selectNon-bank Lenders and Urban Co-operative Banks (UCBs). All Deposit-taking Non-banking Financial Companies (NBFCs), NBFCs with an Asset Size of Rs.5,000 Crores, and UCBs with an Asset Size of Rs.500 Crores will have to implement the system by March 31, 2022. RBI stated that this will enhance the efficacy of Internal Audit Systems and Processes followed by NBFCs and UCBs. The Central Bank had introduced RBIA for Scheduled Commercial Banks (SCBs) in 2002.

A sound internal audit function plays avital role in contributing to the effectiveness of the internal control systems of the Commercial Banks. The audit function should provide high quality counsel to management on the effectiveness of Risk Management and internal controls including regulatory compliance by the banks.

Historically, the internal audit system in banks has been concentrating on Transaction Testing, testing of accuracy and reliability of accounting records and financial reports, integrity, reliability and timeliness of control reports, and adherence to legal and regulatory requirements.

However, in the changing scenario such testing by itself would not be sufficient. There is a need for widening as well as redirecting the scope of internal audit to evaluate the adequacy and effectiveness of Risk Management procedures and internal control systems in the banks.

The implementation of Risk Based Internal Audit would mean that greater emphasis

Internal Audit would mean that greater emphasis is placed on the internal auditor's role in mitigating risks. While focusing on effective Risk Management and controls, in addition to appropriate transaction testing, the RBIA would not only offer suggestions for mitigating current risks but also anticipate areas of potential risks and play an important role in protecting the bank from various risks.

Under RBIA, the focus will shift from the present system of full-scale transaction testing to:

- ✓ Risk identification.
- ✓ Prioritization of audit areas and
- ✓ Allocation of audit resources in accordance with the risk assessment.

Banks will, therefore, need to develop a well-defined policy, duly approved by the Board, for undertaking Risk Based Internal Audit. The policy should include the risk assessment methodology for identifying the risk areas based on which the audit plan would be formulated. The policy should also lay down the maximum time period beyond which even the low-risk business activities/locations should not remain unaudited.

The Risk Assessment process should, inter alia, include the following:

- ✓ Identification of inherent business risks in various activities undertaken by the bank.
- ✓ Evaluation of the effectiveness of the control systems for monitoring the inherent risks of the business activities (Control Risk).
- ✓ Drawing up a Risk Matrix for taking into account both the factors viz., Inherent Business Risks and Control Risks.

The basis for determination of the level (High, Medium, Low) and trend (Increasing, Stable, Decreasing) of inherent business risks and control risks should be clearly spelt out. The Risk Assessment may make use of both Quantitative and Qualitative Approaches. While the Quantum of Credit, Market, and Operational Risks could largely be determined by quantitative assessment, the qualitative approach may be adopted for assessing the quality of controls in various business activities. In order to focus on areas of greater risk to the banks, an activity-wise and location-wise identification of risk should be undertaken.

The Risk Assessment Methodology should include, inter alia, the following parameters:

- ✓ Previous Internal Audit Reports and Compliance.
- ✓ Proposed Changes in Business Lines or Change in Focus.
- ✓ Significant Change in Management / Key Personnel.
- ✓ Results of Latest Regulatory Examination Report.
- ✓ Reports of External Auditors.
- ✓ Industry Trends and other Environmental Factors.
- ✓ Time-lapsed since Last Audit.
- ✓ Volume of Business and Complexity of Activities.
- ✓ Substantial Performance Variations from the Budget.

The precise scope of RBIA must be determined by each bank for Low, Medium, High, Very High and Extremely High-Risk Areas. However, at the Minimum, it must Review/Report on:

- ✓ Process by which Risks are Identified and Managed in Various Areas.
- ✓ The Control Environment in Various Areas.
- ✓ Gaps, if any, in Control Mechanism which might lead to Frauds, Identification of Fraud Prone Areas.
- ✓ Data Integrity, Reliability and Integrity of MIS.
- ✓ Internal, Regulatory and Statutory Compliance.
- ✓ Budgetary Control and Performance Reviews.
- ✓ Transaction Testing/ Verification of Assets to the extent considered necessary.
- ✓ Monitoring Compliance with the Risk Based Internal Audit Report.
- ✓ Variation, if any, in the Assessment of Risks under the Audit Plan vis-à-vis the risk based internal audit.

a. *How Banks Measure Credit Risk?*

Credit Risk Measurement: Credit Risk arises when a bank's borrower or counter-party fails to meet his obligations according to specified schedule in terms of predetermined agreement either due to genuine problems or wilful default. Banks are using Two broad Methodologies for computing their Capital Requirements for Credit Risk as per guidelines. First method is Standardized Approach and Second Method is Internal Rating Based Approach.

i. Standardised Approach (SA): The term standardized approach refers to a set of credit risk measurement techniques proposed under Basel Capital Adequacy Rules for Banking Institutions. Under the SA, the banks use a Risk-weighting schedule for measuring the Credit Risk of its Assets by assigning risk weights based on the rating assigned by the External Credit Rating Agencies.

ii. Internal Rating Based Approach (IRB): Under this Approach, banks are allowed to use their own estimated Internal Risk parameters calculating counterparties and exposures for the purpose of Regulatory Capital. Under IRB Approach, the accord has made available two broad approaches viz.

- ✓ Foundation approach and
- ✓ Advanced approach.

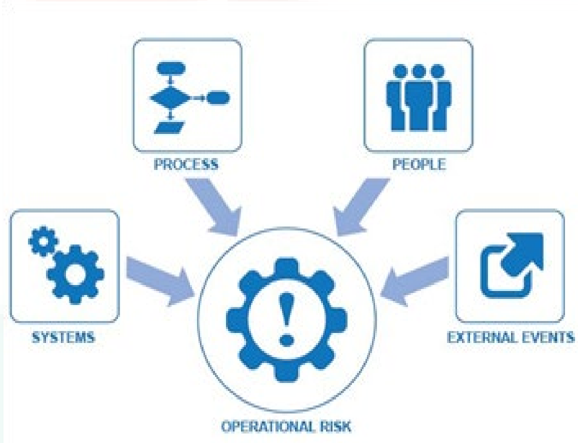
iii. Under Foundation Approach or Foundation IRB: F-IRB, as a general rule, banks provide their own estimates of PD (Probability of default) and rely upon supervisory estimates for other risk components. However, foundation approach is not available for retail exposures.

- ✓ For retail exposures banks are required to use their own estimates of the IRB Parameters Probability of Default (PD),
- ✓ Loss Given Default (LGD),
- ✓ Credit Conversion Factors (CCF) subject to approval of the banking regulator.

Then total required Capital is calculated as a fixed percentage of the Estimated RWA.

iv. Under the Advanced Approach or Advanced IRB: A-IRB, banks provide for more of their own estimates of PD, LGD and EAD (exposure at default) and their own calculation of Maturity (M), subject to meeting minimum standards approved by local regulator. Then total required capital is calculated as a fixed percentage of the estimated RWA. The IRB approach allows a very fine differentiation of risk for various exposures and hence delivers capital requirements that are better aligned to the degree of risks.

b. How Operational Risk is Measured?



Basel Committee on Banking Supervision (BCBS) has adopted a common industry definition of operational riski.e. risk of direct or indirect loss resulting from breakdowns in internal procedures, people, system and external events. Examples of operational risk are frauds, system failure, error in financial transactions, failure to discharge demand of contractual obligations due to insufficient funds etc. The revised BASEL framework offers the following three approaches for estimating capital charges for operational risk:

i. The Basic Indicator Approach (BIA): This approach is used to calculate operational risk capital under the Basel Accord. Banks using the basic indicator approach must hold capital for operational risk equal to the average over the previous three years of a fixed percentage of positive annual gross income. In case of annual gross income is negative or zero for any year that should be excluded from both the numerator and denominator while calculating the average. This approach sets a charge for operational risk as a fixed percentage of a single indicator which is also called alpha factor and uses the bank's total gross income as a risk indicator for the bank's operational risk exposure. The alpha factor is typically 15 percent of annual gross income.

ii. ***The Standardised Approach (SA):*** The standardised approach is a set of operational risk measurement techniques proposed under Basel capital adequacy rules for banking institutions which requires all banking institutions to set aside capital for operational risk into eight standard business lines. The capital charge for each business line is calculated by multiplying gross income of that business line by a specific beta factor assigned to eight business lines as below

- ✓ Corporate finance (18%).
- ✓ Trading & sales (18%).
- ✓ Retail banking (12%).
- ✓ Commercial banking (15%).
- ✓ Payment & settlement (18%).
- ✓ Agency services (15%).
- ✓ Asset management (12%) and
- ✓ Retail brokerage (12%).

iii. ***Advanced Measurement Approach (AMA):*** The Advanced Measurement Approach is a sophisticated approach used under Basel. The banks and financial institutions to use internally generated models to calculate operational risk capital requirement. The AMA leads to the suitable incentives to reduce exposure to operational risk. This approach allows the bank / financial institution to use internally generated models to calculate their operational risk capital requirements.

In India, at present the banks have been advised to adopt the BIA to estimate the capital charge for Operational Risk.

c. *How Market Risk is Measured?*

The 'Market Risk' is considered as an umbrella term used for multiple types of risk associated with adverse changes in market variables that include Liquidity Risk, Interest rate risk, Foreign exchange rate risk and equity price risk. Market risk causes substantial changes in income and economic value of banks. The Bank of International Settlements (BIS) defines market risk as "the risk that the value of 'on' or 'off' balance sheet positions will be adversely affected by movements in equity and interest rate markets, currency exchange rates and commodity prices". Basel Framework offers a choice between two broad methodologies in measuring market risks for the purpose of capital adequacy viz.

- ✓ The Standardised Measurement Method
- ✓ The Internal Models Approach (IMA)

i. Standardised Measurement Method: In January 2016, the Basel Committee on Banking Supervision (BCBS) published revised standards for minimum capital requirements for market risk (Standards). The Standards replace the existing requirements for market risk.

The Standardised Approach (SA) comprises three main blocks viz.

- ✓ The sensitivities-based method (SBM).
- ✓ The default risk charge (DRC) and
- ✓ The residual risk add-on (RRAO).

Each block covers specific types of risk that are relevant in the context of market risk. A risk charge is computed for each of the three blocks, the sum of which is the overall risk charge for market risk under the SA. No diversification benefits are allowed across the three blocks.

ii. The Internal Models Approach (IMA): IMA is the alternative methodology which allows banks to use risk measures derived from their own internal market risk management models. The permissible models under IMA are the ones which calculate a Value-At-Risk (VaR) based measure of exposure to market risk.

VaR-based models could be used to calculate measures of both general market risk and specific risk. As compared to the SMM, IMA is considered to be more risk sensitive and aligns the capital charge for market risk more closely to the actual losses likely to be faced by banks due to movements in the market risk factors. This method is subject to the explicit approval of the supervisory authority.

Outsourcing of RBIA:

Before entering into an outsourcing arrangement for risk-based internal audit, thebank should perform due diligence to satisfy itself that the outsourcing vendorhas the necessary expertise to undertake the contracted work.

The contract, inwriting, should at the minimum, specify the following:

- ✓ The scope and frequency of work to be performed by the vendor.
- ✓ The manner and frequency of reporting to the bank the manner of determining the cost of damages arising from errors, omissions and negligence on the part of the vendor.
- ✓ The arrangements for incorporation of changes in the terms of contract, should the need arise.
- ✓ The locations where the work papers will be stored.
- ✓ The internal audit reports are the property of the bank and that all work papers are to be provided to the bank when required.
- ✓ The employees authorized by the bank are to have reasonable and timely access to the work papers.
- ✓ The supervisors are to be granted immediate and full access to related work papers.

Conclusion:

Banking system plays a Central Role in every Country. The nature of banking business is inherently risky. Banks are the institutions of economic importance and plays an intermediary role between Savers and Investors. The short-term deposits are deployed for longer term, in financing activities/entities that are exposed to higher risks and banks also manage the Interest Rate volatility arising from Demand and Supply of Money in the Market. Supervision and Regulation of banks are necessary to limit the Risks assumed by Individual Banks and also to ensure stability of Banking System thereby protecting the Depositors and Promoting Investments. Knowing that Banks are supervised reassures both Markets and Depositors thus reducing the likelihood of Bank runs and other Forms of Financial Contagion.

RBIA should be designed as an independent input to Top Management of Banks which will assist the Management in better Risk Management by providing Checks and Balances in the System and also in identifying measures which are to be taken for Risk Mitigation and Identification of areas of Potential Risk.

RBIA may be implemented as an addition to the existing Internal Inspection/ Audit and Banks can progressively consider phasing out of Regular Internal Inspection/ Audit.

BANKING

ANATOMY OF RISK

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Introduction

The revolutionary idea that defines the boundary between modern time and the past is the mastery of risk: the notion that the future is more than a whim of gods and that men and women are not passive before nature.' (Peter L. Bernstein). The human quest for ways and means to put the future at the service of the present has led to understanding of risk,measuring risk, and weighing its consequenceand learning to leverage risk taking, to drive the modern society converting the 'future from an enemy into an opportunity'. The key driver of economic system is ability to manage risk and having appetite for taking on risk to make forward looking choices.

Definition of Risk

What cannot be measure cannot perhaps be manged effectively. To measure risk with precision one need a precise definition of risk for identification of risk which would precede the measurement. Besides, defining risk objectively in a language understood uniformly in the whole of the organisation without ambiguity and confusion is a precurs or to creation of a vibrant risk culture driving the work force towards maximisation of value creation by effective management of risk. Absence of clear and consistent organisation - wide definition of risk has been found to be the root cause many issues and crisis in the realm of risk.

The Oxford English Dictionary defines risks as follows; 'a chance or possibility of danger, loss, injury or other adverse consequences 'and the definition of at risk is 'exposed to danger'.

Common perception of risk is possibilities of something bad happening! This perception is extremely limiting and negative too! However, if we look at the Chinese symbol of risk it would be found that it comprises both danger and opportunity. A definition of risk may be derived from this symbol. Risk is possibility that bad or good things might happen. This is perhaps the most widely accepted definition of risk in the context of risk management.

ISO Guide 73(ISO31000) has defined risk as 'effect of uncertainty on objectives. An effect is a deviation from expectation be it positive and/or negative. Objectives may be related to finance, health & safety, and environmental goals. Objectives can apply at different levels e.g., strategic, organization - wide, project, product and process. Risk is often expressed in terms of a combination of the consequences of an event (including changes in circumstances) and the associated likelihood of occurrence.

Institute of Risk Management defines risk as the combination of probability of an event and its consequence. Consequence can range from positive to negative. Institute of Internal Auditors defines risks as the uncertainty of events occurring that could have an impact on the achievement of the objectives. Risk is measured in terms of consequences and likelihood.

Institute of Internal Auditors defined risk as the uncertainty of an event occurring that could have an impact on the achievements of objectives and risk is measured in terms of consequences and likelihood.

'Risk can also be defined as the volatility of unexpected outcomes which can represent value of assets, equity and earnings'2.

A definition of risk is inherent in COSO (The Committee of Sponsoring Organisations of Tread way Commission) definition of ERM (Enterprise Risk Management) which is as follows: "ERM is a process, affected by an entity's board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives." Three distinctive elements are discernible in definition of risk inherent therein viz., an element of uncertainty, an element of future and risk has both upside and downside. Management of both upside and down side in tandem is the key mantra of risk management.

Risk is perhaps best defined by focusing on risk as events as defined under ISO 31000 and the definition provided by the Institute of Internal Auditors. Risks to materialise an event must occur. Focus on events provide greater clarity to risk and risk management process.

Value effectiveness of risk management gets amplified if it is perceived as the means to reduce the probability and impact of bad risk events alongside increasing the probability and impact of good risk events. It may be pointed out that focusing only on the downside might lead to upside myopia leading to loss of potential opportunities truncating the dynamism inherent in risk! A team playing to win will definitely perform better than those playing to avoid losing! Managing only the down side might also be perceived as regressive management of events based on experiences gained out of past crises relegating emerging opportunities! While focusing strictly on the downside is debilitating, focusing on both upside and down side of risk would be empowering and beneficial for organisational success.

Dimensions of Risk

Two basic ingredients of risks are uncertainty and exposure. In the absence of uncertainty risk is null. A man jumping from aeroplane from high altitude is risk less in as much as there is certainty that he would die. But a man jumping out with a parachute has risk of survival depending on the probability of the parachute opening or not opening in time. With no exposure the risk is again null. If one does not invest in shares he has no exposure to equity market and he is not subjected to equity price risk.

In academic parlance risk and uncertainty have close but different connotations. Uncertainty means unknown probabilities. In three card game “Flah”, the players betting blind without seeing their cards are grappling with uncertainty while others betting after seeing their cards, are having probabilistic hunches of possible adversarial or favourable events. The latter players are in risk situation. Risk means one has some guess/estimate of probabilities of possible outcomes while in uncertain situation there is no such ideas. Uncertainty emanates from ‘known unknowns’ and ‘unknown unknowns.Uncertainty is the stateof deficiency of information pertaining to understanding or knowledge of, an event, its consequence, or likelihood.

‘Future is the playing field of risk’. Risk relates to future only! ‘Had there been no tomorrow there would be no risk!’ What has already happened is history and risk there is null. Published price index data point to historical inflation while future expected inflation is pointer to general price risk the consumer might face. While taking financial/business decisions having outcomes in future for factoring in price risk the expected future inflation would be relevant and not the current inflation rate.

We too often focus more attention to past crisis and past mistakes and devote lesser time in creative thinking about what might happen in future! The past does not govern the future. One cannot drive in the highway looking at the rear mirror only ignoring the unfolding perils/ eventualities in the way ahead which perhaps are more important for safe driving! Past may at best be an unreliable forerunner of the future! Hindsight is not foresight. Many has been fooled by history! In grappling with risk vison should be focused to the present and imagination extended to future. Past cannot be changed but efforts should be directed towards better management of the future.

Many regards risk as something to be eliminated and avoidable nuisance altogether. But it may be argued that better ability to manage risk vis-a-vis the competitors might enable an entity to create better and greater values! Therefore, if one is better than others at managing specific risks, he should take on more risks to its advantage.

Present day world, systems have been turning into more and more complex mesh of tangled relationships and inter dependencies leading to increasing incidence of black swan events and rendering it virtually impossible to forecast with a reasonable accuracy even ordinary events. While grappling with risk it would wiser to be in readiness to mitigate the impact of low probability -high impact events when occurring instead of attempting to anticipate them. Predicting major changes is almost impossible. In taking risk we bet on an outcome resulting form our decisions without knowing with certainty what the outcome will be.

Risk is associated with randomness. Price of an asset, cash flows from a project, share prices etc., fluctuate over time in nondeterministic/random manner which often give rise to deviations from the expected levels. Risk is perceived as possible deviations from the expectations. Popularly standard deviation is used to measure risk in business and finance. The standard deviation represents square root of the sum of squared variations around the expected value. This risk metric works well in cases where the possible variations in values of the variable whose variations entailing risks forms a defined pattern known as 'Normal Distribution'. In case of normal distribution about more than 99% of the possible values congregate within a distance band of plus and minus three times the standard deviation around the expected value, popularly known as three sigma (3σ) limit! However, the changing patterns of most of the financial/ economic variables do not follow this distribution. Therefore, use of this statistic as risk metric wouldnot always be error free. We are now in the midst of increasing systemic interconnectedness and complexities.There are continuous arrivals of exotic new financial products having complex risk- return configurations and cash flow structures. Besides, more frequently occurring technological disruptions have been accentuating the volatility of the risk factors bearing complex nonlinear temporal pattern and spatial interrelationship. In this backdrop use of standard deviation alone as the risk metric might lead toserious over or under valuation of risk.

Galaxy of risks

Risk may be considered to be related to opportunity or loss or presence of uncertainty for an entity. Risk can be categorised in various ways. Each Organisation adopts risk classification system relevant to its activities, operations and purpose. Although there is no universal system of classification of risk meeting the requirements of all organisations, many classification systems offer common or similar structure. There are many debates over Risk and risk management terminologies. However, there is no right or wrong classification of risks as long as it befits the risk management objectives and strategies of an institution. Some risk classification systems have been outlined below. These classifications are illustrative but not exhaustive.

Firms in the business face various types of risks. The firms facing the risksmay be divided into two broad categories viz., business and non-business risks. Business risks are assumed willingly to create competitive advantage to generate value for the stakeholders. Business risk includes risks entailed in business decisions taken by the entity and risk posed by the business environment in which the entity operates. Business decisions include investment decisions, product expansion choice, marketing action plans and strategies and choice of organisational structure. Business environment risks includes risks posed by macro economic conditionalities and its dynamics and intensity of competition in the business domain. Non-Business risks include financial risks and other risks. While financial risks mainly comprise market, liquidity, credit and operational risks other risks category includes Reputational risk, regulatory, political etc., risks.

Risks may relate to opportunity, loss or uncertainty. ISO Guide 73 (ISO 31000) has divided risks into three categories viz., Hazard (or pure) Risks, Control (uncertainty) Risks & Opportunity (or speculative) Risks[4]. Certain risk events can only impact negatively. These are hazards or pure risks. Risks involving uncertainty of outcomes are in control risk category. Uncertainty may be associated with the benefits / losses that might emanate from project execution. Risks assumed by choice to earn a positive return may be considered as opportunity or speculative risks.

Some practitioners[3] have classified risks into three categories viz., Preventable Risks, Strategy Risks and External Risks. While Preventable Risks arise from within the firm with no strategic benefits, Strategic Risks are assumed for superior strategic returns. External Risks are uncontrollable risks but attempt need be made to reduce impact cost in the eventualities of risk crystalizing. Preventable Risk need be eliminated or avoided in a cost-effective manner. Strategy Risk need be cost effectively mitigated reducing likelihood and impact cost.

With the passage of time with technological change, reconfiguration of the production relations and consequential socio economic and geopolitical transformations risk galaxy tend to expand with emergence of new species of risks. As per the findings of Global Risk Perception Survey (vide Global Risk Report 2021 - World Economic Forum) climate related risks (including extreme weather, climate action failure and human-led environmental damage), digital innovation triggered disruptions leading to digital power concentration/ digital inequality and cyber security breaches would be among the highest likelihood risks of the next ten years. The impact of risks on account of spread and outbreak of infectious diseases is likely to be the highest in the next decade. Impact wise other significant risks to follow wouldbe climate action failure and other environmental risks, weapons of mass destruction, livelihood crises, debt crises and IT infrastructure breakdown[5].

Positive approach to risk and risk management enables organisations to attain improvements in following three main areas: Smoothening of operations with reduced numbers of disruptions, increased process effectiveness and evolving more efficacious strategies to reap opportunities.

The options available to respondto risks facing an entity are to tolerate/assume risk, or to treat/mitigate/control the risk, or to transfer the risk or to terminate/ avoid the risk.

The premise of modern portfolio theory is that there exists a trade-off between risk and return. This meansthat given all other factors being equal potential return rises with an increase in risk implying that for earning greater profits higher risk has to be assumed.

Different entities exhibit different attitude towards risk. While some may be risk averse some others may be risk aggressive. Some may also be risk neutral. The attitude towards risk would depend partly on the attitude of the individuals/ Board members as also sector and nature of market and its dynamics in which the business operates. Risk aversion is the tendency to prefer outcomes of lesser uncertainty notwithstanding lower return/ benefits/costs associated therewith. Risk aversion is the trait of preferring loss avoidance over profit making. Risk neutral entities tend to exhibit insensitivity towards risk. Risk neutral entities consider just the expected return associated with available choices/options oblivious of risk associate with each.

Conclusion

Risk taking is unavoidable for any business! Organisations take risk to create and deliver values to the stakeholders. But risk taking cannot go on unbridled. Therefore, there need be some limit/ threshold for risk taking to be decided by the Board. Risk appetite statement defines and delineates the aggregate level and types of risks an organisation would be willing to assume within its risk capacity to achieve its strategic objectives and business plan. The risk appetite framework forms an integral part of corporate governance, strategic planning, and decision-making.

Occurrence of uncertain events are not possible to guess but their impacts when they eventually occur, are not. Effective risk management would enable entities to mitigate the impact of bad outcomes while reaping the maximum benefits out of positive and favourable outcomes.

More often risk is perceived to have been caused by factors beyond control! Occurrence of risk events are attributed to process failure, chance, catastrophe, ill fate, random acts of God etc. There is no denial that these do cause the risk events to occur but these seldom are really the root cause of risks. People either individually or as a group are mostly the root cause of risk. As people are complex biological entities complexity is by implication may also be an attributable root cause of risk! Grappling with risks thus involves dealing with people and complexities which require a different mindset in terms of empathy, complexities and sociological factors. However, there exists no single principle to follow wherein people are in focus! People sometimes tend to act stupidly. 'It is perhaps not possible to fix stupidity!' The systems design can help to make the system as robust and resilient as possible against failures. But the perfect hedges are only in Japanese garden!

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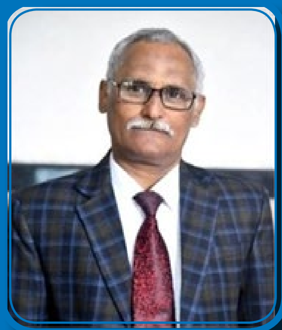
BANKING

CAN A BOOST IN EXPORTS IS A DRIVER FOR INCLUSIVE ECONOMIC GROWTH?



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In this article, the author would like to present an overview of some of the measures that will be required to follow relentlessly for the next five to ten years to increase the exports from India to achieve inclusive growth.

The structure of the Indian economy changed in 2021

According to the MoSPI data, the structure of the Indian economy has witnessed significant changes in the last seven decades. From an agriculture-based economy in 1951, now India has become a service-sector-based economy in 2021. (MoSPI, 2021) [1]. This has called for the emphasis on export activities.

Sector	Contribution to GDP (In%)	
	1951	2021
Primary Sector	56.4	21.8
· Agriculture	48.6	20.2
· Others	6.0	1.6
Secondary Sector	15.0	24.3
· Manufacturing	11.4	14.4
· Construction	3.3	7.2
· Electricity and Gas	0.3	2.7
Tertiary Sector	28.6	53.9
· Financial Services and Real Estate	9.0	22.0
· Trade and Transport	11.0	16.5
· Public Administration, and Other services	8.6	15.4

Source: Ministry of Statistics and Programme Implementation (MoSPI, 2021) [1]

An increase in exports will be achieved only by emphasizing the Manufacturing sector

It is observed that the share of the primary sector (especially, agriculture) has been gone down considerably. At the same time, the share of the tertiary sector (especially, the services) has increased significantly across all kinds of services. The concern here is stagnating share of the manufacturing sector. This needs to be addressed and the exports may be one of the corrective measures in this context.

It is much required that the share of the manufacturing sector needs to be increased by having supportive fiscal (stimulus) and non-fiscal measures (exports). With the maximum forward and backward linkages, this sector when flourished will help other sectors to grow. In the post-Covid fiscal year, only the Agriculture sector was seen as 'positive' (in terms of growth). Indeed, this is a good sign for the economy, but will not be enough to achieve growth. The growth will occur only through the creation of jobs (employment), and hence should be manufacturing-based under current circumstances. It must be noted that manufacturing creates employment for all kinds of workforce whether they are unskilled, semiskilled, or skilled. In this context, it may be stated that making the manufacturing sector stronger not only will increase its capabilities but also will help the sector to come out of its hibernation (Mukhopadhyay, 2021) [2]. It will also address the problem of what to do with surplus manpower that is coming out of agriculture and going into services.

Strengthening the Economy [by increasing International Trade]

In the last two decades, the Indian economy has shown significant progress. Thanks to the 'liberalization policies of 1991'. During this period, the GDP (gross domestic product) has increased almost 33 times. In simple words, we can say that the GDP has grown from Rs. 5.86 lakh crore in 1991 to Rs. 197.5 lakh crore in 2021. The transformation in this context requires increasing the quantum of international trade and increasing the intensity of international cooperation. Judicious use of FTAs (Free Trade Agreements) will enable India to maintain a choice of export destinations. Here, India can learn and take a leaf from Vietnam, which has signed FTAs with bigwigs like the European Union and China (Vietnam, 2021) [3]. Besides this, an increase in the exports of selected products will be advantageous to the country. In this context, interactions with industry associations will result in a suitable plan of action. An example in this context will be a recent press release by PHDCCI. The president of PHDCCI mentioned that the chamber proposed a plan that enlists about 75 potential products. These are from nine sectors, including agriculture and minerals, and are targeted at different markets as export commodities. These markets are the US, Canada, Germany, France, UK, Japan, UAE, China, Mexico, and Australia. These will be focused in the next six years to achieve the goods export target of $750 billion by 2027 (PHDCCI, 2021) [4]. Strong government intervention and support are needed to accomplish the said target.

In this context, measures such as strengthening the export activities and establishing export-oriented manufacturing units are suggested by the EEPC (Engineering Export Promotion Council). Some of the suggestions to increase the export orientation of the country are reproduced herewith (AIC-EEPC, eds., 2020) [5]. Some of them are:

- Increase the export of manpower (both the semi-skilled as well as skilled). This is required given the 'protectionist approach' adopted by developed countries such as the US, the UK and others.
- In the post-Covid era, change the focus of export to destinations such as countries that are not affected or less affected. For India, it is required to explore this possibility, and accordingly, diversify the exports to such destinations.
- India needs to create a more foreign investor-friendly atmosphere that will absorb the companies moving out of China due to Covid-19 and related disturbances.
- Considering the increased use and acceptance of e-commerce across the globe, India should make a policy and declare it as a priority sector for foreign investment. This will include a clause about minimum export obligation (for the company).
- Considering the large numbers of SMEs (small and medium enterprises) in India, giving incentives to them for technology adoption may be thought of. This will enable them to explore global markets and contribute to exports when realizing any revenue out of it. This will also enhance their credibility, by improvement in their productivity.
- Another thought here is India assisting companies to embrace technologies and export using digital ways (online). It is essential to support emerging Indian startups that are working in domains such as green chemistry, green economy, artificial intelligence, machine learning, blockchain, and using the same to provide education, or protect the environment, or ensure better health.

Taking the advantage of the Vibrant Demography [Inclusive Growth]

To have inclusive growth, the domestic market has to grow along with exports. It is required to increase domestic consumption as well as exports. India with its 130 crores population is a huge market for a diverse range of products and services. The growth of financial services and real estate will entirely depend on domestic consumption.

It is required that various state governments should make efforts to support and promote these sectors. A suitable policy that caters to their needs will be required. In this context, it is good to think of ODOP (One District One Product) approach. This approach was recently adopted by Agriculture Ministry, Government of India (Agriculture, 2021) [6], and Uttar Pradesh State Government in different contexts (Uttar Pradesh, 2020) [7]. Rural economy when developed further will provide a boost to the various rural markets (across the country) and also exports.

The Agriculture Ministry used this approach to identify different fruits and vegetables across the country and accordingly mapped the industry activities benefiting them. The government of Uttar Pradesh has utilized this to identify specific products for each district in the state. Based on the same, they supported and facilitated (product) manufacturing activity locally. These district-wise products identified may be suitably evaluated for their export readiness. Accordingly, the manufacturing units will be established and supported under suitable schemes.

To summarize, the authorities must design and implement policies that will make the 'manufacturing sector' more 'Atmanirbhar'. This will happen when the 'Make in India' will take the shape of 'Make in India for the World', and the exports will play a key role here. To become a manufacturing hub of global trade, it is required that exports should be demand-oriented than the traditional supply-oriented. By understanding the demand of others, India can create, establish, and promote itself as a trustworthy and quality base as a 'one-stop sourcing country' for global trade.

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BANKING

RISK AVERSE BANKS SURVIVE, LENDING BANKS LAST LONG

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"Banking Industry is a service industry; It should serve others before it serves itself."

Banking has been an integral part of life. As empires expanded, the concept of 'Collection Centres' evolved to collect taxes and distribute wealth. Coins of precious gold and silver were issued.The temples were the earliest banks as the same were headed by Priests, whom king and the commoner, trusted alike as embodiment of honesty, integrity, trust and truthfulness. Lack of steel safes and residential security , forced people to keep coins in the temple basements. At the instructions of coin owners, the priests started circulating coins to the needy people on loan and collected back with interest in the shape of larger number of coins.This saga of operations through a third party trust gave birth to banking.

Initially the banking was very fragile. The kings and the mighty frequently took away the savings of people from priests to utilise in aspirational wars and ostentatious constructions of forts and rarely returned the funds back. This lead to search for a legal umbrella to fix answerability and sanctity to banking.

Banks came and vanished since Roman Empire in Europe. The earliest functional legal edifice to envelope the banking system in its protection and work as a transparent financial watchdog, shaped in 1907 with the setting up of the Federal Reserve in the USA. US was richest nation holding 75% of world's gold.

The Federal Reserve established deposit Insurance to instil confidence against bank failures from frequent dacoities which emptied banks to the brink of failure.With World War 2, the busy US factories grew in size and consumed large scale of finance from banks to meet enhanced demands. Loans were repaid with interest as per sanction terms stabilising the system of recycling of funds. This reverberated into a big blast growth for the banks which became trusted destination points for depositors and borrowers across world. The banking industry has not looked back thereafter.

A world without banks is inconceivable because they are so visible. A walk down the majestic Mainzer Landstrasse, the banking street of Frank-furt, with imposing tall buildings carrying name plates of 136 banks or a stride around the BKC and Nariman Point banking lanes of Mumbai gives an impression of omnipresence of banks. Bank's elated poise in towers reflects aura and invincibility. Many aspiring economists dream to work as bankers.

Ironically, the reality is very distant from the perception of reflected grand stature of Banks worldwide. Banks have become risk averse. Banks are more fragile than ever before slipping on a quarter to quarter basis after the implementation of Basel III accord and imposition of 90 day norm for asset classification. The banks are not able to maintain a pure equity as replacement fund for risk weighted loans. Similarly if the loan is not serviced by the borrower in 90 days, banks are unable to write-off a portion of loan due to low profits in the P&L account towards provision.

State owned banks have been booking losses quarter on quarter and writing off the same by debiting their share premium account. Most of the Indian banks in private and pubic sector have failed in their business model. Due to fear of default, a policy procrastination has set in acute es-calation of cost of operations as overheads are heading northwards. Bankers are contented to subsist on 3.35% interest income out of reverse repo operations by investing funds in RBI rather than lending to public.

Government has permitted 100% Foreign Direct Investment in NBFC sector as compared to 74% in Banks, resulting in neutralising the ad-vantage of cheaper liquidity of CASA enjoyed by banks.

Pensioners are shifting funds to high yielding NBFC products, stock market, gold and real estate. High inflation has confirmed the fears of zero or negative interest income on deposits a reality, leaving interest surviving senior citizens wondering, the utility of banks in their lives.

The lucrative business of remittances has been taken away by the payment intermediaries like Paytm and Google Pay, leaving a big hole on the P&L of banks under the non interest income as well. Leading NBFCs are ahead of banks in channel financing and bill discounting on domestic and export front on e-trading platforms disbursing loans within minutes of uploading the invoice by Corporates.

A cheaper alternate white label ATM market owned by private sector, has brought down the Bank income from ATMs and made their expansion unviable. Number of ATMs is coming down due to poor viability.

Rating Agencies have replaced banks in ascertaining net worth of borrowers. Banks depend on external rating for all loans above Rs.5 crore, ignor-ing their internal credit rating system which is reduced to a mere pricing tool for loans. Overt use of CRISIL rating by banks has chased out cash spinning MSME who are flocking to NBFCs generating remunerative non fund based income as well.

Grey market price of single share of payment intermediary Paytm is Rs. 22,000, SBI Rs.430 and Blue chips HDFC, Axis and ICICI around Rs.3000, revealing disenchantment with sluggish performance and bleak long term viability of banks.

The colossus write-offs of impaired assets has been passed on to depositors by reducing interest rates on deposits. Banks cross subsidise their losses by charging for ledger folios, cash counting, cheque books, ATM transactions and account statements.

Banks incentivise Recovery Agents abdicating laws of persuasive debt monitoring. People wonder whether bankers are really competent to lend. Banks are mobilising deposit and loan accounts through agents and do co-lending where loan is given by a bank in alliance with external agency that performs duediligence and followup on a profit sharing basis. The decimating role of bankers in various facets of banking is of their own making.

On top of callous surrender of banking activities, the worst is high suscep-tibility to frauds due to carelessness, impacting safety and morale of stake holders. Bankers are clueless in protecting safety standards of their deliverables which fail to safeguard and mitigate day-to-day operational risks. The hastily innovated internet banking continues to heap miseries from hackers. The banks have become a soft target for fraudsters and with deposit insurance cover being low, Banks are no more first priority for investing large savings.

Given the scenario, banking is losing sheen and yielding space to non banking players. It appears headed towards catastrophe. Agile alternate players are targeting its CASA by selling the concept of zero interest pre-funded wallets for online payments. Fintech agencies have also commenced paying loan EMIs, LIC premium, utility bills, children fee and credit cards through wallets which do not carry any SLR or CRR compliances and costs. Once further CASA is lost, Banks will lose deep pockets forfeiting lending margins.

It is time to standup and vindicate the trust by stretching fully to save public from clutches of smart, risky and unsafe competition. Let Bankers empathise, strategise, arise & awake. Let the operational efficiencies create pull values to bring customers back laughing to the bank and make the towers taller. Otherwise, the skyscrapers across the world would become banking museums in the next fifty years.

“People no longer accept the things they can’t change, they change the things, they can’t accept.”

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INDIA EQUITY OUTLOOK - "THE RETURN OF MANUFACTURING AND REAL ESTATE CYCLE"

CMA Dhiraj Sachdev
Managing Partner &
Chief Investment Officer,
Roha Asset Managers

After a strong rally over the last one year, we believe corrections in Indian markets will be short lived and not very meaningful, given that demand or growth is firing across almost all sectors and coming back to pre-covid levels. This will lead to strong corporate earnings growth in the 2nd half of FY 2022 and also for the full year of FY 2023. We expect value including the likes of capital goods & engineering, utilities, manufacturing sector, select PSUs will continue to get recognised in terms of relative undervaluation. Incidentally, earnings of capital goods companies are at cyclical lows and can improve significantly as capex cycle picks up.

Corporate capex or investment outlook is definitely looking up again after many years of continuous decline. Now this is driven by PLI linked investments, commodity up-cycle and growth in emerging segments like data centres. New capex or investments are being done in sectors like Cement, Oil & Gas, Autos, Pharma, Consumer Electronics and Chemicals.

The other interesting part is real estate cycle is coming back after multi year lows, largely contributed by lucrative interest rates of 6.5-7%. Work from home gaining prominence or improvement in hiring or salary hikes in IT sector will have a positive rub-off on demand in real estate sector. As such, we expect unsold inventory to recede with higher volume sales before.. real estate prices also start appreciating. And it is a given that, when real estate sector revives, it creates multiplier effect on the economy - be it cement, steel, pipes and other building products including generation of employment. So we are positive on residential demand though commercial space will still take some time to come back.

The only challenge business is facing is not on the demand side, but on the rising raw material or cost side of the equation or supply chain disruption including logistic and freight challenges. This may probably have temporary negative impact on the margins of corporate sector in the near term. Though firms with pricing power and ability to pass-on cost hikes are better placed.

So, the structural foundation of this bull market is very much on with low interest rates and earnings revival despite near term cost pressures. Though, some pockets of market are no longer cheap and one needs to be selective and increase tenure of holding period to expect reasonable returns. Hence, buy and hold approach in portfolio makes sense to take advantage of the beginning of a very secular growth in the economy.

We also do not expect China's bust of its largest real estate developer will have any major contagion effect except that it may slowdown its growth. There is a higher probability that China can manage this situation. Nevertheless, India will be a favoured investment destination within EM space, so any panic reaction in market ideally should be bought into.

Which sectors should be preferred and what should be the portfolio strategy?

Relative preference should continues towards investing in growth companies with resilient earnings in sectors such as agriculture (which includes crop protection companies/farm equipment) and pharma (though one needs to be selective here). Speciality chemicals (that are building blocks for agro-chemicals, pharma or flavors & fragrances that are in the consumer category) also has good earnings momentum backed by import substitution and contract manufacturing. Besides, we like engineering & capital goods, real estate, housing finance, cement - that is a a good proxy to infra and housing investment. We also like digital platform or select technology companies in cloud migration services. In addition, there could be beneficiaries on govt's ethanol blending programme. In general, emphasis should be to own companies that will benefit from long term sustainable structural changes led by import substitution and thrust on local manufacturing, ongoing digitisation wave, shift from unorganised to organised sector, increased automation, renewables and green technology. Covid disruption has clearly accelerated shift from weaker unorganised players in favour of more organised larger players to capture market share gains.

Capital Goods/Manufacturing - Time has come in the manufacturing sector driven by government's PLI scheme of close to Rs 1.97 lac cr over the next 5 years. Besides, the sector is driven by other factors like anti-dumping duty adopted locally, while China + 1 strategy being adopted globally. Govt's thrust on import substitution is likely to play out well over the next many years through raising of anti-dumping duty or providing production linked incentive (PLI) scheme. This may benefit sectors such as electronics, medical devices & mobile phone manufacturing, autos, chemicals, metals and even defense.

Real estate cycle is coming back after multi year lows, largely contributed by lucrative interest rates of close to 6.5-7%, work from home gaining prominence or even driven by salary hikes in IT sector.

As such, we expect unsold inventory to recede with higher volume sales before real estate prices also start appreciating. And it is a given that, when real estate sector revives, it creates multiplier effect on the economy - be it cement, steel, pipes and other building products including employment. So we are positive on residential demand while commercial space will still take some time to come back.

Public Sector (PSU) - If what is planned as part of overall reforms, such as setting up of an Asset Restructuring Company, Monetisation of assets, Privatisation, Divestment & providing liquidity support to power Discoms is implemented well, then we could see revival of PSUs and its efficiency. They have been traditionally undervalued for many reasons including poor capital allocation or loss of market share to private sector etc. But looks like, value of their ‘real” assets may finally get recognised. But again, one needs to be selective, as certain PSUS may enjoy monopoly with good capital efficiency, while some may still have rel stress in balance sheets.

Specialty chemicals is another area we have invested given continued business shift from China due to pollution control norms or expected China+1 strategy to have India as an alternate supply source. Huge amount of capex (almost over 4,000 - 5,000 cr over next 3 years) is happening in this space which is an indicator of growth prospects of speciality chemicals business led by expansion. Besides, specialty chemicals are the building blocks for pharma, personal care (like flavors/fragrances) and agro chemicals that are in the essential and sustainable growth category. However, chemicals can be commodity or industrial chemicals while others may be specialty. Commodity chemicals too are witnessing abnomal margins due to Chinese supply curtailment or due to supply chain issues - it is difficult to say whether it is sustainable or not, but near term earnings momentum for commodity chemicals looks very strong. However, specialty chemicals in niche products and applications in pharma/agro including other applications are the ones we prefer given their better character of business.

Banks and Financials - A few months back, we were cautious on the sector given uncertainty on sustaining good asset quality with lockdowns in covid period. However, Pandemic-induced pain so far on asset quality has been lower than expected. Larger conservative Banks and NBFCs have already done front-loading of provisions and have guarded well against anypotential risks due to covid stress on their borrowers. While disbursements have started to pick up, we are not sure if gross npa will continue to trend down for certain segments in some segments of sme or micro finance. However, we are quite positive on housing finance companies on the back of strong real estate demand, low interest rates and better asset quality. Overall valuations in the sector are in favor.

Technology - The Covid pandemic chas significantly accelerated the shift to digital. Many companies are yet to make the transition to a fully digital operating model and have only digitalized select functions. Some verticals like like travel, aviation, retail may witness IT budget cuts but cloud migration appears to be a multi-year opportunity as cloud journey for enterprise clients have just started. Deal pipeline announced by IT companies appears to be in a strong momentum and these include some large transformation deals. Areas of growth include cloud, SAAS, eR&D services, cyber security. So the sector is witnessing one of the best period of growth rates. The only challenge IT sector currently faces is of attrition and higher salary costs.

Cement - Cement sector came out with strong earnings growth and we expect the up-cycle to continue on improving volume and pricing. Cement volumeshad double-digit growth in the past few months driven by rural housing and govt infra projects. Volume momentum has been improving month on month and across business segments (whether retail or institutional segment) and across geographies. There is also improved pricing scenario while. Prime Minister Aawaz Yojna will see acceleration of construction of affordable housing across grameen and urban areas. The good part of cement business is that sector is cash flow generating v/s EPC companies in infra sector that is working capital intensive with poor cash flows. Hence, we like cement as a proxy to India's infrastructure sector.

We have invested in agriculture related companies that produce farm equipment liketractors and crop protection companies. Again, we expect their earnings to sustain good growth.

Infra - As L&T has pointed out that infra spend opportunity can be as high as $50bn every year to be contributed from both private sector as well as govt post the pandemic period. So far, Order inflow, especially in roads / water and in metros have been good and more is expected to come with increased govt spending on defense, airports and roads. As mentioned earlier, we like cement as a proxy for infra segment. Within EPC players, we are selective and prefer those who have better cash flows, lower WC cycles and execution capability.

Metals - We are seeing commodity prices on a good uptrend both for ferros and non ferros metals. This is on the back of global stimulus, weaker dollar and china's import of industrial commodities due to their massive infra spend. Though reduced credit risk by Chinese authorities can create some element of slowdown in metals demand. Lower iron ore prices on improving supplies can be positive for non integrated steel producers. But overall we are in the late stage of price cycle for steel and risk reward may not be as favorable as a year back. So, its better to prefer non-ferrous players like aluminium where price and demand outlook may be better. Example, light weight vehicle may be preferred to reduce emission with increased usage of aluminium.

Autos we expect personal mobility like 2 wheeler & cars will again have a sharp recovery with pent up demand and preference to avoid public transport. Even small pick-up trucks that carry fruits & vegetables had started to grow , thanks to online delivery or e-commerce. Besides, Heavy commercial vehicle had also begun to show early signs of a sharp recovery. However, the sector may have to deal with input cost pressures and semi conductor shortage in the near term. So we are watching this situation closely before going overweight on the sector. Would rather prefer fleet owners with freight revenues given freight rates have gone up - so more of a logistics play as a preference v/s OEM auto manufacturers.

Pharma companies have done exceptionally well particularly those operating in API space, Select chronic therapies andcomplex generics. This is due to partial supply shift from China and pricing improvement. So companies who supply to regulated and unregulated markets are expected to continue the momentum… given global market size is fairly huge. But one has to be selective as in few cases if not all, pricing and margin improvement may not sustain due to raw material cost pressures. Nevertheless, broad structural long term growth story for pharma remains intact. Besides, even those operating in domestic market of prescription driven drugs are witnessing strong growth in respective brands along with new domestic launches.

Renewable and Green Energy - there are many businesses that one can chose from - like engineering companies that provide machinery to produce bio-fuel to even sugar companies that may benefit from ethanol blending programme. Besides, select listed companies that are in EV value chain may also benefit. So we believe this is a long term structural theme that may improve earnings of many companies in the green energy eco-system.

Textile sector will certainly benefit from PLI scheme and human rights issue in one of the chinese province that is a textile zone. So whether its the yarn or home textile manufacturer, demand outlook appears to be strong. So it finds a tactical allocation in our funds given that longer term, the sector has issues of relatively lower ROCEs.

Avoiding - There are pockets of froth and expensive valuations in market as well and its worth avoiding them. Hotels despite being one of the open up trade, suffers from poor ROCE profile. Similarly, while infrastructure sector hold promise, its a tender business with lack of pricing power and higher working capital intensity that restricts cash flow growth. One has to be selective in this space.

One should also avoid IPOs that are priced expensive or avoid buying growth at any price. Its better to buy growth companies that are reasonably priced.

Given India's economic growth is expected to revive sharply with core sectors of manufacturing and real estate coming back after decade of pain period, we see bull phase of market to continue with greater durability. Ignore correction or fear of heights and invest in equities with a long term view.

Happy Investing

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MOMENTUM VS CONTRARIAN

CMA Soumit Das
Chief Mentor
Financial Goal Achievers
Financial Planning
Risk Management
Wealth Creation Solutions

The debate of Momentum vs Contrarian is common in investment circles, which divides the investor fraternity based on their Financial Behaviour. Momentum and Contrarian are two types of Investment Strategies associated with Equity Investing. While Momentum investing is a method that attempts to take advantage of the most recent market trends, Contrarian investing takes the opposite approach. Market Contrarians invest on the premise that the most recent market conditions aren't realistic, and therefore they make investment decisions that deviate from the general direction of the markets.

Investors generally take decisions on the basis of their Investment Objective, Risk Appetite and Investment Horizon. While Investment Objective may be common among Investors, Risk Appetite and Investment Horizon are largely different, depending on their Age, Life Stage, Business, Job or Profession, Financial Responsibilities, Lifestyle, Savings & Investment Track Record etc. These factors influence the Financial Behaviour of Investors and eventually their Investment Choices. Stock Market Prices are influenced by Market Valuations, Market Sentiments and Market Cycles. Investors should plan their Investment Strategies accordingly. Investors must answer the following questions to make profitable Investments:

- ✓ What to Buy?
- ✓ At What Price to Buy?
- ✓ How long to Hold?
- ✓ When to Exit?

Momentum

Momentum investors aren't afraid to jump on the bandwagon and invest in the most popular securities of that time. When Internet technology stock prices were reaching new highs in the mid-

1990s, the companies went year after year without earning profits. Momentum investors didn't base their decisions on the companies' profits, and instead continued to invest because Internet stocks were making investors quick money. By 2000, as soon as the ride for these stocks was ending and prices began falling, momentum investors took that cue to sell shares until the next fad came along.

Momentum investors believe that 'Trend is a Friend'. In general, a trend is the broad upward or downward movements of stock prices. Upward movements are called as uptrends, while those which move lower are said to be downtrends. Momentum investing broadly refers to capturing the 'trend in movements of stock prices' and going along with general opinion of the market with an underlying belief that prices are true reflection of investors' reaction to the publicly available knowledge. At its core, momentum-based portfolio is constructed believing that, investments that have performed relatively well, will continue to perform relatively well and those that have performed relatively poorly, will continue to perform relatively poorly. Momentum is the tendency of investments to exhibit persistence in their relative performance. It is about riding an established trend.

Momentum Investors look for stocks with high momentum. Stocks are selected based on their Normalized Momentum Score which is determined based on its 6-month and 12-month price return, adjusted for its daily price volatility. Normalized Momentum Score (NMS) is computed as under:

Momentum Ratio (MR) = Price Return ÷ Standard Deviation

Z Score (ZS) = (MR -Mean of MR^) ÷Standard Deviation of MR^

Average 'Z Score' of 6 and 12 months is normalized and top stocks are selected.

In the prevailing market conditions of Low Interest Rates and High Liquidity, some of the stocks which have shown strong momentum in the Indian exchanges in recent times are Infosys, TCS, Wipro, Mind Tree, HDFC Bank, ICICI Bank, Bajaj Finance, Avenue Supermarts, Tata Steel, Hindalco Industries, Vedanta, JSW Steel, Asian Paints, UPL, Deepak Nitrite, Adani Ports, Adani Enterprises, Apollo Hospitals, Divi's Laboratories etc.

Contrarian

Contrarian investing involves hunting for stocks that are seemingly not trading up to their value potential. While a mainstream investor sees little value in such stocks or financial security, and consequently avoids the investment like the plague, a Contrarian investor recognizes a diamond in the rough and thinks he is getting a bargain. When investing in metals produced a loss for investors in 2004, while the broader stock market produced gains of 8 percent, Contrarian investors who identified an opportunity would have chosen to invest in metals. By the following year, profits for such Contrarian investors were more than 30 percent.

Contrarian Investors seek to identify stocks whose prices are low relative to their historic performance, earnings, book value and cash flow potential. They try to capture special situations. They are flexible in moving across market capitalisations to explore attractive investment opportunities. Warren Buffet said that "A great investment opportunity occurs when a marvellous business encounters a one-time huge, but solvable problem." Special situations are unique situations that companies may face from time to time. These situations present an investment opportunity to an Investor who can foresee and interpret the implications of that opportunity. This style of investing is a bottom-up stock picking style because the core of its investment strategy is identifying companies in special situations which requires rigorous 360 degreestock research. Special situations may arise due to

- Temporary Crisis in a. Company b. Sectors c. Economy
- Government Action / Regulatory Changes
- Global events / uncertainties

A case in point is stock of Hindustan Unilever, which gave 0% Return for a period of 6 years between 2000 and 2005. However, it became a multi-bagger and gave 1297% Return between 2006 and 2019.

In the prevailing market conditions which is witnessing Economic Recovery, Growth in Corporate Earnings, Low Interest Rates and High Liquidity, some of the stocks which have created enormous Value and Wealth for Investors in the Indian exchanges in recent times are Sun Pharmaceuticals, Bharti Airtel, Infosys, HCL Technologies, Info Edge India, Axis Bank, ICICI Bank, Hindalco Industries, Tata Steel, Carborundum Universal ITC, NTPC, ONGC, Mahindra & Mahindra, Tube Investments of India, Max Financial Services, HDFC Life Insurance etc.

Stocks are not merely pieces of paper or electronic quotations on a computer screen, but partial ownership interests in real businesses. Investors must have an obligation to themselves to thoroughly analyse the underlying business and its prospects before purchasing a stock. The facts must be studied in light of established standards of safety and value. Shareholders should never forget that they are owners of a business and not merely owners of a quotation on the stock ticket. Managements are stewards of stockholder money and these are four important ways in which management may fail to act in the best interests of shareholders:

- Failure to pay dividends commensurate both with earnings and the value of the stockholders' equity
- Use of stockholders' money in a relatively unprofitable manner
- Use of stockholders' money to buy back their stock at an inadequate price

- Maintenance of a holding company set-up in the face of the fact that the shareholders would be muchbetter off if they owned the underlying assets directly

Investors should be mindful of these aspects before entering a Stock or while holding it in their Portfolio.

Equity is a Risky Asset Class, as Markets are the Slave of Earnings, which in turn depends on various Macro and Micro factors that influences the business of the company both in the Short Term as well as the Long Term. What is Risk?

One will get different answers depending on whom, and when, one asks. In 1999, risk meant making less money than someone else. What many people feared was bumping into someone who was getting richer than them by trading dot-com stocks. In 2003, risk meant that the stock market might keep dropping until it wiped out whatever traces of wealth one still had left.

Risk is losing money. Losing some money is an inevitable part of investing, and there'snothing one can do toprevent it. But one must take responsibility for ensuring that they never lose most or all of their money. Risk exists in another dimension: inside us.At the peak of every boom and in the trough of every bust, Benjamin Graham's immortal warning is validated constantly:

"The investor's chief problem — and even his worst enemy — is likely to be himself."

Give thought as to what kind of investors you are. Being able to understand yourself would go a long way in making the right decisions. Enterprising or defensive? Investor or speculator? In case you think you are both, here's some words of advice: Never mingle your speculative and investment operations in the same account, nor in any part of your thinking. Investing isn't about beating others at their game. It's about controlling yourself at your own game. By developing your discipline and courage, you can refuse to let other people's mood swings govern your financial destiny. In the end, how your investments behave is much less important than how you behave.Investing is not an emotional undertaking. It's analytical and unemotional, which is why it should be approached like any other business. You look for value where others don't see it and take advantage of that. Fear and greed will cause investors to bid up the prices of stocks to nosebleed levels or push them tounreasonably low levels. Don't react. Stay focused on your research and investment thesis. Get swayed by cold, hard facts, not emotion.

When investing in stocks, volatility comes with the territory. The behaviour of stock prices departs radically from the stock's intrinsic worth. Prices respond vigorously to any significant change in either current earnings or short-term earnings prospects. Both favourable and unfavourable situations are part of any normal long-term picture and both should be accepted without undue excitement. Price fluctuations have only one significant meaning; they provide an opportunity to buy wisely when prices fall sharply and sell wisely when they advance a great deal. Consequently, Investors should view downturns as great buying opportunities, since that is the time when the market insists upon offering a stock at considerably less than it's indicated true value. Investing with a margin of safety is what is referred to as the "central concept" of investing. It is the difference between the fundamental, or intrinsic, value of the stock and the price at which the stock is trading. The aim isto pay less than the real value. In other words, purchase assets at a rate below the valuation of the business because it offers a safety net in case the evaluation of the business was wrong or if the business falters. By refusing to pay too much for an investment, Investors minimize the chances that their wealth will ever disappear or suddenly be destroyed. Imagine that an Investor finds a stock that he thinks can grow at 10% a year, even if the market only grows 5% annually. Unfortunately, heis so enthusiastic that he pays too high a price, and the stock loses 50% of its value the firstyear. Even if the stock then generates double the market's return, it will take you more than 16 years to overtake the market- simply because the Investor paid too much, and lost too much, at the outset. The greater the margin, the more leeway the investor has for negative conditions or unforeseen events beforehe loses money. The greater the margin of safety, the less risky the investment. Conversely, a stock that trades close to or above its intrinsic value offers almost no margin of safety. And buying without a margin of safety,is no better than mere speculation.

Price of a Stock, is the Discounted Cash Flow of its future Earnings. Accordingly, Price to Earning Ratio or PE ratio is an important indicator to justify the Market Price of a Stock. Investors should evaluate the PE multiples, before entering a Stock at a given Price and his estimated Holding Period by end of which he wishes to Achieve his Target Price.

Raamdeo Agarwal of Motilal Oswal in his Wealth Creation Study 2020, has made interesting observations:

- Time is a friend of good companies and enemy of bad companies. In 25 years, successful companies grow to unimaginable levels in sales, profits and market cap.
- Of the top 500 companies listed in 1995, only 100 companies have outperformed the benchmark over the next 25 years.
- Stock returns are slaves of earnings power and growth. In the very long run, valuations matter less.
- The future always holds a lot more promise. Over 50% of current market cap is made up of listings post 1995.
- Equity investing is complex. A checklist is an excellent tool to bring discipline to the process.

Over the last 25 years from 1995 to 2020 the following Stocks have emerged as undisputed Winners:

- Infosys is the Fastest Wealth Creator, with Price CAGR of 30%
- Reliance Industries is the Biggest Wealth Creator, with INR 6.3 trillion Wealth Created
- Kotak Mahindra Bank is the Most Consistent Wealth Creator (It has outperformed the benchmark in 21 out of 23 rolling 3-year periods)

- Kotak Mahindra Bank is also the Top All-round Wealth Creator (All-round Wealth Creators rank is arrived at by adding up the Fastest, Biggest and Consistent ranks)

Motilal Oswal's investment philosophy is captured in the acronym QGLP– Quality, Growth, Longevity, at reasonable Price. They are briefly explained as under:

- Quality of business x Quality of management
  - ✓ Stable business, preferably consumer facing
  - ✓ Huge business opportunity
  - ✓ Sustainable competitive advantage
  - ✓ Management team with integrity and competence
  - ✓ Healthy financials & ratios
- Growth in earnings
  - ✓ Volume growth
  - ✓ Price growth
  - ✓ Mix change
  - ✓ Operating leverage
  - ✓ Financial leverage
- Longevity of Quality & Growth
  - ✓ Long-term relevance of business
  - ✓ Extending competitive advantage period
  - ✓ Sustenance of growth momentum
- Price
  - ✓ Reasonable valuation, relative to quality and growth prospects
  - ✓ High margin of safety

Warren Buffett, one of the most highly visible stock market investors, has helped to promote the Contrarian investment style. One of his famous sayings is, "Be greedy when others are fearful, and be fearful when others are greedy." Professional money manager Richard Driehaus, who started his own investment firm in 1982, helped to promote Momentum investing. His strategy is the opposite of Buffett's, as Driehaus advocates buying high-priced stocks and waiting for prices to rise higher before selling for a profit. One of Driehaus' popular quotes is, "If there's a large move on significant news, either favourable or unfavourable, the stock will usually continue to move in that direction."

Both the Momentum and Contrarian investment strategies have underlying risks associated with them. Contrarian investors look for financial securities that appear to be treated unfairly by other investors. The primary risk facing Contrarian investors is that they misread an investment's potential and the financial security they invest in actually further declines ahead, not gains. For Momentum investors, the greatest risk is that they enter a position too late because a financial security has already seen its best days. In that case, instead of continuing its climb the stock price would head in the opposite direction, leaving the Momentum investor with a financial loss.

In the conclusion, Momentum and Contrarian Investment Strategies should not be seen as water tight compartments. Investors should refrain from cult following of these Strategies. They should remain flexible in adopting the most suitable strategy based on their Market Outlook. The same Stock may be picked up by both the Momentum and Contrarian investors, at different points of Time and at different Prices. Given Warren Buffett's aversion to Gold, market watchers were understandably surprised when news hit last year that Berkshire Hathaway has invested in Barrick Gold, paying around $560 million for about 21 million shares of the major gold miner. As professional Investment Advisors, we should not be biased by either Momentum or Contrarian Investment Strategy. We should advice Clients a Strategy, or a combination of both the Strategies based on the Client's Investment Objective, Risk Appetite and Investment Horizon, to ensure they Achieve their Financial Goals.

Source and Reference: *'The Intelligent Investor' by Benjamin Graham, Motilal Oswal Financial Services, UTI AMC and ICICI Prudential AMC.*

Disclaimer : The Stocks mentioned in this article are only for the purpose of understanding the concepts and should not be construed as our recommendation. Financial Investments are subject to Market Risks. Please consult your Financial Advisor before Investing.

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REVERSE MORTGAGE

Shri Sudhakar Kulkarni
Certified Financial Planner

Due to increasing longevity of life and low mortality, the number of senior citizens is increasing globally and India is no exception to it. As per the last census (2011) the percentage of senior citizens to total population is about 8.3% and annual growth is around 3%. By 2025 it is expected to rise up to 13% and total senior citizens population is likely around 113 million. In case of middle and higher middle-income family's major chunk of income is spent on home loan repayment, children education and very little amount is left for investment and also due to lack of awareness about retirement planning sufficient retirement corpus is not accumulated by the time of retirement.

As mentioned above there is significant increase in longevity and low mortality, on the other hand cost of good health care facilities are ever increasing and there is very little social security. Senior Citizens find it difficult to meet the two ends since having no regular cashflow stream for supplementing pension/other income.

For most Senior Citizens, the house is the largest component of their wealth and this is not liquid asset but can come to theirrescue by using Reverse Mortgage (RM) facility.

Concept of Reverse Mortgage

In RM facility the Senior Citizen who is owner of the house mortgages the house property to a lender, who in turn makes periodic payments/one-time lumpsum payment to the borrower(s) during the latter's lifetime. The Senior Citizen borrower is not required to repay the loan during his lifetime and therefore does not make monthly repayments of principal and interest to the lender. On the borrower's death or on the borrower leaving the house property permanently, the loan is repaid along with accumulated interest, through sale of the house property. The borrower(s)/heir(s) can also repay or prepay the loan with accumulated interest and have the mortgage released without resorting to sale of the property.

Key Features of Reverse Mortgage:

1)Applicant: Must be Senior Citizen of India above 60 years of age.

Married couples will be eligible as joint borrowers for financial assistance. In such a case, the age criteria for the couple would be at the discretion of the lender, subject to at least one of them being above 60 years of age and the other not below 55 years of age.

2)Collateral: A borrower mortgages the property as collateral to a bank or any financial institution which issues loan to the borrower based on the valuation of the property.

3)Payment: Against the mortgaged self-occupied house property the senior citizen is eligible to receive fixed periodic (monthly, quarterly, annually or lump-sum) payments from the bank at applicable rate interest rate. Unlike a home loan, the borrower is not required to make monthly payments towards interest and principal to the bank.

4)Property valuation: The mortgaged property's market valuation is done by the lender's valuer based on the demand for the property, current rates, price fluctuations and the condition of the house. The lender devalues the pledged property every five years and increases the quantum of loan if the valuation rises gradually. The house property should have residual life of at least 20 years.

5)Occupation: Under the Reverse Mortgage scheme, the owner (borrower) of the property must stay in the mortgaged house as a primary residence during the tenure of the mortgage loan while he or she continues to receive periodic payments.

6)Loan amount: Loan amount can be up to 80% the valuationof the property however maximum monthly payment available under this loan scheme is up to Rs. 50,000, and the maximum lump-sum payment to be made is 50 per cent of the total loan amount with a cap of Rs 15 lakh. But the house owner house should keep paying all the taxes related to the property, insure and maintain it as their primary residence. The loan amount increases gradually as the borrower receives payments and interest accumulates on the loan.

7)Loan tenure: The maximum loan tenure is between 10 to 15 years. However, can be extended up to 20 years in case of need (At the discretion of the lender). On completion of tenure the lender will not make any more payments, but the borrower can continue to stay in the house still either of the spouse is alive.

8)Interest rates: Generally, Interest rates are 1 to 1.5% more than the prevailing home loan interest rates but differ from bank to bank. However, the interest is not to be paid by the borrower since it differed to the end of the loan tenure.

9)Obligations: The mortgaged property's owner is obligated to keep paying property taxes, insurance-related funds, and maintain the property in good condition. The borrower can face foreclosure and lose the property if he does not stay in the house for more than a year, defaults on tax payments, becomes bankrupt, rents out the house for income generation. Borrower cannot carry out measure structural changes in the property without the consent of the bank. The payment either periodic or lumpsum should not be used for any speculative purpose such as investment in real estate/shares/mutual funds/gold or gambling.

10)Prepayment of Loan by Borrower(s): Borrower has option to prepay the loan any time during the tenure and will not have to pay any charges for prepayment.

11)Settlement When and How: A Reverse Mortgage loan becomes due when both the borrower and the spouse die, or if the borrower chooses to sell the property. In case of death, first right to take possession of the property goes to legal heirs and accordingly lender approaches them to settle the total dues however if legal heirs are unwilling/unable to settle the total dues, the lender recovers the amount from the sale proceeds of the property and if any amount (surplus) left after the recovery of total dues is paid to the legal heir.

12)Taxation: All payments under RML are exempt from income tax under Section 10(43) of the Income-tax Act, 1961.

If and when the house is sold whether by the lender or the senior citizen himself or the legal heirs, the transaction comes within the definition of transfer and is taxed accordingly. It is taxed in the hands of the senior citizen if he is alive and in the hands of legal heirs if the borrower has passed away. Please note that if the borrower or his legal heirs pay up the outstanding balance under the under the scheme, there is not tax liability in such situation, as there is no transfer of house yet.

13) Provision for Right to Rescission: As a customer-friendly gesture and in keeping with international best practices, after the documents have been executed and loan transaction finalized, Senior Citizen borrowers may be given up to three business days to cancel the transaction, the "right of rescission". If the loan amount has been disbursed, the entire loan amount will need to be repaid by the Senior Citizen borrower within this three-day period. However, interest for the period may be waived at the discretion of the lender bank.

14) Advantages of Reverse Mortgage:
A) Enables house-owning Senior Citizens having inadequate income to meet their financial needs for renovation/repairs to house, medical & other personal purposes.

B) The borrower continues to retain ownership of the house.

C) In the absence of social security for Senior Citizens, RML serves as a partial substitute.

D) A borrower does not have to repay a RML during his or her lifetime or till such time he or she continues to stay in the house.

E) Amount availed under a RML may be utilized for any purpose other than investing in shares, real estate, trading etc.

14) Disadvantages : The product has a high interest rate and is slightly expensive than the normal home loan.

Longevity issue: The loan tenure is usually not beyond 15 years. For instance, if a 60-year-old opts for RML scheme for 15 years, and outlives the tenure, the lender will stop paying periodic payments

Fixed pay-out: In case of an emergency, the pay-outs cannot be increased.

Reverse Mortgage is one of the most

misunderstood financial products in India and is difficult understand.

15) Shortcomings of Reverse Mortgage Facility: The concept of Reverse Mortgage was introduced in India 2007 but it still not known /popular this is mainly because banks are somewhat reluctant to consider this loan. Senior citizens are also attached to the property and don't want take loan at older age. Monthly payment receiving out of reverse mortgage loan is also quite low. (Rs. 262/per lakh per month for loan of Rs. 1lakh with 15 years tenure). Instead selling of property and shifting to rented house/small house or to different location proves more beneficial.

Example: Mr. Mitra (age 60) is having house property with in Noida and the current market value Rs.100 lakh. With a loan-to-value ratio of 80 per cent, he is eligible for a reverse mortgage loan of Rs 80 lakh. If he opts for reverse Mortgage Loan it means he will have to repay Rs. 80 lakh to the bank, at the end of 5, 10 or 15 years, respectively for which he is availing the loan i.e. how long he wants to have the monthly instalment coming to into his account, subject to his being eligibility. Current interest rate for RML is 9% p.a. as such he will get approximately Rs. 105280 per month for five years. Mr Sharma will receive monthly payouts of Rs. 41040 or Rs. 20985 in case the contract is for 10 years or 15 years, respectively, however maximum permissible monthly payment under this RML facility is Rs. 50000 hence if he opts for 5-year tenure he will get monthly Rs. 50000 and not Rs. 105280.

In short, we can say the facility is very useful to those who don't want depend on their children or those who don't have the children in the old age.

INSURANCE

EFFICIENCY OF INSURANCE INDUSTRY IN CLAIMS SETTLEMENT

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Claims settlement is the moment of truth for the insurance industry. In every activity small or big, there comes a moment which can be labelled as the “moment of truth”. For instance, when we sit-down to eat the moment of truth would be when food is served in the required quantity and taste. In a production department it would be if goods are produced in sufficient numbers time and .quality. In an examination it would be when the results come out. In insurance the settlement of claims is the moment of truth.

Insurance is a contract to indemnify, i.e. pay in the event of a loss occurring to the person insured by an event named in the policy. Unlike contracts for purchase of physical goods where one can get an idea of the nature of the item to be brought, insurance is only a promise by the insurance company i.e. the insurer. This promise would be tested when a claim for a loss is lodged by the insuring person i.e., the insured. How efficient is the insurer at claim settlement, this is the ultimate test of performance for the insurer.

ASPECTS OF EFFICIENCY OF CLAIMS SETTLEMENT: What would one expect in terms of efficiency in claim settlement?

1) Claims Admissibility;

One aspect would be the admissibility of the claim. This is a reflection of the clarity of the terms and conditions given in the insurance policy document which the insurer gives. Like any field, insurance also has a well-developed jargon which a layman would not be aware of, or could understand it in a different sense altogether.

It is a common complaint heard from people insuring that documents are lengthy and very detailed, making it difficult to read. The insurers on the other hand, have a grouse that people who take insurance do not bother to read the policy documents and this results in disputes. Invariably people tend to believe that having taken an insurance policy they would be able to get any kind of loss compensated. They do not know that there are specific policies for different types of losses and that the policy which they have taken may not cover all eventualities.

Whatever be the case, there is a responsibility on the insurer to make the policy wordings simple and also convey to the person ensuring what it actually covers before he takes the insurance.

2) Speed of Claims settlement;

Every claimant would like to get compensated for their loss at the earliest. This therefore is an important indicator of the efficiency of the insurer. Of course there are certain types of insurances which can be settled quickly once the insured cooperates and completes the requirements. But there could also be certain types of claims which could take a long period because of the inherent nature of the claim. All said and done, speed of settlement of claims is a very important factor in determining the efficiency of the Insurer.

3) Quantum of claim payment;

There are certain types of insurances where the amount to be paid in the event of a loss is predetermined, but there are certain other types of claims where the amount to be paid is done based on an assessment of the loss. A large number of Non-Life Insurances come within this group. Often there are disputes which are frequently resolved through discussions. However some cases get carried to other for a for dispute redressal.

ACTUAL PERFORMANCE:

HOW has the industry as a whole and individual Companies fared with regard to these three aspects? For analysis, data has been sourced from IRDAI Annual Reports, IBAI Handbook and information available in public domain. The latest information available and used here is for the year ended March 2020.

There are thirty three general insurance companies. Of these, two are specialized insurers- Agriculture Insurance Company and ECGC. Of the balance thirty one, five are exclusive Health Insurance companies. The rest twenty six are composite insurers, ie., they do all types of insurances. Four out of these are Governed insurers while twenty two are private sector insurers.

The number of claims handled by the insurers vary. It is dependent on the type of business as well as the volume of business done by the companies. The top ten insurers in terms of claims handled is given in Table 1. It can be seen that there is a major difference in numbers of claims handled even among the top ten. As one goes down further in the list, the variation further accentuates.

Table 1

Sl. No.	Insurer	Number of Claims FY 2019-20
		Total Claims (In lakhs)
A	B	C
1	National	62.13
2	New India	61.22
3	Bajaj Allianz	59.37
4	United India	55.26
5	Oriental	38.22
6	Reliance	21.12
7	ICICI Lombard	20.90
8	HDFC Ergo	16.02
9	Tata AIG	12.72
10	IFFCO Tokio	11.70

With the background now set, the purpose of which was to give an insight into the insurance industry as well as the number of claims, further analysis would reveal how the industry has performed with regard to claims settlement.

Claims settlement ratio of around 85% may not be a bad proposition. As was mentioned earlier, not all claims are simple. Some are complicated requiring detailed assessments to be made. Then there are legal cases which depend on the speed with which awards are given by Courts.

* Apparently, the bulk of claims paid are done quite fast. IRDAI figures indicate that bulk of the claims paid are within three months. Column E of Table 2 shows that most insurers have shown good performance. The number of claims settled within three months of intimation as a percentage to the total number of claims is an indication of how quickly claims are dealt with.

Table 2

S.No.	Insurer	Claim Settlement Ratio FY 2019-20		
	Industry average (85.18)	Settlement ratio on paid basis	Total No. of Claims	Percentage of claims settled in< 3 months
A	B	C	D	E
Private Sector Insurers				
1	Acko General	74.63	198,239	93.49
2	Bajaj Allianz	89.85	5,937,076	98.61
3	Bharti AXA	81.01	337,569	92.17
4	Cholamandalam MS	72.80	350,304	91.47
5	Edelweiss General	82.11	9,208	99.72
6	Future Generali	79.70	291,842	93.34
7	Go Digit	83.20	196,111	99.65
8	HDFC Ergo	90.30	1,601,507	99.8
9	ICICI Lombard	80.40	2,090,422	96.93
10	IFFCO Tokio	92.50	1,170,277	81.67
11	Kotak Mahindra	77.33	51,466	98.62
12	Liberty	82.17	254,832	97.84
13	Magma HDI	75.33	86,371	95.4
14	Navi General	80.95	12,913	98.7
15	Raheja QBE	30.79	1,351	30.29
16	Reliance	76.17	2,112,195	98.16
17	Royal Sundaram	89.29	637,427	97.75
18	SBI General	89.50	796,577	97.84
19	Shriram General	66.42	306,915	87.53
20	Tata AIG	84.52	1,271,513	92.82
21	Universal Sompo	80.17	196,543	22.14
	Subtotal	85.29	17,910,658	
Public Sector Insurers				
22	National	80.41	6,213,322	45.37
23	New India	93.60	6,121,906	91.99
24	Oriental	91.51		

INSURANCE

STRATEGIC COST MANAGEMENT : A KEY IMPERATIVE FOR INSURANCE SECTOR

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The Perspective

Today's unforgiving economic climate confronts insurers with a multitude of challenges. The low interest environment, greater price transparency and customer cost consciousness, sweeping regulatory changes, and lack of growth perspectives are just a few. As a result, the profitability of Insurance players is currently barely above the cost of equity. Costs are emerging as a key factor for competitive advantage.

Insurance is one of the most regulated industries in the world. Also, there are multiple players which offer every type of insurance. As a result, the competitive pressures are very high. This ensures that the insurance companies are not able to charge exorbitant premiums. Almost every insurance company across the world is a price taker and not a price maker. This means that they are forced to sell insurance at a price prevailing in the market. Hence, these companies can only become profitable if they control costs.

Understanding Cost Drivers

It is important to understand the main drivers of costs in the insurance industry :

Complexity

Complexity in the insurance industry refers to the fact that the same company can have several brands and can offer several different products. For instance, insurance companies use different brands to sell life insurance and general insurance products. It has been observed that insurance companies that offer the widest variety of products tend to have the highest percentage of costs. This is because they have to advertise separately for each brand. Also, they tend to have separate sales channels for different brands.

Back Office Operations

Back office operations are a major cost element in the insurance industry. All policies that are purchased need to be verified and entered into a central system. Similarly, every claim also needs to be verified and logged on in a central system. There are lengthy processes which need to be followed each time. This means that the insurance business is prone to a lot of paperwork and administrative processes. These processes are important from a risk mitigation point of view. Hence, they cannot be overlooked. However, since they form a major chunk of the costs, any company that is able to streamline these processes has an obvious cost advantage.

Technology

Digitization has been the latest buzzword in the insurance industry. Insurance companies have discovered that by using digitization, companies can reduce their costs by a large amount while simultaneously improving customer service. However, for this to be possible, it is important that the information systems are streamlined and up to date. Information systems tend to be extremely important. This is because these systems indirectly drive employee productivity as well. Updated IT systems end up reducing back-office costs. However, they also reduce the time required for an insurance company to take any new product to market. This gives insurance companies the first mover advantage and allows them to corner the market before more competitors come into the market.

Maximizing Profitability by Understanding Costs

Plan based on underwriting profits, losses, premiums, claims and reinsurance. Project future underwriting income and all other outcomes on the P&L. Determine true costs by analyzing direct, indirect and activity-based costs, and identify which products and operations are generating or consuming resources.

Allocate Resources Intelligently : While preserving currencies and exchange rates, drive allocations across multiple dimensions to align cost and planning drivers like new volume, retention rate, average premium, acquisition cost and average claim cost. Pivot data by business division (commercial, channel) and department (marketing, finance), see true costs and profits at any level and rejig resources and strategy accordingly.

Pricing is no longer a cost-plus game: Learn about the new factors that are impacting insurers' pricing strategies, profit realizations, and ability to compete. Insurers must effectively adapt to new technological, market, and consumer complexities with better, more dynamic pricing if they want to maintain competitive advantage in the insurance industry. Here's why: There is increased price and value transparency. A fast-growing collection of price and feature-comparison websites empowers consumers to compare and contrast hundreds of insurance products by price, value, and benefits. These sites are also educating consumers on how to more effectively match a product choice with their unique needs and willingness to pay, as are insurance brokers.

New technology disruptors are enabling new pricing models. Big data, the Internet of Things, and predictive data analysis tools are giving insurance companies an advanced and broad ability to design usage-based and other innovative pricing models; draw data from new, external sources and estimate risk or consumer willingness to pay, buy, or churn more accurately; and more accurately identify—during the underwriting phase—those applicants likely to commit fraud.

Consumers are today more informed and sophisticated. As prices have become more transparent, consumers are increasingly open to new propositions based on different variables—such as security, mobility, and different types of coverage—and these propositions require new, dynamic pricing structures

Curb business complexity: We consistently find that reducing business complexity is a key lever for reducing costs. One insurer stringently limits their product and process complexity, and supports this with a streamlined IT platform (industrialized processes with a high level of automation, high standardization of business logic across channels and lines of business). This strong standardization makes them one of the best life insurers. Operations costs per policy were half the median, and IT costs just a quarter.

Optimize the operating model and leverage digital : Another vital key to cracking the cost issue is to optimize the operating model. This requires a holistic examination of the operating model, including processes, location footprint, supporting technology, employee skills, sourcing, and organization and governance structures. There is no "one size fits all" solution – what optimization means will inevitably depend on the context. One insurer consolidated all their existing operating units in one central location to gain economies of scale, while another created six global centralized operating units to have a location – optimized footprint and be close to local business units. By digitizing its insurance processes, another insururer managed to reduce claims regulation costs by 20 to 30 percent, processing costs by 50 to 65 percent, and processing time by 50 to 90 percent - and at the same time to improve customer service

Cultivate Performance Management: To reduce costs sustainably, insurers need to embed cost consciousness and continuous improvement into their culture – a one-off program will not suffice. A sustainable performance management approach means simultaneously changing mindsets and behaviors, defining new performance metrics and targets, designing new processes, and establishing performance dialogs – all of which need to cascade between hierarchy levels. In today's world of bundled pricing and shared services, insurance organizations must actively manage profitability and accountability across products, customers, regions, and channels. The result is highly structured and often overly complex allocations

Appropriate Cost Allocation Methodology: The complexity of expense allocations for the insurance industry is expected to increase, given the importance of indirect costs, the diversity of insurance products, the high level of intermediation in the distribution process, and the regulatory push for granularity and transparency.

Insurance companies should take a fresh look at their allocations processes and systems through a dedicated assessment project and evaluate if updated capabilities and practices would be right for them. In today's insurance industry, managing allocations effectively and efficiently is no longer simply a "nice-to-have" capability—it's essential for survival.

An allocation framework, including cost pools and drivers, must be developed holistically with organizational consensus and an appropriate governance model. When firms approach the allocation process, they should consider the following framework:

Philosophy: Allocation process goals must align with business goals.

Methodology: Consistency and governance must be more important than trying to achieve precision for cost allocations.

Drivers: Various statistics and metrics used to push down expenses must be clearly defined and obtained.

Systems and tools: Tools and technologies used must be scalable and efficient.

Reporting: Reports and the output of the allocations framework facilitates better decision-making.

Roles and responsibilities: Roles and responsibilities should be clearly defined, documented, and understood.

Automate key processes: Insurance companies can significantly reduce administrative costs by automating some of the processes associated with underwriting, payments, and claims, among other areas.

- ***Underwriting:*** Underwriters can take advantage of digital data processing power, allowing them to collect and analyze policyholder information with the click of a button. Whether you outsource or implement your own data analytics software, automation frees up the time underwriters need to focus on the more complex tasks, such as developing creative solutions to knotty problems that require human consideration.

- ***Payments:*** Automated payments create a positive customer experience and improve the likelihood of consistent, timely payments. Additionally, digital reporting lifts the burden from multiple teams (e.g., accounting, customer service, collections), who are often stuck with tedious tasks involved with generating and mailing bills, processing checks, and manual reconciliation.

- ***Claims:*** Claims are an especially exciting area where automation is benefiting insurers and policyholders. Options can include online First Notice of Loss (FNOL) forms, data collection, fraud detection, and digital payments. Because claims is such a high-impact touch-point in the customer journey, improving efficiency through automation can significantly affect retention and persistency.

Cultural Shift: In theory, many companies have a strategy to reduce cost and improve productivity. However, more often than not, that strategy is at odds with the ingrained practices and attitudes of the company's culture. Insurance companies should infuse a cost management strategy mindset into its organization's culture and its mission to drive profitable growth. An organizational cultural shift demands buy-in from senior management to set the right tone at the top, a talent pool that's aligned with the company's focus and direction, and most importantly, a cost management strategic plan that takes "bad" costs out of the business to allow for investments in capabilities that further the organization's business imperatives.

Conduct an Efficiency Study: With a cost management strategy in place and a plan to invest in the right technologies, an important next step is to prune the organization of "bad" costs through an efficiency study. The objective of the efficiency study is to identify: Areas where financial resources are being directed that aren't germane to the company's strategic capabilities, Functions and processes that aren't being managed in the most efficient and cost-effective manner possible, including potential duplication of efforts

An efficiency study is akin to a health checkup and can be broken down into four phases:

- ***Phase One:*** An efficiency study usually starts with a KPI benchmarking analysis of the peer group and the industry's most efficient performers to identify lagging indicators requiring closer examinations, the associated risks, and formalization of an improvement plan that's aligned with the organization's strategic priorities.
- ***Phase Two:*** The second phase involves a deep dive into business processes to identify areas to improve productivity as well as a scrutinization of expense line items. The key output of this phase includes the identification of redundant tasks and opportunities to execute tasks more efficiently and reduce overall effort, where possible. Another key output of this phase is the identification of quick wins—opportunities to eliminate or reduce expenditures, e.g., renegotiate service contracts or take out to bid, without sacrificing quality or adversely affecting the organization's value proposition.
- ***Phase Three:*** Phase three involves thoroughly reviewing the findings with the management team and developing a timeline and implementation plan to embed the findings in the organization.
- ***Phase Four:*** The fourth and final phase requires organizational discipline and involves a periodic evaluation of implementation activities to assess whether findings are being implemented appropriately in accordance with the agreed-upon timeline

Conclusion

The cost structure at most insurance companies is driven by four major factors, i.e. the size of the company, geography, product lines and the sales channels used. However, this traditional structure does not take into account individual factors. For instance, motor insurance companies provide almost the same quote to two drivers if they use their cars for about the same mileage. However, this does not take into the fact that one of them may be a rash driver or maybe driving on dangerous roads. This is because until now, this information has not been available to insurance companies. Now, with the advent of technology, cars can be fitted with devices which will allow better determination of premiums based on the risk being borne. This will help insurance companies charge premiums based on the actual risk involved.

Further, those insurers who continue to rely solely on a traditional actuarial model with a cost-based perspective and a limited set of risk differentiators will eventually end up with a larger pool of relatively riskier and less profitable clients. This will negatively impact profitability and, ultimately, market share

It is therefore likely that the traditional cost structure being used in the insurance industry may become defunct. A completely new system is likely to replace the old system. This means that the rules of the game are likely to change very soon! Potentially long-term adverse effect of COVID-19 on the general economy has made strategic cost management a critical business imperative for middle-market insurers. According to a McKinsey study, "The best carriers stand out with their exemplary cost management. They closely monitor costs and enforce standards." In fact, management of top organizations understand that strategic cost management enables long-term growth, allowing organizations to invest in their core competencies and better position their company to weather economic downturns.

DISCUSSION POINTS OF WEBINTs FOR INSURANCE MONTH (JUNE), 2021

Sl. No.	Date	Time	Topic
1.	08-06-2021	5:00 - 7:00 PM	Evolution of Insurance Industry Pre and Post COVID - 19 (in association with the Hyderabad Chapter of Cost Accountants)
2.	14-06-2021	5:30 - 7:30 PM	Successful Insurance Sector Means : Protection, Investments and Jobs
3.	18-06-2021	5:00 - 7:00 PM	Digitalisation of Insurance Business (in association with NIA)
4.	25-06-2021	5:00 - 7:00 PM	Impact of Pandemic on Insurance Business - Challenges and Opportunities (in association with NIA)

EVOLUTION OF INSURANCE INDUSTRY PRE AND POST COVID-19

In view of the significance of the insurance sector in the Indian economy and to spread the awareness of various schemes in insurance especially during the pandemic ICAI observed June 2021 as Insurance month. The Banking, Financial Services & Insurance Board (BFSIB) of ICAI organized a series of webinars of which the first one was "Evolution of Insurance Industry Pre and Post Covid-19". All the events were streamed live thru the official YouTube channel of the Institute to reach all the stakeholders of the Institute.

CMA Chittaranjan Chattopadhyay, Chairman BFSIB, welcomed the members and esteemed panelists for the discussion. He said that the insurance sector is contributing the economy in a very robust way during these pandemic times and hence the ICAI is celebrating June 2021 as the Insurance month. With the economies crashing the covid 19 is not only a health emergency but also a financial crisis and the insurance sector has become a vital part of the economy.

CMA P. Raju Iyer, Vice President ICAI, welcomed the gracious presence and expressed his delight for such seminars.

CMA Biswarup Basu, President ICAI addressed the esteemed presence and said that the seminar would provide insight on the evolution of the Insurance industry during pre and post covid era.

CMA Pramod Kumar Arora, Member, Actuary Insurance Regulatory and Development Authority of India was the chief guest of the session. He said the major change in the insurance industry came in the year 2000 when on the basis of the recommendations of a committee Insurance sector was opened for private players with FDI limit of 26%. Before that there was only one insurance company in India i.e. Life Insurance Corporation of India and now there are 24 life insurance companies in India. 35 years back there were only 4 non life insurance companies but now there are 27 non life insurance companies operating in India and 6 standard alone life insurance companies. There was only 1 reinsurer but now there are 11 reinsurer entities working in India. So as against 6 companies India is having 68 companies in the insurance segment with increase of more than 10 times. In the year 2000-2001, the amount of gross premium was Rs. 46 thousand crores whereas in 2020 the gross premium written by the insurance companies was more than 7 lakhs crores with an increase of more than 15 times. The sector has seen tremendous growth after the opening up of the insurance sector. The total investments no of all the insurance companies are more than 42 lakhs crores which clearly indicates that the insurance industry has not only provided financial protection to the millions of the policy holders. It has also provided jobs to millions of people and provided sustained long term funds for the development and infrastructure of the country. In India the insurance is more seen as a saving vehicle in addition to the risk cover. Majority of the products were endowment plans in the participating segments, with little demand of term insurance and some focus in the annuity and pension segment. When the private players started coming in they concentrated more on ULIP policies. In the year 2008 due to the financial crisis, many regulatories brought forward various regulations for having more disclosures. And from then the shift started happening from unit linked plans to grantee plans i.e. the non participating plans. In 2011-12 the insurance sector started selling on line. For the lower strata various schemes were brought like Pradhan Mantri Jeevan Jyoti Yojna, Pradhan Mantri Suraksha Yojna. When covid happened the fund consisted mainly of participating plans, 10% for ULIP funds and 23% of the funds pertained to pension and annuity policies. Due to covid when the investment markets went down most of the companies reported huge unrealized losses in equity in their balance sheets. He said at that time it was expected that the policies will lapse and the policies will also get a hit and at that time the regulators came forward and provided various extensions to the insurance industry and it backed by the digitization came out of it very soon. After initial 2 months of negative growth the industry started showing positive growths. Along with these initiatives the industry came out of the negative impacts. The covid times the IRDA brought forward many standard products like Corona Kawach, Corona Rakshak, saral pension etc. which helped to create some confidence among the policy holders and hence instead of the negative growth which was expected March'21 recorded a positive growth. He shared that total premium collection as at march'21 showed a growth of around 10% in the life insurance industries and a growth of around 5% in the non life insurance industry. He further mentioned that these 68 insurance entities also include the agricultural insurance institute which was not present at the time of insurance sector and another is the ECGC. So overall there has been a positive growth in the premium collection and this fact shows that the insurance sector created awareness among the investors during the covid times. Moreover he said that the claims have risen during the covid situation and hence the actuaries will have to book more reserve for the next year which is going to put pressure on the companies. That is why the Govt has increased the FDI limit from 24% in 2011 to 74% in 2021. He sounded hopeful that after the vaccination drive, the companies who have settled the claims and helped the policy holders would be able to consolidate and there would be shift in consumer preferences bcoz after the covid consumers are more likely to term and health insurances and pension schemes.When asked about the partial benefit of premiums for motor vehicle insurance he said the claims are required to be sent to the Insurance Bureau and due to lower claims the premiums may come down, but till now there is no requests from companies for refund of premiums due to lower movement rate. He further said that whenever there is any such instance of refusal of cashless for covid, IRDA sends instructions to the insurance companies who are required to follow the rules.

CMA G Vaidyanathan, COO, Shriram Life Insurance and CMA Delzad Jivaasa, AVP, Risk Management, ICICI Lombard Life Insurance were the guest of honor.

CMA G. Vaidyanathan made a PPT presentation and mainly covered the life insurance sector. He pointed out that the new business in the life insurance sector showed a growth of 7% nearing to Rs.2.78 lakhs crores while the total premium growth was more than 10%. While talking about the evolution of the insurance sector he said that near about 200 players were consolidate and brought under LIC in 1956 and in 2000 the authority was set up and privatization was rolled. With the introduction of ULIP plans during 2011-2015 the customer returns were better protected and were made more aware in the risks of the ULIP policies and there was a shift of sale from ULIP to participating and non participating traditional plans. He also mentioned that the govt's initiative of launching many programs has really spread the, message of insurance over the last few years. As the insurance sector requires lot of capital to be deployed the govt has increased the FDI from 46% to 74% in the recent years. This will also keep the insurance business more robust. He pointed out the insurers AUM has increased to Rs.38.9 lakhscrores. The settlement of claims has increased in a factor of almost 6 times. Another opposite picture was highlighted by CMA Vaidyanathan regarding decreasing penetration trend from 5.1% in 2011 to 2.82% in 2019 whereas the world average is 3.5%. It was noted that the protection gap is Rs.480 lakhs crores and hoped with the measures of Govt this gap can be reduced and the industry will grow much larger. During the pandemic a lot of adoption of digital measures was made, there is an enhanced focus on customer value and benefits with increased interest and acceptance of life insurance amongst customers. While talking about the emerging trends he said new distribution models are coming with lot of innovation like better products, improved efficiency and increased customer value. New technologies are also scanned to see how the journey can be made smoother with IoT, Voice analytics and underwriting. Lastly he pointed out the role of CMAs to promote insurance as a concept on their clientele base, working with IRDA to identify opportunities where they can participate and to get employed in insurance sector where they can contribute in effective and efficient running and utilization of resources.

CMA Delzad Jivasha, presented the evolution of India's non life sector in the pandemic era. He pointed out that technology played a major role in successful management of sourcing of business, customer service management, claims management and employee related work aspects during the pandemic. Technology has been the game changer in the covid era and will continue to be the same in the new normal. While talking about the sourcing of business he pointed out that is undertaken thru leveraging technology with various digital channels for reaching out to more customers and enhancing their experience to purchase policies thru website links sent by the companies. The ease of renewal of vehicle insurance by taking videos and uploading it on the company website by the customers were also pointed out by CMA Jivasha. He also said that the importance of Apps cannot be over emphasized in giving online health consultation to the customers. The corporate insurance offered by the non life sector conducts risk inspection and during the covid the live video streaming on the factory premisesis also important evolvement. The inclusion of chat bots, IoT during the covid era has helped in customer management and the insurance sector has evolved from insurance provider to risk management solutions partner. He mentioned the regulations of IRDA which has helped in settlement of claims online. Thru AI effective real time tracking of settlement or corporate customers and virtual survey inspections has been made possible from the covid times.Work from home during the covid times became a possibility bcoz of technological prowess. He also said that even after the covid is over nearly 50% of workers will keep working from home and companies may indulge on that due to cost efficiency. He emphasized on technological superiority will play a pivotal role in sustaining the market leadership position built up over years by the insurance companies.

CMA (Dr.) K Ch A V S N Murthy, honorable council member of ICAI gave the vote of thanks and concluded the program.

DISCUSSION POINTS OF WEBINTs FOR INSURANCE MONTH (JUNE), 2021

SUCCESSFUL INSURANCE SECTOR MEANS: PROTECTION, INVESTMENT AND JOBS: ALL IN ONE

In view of the significance of the insurance sector in the Indian economy and to spread the awareness of various schemes in insurance especially during the pandemic ICAI observed June 2021 as Insurance month. The Banking, Financial Services & Insurance Board (BFSIB) of ICAI organized a series of webinars of which the second one was on "Successful Insurance Sector Means: Protection, Investment and Jobs: All in One". All the events were streamed live through the official YouTube channel of the Institute to reach all the stakeholders of the Institute.

CMA Chittaranjan Chattopadhyay, Chairman BFSIB, addressed the august presence and welcomed all. He said that the insurance sector has managed the crisis due to covid very well and has made a strong rebounce from the 2nd quarter of 2021 by their aggressive steps to match the changing customers' needs and behavior. He dedicated this seminar in memory of the departed soul CMA V Raghavan.

CMA P. Raju Iyer, Vice President ICAI, welcomed the members and panelists and expressed his gratitude and joy for the theme of the seminar.

CMA Biswarup Basu, President ICAI, welcomed all and briefed the Insurance sector and about its functioning and regulatories.

Shri Niraj Shah, CFO, HDFC Life Insurance Company Ltd graced the occasion as chief guest. He made a PPT presentation to show the evolution of insurance sectors. He mentioned the risks that average customers have that are addressed by the life insurance sector. The first uncertainty he said was not savings for goals which result into wealth erosion due to inflation and market volatility. There are multiple ways in which customers can meet this goal. Secondly when customers fall ill the insurance companies both general and health insurance has products to insure the person and family against this risk. He said that the post retirement life span of an average individual is increasing worldwide along with uncertainty in work life span. Life insurance provides annuity and long term products to address the risk of out living one's savings and lastly the risk of dying early is also met by life insurance. In the process of generating value the life insurance sector has 2 income streams like the spread income for managing funds on behalf of the customers and also have a risk charge for the risk they the sector assume on behalf of the customer. The spread is earned primarily on savings like marker linked products like ULIP and traditional products both participating and none participating. In these savings products customers pay premiums and insurance companies invest it on their behalf and on that the sector makes spread. And for covering the mortality risk, longevity risk, sick risk there are term protection, health protection and annuities. He focused on the journey of the insurance sector showing from 1956 to 1999 the sector was a monocline industry era with one company, one channel and one product category. But from 2000 after the opening up of the sector new licenses were issued and a competitive environment ushered in. The product mix changed from 95% traditional and 5% ULIP in 2001 to 83% ULIP and 17% traditional in 2010. Another change he mentioned was on the distribution channel side where agency channel was 100% in 2000 which changed to 50% in 2010 with two other merging channels like corporate agents and bank assurance. The industry had 50% of the business by the private players which came down to 35% nearly in 2004-05 and went back up to 60% in FY'21. A lot of regulatory changes have happened along with an increase in market by 15-16% which shows that the sector has become more compliant and ensuring more customer value addition. He said that in the financialisation of savings mix 18% to 20% is with pension fund and 16 to 20% is with life insurance. A lot of schemes by this sector has helped in penetration but compared to the rest of the India is lowest in penetration. He mentioned the macro factors for which the sector is growing forward. While talking about the growth opportunity of the sector he said that the increase in life expectancy has doubled from 1957 to 2019 but at the same time India remains vastly under insured in terms of penetration and diversity. So there is a huge opportunity to penetrate the under serviced segments with the evolution of the life insurance distribution model. He explained in the slide that in 172 million of urban working population only 68 million is insured which indicated very low levels of penetration. India has the highest protection gap as growth in savings and life insurance has lagged behind economic and wage growth. Mr. Shah while discussing on the topic of macro opportunities further added that India's pension market is under penetrated at 4.8% of the GDP and at the same time the elderly population is expected to triple by 2050 and improvements in life expectancy leading to an average post retirement period of 20 years which indicates the opportunities for growth. He also identified the risks like economic, regulatory, technological, societal, geo political and environmental risks. Another important aspect highlighted in the PPT was the emerging opportunities for the CMAs in the insurance sector. he said that the pivotal role played by the CMAs are in the area of business modeling, business planning, internal audit, budgeting, financial control management , financial reporting, financial risk management and marketing. He discussed about the employment opportunities he said there are ample space for technically qualified professionals and for the fresher's, training are provided to fit in specific roles. He said last year nearly 4 crores of the population was insured and about 3000 crores claims and 9 lakhs death claims were met. And these numbers will only increase as the protection grows.

The overall claim settlement ration is 99%. Fraudulent claims do come and the industry shud be careful about it to protect the capital invested. When asked about the impact of increasing FDI in the insurance sector he said the its effect wud be positive in the long term but again depends on what the promoters are thinking as to whether they want investment or bring down their stake and it also depends on the stage and evolution the particular company is in.

CMA Srikanth Kundikonda, CFO, Manipal Signa Health Insurance Co, graced the occasion as the esteemed panelist. He shared a PPT presentation on health insurance. He said that life insurance penetration is about 2.8% of GDP and general insurance penetration is 0.94% of GDP and India has a very low penetration in comparison to rest of the world while sharing about the investments in the insurance sector it was seen as at 31st March'2020 the amount was Rs.42,52,930 crores with only penetration of 2.8%. This data indicates the vast opportunity for insurance sector growth. Insurance plays a critical role in protecting risk of customers and also the economic growth of the country. The size of the industry has grown from Rs. 73,263 crores in 2018-19 to Rs.188,917 crores in 2019-20. He mentioned that significant contribution of 30% comes from health insurance industry. Discussing about healthcare financing he pointed out that India has a low per capita expenditure in health care as compared to the rest of the world and in the financing ecosystem about 25 to 30% of the population has some sort of health insurance and nearly 68% of the health care expenditure is out of the pocket. He said that this data is self explanatory of tremendous opportunity for growth in the health insurance sector. He identified – rising income, increased awareness, low penetration, rising cost, high out of pocked expenditure, Govt push and support, tax benefits and technology adaptation as the health insurance growth drivers. CMA Srikanth said the industry protects and manages the health risk of the population. This sector provides impetus to the economic development of the country thru investment in infrastructure, housing and other sectors. The stand alone health insurers add 31,000 jobs since inception which constitutes about 22% of the total employed in the insurance sector. The health insurance business model is a very fragile model and the CMAs can play a significant role. Health being a state subject he said there shud be a standardization from the central level and regulatory nod for the standard to be issued by ICAI regarding pricing in health care sector. While addressing the question raised regarding non settlement of claims he said there shud be transparency in sharing actual health condition by the insurer otherwise there pricing gets affected and hence non settlement in certain cases crop up. Seamless settlement of claims can happen in case of total transparency from the buyers. When asked about the impact of increase of FDI he said that health insurance requires loot of capital as it is a capital intensive industry and according to him it is a very positive step by Govt. he even said that though there are some issues but as of now it is a positive move.

CMA P. Narasimha Murthy was the moderator for the session and thanked the speakers. He echoed the views of the speakers and said that the CMAs have a significant and prominent role in the insurance industry.

CMA (Dr.) Balwinder Singh, Immediate Past President, ICAI congratulated the Chairman BFSIB for conducting the seminars. He asked the panelists to consider the qualified CMAs in the insurance industry. He thanked the panelists and proposed the formal vote of thanks.

DISCUSSION POINTS OF WEBINTs FOR INSURANCE MONTH (JUNE), 2021

DIGITALISATION OF INSURANCE BUSINESS – OPPORTUNITIES AND CHALLENGES

In view of the significance of the insurance sector in the Indian economy and to spread insurance awareness during this pandemic, ICAI observed June 2021 as Insurance month. The Banking, Financial Services & Insurance Board (BFSIB) of ICAI organized a series of webinars of which the third one was "Digitalization of insurance business-opportunities and challenges". All the events were streamed live through the official YouTube channel of the Institute to reach all the stakeholders of the Institute.

CMA Chittaranjan Chattopadhyay, Chairman BFSIB delivered the welcome address at the webinar organized by BFSIB of ICAI in collaboration with the National Insurance Academy (NIA). He said that the Covid-19, Pandemic had created unforeseen challenges and implications to the insurance sector along with all other business sectors, impacting the entire global economy. However, the insurance companies in India had managed very well with the quick adoption of technology which had resulted in positive business growth in the last two business quarters and IRDA also has taken several measures in mitigating the distress caused by the pandemic. The industry had implemented various digital initiatives with easy business processes, expanding the digital accessibility to reach out to various customer segments, designed innovative products and services meeting the customer expectations. The industry had also implemented robust risk management activities with adequate cyber security protections to combat the increasing cyber risk exposures.

CMA P. Raju Iyer, Vice President ICAI, addressed the members and esteemed panelists and expressed his delight in participating in a valuable and splendid webinar. He complimented the insurance industry saying that the industry had widened the insurance protection offering customized coverage of life, health, and general insurance solutions protecting the risks of the vulnerable section of the society, Agriculture, and MSME sector.

CMA Biswarup Basu, President of ICAI, welcomed all the panel speakers and members of the institute. He said that while the pandemic had impacted the whole economy negatively, but the insurance industry had responded very well in combating the challenges posed by this pandemic with quick technological transformation, digitalizing the entire business process, sales, services, faster claims settlements, and better customer services which have provided huge opportunities for growth in the insurance industry. He thanked the NIA for associating with ICAI and wished grand success for the event.

CMA G Srinivasan, Director NIA, said there is a need for creating insurance awareness among the wider sections of the people in India. The country requires comprehensive insurance protection as a vast majority of people, particularly the economically weaker section of the population including the middle class, do not have adequate social security protection. He complimented ICMA for spreading insurance awareness by conducting a series of webinars. The pandemic has caused a huge impact on the Indian economy, particularly, the second wave of covid-19 had caused serious health and economic issues. In this pandemic also, the insurance sector had done reasonably well with positive business growth. This was possible largely due to the quick adoption of digital technology by the industry and leveraging the technological advancement meeting the challenges of Covid-19 which has helped the industry progress well registering positive growth in this financial year. He said technology can play an important role in reaching out to customers through multiple digital channels and offer better customer service. Artificial Intelligence has been used by many insurance companies today for faster decision-making with improved underwriting, seamless business process, and faster claims settlement. The other area where the technology is playing a very important role is data analytics and fraud analytics. He also talked about the challenges of digitalization arising due to increasing cyber vulnerability and highlighted the importance of cyber security and data security. He hopes that the seminar topic would be deeply discussed further by the eminent panelists and wished great success. He mentioned that digitalization will reduce the operational cost though it is a huge investment and in the long-term perspective it is going to bring in more efficiency and economy and also better service to the customers.

Dr. Steward Doss, faculty NIA, said that the insurance companies in India could come back to normalcy quickly during pandemic times with the help of technology. It helped in reducing human contact and innovating new products. The topmost companies today are IT and data-based and they are driving the economy globally. He said that faster technological adoption has helped the insurers in improving their products including the business performances and innovate products and services in the shortest period. He also stressed the importance of personal data protection and said that, when the personal data protection act is introduced, organizations, particularly, data-intensive companies may face a huge third-party liability in case of a data breach or misuse of customer data. The penalty for the data breach can be as high as up to 4% of the global turnover company including civil and criminal liability. Digitalization on one side has a lot of opportunities, but on the other side the risk is also increasing, and companies need to be aware of that and need to plug their weaknesses in cyber security.

Mr. Anand Pejawar, President, insurance operations, IT, and International Business, SBI Life Insurance Company Ltd, Mr. Girish Nayak, Chief of customer service,

technology and operations, ICICI Lombard ltd, and Ms. Darshana Shah, Digital Head and customer service, Aditya Birla Health Insurance graced the occasion as learned panelists.

Mr. Anand Pejawar discussed the digital challenges that were faced by his company and what made SBI Life look different and bounce back within a very small span. He said SBI Life started its digital journey in 2017 by digitizing its business processes providing an end-to-end solution, from sales, underwriting to claims settlement, making it much more user-friendly. Life insurance is traditionally a face-to-face selling, but due to this pandemic, the company had to focus upon multi-digital channels, integrating with traditional channels, bank partners, and employees to provide faster services and the right communication to various stakeholders. Further, the company has to comply with the cyber security guidelines from both IRDAI as well as RBI. There were also challenges to manage sales, renewals, claims, and policy service-related issues during this pandemic. But, these challenges were converted into opportunities by putting digital assets in place by moving from physical to digital and try to give the best to all the stakeholders. He said that general insurance to the large extent had already moved into the digital platform but life insurance was still not on a digital platform. The challenges were from managing the distributors, converting the distributors and customers from face to face to digital, ensuring efficient work from home, and ensure data privacy and security. He also pointed out that meeting these challenges and registering positive business growth was only possible due to digitalization.

When asked about how they could take the opportunity in a sudden change in customer awareness and what kind of products will be made available in the near future,he said that the pandemic brought two major challenges. One is managing the new business sales during the last quarter and renewal of policies on time.With the improvement of customer awareness during this pandemic, the industry has seen a substantially higher persistency rate, particularly the 13 months' persistency rate went up to almost 90%, which is an indication that people are taking life insurance seriously. On the new business side, the trend has moved to term plan and a huge upward trend is seen for policies like Corona Kawach which clearly indicated a positive consumer trend.Companies have improved life insurance coverage through upselling and cross-selling with the help of extensive data analytics. He pointed out that the major constraint in high sum insured term policies was that the people were not ready to spend hours in diagnostic centers for a 5 crore of 10 crore policy. The company had managed these constraints with the help of health apps, IoT, and tele medical consultation. He also highlighted the importance of managing the reputational risk due to rising cyber security risks and the corporates are now giving a lot of importance to cyber security and data security.

Mr. Girish Nayak discussed his experience relating to the utilization of the latest technologies to manage new business growth and claims settlement during this pandemic. He said that they started work from home option to their employees 3 weeks before the lockdown which enabled them to manage their business operation. But there was a lot of hesitation in the adoption of digital ways across the distribution channels. The training was imparted to get acquainted with the new way of doing business. He said that they started with video claim settlement initially for the claimants in remote areas, but with the help of technology they could scale it up to a large number of customers in cities. During this pandemic, the technology has made possible online medical consultation thru specially designed apps. The positive side of the pandemic as pointed out by him is the adoption of digitization in service which has helped the insurance sector to bounce back and report a profit in the last quarter. While talking about cyber securities he said that cyber security is of much more relevance in this new trend of working from home and also digital marketing. On the corporate front, he said that there has been a slight increase among the corporates in buying cyber insurance products. But still,there isa huge gap as many of the small and medium-size companies yet do not realize the importance of protecting their cyber risk or data theft. He expressed his concern about increasing phishing and ransom ware attacks and the gaps in securing the organization from cyber-attacks. But he sounded hopeful that companies are trying to fix such gaps and realizing that cyber risk can lead to loss of reputation and third party liability. Hence companies are now investing in more cyber security measures and also buying cyber insurance. He said with the new enactment on personal data protection coming into force. the level of cyber security and the demand for cyber insurance is expected to grow significantly.

Ms. Darshana Shah said that the digital way is the fulcrum of Aditya Birla Health Insurance as they are the youngest with 5 years of experience. She said, during this pandemic, consumer behavior has changed overnight. She said that they were already getting ready for an absolute digital makeover by sending teams to various countries and getting acquainted with new technological advancements. They started piloting with various newer ways of doing business online like facial biometrics, online consultation, mobile apps, chatbots, etc. though there were certain issues and challenges due to the pandemic. They had also started online health consultation with videos like health from home and put many doctor panelists, psychiatrists not only for the consumers but also for the employees. She pointed out that people suddenly started asking for health insurance due to the pandemic. As a result, the sales from the push category got converted to a pull category. She shared her delight that as they were already into the process of digitalization. Aditya Birla continued its growth even during the pandemic. Madam Shah, when asked about how does she see the health insurance sector in the future, said that the health insurance business is shifting from funding partner model to health care partners. They track the customer's health thru various apps and do fitness assessments and partnerships with gyms and yoga centers and also collaborated with partners to give personal consultation. She said that with help of data analytics they provide better health care, and in the process, their claims had come down significantly. They have created a lot of digital platforms for customers to connect to them, and due to digitalization, servicing has become easy and faster, and she also said that the future model is to have an end-to-end digitalization journey. She confirmed that they are also keen on observing data security and thrive on transparency.

CMA (Dr.) Ashish P Thatte, Honorable Council Member, ICAI summarized the takeaways from the webinar and thanked the panelists.

CMA Arup Sankar Bagchi, Sr Director ICAI thanked the august presence for such an insightful session.

DISCUSSION POINTS OF WEBINTs FOR INSURANCE MONTH (JUNE), 2021

IMPACT OF PANDEMIC ON INSURANCE SECTOR-OPPORTUNITIES AND CHALLENGES

The Banking, Financial Services & Insurance Board (BFSIB) of The Institute of Cost Accountants of India (ICAI) in association with the National Insurance Academy (NIA) arranged a series of webinars as a mark of observing June 2021 as the month of Insurance. Due to the significance of the insurance sector on the Indian economy and to spreadthe insurance awareness especially during the pandemic, after three successful webinars, the fourth and concluding webinar addressed the topic 'Impact of the pandemic on insurance sector – opportunities and challenges. All the events were streamed live thru the official YouTube channel of the Institute to reach all the stakeholders of the Institute.

CMA Chittaranjan Chattopadhyay, Chairman BFSIB graced the occasion with opening remarks after the Institute anthem was played. "We are here today for a very significant program. There is no doubt that the covid pandemic has affected Indian economic growth and consequently Indian insurance sector growth. India's growth story over the last 3 decades remains impressive. Last year when the Indian Govt issued its policy as atmanirbhar bharat it was clear that while globalization and dependence on other economies are important, our internal economy resilience is completely non-negotiable and we need to take a concrete step to strengthen it. The directive remains the same for the insurance sector also which has shown superlative growth in the last 2 decades. Though the sector saw a shock due to covid its long term growth is infringing. On one hand, the atmanirbhar bharat can sharply raise the insurance sector long term,on the other hand, the robust insurance sector is a must-have for the success of the country's overall atmanirbhar or self-reliance. The overall insurance sector premium grew more than 11 times in real terms during the period 2020 with life premiums up to 10 items and non-life premiums up by 12 times. This success can be attributed to multiple factors like robust economic growth, favorable govt support and rapidly growing middle class, rising disposable incomes, and increased awareness about the need for insurance. All these factors signify how the insurance sector has grown over the years. The insurance sector has also indulged growth across other sectors be it real estate, manufacturing, auto, or health. For atmanirbhar bharat insurance sector must play a cardinal role both as a driver and also an enabler. BFSI of ICAI is proactive enough in spreading the awareness of various insurance schemes during the pandemic since the lockdown days. ICAI has entered an MOU with National Insurance Academy (NIA) for disseminating the insurance knowledge for the people of India at large and CMAsin particular as this sector is one of the preferred career destinations for qualified

CMAs and even semi-qualified CMAs. We are in process of launching a unique (level-wise) certificate course on insurance in collaboration with NIA. ICAI has brought out an internal audit guidance note for nonlife insurance during the pandemic which is a very useful handbook for the insurance professional. Now BFSI is observing this month June'2021 as insurance month and we are happy to host several national level seminars and observing this insurance sector. Today's topic will be moderated by G.Srinivasan, Director, NIA. I welcome all the expert panelists and all students and faculties for happy learning".

CMA P. Raju Iyer, Vice President ICAI welcomed the expert panelists and the members and opined that the theme of the webinar is a very important and timely one. He expressed that the webinar highlights the challenges and opportunities that the pandemic has created for the insurance sector.

CMA Biswarup Basu, President ICAI, wished for a good evening and welcomed all the eminent learned panelists as his proud privilege for this important topic on covid which began as a health crisis and has taken over as a financial crisis. With the global economy crashing and multiple sectors taking a major financial dig, the insurance industry has become a vital part of the new economy. As per the reports, India is among the worst 50 covid affected economies. The covid crisis continues to have a significant impact on individuals' businesses and across the wider economy. While the insurance industry like every other industry has taken a major hit in this pandemic, the prospect of the industry seems very hopeful. There is a need to analyze the challenges and opportunities in the insurance sector i.e., general insurance, health, and automobile insurance, etc. The insurance industry rides on the back of other industries hence to bounce back it has to find other areas. The covid has given a rise to immediate and potential challenges in near future.

CMA G. Srinivasan, Director NIA graced as the moderator. He has 39 years of experience in the nonlife insurance industry both in India and abroad. He was the CMD of New India Insurance between 2012-2018, before that he was the CMD of United India Insurance for 5 years between 2007-2012. He was also the MD and CEO of New India Insurance in the Caribbean for over 4 years. He has also been on the Boards of various companies as the director and chairman of both in India and abroad. He welcomed the President, Vice President, Chairman BFSI, and panelists. He complimented the ICAI for observing the Insurance month. He said that insurance is a sector where the profession can play avery significant role and a lot of opportunities for CMA'S in the industry in terms of pricing audit analytics. Because profitability is an important issue in life and non-life insurance and the CMAs can play a significant role. He expressed his concern about the covid situation and health issues and referred to it as also a serious economic issue. Last year the GDP of the country fell by 7.5% and also hoped this year there will be a growth of12 to 13%. He said any impact of GDP affects the people, industry, businesses, and more importantly the vulnerable section of the society. The insurance sector as part of the economy has also been impacted but it recovered in the latter part of the last year and both general and life insurance sectors have posted positive growths, and this year also the industry has shown pretty good growth. He called the insurance people who suffered manifolds as a covid warrior as they were in the market and helped people get claims and many lost their lives while serving the customers. He thanked ICAI for giving him this opportunity.

CMA Mayank Batwal, CEO, Aditya Birla health insurance company, CMA Kalpana Sampat, MD&CEO Pramerica Life Insurance, CMA Natarajan N, President, and COO Kotak General Insurance Company were present as the eminent panelists.

When asked about whether the increase in claims due to covid has affected the insurance companies ***CMA Mayank Batwal*** said that the claims that have hit in the 2nd wave are significantly higher than wave 1. They have seen increasing claims, within the span of 2and ½ months,it was much more than the entire wave 1 period. Another significant point he noted was the non-covid claim during the initial times of covid came down may be due to sheer panic and fright of staying indoors but during the 2nd wave it did not come down. The insurance sector was hit hard during the 2nd wave but they had to cope with it as their primary role in health insurance. He was asked as to there were allegations that the claims were much more than what was settled and as an insurer how he has done with the best. He mentioned that the insurance people have done their best and have been processing the claims within 2 hrs and after the court order the settlement time has been reduced to 1 hour. As an industry, the insurance sector has risen to the occasion but then there were few incidents though the sector tried to minimize the impact of such incidents on the insurers. As the claims were more than 25% to 30% of the total premium, the impact on this sector was large.

When he was asked by how they would leverage this and how the industry uses the new awareness of insurance, he confirmed that clearly there is increased awareness. He complimented the regulators for simplifying the process and the way the companies digitally got connected to the claimants and settled their claims. Nearly 99.3% of claims were settled without papers and the industry reacted very proactively. He expressed every Indian needs health insurance and the sector is increasing the customer base by improving the customer experience and awareness. He said the insurance offering has to be more holistic and include OPD charges and stressed short-term insurance for a particular event and highlighted the need for becoming not only vendors but health care partners. CMA Batwal believed that there is ample scope for CMAs in the insurance sector and should keep on the pursuit to learn. He also discussed the use of AI in all facets of insurance.

CMA Kalpana Sampat answered on what is the impact of covid on the life insurance sector that the insurance sector has been hit hard and directly as it is in the business of paying claims. The larger impact is on the general and life& health industry during the 2nd wave as nearly 90% got hospitalized due to fear and more deaths. People didn't want to get any chance and got hospitalized as soon as they got detected with covid and the claims shot. She mentioned their company settles claims on deaths and the 1st wave showed an increase in mortality and during the 2 months of the 2nd wave the death claims were nearly the same. So the sector is hit hard. There were situations when the company people and their whole family were infected, yet the sector rose to the expectations of the insured and managed the situation. She said that term insurance is the purest form of insurance without any frills with low cost and high benefits. So life insurance should be definitely for earners and dependants. The pandemic has increased awareness about life insurance. On the other hand, the savings-related products involve the question of affordability and at this point during the pandemic, people were saving more than investing, so their new products were currently halted. She pointed out one very good sign that they are seeing a rise in the renewal of policies. The insurance awareness has gone up and responses to sales calls are far better. Previously the pricing was low and hence the premiums were bound to go up, so some sort of reset was required,but the pandemic has worsened it.

When she was asked as to how they coped up with the digitization, she said that the advice by the relationship managers and agents is still on as people still seek for those. The ease of selling for the sellers and transparency for the customers has motivated the insurers to go for digitization but as this business requires personal advice so it's not 100% digitalization like other purchase cycles. For life insurance,the penetration is much more important and widening of coverage is the need of the hour. She was delighted to express her pride to be a part of the insurance industry which is the most important industry from the service point of view. Being a CMA is a great enabler for taking insurance as a profession.

CMA Eshwar Natrajan said that the nonlife insurance sector has managed very well and keeps the customer's confidence levels high on them. As people moved into the digital ecosystem that helped them to save the cost of their operation. It was an eye-opener for all of them as they thought that they can't function without the local centers as they were all closed, yet they did function very well. The industry also came up with new products. Bcoz of lockdown, the movement of motor vehicles stopped for which the claims also came down and the general insurance companies made a bumper profit. He also mentioned that there is no correlation between the services rendered and the charges demanded by the hospitals. He opined that the insurance companies have performed very well in serving the customers. When asked about how the industry responded to the demand for new products for business interruptions, he said that the industry would need a little more time to respond to those demands. He raised his concern regarding taking care of employees' mental health for working from home for such a long time and also that cyber security is the need of the hour and there is a lot more to be done in this area. He also said that the public should get to know about the good work that the insurance sector is doing.

In the end, Chairman BFSIB expressed his joy for the enriching session. Dr. Steward Doss said that the insurance sector is hard hit due to the pandemic with the rising claims and alsoincrease in the cost of investment in digitization. He expressed his concern about maintaining the mental health of the people including insurance employeeswhile widening the protection gap as another major challenge. He also mentionedthe opportunities that the pandemic has opened up in terms of increased health insurance awareness. He talked about the need for the innovation of products and services of the companies to match with time and provision of customized solutions.

CMA Arup Sankar Bagchi, Sr Director ICAI, gave the vote of thanks.

DISCUSSION POINTS OF WEBINTs FOR BANKING MONTH (JULY), 2021

Sl. No.	Date	Time	Topic
1.	15-07-2021	3:00 - 5:00 PM	Costing - Is it a panacea for improving NIM in Banks ?
2.	17-07-2021	5:00 - 7:00 PM	WEBINT on 52nd year of Nationalisation - Role of PSBs- impact on various sectors of Economy and the Society- Way forward, post-consolidation
3.	25-07-2021	5:00 - 7:00 PM	RegTech vs FinTech - the intersection of regulation and disruption in Financial Services
4.	31-07-2021	5:00 - 8:00 PM	RBIA in UCBs-How the Cooperative banks are gearing up

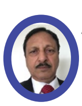
COSTING - IS IT A PANACEA FOR IMPROVING NIM IN BANKS?

ICAI observed July 2021 as the banking month and the celebrations were the initiative of the BFSIB. All the webints were streamed live thru the official YouTube channel of the institute to reach all the stakeholders. The first WEBINT was organized in 15th July'21 on the topic "Costing- Is it a panacea for improving NIM in banks?"

Shri Shivan J.K., MD and CEO Dhanlakshmi Bank, Shri Madhav Kshirsagar, Director and CEO Quantact Consulting were present as the guest of honor. Mr. B.B. Goyal, former additional chief advisor, Ministry of finance and head of Indian Cost Accounts Service and presently serving as advisor in MARF as the moderator, Shri B. Rajkumar, former ED, Indian Bank and advisor of BFSIB was also present as the esteemed panelist.

CMA Chittaranjan Chattopadhyay, Chairman BFSIB, CMA P. Raju Iyer, VP. ICAI and CMA Biswarup Basu, President, ICAI welcomed the esteemed presence and expressed their gratitude to the panelists for their time and valuable insight.

Shri Raj Kumar said that NIM is like ECG of banks that will give immediate idea about the banks. He touched upon his experience and his banking journey and whatever he crossed about in costing. Shri Raj Kumar said that not only the profit making organizations but the nonprofit organizations also think of making profits and in the process they also think of cutting costs and there also costing accounting comes into scene. In every type of organizations everything moves around cost management accountancy. He shared how the foreign banks entered into business and could become number 1 in service as they were able to cut cost bcoz of technology. He said that how benefit analysis cost was used to take various managerial decisions and to forecast profit. The usage of transfer pricing mechanism to monitor the cost making branches. Moreover the introduction of alternate banking systems has reduced the footfalls and asset to liability match has helped in reduction of costs. He said that now a day's all the banks offer same products and same interest rates. So the only way to excel is cost accounting and management. So govts are also thinking like that and are going for consolidation like the SBI has done consolation of associate branches. Shri Raj Kumar said that consolidation is also bank management and better cost management will give better margin. He proposed that there shud be a costing department in every bank headed by a CMA to be named as CCO and a cost management committee reporting to the board and he has already written to the RBI and Ministry about it and he is very hopeful about its implementation. He earnestly requested all the bankers to take these suggestions very seriously . Before concluding he said that we have to pay a very high cost for bad decision and indecision.



Mr.B.B.Goyal while carrying forward the session said that banking sector is the lifeline of any economy and NIM is largely dependent on the credit deposit ratio and effective cost management. He feels that simple merchandise and consolidation will not help and banks shud learn and practice to accurately measure all costs and assign all activities to all products and services and also to implement the right type of costing systems. He felt that Activity Based costing is the best solution for the banking industry as it is the solution to find the cost of raising and using funds so that the cost of each depositor can be determined.

Mr. Shivan J.K. said that the biggest challenge for the bank is cost control and for that they are hiring cmas who will grow all with the banks and become best people in the industry. He said that there is Rs.7.5 lakhs crores lying idle as the banking industry is not able to deploy those. The industry has 2.9% NIM bcoz in the last 5 years the NPA level has drastically come down the proceeds are liquidated at higher rates but rolled over at much lower rates. There are seen 4% NIMs also bcoz there are banks who have credit card portfolio included in the NIMs. The dream cost to income ration of a bank is to bring it below 50%. In service industry it is very difficult to cut cost as they have to bring their presence. None of the banks have done proper costing. Pricing on liabilities is another aspect. There are other fees which have to be made. He also touched on staff productivity and redeployment and other measures to cut the cost like reduction in office space, withdrawing old products etc. he affirmed that as everything boils down to cost, CMAs can definitely add value . Compliance costs and security costs are going up and all these costs are to be covered from lending and other activities of banks. Mr. Shivan said that inclusion of CMAs into the system is hugely justified for these reasons.

Mr. Madhav Kshirsagar presented a ppt. He echoed the previous speakers and said we cannot reduce the cost but we can use the same infrastructure in a better way . He indulged in Activity Based costing by which banks can shrug off their bogus costs. He affirmed that CMAs can help in quantifying the costs and provide with a better estimate of costs which would help in proper apportionment of cost from profit and give a real view of NIM.

CMA H.Padmanabhan, Honorable CM praised the deliberations and thanked the panelists.

CMA Arup Shankar Bagchi, HOD, BFSI gave the vote of thanks and concluded the WEBINT.

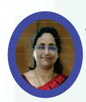
DISCUSSION POINTS OF WEBINTs FOR BANKING MONTH (JULY), 2021

52ND YEAR OF NATIONALIZATION - ROLE OF PSBS - IMPACT ON VARIOUS SECTORS OF ECONOMY AND THE SOCIETY - WAY FORWARD, POST CONSOLIDATION

ICAI observed July 2021 as the banking month and the celebrations were the initiative of the BFSIB. All the WEBINTs were streamed live thru the official YouTube channel of the institute to reach all the stakeholders. The first WEBINT was organized in 17th July'21 on the topic "52nd Year of Nationalization-Role of PSBs – Impact on various sectors of economy and the society –Way forward, post consolidation".

CMA Chittaranjan Chattopadhyay, Chairman BFSIB, CMA P. Raju Iyer, VP. ICAI and CMA Biswarup Basu, President, ICAI welcomed the esteemed presence and expressed their gratitude to the panelists for their time and valuable insight.

CMA Mohan V. Tanksale, former CEO IBA, was the moderator for the WEBINT. He congratulated the Institute for organizing the WEBINT. He said that the actual inclusive growth in India commenced with nationalization of PSBs and gradually evolved as a strong contributor in the economy and expanded the reach of the rural banks. The lending schemes IRDP, differential rate of interest made credit available to the entrepreneurs. He proudly said that the PSBs are technology competent and at par with the other players in the banking industry. The PBSBs brought down the 15% NPAs to 2% in 2009. He mentioned the contributions of PSBs during the global meltdown in 2008 and supported the Indian economy to be resilient and also about the management of asset quality issues coming from 2013. CMA Tanksale appealed to Mr. Shivakumar that they shud spread it to the bankers about the various certificate courses of ICAI as it would be extremely helpful and cited his example of being a CMA which helped him in this banking career.

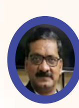


Ms. Padmaja Chunduru, MD and CEO, Indian Bank graced as the chief guest of the program. She said that nationalization at that time was much required as without it the growth would not have been possible. The PSBs were called upon to not only do business in a profitable way but also to combine it with the societal requirements. She reiterated how technology helped the PSBs during consolidation. Though initially the consolidation was seen as a sort of imposition but the consolidation has helped in improving the reach of the PSBs. She welcomed the proposals given by VP and President of ICAI of incorporating the CMAs in banks. She discussed about the operational credit risk and how the PSBs have learnt to factor those risks in a better way. After the consolidation she said the banks have not gone to the Govt for capital and also neither the economy nor the people or bank or the society suffered bcoz of the amalgamation. Due to the mergers the cost to income ratio of the banks has come down. Ms. Padmaja also said that due to the support of the banks to the MSMEs that the covid situation could be handled so well. She stressed to continuous investment and reinvention of the PSBs to be present in the competitive environment. She was positive that the PSBs can achieve new heights with the support of ICAI.

Shri Rohit Rishi, Field General Manager, Indian Bank and Shri D. Shivakumar Sharma, Chief GM, Union Bank of India, Shri S.B.Singh, Chairman, Aryavart Bank and Shri S. Adikesavan, Chief General Manager, SBI, were present as the guest of honor.

Mr. Adikesavan said that if nationalization were not take place then the kind of economic growth that we have achieved as a country it wouldn't have been possible to achieve. Inclusive growth has only taken place due to nationalization and it has provided the bedrock for the financial stability of the system. The monetary system of the world underwent a major change in 1970s when the gold standard was abolished and the currency system was redesigned to stand on the strength of the Govts which issue the currency, by which it is understood that the stability of the monetary system is also predicated on the strength of the national Govt. he further said that if the total banking system is privatized then it will hit the root of the Indian banking system bcoz it will shook the faith and confidence of the people that they have on the national ownership of the system. The cost to income ratio of Indian Bank increased from 40.49 to 47 after consolidation in 2021 which means that given to operate in the constraints the public sector has got the tenacity and ability to take us to the right path. He said that those consolidations will lead to greater economic growth. When asked about the importance of digital and financial literacy he said that there is definitely need for the same for better financial inclusion and the penetration and disbursement of credit to the weaker section of the society has to happen with great vigor and has to be combined with financial literacy. Cost information and computing is crucial for banks and proposed the inclusion of CMAs formally at a lateral level in PSBs and he shall do his best to facilitate on SBI.

Mr. Rohit Rishi made a ppt and discussed the timeline and reasons of nationalization and benefits of amalgamation. He felt that revival of projects is important which is done by the introduction of IBC by the Govt, but the pace is really slow and in future a call has to be taken whether long gestation projects has to be taken by PSBs or there is a lead for financial institutes. He praised the MSME hand book issued by ICAI and asked whether hand books on infrastructural lending can be brought by ICAI as it would do well to the world of lending.



When asked about how exactly a banker shud engage in the credit life cycle of a borrower ***Mr. Shivakumar Sharma*** said credit is the only activity that earns the bread of a balance sheet. He witnessed a multiple developments in credit monitoring and said it will not start when the credit is extended but it starts much earlier. The first objective of credit monitoring is to ensure the safety of public money and to see that this money is virtually deployed in productive process and generates into cash flows which is sufficient to pay the dues and most importantly it will create sustenance and result into the up liftment of the borrower. The fundamentals remain very significant and will continue to be so in the coming days and the next stage wud be how it can be sustained in the years to come. He said that we need a generation to come to appreciate the philosophy of lending and most skillfully ensure that the public money is utilized for the productive purpose. He further said that we need to monitor the process digitally and empower the borrower. To revive the economy the banks are rightly focusing on the MSMEs and in the consolidated scenario the PSBs are in a better position to do this. He suggested for continuous research from ICAI which would provide solution apart from giving status and that ICAI continues to be really vibrant and empower the students and contribute to the growth.

Shri S.B. Singh said that the Indian economy is passing thru a transitional phase and talking about transition he said with the introduction of JanDhan scheme in 2014 a good number of non monetized sectors of the economy have come gradually in the fold of the banking main stream. The income computation of the artisans and others in the sector is difficult and therefore they have shifted to the cash flow funding. The major growth of the PSBs and RRB has come from the rural segment which is a very important segment and most prone to growth related activities. The growth from agricultural activities, commercialization of agricultural activities, micro credit and small enterprises which will not only give employment but will also contribute significantly in the national growth, is going to govern the next decade and the role of PSBs is much more in the days to come. He expects the inclusion of the role of RRBs by ICAI in their course.

Dr. D.P. Nandy, Sr. Director, Studies & Adv. Studies gave the vote of thanks.

DISCUSSION POINTS OF WEBINTs FOR BANKING MONTH (JULY), 2021

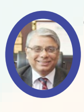
"REG TECH VS. FINTECH – THE INTERSECTION OF REGULATION AND DISRUPTION IN FINANCIAL SERVICES"

The 3rd WEBINT organized by BFSIB of ICAI was held on 25th July on the topic "Reg Tech vs. FinTech - the intersection of regulation and disruption in financial services". All the WEBINTs were streamed live thru the official YouTube channel of the institute to reach all the stakeholders.

CMA Arijit Basu, former MD, SBI, CMA T.K.Venugopal, GM, Canara Bank, CMA Ranjit Kumar Mishra, Chief Credit and Risk Officer, Satya Micro Capital Limited, and Shri Ashish Ananad, Founder and CEO, WHRRL, were the eminent guest of honor and speakers of the program. ***CMA Mohan Bhatia, global head of BFSI risk and compliance consulting at Wipro Limited*** also graced the occasion.

CMA Chittaranjan Chattopadhyay, Chairman BFSIB and CMA P. Raju Iyer, VP. ICAI welcomed the esteemed presence and expressed their gratitude to the panelists for their time and valuable insight.

CMA Mohan Bhatia while introducing the theme said that the banking technology started during 2008 and gained power during 2012 but at that point of time the internal systems of banks were fragmented and were not ready to move and migrate to the digital service. So at that time they went with internet and mobile banking but their back office system were not in tune with the digital banking and digital self service. To take care of this there was a back up call from fintech by bring disruptions in terms of bringing AIML getting into digital, utilizing public data set and getting into the grey area where there was not much regulations. This was around 2014 and he called it as fintech 1.0. During 2014-2020 the regulators started helping the fintechs and realized that the disruptions which fintech were bringing if that can be brought to regulatory requirement as the regtech. He further said that the 4th generation fintech from 2022 will be actually benchmark for the banks as they are trying to get into industrialization.



CMA Arijit Basu said that along with the fintech and regtech there is a 3rd aspect i.e. the traditional financial institutions which include banks. The UPI system is taken to be the game changer bcoz of its simplicity and convenience for the customers. Any good fintech will have to remember that whatever the product or service they are innovating it has to meet the criteria of being simple and easy to use. He said that the internal and external disruptions have led to these changes getting accelerated and by 2025 the fintechs are expected to 150 to 160 million dollars.

The fintechs have understood that if they have to be in better traction it is the collaborative module which they need to have with larger organizations which will give them better results in the future. Fintech is about managing your own people to understand the changes are coming so it is about change management, hr management and equally important is the regulatory concern over the security aspects. He further mentioned that the interplay between the banks, fintech and the regulatory environment and how these opportunities and challenges are addressed the better it is done the faster will India change.

CMA T. K. Venugopal said fintech is a large area and regtech is a part of it but now regtech is expanding and there is a challenge between these two also. Banks have adopted fintech long back from the credit card issuance to atms and core banking but the global financial crisis in 2008 has changed the total game. The fintech revolution has brought the new generation players. He expressed his concern as a banker that whether the existing system is really challenged and they are made obsolete and whether there is a chance for the traditional banks to be dominant players in the new ecosystem. To answer this he said that the banking system needs to reinvent their functions and make available the services on digital platform with reduced charges and improved efficiency. He said banks should try to convert themselves to mega fintech companies and make available their services on digital platform in a better way with cheaper rates to face the challenges that are likely to threaten their existence. For this recruitment of technical people and out of box thinking is very essential as banks need to innovate and package in a different way. The banks can think of using AI also. The global level of acceptance is 65% whereas Indian acceptance level of fintech is 87%. A very interesting point came out from his discussion is the existing customers prefer their banks but still they are shifting to the fintechs bcoz of the nature of their offering and the innovation they are doing. The regulatory guidelines are becoming stricter after the gfc in 2008 and there is a change in scenario and instead of viewing the regtech as part of fintech the scope of the regulatory compliance has increased. He noted that the primary difficulty of regtech is not regulatory reforms but the difficulty in processing huge data which if properly not monitored can generate problems to the regulators.

CMA Ranjeet Mishra discussed about the pre 2012 era when there were no fintech companies and then the period when internet and smart phones took over. The technology enabler has enabled for a 24x7 and frictionless service and that is the reason why the fintechs are growing so fast. He sounded hopeful in saying that digital lending is expected to increase from 75 million dollars in 2018 to 350 billion dollars in 2030. CMA Mishra discussed about paperless and presence less transactions that has been possible for the fintechs. With the rise in investors' confidence every 2nd or 3rd deal are happening in the fintech landscape. He mentioned that regulatory sand box is providing impetus to lending and payments.

Mr. Ashish Anand discussed about the most disruptive technologies in the banking event which started in 2009 and said that the financial crisis in 2008 was actually the motivation for bitcoin crypto currency. The innovative technology behind bitcoin is block chain which got implemented and today there are bigger implementations where more than 200 banks are working together on a single platform. This technology brings the regtech and fintechs together. Mr. Anand showed a video to introduce bitcoin and discussed the 3 pillars of block chain being trust, auditability and efficiency.

Chairman BFSIB gave the vote of thanks and concluded the program.

DISCUSSION POINTS OF WEBINTs FOR BANKING MONTH (JULY), 2021

RBIA IN UCBS - HOW THE COOPERATIVE BANKS ARE GEARING UP

ICAI observed July 2021 as the banking month and the celebrations were the initiative of the BFSIB. All the WEBINTs were streamed live thru the official YouTube channel of the institute to reach all the stakeholders. The last WEBINT was organized in 31st July'21 on the topic "RBIA in UCBs – How the cooperative banks are gearing up"

CMA Chittaranjan Chattopadhyay, Chairman BFSIB and CMA P. Raju Iyer, VP. ICAI welcomed the esteemed presence and expressed their gratitude to the panelists for their time and valuable insight.

Shri B. Rajkumar, former ED of Indian Bank and advisor of BFSIB briefed the introduction of the topic of the WEBINT.

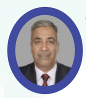
CMA Sunil P. Sathe, MD & CEO,Thane Janata Sahakari Bank Limited, CMA S. Srinivasaraghavan, BFSI and Micro finance expert, Dr. Jatin Naik, GM, The Surat People's Cooperative Bank Ltd, and CMA Dr. S.K.Gupta, MD & CEO, ICAI RVO graced as the chief guests of honor.

CMA Sunil P. Sathe presented a ppt on risk based internal audit and how the cooperative banks are gearing up. He said that whatever guidelines are there for other banks it is applicable for the cooperative banks and they are at par with the other banks. CMA Sathe mentioned the focus area in risk management being identification, measurement, monitoring and management of risk and development of risk procedures and policies. Though the RBI guidelines are from 31.3.2022 but he said that the cooperative banks have already started RBIA. The difference between traditional or historical approach of auditing and RBIA was presented which expressed the importance of RBIA in highlighting the process lacunas and measurement of the same. The RBIA is welcomed by the cooperative banks though had some initial resistance. He said as part of pre requirements policy formulation is an important part of RBIA and also mentioned that cooperative banks are gearing up in policy formulation where all the executives sit together and see the each functional departments and list out the areas where these process are to be carried out. After the ABC analysis the most critical area is addressed first. He mentioned the risks and control matrix which is important in identification and mapping of risks. CMA Sathe took a case study and identified the process of risk mapping and mitigation. He also said that they are following the RCB format issued by ICAI in script and that this format has helped them in implementing RBIA.

CMA S. Srinivasaraghavan echoed the words of CMA Sathe and said the cooperative banks have already started in implementing the RBAI. He said that 113 banks will be covered under the

RBIA and the total deposits of these UCBs are round about 500 crores. As an explanation of why the RBI has asked for UCBs for RBIA he said that even though there are 1539 UCBs the profitability figures have been coming down recently. UCBs are systematically important banks but there are some banks as he mentioned are not following RBAI as they have some inconsistency in the approach in audit. Another reason he mentioned was the PMC fiasco. Many smaller UCBs are yet to start the process of RBIA and the banks shud start training and crash courses which would help in implementation of RBIA. As a lacuna he mentioned that majority of the UCBs don't have policy implementation plan. If they had proper risk management function then probably it would be easier for the UCBs to implement RBIA. He mentioned about the need of having a core team and to train the staff in RBIA and also said that ICAI and the CMAs have a bigger role to play in this and CMAs can become the board member in the RBIA. He suggested that ICAI should have more number of crash courses customized for RBIA in UCBs.

Dr. Jatin Naik mentioned the unavailability of skilled persons and poor understanding among UCBs, poor infrastructure and its cost against income of UCBs as the main problem areas for implementation of RBIA in UCBs. He said the UCBs should constitute a committee of senior executives with the responsibility of formulating a suitable action plan. The committee may address transitional and change management issue and report periodically to the board and senior. The internal audit function should broadly assess and contribute to the overall implement of the organizational governance. He said that the RBIA should be widely discussed in the board and disseminated in the organization. Professional knowledge and expertise in subject matter is required for the successful implementation of RBIA. Along with that data integrity and robustness of the data management system is also important for implementation of RBIA.



CMA Dr. S.K. Gupta showed a ppt on the role of CMAs to be part of board of banks. He said that keeping in view of the dynamics and dimensions of the bank operations and functions it becomes imperative to include a CMA in the BOD as they possess requisite skills and expertise to add value to the banking system. He further said the CMAs with their specialized professional skill and expert knowledge and analytical capabilities can provide in depth service in RBIA in banks. If a CMA is in a board he will call for things from a different angle and perspective altogether. CMAs can ensure development of sustainable business model and improving product/segment wise performance, profitability and transparency.

Chairman, BFSIB, CMA Chittaranjan Chattopadhyay gave the vote of thanks and concluded the program.

Sl. No.	Date	Time	Topic
1.	07-08-2021	4:00 - 4:00 PM	New Age Investment in an Era of Low Interest rate
2.	14-08-2021	4:00 - 4:00 PM	Demystifying Mutual Funds from investor perspectives in association with NISM
3.	21-08-2021	4:30 - 6:00 PM	IPO Investments
4.	28-08-2021	4:00 - 6:00 PM	Global Investments through Indian Mutual Funds
5.	04-09-2021	4:00 - 5:30 PM	How investors can analyse annual reports to detect both rogue companies who steal Money and identify great companies who create massive wealth

Technology is sweeping the world and is doing it much faster than all of us can anticipate or predict. Every single aspect of human behaviour is getting disrupted. Investing – long considered an art confined to smart bankers and advisors, is the new bastion being eyed by technology. Even as many of the older investors struggle to complete their targeted investments, tech savvy Millennials continue their investment journey uninterrupted through digital modes to grow financially.

Apropos to this, ICAI and NISM completed a successful series of online Investment management program, that leverages on the strength of both Institutions. As a step towards strengthening this successful partnership, both institutions planned to observe the month of August 2021 as "Investor Month" to spread the investment awareness among professionals.

The Investor Month Observance is an initiative of the ***Banking, Financial Services & Insurance Board (BFSIB)*** of the Institute in association with ***National Institute of Securities Markets (NISM)***.

Distinguished speakers from the Securities markets are invited to share their thoughts and experiences, on relevant topics and with their gracious presence these events will be a source of inspiration to the participants and will serve as guidance in carrying out future endeavours in a much better manner. All the events will be streamed live through the official YouTube channel of the Institute to reach all stakeholders, members, students, investors and professionals of both Institutions across the country.

DISCUSSION POINTS OF WEBINAR FOR INVESTORS MONTH (AUGUST), 2021

NEW AGE INVESTMENT IN AN ERA OF LOW INTEREST RATE

The Institute of Cost Accountants of India (ICAI) and National Institute of Securities Markets (NISM) have jointly decided to observe August, 2021 as the Investor month. Series of 5 webinars under the central theme of "New Age Investments in an Era of low Interest rates" was organized in the month of August, 2021. The 1st webinar has been conducted on 7th August, 2021. The programme was inaugurated by ***Shri S.K. Mohanty, Director, NISM and Whole Time Member of SEBI as the Chief Guest. Shri Ravi Varanasi, Chief Business Development Officer, National Stock Exchange of India Ltd, has graced the occasion as the Guest of Honour and the speaker.*** Under the central theme, Sub-themes like book building, Investors perspectives on IPO and other investments, demystifying mutual fund investments and global investments through Indian Mutual funds were taken up for discussion by eminent industry professionals, who shared their views on these topics and answered questions related to the same.

The present scenario of low interest regime has forced the investors who were traditionally investing in debt securities having sovereign guarantees of Government of India, to look out for investments in mutual funds and capital markets so that they can get better returns. This is reflected in the substantial increase in number of new DP accounts added and the new folios added to mutual fund investments. The year 2020 also saw many IPOs and large rights issues hitting the markets, which saw a large participation by the retail investors. This sudden drop in prices of equity and possibility of high gains has attracted many retail investors who have opened their demat and trading accounts and are planning to invest into both equity and mutual fund in large numbers. This joint webinar initiative is aimed at providing the right inputs to retail investors who are looking at investing into equities and mutual funds so that they understand the risks related to these investments and are able to take informed investment decisions.

Shri S.K. Mohanty, WTM of SEBI and Director, NISM in his inaugural address expressed that online Webinar series as a well thought out and timely initiative by both institutions. Both NISM and ICAI have organised various batches of online Investment management course for the benefit of Investors, is well received and has added value to investors who have participated in the same. He stated that there is a profusion of Demat accounts with retail participation in capital markets. The passive investors have turned to active investors and yesterday's savers are today's investors. The trend for a positive fintech development in the retail landscape has enhanced the metamorphosis since last year. On the market scenario, he stated that the cumulative Demat account increased to 41 million from 21.55 million in the current fiscal i.e. 34% growth in last two months. The number of new Demat account at the pre covid-19 was 40,000 per month as compared to the present 12 lakh demat accounts per month during covid-19.

The 2.4 million demat account is growing per month now CDSL growth registered 70% growth and a NSDL 13% of the depositories. Increase in the growth of investors in the state of Maharashtra was the no.1 followed by 18. 9 lakh investors in Uttar Pradesh which has been increased by 55%. The North East is growing and we have seen Assam has enhanced by 5 lakh investors with a 30-40 lakh new investors in North East. The above encouraging information ecosystem created a positive information for the wealth managers. The Global Assets Under Management increased to 63% to the GDP. With enhanced Penetration in retail sector a big way for future investors. He advised caution for young investors entering into Cryptocurrencies including bitcoin where there are no underlying.

Shri Ravi Varanasi, Chief Business Development Officer, National Stock Exchange

Speaking about the current market scenario Shri Ravi Varanasi said that 50 lakh new investors have been added to the markets since 2021. The new investors are technology driven and NSE has seen that there is an increase of 60% from tier 2 and 3 cities. The investor number from cities beyond the top 100 cities has increased by 35%. The reason for such growth is access to technology. The majority of investors are following a DIY (Doing It Yourself) principle for investment which is a responsible and good sign. The Broker organizations which have brought the fintech ecosystem information system in their functioning. We have now an information overload and slowly we are seeing that institutional investors and retail investors information asymmetry has gone. Fintech brokerage platform analysis and decision making are presently now state of the art. The analytical tools and approach to the market investors are presently with 70% institutional in the USA whereas in India the retail is a majority with 60% of the total market. The new age investors and millennials who are the new 1.5 crore investors in which NSE has undertaken a market research. It showed that retail investors previously entered through the IPO and secondary markets but now savvy investors are having proper risk awareness, knowledge skills and tapping the markets and with such upscale of cohort investors the scenario of investment has seen a great show. We have seen that interest impact is low in savings/fixed deposit. The risk premium of 7% in equities is now 14.5% CAGR on equities. The market scenario Decision Support System tools are having analytical and accesses the risk profile investment according to the needs of the Investors. The retail investors now can participate and invest in Govt. Securities. We have seen that such liquidity is now exhibited in transparent manner. In 2016 we have seen that Sovereign Gold Bonds come into the market. Presently, the monetization of gold of our country is within the range of 800-1000 tonnes of imported gold. With the digitization of gold and Interest from the gold bonds in SCB it has become a very good investment tool. The retail investors have seen a muted response in the corporate bonds. We have seen a total of Rs. 7 lakh crore bonds are issued through the private placement route which is a lakh crore more than the retail loans. The public funding in the real estate scenario and participation in the infrastructure phase in the REITs are the solution. The ETFs, Bharat Bond ETFs for PSUs has given a decent return. The Nifty ETF has given a decent return. Presently, at low risk it has generated 14.16% index ETF CAGR with very low of 0.06 charges. It is an investment product ideal for new investors where you need protection of capital with no risk. ETF is a passive MF and the objective is to beat the benchmark. Fund Management charges are more in MF. It is seen that in case of Short duration funds are for risk averse investor than to a risk lover. We have seen that lot of funds are like low duration to flexi cap funds as per the risk appetite of the investors. SIPs in MF are done to reduce the risks. The Fintech working with brokerage firms for forming an index small for fintech by preparing of 2-3 funds catering to the needs of the investors. The trading on the market have provided with lots of discipline, time, resources with lot of investment opportunities. The derivatives are having a 12% of the investors with high risk profile having long term objectives for hedging the risk. The FII hedging and the risk of other derivatives like options, futures are now the order of the day. Various checks and balances have been created by the SEBI. We have seen that presently the market structure is very robust. The NSE is having the largest derivative market base with discipline, proper risk management and SEBI taking tough eligibility criteria and client capability is the order of the day. The risk disclosure criteria in the derivative market is safe. Different level of understanding in the equity investments and commodity derivatives which has now started along with bullion, forex derivatives, future derivatives, interest derivatives are now prevalent. Gold Exchange is being set up to make gold digital product. Gold has benefits and Gold foreign exchange, international investment with Rs.2.5 lakh dollars which an investor can invest outside the country is creating a fillip. In acquiring global stocks in GIFT city of stocks like Apple, Google etc. brokerages though international stocks have a high conversion cost. A product is low cost and investment in international stocks in the GIFT city where the investment tracking of international investment can be done. The IFSC authorities giving the mandate for the international investment. IPOs rush is presently going on with Paytm and other tech companies going to join the fray. The information overload is there in particular investment having long term need and can be accessed properly. In the NPS we have seen a migration from the defined contribution to a defined benefit changeover. We know that compounding can do miracles which is termed as the 8th wonder of the world. Such is in the new age investing in the current scenario for us to expand your investment horizon.

We would like to state that the ICAI and NISM has jointly launched the Investment Management course having three levels. Presently, we have completed 5 batches of Level I, 2 batches of Level II and one batch of Level III respectively. Today, at this auspicious day we would be inaugurating the 6th Batch of Level-I and 3rd Batch of Level-II and 1st batch of Integrated Technical Analysis and Advance Derivatives.

The Q&A session was moderated by ***CMA Dr. Latha Chari, HOD SSIR NISM.*** The complete session can be accessed with the link-

https://www.youtube.com/watch?v=bbz1tgd6gEE&t=4s

DISCUSSION POINTS OF WEBINAR FOR INVESTORS MONTH (AUGUST), 2021

DEMYSTIFYING MUTUAL FUND SCHEMES

***Shri Dhirendra Kumar (Speaker) Founder and CEO, Value Research India Private limited*:**

Beginning with his words, he said, "the choice of Mutual Funds happens to be a good one but, in this country, people are being misled. People are lacking the financial literacy. Moreover, India has been a fixed income country. Here, everybody has fixed income investment. Govt. has been the principal borrower in this economy. A market-linked investment like mutual fund was created so that it is easier for people to participate in market."

He then stated that there are 16 kinds of equity mutual funds as mandated by SEBI. Since there were plenty of mutual funds, the regulator had to step in India to classify all the funds that are launched- debt fund, hybrid fund. The regulator was introduced to avoid disruption hence they created a provision for a funds company- launching 17 kinds of equity fund, 9 kinds of debt fund and 7 kinds of hybrid fund.

Following this, he explained about certain funds and their criteria, including about the market conditions experience and going for respective funds like:

1. All equity fund
2. Multi flexi cap fund (liberty to invest in any part of the market and they are diversified),
3. Aggressive hybrid fund (first time investor),
4. Index fund (funds with low cost & full advantage),
5. Tax saving fund (pay tax and forced discipline inculcating patience).

He defined the large cap, mid cap and small cap funds giving short details about the other funds which included: Sensex/ nifty fund, dividend yield fund, value fund, contra fund, sectoral fund, company fund, pharma fund, thematic fund, infrastructure fund, Public Providence fund, overnight fund, liquid fund, ultra-short term fund, corporate credit risk fund, guild fund, bond fund, floater fund, balanced advantage fund.

He also stated that the multicap fund is the sensible fund as the investor has the liberty to invest anywhere. It is a combination of value + growth strategy. He mentioned about the active and passive investing.

Concluding this, he added, "More and more index funds are launched to track different funds".

CMA Nilesh Shah (Speaker), Managing Direct Kotak Mahindra Asset Management Company:

CMA Nilesh Shah begun with saying, "Why do we have to demystify? It’s visible for anyone who wants to see". Mutual funds are normally equated with equities. He mentioned about the several funds and stated that the risk of losing money in mutual funds have reduced.

He further informed, "how so people lose money in mutual fund? Because they enter in the wrong time and exit at the wrong time." Mutual funds require long term investment. One has to stay invested over a period of time in order to earn money.

Moreover, speaking about the advantages, he said:

"1. Mutual funds give optimal return in a disciplined manner.

2. Mutual funds are convenient.

3. Mutual funds add value.

4. The availability of transaction is 24×7, 365 days.

5. Diversification during investment.

6. Tax efficient"

There are many other products in market MPs, ulips, company fixed deposits, gold real estate; if you take all these products and compare that with mutual fund; mutual fund has created wealth for investors.

At the conclusion part, he stated that why people fail in mutual funds and made all the participants aware that it happens due to lack of knowledge and lack of discipline. The complete session can be accessed with the link- ***https://www.youtube.com/watch?v=YHbBOyKga7g&t=1s***

DISCUSSION POINTS OF WEBINAR FOR INVESTORS MONTH (AUGUST), 2021

IPO INVESTMENTS

CMA Yatrik Vin (Speaker), Group Chief Financial Officer & Head, Corporate Affairs NSE:

CMA Yatrik Vin stated that there are two perspectives of IPO i.e., in terms of Company's side (raising the capital) and other of Investor's side. These two perspectives are mapped through which IPO reaches the desired success. He explained certain terms briefly which include: Why does a company raise capital in the market?

There are several reasons for which a company raises capital in the market:

1. To change it from private limited company to public limited company which provides immense advantages in terms of growth and expansion.
2. They need genuine funding requirements for organic growth like product diversification, business diversification and geographic diversification.
3. Inorganic expansion & growth through merger and acquisition.
4. Companies who have significant debt in balance sheet & go for capital restructuring- repay debt, improve overall profitability ratio, increase the credit worthiness of the organisation and improve overall liquidity of organisation.
5. Traditional reason like companies want to manage their working capital.

He further explained, "once a business receives significant raise in money, it becomes it's responsibility towards the investors in terms of disclosure, reporting, compliance, creating shareholder wealth, creating shareholder value and meeting the investor's objectives. According to studies and research, companies which follow good governance standards, good reporting standard, create long term investor wealth always get better premium & better pricing when they go for investors and seek additional capital."

He also touched the topic of book building process. Following this, he explained about the various business strength- dominance in area of operation (market position), product & ITRs, large manufacturing facility (multi jurisdiction & multi geography), brand and supply chain mechanism.

Telling about the investor, he said what should an investor look before investing in a company:

1. Growth potential of the company
2. Promoter track record- not only in terms of the ability to run business but also governance, compliance, ability,

discipline to disclose information in the market.

3. What is the percentage participation?
4. For what reason the money is being used?
5. Timing of the IPO
6. Revenue potential the investor will get & profit potential the company will get.
7. Pricing of the IPO

He also said, "in medium-long term, it is equity as an asset class which is expected to generate some decent amount of returns which can be in double digits. Equity can be in terms of ETF, mutual funds, IPO, etc."

He informed about the reasons why investors shouldn't go for IPOs which included:

1. If company has frequent change in promoters i.e., there's no stability in promoters.
2. Frequent change in business model.
3. Past performance is not promising.
4. Companies have a risk profile- geopolitical risk, legal risk & litigation, and labour risk.

He concluded saying about the DRHP section and how to understand a company i.e., through industry report, scheme IPO, strength & risk, company management & promoter track record and overall historical financials & analysis.

Shri Prem D' Cunha (Speaker), Senior Vice President & Head, ECM- Execution ICICI Securities Limited:

Prem Sir stated about the topics he was going to discuss, i.e., book building process and how to bid. In book building process, he mentioned the three types of investors- institutional investors, high network individuals and retail investors and explained about them. He also said, " IPO is an important Avenue for investors. Alternative investments are something everyone is looking for." Later he spoke about the price band.

He said that there are 3 reasons which make book building a success:

1. Price discovery
2. Real time demand analysis
3. Transparency

He also made the participants aware about the 2 modes of investing in IPO:

1. UPI- Mechanism for retail investors to invest across the unified payment interface.
2. Asba- The HNIs & QIBs invest

"The HNIs understand the mechanics of the companies, financial and other parameters. They cannot withdraw once they have bid whereas retail investors can modify & withdraw up to the closure of the issue.

He clarified that in case of natural calamities, if the price of the IPOs is stiff and the demand has no change, one can revise the price band. The price brand can be revised upwards or downwards. Downwards happens when the market scenario is challenging and upward happens in rare cases. The price band can be revised only between the 10 working days.

One of the most important parameters incase of book building process includes, "The minimum application incase of any IPO for regulatory department is between Rs.12,000-15,000.

As stated by him, the entire price mechanism and analysis is done in the price book. Moreover, whenever an individual raises fresh issuance, the money which gets into the company has to be at least 90% of what that individual receives from the market. He concluded by explaining certain topics like follow on public offers, alternative book building mechanism and offer for sale mechanism. The complete session can be accessed with the link- ***https://www.youtube.com/watch?v=8JL5MNLEu8s&t=1s***

DISCUSSION POINTS OF WEBINAR FOR INVESTORS MONTH (AUGUST), 2021

GLOBAL INVESTMENTS THROUGH INDIAN MUTUAL FUNDS

Shri Srinivas Rao Ravuri, Chief Investment Officer – Equities, PGIM India Mutual Fund, Guest of Honour and Speaker- Though India has done very well in the last 10-20 years in terms of GDP Growth and India is the 5th largest economy in the world, still the proportion is much lower in comparison to others. India's market cap stands at \$3.1 trillion vs World market cap at \$116 trillion. India's market cap as a % of world market cap has been range bound since 2011. Thus, Indians are missing out on global opportunities which represent 97% of world market cap. Investing outside India has mainly arose due to diversification to structurally different markets. Investing outside India provides Indian Investors exposure to structurally different markets. Some of these opportunities are not available to domestic investors. India in the 2000s decade outperformed developed markets, but underperformed overall in the 2010s decade. Global exposure can bridge this divide and enhance returns for Indian Investors. Continuous rupee depreciation adds to the cost of foreign education leaving Indians at a disadvantage. Investments in international markets can mitigate this risk. Global themes like On Demand Consumption, Enterprise Technologies, Global Consumer, Digital Payments, Robotics & Autonomy, Health Tech & Therapies offer compelling growth opportunities. Mutual Funds provide an Optimum Solution for International Exposure. Offshore funds are simplest way to invest in international markets.

Shri Nehal Vora, Managing Director & Chief Executive Officer, CDSL Chief Guest of the Valedictory Session-Mutual Fund is an extremely important tool in today's scenario and is growing in a significant manner. The world is moving towards digitization where the entire trading has shifted to an electronic platform. No settlement through physical shares, it's through a depository, three important institutions from the market standpoint has been created-the stock exchanges, the clearing corporations and the depositories which are inter connected and inter operable through the digital platform. During these covid times the securities markets would not have functioned unless there is vision of moving into technological framework initiated by SEBI and the then Ministry and also in close associations with market infrastructure institutions. As a result, securities market is the only market which has remained opened without even a single second of it being disrupted despite most of people were working from home. Markets have led to unprecedented growth for the securities market also during these challenging times. From April 2020 till June 2021 turnover on the stock markets have grown by 79%, the delivery quantity used to range around 25% has grown by a staggering of 114%, Sensex, the market index has grown by 56%, number of IPOs has grown by 77%, the no of Demat accounts only with CDSL has grown by 82%. This portrays the resiliency and the sustainability of securities markets. India has core competencies difficult for others to mirror. India is expected to grow in terms of GDP at around 28% plus over next couple of years as compared to Europe and Central Asian Countries. The SME Sector is also growing in a very important phase which shows that there is a new start up culture which are getting a vent out through markets and the markets are able to discover this through this system. He discussed on Gujarat International Finance Tec-City (GIFT City) Gandhinagar which is a regulatory sand box where lots of experiments can be done. There are convergence of securities, commodities, currencies and markets. The complete session can be accessed with the link- ***https://www.youtube.com/watch?v=J39X4y9wu GI&t=2s***

DISCUSSION POINTS OF WEBINAR FOR INVESTORS MONTH (SEPTEMBER), 2021

HOW INVESTORS CAN ANALYSE ANNUAL REPORTS TO DETECT BOTH ROGUE COMPANIES WHO STEAL MONEY AND IDENTIFY GREAT COMPANIES WHO CREATE MASSIVE WEALTH

Shri Saurabh Mukherjea (Guest of Honour and Speaker), Founder and Chief Investment Officer, Marcellus Investment Managers:

Mr. Mukherjea began by introducing two of his colleagues and about Marcellus where the wealth of more than 7000 families are looked after. He further said, "Investors can analyze annual reports to detect both rogue companies who steal money and identify great companies who create massive wealth". He discussed on Marcellus Forensic ratios to evaluate accounting quality of non-financial companies, invest in franchises with high pricing power and high reinvestment rates using Marcellus Longevity framework.

He clarified about the 3 principles through which they invest the life savings of those 7000 families under Marcellus:

- ❖ Clean in terms of their accounting & governance
- ❖ Rational in terms of their capital allocation
- ❖ Dominant in terms of their franchises.

50% of the stocks listed in the BSE500 a decade ago are no longer in the index, 85% of the stocks listed in the BSE500 have failed to give a rate of return above 15% p.a. over the past decade, 70% of the companies in the Nifty 50 typically fail to generate a return on capital above the cost capital.

Continuing, he said that India is one of the hardest stock markets to create money. The happy side of the Indian stock market is the vast wealth created by a few companies. 70% of listed companies in India can't generate a return on capital above their cost of capital i.e., these companies don't generate any free cash flow.

Shri Salil Desai:

He began stating, "we rely on the financial statements to analyze the business to asses it's value and if these financial statements cannot be trusted upon, then there's no point in the whole exercise."

Accounting deception is far more widespread and happens more frequently. Talking about some examples, he said about Dewan Housing Finance and how the capital of 17 thousand crore out of 20 thousand crores got siphoned off i.e., 85% of the market capitalization got siphoned off.

About Deccan Chronicle which was one of the largest selling English newspapers in India, had to restate its debt up by 5x i.e., under reporting of debt by almost 80 odds %.

Then about a leading travel services company Cox and King which faced negative net worth followed by a positive net worth, its previous financial year.

He stated about the certain reasons why investors get frauded:

1. They don't have access to resources for detecting accounting irregularities.
2. They think they can get out before it's too late.
3. Even after knowing they are frauded, investors think the risk is priced in and prices are cheap.

The complete session can be accessed with the link- ***https://www.youtube.com/watch?v=KNXExG_YG3g&t=2108s***

ICAI NATIONAL AWARDS : ESSAY CONTEST 2021 FOR BANKERS "DIGITAL BANKING AND INCLUSIVE GROWTH"

CMA C Shreeram
Chief Manager, Union Bank of India
(FIRST PRIZE)

Modern banking has taken a paradigm shift in banking space, both to the customers and banks, after onset and development of digital banking, in India. There were those days when customers used to spend good time at bank branches for availing banking services viz withdrawal and deposit of cash, depositing and encashing of inward and outward cheques, availing loan services, RTGS/NEFT services etc. With the introduction of digital banking somewhere in 1990s and its further development in late 2000, the story of banking has changed. Now the customers need not spend much time at branches, as they used to. The system has also streamlined for banks as it has eased its banking operations to much extent, so much so, that now, more than 70% of customers, are using digital banking services through their smartphones, laptops, I pads etc. This has also reduced cost of servicing customer as footfalls in the branches has reduced to a considerable extent.

With the advantages and benefits of digital arena, comes some constraints, especially after banking has become 24X7. While for customers, now they can do transactions online at any time they are convenient, technology has become a major challenge for banks, to service the customers seamlessly. The technology has become so important to banks now a days that banks have separate IT department headed by Chief Technology Officer in the rank of Chief General Manager and have varied tasks to provide seamless technology and digital banking services. The technology is bound by data security issues where the banks face data hacking, phishing, smishing issues on daily basis. To fight this, the banks have to strengthen their data security cells with required manpower and skills to tackle this situation. Then, there are certain sections of society viz senior citizens, rural population who still prefer going to branches to avail banking services and popularity of digital banking is yet to be gained in this area.

Inclusive growth is an economic growth that is not concentrated to certain sections of society, but overall development of all sectors of the economy. A growth coupled with employment generation in all sectors, agriculture development, poverty reduction, all industry development and helps in regional disparities, is called as an inclusive growth. The main elements of inclusive growth is given below:-

1. ***Skill development*** – The inclusive growth is only possible if there is an overall skill development in all areas. Though the modern youth population of India is well educated, but unemployment is the biggest challenge which results in under utilization/ non utilization of skills of the youth.

2. ***Financial inclusion*** – Financial inclusion is to ensure banking services to under privileged group of society at

an affordable costs. Financial inclusion is necessary for inclusive growth as it promotes savings, thrift in the deprived portion of our society.

3. Technological advancements –While we are moving towards next generation industrial revolution, technological advancements have capabilities to both increase and decrease the inequality depending on the way these are being used.

4. Social development – The overall social development will happen when there is a growth in all sections of society viz poor, backward classes by way of employment and development of social infrastructure to these sections of the society.

But with the concept of inclusive growth, comes some challenges mentioned below:-

1. Poverty – As per the Multinational Poverty Index (MPI) 2018, India has uplifted 271 million people between 2005-06 and 2015-16 and thereby brining light in their lives, however, life of around 373 million Indians continues to be below poverty line. The Govt of India, in the recent past has initiated various incentives, through banks viz Stand up India schemes to upbring lives of these sections of the society. But as on date, this remains a challenge as credit growth in this section, still requires propel.

2. Unemployment – As per Peiodic Labour Force Survey (PLFS) of NSSO, the unemployment of workforce was around 7 % in urban areas while the same was around 5% in rural areas. Though there has been good growth in reducing unemployment, but unemployment continues to be a challenge due to low investment, low capitalization and low agriculture growth.

3. Agriculture Backwardness – There was a time was India was called as an Agrarian economy as around 70% of GDP was contributed by way of agriculture. Now, there is a complete shift of story with agriculture contributing around 20% of the GDP growth and major share contributed by service sector.

4. Regional disparities – Factors like caste system, gap between rich and poor contribute to regional disparities which create a system in the economy where only certain sections of the society enjoy the privileges conferred to all citizens by our Constitution of India.

So, now the question comes that how the digital banking can help overcome the challenges faced by us in achieving inclusive growth, which is commonly called as Digital Inclusive Banking or Digital Financial Inclusion

The commercial banks, especially the Public Sector Banks through their various initiatives as mentioned below play a major role in achieving inclusive growth and challenges coming with it:-

1. Financial Literacy
2. Credit Counselling
3. Business Correspondent(BC) model
4. No frills account
5. Branch expansion in rural areas
6. Credit to MSME sector
7. Mobile Banking
8. School banking

The various ways in which digital banking helps achieve Financial Inclusion/ Inclusive Growth is given below which has been live example in Indian Economy:-

1. ***Direct Benefit Transfer (DBT) System*** – The NDA Government had come up with Pradhan Mantri Jan Dhan Yojana (PMJDY) whereby the banks were given targets to open PMJDY accounts of all unbanked areas and unbanked population of India. This was a hit amongst the banks as it not only given impetus to Current Account and Saving Account (CASA) of the Bank, but also hit among the customers as these accounts have become the default channel for delivery of government payment through the Direct Benefit Transfer (DBT) system.

2. ***Unified Payment Interface (UPI) emergence*** – The Government has introduced Unified Payment Interface, managed by National Payment Council of India (NPCI) which has eased online payments and taken over the debit cards and credit card mode of payment.

3. ***IMPS*** – Launched in 2010 for immediate bank to transfers.

4. ***BHIM*** – Launched in 2016 and is even more simplified for online payments, than UPI, debit cards and internet banking.

5. ***Aadhar Enabled Payment System (AEPS)*** – Launched in 2017 for digital Point of Sale transactions.

6. ***Bharat Bills Payment System (BBPS)*** – Launched in 2016 to facilitate payments for utilities and P2G payments.

7. ***Micro Finance Institutions (MFIs)*** – Emergence of Micro Finance Institution led to credit growth in inclusive sector of the economy. These MFIs have simplified structure to grant loans to Micro and Small Enterprises by their unique way of digital applications.

8. ***Emergence of Payment Banks*** – Mor Committee in 2014 had recommended for constitution of payment banks for financial inclusion. The aim was to bring traditional players in telecom, fintechs, postal, industrialist into the banking sector by way of leveraging their network.

9. ***Bill and Melinda Gates Foundation (BMGF) and their contribution towards digital financial inclusion*** – the BMGF support has mainly taken form of technical assistance to Central Government and State Governments to develop DBT platform, helped the Government in improving data landscape for financial inclusion and improving NPCI platform, developing agent networks for Cashing In and Out(CICO).

Given above initiatives in India to introduce and develop Digital Inclusive Banking, the challenges still exists which are illustrated below:-

1. ***The digital banking*** acceptance by illiterate, poor people or non tech savvy people remain a question.

2. ***Technological issues*** – Seamless services of digital products remain a challenge in Indian Economy given data security issues.

3. ***Lot of people*** still prefer cash mode of payment and prefer going to banking units near to their home/ village.

Having said that, there has been a considerable growth of digital initiatives by rural, semi urban India which has given a push to growth. Let us hope that the banks in India, payment banks, Small Finance Banks, MFIs will continue to give their contribution to develop this subject.

ICAI NATIONAL AWARDS : ESSAY CONTEST 2021 FOR BANKERS

"DIGITAL BANKING AND INCLUSIVE GROWTH"

Shri Harish S
Manager, Karnataka Gramin Bank
(SECOND PRIZE)

Introduction

From snail mail to e-mail to voice chat and video conferencing, from desktops to laptops to palmtops, from window-shopping to teleshopping to net shopping and then business going online, the technology is changing at a very fast pace, 'change' is the only thing which is constant. Constant is the latest buzz in information technology. The banking sector is not an expectation of this changing phenomenon. Digital Banking is the latest in this series of technological wonders in the recent past. These are the services that provide banking transactions electronically. Digital Banking utilises the internet to convey traditional banking services to their customers, such as opening accounts, transferring funds and various electronic bill payments. As a result consumers, today have more options than ever before: one can go to a traditional 'brick and mortar" institution that has a building service representatives, or one can go to a "no brick and only click" financial institution that has a physical structure but also provides internet banking services. Finally, one can opt for a "digital bank" that has no public building and exist only online.

The recognition of initiation digital banking in India goes to ICICI Bank. Citibank and HDFC Bank followed by electronic banking services in the year 1999. Various initiatives have been taken by the Government of India as well as the RBI to facilitate the development of e-banking in India. At present various digital banking services offered by commercial banks namely Mobile Banking, Internet Banking, Unified Payment Interface, Mobile Wallets, USSD, AEPS and all like that. Private sector banks are forefront followed by SBI and among the public sector banks.

Statement of the Problem

Almost all banks in India have introduced Digital Banking services. However it is reported that only about 15 to 20% of account holders have shifted from traditional bank to digital banking services. Again those have shifted still make use of traditional banking in certain banking activities. What could be the reason for lack of confidence in shifting to digital banking? Is it because perceptional differences? The perceptional difference could be user perception of Perceived Usefulness, Perceived Ease of Risk, Perceived Cost, Perceived Risk, Security and Trust / Reliability. Which among the perceptional factors is important factor which is contributing for acceptance or otherwise needs to be studied. So that the banking institutes can take appropriate steps to make people to accept e-banking instead of traditional banking system. The lack of interest in shifting to digital banking could be many. This needs to be analysed keeping in mind certain question such as - Is it banking easy to operate? Is it going to save time? Is it convenient? Is it pool proof, Is it Safe? etc. In this essay an attempt has been made to understand the strategy for enhancing digital banking services through perceived usages and inclusive growth:

1. How will the technology influences the digital banking practices among the customers?

2. What is the role of banker's to promote the digital banking services?

3. What are the significance of technology in the banking industry and its contribution to the economic development of a country?

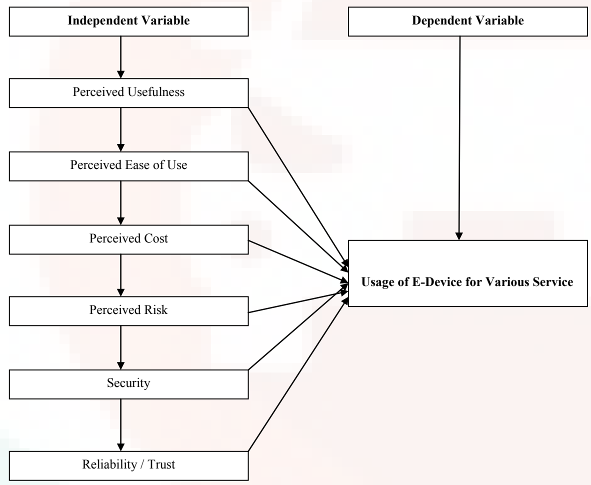
4. What would be the strategy to enhance the digital banking services in tier I and tier II cities?

Based on the above research questions keep in mind. The study prefer to identify the strategy for enhancing digital banking services through customers and bankers through qualitative ideas with the following details:

Variables of the Study

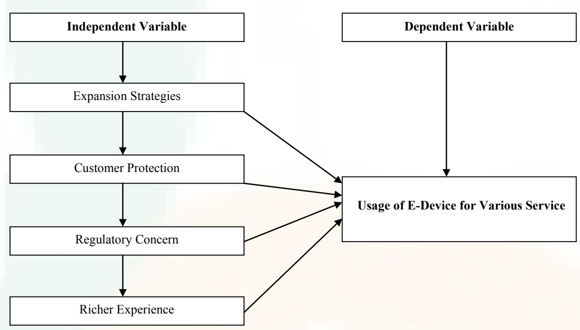
A variable is as anything that has a quantity or quality that varies. From the customers perspective the dependent variable of the study is 'usage of e-device for various service'. An independent variable is a variable believed to affect the dependent variable. From the customer's perspective the independent variable of the study is perceived usefulness, perceived ease of risk, perceived cost, perceived risk, security and trust / reliability

Variables Pertaining to Digital Banking Adoption Levels for Bank Customers



From banker's perspective dependent variable is 'e-banking outcomes' and independent variable is expansion strategies, customer protection, regulatory concern, and richer experience.

Variables Pertaining to Digital Banking Services from Bankers



Inclusive Growth

Inclusive growth means economic growth that generates employment opportunities and helps in reducing poverty. The major elements of inclusive growth through skill development, financial inclusion, technical advancement in banking and finance, governance, agriculture, health and education etc. In this study made an attempt to know the inclusive growth through digital banking. The India's digital payment journey can be traced from early 2000. At the same time smart phone penetration in India is increasing trend from 2% in 2005 to 26% in 2015, 32% in 2020 and expected to grow up to 36% by 2022. With over 650 Million internet users in India, the country is the 2nd largest online Hub Standing next to China which could pave way for digital payments in India.

The digital banking services like Unified Payment Interface is one of the most popular m-wallets in the present day context. In February 2021 Statista Research Department opines, providers of UPI in India recorded a total of 2.3 billion digital payment transactions worth over four trillion Indian rupees. Marked a year-on-year growth of over 70% in volume of transactions.

Out of the 2.3 billion transactions, Walmart subsidiary PhonePe had share of 42.5 percent and GooglePay a share of 36 percent. It was the third month in a row that PhonePe topped the list after it had passed GooglePay in December 2020 for the first time. Third big player is Paytm with a share of nearly 15 percent.

The above details of inclusive growth clearly shows that, day by day people are going to accept the digital banking services and variably or in variably people can track the various transactions and banks can also trace the customer transaction with highly transparent and mainly here there is no chaos of currency denominations and the transactions become faster and transparent from the both the end. In this context bank should step forward to give better services to the customer with ease of use and safety automatically inclusive growth can be accepted with betterment manner.

Conclusion and Suggestions

1. The present study reveals that among demographic factors namely Age, Gender, Educational Qualification, and Occupation, generation Y and Z prefer digital banking for its useful, less risk and high security factors.

2. Banks need to communicate about usefulness of the modern technology such as UPI mode of digital banking which integrates both debit card and QR code. This ensures quick banking need through integration of account. BHIM app and e-wallet will ensure flexibility and wide access. Further transfer of social benefits of Government is made easy by AEPS on various e-devices.

3. Digital Banking is in the initial stage of progress and is striving to move towards picking up in terms of the adoption rate. Training modules in the form of brochure, Apps and TV advertisement by banks will give a mass appeal for both literates and illiterates with regard to uses of e-banking.

4. The record of growing cybercrime in banks has created fear among the users. This can be mitigated by banks by upgrading encryption standards. Encryption in SMS and E-mail channel has to be strengthened. All Banks should ensure 3DES standards or higher grade for banking transactions of customers on e-device.

5. Banks must Partner with IT sectors to bring in additional funds required to handle security issues as well as develop infrastructural requirements. This will bring solution to the connectivity issue and provide high speed in transmission of e-device transaction. Thus network

feasibility will avoid negative influence of risk in digital banking usage.

6. Banks must educate the customers about the compulsory use of self-defensive techniques in safeguarding the financial details on e-banking. Customer must opt for additional feature of e-device security and application of antivirus for check on spam report or for any other security vulnerability on e-device.

7. Well Trained customer support of banks will avoid the delay in handling mistakes such as wrong debit, wrong withdrawal and wrong transfer timely. This will reduce the fear of risk and improve the reliability in the channel.

8. The manufacturers of mobile phone must develop the use of Artificial Intelligence for multi-layer security as against the hacker's act of breach of data. This will mitigate element of fear psychosis among the users about the frauds or misuse of accounts in technology.

9. Digital Banking is cost effective channel and is promoted by all banks sectors. It bears less cost than ATM or online services of the bank as claimed in many research studies. It is an alternative delivery channel for banking transactions by all banks.

10. Banks have to remain competitive in the market whether it is private sector or public sector. They must be pro-active in catering to the wide choices of customers so as to bring revenue at less cost through e-device channels.

11. The various regions are not similar in perception with regard to the adoption of e-banking services. At Metro centers, customers are technology friendly and find it easy to switch to e-banking channel. Urban centers show less adoption rate. They lack hands on experience with the channel. The customer call centre is not effective in these regions. Poor network facilities are also major hindrance in the adoption of e-banking services. The fear of transaction error, financial loss, connectivity problem and misuse of phone details seem to show a significant difference in the regions.

12. The banks do not promote digital banking usage for customers in urban region as compared to metro region to retain trust factor. They lack communication with customers and cannot ensure strong infrastructural facilities. However socio- political and Governmental influences can bring a change in the adoption rate. Government Policies towards urban and rural regions can bring robust change in the digital banking usage such as policy for AEPS.

13. In the present study based on customer's perceived usage, variables in e-banking usage reveals friendly user interface in e-device application will lead to more usage of e-banking operations. Some of the IT advanced application in the channel such as Graphical User-Interface, Augmented Reality will develop the e-banking usage behavior.

14. Risk in e-banking channel calls for various measures. Customer needs protection in cyber security by ensuring interoperability in security aspect of e-banking transactions. This can be accomplished by collaborating bank with industrial participants and share knowledge about measures in case of cyber threats. There should be a reassurance about customer safety and advice on safe banking methods. The

regulator and all stake holders should resolve for strengthening IT network. Regulator should also make effort to reduce the cost to bankers in handling digital transactions through e-banking so that the saving can be used for security upgradation.

15. There is a growth in the usage of e-banking/IMPS/e-wallet in volume and value every year by 150% as per bank report. However the negative growth in month by month analysis in the channel is because of seasonal needs of the customer. The upsurge in monthly analysis will also exist in future due to Government policies and socio-political changes occurring in India such as; Digital India.

16. The banks should think on the lines of expansion by retaining the customers and go for cross-selling. Otherwise there is a risk of losing the competitive edge. The non-banks are already in the payment stream with latest technology. Hence policies about introduction of advanced technology and collaboration with non-banks will maintain the revenue stream of the banking industry.

17. The new open banking concept makes the economy thread towards cashless society. Based on results revealed in the present study it can be suggested that customer model and banker model variables are the right indicators for effective adoption of e-banking services. The convergence of the results from both models will lead to faster adoption rate, improved banking business and contribution towards social and national objective.

18. The regulatory policies should be relaxed for promoting digital banking usage just like relaxation in KYC norms which has brought ease in doing business for banks and improved the customer engagement. Similarly reducing the associated cost borne by bankers and cutting the users charge will remove the hurdle in digital banking and lead to cashless economy.

ACTIVITIES OF THE BFSI BOARD

1.Workshop on Credit Management

The BFSI Board organized a workshop on Credit Management on 30th June, 2021 and 1st July, 2021. CMA Nijay Gupta, Consultant was the speaker for the event. The objective of the workshop was to enhance capacity building of the members and others and to acquaint them with the intricacies of the Inland Letter of Credit.

2.Banking Month in the month of July, 2021

BFSI Board under the dynamic leadership and Chairmanship of CMA Chittaranjan Chattopadhyay successfully organized a series of WEBINTs in the month of July, 2021 which was declared as the Banking Month by the Institute. BFSI Board organized four nos. of WEBINTs. Regulator, top echelons of Banking Sector both public sector and private sector graced the programmes and addressed the participants on a variety of contemporary topics relevant in today's banking scenario. All the WEBINTS were highly interactive with number of queries raised by participants which was duly addressed to by the learned speakers and guests.

The dates, topics and speakers of the WEBINTs organized were as follows:

1. On 15th July, 2021 the 1st WEBINT was organized by BFSIB on the topic of Costing - Is it a panacea for improving NIM in Banks? Shri Shivan J. K, Managing Director & CEO of Dhanlakshmi Bank, Chief Guest, Shri Madhav Kshirsagar, Director and CEO, Quantact Consulting, Guest of Honour and CMA B.B.Goyal, Former Additional Chief Adviser, Ministry of Finance, and Head of Indian Cost Accounts Service and Shri B. Raj Kumar, Former Executive Director of Indian Bank were the other speakers.

2. On 17th July, 2021 the 2nd WEBINT was organized by BFSIB on the topic of 52nd year of Nationalisation - Role of PSBs- Impact on various sectors of Economy and the Society- Way forward, post consolidation. Ms. Padmaja Chunduru, Managing Director & Chief Executive Officer, Indian Bank, Chief Guest and was moderated by CMA Mohan V Tanksale, Former Chief Executive of Indian Banking Association. The panelists were as follows Shri Rohit Rishi, General Manager, Indian Bank, Shri D.Shivakumar Sharma, Chief General Manager, Union Bank of India and in deputation as Sr. Advisor of Indian Banking Association, Shri S. Adikesavan, Chief General Manager, State Bank of India and Shri S B Singh, Chairman, Aryavart Gramin Bank.

3. On 25th July, 2021 the 3rd WEBINT was organized by BFSIB on the topic RegTech vs FinTech - the intersection of regulation and disruption in Financial Services. Shri Arijit Basu, Former Managing Director, State Bank of India, Guest of Honour along with CMA T.K. Venugopal, General Manager, Canara Bank, CMA Ranjeet Kumar Mishra, Chief Credit and Risk Officer, Satya Micro Capital Ltd. and Shri Ashish Anand, Founder & CEO, Whrrl. The WEBINT was moderated by CMA Mohan Bhatia, FINTECH Consultant.

4. On 31st July, 2021 the 4th WEBINT was organized by BFSIB on the topic RBIA

in UCBs - How the Cooperative Banks are gearing up. CMA Sunil P Sathe, Managing Director and CEO of Thane Janata Sahakari Bank was the Chief Guest. It was also graced by CMA S Srinivasaraghavan, BFSI & Micro Finance Expert and Dr. Jatin Naik, General Manager, The Surat People's Cooperative Bank Ltd. CMA Dr. S.K. Gupta, MD & CEO of RVO, ICMAI was also a speaker on the concluding session of CMA- Critical for Banks Boards.

3. Investor Month in the month of August, 2021:

BFSI Board in association with NISM (An educational initiative of NISM) had organised an Investor Month in the month of August 2021. This has been done by organizing four WEBINTs and another joint programme with Indian Chambers of Commerce.

- We are very happy to state that The Institute of Cost Accountants of India and NISM are observing the month of August, 2021 as the Investor Month. We have conducted the 1st WEBINT with the central theme of "New Age Investment in an Era of Low Interest rate" on 7th August, 2021. Shri S.K. Mohanty, Director NISM and WTM, SEBI graced the occasion as the Chief Guest along with Shri Ravi Varanasi, Chief Business Development Officer, NSE.
- On 14th August, 2021 the 2nd WEBINT on the theme of "Demystifying Mutual funds from investor perspectives" was organized and deliberated by CMA Nilesh Shah, Group President & Managing Director, Kotak Mahindra Asset Management Company and Shri Dhirendra Kumar, Chief Executive Officer, Value Research India Private Limited.
- On 21st August, 2021, the 3rd WEBINT was organized on the theme of "IPO Investments" was deliberated by CMA Yatrik Vin, Group CFO and Head Corporate Affairs, NSE and Shri Prem from ICICI Securities.
- On 28th August, 2021 the 4th WEBINT was organized on the theme "Global Investments through Indian Mutual Funds". CMA Asim Kumar Mukhopadhyay, Vice-President and Head – Business Finance, Tata Motors Limited was the Guest of Honour and Speaker, Shri Srinivasa Rao, Chief Investment Officer, PGIM Mutual Funds was the speaker and the valedictory session was graced by Shri Nehal Vora, Managing Director, CDSL.
- On 31st August, 2021 the 5th WEBINT was organized on the theme "Investments in Capital Markets in post covid-19". CMA Jitendra Panda, President- Head Business Strategy & Alliances, Yes Securities was the Chief Guest & Speaker and CMA (Dr.) Latha S Chari, Associate Professor, The National Institute of Securities Markets (NISM) was the Speaker in association with Durgapur Chapter of Cost Accountants.

Other Activities in Investor Month

- Indian Chambers of Commerce organized a webinar in association with BFSI Board, ICAI on 12th August, 2021 on the theme of "Working with Dalal Street-Importance of Investor Relations". The speakers were CMA P. Raju Iyer, Vice President, ICAI, Ms. Surabhi Gupta, GM, SEBI, Shri MadhuKela, Equity Expert and Founder of M.K. Ventures, Shri Ameya Prabhu, MD, NAFA Capital, Shri Vikram Sheth, Director, New Age Strat Fin Advisors (P) Ltd., Shri Shailendra Kumar, CIO, Narnolia Securities Limited, CMA Asim Mukhopadhyay, Vice - President and Head – Business Finance, Tata Motors Limited, Shri Khushro Bulsara, Head, Investor Protection Fund, BSE and Shri Arvind Chari, CIO, Quantum Advisors.

4. WEBINT

BFSI Board in association with National Institute of Securities Markets (NISM, an educational initiative of SEBI) had organised a WEBINT on the topic of "How investors can analyse annual reports to detect both rogue companies who steal Money and identify great companies who create massive wealth". Shri Saurabh Mukherjea was the Guest of Honour and Speaker who is the Founder and Chief Investment Officer, Marcellus Investment Managers. The other speakers of the same were Shri Salil Desai, Investments, Marcellus Investment Managers and Shri Rakshit Ranjan, Investments, Marcellus Investment Managers respectively. The WEBINT also highlighted the various facets of their new publication titled 'Diamonds in the Dust'.

5. Certificate Course on Investment Management in association with NISM

The BFSI Board has started and completed the 1st batch of the Level - IV of the Investment Management Course on Trading for a Living – Integrated Technical Analysis and Advanced Derivative trading strategies in collaboration with NISM (An educational initiative of SEBI. The details have been uploaded in the BFSI portal and admission for the course. BFSIB and NISM completed the 6th Batch of Investment Management (Level-I) which started from 8th August,2021 and the 3rd Batch of Investment Management (Level-II) was completed which started from 14th August, 2021 respectively. The 1st batch of Investment Management (Level-IV) on Integrated Technical Analysis and Advanced Derivatives also started from 10th August, 2021 and concluded in the month of September, 2021.

BFSIB and NISM has currently started the admission process for the 7th Batch of Investment Management (Level-I) and 4th Batch of Investment Management (Level-II). The 2nd batch of Investment Management (Level-III) has started from 2nd October, 2021.

6. Certificate Courses on Banking

On 20th June, 2021, the 4th batch of Certificate Course on Concurrent Audit of Banks was inaugurated under the gracious presenceof Shri D. Shivakumar Sharma, Sr. Advisor, Indian Banking Association who is under deputation from Union Bank of India.

BFSI started the 4th batch of Certificate Course on Treasury and International Banking from 14th August, 2021. Shri Mahesh Kumar Bajaj, General Manager, Indian Bank was the Chief Guest for the inaugural session.

Further, the 5th batch of Certificate Course on Concurrent Audit of Banks started from 29th August, 2021. Madam Zaphiya Fareed, General Manager (Inspection and Audit), Indian Bank was the Chief Guest for the inaugural session.

BFSIB started the 5th batch of Certificate Course on Credit Management of Banks from 12th September 2021. Shri Taufique

Alam, DGM, MSME, Punjab National Bank was the Chief Guest for the inaugural session.

We request all members and students to take admission for the three certificate courses on Banking for skill development and knowledge enhancement. Currently, the 6th batch admission of the Certificate Course on Concurrent Audit of Banks and Certificate Course on Credit Management of Banks along with the 5th batch of Certificate Course on Treasury and International Banking are going on.

7. Certificate Course on General Insurance in association with National Insurance Academy

The BFSI Board would be soon launching the certificate course on general insurance in association with National Insurance Academy (NIA) to update the members about various facets of general insurance which are necessary for them to update their knowledge in insurance sector. The course would be of 25 hours with 7 Modules and would be for 5-week duration in the weekends. The course is priced very reasonable at Rs.6000 plus GST for members to take the opportunity for skill development and knowledge dissemination for which the last date for admission is 15th October, 2021.

8. Representation letters for inclusion of CMAs

Now CMAs can apply for appointment of Managing Director (MD) / Whole – Time Director (WTD) in Primary Urban) Co-operative Banks (Ref: RBI Circular no RBI/2021-22/60 DOR. GOV/REC.25/12.10.000/202-22 dated 25.06.21). Please apply for such post if you are eligible as per the above circular.

The BFSI Directorate has represented to various authorities and employers for inclusion of CMAs in the BFSI sector whenever such a scope has come to the notice of the Institute.

9. Meeting with Dignitaries by Chairman, BFSIB

CMA Chittaranjan Chattopadhyay, Chairman of BFSIB and CMA B.B. Goyal, Advisor of MARF ICWAI met Shri Pankaj Jain, Additional Secretary, Ministry of Finance, Government of India on August 14, 2021 to discuss about BFSIB activities.

On August 25, 2021 CMA Chittaranjan Chattopadhyay, Chairman of BFSIB along with CMA P. Raju Iyer, Vice-President, ICAI along with CMA B.B. Goyal, Advisor of MARF ICWAI met Shri Supratim Bandyopadhyay, Chairman, Pension Fund Regulatory and Development Authority (PFRDA). They also met CMA Dr. Manoj Anand, Member, Pension Fund Regulatory and Development Authority.

They were all presented with the publication of BFSIB.

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB met Shri S.K. Gupta, Chairman and Managing Director, MSTC Limited; Shri Subrata Sarkar, Director (Finance), MSTC Limited and Smt.Bhanu Kumar, Director (Commercial) MSTC Ltd. During the meet enhancing the scope for CMAs and other contemporary issues were discussed and ChairmanBFSIB presented the CMD various publications of the Institute while showcasing the importance of CMAs in practice and in service.

10. Annual ICAI National Awards - Essay Contest for Bankers

The BFSI Board has announced the winners for the annual ICAI National Awards essay contest on the topic of "Digital Banking and Inclusive Growth". The winners were acknowledged with awards and certificates. Essays are published in the current issue of BFSI Chronicle.

11. Tie up with SIDBI for Certified Credit Counselors for members and students of the Institute

SIDBI has approached the Institute for forming a partnership by way which members and students of the Institute can act as Certified Credit Counselors to address the credit needs of the MSME sector. The Institute is working towards having a MOU with SIDBI to culminate the matter and enable new opportunities for members and students of the Institute.

12. Handbook on Infrastructure Finance

BFSIB is in the process of developing a Handbook on Infrastructure Finance and I am sure that such publication on the financing of infrastructure projects will be of immense benefit for all stakeholders.

Banking, Financial Services & Insurance Board

CERTIFICATE COURSE ON CONCURRENT AUDIT OF BANKS

BROCHURE

6TH BATCH

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

Statutory Body under an Act of Parliament

www.icmai.in

Behind Every Successful Business Decision, there is always a CMA

Certificate Course on Concurrent Audit of Banks

About The Institute

The Institute of Cost Accountants of India was first established in **1944** as a registered company under the Companies Act with the objects of promoting, regulating and developing the profession of Cost Accountancy. On **28th May, 1959,** the Institute was established by a special **Act of Parliament,** namely, the **Cost and Works Accountants Act, 1959** as a statutory professional body for the regulation of the profession of Cost and Management accountancy. The Institute is under the administrative control of **Ministry of Corporate Affairs, Government of India.**

The Institute has since been continuously contributing to the growth of the industrial and economic climate of the country. The Institute is the only recognised statutory professional organisation and licensing body in India specialising exclusively in Cost and Management Accountancy.

International Affiliation

The Institute of Cost Accountants of India is Founder member of International Federation of Accountants (IFAC), Confederation of Asian & Pacific Accountants (CAPA) & South Asian Federation of Accountants (SAFA). The Institute, being the only institution from India, is a member of the Accounting Bodies Network (ABN) of The Prince's Accounting for Sustainability (A4S) Project, UK and International Valuation Standards Council (IVSC), UK.

Institute's Strength

The Institute is the 2nd largest Cost & Management Accounting body in the World and the largest in Asia, having a large base of about 85,000 CMAs either in practice or in employment and around 5,00,000 students pursuing the CMA Course.

Institute's Network

Institute's headquarters is situated at Kolkata with another office at New Delhi. The Institute operates through four Regional Councils at Kolkata, Chennai, Delhi and Mumbai as well as through 114 Chapters situated in India, 11 Overseas Centres abroad, 2 Centres of Excellence, 52 CMA Support Centres and 434 Recognized Oral Coaching Centres.

Vision Statement

"The Institute of Cost Accountants of India would be the preferred source of resources and professionals for the financial leadership of enterprises globally."

Mission Statement

"The Cost and Management Accountant professionals would ethically drive enterprises globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting."

Course Objective

The Banking, Financial Services and Insurance Board is pleased to offer **Certificate Course** on **"Concurrent Audit of Banks"** to enable participants to understand the intricacies of Concurrent Audit of Banks.

This course aims to impart in-depth knowledge on concurrent audit of banks and to help the participants to acquire with the knowledge/skills to undertake related assignments/Special Audits of the Banks like:

- Forensic Audit (including Forensic Audit of IBC, 2016 Cases).
- Stock and Book Debts Audit of Working Capital Loans/Bills Discount/TReDS.
- Income Leakage Audit.
- FEMA Audit of Category A, B, C Branches.
- KYC/AML Audit.
- Treasury Department Audit.
- Credit Audit of Rs. 5 Crores and above Advances.
- Agencies for Specialized Monitoring of Accounts (Rs. 250 Crs. and above Advance Accounts).
- To issue Compliance Certificate (Rs. 5 Crs. and above Multiple or Consortium Advances).
- Staff Accountability Exercise in respect of Failed/NPA Advances at incipient Stage.
- To supplement the effort of the Banks in carrying out Internal Audit of the Transactions and other Verifications and Compliance with the Systems and Procedures laid down by the Banks and RBI.

Online Admission Link:
https://eicmai.in/advscc/DelegatesApplicationForm.aspx

CEP Hours: 10 hours
for members of The Institute of Cost Accountants of India

Course Eligibility

FCMA/ACMA/those who have qualified Final CMA examination, Bank Officer or Ex-Bank Officer.

Course Duration

a) Classroom Learning of 3 hours per day in the Weekend through online mode
b) 30 Hours on-line Coaching
c) 2 months course
d) Online Examination for 100 marks

Course Fees

Course Fees (including learning kit) of Rs. 5,000/- plus GST of 18 %.

Special Discount for Corporates
For number of employees 5-10, discount is 15%. For number of employees more than 10, discount is 20%

Examination

Rs. 750 plus GST per attempt.

Behind Every Successful Business Decision, there is always a CMA

Detailed Course Content

1. Differentiated Banks and Banking Services.
   - 1.1 Scheduled Commercial Banks.
   - 1.2 Regional Rural Banks.
   - 1.3 Small Finance Banks.
   - 1.4 Payment Banks etc.
   - 1.5 Types of Deposits & Advances.
   - 1.6 Miscellaneous Services like Lockers, Safe Deposit Articles, Remittances, Third Party Products, Currency Chest.
   - 1.7 Alternative Delivery Channels ATMs, Internet Banking, Mobile Banking, Business Correspondents etc.
2. Types of Audit in Banks and Importance of Concurrent Audit / Concurrent Audit Procedures / e Concurrent Audit.
   - 2.1 Risk Focus Internal Audit.
   - 2.2 Credit Audit.
   - 2.3 Income Leakage Audit/Revenue Audit.
   - 2.4 Stock & Book Debts Audit.
   - 2.5 Statutory Audit.
   - 2.6 Concurrent Audit.
   - 2.7 FEMA Audit.
   - 2.8 SWIFT Audit.
   - 2.9 e-Concurrent Audit etc.
3. Role and Areas of Concurrent Auditor.
   - 3.1 Verification Transactions of Deposit, Advance Accounts.
   - 3.2 Verification of Services of the Banks like Lockers, Safe Deposit Accounts, Cash Department Procedures, Forex Transactions, Alternative Delivery Channels etc.
   - 3.3 Unit Inspection (Advance A/Cs), End-use of Funds, Verification of pending Fraud cases, Staff Accounts etc.
4. Bank Risk Management – Credit, Market and Operational Risk Areas.
   - 4.1 Credit Risk Areas.
   - 4.2 Market Risk Areas.
   - 4.3 Operational Risk Areas.
   - 4.4 Credit Policy Guidelines and Regulatory Guidelines etc.
5. Legal and Regulatory Frame Work & KYC / AML.
   - 5.1 RBI Act and Banking Regulation Act.
   - 5.2 Different Types of Charges.
   - 5.3 Limitation Act.
   - 5.4 Registration Act.
   - 5.5 Indian Stamp Act.
   - 5.6 Limitation Act.
   - 5.7 SARFEASI Act and CERSAI etc.
   - 5.8 KYC/AML Guidelines of Bank / RBI.
6. IRAC Norms / Provisions and Capital Adequacy Ratio / CRAR / Basel-III / Disclosure Requirements.
   - 6.1 Classification of Advances.
   - 6.2 Provision requirements.
   - 6.3 Capital Adequacy Ratio and its importance.
   - 6.4 Basel-III recommendations.
   - 6.5 Asset Liabilities Management.
7. Loans and Advances.
   - 7.1 Demand Loans.
   - 7.2 Term Loans.
   - 7.3 Overdrafts, Working Capital Loans and Working Capital Term Loans.
   - 7.4 Various Types of Products like Home Loans, Car Loans, Personal Loans, Mortgage Loans, Education Loans etc.
8. Non-fund-based Business
   - 8.1 Types of Bank Guarantees.
   - 8.2 Types of Letters of Credits.
   - 8.3 Margins, Collateral Security, Standard formats of BGs / LCs, Commission on BGs / LCs.
9. Credit Process: Pre-sanction, Sanction & Post-sanction
   - 9.1 KYC, Verification of Application / Project Report, CIBIL, CIC Reports.
   - 9.2 Appraisal, Projections etc.
   - 9.3 Verification of Proposal, Sanction and Submission of Control Forms.
   - 9.4 Documentation, Creation of Charges, Equitable Mortgage, Disbursement, End Use of Funds etc.
10. Common Serious Lapses in Sanction, Follow-up & Documentation
    - 10.1 Non-adherence of Delegation of Powers.
    - 10.2 Short / Excess / Double Finance.
    - 10.3 Take-over Norms.
    - 10.4 Diversion of Funds / End-use of funds.
    - 10.5 Wrong Documentation, Less Stamping on Documentation, Time-barred Documents.
    - 10.6 Units Inspection, Non-obtention of Stock Statements, Coverage of Insurance for both Primary and Collateral Security, Initiation of legal measures for recovery, monitoring of SMA-0 to SMA-2 etc.
11. Forex Transactions – Inward & Outward Remittances
    - 11.1 Opening of NRE / NRO / FCNR / RFC accounts.
    - 11.2 Purchasing of Foreign Currency Cheques / Currency / Export Bills – Forex Rates – Card Vs. Fine Rates.
    - 11.3 Selling of Foreign Currency Drafts / Currency / Import Bills etc.
    - 11.4 Submission of R-Returns to RBI.
    - 11.5 Verification of SWIFT Message Inward / Outward – Bank / RBI Guidelines.
    - 11.6 Nostro, Vostro and Loro Accounts etc.
12. Pre-shipment and Post-shipment Export Finance
    - 12.1 UCPDC Guidelines – FEDAI Guidelines – FEMA Guidelines.
    - 12.2 Pre-shipment packing credit Advance.
    - 12.3 Discounting of Export Bills / Import Bills payment etc.
13. Treasury and Investment Audit Part-I
    - 13.1 Organization Structure of Treasury Department – Front, Mid, Back Office Functions.
    - 13.2 Investment Policy Manual of the Bank
    - 13.3 Integrated Treasury – Money Market, Capital Market, Forex Market Products etc.
    - 13.4 Held-to-Maturity, Available-For-Sale, Held-For-Trading etc.
14. Treasury and Investment Audit Part-II
    - 14.1 FIMMDA Guidelines on Money Market / Dealers.
    - 14.2 RBI Guidelines on Treasury Department.
    - 14.3 Empanelment of SEBI Authorised Dealers for Sale and Purchase of Investments and payment of Commission.
    - 14.4 Non-performing Investment guidelines of RBI.
    - 14.5 Job Rotation of Dealers – Usage of Bloomberg in Treasury etc.
15. Operational Risk Management – ORM-I
    - 15.1 Job Rotation–Staff Attendance-Branch Documents–Security Systems (Fir-Extinguisher, Smoke Detectors, Gun Licences etc.), Currency Chest Fitness Certificate–Disaster Recovery Management–Business Continuity Plan etc.
    - 15.2 Safe Deposit Lockers, Safe Deposit Articles, Deceased Claims Settlement etc.

Behind Every Successful Business Decision, there is always a CMA

Certificate Course on Concurrent Audit of Banks

Detailed Course Content

16. Operational Risk Management – ORM-II
- 16.1 Complaints–Banking Ombudsman– Customer Forums–Submission of MIS Returns etc.
- 16.2 Deposit of Branch Duplicate Keys–Reconciliation of Office Accounts–System Suspense Accounts–Parking Accounts– Recovery of Service Charges – Income Leakages etc.
- 16.3 Customer Service Meetings–Display of import information notices in Banking Hall–Cheque Truncation System–Complaints and Suggestion Box–Police Beat–ATM Cash Replenishment outsourcing agencies (SLAs)–Branch Outsourcing Staff Monthly Payments, Drop Box etc.

17. Detection, Classification & Reporting of Frauds
- 17.1 Classification of Frauds–Internal & External Frauds.
- 17.2 Provisions / Recovery Efforts of Frauds.
- 17.3 Disciplinary action initiation / Reporting of Frauds to RBI through On-line.
- 17.4 CBI Cases Follow-up etc.

18. Tools for Concurrent Audit of Banks
- 18.1 Bank Systems and Procedures Book-lets.
- 18.2 Standard Operating Procedures of various Products of the Bank.
- 18.3 Current Chest guidelines of the Banks.
- 18.4 Loan Balancing File – CBS.
- 18.5 Delegation of Powers.
- 18.6 Service Charges Book-let etc.

19. Audit in CBS / TMS Environment – Banking / Treasury Software
- 19.1 Core Banking System – Major functionalities.
- 19.2 Various Reports Generated by CBS like Exceptional Reports etc.
- 19.3 Treasury Management Solutions.
- 19.4 TMS-Front, Mid and Back-office Reports etc.

20. Bank Panel Discussion (DGM / GM of Audit Dept.)
- 20.1 Effectiveness of Concurrent Audit.
- 20.2 Compliance of Concurrent Audit remarks by Bank Branches.
- 20.3 Risk Categorisation of Branches Guidelines.
- 20.4 Latest Developments in Concurrent Audit Procedures.

Contact for further queries

CMA Arup S Bagchi, Sr. Director at bfsi.hod@icmai.in/membership.director@icmai.in
CMA Dibbendu Roy, Additional Director at bfsi@icmai.in
Dr. Madhumita Sengupta, Joint Director at studies.jd2@icmai.in

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Behind Every Successful Business Decision, there is always a CMA

Banking, Financial Services & Insurance Board

6TH BATCH

BROCHURE

CERTIFICATE COURSE ON CREDIT MANAGEMENT OF BANKS

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Certificate Course on Credit Management of Banks

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Institute's Strength

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Course Objective

The world is increasingly getting inter-connected and complex. Bank Credit mechanism has also undergone phenomenal changes in recent years. Few years ago, Credit meant only Cash Credit, Overdraft and Term Loan. Today quasi credit facilities like Letters of Credit, Bank Guarantees, Co-acceptances, Buyer's Credit and Supplier's Credit etc. are gaining predominance. Keeping in view of importance of Credit Management by banks, The Institute of Cost Accountants of India offers the **Certificate Course** on **Credit Management (CCCM).**

Professionals dealing with Finance or Financial Institutions in one way or other need to possess knowledge of 'Credit Management' guidelines of Financial Institutions like Banks, so that they can provide Value Additive Services to their clients like recommending to the banks the business proposals of entrepreneurs, performing preliminary credit appraisal on behalf of the banks and collate additional supporting information required by the banks/credit institutions etc.

In addition to the above, this course is also useful to the professionals who are dealing with:

- ✓ Various assignments like Forensic Audit, Stock and Book Debts Auditor (As recognized by IBA)
- ✓ Issuance of Compliance Certificate for Banks by practicing professionals in areas like Consortium and Multiple Lending by Banks (RBI Guidelines)
- ✓ Acting as Agencies for Specialized Monitoring (As recognized by IBA)
- ✓ Assignments like 'Concurrent Audit' of Banks and 'Credit Audit' of the Banks.

The Course provides a holistic insight into the various dimensions in Bank Credit Management.

Online Admission Link:
https://eicmai.in/advscc/DelegatesApplicationForm.aspx

CEP Hours: 10 hours
for members of The Institute of Cost Accountants of India

Course Eligibility

FCMA/ACMA/those who have qualified Final CMA examination, Final year Students of the CMA Course/Any Graduate.

Course Duration

a) Classroom Learning of 3 hours per day in the Weekend through online mode
b) 50 Hours on-line Coaching.
c) 2 months course
d) Online Examination for 100 marks

Course Fees

Course Fees (including learning kit) of Rs. 6,000/- plus GST of 18%. Final year Students of the CMA course for an amount of Rs. 4,500 plus GST of 18%.

Special Discount for Corporates
For number of employees 5-10, discount is 15%. For number of employees more than 10, discount is 20%

Examination

Rs. 750 plus GST per attempt.

Behind Every Successful Business Decision, there is always a CMA

Detailed Course Content

- ✓ **Introduction & Overview of Credit (Module 1)**
  - o Principles of Lending: Safety, Liquidity, Profitability, Purpose of Loan, Diversification Risk. Credit
  - o Policy: Importance, Contents, Exposure Norms
  - o Types of Borrowers: Individuals, Proprietorship Firms, Partnership Firms, Private & Pubic Limited Companies, Limited Liability Partnerships (LLP).
  - o Types of Credit Facilities: Various Types of Credit Facilities - Cash Credit, Overdrafts, Demand Loan, Term Loans, Bills Discounting
  - o Credit Delivery: Sole Banking Arrangement, Multiple Banking Arrangement, Consortium Lending, Syndication
  - o Credit Appraisal: Validation of proposal, Dimensions of Credit Appraisals, Credit Risk, Credit Risk Rating, Credit Worthiness of Borrower, Purpose of Loan, Source of Repayment, Cash Flow, Collaterals
  - o Credit Rating: Measurement of Risk, Objective of Rating, Internal & External Rating, Model Credit Rating, Methodology of Rating, Internal & External Comparison, Model Rating Formats. Guidelines on CERSAI registration.

- ✓ **Analysis of Financial Statements (Module 2)**
  - o Analysis of Financial Statements: Classification of Assets & Liabilities, Current Assets, Fixed Assets, Non-current Assets, Intangible & Fictitious Assets, Liabilities - Current Liabilities, Medium & Term Liabilities, Capital & Reserve, Classification of Current Assets & Current Liabilities, Balance Sheet Analysis
  - o Analysis of Profit & Loss Account, Auditor's Note
  - o Ratio Analysis - Classification of Ratios, Liquidity Ratios, Leverage Ratios, Activity Ratios, Profitability Ratios, Interpretation of important Financial Ratios, Fund Flow Statements and Cash Flow Statements
  - o Project / Term Loan Appraisal: Technical Appraisal, Commercial / Market Appraisal, Managerial Appraisal, Financial Appraisal, Economic Appraisal, Environmental Appraisal, Project Cost & Means of Finance, Cost of Production & Profitability, Sensitivity Analysis, Break-even Analysis, Capital Budgeting - Pay Back Period Method, Time Value Money, Net Present Value, Internal Rate of Return, Life of the Project.

- ✓ **Working Capital Management (Module 3)**
  - o Working Capital Assessment: Concept of Working Capital, Gross Working Capital, Net Working Capital, Working Capital Gap, Components of Working Capital, Source of Working Capital, Operating / Working Cycle, Various Methods of Assessment of Working Capital, Computation of Working Capital - Turnover Method, MPBF Method, Cash Budget System, Analysis of CMA Data
  - o Quasi Credit Facilities: Advantages of Non-Fund Facilities, Various types of NFB Facilities, Various types Letter of Credits, Assessment of LC limits, Bills Purchase / Discounting under LC
  - o Various types of Bank Guarantees: Performance Guarantee, Financial Guarantees, Deferred Payment Guarantees, Types of Performance and Financial Guarantees, Assessment of Bank Guarantees Limit, Period of Claim under Guarantee

- ✓ **Other Credits (Module 4)**
  - o Export Finance: Pre-Shipment Finance-Export Packing Credit in Rupees, Pre-Shipment Credit in Foreign Currency (PCFC), Post Shipment Rupee Export Finance, Purchase / Discount of Export Bills, Negotiation of Export Bills, ECGC Whole Turnover Post-Shipment Guarantee Scheme.

- ✓ **Monitoring, Supervision & follow up and Management of Impaired Assets (Module 5)**
  - o Documentation: Meaning, Importance, Types of documents, Requisites of documentation, Stamping of different documents, Mode and time of Stamping, Remedy for un-stamped / under-stamped documents, Documents of which registration is compulsory, Time limit of registration, Consequence of non-registration, Execution, Mode of Execution by different executants, Period of Limitation, Law of Limitation to Guarantor, Extension of period of limitation.

Certificate Course on Credit Management of Banks

Detailed Course Content

- o Types of Charges: Purpose, Various types of charges, Types of Security, Mode of charge, Lien, Negative Lien, Set Off, Assignment, Pledge, Right of Banker as a Pledgee, Duties as a Pledgee, Mode of Charges, Hypothecation, Mortgage - different types of mortgages, Difference between Simple and Equitable Mortgage.
- o Credit Monitoring, Supervision & Follow Up: Credit Monitoring - Check-list for Monitoring, Monitoring by using various statements, QIS Formats / guidelines, Supervision & Follow Up.
- o Management of Impaired Assets : NPA Management Policy, Income Recognition Policy, Assets Classification, Guidelines on Asset Classification, Take out Finance, Provisioning Norms for NPA, Provisioning Coverage Ratio (PCR), Options available to banks in Stressed Assets, Prudential Guidelines on Restructuring, New RBI Framework for Distressed Assets, Wilful Defaulters, Penal Measures, Compromise, Legal Action, Civil litigation, Pre and Post - filing precautions, Type of Decrees, Modes of Execution of Decree, Lok Adalat, Debt Recovery Tribunal, SARFAESI, IBC-2016, Write Off.

Contact for further queries

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Banking, Financial Services & Insurance Board

CERTIFICATE COURSE ON

TREASURY AND INTERNATIONAL BANKING

5TH BATCH

BROCHURE

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Certificate Course on Treasury and International Banking

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Course Objectives

Treasury Management is an essential function of a Bank or any Entity dealing with Large volume of funds. With the increased Globalization of Markets, it has become essential to have an in-depth knowledge of the functioning of the Domestic Money and Debt Markets as also the Foreign Exchange Markets for effective management of funds. On account of several Policy measures undertaken by Reserve Bank of India (RBI) and other Regulatory Authorities, different segment of financial markets (Money, Securities, Foreign Exchange and Derivatives Markets) have witnessed significant growth and development in terms of new financial instruments, number of players, volume of business, etc.

In the light of such developments, treasury functions in Banks, FIs and Corporates have grown manifold and therefore have become challenging to manage. Therefore, it has become indispensable for Banks, Financial Institutions and Corporates to make their newly inducted treasury officers well versed with various segment of the financial market, different products and operations, so that they not only serve their clients better, but also manage the risks inherent in Treasury.

Practicing CMAs who dealing with their Clients are in one way or other linked to Finance and Financial related Issues. Hence, they should possess Good knowledge of 'Treasury Operations', so that they can provide Value Addition Services to their Clients. Treasury Operations of Banks and Commercial Organizations are more are less with difference of Regulatory Compliance. Even in small business entities, Treasury Operations helps a lot to minimize the Cost of Borrowings and Maximize the Yield on Investments etc.

In addition to the above, this course is also useful to CMAs who are: -

- Empanelled with Banks for Treasury Audit and Forex Audit.
- For Forensic Audit of Treasury Operations / Forex Operations in Banking Industry
- In Credit Audit, if the Bank Sanctions Loans to Clients like Pre-shipment and Post Shipment Packing Credit Advance, this course is also useful.
- And also, useful to take up the Assignments like 'Concurrent Audit in Treasury Department' of Banks, Commercial entities etc.

The Course provides a holistic insight into the various dimensions in Bank Treasury and Forex Operations.

Online Admission Link:
https://eicmai.in/advscc/DelegatesApplicationForm.aspx

CEP Hours: 10 hours
for members of The Institute of Cost Accountants of India

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FCMA/ACMA/those who have qualified Final CMA examination, Final year Students of the CMA Course/Any Graduate.

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For number of employees 5-10, discount is 15%. For number of employees more than 10, discount is 20%

Examination

Rs. 750 plus GST per attempt.

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Syllabus

SECTION - 1

a. Introduction to the Money Market:

- ✓ Economic Function-Definition-Classification of Intermediaries
- ✓ Types of markets-Participants-Nature of Domestic Market
- ✓ Repurchase Agreements
- ✓ Types of Interest Rate Quotations

b. Capital Markets:

- ✓ Economic Function
- ✓ Classification of Instruments-by Issuer and Types
- ✓ Principles of Valuation

c. Foreign Exchange Markets:

- ✓ Introduction-Definitions-Direct and Indirect Quotations: Cross Rates, Factors affecting Exchange Rates
- ✓ Spot Operations
- ✓ Relationship with Market Operations-Financing Spot Operations Interest Arbitrage-Forward-Forward Business
- ✓ Forward Transactions-Factors affecting / influencing forward rates
- ✓ Premiums: Discounts, Forward Cross Rates
- ✓ Swap Transactions
- ✓ Outright Deals

d. External Markets:

- ✓ External Commercial Borrowings
- ✓ GDRs / ADRs

e. Derivatives Markets:

- ✓ Introduction – Definition and Characteristics of FUTURES, SWAPS and OPTIONS
- ✓ Nature of Local Derivatives Market
- ✓ Elementary Hedge Applications

SECTION - 2

a. Scope and Function of Treasury Management:

- ✓ Objectives of Treasury
- ✓ Structure and Organisation
- ✓ Responsibilities of Treasury Manager

b. Domestic Cash Management:

- ✓ Short Term / Medium Term Funding – Meaning and Importance of Cash Management
- ✓ Objectives of Cash Management
- ✓ Cash Flow Budgeting and Forecasting
- ✓ Electronic Cash Management

c. Cost Centre / Profit Centre:

- ✓ Financial Planning and Control
- ✓ Capital Budgeting
- ✓ Risk Analysis

d. Liquidity Management:

- ✓ Objectives
- ✓ Sources of Liquidity
- ✓ Maturity Concerns: Projected Cash Flow and Core Sources Contingency Plans
- ✓ Short term and Long-term Liquidity
- ✓ Maturity Ladder Limits
- ✓ Internal Control – The Need and Importance – Financial and Operational risks – Internal vs External Control Segregation of Duties among Front and Back Offices – Management Information – Netting

e. Treasury's Role in International Banking:

- ✓ Changing Global Scenario and Treasury Functions
- ✓ Treasury Structure- Front and Back Office
- ✓ Control of Dealing Operations – Trading Limits – Trading and Operational Policy – Moral and Ethical aspects
- ✓ Confirmations

f. Revaluation Mark to Market and Profit Calculations:

- ✓ Supervision and Exchange Control Departments
- ✓ RBI requirements
- ✓ Recent Developments in the Central Bank's Policy Framework

SECTION - 3

a. Introduction:

- ✓ Meaning of Risk in Banking Operations-Financial and Non-Financial Risks
- ✓ Risk Process
- ✓ Key Risks in Relation to Treasury Management – Interest Rate Risk, Currency Risk, Liquidity Risk, Credit Risk and Operational Risk

Certificate Course on Treasury and International Banking

Syllabus

b. Measurement and Control of Risk:

- ✓ Identifying Measures and Controlling Risk – Statistical Methods
- ✓ Risk Exposure Analysis
- ✓ Risk Management Policies
- ✓ Fixation and Delegation of Limits
- ✓ Different Limits- Open Position / Asset Position Limits/ Deal Size/Individual Dealers/Stop Loss Limits

c. Assets Liability Management:

- ✓ Components of Assets and Liabilities – History of AL Management
- ✓ Organisational and Functions of ALCO
- ✓ Management and Interest rate Exposure / Liquidity
- ✓ Risk Adjusted Return on Capital
- ✓ Capital Adequacy Concerns

d. Hedging the Risk:

- ✓ Forward, Futures and Options Market
- ✓ Mechanics of Futures
- ✓ Foreign Currency Futures Market
- ✓ Options Market- Options Strategies
- ✓ Hedging Strategies and Arbitrage
- ✓ Call Options and Put Options

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7TH BATCH

ONLINE CERTIFICATE COURSE IN
INVESTMENT MANAGEMENT

(With Exclusive Hands on Trading in Algo and Trading Analytics Lab)

Banking, Financial Services & Insurance Board

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NATIONAL INSTITUTE OF SECURITIES MARKETS (NISM)

www.nism.ac.in

Behind Every Successful Business Decision, there is always a **CMA**

Certificate Course in Investment Management

About ICAI

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About NISM

The National Institute of Securities Markets (NISM) is a public trust established in 2006 by the Securities and Exchange Board of India (SEBI), the regulator of the securities markets in India. The institute carries out a wide range of capacity building activities at various levels aimed at enhancing the quality standards in securities markets. The institute's six schools of excellence work in synergy towards professionalized securities markets.

Vision

To lead, catalyze and deliver educational initiatives to enhance the quality of securities markets.

Mission

To engage in capacity building among the stakeholders in the securities markets through financial literacy, professional education, enhancing governance standards and fostering policy research.

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Certificate Course in Investment Management

ONLINE CERTIFICATE COURSE IN INVESTMENT MANAGEMENT

(With Exclusive Hands on Trading in Algo and Trading Analytics Lab)

Course Objective

The course aims at providing a better understanding of the Investment decision making process and strategies for investment, with emphasis on equities, equity derivatives and mutual fund investments. The course helps to develop fundamental skills for successful investment by providing insights into how the models can be applied in the real world dynamic environment with the objective of maximising returns and minimising risk. Provides an exposure to trading simulations through the NISM Algo and Trading Analytics lab.

Course Content

The course is divided into **3 levels.** Each level can be taken separately and completed based on the needs and priorities of the participants. The contact classes and hands on practice time for **each level** will be **30 hours.** All three levels put together aim at providing a holistic view of investment management and help in preparing for different roles offered by capital market intermediaries.

The Bridge course is meant to introduce the securities markets basics to participants who are not conversant with the same. The bridge course will provide an overview of Financial markets, investible assets, the concept of risk and return and financial ratios for investment evaluation. The duration of the **bridge course** will be for about **6 hours.**

Stock Selection and Trading in Equity – Level I

- Stock picking and investing styles
- Equity Market operations and concepts
- Lab based sessions on order execution, order and trade management and queries.
- Risk management framework and client level investment risk management

Technical Analysis and Mutual Fund – Level II

- Chart types and Chart construction
- Patterns and indicators- trend, momentum, volatility, oscillators.
- Strategy building and backtesting - reading reports.
- Hands on session covering above concepts
- Mutual funds - introduction, products, investment goals - how to pick mutual funds for investment needs using case studies

Basic Derivatives and Derivatives Trading Strategies – Level III

- Introduction, derivative products - futures and options.
- Equity futures - pricing, trading strategies, hedging using futures
- Equity options - Strategies for option buyers and use of option greeks
- Strategies for option writer and use of option greeks
- Hands on session - building derivative strategies for bull, bear and consolidating market phases and execution

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NISM NATIONAL INSTITUTE OF SECURITIES MARKETS An Educational Initiative of SEBI

Certificate Course in Investment Management

Course Takeaways

- At the end of Level I the participant will be able to pick stocks for investment and also execute those decisions efficiently through online trading terminals. The participant will also understand risk and capital required for trading in equity cash markets.
- Level II will help in timing the execution of investment decisions using technical tools. Understand major patterns and indicators and predict trends. Overview of Mutual Fund schemes and how to select Mutual Fund schemes for investment.
- Level III will build basic understanding of derivatives and also help in understanding and applying strategies for different market regimes like bull markets, bear markets and markets in consolidation mode.

For YOU

- Understand online trading operations and how markets work
- Using technical indicators to predict market trends
- Formulate investment strategies (equity and equity derivatives), apply and maximise profits with reduced risk
- Explore new strategies and apply in the real world simulation environment
- Understand the impact of events and news on markets
- Minimise the impact of volatility and manage risk

For Your COMPANY

- Prepare for roles like "dealer desk" and client management in broking firms
- Proficiency in dealing with both equity and equity derivatives
- Improve the potential to execute and manage trades and positions across both equity and equity derivatives more effectively
- Understand the risk management framework

Eligibility

- Students pursuing CMA Course (Foundation/ Intermediate/Final)
- Qualified CMAs and members of the Institute of Cost Accountants
- Student with non-commerce or non-accounting bachelor's degree will have to enrol for bridge Course

Course Fees

Course Fee for each level - **Rs. 3, 600/- + GST @18%**

Details of Payment is stated in BFSI Portal of the Institute's website.

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Certificate Course in Investment Management

Key Features

- Delivered online through WebEx platform by experienced faculty from NISM
- Webex platform Offers opportunity for participant interaction and Q&A through chat box, questions etc
- Exposes the participants to the dynamic trading environment through lab based sessions
- Brings real world experiential learning to the classroom
- Course offers unique hands on trading and investment experience through the Algo and Trading Analytics lab
- Access to the Algo and Trading Analytics Lab for a period of 4 weeks for self-study, assignment and hands on practice sessions as per market working hours on working days and Saturdays.
- Rigour maintained through periodic assessment – online quiz and lab based assignments

Assessment for Each Level

- Quiz – online quiz with weightage of 60%
- Assignment – With weightage of 40%

Certificate of Completion – Will be issued to those participants who complete the assessment with minimum of 50% marks in aggregate.

Detailed Course Outline for Each Level (Level I/II/III)

Stock Selection and Trading in Equity - Level I

The Level I is a foundation level program for Investment management professionals. It blends the methods of valuation of equity and identifying stocks for investment with the process of execution of the investment idea through trading terminals. The course combines investment decision making with trading operations covering both the idea and the execution aspects of investment.

Objectives

- Understand the methods for valuation for equity and investment decision making styles – value and growth investing.
- Understand the nuances of operations in equity cash markets – trading, order matching,
- Session in a market and global market structure.
- To provide an overview of trading operations and market operations, across Equity cash segments
- From a dealer role perspective enable the participants with hands on sessions on trading in equity cash markets with emphasis on order punching, trade and position Management and understanding of trading strategies.
- Understand Risk management at client level and exchange level.

Content

The program is designed as an intensive practical program spread across 30 hours of online sessions, hands on sessions in lab and self paced explore the lab sessions. The following topics will be covered:

- Overview of Financial Markets – Institutions and instruments
- Investment in Equity – Valuation methods, models and investment styles
- Trading basics Equity Cash Markets – Products, Concept, trading clearing and settlement process, order matching Rules and trading operations with emphasis on order and trade management.

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Certificate Course in Investment Management

- Lab based session – Getting started, Order and trade management, position management
- and queries and trading strategies
- Extensive hands on sessions on understanding client level risk, news based trading sessions and case studies using live and recorded data.
- Risk Management at client and exchange level – Margins, circuit breakers, price limits, minimum capital etc.
- Global Market micro structure - overview

Assessment

Quiz – online quiz with weightage of 60%
Assignment – With weightage of 40%

Certificate of completion – Will be issued to those participants who complete the assessment with minimum of 50% marks in aggregate.

Technical Analysis & Mutual Fund - Level II

Level II is structured to provide insights into technical analysis as a tool to time the execution of equity investment decisions so as to buy low and sell high. The course blends the understanding of different indicators like trend, volatility, Momentum and combinations of the above indicators, back test the same on historical data, improve the strategy and create profitable strategies that are ready to implement in the markets.

Pre-requisite

Good understanding of the trading process, trading operations, margining system, cash market products and fundamental valuation methods is required. – Level I on equity valuation and trading in equity is a desirable pre-requisite for this program.

Objectives

To understand the importance of technical analysis, different indicators and patterns. To prepare the trading strategy and the set up for intra day trading or short term trading. To apply the strategies developed in real markets and understand the effectiveness of the strategies developed.

Content

The program is designed as an intensive practical program spread across 20 hours of online sessions, hands on sessions in lab and self paced explore the lab sessions. The following topics will be covered:

- Overview of Financial Markets – trading operations, Introduction to Technical Analysis
- Chart types and chart construction
- Support, Resistance, Patterns
- Trend indicators, Momentum indicators, Oscillators and Volatility Indicators. Using combination of indicators for strategy.
- Dow and Elliot wave theory
- Hands on session on building and application of different indicators, forming strategies and backtesting strategies
- Hands on sessions on reading backtesting reports and arriving at profit maximisation trading strategies
- Risk management – Stop loss, trailing stop loss, Risk reward ratio
- To choose Mutual Fund schemes for investment

Assessment

- Quiz – online quiz with weightage of 60%
- Assignment – With weightage of 40%

Certificate of completion – Will be issued to those participants who complete the assessment with minimum of 50% marks in aggregate.

Behind Every Successful Business Decision, there is always a **CMA**

Certificate Course in Investment Management

Basic Derivatives and Derivatives Trading Strategies - Level III

This level covers basics of equity derivatives and also provides an understanding of derivative trading strategies. It blends strategies that combine cash market with futures and options to create winning trades across bullish, bearish and consolidation phases of the market. This level provides unique and practical understanding of options, option greeks. Using options for trading and hedging. Provides an understanding of how to trade volatility and use time decay for trading profitably. Live hands on session in the lab supported by price calculators – that incorporate volatility and time factors is included in the study.

Pre-requisite

An understanding of trading, trading operations related to cash markets and technical analysis will be very useful to learn, position and manage derivative trading strategies.

Level I on equity trading is an essential prerequisite for this level. Level II on technical analysis will help the participants to make superior decisions.

Objectives

Understand the equity derivatives basics and advanced concepts. Valuation of derivatives futures and options. Option writing – Option greeks: role in trading and trading strategies. Derivative trading strategies for bullish, bearish markets and markets in consolidation phase. Application of the strategies in live market environment and understand the implications.

Content

The program is designed as an intensive practical program spread across 30 hours of online sessions, hands on sessions in lab and self-paced explore the lab sessions. The following topics will be covered:

- Introduction to Derivatives – derivative products: Index and stock, futures, forwards, options – types, need for derivatives. Terminology.
- Derivative market operations: Trading, clearing and settlement- Mark to Market and expiry pay off. Regulatory framework – Eligibility, Market wide position limits, Roll over, open interest, impact cost.
- Futures – pricing of future contracts, Pay off diagrams, trading and hedging using futures.
- Options – types, terminology, simple trading and hedging strategies using options. Valuation or pricing of options. Pay off diagrams, put call parity, Option analytics; volatility trading and time decay.
- Hands on session in lab on trading using combination of equity cash, futures and options based strategies. Bullish and bearish market strategies. Application of volatility trading and time decay.

Assessment

- Quiz – online quiz with weightage of 60%
- Assignment – With weightage of 40%

Certificate of completion – Will be issued to those participants who complete the assessment with minimum of 50% marks in aggregate

BROCHURE

Online Admission Portal Link:
https://eicmai.in/advscc/DelegatesApplicationForm-New.aspx

For more details

Course Coordinator from BFSI Department

CMA Dibbendu Roy - Additional Director
E-mail: *bfsi@icmai.in*
Mobile: 96434-43047 / 83686-93781
&
Mr. Ashutosh Kumar
E-mail: *ssir@nism.ac.in*
Mobile: 93260-22370 / 75065-81992

Also, the program will be on webex platform and software is accessible on Windows Operating System of 7 and above. Good internet connectivity is a must for participants and connection must be through desktop/laptop.

Banking, Financial Services & Insurance Board
THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
Statutory Body under an Act of Parliament
www.icmai.in

Headquarters: CMA Bhawan, 12 Sudder Street, Kolkata - 700016
Delhi Office: CMA Bhawan, 3 Institutional Area, Lodhi Road, New Delhi - 110003

NATIONAL INSTITUTE OF SECURITIES MARKETS (NISM)
www.nism.ac.in

NISM New Campus

Plot No. IS 1 & IS 2, Patalganga Industrial Area
Village Mohopada (Wasambe), Rasayani
District - Raigad, Maharashtra - 410222

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BROCHURE

2ND BATCH

ONLINE

CERTIFICATE COURSE IN

INTEGRATED TECHNICAL ANALYSIS AND ADVANCED DERIVATIVES

Banking, Financial Services & Insurance Board

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

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NiSM NATIONAL INSTITUTE OF SECURITIES MARKETS An Educational Initiative of SEBI

NATIONAL INSTITUTE OF SECURITIES MARKETS (NISM)

www.nism.ac.in

Behind Every Successful Business Decision, there is always a **CMA**

Certificate Course in Integrated Technical Analysis and Advanced Derivatives

About ICAI

The Institute of Cost Accountants of India was first established in 1944 as a registered company under the Companies Act with the objects of promoting, regulating and developing the profession of Cost Accountancy. On 28th May, 1959, the Institute was established by a special Act of Parliament, namely, the Cost and Works Accountants Act, 1959 as a statutory professional body for the regulation of the profession of Cost and Management accountancy. The Institute is under the administrative control of Ministry of Corporate Affairs, Government of India.

The Institute has since been continuously contributing to the growth of the industrial and economic climate of the country. The Institute is the only recognised statutory professional organisation and licensing body in India specialising exclusively in Cost and Management Accountancy.

International Affiliation

The Institute of Cost Accountants of India is Founder member of International Federation of Accountants (IFAC), Confederation of Asian & Pacific Accountants (CAPA) & South Asian Federation of Accountants (SAFA). The Institute, being the only institution from India, is a member of the Accounting Bodies Network (ABN) of The Prince's Accounting for Sustainability (A4S) Project, UK and International Valuation Standards Council (IVSC), UK.

Institute's Strength

The Institute is the 2nd largest Cost & Management Accounting body in the World and the largest in Asia, having a large base of about 85,000 CMAs either in practice or in employment and around 5,00,000 students pursuing the CMA Course.

Vision Statement

"The Institute of Cost Accountants of India would be the preferred source of resources and professionals for the financial leadership of enterprises globally."

Mission Statement

"The Cost and Management Accountant professionals would ethically drive enterprises globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting."

Institute's Network

Institute's headquarters is situated at Kolkata with another office at New Delhi. The Institute operates through four Regional Councils at Kolkata, Chennai, Delhi and Mumbai as well as through 114 Chapters situated in India, 11 Overseas Centres abroad, 2 Centres of Excellence, 52 CMA Support Centres and 434 Recognized Oral Coaching Centres.

About NISM

The National Institute of Securities Markets (NISM) is a public trust established in 2006 by the Securities and Exchange Board of India (SEBI), the regulator of the securities markets in India. The institute carries out a wide range of capacity building activities at various levels aimed at enhancing the quality standards in securities markets. The institute's six schools of excellence work in synergy towards professionalized securities markets.

Vision

To lead, catalyze and deliver educational initiatives to enhance the quality of securities markets.

Mission

To engage in capacity building among the stakeholders in the securities markets through financial literacy, professional education, enhancing governance standards and fostering policy research.

Behind Every Successful Business Decision, there is always a **CMA**

Certificate Course in Integrated Technical Analysis and Advanced Derivatives

NISM NATIONAL INSTITUTE OF SECURITIES MARKETS An Educational Initiative of SEBI

ONLINE CERTIFICATE COURSE IN INTEGRATED TECHNICAL ANALYSIS AND ADVANCED DERIVATIVES

Program Objectives

The program is designed to enable the participants with advanced knowledge that integrates Technical Analysis with Derivatives so that they can meaningfully use derivatives for risk management, hedging and trading activities. Formulate strategies that blend with the market trend and achieve the goals of Investment. The course (prerequisites) assumes that the participants are well versed with basic technical analysis and have exposure to trading in equity derivative products – Futures and Options.

Programme Takeways

- Trade setup with technical analysis and derivatives for consolidating, bull and bear market phases.
- Options and option writing – Understanding use of Greeks for option strategies.
- Meaningfully combine Technical Analysis with derivatives to better understand markets.
- Understand and manage the impact of events on stock prices.

Key Contents

1. News based Technical Setup
2. Breakout and positional trade setup
3. Option trading strategies
4. Swing trading strategies
5. Option writing
6. Option Greeks setup and strategies

Who Can Attend

- All those who have participated in the 3 levels of NISM ICAI joint online investment management program
- Candidates who have basic knowledge of Technical analysis and have completed Equity Derivatives NISM certification examination can also take the course

Course Fees

We propose to charge a fee of **Rs. 20000 + GST** at applicable rates for the program.

Details of Payment is stated in BFSI Portal of the Institute's website.

Course Timing

The total course duration will be 30 hours.

Batch

- 2nd Batch

LAB Access

Will be provided for a limited period of one month to apply the strategies learnt in the classroom

LAB access system requirements –

- Should have a laptop or desktop with windows version 7 or above.
- Good internet access to attend the classes without any interruption.

PROGRAM WILL BE ON GOOGLE PLATFORM
THIS CAN BE CHANGED DEPENDING ON THE REQUIREMENTS OF THE INSTITUTE

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BROCHURE

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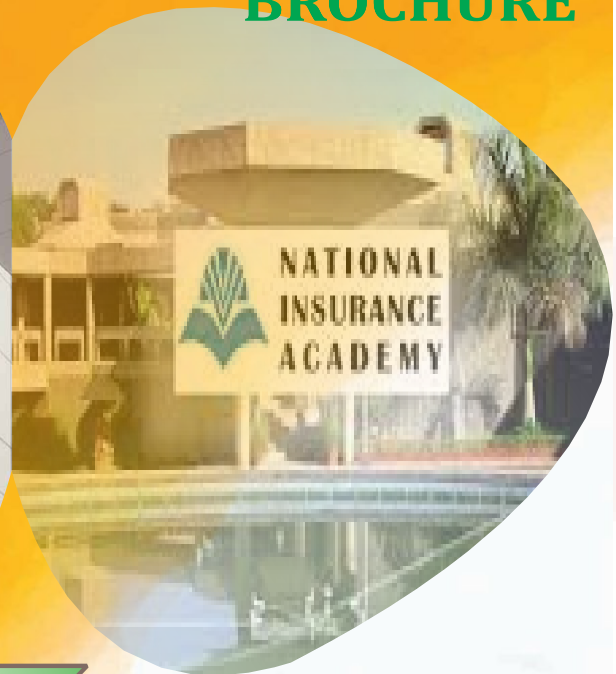

LAST DATE FOR ADMISSION
15TH NOVEMBER 2021

ONLINE
CERTIFICATE COURSE IN

GENERAL INSURANCE

IN ASSOCIATION WITH

NATIONAL INSURANCE ACADEMY

Banking, Financial Services & Insurance Board
THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
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https://icmai.in/Banking_Insurance/

NATIONAL INSURANCE ACADEMY

NATIONAL INSURANCE ACADEMY
https://niapune.org.in

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NATIONAL INSURANCE ACADEMY

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About NIA

National Insurance Academy (NIA) is a premier institution devoted to equip the insurance industry with the best of talents. Its close association with the Insurance industry provides the 'real life' reference to its training, education, research and consultancy activities.

NIA was established in 1980 jointly by the Ministry of Finance - Government of India, Life Insurance Corporation of India, General Insurance Corporation of India, The New India Assurance Company, National Insurance Company, United India Insurance Company and The Oriental Insurance Company on 16th December, 1980 in Mumbai to be the institute of excellence in learning and research in Insurance, Pension and allied areas. The Academy was shifted to Pune on 4th June, 1990 with the state-of-the-art facilities for learning and research.

Initial years of NIA were dedicated to Management Development Programmes catering to the insurance industry professionals to enhance the management skills and domain expertise. Later, the two year Post Graduate Diploma in Management course was initiated to fulfill the growing demand of skilled professionals in Insurance and Risk Management. The programme offers dual expertise in management and Insurance.

Programme Objectives

The objective is to equip members and students of the Institute in areas of General Insurance for equipping them to understand and comprehend various insurance aspects and have a working knowledge on the various aspects of General Insurance.

Progamme Takeaways

The objective is skill development and knowledge enhancement of members on matters pertaining to insurance

Key Contents

5 modules

Coverage in Fire Insurance, Cargo and Marine, Health, Liability and Miscellaneous 25 hour capsule

Who Can Attend

- Graduates of any discipline
- Students of the ICAI
- Members of the ICAI

Course Fees

Rs. 6000 plus GST of 18 %

Course Timing

Saturdays and Sundays from 11.30 a.m. to 1.30 p.m.

Behind Every Successful Business Decision, there is always a CMA

Certificate Course in General Insurance in association with National Insurance Academy

NATIONAL INSURANCE ACADEMY

NATIONAL INSURANCE ACADEMY, PUNE

DETAILS OF INSURANCE TOPICS COVERED IN THE SYLLABUS

MODULE - I

FUNDAMENTALS OF INSURANCE

- ✓ BUILDING BLOCKS OF INSURANCE
- ✓ LEGAL ASPECTS OF INSURANCE
- ✓ PRINCIPLES OF INSURANCE
- ✓ FUNDAMENTALS OF LIFE INSURANCE
- ✓ FUNDAMENTALS OF GENERAL INSURANCE
- ✓ ACTUARIAL ASPECTS OF INSURANCE

MODULE - III

LIFE INSURANCE

- ✓ LIFE INSURANCE UNDERWRITING
- ✓ LIFE INSURANCE PRODUCTS
- ✓ ANNUITIES AND PENSIONS
- ✓ ENTERPRISE RISK MANAGEMENT
- ✓ LIFE INSURANCE POLICY SERVICING
- ✓ LIFE INSURANCE CLAIMS

MODULE - V

MARINE INSURANCE ACT

- ✓ CARGO CLAUSES
- ✓ TYPES OF CARGO
- ✓ HULL CLAUSES
- ✓ MARINE UNDERWRITING
- ✓ MARINE CLAIMS

MODULE - VII

HEALTH, LIABILITY AND MISCELLANEOUS INSURANCE

- ✓ HEALTH POLICY COVERAGE
- ✓ HEALTH REGULATIONS
- ✓ BASICS OF LIABILITY
- ✓ LIABILITY INSURANCE PRODUCTS
- ✓ BURGLARY AND PERSONAL ACCIDENT
- ✓ MONEY IN TRANSIT AND OTHER MISCELLANEOUS INSURANCE

MODULE - IX

INSURANCE ACCOUNTS

- ✓ BASICS OF ACCOUNTING
- ✓ LIFE INSURANCE ACCOUNTS
- ✓ GENERAL INSURANCE ACCOUNTS
- ✓ INVESTMENTS
- ✓ SOLVENCY REGULATIONS
- ✓ REGULATIONS FOR INVESTMENTS AND FINANCE

MODULE - II

LEGAL FRAMEWORK OF INSURANCE

- ✓ INSURANCE ACT
- ✓ IRDAI - DUTIES, POWERS AND ROLE
- ✓ REGULATIONS FOR LIFE INSURANCE
- ✓ REGULATIONS FOR GENERAL INSURANCE
- ✓ REGULATIONS FOR INTERMEDIARIES
- ✓ REGULATIONS FOR INVESTMENTS AND FINANCE

MODULE - IV

FIRE INSURANCE

- ✓ COVERAGE
- ✓ CONDITIONS AND EXCLUSIONS
- ✓ SPECIAL COVERS AND CLAUSES
- ✓ FIRE UNDERWRITING
- ✓ BUSINESS INTERRUPTION
- ✓ FIRE CLAIMS

MODULE - VI

MOTOR INSURANCE

- ✓ COVERAGE OF MOTOR LIABILITY
- ✓ PACKAGE POLICIES
- ✓ MOTOR UNDERWRITING
- ✓ MOTOR OWN DAMAGE CLAIMS
- ✓ MOTOR THIRD PARTY CLAIMS

MODULE - VIII

CLAIMS AND REINSURANCE

- ✓ CLAIMS PROCESS
- ✓ BASICS OF REINSURANCE

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Certificate Course in General Insurance in association with National Insurance Academy

NATIONAL INSURANCE ACADEMY

NATIONAL INSURANCE ACADEMY, PUNE

PROFESSIONAL CERTIFICATION IN GENERAL INSURANCE (LEVEL-1)

CURRICULUM FOR THE COURSE (TOTAL DURATION IS 25 HOURS)

MODULE - I

- **FUNDAMENTALS OF INSURANCE**
  - ✓ BUILDING BLOCKS OF INSURANCE
  - ✓ LEGAL ASPECTS OF INSURANCE
  - ✓ PRINCIPLES OF INSURANCE
  - ✓ FUNDAMENTALS OF GENERAL INSURANCE
  - ✓ SIGNIFICANCE OF IRDAI REGULATIONS IN INSURANCE BUSINESS

MODULE - II

- **FIRE INSURANCE**
  - ✓ COVERAGE
  - ✓ CONDITIONS AND EXCLUSIONS
  - ✓ SPECIAL COVERS AND CLAUSES
  - ✓ BUSINESS INTERRUPTION
  - ✓ FIRE CLAIMS AND ROLE OF SURVEYORS IN LOSS ASSESSMENT

MODULE - III

- **MARINE CARGO INSURANCE**
  - ✓ MARINE INSURANCE ACT
  - ✓ CARGO CLAUSES
  - ✓ TYPES OF CARGO
  - ✓ MARINE UNDERWRITING
  - ✓ MARINE CLAIMS

MODULE - IV

- **MOTOR INSURANCE**
  - ✓ COVERAGE OF MOTOR LIABILITY
  - ✓ PACKAGE POLICIES
  - ✓ MOTOR UNDERWRITING
  - ✓ MOTOR OWN DAMAGE CLAIMS
  - ✓ MOTOR THIRD PARTY CLAIMS

MODULE - V

- **HEALTH, LIABILITY AND MISCELLANEOUS INSURANCE**
  - ✓ HEALTH POLICY COVERAGE & UNDERWRITING
  - ✓ HEALTH REGULATIONS
  - ✓ BASICS OF LIABILITY
  - ✓ LIABILITY INSURANCE PRODUCTS
  - ✓ BURGLARY AND PERSONAL ACCIDENT
  - ✓ CLAIMS INTIMATION AND NECESSARY FOLLOW UP

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BROCHURE

For more details

Course Coordinator of ICAI

CMA Dibbendu Roy - Additional Director
E-mail: *bfsi@icmai.in*
Mobile: 96434-43047 / 83686-93781

Course Coordinator of NIA

Dr. Steward Doss - Faculty, Marketing
Email: gdoss@niapune.org.in
Phone No.: 9765203257

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Program Takeways

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Key Contents

5 Modules

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- Members of the ICAI

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Saturdays and Sundays from 11.30 a.m. to 1.30 p.m.

Course Details

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  - ✓ FUNDAMENTALS OF GENERAL INSURANCE
  - ✓ SIGNIFICANCE OF IRDAI REGULATIONS IN INSURANCE BUSINESS

MODULE - II

- **FIRE INSURANCE**
  - ✓ COVERAGE
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  - ✓ SPECIAL COVERS AND CLAUSES
  - ✓ BUSINESS INTERRUPTION
  - ✓ FIRE CLAIMS AND ROLE OF SURVEYORS IN LOSS ASSESSMENT

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- **HEALTH, LIABILITY AND MISCELLANEOUS INSURANCE**
  - ✓ HEALTH POLICY COVERAGE & UNDERWRITING
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FINANCIAL SNIPPETS

- RBI prescribed qualification for MDs of urban cooperative banks
- Health, tourism in focus of FM's new relief package. The government unveiled a slew of measures for various sectors especially health in a bid to prepare for a better tomorrow. These include a new loan guarantee scheme, enhancement of the emergency credit line guarantee scheme (ECLGS) a new scheme for Public health and a boost to export insurance cover
- SEBI tightened rules for independent directors
- Credit to industries negative in 2021 as per RBI
- Retail and wholesale trade included under MSME. Accepting a long-standing demand the Centre included retail and wholesale traders under the MSME classification making them eligible for priority sector advances by banks and financial institutions per RBI guidelines. 2.5 Crores traders will also get the benefit of government schemes.
- Paytm is coming out with the biggest IPO of Rs.16,600 crores. Capitalising on the boom in the stock market and rising digital transactions, One97 Communications, the parent of Paytm filed the draft red herring prospectus to raise Rs.16600 crore, making it the largest initial public offering in India. So far the biggest IPO in India was Coal India's Rs.15200 Cr issue in 2010
- Gold reserves with RBI surged over 12 times in 20 years as per the data presented by the finance ministry in Rajya Sabha
- Unclaimed funds with banks and Insurance firms to the extent of Rs. 50,000 crores
- ESG-value ecosystem for corporates. In June, Crisil released the ESG (Environmental, Social and Governance) scorecard for 225 listed companies across 18 sectors, redefining India's approach to risk management for sustainable value creation
- Banks to exit ARCs as they set up a Bad Bank.Lenders tried to free up capital ahead of the launch of NARCL.
- ECLGS – 2 lakh crores disbursed till mid-July
- Insurance- dip in new business premium by 11%, year-on-year
- The government on July 26 tabled the Insolvency and Bankruptcy Code (amendment) Bill in the Lok Sabha introducing a new chapter on the pre packaged insolvency process that provides a resolution mechanism for stressed micro, small and medium enterprises- MSMEs
- In relief to depositors, Cabinet clears bill to amend Deposit Insurance Act. One can withdraw cash up to Rs.5 lakh even if the bank is placed under moratorium
- Cabinet approves amendments to LLP act. This puts Limited liability

Partnerships LLPs on an equal footing vis-a-vis large Corporates which enjoy the ease of doing business due to the government's recent efforts to decriminalise several provisions of the Companies Act

- Prime Minister launched e-RUPI , a digital payment instrument via video conferencing on second August. It is slated to make payments easier and more efficient and to an extent looks like the precursor of a Central Bank Digital Currency (CBDC). e-RUPI is a digital payment system developed by NPCI on UPI platform. The recipient of e-RUPI can use this one time payment mechanism to get access to your product or service without using a card digital wallet or net banking.
- IBC, other reforms helped banks to recover Rs.5.5 lakh Cr bad debt in the last few years as per finance ministry. This includes close to Rs. 1 lakh crore from accounts that had been technically written off.
- An expert committee of SEBI is examining whether a framework for special purpose acquisition companies (SPACs) can be introduced. SPACs or so called blank cheque companies are entities that raise money from the capital market and use the funds to merge with a target company.
- RBI has been working towards a phased implementation of the Central Bank Digital Currency(CBDC) with little or no disruption as per T Rabi Shankar Deputy Governor.
- 10 top lenders including State Bank of India and ICICI Bank jointly launched a Secondary Loan Market Association (SLMA). The Self-regulatory body was set up to promote the secondary corporate loans market in India. The move follows the recommendation of a task force set up by RBI.
- UPI forms 10% of all retail payments in FY 21 as per NPCI.
- The first reading of RBIs annual Financial Inclusion Index for the period ended Mar 21 has come in at 53.9, with 100 being the full financial inclusion score .Financial Inclusion grew 24% across FY 17-21 as per RBI.
- Home loans defy Covid blues. Banks record 6-14 % growth in first quarter.
- Govt. mulls proposal to bring LLPs, PSBs under CSR ambit.
- Retail loan defaults fall as recovery improves in July.
- 30 companies have submitted proposals for Payment Aggregator Licence. This number could rise.
- Mission $400 BN is the target for exports this year.
- No online aptitude test for CMAs, CAs, CS, Advocates with more than 10 years experience for Board positions-MCA
- Face book India announced a Small Business Initiative in partnership with online lending platform Indifi for small and medium businesses that advertise on the social media site.
- Nearly 72% of financial transactions of public sector banks are now done through digital channels with customers active on digital channels having doubled from 3.4 Cr in 2019–

20 to 7 .6 CR in 2020-21

- In what comes as a big relief to consumers in need of cash from ATMs, RBI decided to levy monetary charges on ATMs that run out of cash starting 1 October 2021.
- With the highest gold purchase on a of yearly basis, RBI's gold reserves, in proportion of its forex reserves, has crossed 700 tonnes for the first time. The central bank purchased a record 29 tonnes of gold as part of its forex reserves in the first half of calendar year 2021.
- NPCI global arm ties up with Mashreq Bank for UPI payments in UAE
- IBA moves RBI for licence to set up NARCL.
- Govt approaches 17 firms to settle retro tax cases
- Indian startups raise $6.5 bn funding from Apr-Jun2021
- With National Monetisation Pipeline (NMP), govt. aims to generate Rs.6 lakh crore between FY 22 and FY 25, to be used for creating new assets. Current fiscal target is 88000 cr. NMP was announced in this year's budget.
- FM unveiled EASE 4.0 for PSB's customer-centric tech transformation.
- Few takers for restructuring 2.0 amid demand recovery- Crisil
- RBI issues fresh Master Directions on Prepaid Payment Instruments (PPI)
- Core sector output rises 9.4% in July on back of a low base.
- Half of the payroll in Q1 was new jobs according to State Bank of India's economic research report. This indicates labour market disruption were much lower during the Covid second wave.
- Google – Equitas deposits deal under RBI's watch. The regulator is concerned with the move by Equitas Small Finance bank to tap into the user base of Google Pay for garnering deposits..
- 20 years after India's insurance sector was opened up, unshackling the control of state owned companies, as many as 50 private players have set up shop along with foreign partners. But, penetration remains low and only a handful dominate the business
- Retail loans take lead as corporate demand slips. Outstanding retail loans stood at Rs.28.58 trillion as of 30th July. Loans to industry stood at Rs. 28.24 trillion as per RBI data.
- RBI scraps one click purchases from January 1, as it refused to extend its deadline for card tokenisation beyond the agreed January 1, 2022
- Credit ratio rising to 2.3 X in April-August, signals the improved health of India Inc. The number of upgrades increased to 2.4 times while downgrades dipped by 40% - Acuite Ratings
- Auto debit failures ease in August indicating a gradual return to normalcy after the second wave of the pandemic
- NBFC bad loan pressure may ease after Q1 spike.
- NARCL meets RBI Capital norms through rights issue

- India's retail inflation for August eased to 5.3%, staying within Reserve Bank of India's target range for second month in a row.
- RBI, Singapore Monetary Authority, link payment systems for fast. UPI-Pay Now tie-up to aid trade, travel, remittances.
- Retail sector inching close to pre-pandemic levels according to Retailers Association of India.
- Weathering challenges of second Covid wave, micro finance industry grows in Q1 FY 22. Loans disbursements rose to Rs.25 503 crore against Rs.6 186 crore the same period last year.
- Fresh loans by NBFCs reach pre-Covid levels
- Big four firms in India's audit landscape perform the audit of 10% of the 5356 listed firms .This accounts for 75% of the market capitalisation of India's stock market.
- As on September 18, the net direct tax collection for FY 22 has surged 73% compared with their corresponding period of FY 21 and almost half of the budget estimate
- Asian Development Bank retains India's growth forecast at 10%
- Eight major Banks join the account aggregator network - SBI, ICICI, Axis, IDFC First, Kotak Mahindra, HDFC, Indus Ind and Federal.
- Indian Service Sector growth in August 21 fastest. The IHS Mark it Services Purchasing Managers' Index rose to 56.7 in August- its strongest pace since the pandemic hit the country in Mar 20.
- India overtakes US to become second-most sought after manufacturing destination. It is second only to China.
- Ind-Ra retains 'Stable' outlook on Indian Banking sector in FY 22.
- NBFC loans report strong 37.6% growth.
- Crisil Ratings has recently revised the credit quality outlook of India Inc for FY 22 to POSITIVE from cautiously optimistic earlier.
- Banks' NPAs stable in June quarter and looks manageable as per RBI Governor.
- No account freeze till Dec 21 for want of KYC - RBI

Please refer to the BFSIB portal of the Institute for daily updates.

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