BANKING FINANCIAL SERVICES AND INSURANCE (BFSI)

CHRONICLE

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Azadi Ka Amrit Mahotsav

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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PRESIDENT'S MESSAGE

CMA P. Raju Iyer

President

The Institute of Cost Accountants of India

It gives me immense pleasure to announce that the Banking, Financial Services Insurance Board of the Institute is launchingthe 8th issue of Banking, Financial Services and Insurance (BFSI) Chronicle in the month of December, 2021.

I congratulate **CMA Chittaranjan Chattopadhyay,** Chairman of Banking, Financial Services and Insurance Board and other members of the board for an excellent initiative for the benefit of stakeholders at large.

The banking & financial services sector plays an important role in the modern economic world. The Insurance sector in India is one of the most booming sectors of the economy. The publication is intended to enrich the readers about the Banking, Financial Services and Insurance sector of our economy by providing current updates and value added articles from the experts. I hope the readers and all stakeholders will find this publication of immense benefit.

The Board is having activities like courses for Banking, Financial Services and Insurance Sector and has trained more than 1000 candidates since last year. The Board has also successfully carried out 51 webinars and 32 webints since last year. The board is also carrying out workshop on risk based internal audit, credit management and other value added activities for the benefit of members, students and others professionals.

I express my gratitude to our resource persons for their valuable inputs and contribution in this edition. I also acknowledge the dedicated efforts of CMA Arup S. Bagchi, Sr. Director, HOD and Secretary of the Board and his team for their support to the excellent initiative of launching of the 8th issue of Banking, Financial Services and Insurance (BFSI) Chronicle. We also thank Shri Supratim Bandyopadhyay, Chairman, PFRDA for his message for the chronicle.

My best wishes to Banking, Financial Services and Insurance Board for their future endeavours.

Warm regards,

CMA P. Raju Iyer

President

CMA Vijender Sharma

Vice President

The Institute of Cost Accountants of India

VICE PRESIDENT'S MESSAGE

I am happy to note that the Banking, Financial Services and Insurance Board is bringing out the 8th edition of Banking, Financial Services and Insurance (BFSI) Chronicle in the month of December, 2021. The quarterly issue has evoked widespread interest amongst the BFSI community and I feel that the chronicle would provide food for thought to the members to delve in various issues in the Banking, Financial Services and Insurance areas.

I wish to express my sincere thanks to CMA P.Raju Iyer, President of the Institute and CMA Biswarup Basu, Immediate Past President for their guidance and support for the professional development of the members.

I compliment CMA Chittaranjan Chattopadhyay, Chairman, Banking, Financial Services and Insurance Board and other members of the BFSI Board for the efforts in bringing out this BFSI Chronicle and hope that the Board would bring out various other publications for our members in coming days. I would like to thank our advisors, resource persons and the BFSI Department led by CMA Arup S Bagchi, Sr. Director, HoD and Secretary of the Board who have all contributed for materializing the 8th issue.

The BFSI Board will continue to strive ahead in providing impetus to the growth and development of the CMA profession and we hope that the members, students will be benefitted with the various endeavors undertaken by the Board in the coming days.

CMA Vijender Sharma

Vice-President

CHAIRMAN'S MESSAGE

"Leadership is not about being in charge.......

Leadership is about taking care of, those who are in charge........"

CMA Chittaranjan Chattopadhyay

Chairman

Banking, Financial Services and Insurance Board

The Institute of Cost Accountants of India

Let me start with my prayers and good wishes for all my CMA families across the world. We are stepping into the New Year. I wish and pray for a blessed 2022 –a year full of Happiness, Good health, Peace and Prosperity. When my arms cannot reach people who are close to my heart, I always hug them with my prayers. Life is full of Give and Take. Give thanks and Take nothing for granted. Drive carefully on this road called life because people will switch lanes on you without a signal.

Hope is wishing something would happen.

Faith is believing something will happen.

Courage is making something happen.

At the outset let me welcome the newly elected President, CMA P Raju Iyer, and Vice President CMA Vijender Sharma and express my sincere gratitude to them and all my Council colleagues for their faith in me to continue as the Chairman of the BFSI Board for 2021-22. I would also like to acknowledge and put on record my sincere gratitude to CMA Biswarup Basu our immediate past President for all his support to all initiatives and activities of the BFSI Board undertaken during 2020-21.

As a Country, we hoped for good, we believed in our strength and the courage to tide over the Crisis of the Century with aplomb. Positivity is the essence of life. People who wonder if the glass is half empty or half full, miss the point. The glass is refillable. Let us be POSITIVE. Sometimes when things are falling apart, they may be actually be falling into place. Confidence is better than perfection because Perfection means doing the BEST but Confidence means knowing how to handle the WORST. This is what we have done together during the worst times and the results are here:

Over 100 Crore vaccinations were administered as on 21 Oct 21 well ahead of the targeted date of completion. As on 16th December 21,

136 Cr doses of vaccinations are over. The expected third wave has not hit the country, however Omicron fears are lingering around.

As per IMF report, India is the fastest growing economy

Indian Economy sees upswing in 19 of 22 economic indicators as compared to the pre-Covid levels indicating strong signs of recovery from the devastation caused by the pandemic. High frequency indicators (HFI) are being monitored to track the progress of economic recovery in India since the first case was reported in January 2020

Fiscal deficit at 31% of estimate till August - This is 18-year low

Moody's Upgrade sovereign rating

Goldman Sachs and others raise FY-22, GDP growth forecast

As per Crisil ratings its credit ratio increased further in the first half of

FY-22 with 488 upgrades and 165 downgrades reflecting a sharp and sustained recovery in demand despite the intense second wave of Covid 19

As per ICRA, securitization volume doubled in H1

30 start-ups joined Unicorn club in 2021

As per S&P, four Indian banks are among the 20 largest banks in Asia Pacific region in terms of market capitalisation in Q3. They are HDFC Bank, ICICI Bank, SBI and Kotak Mahindra Bank

Consumer durables sector has registered double-digit growth

Tax mop up at Rs.2.5 trillion - overshoot the target

As per Moody's, Banking Outlook stable

Moody's affirms ratings of 9 Indian banks, changes outlook to stable

November GST collection is Rs.1.31 trillion

GST collections indicate economic revival. Even after accounting for the base effect, tax revenues have made a smart recovery in most states in Q1 of 2021-22

Moody's projects India's economic growth will rebound strongly with GDP expanding 9.3% in the current fiscal ending March 2022

Google, Microsoft, Amazon invest more in start-ups - surpass pre Covid level

Bank credit grew by 7.14% to Rs.111.6 4 trillion and deposits increased by 11.42% to Rs.160.4 9 trillion in the fortnight ended November 15, 2022

HIS Markit PMI manufacturing hits 10 month high at 57.6 in November

The Hard work puts you where the Good Luck can find you. Life is like a parade. At the shout of 'About Turn' the last person becomes the 1st one……So never feel Inferior or Superior. We don't know when our life will take a U turn…!!! The difference between ORDINARY and EXTRAORDINARY is that little EXTRA.

I take this opportunity to wish happiness, prosperity and extend Christmas and New Year greetings to all members, students, readers and their family and loved ones.

With Warm Regards

(CMA Chittaranjan Chattopadhyay)

FROM THE DESK OF THE DEPARTMENT

Greetings from team BFSI!

Greetings and optimistic wishes of a happy new year to all our readers!

The year 2021 saw the reopening of borders and industries though we cannot lower our guards due to the threat of the high transmission rate threat of the omicron variant of the virus throughout the globe as companies turned to technology to enforce Covid safety measures and protocols.

Some of the key movements and indicators during the recent past which may define the immediate future trend of the BFSI and economic trend are as follows –

- Advance Tax collections almost doubled in the 3rd quarter fiscal year compared to last year.
- The middle of December 2021 witnessed the first key rate increase in over 2 years as interest rates went a notch up as SBI raised its base rate by 10 basis points on 15th December, 2021. Views of seasoned bankers were that interest rates may further go up.
- NPAs may rise marginally by the end of FY2022 while RBI turned down pleas by NBFCs for easing of norms for prudential asset quality.
- Bank unions opposed the Government's plans for privatisation of banks and a 2 day strike by bank employees was observed mid-December.
- Some high ticket new listings that debuted in the recent past were traded below their issue price on debut.
- From 2022 sensitive credit or debit card information (card number, cvv, expiry ate etc) can no longer be stored by merchants and service providers during online transactions. Tokenisation, which is a process by which such details are replaced by unique codes will be adopted without exposing such sensitive data or users may be required to enter such details every time they transact.
- Stock markets are perceived to be choppy and wild swings either way may be expected as the investors and economies keenly follow the financial trends and the omicron outcome all over the globe.
- The crypto investors keenly await the views of the RBI to address the serious concerns relating to microeconomic and financial stability and the management of such exchange. Meanwhile, crypto platforms are rushing to work out new code of conduct to be within the existing laws till any specific bill is passed.

Under the guidance of the reconstituted BFSI Board, the BFSI department continues to follow the developments in all economic and BFSI sector developments while actively initiating necessary and proactive measures to ensure that the CMA profession continues to be firmly rooted in all areas of such professional relevance.

Like all volumes, this issue carries interesting reads and we hope that the readers enjoy reading them.

Stay safe and happy reading!

MESSAGE FROM CHAIRMAN OF PFRDA

Shri Supratim Bandyopadhyay

Chairman
PFRDA

At the outset, I would like to extend my gratitude to the Institute of Cost Accountants of India (ICAI) for supporting Pension Fund Regulatory and Development Authority (PFRDA) in its mission of creating a pensioned society in India and ensuring citizens with financial security at old age.

The flagship social security schemes regulated by PFRDA, National Pension System (NPS) and Atal Pension Yojana (APY), aim to deliver old age income security to the working population and PFRDA is focussed towards wider dissemination and enrolments in these two pension schemes.

Though these pension schemes are unique and acknowledged as one of the best retirement solutions available to the citizens and employee-employer groups, the benefits of these scheme require wider propagation considering the prevailing low levels of financial and pension literacy in India.

The concepts related to increasing longevity, changing demographics, old age dependency, planning for retirement, savings, investments and pensions needs to be communicated in a simplistic and professional manner to inculcate the realisation of securing oneself with adequate and regular income on attainment of old age.

I believe that this critical information can be appropriately delivered to our citizens by the members of the Institute possessing professional expertise and access to employers, employees andother professionals. ICAI and its members as ambassadors of NPS will surely bring in profound impact and better understanding for the recipients.

I wish all the success to this joint endeavour of ICAI and PFRDA.


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BUSINESS GROWTH
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PROCESS OF RISK BASED INTERNAL AUDIT (RBIA)

(Non-Banking Financial Companies-NBFCs and Urban Co-operative Banks-UCBs)

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

Abstract:

Reserve Bank of India (RBI) introduced a Risk Based Internal Audit (RBIA) System for the select Non-Bank Lenders and Urban Co-operative Banks (UCBs) entities. All Deposit taking Non-Banking Financial Companies (NBFCs), Non-Banking Financial Companies with an Asset Size of ₹5,000 Crores, and Urban Co-operative Banks with an Asset Size of ₹500 Crores will have to implement the Risk Based Internal Audit System by March 31, 2022.RBI said, it will enhance the efficacy of 'Internal Audit Systems and Processes' followed by Non-Banking Financial Companies and Urban Co-operative Banks. The Central Bank of the Country had introduced Risk Based Internal Audit for Scheduled Commercial Banks (SCBs) in the year 2002.

Reserve Bank of India decided to mandate Risk Based Internal Audit framework for the following Non-Banking Financial Companies (NBFCs) and Primary (Urban) Co-operative Banks (UCBs) will have to implement the RBIA System by March 31, 2022 i.e.,

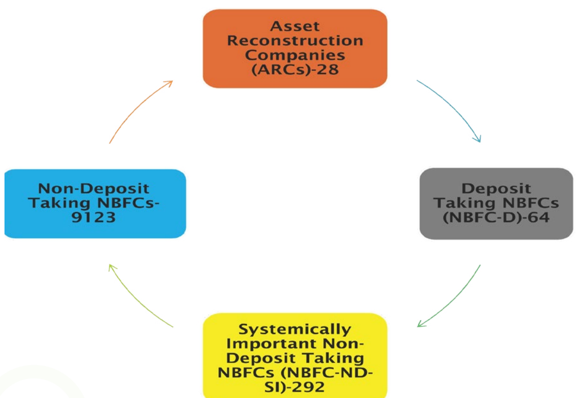
- All Deposit taking Non-Banking Financial Companies, irrespective of their Size.
- All Non-deposit taking Non-Banking Financial Companies (including Core Investment Companies) with Asset Size of ₹5,000 Crore and Above.
- All Urban Co-operative Banks having Asset Size of ₹500 Crore and Above.

As a basic approach for "Risk Based Internal Audit" functions the Banks are expected to re-orient their approach in line with the evolving Best Practices as a part of their overall "Governance and Internal Control framework". Further Banks are stimulated to adopt the International Internal Audit Standards, such as the guidelines issued by the Basel Committee on Banking Supervision (BCBS) and the Institute of Internal Auditors (IIA).

RBI Vide Circular dated 27th December, 2002, had introduced 'Risk Based Internal Audit (RBIA)'System in Scheduled Commercial Banks (SCBs) as part of their 'Internal Control' Context, which was further enhanced vide Circular dated 7th January, 2021. This framework depends on broadly on a well-defined policy for Internal Audit, functional independence with

- ✓ Sufficient Standing.
- ✓ Effective Channels of Communication and
- ✓ Adequate Audit resources with necessary Professional Competence.

Non-Banking Financial Companies and Primary (Urban) Cooperative Banks have grown in Size and become Systemically important, universality of different Audit System/ Approaches in such entities has created certain variations, Risks and Gaps.



As of January 31, 2021, there were 9,507 Non-banking Financial Companies (NBFCs) Registered with the Reserve Bank of India.

-Statista Researc

Scheduled Commercial Banks, Non-Banking Financial Companies and Urban Co-operative Banks face the comparable risks by Virtue of being engaged in 'Comparable Financial Intermediation' activities, their 'Internal Audit Systems' also need to broadly bring into line while keeping in mind the 'Principle of Balance'. Considering these aspects, the Guidelines prescribe the 'Broad Principles' that should be followed by Non-Banking Financial Companies and Urban Co-operative Banks to enable them to gradually move towards an 'Risk Based Internal Audit' System.

a. Objectives and Scope:

i. Effective Risk-Based Internal Audit (RBIA) is an Audit Methodology that links an Organisation's overall Risk Management framework and provides aguarantee to the Board of Directors and the Top/Senior Management on the Efficiency and quality of the overall Risk Management, Organisation's Internal Controls and Governance related Systems and Processes.

ii. The Internal Audit function should broadly evaluate and contribute to the overall improvement of the overall Risk Management, Organization's Governance and Control Processes using a Systematic and Disciplined approach. This function is to be an important part of' Corporate Governance' and is also considered as the 'Third Line' of Defence.

As on May 31, 2021, there are 1,531 Urban Co-operative Banks (UCBs) and 97,006 Rural Co-operative Banks, with the latter making up 65% of the Total Asset Size of all Co-operatives taken together.

iii. Historically, 'Internal Audit System' in Non-Banking Financial Companies/

Urban Co-operative Banks has generally been focused on Transaction Testing, Testing of accuracy along with consistency of Accounting Records/ Financial Reports and their observance to legal and regulatory requirements, etc.

In the changing scenario, testing by itself might not be sufficient. Hence, the Supervised Entities (SEs) need to adopt a framework which will include an 'Evaluation of the Risk' of Management Systems and Control Procedures / Practices in various areas of Operations in addition to 'Selective Transaction Testing'. This will also help in anticipating areas of 'Potential Risks' and gives scope to mitigating such risks.

iv. While the Risk Management Function should focus on:

- ❖ Identification.
- ❖ Measurement.
- ❖ Monitoring.
- ❖ Management of Risks.
- ❖ Development of Risk Policies and Procedures.
- ❖ Use of Risk Management Models, etc.,

Risk Based Internal Audit should undertake an 'Independent Risk' assessment for the purpose of framing a 'Risk Based Audit Plan' which considers the integral business risks which may emerge from each activity/ location and also take a note of effectiveness of the existing control systems for monitoring such inherent risks.

Expectations on Roles and Responsibilities of various functionaries for this 'Internal Audit' framework are:

b. Board of Directors (BoD) / Audit Committee of Board (ACB):

i. The Board of Directors (the Board) / Audit Committee of Board (ACB) of Non-Banking Financial Companies and the Board of Urban Co-operative Banks are primarily responsible for overseeing the 'Internal Audit Function' in the organization. The 'Risk Based Internal Audit Policy' shall be formulated with the Approval of the Board and disseminate widely within the organization. This shall clearly document the purpose, authority and the responsibility of the 'Internal Audit Activity', with a Clear Differentiation of the Role and Expectations between "Risk Management Function and Risk Based Internal Audit Function". This 'Policy Document' shall be consistent with the 'Size and Nature' of the business undertaken, the 'Complexity of Operations' and also factor in the Key Characteristics of Internal Audit function relating to:

- ❖ Independence.
- ❖ Objectivity.
- ❖ Professional Ethics
- ❖ Accountability, etc.

The Risk Based Internal Audit Policy must be 'reviewed periodically'.

ii. Internal Audit Function shall be carried out effectively so as to ensure that it 'Adds Value to the Organization'. To ensure that this purpose is achieved, the ACB or Board shall approve a

'Risk Based Internal Audit Plan' which determine the significances and responsibilities of the internal audit function based on the direction and level of the risk in line with the entity's goals.

This assessment of risk in the business and other functions of the organization shall be conducted at least on an 'Annual Basis'. Every activity / location, including the Risk Management and Compliance Functions, shall be subjected to Risk Assessment by the Risk Based Internal Audit. This should also lay down the maximum time period beyond which even the relatively Low-Risk Business Activities and Locations would not be left out of the Audit.

iii. The ACB/Board of the NBFCs / UCBs is expected to review the performance of Risk Based Internal Audit and formulate and maintain a quality assurance and improvement program that covers all aspects of the 'Internal Audit Function'. This program shall include assessment of the 'Internal Audit Function' at least 'once a year' to ensure adherence to the Internal Audit Policy objectives and its expected outcomes.

Further, ACB/Board shall encourage the use of 'New Audit Tools or Technologies' in order to reduce the extent of

- ❖ Transaction Testing.
- ❖ Manual Monitoring.
- ❖ Compliance Monitoring, etc.

c. Top / Senior Management:

i. The Senior Management is responsible for ensuring devotion to the Internal Audit Policy guidelines as approved by the Board and development of an effective internal control function that

- ❖ Identifies.
- ❖ Measures.
- ❖ Monitors and
- ❖ Reports all risks faced.

It shall ensure that appropriate action is taken on the Internal Audit findings within given timelines and status on closure of Audit Reports is placed before the ACB/Board.

ii. The Senior Management is responsible for establishing a 'Comprehensive and Independent Internal Audit Function' which should promote:

- ❖ Accountability and
- ❖ Transparency.

It shall ensure that the Risk Based Internal Audit Function is adequately equipped with skilled personnel of right attitude and aptitude and are periodically trained to update their knowledge and competencies.

iii. A consolidated position of major risks faced by the organization shall be presented at least 'Annually to the ACB/Board', based on Inputs from all Forms of Audit.

d. Internal Audit (IA) Function:

This Function should assess and make suitable recommendations in order to improve the 'Governance Processes' on

- ❖ Business Decision Making.
- ❖ Risk Management and
- ❖ Control.

Promote appropriate 'Ethics and Values' within the organization; and ensure 'Effective Performance Management' and 'Staff Accountability' etc.

Following are the 'Key Attributes' to be observed by NBFCs / UCBs:

i. Stature, Authority, Independence and Resources: The Internal Audit Function must have sufficient authority, stature, independence and resources thereby enabling internal auditors to carry out their assignments properly. The Head of Internal Audit (HIA) shall be a Senior Executive with the ability to exercise 'Independent Judgement'.

The Internal Audit Functionaries and HIA shall have the authority to communicate with any stake holder and shall get access to all records which are required to carry out the entrusted responsibilities.

ii. Skill: Requisite Professional Competence, Knowledge and Experience of each Internal Auditor is essential for the effectiveness of Internal Audit Function. This shall include Banking/ Financial entity's Operations, Accounting including Information Technology, Data Analytics, Forensic Investigation, among others. The shared levels of 'Skill and Knowledge' should be adequate to Audit all areas of the Supervised Entities (SEs).

iii. Staff Rotation: Except for the entities where the Internal Audit Function is a specialised function and managed by career Internal Auditors, the Board should prescribe a minimum period of service for staff in the Internal Audit Function. The Board shall examine the feasibility of prescribing at least 'One Stint of Service' in the Internal Audit Function for those with Specialized Knowledge which is useful for the audit function, but those posted in other areas, so as to have adequate skills for the staff in the internal audit function.

iv. Period of Appointment of 'Head of Internal Audit': Except for the Entities where the Internal Audit Function is a Specialised Function and managed by career internal auditors, the HIA shall be appointed for a reasonably long period which is preferably for a 'Minimum of Three Years'.

v. Reporting Line: The HIA shall directly report to either the ACB/Board/ MD & CEO or to the Whole Time Director (WTD) and the Board of Directors can decide to allow the MD & CEO or a WTD to be the 'Reporting Authority', then the 'Reviewing Authority' shall be the ACB/Board and further the 'Accepting Authority' shall be the Board in matters of performance appraisal of the HIA.

Further, in such cases, the ACB/Board shall meet the HIA at least 'Once in a Quarter', without the presence of the Top Management (including the MD & CEO/WTD).

The HIA shall not have any reporting relationship to the 'Business Verticals' of these Supervised Entities (SEs) and shall not be given any 'Business Targets'.

vi. Remuneration: 'Independence and Objectivity' of the 'Internal Audit Function' could be undermined if the remuneration of Internal Audit Staff is linked to the 'Financial Performance of the Business Lines' for which they exercise audit responsibilities.

Thus, 'Remuneration Policies' should be structured in a way to avoid creating conflict of interest and "Compromising Audit's Independence and Objectivity".

vii. Responsibilities and General Expectations:

a. 'Internal Audit Function' should work on the basis of established policies and procedures as approved by the ACB/Board.

b. Internal Audit shall undertake an 'Independent Risk Assessment' for the purpose of formulating a 'Risk Based Audit Plan' and this would cover risks at various levels and areas such as Corporate and Branch, the Portfolio and Individual Transactions, etc. as also the Associated Processes.

c. The Risk Assessment in the Internal Audit Department (IAD) should be used for focusing on the Material Risk areas and Prioritizing the Audit Work.

d. The Risk Assessment process should, inter alia, include

- ❖ Identification of Inherent Business Risks in various activities undertaken.
- ❖ Evaluation of the effectiveness of the 'Control Systems' for monitoring the Inherent Risks of the Business Activities ('Control Risk') and
- ❖ Drawing-up a Risk-matrix for both the Factors viz., Inherent Business Risks and Control Risks.

e. The basis for determination of the level

- ❖ High.
- ❖ Medium.
- ❖ Low.

And the Trend

- ❖ Increasing.
- ❖ Stable.
- ❖ Decreasing.

Of 'Inherent Business Risks' and 'Control Risks' should be 'Clearly Spelt Out'.

f. 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

- ❖ Overall Governance and
- ❖ Controls in various 'Business Activities'.

g. The 'Risk Assessment Methodology' should include, inter alia, parameters such as:

1. Previous Internal Audit Reports and Compliance.
2. Proposed Changes in Business Lines or Change in Focus.
3. Significant Change in Management / Key Personnel.
4. Results of Regulatory Examination Report.
5. Reports of External Auditors.
6. Industry Trends and other Environmental Factors.
7. Time Elapsed since Last Audit.
8. Volume of Business and Complexity of Activities.
9. Substantial Performance Variations from the Budget and
10. Business Strategy of the Entity vis-à-vis the Risk Appetite and Adequacy of Control.

h. For the 'Risk Assessment' to be accurate, it will be necessary to have proper Management Information System (MIS) and Data Integrity arrangements. The Internal Audit

Function should be kept informed of all developments such as:

- Introduction of New Products.
- Changes in Reporting Lines.
- Changes in Accounting Practices/ Policies, etc.

The 'Risk Assessment' should invariably be undertaken on a 'Yearly Basis'. The Assessment should also be 'Periodically Updated' to take into account changes in

- Business Environment
- Activities and
- Work Processes etc.

i. Before taking up specific 'Internal Audit Assignment',

- The Audit Plan.
- Scope of the Audit.
- Objectives of the RBIA.
- Timelines to Complete the RBIA and
- Resource Allocations etc.

Of the Assignment should be 'Clearly Established'.

The scope and objectives of the assignment should be based on a Preliminary Assessment of the Risks relevant to the Business Activity under Review.

j. The Supervised Entities (SEs) may prepare a 'Risk Audit Matrix' based on the 'Magnitude and Frequency of Risk'. The Audit Plan should prioritize audit work to give greater attention to the areas of:

1. High Magnitude and High Frequency.
2. High Magnitude and Medium Frequency.
3. High Magnitude and Low Frequency.
4. Medium Magnitude and High Frequency.
5. Medium Magnitude and Medium Frequency.
6. Low Magnitude and High Frequency.

k. The Scope of the 'Audit and Resource Allocation' should be sufficient to achieve the objectives of the Audit Assignment. The precise scope of Risk Based Internal Audit must be determined by each Supervised Entities (SE) for:

- Low.
- Medium.
- High.
- Very High and
- Extremely High-RiskAreas.

The Scope of Internal Audit should also include 'System and Process Audits' in respect of all critical processes. The findings of such Audits should also be placed before the 'IT Committee of the Board'.

l. The Internal Audit Report should be based on 'Appropriate Analysis and Evaluation'. It should bring out:

- Adequate.
- Reliable.
- Relevant and
- Useful Information.

To support the Observations and Conclusions. It should cover the Objectives, Scope, and Results of the Audit Assignment and make appropriate recommendations and / or action plans.

m. All the pending High and Medium Risk findings and persisting irregularities should be reported to the ACB/Board in order to 'Highlight Key Areas' in which 'Risk Mitigation' has not been undertaken despite 'Risk Identification'.

n. The 'Internal Audit Function' should have a system to monitor compliance to the observations made by Internal Audit. Status of compliance should be an Integral part of reporting to the ACB/Board.

o. The 'Internal Audit Function' shall not be outsourced. However, where required, Experts including former employees can be hired on a contractual basis subject to the ACB/Board being assured that such expertise does not exist within the Audit Function of the Supervised Entities (SE). Any conflict of interest in such matters shall be recognised and effectively addressed. Ownership of Audit Reports in all cases shall rest with regular functionaries of the 'Internal Audit Function'.

Outsourcing of Risk Based Internal Audit:

The Board of Directors and Top Management are responsible for ensuring that the 'Risk Based Internal Audit' continues to function effectively even though it is outsourced. The following aspects may, inter-alia, be kept in view to prevent any Risk of breakdown in Internal Controls on account of Outsourcing Arrangements.

Before entering into an 'Outsourcing Arrangement' for Risk-based Internal Audit, the Bank should perform 'Due Diligence' to satisfy itself that the 'Outsourcing Vendor' has the necessary expertise to undertake the contracted work.

The Contract, in writing, 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.

To conclude, Banking System plays a Central Role in every Country. The nature of Banking Business is inherently Risky. Banks are institutions of economic importance playing intermediate 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 as also to ensure stability of Banking System thereby protecting the Depositors and Promoting Investments. Knowing that Banks are supervised reassures both Markets and Depositors, reducing the likelihood of Bank runs and other Forms of Financial Contagion.

"Risk Based Internal Audit" should be designed as an independent input to Top Management of Banks, and will assist the Management in 'Better Risk Management' by providing Checks and Balances in the System and also Identifying Measures to be taken for 'Risk Mitigation' and 'Identification of Areas of Potential Risks'. The Information Systems Audit (IS Audit) should also be carried out using the Risk-based Approach.

-oOo-

Reference:

Reserve Bank of India Guidelines / Circulars.

SCALING EVEREST OF RISK AVERSION IN BANKS

Shri Hargovind Sachdev
Former GM
State Bank of India

"By avoiding lending risks, it is not the customers we harm; But our Banks."

Banks are in the business of taking risks. If they do not take risks, they are not doing banking. Banks have to act as an aggregator of funds from small investors and lend. The corpus so accumulated from small savings has to be invested into big projects to earn income and reward depositors with suitable returns and safety. Investing the critical mass of funds in big projects should be done prudently and due diligence.

Does lending to big businesses mean taking reckless chances? When would measured risk-taking be different from credit adventurism? Should banks wait for a safe customer and let funds lie in lazy vaults, barely earning 3.65% yearly in Reverse Repo of RBI? Can a banker avoid credit decisions for fear of a loan going sour? Can a protracted decision of recycling the national savings disguised as prudent lending be branded as Risk Aversion?

The answer is yes. The bankers have entered a pseudo safety cocoon. They avoid borrowers ignoring the viability of banks. The fact that risk-averse banks barely survive, but lending banks truly last long, is no more practiced and forgotten long ago.

The risk arises from some expected or unexpected events in the economy or the financial markets. Trouble can also arise from staff oversight or mala fide intention, which causes erosion in asset value and reduces the bank's intrinsic value. Undoubtedly, Indian banks have been grappling with piles of stress assets over the years. From now on, addition to NPAs may moderate, but the provisioning needs of aging NPAs will put pressure on the P&L. Where will the funds for provisioning come from if new loans are not given, in the guise of credit prudence?

The customer may not repay the loans due to the failure of a business. And may not repay because current assets' market value may decline due to an adverse change in interest rates and market conditions. Another reason for no repayment is that a derivative contract to purchase foreign currency may default a counterparty on the due date. Risks are inherent in the banking business."If you don't invest in risk management, it does not matter which business you are in. It's a risky business."

With pent-up demand for credit zooming post-Covid-19, it is imprudent to restrict the credit needs at lower levels just because the turnover has gone down over previous years. Corona infested the economies across the globe, pulling down the turnovers due to subdued sales. Testing the resilience to withstand pandemics should be the criteria before taking a credit call. A realistic risk management framework should be implemented to measure risks internally rather than depending on Rating Agencies.

Eight of the most critical risks that banks must mitigate are: Credit risk, Market risk, Operational risk, Liquidity risk, Business risk, Reputational risk, Systemic risk, and Perceptional risk of Moral hazard. Out of these eight risks, credit risk, market risk, and operational risk are the three major risks having a big bearing on a bank's profitability and solvency.

The first risk from credit management emanates from the possibility that the business does not take off as projected. The project report based on which a credit proposal is submitted is forward-looking primarily and optimistic. There is a need to evaluate a proposal for how close the projections might be in reality. Despite realistic predictions, there is a possibility that external factors might render the projections unachievable. The best way to deal with this is to do a sensitivity analysis. The scenarios tested should be adequately stressed and realtime. A strong balance sheet of the promoter should be the basis of the credit decision. The security-oriented lending has lost sight of the poor cash-generating capacity of debtors resulting in piles of NPAs.There is little effort to debar over-leveraged corporates from new loans which helps promoters end with little skin in the game.

Banks should have a practical independent risk management function with adequate stature, independence, resources, and access to the board. A credit portfolio exposed to concentration by economic activity is more prone to shocks. There must be a proper system to monitor risks arising from concentration. Banks are taking exposure up to 15 per cent of their capital to a counter party and 40 per cent to a group. Banks must be wary of hitting these limits. Concentration risk makes a bank's capital vulnerable to the fortunes of a few companies.

Effective pre-disbursement control is an essential for credit risk management. Banks are liberal in waiving sanction terms without being mindful of the risk mitigants. A proper evaluation of the waivers, modifications, and suggestion of alternate measures in substitution of waivers would reduce credit risk.

Two premier rating agencies, Moody's and S&P Global, have raised red flags on the financial models of Indian corporates. Moody's said that lenders in India primarily rely on net-interest income (NII) for profitability, accounting for about 70% of the total revenue. The Indian banks' NII as a percentage of total assets has been among the lowest in Asia. Loan loss provisions take the giant pie of total income of Indian banks, Moody's data showed. "India is seeing a sharp economic contraction and had high NPAs before COVID-19."

Funding for banks is driven by time deposits, primarily mixed with current & saving account deposits. Interest rates being low,CASA deposits take a flight from banks, hurting net-interest margins further.

The banking sector's weak assets are likely to shoot up to 13%-14% of gross loans by the end of this fiscal from an estimated 8.5% as of March 31, 2021. Moody's and S&P Global expect a surge in Substandard loans. The ratings of Indian banks are not strong enough to absorb shocks. While State Bank of India, HDFC Bank, ICICI Bank are rated BBB-/Negative by S&P Global, Axis Bank and Bank of India have a BB+/ Stable outlook.

Risk Management is not static. It evolves over a period of time. It need not be the same for all. Its sophistication grows with the growth in the complexities of a bank's functioning. If a bank's risk management function is not commensurate with the complexity of operations, it is prone to the risks manifesting and turning beyond its risk appetite.

One direct consequence of the heightened risk aversion has been the lack of growth in commercial credit. Public sector banks (PSBs) which account for close to 90% of the NPAs, severely cut back lending to the private corporate sector. Credit to the industry has declined dramatically. Commercial credit witnessed a sharp decline of almost 90%. A 10% growth in credit demand will require a substantial turn in the private CAPEX cycle, which still seems some time away as corporates are focused on deleveraging.

Care Ratings said, presently, lending institutions have lowered their risk appetite. This diversion resulted in the slowing credit disbursal ratio and parking of excess liquidity with the RBI. The data reveals that loans to companies and individuals have been growing at a subdued 5.5%-6% in recent months, which is half the pace seen before the pandemic struck.

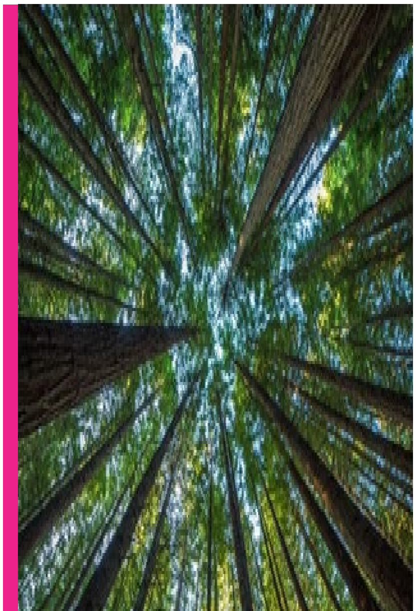
Risk-averse lenders are emerging as hurdles to tthe nation's recovery from the pandemic-induced downturn, as they hold back credit when the economy needs it the most, affecting India's march towards a $ 5.00 trillion economy.

Honestly said, "Recession is when your neighbor loses his job. Depression is when you lose yours. And recovery is when bankers commence lending to save their jobs." Shed risk aversion, begin lending for banks to survive long.

SECONDARY MARKET FOR BANK LOANS

(New Directions of Reserve Bank of India, 2021)

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



Imagine, if all 'Trees are Flying':

- ✓ *Less Oxygen on Earth.*
- ✓ *Un-even Distribution of Oxygen.*
- ✓ *It interrupts the Flying Objects in Air.*
- ✓ *No Trees to absorb Carbon dioxide.*
- ✓ *All areas will become deserts.*
- ✓ *People has to purchase Oxygen to inhale.*
- ✓ *Photosynthesis creates a Problem.*
- ✓ *Vegetables & Food Problem to People etc.*

In the similar manner, the 'Loans taken by the Borrowers' from the Banks / NBFCs / Housing Finance Companies etc. are not to be shifted from 'One Entity to Another Entity' like Shares transferred from One Buyer to another Buyer. The Facility of Banks / FIs i.e., "Transfer of Loan Exposure" should not give any Inconvenience to the Borrowers (Customers and Public at Large) at the same 'New Facility' / Initiative of RBI should not be Mis-utilized by the Financial Entities.

The Regulator (RBI) play a Vital Role to 'Control the Banks'in this aspect in addition to the Existing Measures taken by RBI.

Reserve Bank of India has consolidated the guidelines with respect to Transfer of Standard Assets as well as Stressed Assets by RFEs (Regulated Financial Entities) under a common regulation named Reserve Bank of India (Transfer of Loan Exposures) Directions, 2021 ("Directions").

The Directions are divided into 'Five' Chapters:

C-1: Specifying the Scope and Definitions.

C-2: Laying down General Conditions applicable on all Loan Transfers.

C-3: Specifying the requirements of Loans which are not in default i.e., Standard Assets.

C-4: Provides the Additional requirement for Transfer of 'Stressed Assets'.

C-5: Disclosure and Reporting requirements.

(C = Chapter)

Loan Transfers are resorted to by Lending Institutions (LIs) for:

- ❖ Liquidity Management.

- Rebalancing their Exposures.
- Strategic Sales etc.

A Robust Secondary Market in Loans is an important Mechanism for Management of Credit Exposures by LIs and also create Additional Avenues for 'Raising Liquidity'.

RBI directions shall apply to the following Entities:

- Scheduled Commercial Banks.
- Regional Rural Banks.
- Primary (Urban) Co-operative / State Co-operative / District Central Co-operative Banks.
- All India Financial Institutions (NABARD, NHB, EXIM Bank, and SIDBI).
- Small Finance Banks; and
- All Non-Banking Finance Companies (NBFCs)& Housing Finance Companies (HFCs).

Entities permitted as 'Transferor and Transferee' are:

Transferor	Transferee	Type of Asset
Scheduled Commercial Banks.	Scheduled Commercial Banks.	All Types
All India Financial Institutions: ➢ NABARD. ➢ NHB. ➢ EXIM Bank. ➢ SIDBI.	All India Financial Institutions: ➢ NABARD. ➢ NHB. ➢ EXIM Bank. ➢ SIDBI.	All Types
Small Finance Banks.	Small Finance Banks.	All Types
All Non-Banking Finance Companies (NBFCs) including Housing Finance Companies (HFCs).	All Non-Banking Finance Companies (NBFCs) including Housing Finance Companies (HFCs).	All Types
Regional Rural Banks.	Asset Reconstruction Companies Registered with Reserve Bank of India (Under Section-3 of the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002).	Transferor: Only for 'Stressed Loans' under Chapter-IV of RBI Directions. Transferee: Only for 'Stressed Loans' under Para-58 of RBI Directions.

Transferor	Transferee	Type of Asset
Primary (Urban) Co-operative Banks / State Co-operative Banks/ District Central Co-operative Banks	A Company, as defined in Sub-Section (20) of Section-2 of the Companies Act, 2013 other than a Financial Service Provider as defined in Sub-Section (17) of Section-3 of the Insolvency and Bankruptcy Code, 2016. Acquisition of Loan Exposures by such Companies shall be subject to the relevant provisions of the Companies Act, 2013.	Transferor: Only for 'Stressed Loans' under Chapter-IV of RBI Directions. Transferee: Only for 'Stressed Loans' under Para-58 of RBI Directions.

Coverage: Directions states that no lender shall undertake any loan transfers or acquisitions other than those permitted and prescribed under the Directions and the provisions of Reserve Bank of India (Securitisation of Standard Assets) Directions, 2021.

- Loans originated by the Transferor cannot be transferred outside the purview of the aforesaid guidelines.
- Loans cannot be transferred to anyone, other than the transferee mentioned.
- Directions shall be applicable even in case of Sale of Loans through 'Novation' or 'Assignment', and 'Loan Participation'.
- In case of Loan Transfer other than Loan Participation, Legal Ownership of the Loan shall be mandatorily transferred to the transferee(s) to the extent of 'Economic Interest' transferred.

General Conditions: On all 'Loan Transfers' are:

- Board Approved Policy.
- Result in Transfer of 'Economic Interests' without resulting a change in underlying Terms and Conditions of the Loan Contract.
- Clearly defined 'Roles and Responsibilities' of the Transferor and the Transferee.
- No Credit Enhancement or Liquidity Facilities in any form to the Borrower/ Banker.
- Transferor cannot re-acquire, except as a part of 'Resolution Plan'.
- Immediate Separation of 'Transferor from the Risks and Rewards' associated with Loans.
- Retained Exposure, 'Loan Transfer Agreement' should Clearly specify the distribution of the Principal and Interest Income from the transferred loan between the transferor and transferee(s).
- Transferee to get 'Right to Transfer or Dispose-off' the Loans transferred.
- Rights of Obligors not to be affected Immediate Separation of the transferor from the risks and rewards associated with loans.
- 'Monitor on an Ongoing Basis', and in a timely manner performance information on the loans acquired, including through Conducting Periodic Stress Tests and sensitivity analyses, and take appropriate action required, if any.

Transfer of Standard Loans: Transfer of all Standard Loans, except the following Exclusion List:

- ✓ Transfer of loan accounts of borrowers by a lender to other lenders, at the request / instance of borrower.
- ✓ Inter-Bank Participations covered by RBI Circular DBOD.No.BP.BC.57/62-88 dated December 31, 1988 (Amended from Time to Time).
- ✓ Sale of 'Entire Portfolio of Loans' consequent upon a decision to exit the Line of Business completely.
- ✓ Sale of Stressed Loans; and
- ✓ Any other Arrangement/Transactions, specifically exempted by the RBI.

Minimum Risk Retention: The Directions specifically require that the due diligence in respect of the loans cannot be outsourced by the transferee(s) and should be carried out by its own staff, at the level of each loan, with the same rigour and as per the same policies as would have been done for originating any loan.

However, in case of loans acquired as a portfolio, in case a transferee is unable to perform due diligence at the individual loan level for the entire portfolio, the transferor has to retain at least 10% of economic interest in the transferred loans. In such a case, the transferee shall perform due diligence at the individual loan level for not less than one-third of the portfolio by Value and Number of Loans in the Portfolio and at the portfolio level for the remaining.

In case of multiple transferees, the Minimum Risk Retention (MRR) would still be on the entire amount of transferred loan, even if any one of the transferees is unable to perform the Due Diligence at individual level.

Minimum Holding Period (MHP):

The new Directions there are TWO Loan Tenors:

1. Loans with original maturity less than 2 years.
2. More than 2 years.

MHP requirements for different classes of loans are:

	Secured Loans	Unsecured Loans	Project Loans	Acquired Loans
Loan Tenor	**MHP**	**MHP**	**MHP**	**MHP**
Upto 2 years	3 Months from the date of registration of the underlying security interest.	3 Months from the date of first repayment of the loan.	3 Months from the date of commencement of commercial operations of the project being financed.	-No Instructions-
More than 2 years	6 Months from the date of registration of the underlying security interest.	6 Months from the date of first repayment of the loan.	6 Months from the date of commencement of commercial operations of the project being financed.	-No Instructions-
Minimum Holding Period (MHP) requirement is Not Applicable to loans transferred by the Arranging Bank to other Lenders under a "Syndication Arrangement".				

- MHP is to ensure that the loan has been seasoned in the books of the originator for a certain specified time period.
- However, in case of secured loans, the MHP is being counted from the date of creation of security interest.

Accounting of Transfer of Loans: If the transfer of loans result in Loss or Profit, which is realised, should be accounted for accordingly and reflected in the Profit & Loss account of the transferor for the accounting period during which the transfer is completed.

- Unrealised profits, if any, arising out of such transfers, shall be deducted from Common Equity Tier-1 Capital or Net Owned Funds for meeting Regulatory Capital Adequacy Requirements till the maturity of such loans.
- Borrower-wise Accounts will have to be maintained for the loans transferred and retained by the transferee and the transferor, respectively.
- Income Recognition, Asset Classification, and Provisioning Norms will be followed by the transferor and the transferee with respect to their share of holding in the Underlying Account(s).

Transfer of 'Stressed Loans': Transfer of Stressed Loans can be done through:

- ✓ Assignment.
- ✓ Novation.

'Loan Participation' is Not Permitted in the case of Stressed Loans.

Lenders shall transfer Stressed Loans, including through Bilateral Sales, only to permitted Transferees and ARCs.

'Board Approved Policies' on Transfer/ Acquisition of Stressed Loans covers:

- ✓ Norms and Procedure for Transfer or Acquisition of such loans.
- ✓ Manner of Transfer-including e-auctions.
- ✓ **'Valuation Methodology'** to be followed to ensure that the 'Realisable Value of Stressed Loans', including the realisability of the underlying security interest, if available, is reasonably estimated.
- ✓ **'Delegation of Powers'** to various functionaries for Taking Decision on the Transfer or Acquisition of the Loans.
- ✓ **'Objectives'** for Acquiring Stressed Assets.
- ✓ **'Risk Premium'** to be applied considering the Asset Classification, for Discounting the Cash flows to arrive at the difference between the NPV of the Cash flows estimated while acquiring the Loan and the Consideration Paid for Acquiring the Loan.
- ✓ Process of Identification of Stressed Loans beyond a **'Specified Value'**.
- ✓ Price **'Discovery and Value Maximization'** Approach.

Directions also restrict the Transferor to not assume any:

- ✓ Operational Risk.
- ✓ Legal Risk.
- ✓ Any other Type of Risks relating to the Transferred Loans.
- ✓ Including Additional Funding or Commitments to the Borrower / Transferee(s) with reference to the Loan Transferred.

Any fresh exposure on the Borrower can be taken only after a "Cooling Period" laid down in the respective Board approved Policy, which in any case, shall not be Less than 12 Months from the date of such Transfer.

Transfer of 'Stressed Loans' through a 'Resolution Plan':

'Stressed Loans' undertaken as a 'Resolution Plan' under the RBI (Prudential Framework for Resolution of Stressed Assets) Directions, 2019 resulting in an exit of all lenders from the Stressed Loan Exposure, such transfer is permitted to the prescribed Class of Entities, including a Corporate Entity, that are permitted to take on 'Loan Exposures' in terms of a Statutory Provision or under the Regulations issued by a Financial Sector Regulator.

In case such Transferee(s) are Neither ARCs nor permitted Transferees, the Transfer shall be additionally subject to the following conditions:

- 'Transferee Entity' should be incorporated in India or Registered with a Financial Sector Regulator in India (Securities and Exchange Board of India, Insurance Regulatory and Development Authority of India, Pension Fund Regulatory and Development Authority, and International Financial Services Centres Authority).
- The Transferee should not be classified as a Non-performing Account (NPA) by any Lending Institution at the Time of such Transfer.
- Transferee(s) should Not Fund the Loan Acquisition through Loans from Permitted Transferors.
- Permitted Transferors should not grant any Credit Facilities apart from Working Capital Facilities (which are not in the Nature of Term Loans) to the borrower whose loan account is transferred, for at least three years from the date of such transfer.
- At least three years from the date of such transfer, the Permitted Transferors should not grant any credit facilities to the Transferee(s) for Deployment, either Directly or Indirectly, into the operations of the Borrower.

Accounting Treatment in the Books of the Transferee: Treatment of stressed loan in the books of the transferee for the purpose of Prudential requirements such as:

- Asset Classification.
- Capital Computation.
- Income Recognition as follows:

Pool of Stressed Loans acquired on a Portfolio Basis shall be treated as a 'Single Asset' provided that the Pool Consists of Homogeneous Personal Loans.	---
'Homogeneity' should be Assessed on the Basis of Common Risk Drivers, including Similar Risk Factors and Risk Profiles.	In all other cases, the 'Stressed Loans acquired shall be treated as 'Separate Assets'.

Additional requirement for Transfer of NPAs:

For Transferor	For Transferee
---	Cash Flows in Excess of the Acquisition Cost, if any, can be Recognised as Profit only after Amortising the Funded outstanding in the Books, in respect of the Loans.
Continue to Pursue the "Staff Accountability" aspects as per the Existing Instructions in respect of the NPAs Transferred.	If classified as 'Standard' upon Acquisition, Assign 100% Risk Weight to the NPA. If Classified as NPA, 'Risk Weights' as Applicable to NPA shall be Applicable.

Additional requirement for Transfer to 'ARCs' : The following Stressed Loans may be transferred to ARCs:

- Loans in default for more than 60 days.
- Classified as NPA.
- Loans classified as Fraud as on the Date of Transfer- Along with Proceedings related to such Complaints shall also be Transferred to the ARC.
- Directions provide for Sharing of Surplus between the ARC and the Transferor, in case of Specific Stressed Loans.
- The Directions also allow Repurchase of the Accounts from ARCs where the 'Resolution Plan' has been successfully implemented.

Directions also allow ARCs to Take Over Loans only for the purpose of Recovery (As Recovery Agents 7), without the same being Removed from the Originator's Books. In such cases, the loans shall be treated as Existing in the Books of the Originator only.

Swiss Challenge Method: Swiss Challenge Method would be mandatory in the following cases:

- In case of a Bilateral Transfer of Stressed Loans on a Bilateral Basis, if the aggregate exposure (including Investment Exposure) of Lenders to the Borrower(s) whose Loan is being transferred is ₹100 Crore or More.
- In case of Transfer of Stressed Loans undertaken as a Resolution Plan under the Reserve Bank of India (Prudential Framework for Resolution of Stressed Assets) Directions, 2019 with the Approval of Signatories to the Inter-Creditor-Agreement (ICA) representing 75% by value of Total outstanding Credit Facilities (Fund Based as well non-fund based) and 60% of Signatories by number, for the Exit of all Signatories to the ICA from the Stressed Loan Exposure, irrespective of any Exposure Threshold.

To Conclude, Transfer of loan is the process where a Customer Transfers his outstanding Principal amount to another Bank or Financial Institution Primarily for a Better Rate of Interest and also better features. Almost every type of loan - Auto, Personal, Home, Education and MSME (Working Capital and Term Loans) has a balance transfer facility and almost all banks have this facility. Loan Transfers are resorted to by Lending Institutions for multitude of reasons ranging from Liquidity Management, Re-balancing their Exposures or Strategic Sales. A Robust Secondary Market in Loans can be an important mechanism for Management of Credit Exposures by Lending Institutions and also Create Additional Avenues for Raising Liquidity.

-oOo-

Reference: RBI Circular.

EMERGENCE AND RISE OF DIGITAL PAYMENT IN INDIA

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Abstract:

Purpose: *Emphasis on providing contact-less services and the use of technology, has become an essential part of the Indian banking industry today. This has created new requirements and opportunities for offering products and services for the organizations post-Covid-19. Therefore, the purpose of this paper is to illustrate the changes in the Indian banking industry that are now incorporating technology-based solutions to address operational issues as well as customer complaints.*

Design/Methodology/Approach: *The study employs archival and observational research using data drawn from the Internet. The research findings enrich our understanding of changes in the Indian banking industry with regards to the acceptance and use of digital payments by the people.*

Findings: *Research paper findings indicate that digital payment will show growth shortly. This is mainly due to the acceptance and growth of personal device-based banking services in India.*

Research Limitations / Implications: The main limiting factors were theoretical choices, limitations of the literature. In this manner, the results cannot be applied to the universe of considered research, being restricted solely to the Indian context.

Practical Implications: *From the main contributions, it is possible to highlight, at anoperational level, the importance of technology as recognized by the banking industry and using it for the betterment of their operations, and efficiency is appreciated.*

Social Implications: *At a social level, the change in the mindset of the people to accept and use the technology for doing day-to-day banking activities is of much significance in today's context.*

Originality / Value: *The said research paper is an attempt to indicate changes visible in the Indian banking industry about the use of technology. This paper also highlights some of the measures taken by the government to resolve the problems, and customer complaints arising due to the increased use of technology in the banking industry.*

Keywords: *Digital payment scenario in India, Technology-based banking services, Indian government initiatives to encourage digital payment, Payment infrastructure in India.*

Paper Type: *Research paper*

1. Introduction

What is Digital Payment? (RBI, 2020) [1]

Digital payment is an arrangement in which transactions are non-cash-based. It uses payment system infrastructure to accomplish the transaction.

Typically, a payment system infrastructure has the following components:

- Cards: Debit Cards and Credit Cards
- Prepaid-Payment Instruments (PPIs): Wallets and Cards
- ATM Network
- Micro ATMs and
- Point of Sale (PoS) Terminals

Exhibit 1 shows the present status of payment system infrastructure in India.

Exhibit 1: Payment Infrastructures (RBI, 2020) [1]

System	In Lakh	
	May 2020	June 2020
Number of Cards	8925	9027
Credit Cards	571	572
Debit Cards	8354	8455
Number of PPIs @	18690	19008
Wallets	17300	17553
Cards	1390	1454
Number of ATMs	2.34	2.34
Bank Owned	2.10	2.10
Others	0.24	0.24
Number of Micro ATMs	2.84	2.96
Number of PoS Terminals	50.22	50.40
Bharat QR@	20.59	21.51

@: New inclusion w.e.f. November 2019.

2. Government Initiatives to promote Digital Payment

The Indian digital payment mechanism has seen momentous development, advancement, and administrative help throughout the most recent couple of years. The advancement of this industry in India and related sub-systems have been especially significant (PwC and RBI, 2019) [2].

Guidelines provided by RBI for the issuance of chip-based cards alongside PIN have made point-of-sale (PoS) exchanges more secure. Banks are redesigning ATMs to accept and validate chip-based cards rather than cards using the magnetic strip which will reduce the danger of card skimming and cloning episodes at ATMs.Merchant Discounting Rates have been gradually rationalized to reduce transaction costs for the merchants.

Additional charges for customers for using NEFT and RTGS have been removed now. This will help in the advancement of huge non-cash exchanges through electronic modes. The government / public authority has additionally expanded its emphasis on building up a "less money (non-cash based) society". The Smart City program has given driving force to computerized payments.

Different metropolitan authorities are embracing Bharat Bill Payment Services (BBPS) for bill payments. Government bearing on National Common Mobility Card (NCMC) and National Electronic Toll Collection (NETC) has helped start digitizing low worth, high volume money exchanges in the transport area.

Different partners like banks, public vehicle administrators, OEMs, installment framework administrators including card organizations, PPI backers, and monetary market foundation suppliers have assumed a significant part in building up the advanced payment mechanism in India.

The Reserve Bank of India (RBI) enacted operational interoperability guidelines in October 2018 on pre-paid payment instruments (PPIs). This move has enabled mobile wallet users to transfer funds from one wallet to another. Users can transfer funds from their wallets to bank accounts through India's Unified Payment Interface (UPI) platform. Allowing PPIs to issue cards for withdrawals is expected to level the playing field among mobile wallet operators and payment banks (WPR, 2020) [3].

3. Global Digital Payment Scenario (WPR, 2020) [3]

Worldwide non-cash transactions grew by 12.5% from 393.2 billion in 2014 to reach 708.5 billion in 2019. Exhibit 2 shows global non-cash transactions (in billion) by region for the period 2014 to 2019.

Exhibit 2: Global non-cash transactions (in billion) by region for the period 2014 to 2019

Region	Non-cash transactions in Billion		
	2014	2019	CAGR (2014-2019)
Middle East, Africa (MEA)	10.0	17.1	11.4%
Latin America	37.5	52.6	7.0%
North America	136.5	179.4	5.6%
Europe	126.3	215.8	11.3%
APAC	82.9	243.6	24.1%
Global	393.2	708.5	12.5%

The Asia Pacific region (APAC) (with a CAGR of 24.1%) made a significant contribution to record growth in global non-cash transactions. Widespread usage of digital wallets, the growing use and acceptance of e-commerce platforms, and innovation in mobile payments are some of the major drivers of growth in the APAC region.

The Asia Pacific region (APAC) will continue to lead the regions driving the growth for non-cash transactions.In China, the tremendous success of mobile wallets over the past few years (based on Alibaba and Tencent platforms) continues.Although digital payment is in its nascent stage in India, it will grow in the coming years. Thanks to a favourable regulatory environment, infrastructure upgrades, and increasing use and penetration of smartphones.

Shifting user payment preferences, growth of the e-commerce industry, and governmental support are expected to drive 11.5% non-cash transactions growth in the global areas from 2019 to 2023 (F). The payment behaviour of the APAC region will drive the region's phenomenal 19.3% CAGR between 2019 to 2023.

Exhibit 3 shows forecasting of global non-cash transactions (in billion) by region for the period 2019 to 2023 (F).

Exhibit 3: Global non-cash transactions (in billion) by region Forecast (F)

Region	Non-cash transactions in Billion		
	2019	2023 (F)	CAGR (2019-2023)
Middle East, Africa (MEA)	17.1	28.6	13.7%
Latin America	52.6	66.3	6.0%
North America	179.4	198.3	2.5%
Europe	215.8	307.5	9.3%
APAC	243.6	493.2	19.3%
Global	708.5	1093.9	11.5%

4. Indian Digital Payment Scenario (RBI, 2020) [1]

According to the data provided in Payment System Indicators and Payment & Settlement System Statistics by RBI, there is growth across volumes of all systems components in India. (See Exhibit 4)

Exhibit 4: Volume of payments across all system components in India (In Lakh)

System	In Lakh	
	May 2020	June 2020
Retail - Credit Transfers	18091	20341
UPI@	12345	13370
NEFT	1930	2274
IMPS	1667	1990
Others	2149	2707
Direct - Debit Transfers	673	837
NACH	640	788
Others	33	49
Card Payments	3752	4340
Credit Cards	1028	1248
Debit Cards	2724	3092
Pre-Paid Instruments (PPI based)	3032	3546
Wallets	2532	2905
Cards	500	641
Paper-based Instruments	306	496
Total Retail Payments	25855	29560
Credit Transfers RTGS	90	120
Total Digital Payments	25945	29680

@: New inclusion w.e.f. November 2019.

According to the data provided in Payment System Indicators and Payment & Settlement System Statistics by RBI, there is the use of different types of payment modes and channels used during making transactions. (See Exhibit 5)

Exhibit 5: Volume of payments across different types of payment modes in India (In Lakh)

Payment Mode / Channel	In Lakh	
	May 2020	June 2020
Mobile Payments (Mobile app-based)	14622	16188
Internet Payments (Net Banking / Internet Browser based)	2003	2431
Cash Withdrawal at ATM	4094	4735
Cash Withdrawal at Micro ATM	1000	990
Cash Withdrawal at PoS Terminals	36.25	29.42

According to the report prepared by PwC and PCI (Payment Corporation of India), the Covid-19 pandemic has presented a huge opportunity for digital payments to grow. It is seen that the upcoming segments are UPI (Unified Payments Interface), BBPS (Bharat Bill Payment System), and NETC (National Electronic Toll Collection) (FASTag). The statistics (for the five months of 2020) of UPI, BBPS, and NETC indicate the possibility of a V-shaped recovery. (PCI, 2020) [4] (See Exhibits 6a, 6b, 6c)

Exhibit 6a: Transaction volumes (In million) for Feb. to June (2020) for UPI

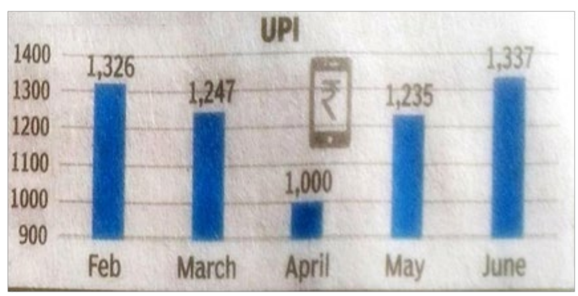


Exhibit 6b: Transaction volumes (In million) for Feb. to June (2020) for BBPS

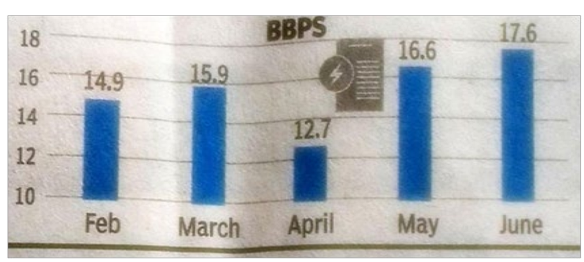
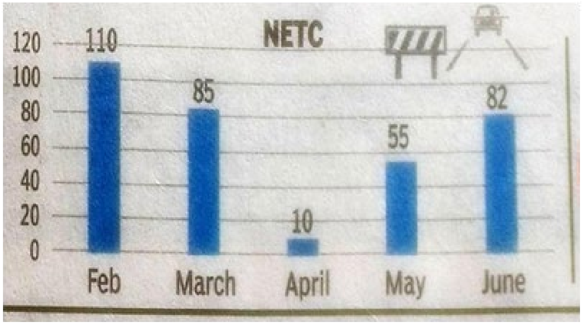


Exhibit 6c: Transaction volumes (In million) for Feb. to June (2020) for NETC



5. *Benefits of Digital Payment*

The market for digital payments is very heterogeneous, with customers of widely varying profiles and needs. Therefore, they have to use different ways for product promotion and distribution. In this context, social media can play a vital role in spreading the word.

6. *Challenges to Digital Payments*

Some of the factors listed below are expected to challenge the digital payment situation shortly. (WPR, 2020) [3]

- Technological uncertainty
- Regulatory complexity and
- Intensifying competition

Technological uncertainty

- New Technology Established Banks.
- New technologies may require extensive systematic and operational changes that may be difficult for banks to understand, implement, monitor, and control.
- Technology-based solutions raise customer expectations.
- New technologies can lead to operational changes and (may) create a technically dangerous environment.

Regulatory complexity

- The regulatory compliance challenges facing banks today add a (new) dimension to the existing complexity of this payment environment.
- Compliance challenges, such as non-intrusive security in the context of PSD2RTS (Open Banking Mandate), lead to complex scenarios.
- Lack of interoperability impacts banks' operational and financial conditions, as there are several real-time payment systems around the world.
- Global Accreditation does not endorse or encourage Open Banking Initiatives. Some countries have (unique) domestic card payment systems that can lead to fragmentation (e. (Rupay, MEPS, ALTO, NAPAS, FPOS, etc.)

Intensifying competition

- The entry of large technology-based companies into the market threatens market share. The scale of the tech giant poses an imminent threat as it seeks more business opportunities in this evolving financial services sector. It ranges from competent providers to demand aggregators and ultimately to service platform providers.

7. *Recent Trends in Digital Payments*

The growing popularity and acceptance of smartphones among users are driving the growth of mobile banking services. It also offers new ideas for improving the customer experience in the context of retail payments (WPR, 2020) [3].

Some of the existing payment methods are:

- Contactless payment method in the post-Covid era.
- In-store payments using mobile devices.
- Payments using contactless cards, portable devices, and IoT devices.
- Online payments to cards, bank accounts, wallets, or messenger apps.

Some of the upcoming or new payment methods are:

- ❖ Conversational commerce and in-car payments.
- ❖ API-based payments.
- ❖ Immediate payment.
- ❖ Open banking in-store payments.

8. Covid situation is driving Digital Payments

Banks are changing now (PSB, 2020) [5]

Another interesting change observed due to this digital technology is that the banks changing. Yes, they use these technology options (to reach their consumers) to promote their business. Recently, all public sector banks have come together under their campaign 'PSB Alliance' aimed at retaining their customers. This alliance is aimed at providing banking services to the customers at their doorstep. Some of the services planned are credit@click, dial-a-loan, banking-on-the-go, and so on.

Some of the banks participating in this alliance are preparing themselves to offer their banking services at the doorstep. They are using digital technology-based options. To name a few are:

- ❖ Uco Bank: Reaching customers via an app, portal, and call centre.
- ❖ State Bank of India: Loan sanctions procedure done via an app. This is a loan for small businesses (under scheme 'Shishu-e-Mudra and upto Rs. 50,000). Atthe branch level, the limit of this loan is Rs. 1 Lakh.
- ❖ Union Bank of India: Using an app and digital method for providing loans upto Rs. 50 Crore to MSMEs, from next financial year.
- ❖ Bank of Baroda: Plans to start tablet-based tab banking services. Plans to open 10,000 new accounts per day using tab.
- ❖ Syndicate Bank: Plans to use micro-ATM and provide tab-based banking services at their facilities. Preference will be given to the business started/owned by women for providing micro-finance.

Banks are forming alliances now (Alliance, 2021) [6]

The Public Sector Bank (PSB) has collaborated on a new venture to provide banking services at the doorstep of customers as they tackle the challenges of the Covid-19 pandemic.The new company, called PSB Alliance Pvt. Ltd., will hire bank correspondents on behalf of twelve public banks to provide direct financial and non-financial services to home customers under the Common Standardized Operating Procedure (SoP).

Way forward for the digital Payments in India (Razorpay, 2021) [7]

According to Razorpay, digital payments have grown to 76% in the last 12 months, with a few first-time digital payment users. According to reports, India's digital payments industry will grow to $ 700 billion by 2022. In the future, the fintech industry will become more dynamic, providing secure trading facilities to develop and facilitate the domestic digital payment environment. The country is already making progress in terms of blockchain technology, cloud-based payments, cryptocurrencies, and other payment options based on artificial intelligence (AI), Machine Learning (ML), and the Internet of Things (IoT).

India's digital payments market has seen extraordinary growth in recent years since it was monetized in 2016, but the covid-19 outbreak has also spurred the growth and adoption of online transactions. Users have switched to online banking and other digital payment options to access products such as essentials, groceries, retail, medical, and education. Meanwhile, the emergence of improved technology is one of the key drivers of the growth of the country's digital payments industry.

Government Initiatives (Initiative, 2021) [8]

Recently, in August 2021, Prime Minister Narendra Modi inaugurated a scheme e-Rupi. This was a technology-based initiative that supports the personal and purpose-specific digital payment mechanism. This e-Rupi is a cashless and contactless payment method for digital payments. A quick-response (QR) code or SMS string-based e-Voucher is delivered to the recipient's mobile phone. Users of this seamless one-time payment mechanism can redeem vouchers with service providers without access to a card, digital payment app, or internet banking.

It may be noted that technology-based and driven things such as digital payments are not always advantageous. This is supported by the fact that there is an increase in complaints by the customers with regards to digital payments. These are grown from 1.6 lakh in FY 2018 to 3.3 lakh in FY 2020 (Complaint, 2021) [9]. The government and RBI (Reserve Bank of India) are also addressing this issue with the help of technology. The government has come up with the 'Integrated Ombudsman Scheme' to resolve the customer complaints RBI regulated entities. This is a new step towards inclusiveness (Ombudsman, 2021) [10].

Technology will drive the Indian Banking and Financial Services industry in the post-Covid era (Jaya, 2021) [11]. The events of 2020 have changed the Indian banking sector, which was already at the height of change. This transformation will be underpinned by the development of public and hybrid cloud spaces, blockchain, micro services-based architectures, and artificial intelligence in the post-Covid era.

To summarize and conclude, the author believes that the pandemic has created major challenges for all the industry sectors and banking in India is no exception to it. But this may be considered as an opportunity as it can also serve as a turning point to change the direction of development (of the Indian banking industry). According to RBI Governor, Shri Shaktikanta Das, increased adoption of technology drives productivity, growth, and revenue. Implementing government programs, using technology in providing better customer-oriented services, training, and development programs, and supporting the growth of the rural economy will be the key focus of the banking industry. A journey beyond covid-19 will be driven by revenue growth and job creation through digitalization and innovation and can usher in a new era of prosperity for many (Das, 2021) [12].

9. Conclusion

To sum up the things, it may be summarized as below: (RBI, 2020) [1], (PwC and RBI, 2019) [2], (WPR, 2020) [3]

According to RBI, the digital payment mechanism is aimed at improving the payment ecosystem by paying attention to the following customer-oriented factors:

- Enhancing the experience of customers.
- Empowering payment system operators and service providers.
- Enabling the ecosystem and focusing on infrastructure.
- Putting in place a forward-looking regulation.
- Support of risk-focused supervision.
- Minimizing the risks arising from cybersecurity.

Digital Payment has emphasized the use of technology in providing ease and convenience to the customer during making payments. It was also seen with the advent of new technologies;the payment landscape is growing. It is becoming more complex due to the entry of new players, and emerging technologies, changing customer expectations are causing more disruption.

It is concluded that banks are responding to this market transition through collaborative synergies and innovation.

The success of Digital Payment greatly relies on the technological support provided to the banks in delivering a safe and effective payment experience to their customers.

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MSME EXPORTS OUTLOOK : STRATEGIES & WAY FORWARD

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Introduction:

MSME is abbreviated form for Micro Small and Medium Enterprises. It was introduced by the Government of India in agreement with MSMED (Micro, Small and Medium Enterprises Development) Act of 2006. As per this act, MSMEs are enterprises involved in processing, production and preservation of goods and commodities. MSME sector immensely contribute to the economy of nation in terms of contribution to GDP, employment and Exports. The key features of MSME sector are that these enterprises are spread across the geographical length and breadth of the country and mostly use local resources as they generate employment largely in the rural and semi urban areas besides urban and metro centers and thus provides huge employment opportunities in the country and are growth drivers of economy. They have operational flexibility in terms of low investment cost.

Some of the key pointers for MSME are as under:

- Countrywide network of approximately 63million units (95% of these are from micro enterprises)
- Provides employment to over 110 million people.
- Contributes little over 30 % of GDP.
- Contributes approximately 50% of exports from the country.
- 51% of MSME are based out of rural areas.
- MSME sector has tremendous contribution in terms of inclusive growth.

Criteria for classification of an enterprise as MSME

Old Criteria: (based on investment in plant and machinery)

SL No	Classi fication	Micro	Small	Medium
1	Manu-fac turing enter-prise.	Invest-ment less than Rs.25 lacs	Invest-ment less than Rs.5 crores	Invest-ment less than Rs.10 crores
2	Service enter-prise	Invest-ment less than Rs.10 lacs.	Invest-ment less than Rs.2 crores	Invest-ment less than Rs.5 crores

Govt. of India has approved revised new definition of the MSME. The MSMEs have been redefined on the basis of investment limit and turnover size of enterprise vide notification dated 1.6.2020 issued by Ministry of Micro, Small and Medium Enterprises which is as under:

Revised Criteria based on Investment in Plant and Machinery and turnover:

Manufacturing and Services	Micro	Small	Medium
Now, manufacturing and services are not differentiated	Investment in Plant and Machinery upto Rs.1 crores and turnover upto Rs. 5 crore.	Investment in Plant and Machinery upto Rs.10 crore and turnover upto Rs.50 crore.	Investment in Plant and Machinery upto Rs.50 crores and turnover upto Rs.250 cores.

Exports by MSME Sector - Strategy to boost exports and way forward

India is expected to emerge as one of the leading economies in the world over next decade in the light of positive political and economic environment in the country and the resultant conducive domestic eco-system. The MSME segment is expected to play a significant role in the emergence of Indian Economy.

Make in India is a significant opportunity. It should enable the development of business eco system that enables and continuously support business at competitive price both in domestic and international market. But I feel a carefully crafted policy is need of the hour to place India on International map.

Honourable Finance Minister recently requested for one product for one district for export. It is a major initiative to boost the exports and support MSME sector. But what is desirable that there has to be well defined strategy and support to make it successful.

I consider it necessary that Govt has to clearly draw a road map for its implementation while Banks are prepared to extend the requisite financial support. Both Central and State Govt should work towards extensive research on products range which could be marketed globally integrating with skills and produce available in the district level. Research should be focussed on global markets and their needs based on demography keeping in view the evolving nature of products.

In the process of integration to global value chain, MSMEs face many challenges therefore efforts must be made to strengthen MSME sector locally to enable their penetration and reach globally. Role and potential of Indian MSMEs along with the need to improve their efficiency, productivity and quality needs to be viewed in the context of a globally competitive landscape

We need to encourage our universities/ Research Establishments to work with these sectors to develop new products, especially where our manufacturing verticals are concerned to ensure the utility and demand of these products. There is an example of Taiwan which has been a pioneer in this and that's what helped them to become a global exporter of electronics.

We have our traditional products like Carpets of Bhadohi, Leather goods of Kanpur, Silk industry from Mysore, Wooden toys of Kondapalli AP, Andhra Pradesh, Ayurveda medicine from Kerala ,Brass ware of Moradabad, sports goods from Patiala so on from each geographical region. We need to promote these by re branding, re promoting as eco-friendly for global market acceptance.

In order to promote these by re branding, re promoting as eco-friendly, what we also need to do is probably geo-tagging and promote these products as organic, environmentally friendly, Environment Social and Governance (ESG) compliant, carbon neutral and source certified as a strategy for global marketing.

On the other end new emerging products like toys, furniture is promising area. where dominance of China is coming down. These low capital intensives are powerful and emerging areas with low competition and in this space, we can create massive pool. It has immediate potential of approximately USD 75 billion global penetration.

We need to hand hold these exporters in procurement of orders, help them through nodal agencies. Also support them through capital Subsidy and interest subvention for a longer duration.

Digitization of trade documents and helping them through nodal agencies right from Dist. level to onboard for logistic support will be great facilitator. Ministry of commerce is already working on pilot project with Indian Banks Association for e bill of lading, digitization of trade documents and integration with Insurance, shipping, customs and Banks. During Pandemic and lockdown due to disruption of postal/courier services lot of constraints were faced by exporters and Banks. Digitization of trade documents is the right solution which should be expedited. Handholding of these small exporters would be helpful through Nodal agencies at District level as these small exporters are not tech savvy.

Both Central and State Govt should work towards extensive research on products range which could be marketed globally integrating with skills and produce available in the district. Research should be focussed on global markets and their needs based on demography, evolving nature of products. Also, we need to encourage Research Establishments to work with these sectors to develop new products acceptable in international markets.

As per study made by the Confederation of Indian Industries (CII) the list of top 10 exported items and the commodities showcasing maximum growth for every country underpins the importance of MSMEs in the manufacturing and contribution in exports of almost every product in the manufacturing sector. According, to CII study, approximately 98.5 percent of the industries fall under the category of MSMEs in India. While some of these enterprises are directly engaged in exports, majority of the MSMEs are engaged indirectly in the export ecosystem through manufacturing intermediate goods for larger industries engaged in exports to international partners. As per the IIP, there are approximately 21 sectors and over 7,500 commodities produced by the MSMEs. The MSMEs contribute in the production and in the ancillary activities of almost every commodity produced in the country. For instance, the Gems and Jewellery sector contributing about 6%- 7 %3 of the nation's GDP, is also among the largest exporter of gems and jewellery in the world. It accounts for 95% of the diamond exports and is the fourth largest exporter of gold jewellery. The industry comprises of gold, variety of diamond and platinum and varieties of precious and semi- precious stones. The Gems and Jewellery industry like every other MSME sector is highly scattered and unorganized. The gold processing industry has over 15000 players across the country, of which only about 80 players have a turnover of over US$ 4.15 million (Rs.200 million). The industry is dominated by family jewellers, who constitute nearly 96 per cent of the market. Organised players such as Tata with its Tanishq brand, have, however, been growing steadily carving a 4 per cent market share. Craftsmen in gold and diamond designing falling under the category of SMEs are spread across the country with different skills confined to specific locations (Reference -theme paper on GLOBAL VALUE CHAINS EXPANDING BOUNDARIES OF INDIAN MSMEs by Confederation of Indian Industry.)

Importance of Ease of Finance for MSMEs: One of important lifeline of MSME exporters is timely export finance. Global trade finance is by and large safe and reliable form of finance. There is detailed and well-defined methodology for trade finance products supplemented by International Chamber of Commerce (ICC) rules. But the concern is that as per one study 67% of MSME applications stand rejected globally. There is need to address this gap both globally and in particular in our domestic context.

Unfortunately, still 75% of funding for MSME comes from informal sector mainly because of illiteracy or lack of knowledge level of MSME entrepreneurs. So, it is of paramount importance to enable our MSME sector become globally competitive, get timely finance hassle free and at lower costs. Financial literacy and handholding would be of immense support to these small and micro entrepreneurs. Technology like block chain could play significant role in entire value chain. MSME Exporters need to be provided hassle free export finance viz. Pre/post shipment finance, Libor hedging, Factoring, Supplier Credit and Buyer Credit etc.

In the year 1978 both China and India were at same level. Today income of China is 5 times greater than that of India. China is emerging as a Factory of world and ranks number one in export trade with well-crafted strategy. We need to outpace China sooner or later with carefully woven smart strategies.

Conclusion: India is moving rapidly and making huge strides to emerge as on the strongest and leading economies to establish its leadership on global platform given the current trend of positive steps being taken by Govt of India. In this backdrop the Micro, Small & Medium Enterprises (MSME) sector is definitely going to make an important and large contribution on global stage given the handholding of MSME sector by all stakeholders. Equally there is vast potential for this sector to emerge as torch bearer towards the national objective of inclusive growth as well as bridge the gap in employment opportunities between urban centres and rural centres.

MSME sector can also support in creating a supportive environment towards creating Indian entrepreneurs who can meet the challenges of competition arising from globalization. MSME can be the torchbearer in facilitating and successful implementation of the 'Make in India' initiative. MSME would also be enabler in the development of an eco-system that enables and continuously support business that are gearing to deliver the right product, the right quality, the right solution and the right service at a competitive price, both in domestic and international markets.

MSME segment should penetrate in all the sectors viz. agriculture, manufacturing and services sector to boost GDP growth. With the proactive initiatives by the Government, Regulators, and handholding by various stake holders, MSME sectors is going to leave its footprints significantly in Global trade and making India a significant player in Global level.

MSMEs forms the cornerstone for fostering global economic growth. However, as Global Value Chains (GVCs) grow and the value addition capabilities of MSMEs increase, Govt of India is rightfully of the view that mechanisms would have to be formed to enable those MSMEs to be able to form their own value chains without fear of competition.

In the process of integration to global value chain, MSMEs face many challenges therefore efforts must be made to strengthen MSME sector locally to enable their penetration and reach globally and the issues and concerns to be addressed in the context of globally competitive landscape. Major measures initiated by the Government of India during the covid pandemic period to support MSME sector which helped MSME sector significantly is annexed in a chronological order for a ready reference.

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Ref - theme paper on GLOBAL VALUE CHAINS EXPANDING BOUNDARIES OF INDIAN MSMEs by Confederation of Indian Industry.)

Annexure:

Government Measures

1.Emergency Credit Line Guarantee Scheme (ECLGS)

Objective of the Scheme:

To provide 100% guarantee coverage for the GECL assistance (pre-approved under ECLGS 1.0) up to 20% of loan outstanding as on 29th February, 2020 to eligible borrowers, in the form of additional working capital term loan facility (under both ECLGS 1.0 and 2.0) and/or non-fund based facility (only under ECLGS 2.0) in case of banks and Financial Institutions, and additional term loan facility (under ECLGS 1.0 and ECLGS 2.0), in case of NBFCs, from all Member Lending Institutions (MLIs) to eligible Business Enterprises / Micro, Small and Medium Enterprise (MSME) borrowers, including interested PMMY borrowers, in view of COVID-19 crisis, as a special Scheme.

The Key changes in the scheme under ECGLS 2.0 are highlighted as under:

- 100% Guarantee coverage to member lending institutions in respect of eligible credit facility extended by them to its borrowers in the 26 sectors identified by the Kamath Committee on Resolution Framework vide its report dated 04.09.2020 and the Healthcare sector whose total credit outstanding (fund based only) across all lending institutions and days past due as on February 29, 2020 was above Rs.50 crore and not exceeding Rs.500 crore and up to 30 days respectively.
- Facility under ECLGS 2.0, shall be on opt-in facility;
- individuals shall not be eligible for facilities under ECLGS 2.0;
- the interest rate to be charged by Banks / FIs on all non-MSME loans granted under ECLGS 2.0 shall be linked to MCLR and capped at 9.25% p.a., whichever is lower;
- In case of rise of EBLR or MCLR beyond 9.25% p.a. at any time during the tenor of the ECLGS scheme, MC of ECGLS shall consider reviewing the interest rate cap stipulated for Banks/FIs and NBFCs.
- with regard to borrowers with total fund-based facility across all lending institutions above Rs.50 crore and up to Rs.500 crore but lower exposure in one or more of the select 27 sectors, MLI shall assess the fund based outstanding of the borrower in the 27 select sectors based on support documents to be kept on record while extending the eligible additional credit under ECLGS 2.0.
- MLI may apply its discretion while stipulating cash margin.
- last date of disbursement out of fund-based facility retained at June 30, 2021 while last date of availment of non-fund-based facility kept open. However, first date of utilization under non-fund-based facility shall be on or before June 30, 2021 and the guarantee cover on the entire non-fund-based facility granted under ECLGS 2.0 shall expire on completion of 5 years from the first date of disbursement / utilization under fund based or non-fund based facility, whichever is earlier. (Date of first disbursement of fund-based limit or issue of guarantee/LC under non-fund based (under ECLGS 2.0) shall be taken into view for deciding the 5-year period & 1 year moratorium for fund-based facility and 20% value reduction in guarantee cover for non-fund-based facility).
- no disbursement would be considered under either ECLGS 1.0 or ECLGS 2.0, if a borrower slips into NPA category;
- MLIs to submit their claims for fund based and non-fund-based facility separately.

- HFCs allowed all benefits, as available to other NBFCs, under the scheme of ECLGS

Eligible MLIs:

- All Scheduled Commercial Banks (SCBs), Non-Banking Financial Companies (NBFCs) and Financial Institutions (FIs).
- All NBFCs & HFCs which have been in operation for 2 years as on 29th February, 2020.

2. Credit Guarantee Scheme for Sub-ordinate Debt

On June 24: Govt. launched the Credit Guarantee Scheme for Sub-ordinate Debt to provide Rs 20,000 crore of guarantee cover to two lakh micro, small and medium enterprises.

The funding scheme to help the distressed MSME sector entails a sub-debt facility to the promoters of those operational MSMEs that are distressed or non-performing assets (NPAs). It is also called the 'Distressed Assets Fund — Sub-ordinate Debt for MSMEs'.

Salient Features:

1. The guarantee cover worth Rs 20,000 crore will be provided to the promoters who can take debt from the banks to further invest in their stressed MSME units as equity.
2. The scheme seeks to extend support to the promoters of the operational MSMEs that are stressed and have become NPAs as on April 30, 2020.
3. Promoters of the MSMEs will be given credit equal to 15 per cent of their stake (equity plus debt) or Rs 75 lakh, whichever is lower. The promoters will in turn infuse this amount into the MSME unit as equity and thereby enhance the liquidity and maintain debt-equity ratio.
4. Ninety per cent guarantee coverage for this sub-debt will be given under the scheme, whereas the remaining 10 per cent would come from the promoters concerned.
5. The maximum tenor for repayment will be 10 years. There will be a moratorium of 7 years (maximum) on the payment of principal. Till the 7th year, only interest will be paid.
6. While the interest on the sub-debt under the scheme would be required to be serviced regularly (monthly), the principal shall be repaid within a maximum of 3 years after completion of moratorium.
7. Pre-payment of loan is permitted at no additional charge /penalty to the borrower. The sub-debt facility so sanctioned by MLIs will have 2nd charge of the assets financed under existing facilities for the entire tenor of the sub-debt facility.

Eligible MLIs

MLIs / Lending institutions for this purpose shall include all Scheduled Commercial Banks (SCBs).

3. Rs. 50,000 crore equity infusion

The government will infuse Rs. 50,000 in equity in MSMEs through a Fund of Funds that will be operated through a Mother fund and a few daughter fund. The Fund of Funds will be set-up with a corpus of Rs. 10,000 crore to give equity-based funding to MSMEs having growth potential and viability. Govt. will encourage MSMEs having good credit rating and GST record to list on stock exchanges wherein the government will buy up to 15 per cent equity in them. For example, Rs. 7.5 crore in equity will be purchased by the government if the MSME raises Rs. 50 crore. "In three-four years when these shares are priced 3-4X more govt. will sell them and increase the amount to Rs. 1 lakh crore, For instance, if shares are offloaded in four years, priced at Rs. 60 from Rs. 10, the government will add Rs. 50 to the fund.

4. Revised MSME definition

To address MSMEs fear of outgrowing in size to receive benefits given by the government to businesses the MSME definition has been revised. Under the new definition, manufacturing and service MSMEs will be defined under a common metric that will be a mix of investment in plants and machinery or equipment and turnover.

5. Global tenders disallowed

Addressing MSMEs' issue of unfair competition from foreign companies in government procurement tenders due to the size and strength differ, the government said it will not allow global tenders in such schemes up to Rs 200 crore.

6. E market linkage for MSME

The government and central public sector enterprises will release all pending MSME payments in 45 days. The minister also said that fintech enterprises will be used to boost transaction-based lending using the data by the e-marketplace. This e-market for developing linkages for MSMEs will be promoted to replace trade fairs and exhibitions.

7. Special liquidity scheme worth Rs. 30,000 cr for stressed NBFCs & HFCs

A special liquidity scheme worth Rs 30,000 crore for stressed non-banking financial companies and housing finance companies, whose financials further deteriorated due to COVID-19 crisis.

Details of the Scheme:

The Government has proposed a framework for addressing the liquidity constraints of Non-Banking Financial Companies (NBFCs) and Housing Finance Companies (HFCs) through a Special Liquidity Scheme. An SPV would be set up to manage a Stressed Asset Fund (SAF) whose special securities would be guaranteed by the Government of India and purchased by the Reserve Bank of India (RBI) only. The proceeds of sale of such securities would be used by the SPV to acquire short-term debt of NBFCs/HFCs. The Scheme will be administered by the Department of Financial Services, which will issue the detailed guidelines.

8.RBI guidelines issued on 01/07/2020 on Special liquidity scheme for NBFCs/HFCs

The Government of India has approved a scheme to improve the liquidity position of NBFCs/HFCs through a Special Purpose Vehicle (SPV) to avoid any potential systemic risks to the financial sector. To be eligible under the Scheme with the following conditions should be met:

a. NBFCs including Microfinance Institutions that are registered with the RBI under the Reserve Bank of India Act, 1934, excluding those registered as Core Investment Companies;

b. Housing Finance Companies that are registered under the National Housing Bank Act, 1987;

c. CRAR/CAR of NBFCs/HFCs should not be below the regulatory minimum, i.e., 15% and 12% respectively as on March 31, 2019;

d. The net non-performing assets should not be more than 6% as on March 31, 2019;

e. They should have made net profit in at least one of the last two preceding financial years (i.e. 2017-18 and 2018-19);

f. They should not have been reported under SMA-1 or SMA-2 category by any bank for their borrowings during last one year prior to August 01, 2018;

g. They should be rated investment grade by a SEBI registered rating agency;

h. They should comply with the requirement of the SPV for an appropriate level of collateral from

9. Partial Credit Guarantee Scheme for NBFC Rs. 45,000 Cr.

It aims to address liquidity issues of non-bank lenders and secure them from future defaults amid the disruptions caused by the new coronavirus pandemic.

The extended scheme addresses temporary liquidity or cash flow mismatches of otherwise solvent NBFCs/HFCs/MFIs without having to resort to distress sale of their assets for meeting their commitments and to enable availability of additional liquidity to them for on-lending.

10. Targeted Long-Term Repo Operations (TLTRO 2.0) by RBI

RBI has decided to conduct Targeted Long-Term Repo Operations (TLTRO 2.0) for an aggregate amount of Rs. 50,000 crore with at least 50% of the total amount availed going to small and mid-sized NBFCs and MFIs. This move will help in refinancing NBFCs and MFIs to maintain healthy cash flow to the Small and Medium Enterprises (SMEs).

11.Refinancing Facilities for All India Financial Institutions (AIFIs)

All India Financial Institutions such as the National Bank for Agriculture and Rural Development (NABARD), the Small Industries Development Bank of India (SIDBI) and the National Housing Bank (NHB) play an important role in meeting the long-term funding requirements of agriculture and the rural sector, small industries, housing finance companies, NBFCs and MFIs. RBI has decided to provide special refinance facilities for an amount of Rs. 50,000 crores to these institutions to enable them to meet sectoral credit needs.

12.Budget announcement FY 2020-21 on amendment of Stand Up India Scheme

The Stand-Up India Scheme was launched on 05th April, 2016, and aims to promote entrepreneurship among the SC/ST and Women by facilitating bank loans of value between Rs. 10 lakhs to Rs. 1 crore to at least one SC/ST borrower and one-woman borrower per bank branch of Scheduled Commercial Bank for setting up Greenfield enterprises in trading, manufacturing and services sector. In 2019-20 it was decided to extend the Stand-Up India scheme for the entire period coinciding with the 15th Finance Commission period of 2020-25.

To further facilitate credit flow under the scheme of Stand-Up India for SCs, STs and women, the money requirement from 25% to 15% was revised by Hon’ble FM in Budget speech FY 2020-21 and the scheme was also extended for loans for activities allied to agriculture.

The following changes were introduced with immediate effect:

i. The extent of margin money to be brought by borrower reduced from “upto 25% to ‘upto 15%’ of the project cost. However, the borrower will continue to contribute at least 10% of the project cost as own contribution.

ii. Loans for enterprises in ‘Activities allied to Agriculture’ e.g. pisciculture, beekeeping, poultry, livestock, rearing, grading, sorting, aggregation Agri industries, diary, fishery, Agri clinic, and agribusiness centres, food and Agri-processing etc. (excluding crop loans, land improvement such as canals, irrigation, wells) and services supporting these, shall be eligible for coverage under the Scheme.

GREEN BANKING: A BANKING ARCHITECTURE FOR SUSTAINABLE DEVELOPMENT

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The Perspective

The problem related to environment, maintaining the ecological balance and environmental sustainability has become issues for debate around the globe. The organizations as well as consumer have understood the importance of the environment for the survival of human beings. The concept of Green banking is comparatively a new concept

The banking industry influences economic growth and development, both in terms of quality and quantity, leading to a change in the nature of economic growth. There for banking sector plays an important role in promoting environmentally sustainable and socially responsible investment. Banks may not be the polluters themselves, but they usually have a banking relationship with some companies or investments or projects that are polluters are cold be in future. Banks can utilize green banking as an opportunity to gain advantage in the market by creating a difference in their strategy making process.

Green Banking is a new phenomenon in the financial world. Banks as the financing agent of the economic and developmental activities have an important role in promoting overall sustainable development. Green banking is the term used by banks to make them much more responsible to the environment. The term green banking means developing inclusive banking strategies which will ensure sustainable economic development. Green Banking is any form of banking from which the country and nation gets environmental benefits. A conventional bank becomes a green bank by directing its core operations towards the betterment of the environment. Green Banking has become a buzz word in today's banking world. It means developing inclusive banking strategies which will ensure substantial economic development and promoting environmental-friendly practices as well.

What are Green Banks

A green bank (sometimes referred to as green investment bank, clean energy finance authority, or clean energy finance corporation is a financial institution, typically public or quasi-public, that uses innovative financing techniques and market development tools in partnership with the private sector to accelerate deployment of clean energy technologies, Green banks use public funds to leverage private investment in clean energy technologies that, despite being commercially viable, have struggled to establish a widespread presence in consumer markets. Green banks seek to reduce energy costs for ratepayers, stimulate private sector investment and economic activity, and expedite the transition to a low-carbon economy.

There is no universally accepted definition of green banking (Alexander 2016) and it varies widely between countries. However, some researchers and organizations tried to come up with their own definition. The Indian Institute for Development and Research in Banking Technology (), which is established by the Reserve Bank of India, defined green banking as an umbrella term referring to practices and guidelines that make banks sustainable in economic, environmental and social dimensions (IDRBT, 2013). Green banking is similar to the concept of ethical banking, which starts with the aim of protecting the environment, as it involves promoting environmental and social responsibility while providing excellent banking services (Bihari 2011). The State Bank of Pakistan defined green banking as promoting environmentally friendly practices that aid banks and customers in reducing their carbon footprints (SBP 2015). Green banking can be also called social or responsible banking because it covers the social responsibility of banks towards environmental protection, illustrating that social issues often intersect with environmental issues. Social banking is broadly defined as addressing some of the most pressing issues of our time and aiming to have a positive impact on people, the environment and culture by meaning of banking (Kaeufer 2010).

Green Banks are mission-driven institutions that use innovative financing to accelerate the transition to clean energy and fight climate change. Being mission-driven means that Green Banks care about deploying clean energy rather than maximizing profit. They actively develop a pipeline of clean projects and seek out opportunities in the market. All Green Banks have the mission to address climate change, though many also have additional objectives such as improving resiliency or serving low-income communities.

Green Banking

Green Banking is like a normal bank, which considers all the social and environmental factors; it is also called as an ethical bank. Ethical banks have started with the aim of protecting the environment. These banks are like a normal bank which aims to protect the environment and it is controlled by same authorities as what a traditional bank do. There are many differences compared with normal banking, Green Banks give more weight to environmental factors, their aim is to provide good environmental and social business practice, they check all the factors before lending a loan, whether the project is environmental friendly and has any implications in the future, you will awarded a loan only when you follow all the environmental safety standards.

Green Banking means promoting environmental friendly practices and reducing your carbon footprint from your banking activities. This comes in many forms

- Using online banking instead of branch banking.
- Paying bills online instead of mailing them.
- Opening up accounts at online banks, instead of large multi-branch banks
- Finding the local bank in your area that is

taking the biggest steps to support local green initiatives.

Green Banking Products

Green banking is a sustainable and responsible way to manage your finances. It might seem like an abstract concept, but green banking is something that you should care about! The truth of the matter is that by not thinking green, we are hurting our environment.

Green Banking is a type of banking that provides sustainable financial services. Green Banking can provide these sustainable financial services by using green finance to promote sustainability in the following areas:

- lending to companies and individuals who are committed to environmental responsibility;
- providing investment products that align with investor values, such as renewable energy quotas or carbon offsets;
- Reducing operational emissions through its operations.

Green Loans: means giving loans to a project or business that is considered environmentally sustainable.

Green Mortgages: refers to type of mortgage that provides you a money-saving discount or a bigger loan than normally permitted as a reward for making energy-efficient improvements or for buying a home that meets particular energy-efficiency standards.

Green Credit Cards: Be it in form of environmentally friendly rewards or using biodegradable credit card materials or promoting paperless banking, credit cards are going green.

Green Saving Accounts: In case of Green Saving Accounts, banks make donations on the basis of savings done by customers.The more they save, the more the environment benefits in form of contributions or donations done by banks.

Mobile banking and online banking: These new age banking forms include less paperwork, less mail, and less travel to branch offices by bank customers, all of which has a positive impact on the environment.

Benefits of Green Banking

Green Banks can attract more private capital at affordable rates through credit enhancements. Financing structures, such as loan loss reserves or loan guarantees, help de-risk investments for private investors, enabling more capital to flow to clean energy projects. If a private investor is hesitant to enter a new market, or is only willing to offer unfeasibly high interest rates, a credit enhancement can provide security to a lender and improve deal economics for the borrower. And because these tools are only used to support mature, low-risk technologies, the credit enhancements allow investors to become familiar with viable markets while minimizing public sector expenditure.

Green banks use financing, not grants. Financing means that capital is eventually expected to be returned or repaid, and this helps to maximize the impact of each dollar that a green bank deploys. Because of this approach, green banks focus on markets where there is potential for payback. This generally means proven, technically viable projects that are well past the research and development stage. Financing can be done in tandem with other market development activities

Financing is essential to rapid deployment of clean energy. Green Banks make it easier to finance projects in new markets, geographies and technologies that otherwise couldn't be built. This mean cheaper and cleaner energy for customers and more investment for private capital providers. The result is more clean energy being deployed at lower cost. Consumers save money, developers and investors get to build more projects, and dirty, polluting energy sources get replaced Green banks can directly invest in a clean energy project—through senior debt, subordinated debt, or other mechanisms—in partnership with private investors. If a project is only able to secure financing for a portion of the costs, Green banks can provide the gap financing needed to close a deal. Green banks can form many kinds of investment structures to fill the needs of a given project or fund, with varying levels of public-to-private leverage.

- Basically Ethical (Green) banking avoids as much paper work as possible and rely on online/electronic transactions for processing so that you get green credit cards and green mortgages. Less paperwork means less cutting of trees.
- Creating awareness to business people about environmental and social responsibility enabling them to do a environmental friendly business practice.
- Green (Ethical) banks adopt and implement environmental standards for lending, which benefit our future generations.
- When you are awarded with a loan, the interest of that loan is comparatively less with normal banks because ethical banks give more importance to environmental friendly factors - ecological gains. Natural resources conservation is also one of the underlying principles in a green bank while assessing capital/operating loans to extracting/industrial business sector.
- Green banks gives more importance to environmental friendly factors like ecological gains thus interest on loan is comparatively less.
- Free electronic bill payment services.
- Online account opening form for opening green account.
- Cash back will be credited to all new customers, opening "green accounts"

Green Banks – international experience

In the United States, green banks have been created at the state and local levels. The United Kingdom, Australia, Japan, New Zealand and Malaysia have all created national banks dedicated to leveraging private investment in clean energy technologies. Together, green banks around the world have driven approximately $30 billion of clean energy investment. The Netherlands' Rabobank has been a pioneer in sustainable banking, developing environmentally friendly products for rural farmers that have helped to reduce pollution from animal waste. Canada has seen green banks in different provinces across the country. In Germany, green banking has been practiced since 2010 with their Energie Bank Deutsche Annington (EBA).

There are three different types of Green Bank models currently being used: public banks like the US' Clean Energy Finance Corporation (CEFC), whose mission includes investing in clean power projects and cleantech firms, private banks that offer green versions of traditional bank accounts or credit cards – for example, Banca Monte Dei Paschi di Siena which provides loans for solar and wind power, green mortgages or investment in clean technologies – and hybrids that combine the two. Mitsubishi UFJ Financial Group (MUFG) has established a private Green Bank called MUFG Eco-One. Customer deposits are pooled to finance sustainable projects like renewable energy plants with up to $500 million. The bank also offers environment awareness seminars on topics including recycling and home energy efficiency. Other institutions such as Germany's Wuppertal Institute provide research into green banking models, which can be used by organizations worldwide looking at ways of providing responsible banking services to their customers.

Green Banking in India

The Reserve Bank of India document titled Policy Environment dated 8th November, 2010 includes on Pages No. 56 and 57 a reference to Green Banking and Green IT initiatives for banks in India. Like any other Corporates, banks in India too are adopting the principle of Corporate Social Responsibility (CSR) and are concerned about the protection of environment. Mainly, the computerized environment and facilities like on-line banking are helping the banks to promote the green banking concept [Shalini Mehta (2011)]. Paper work is being reduced consciously at all levels by bankers and customers. In addition to providing of on-site and off-site ATMs, some banks have gone ahead with innovative ideas like installing Bio-metric ATMs, Solar-based ATMs, White-labelled ATMs, Brown ATMs, SMS alerts, Mobile Banking etc. for the convenience of their customers [Ashok Singh (2010)]. Besides reducing any environmental pollution, these initiatives are helping the banks in reduction in their cost of operations and delays which results in increased customer satisfaction too [Devaprakash R. (2008)].

Challenges of Green Banking Green banks

A critical barrier to customer adoption of clean energy solutions is lack of clear information on the value, the process and the options for purchase. Many governments now offer multiple programs to support clean energy deployment, which may include subsidies, rebates, loans technical assistance, REC procurement and others. Yet this support and information is often scattered across multiple agencies and utilities, making it difficult for consumers to understand their options use all tools that are available. A green bank can help coordinate the use of these resources by serving as a single point of contact for consumers seeking multiple forms of support.

While adopting green banking face following challenges:

Diversification Problems: Green banks restrict their business transactions to those business entities who qualify screening process done by green banks. With limited number of customers they will have a smaller base to support them

- **Start up Face :** Many banks in green business are very new and are in startup face, generally it takes 3 to 4 years for a bank to start making money thus it does not help banks during recession.
- **Higher Operating Cost:** Green banks require talented, experienced staff to provide proper services to customers. Experienced loan officers are needed with additional experience in dealing with green businesses and customers
- **Reputational risk:** If banks are involved in those projects which are damaging the environment they are prone to loss of their reputations. There are also few cases where environmental management system has resulted in cost saving, increase in bond value.
- **Credit Risk :** Credit risks arise due to lending to those customers whose businesses are affected by the cost of pollution, changes in environmental regulations and new requirements on emissions levels. It is higher due to probability of customer default as a result of uncalculated expenses for capital investment in production facilities, loss of market share and third party claims.

Suggestions for promoting Green Banks

The concept of green banking still has a long way to go until it gets fully mainstreamed in the banking sector. However, simultaneous activation of both top-down and bottom-up engagement in raising the awareness of green banking has taken off. Policy makers and regulators have been increasingly realizing the importance of adopting green banking policy interventions as a means to transform the financial sector which can immensely contribute towards helping countries meet their climate targets and goals. Especially, the role of central banks and financial regulators is key as they have the power to change and control dynamics and landscape of the financial sector. Considering that most developed countries rely on a voluntary code of conduct by their banks and focus on the information disclosure while developing countries tend to use more regulatory approaches to promote green banking activities, future research could examine the performance and effectiveness of each green banking policy instrument and identify which approach is proven to be more effective or has the better prospect. However, it is expected to take considerable time before any researcher can undertake such analysis because of a lack of data availability as this is very new research area. It would be equally challenging to design and develop the criteria against which performance and effectiveness of the policy instrument will be measured.

Simultaneously, more banks are willing to become greener either individually or collectively and started launching green financial products, mainly in order to increase their economic value, but also to be good corporate citizens. Green financial products serve banks to fulfill several important objectives: banks can comply with government's regulations or guidance, enhance firm reputation, and seize emerging business opportunities. The size of the green market has been steadily growing and expected to grow further. Banks that can establish themselves as early-movers and market leaders are more likely to enhance their reputation which can in turn help attract new clients. Further, from strategic perspective, change of consumer buying behavior by encouraging them to maximize the use of green financial products is most desirable. Thus, banks will have to develop and implement robust environmental and social safeguard standards to be able to manage their green financial products and comply with the regulations or guidelines.

Following are some of the suggestions that can be adopted by the banks for proper implementation of green banking in India:

- Make customers more and more aware about green banking through their website .
- Promoting different forms of electronic banking.
- Creating customers awareness through the media.
- Carbon footprint reduction by saving energy and paper.
- Providing environment friendly rewards to customers.
- By financing more and more environment-friendly projects
- Social Responsibility services done by banks.
- Clear policies are required to altering the present management systems to incorporate sustainability issues.
- Training and development of relevant skills within bank employees so that they can use

Conclusion

Indian economy is an emerging economy and there is a huge potential of growth of Indian banks by adoption of innovative approach in their strategy making process. There is a need of an approach towards paradigm shift by setting up of the business model which would consider all the three aspect of triple bottom line approach i.e. the people, the planet and the profit. The future of green banking seems to be very promising in India as lots of green products and services are expected in the future. Green excellence awards and recognitions, Green rating agencies, Green investment funds, Green insurance and Green accounting and disclosure are some of the things that would be heard and seen in operation in the near future. Proper green banking implementation will act as a check to the polluting industries. Banks can act like a guideline towards the economic transformation and create a platform that would create many opportunities for financing and investment policy and contribute towards creation of a low carbon economy.

Green Banking has been boosting to improve the environment and promoting economic growth. Until a few years ago, most traditional banks did not practice green banking or actively seek investment opportunities in environmentally-friendly sectors or businesses. Indian banks are far behind their counterparts from developed countries. If Indian banks desire to enter global markets, it is important that they recognize their environmental and social responsibilities. Only recently have these strategies become more prevalent, not only among smaller alternative and cooperative banks, but also among diversified financial service providers, asset management firms and insurance companies.

Further, those industries which have already become green and those, which are making serious attempts to grow green, should be accorded priority to lending by the banks. This concept of "Green Banking" will be mutually beneficial to the banks, industries and the economy. Not only "Green Banking" will ensure the greening of the industries but it will also facilitate in improving the asset quality of the banks in future. There are lot of opportunities and challenges for Indian banks in adopting Green Banking as profitable business. Green banking if implemented sincerely will act as an effective ex ante deterrent for the polluting industries that give a pass by to the other institutional regulatory mechanisms. Therefore, for sustainable banking, Indian banks should adopt green banking as a business model without any further delay.

Also, banks need to be more active in communicating the green banking concept and its associated benefits to the consumers. It was also observed that green banking consciousness is high in the higher levels of management in the banks and this consciousness reduces with the lower levels of management and least with the employees who are in day to day direct touch with the customers. Thus, the banks must focus on promoting the consciousness and benefits of the green banking to the employees who are in direct touch with the customers. Green banking is a pro-active way of energy conservation and environment protection.

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ARTIFICIAL INTELLIGENCE (AI) – THE NEW 'TECH-TREND' IN THE INDIAN BANKING INDUSTRY

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India is the second-largest country in terms of population in the world after China. The country's economy largely relies on robust financial infrastructure contributing to the growth of each sector in the nation. Contribution of the banking sector to GDP is about 7.7% of GDP. Banking sector intermediation as measured by total loan as a % of GDP is 30% which is self explanatory in its significance. Hence to be updated and well functioned the modernization of the banking system is the call for the day. As the country's banking ecosystem is relentlessly growing, the adoption of modern technologies will continue to evolve, enabling a digital banking infrastructure.

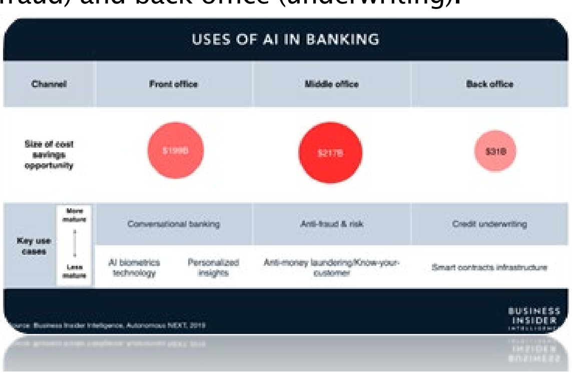
The term "artificial intelligence" was first used in the mid-1950s. Although many definitions are present, in the context of banking, Accenture defines AI as, "A computer system that can sense, comprehend, act and learn. In other words, a system that can perceive the world around it, analyze and understand the information it receives, take actions based on that understanding, and improve its performance by learning from what happened. And by enabling machines to interact more naturally – with their environment, with people and with data – the technology can extend the capabilities of both humans and machines far beyond what each can do on their own."

"AI is probably the most important thing humanity has ever worked on." – Google CEO Sundar Pichai.

This statement from Google CEO has become quite relevant in the Indian banking industry, especially after demonetization. The Indian banking industry rather the banking system has metamorphosed from its brick and mortar retro style that we were familiar with, a decade back, to a much more efficient, organized and smart sector owing to the touch of technology in the banking sphere.

Starting from computerization, the Indian banking scenario has transformed radically over the past few decades from conventional banking to a situation where we can literally manage our banks independently. The Indian banking system is witnessing major changes in its operations and management with advanced technologies. AI such form of technology that is gradually starting to step in the banking arena and is revolutionizing the way of banking in the days to come. Mostly the majority of the banking system revolves round customer satisfaction and with the severe competition and with so many players coming into this industry, it is the quality of customer service that matters the most and often becomes the deciding factor when it comes to become the show runner. Fixed business timings, scarcity of staffs and the busy schedules frequently disrupt customer service. People hardly get the required banking services when that is most required and especially, in today's busy schedule customers prefer banking during a free time like night time, weekends and holidays. This leads to customer dissatisfaction and in turn, damages the relationship between the banks and the respective customers. This is where AI and other technologies come in action.

Banks can use AI to transform the customer experience by enabling frictionless, 24/7 customer interactions and improved customer experience. But AI in banking applications isn't just limited to retail banking services. The back and middle offices of investment banking and all other financial services for that matter could also benefit from AI. The three main channels where banks can use artificial intelligence to save on costs are front office (conversational banking), middle office (anti-fraud) and back office (underwriting).



AI is strengthening competitiveness of banks through Enhanced customer experience, Prediction of future outcomes and trends, Cognitive process automation, Realistic interactive interfaces, Effective decision-making and Robotic automation of processes. Artificial intelligence and Machine Learning in the banking sector is shaping how banks work and perform their duties. They are helping both the bank and the client to have a more exhaustive and gainful experience. AI is extensively used by banks to automate their processes and make them easier. The areas where this emerging technology is used are –

- Information security is fundamental to an effective bank and keeping up client trust. AI is used as a tool to fight against fraud detection, theft and security breach. Due to particularly massive and conveyed client base, the banks need to keep on developing to best help their clients. They are doing this with artificial intelligence to improve contributions for their client. As per the RBI's 2019 report, banking frauds have risen by over 73.8%, despite the government's continuous effort to curb them. In such a scenario, AI plays a crucial role in early fraud detection and helps the banks adopt the right set of practices to mitigate the risks.

- Client support is a fundamental part of banking and frequently has the greatest effect wherein a bank is selected by customers. Conversational artificial intelligence and machine learning are now changing financial client support by accommodating chat bots, feedback, and many more, which give a more customized satisfaction on the web and versatile financial experience for the client. Clients can interface with this artificial intelligence banking bots through messaging or tapping through orders on their screens.

- Previously, credit service and loan decisions with advance choices have verifiably been made by investigating financial assessments, records, and other past practices. Banks frequently lose cash due to having incorrect information. AI and Ml are used to investigate financial information in advance and help in deciding credit and loan services accurately. Using AI in risk management can significantly help banks in better credit risk management.

- Banks can adopt and leverage AI effectively in risk and regulatory compliance. According to industry estimates, banks have seen over a 500 per cent increase in regulatory compliance post the global financial crisis of 2008. Additionally, global banks spend around a whopping $270 billion on risk and regulatory compliance activities annually, out of which a massive $128 billion is spent on technology. Considering the challenges that banks are facing due to changing regulatory environment, banks can leverage AI to achieve better transparency, improve accountability, higher responsiveness and audibility of various regulatory submissions and risk disclosures.
- AI technology helps to monitor payment networks in real-time, analyze data and assess transaction risks. Apart from this, banks are relying into this intelligent technology's power to detect money laundering and monitor cyber threats.

The AI technology ensures one-to-one customized interaction with the customers with the help of virtual assistants and chat bots which is available to the customers for 24x7. Hence customers need not wait for the banks to open or to connect to their relationship managers to address their issues. Rather they will be able to manage their issues from their mobile phones at any hour of the day with their very own conversational virtual assistants to guide them through the processes of banking.

Different banks have already embarked upon this journey such as State Bank of India's virtual assistant known as SIA (SBI Intelligent Assistant), HDFC Bank's EVA (Electronic Virtual Assistant), Bank of America's ERICA and many more. Canara Bank has even introduced robots namely, Mitra and Candi, in few of its offices that have in-built AI technology to assist the customers. Hence it would be mistaken if we understand AI in banks as only introduction of chat bots. AI is much more beyond it. The present AI mechanism is set to undergo dynamism with the incorporation of robotic process automation, natural and vernacular language processing, advanced data analytics, predictive analytics and image analytics to enhance the customer experience manifold. The newly added feature of biometric-cum-voice-cum facial recognition in AI technology is said to help in customized on boarding of customers based on customer categorization in banks. This will help in improvement in customer communication with the banks that will in-turn satisfy the customers and bring business to banks simultaneously.

AI and Cost Savings & Cost Reduction

As per Autonomous Next research seen by Business Insider Intelligence the aggregate potential cost savings for banks from AI applications is estimated at $447 billion by 2023, with the front and middle office accounting for $416 billion of that total. According to IBM, enforcing AI in banking reduces the time consumed by bankers on digitizing, discovering and on boarding document template. As per the report businesses can reduce customer service costs by up to 30% by implementing such solutions. It also minimizes the rate of error and reduces the document digitization cost, which accounts to over hundreds of millions of dollars for a single department. According to Vasudeva Akula, Forbes council member, 'the benefit of using predictive AI is that it allows you to uncover complex patterns that impact customer experience and revenue. Predictive AI also allows you to create tiered solutions based on customer issue complexity and to influence the efficiency of nearly all interactions in the call center every year. This approach can result in millions of dollars saved for financially stressed businesses in today's challenging times by enabling them to address issues that affect CX, costs and revenue'. Implementation of AI in banking will translate into reduced operating costs and boosts profits. It enables consumers to enjoy the convenience of banking at their fingertips anytime, anywhere from their smart phones. According to Autonomous, a financial research firm, the adoption of AI technology can help traditional financial institutions save 22% in cost by 2030. Large banks not only in India but worldwide are already leveraging AI to expand banking offers, make their operations more efficient and cost-effective, and offer greater value to their wider customer base. Chat bots, digital payment advisers, and biometric fraud detection mechanisms can improve customer experience and reduce operating costs. Human errors are major concern for banks as they not only postpone product launch but also security breach and costs a lot to banks. One of the primary benefits of AI in banking is it enables automation of several costly, information-intensive, and error-prone banking services. The operational cost savings from the implementation of chat bots in banking will reach $7.3 billion globally by 2023, up from an estimated $209 million in 2019, as per a new study by Juniper Research.

TOP INDIAN BANKS EMBRACING AI

State Bank of India

State Bank of India (SBI) is the largest public sector banking services provider in the country. To deliver effective banking services, the bank capitalizes on artificial intelligence. SBI Intelligent Assistant (SIA), an AI-powered smart chat assistant, addresses customer enquiries instantly and helps them with everyday banking tasks like a human does. Developed by an AI banking platform Payjo, this smart chat assistant is equipped to handle nearly 10,000 enquiries per second or 864 million in a day, which is almost 25% of the queries are processed by Google each day, reports noted.

HDFC

Headquartered in Mumbai, HDFC is another Indian banking and financial services firm that uses AI. The bank's smart chatbot called 'Eva' works with Google Assistant on millions of Android devices to solve customers' queries and provides them with better services. Built by Bengaluru-based Senseforth AI Research, Eva has reportedly claimed to have answered over five million user queries with more than 85% accuracy. HDFC also has an AI-enabled chatbot, OnChat, which launched on Facebook Messenger in 2016.

ICICI

ICICI Bank, a leading private sector bank in India, has applied software robotics in over 200 business processes across diverse functions of the company. Through this, the bank became the first in the country to deploy an AI system at a large scale in various processes. According to the report, ICICI bank has scaled its RPA initiative to over 750 software robotics handling nearly 2 million transactions daily, which is 20% of the transaction volumes.

Axis

Axis bank allows its customers to talk about their banking issues anytime, anywhere through an AI-powered bot. India's third-largest private sector bank in July 2020 unveiled a conversational interactive voice response (IVR) system, called AXAA. As a next-generation multilingual voice bot, AXAA assists customers to traverse through the IVR and addresses their queries and requests, without the need for any human intervention in most cases. The private lender also has an innovation lab called 'Though Factory' that aimed to expedite the development of innovative AI technology solutions for the banking sector.

Bank of Baroda

Bank of Baroda is another public sector lender advancing banking services and reducing the cost of managing accounts while focusing on improving customer service through AI. The bank uses advanced gadgets like an artificial intelligence robot named Baroda Brainy and Digital Lab with free Wi-Fi services. It also has a chatbot named ADI (Assisted Digital Interaction). In 2018, Bank of Baroda partnered with IBM and Accenture to power a state-of-the-art IT Center of Excellence (ITCoE) and Analytics Center of Excellence (ACoE).

Andhra Bank

Andhra bank is a medium-sized public sector bank of India that merged with Union Bank of India in April 2020. As the bank has a network of branches, with numerous satellite offices in the country, it has adopted advanced technology. The bank uses an AI interactive assistant named "ABHi" to address customer queries immediately and effectively. This AI chatbot, developed by Floatbot, is integrated with Core Banking Servers (CBS) of Andhra Bank and will automate customer support for five crore account holders of the bank.

Kotak Mahindra Bank

Kotak Mahindra uses a smart AI-enabled chatbot to power millions of Kotak customers with quick and available to answer banking queries round the clock. The chatbot, named Keya, is a bilingual voicebot that comes integrated with Kotak's phone-banking helpline and will augment the traditional interactive voice response (IVR) system. The bank launched Keya 2.0 voicebot with new features in 2019.

CHALLENGES

One of the biggest challenges faced by banks for implementing AI in their system and operations is reduction of human intervention resulting in job loss. AI technology demands a highly trained workforce and currently there is an acute shortage of such skilled labors. Hence AI will create a supposed unemployment issue but on the other hand will also generate opportunities for other types of work that will involve implementation of advanced skills. There will be a rise in the back-office operations with a subsequent drop in front-office operations.

Data privacy is yet another challenge faced by banks while implementing AI in their system. India needs data privacy regulations like General Data Protection Regulation (GDPR) in Europe. Reserve Bank of India (RBI) needs to take a commanding and dynamic role in framing regulations on emerging technologies, data privacy and ensuring the business interests of the banks. Since AI depends upon data and banking database is enormous with massive customer data and if this data feeding is faulty then the whole process of AI implementation cannot be fault free.

Although the impact of AI in financial services are clear but it cannot be said that AI driven financial trading is fault free. It has its own risks and issues. For example, in 2012 US market maker, Knight Capital, lost over US $400 million in a half- hour after an algorithm malfunctioned. Even the NYSE saw a pause in trading while technicians corrected some software issues. But it is still arguable that the benefits of AI implementation out weights the occasional technical glitches.

FUTURE OF AI

AI will not only empower banks by automating its knowledge workforce, it will also make the whole process of automation intelligent enough to lessen or curb cyber risks and competition from FinTech players. AI is integral to the bank's processes and operations, and keeps evolving and innovating with time without considerable manual intervention. It will enable banks to leverage human and machine capabilities optimally to drive operational and cost efficiencies, and deliver personalized services. The banking sector have already taken actions with due diligence to reap these benefits. Research shows that the adoption of AI has the potential to add nearly $1 trillion to the Indian economy in 2035. "AI adoption is still in its nascent stages, and a lot more needs to be done to realize its full potential," says Rishi Aurora, managing director, financial services, Accenture. As it isn't easy to visualize the world in 2050 without electric cars similarly, it is impossible to imagine a bank not using AI in 2050. AI technology has triggered a major digital disruption that has affected the entire banking sector in the 21st century. This is primarily because AI solutions have the capacity to help banking institutions to innovate, make more informed decisions, and solve complex problems with greater levels of efficiency and effectiveness, make more accurate predictions and respond to emerging issues in a timely manner and appropriately. Therefore, AI is a technology that can enable banks to stay ahead of market competition and it's use is no longer a choice, rather it has become imperative for banks to adopt AI to survive.

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THINK OF ONE CENTRALISED PUBLIC SECTOR BANK

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Abstract:

Coronavirus is a good teacher and guide. It has taught to the world number of things about almost every aspect of life. It is a lesson for the importance of life and has put forth the meaning of life. It has opened many avenues of perceptions to look at things. One idea that clicks is of one nationalised bank for one country. Can we have 'one bank one nation'.United we stand divided we fall. Unity is extremely substantial facet of every sphere of our lives. Being united we stand; divided we fall and become weak, it can be assumed that power lies in co-ordination, and divergence can lead to dispute. The sense of togetherness provides moral support and peace in tough lives.

Key words Nationalisation, strength, Centralisation, network, vulnerability.

Prologue

There is nothing without dynamism. The world is nonstop dynamic in every sphere of life. This teaches new changes and accepting the same with complete adaptations and compatibility. Coronavirus is a good teacher and guide. It has taught to the world number of things about almost every aspect of life. It is a lesson for the importance of life and has put forth the meaning of life. It has opened many avenues of perceptions to look at things. One idea that clicks is of one nationalised bank for one country. Can we have 'one bank one nation'.

For legal system we have one supreme court, one central bank for money control, one identification for a citizen, similarly can we think of one BIG nationalised bank? All banks to be in UNIFICATION as one BIG. It would be easier in this digitisation era. It would be of great power and regulatory control.

Nationalisation of banks

Indian Banking story can be discovered to 19th centuryera. During the colonialist period numerous Indian banks were initiated either by the Princely territories or by wealthy entities. The principal intention of most of the banks was to accommodate financial requirements of commerce and industry in that region. All through this phase the banking facilitiesturn out to be the opportunity of massive enterprises and affluent parties. Crowds were deprived ofeffortless credit and funding facilities. Farming and rural small-scale businesses did not have access to credit facilities and banking services. They hung on community money lenders and other privileged financiers to fund their endeavours. These local business prodders oppressed the rural populace by charging high interest rates and cruel payment terms.

Indian Banking sector will commemorate the 50 years of bank nationalisation in 2019. It set out under the then Prime Minister with nationalization of 14 major banks that accounted for 85 per cent of bank deposits in the country at that time. Six more banks were later nationalised in 1980. The fundamental purpose for nationalisation was to strengthen significant sectors.(https://www.financialexpress.com/, 2019)

Banks' Nationalization Record

- 1955 – State Bank of India nationalized.
- 1959 – 7 subsidiaries nationalized and associated with SBI.

  1. State Bank of Bikaner and Jaipur
  2. State Bank of Hyderabad
  3. State Bank of Indore
  4. State Bank of Mysore
  5. State Bank of Patiala
  6. State Bank of Saurashtra
  7. State Bank of Travancore

- 1969 – 14 major commercial Banks nationalized on 19th July 1969.

  1. Allahabad Bank
  2. Bank of Baroda
  3. Bank of India
  4. Bank of Maharashtra
  5. Canara Bank
  6. Central Bank of India
  7. Dena Bank
  8. Indian Bank
  9. Indian Overseas Bank
  10. Punjab National Bank
  11. Syndicate Bank
  12. UCO Bank
  13. Union Bank of India
  14. United Bank of India

- 1980 – 6 more commercial Banks nationalized.

  1. Andhra Bank
  2. Corporation Bank
  3. New Bank of India
  4. Oriental Bank of Commerce
  5. Punjab & Sindh Bank
  6. Vijaya Bank

Nationalization of banks in India was done in binary segments. The first stage of nationalization commenced in 1955 when the former Imperial Bank of India converted State Bank of India with an Act of parliament. In 1959, seven affiliates were nationalized and coupled with State Bank of India one by one. This proclaimed aninnovative set up in Indian banking procedure. The State Bank grouping turned out to be the greatest bank in India assisting 90 million customers with a link over 9000 offices inniche and corners of the nation.

The next level of nationalization began in 1969 with the nationalization of 14 key commercial banks in India. In 1980, 6 more commercial banks were nationalized and became public sector banks. Following the phase, the Public Sector Undertaking banks grew their reach and flourished in soars and limits.The nationalized banks in India expanded their branches and spread their activities throughout the country. The PSU banks introduced new schemes and programs Thus the nationalization of Banks in India facilitated thecrowds to avail banking services at reasonable cost.

Bank nationalization was the fulcrum of a wider political economy strategy followed in the 1970s—a decade when economic growth barely outpaced population growth. Average incomes stagnated. It was a vanished decade for India.

There is no doubt that exogenous shocks, such as rising energy prices or failed monsoons, played a part in the stagnation, but economic policy also hurt. Bank nationalization succeeded in specific areas such as financial deepening because of the rapid spread of branches, but it eventually did more harm than good. (Rajadhyaksha, 2019)

PSBs as a group have not been working good for the duration of the last few years. There has been a large surge in Non-Performing Assets (NPAs). As a part of managing large NPAs, some suggestions have been made that perhaps a consolidation of PSBs can render them more capable of managing such challenges relatively better. The basic argument is that a large bank will have been well capitalized, will have deeper expertise to carry out large credits and large NPAs and hence can ride off troughs with relative ease. (Gandhi, 2016)

Consolidation of Banks

The recommendation of consolidation among PSBs has pretty old history. Narasimham Committee Report in 1991 (NC-I), recommended a three-tier banking arrangement in India through the system of three large banks with international presence, eight to ten national banks and lots of regional and local banks (Gandhi, 2016)

One of the justifications of why banks consolidate , is to wipe out the competitive race as in any other industry which may not gain consumers. Similarly, banks occasionally consolidate to get into domestic or international capital and to better participate with other larger banks to develop and preserve customers.

The number of public sector banks (PSBs) could be brought down to four from 12 via privatisation or consolidation. The government had already directed the merger of 10 public sector banks into 4 from April 1, 2020

Further Consolidation

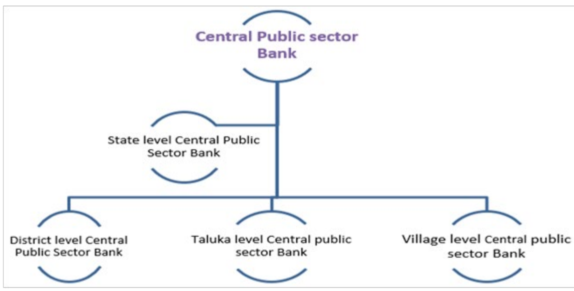
Merger of 10 banks into 4 to come into effect from Apr 1,2020 says Sitharaman. (Jha, 2020). Effective from April 1, 2020, the balance sheets as well as stocks of these banks will be incorporated, according to the scheme of consolidation approved by the Union Cabinet. Punjab National Bank (PNB), Oriental Bank of Commerce, and United Bank of India will combine to form the nation's second-largest lender. Canara Bank will take over Syndicate Bank; Union Bank of India is planned to be integrated with Andhra Bank and Corporation Bank; and Indian Bank will count Allahabad Bank. "Businesses and industry will benefit through an increased lending capacity, with the regulatory ceiling for lending to individual borrowers increasing by over Rs. 1,500 crore to Rs. 3,000 crore," a senior finance ministry official said, adding that the banks would be able to support specialised loan products, such as supply chain financing and cash management services. (Jha, 2020)

The basic logic behind this merger is to increase the global competitiveness of the Indian banks. Now the total Public Sector Banks reduced to 12 from 27 in 2017 in India. (Singh, 2020)

Consolidation of Consolidation

United we stand divided we fall. Unity is extremely substantial facet of every sphere of our lives. Being united we stand; divided we fall and become weak, it can be assumed that power lies in co-ordination, and divergence can lead to dispute. The sense of togetherness provides moral support and peace in tough lives. So, instead of being divided, one should constantly think of stopping as united so that no hardship can ensue us, even if it happens to be it could be tackled in an efficient manner.

How feasible is it if we can have consolidation of all consolidated banks and have one Central Public Sector Bank which would have well defined functions and responsibilities. It would have its main branches in all States and union territories and subbranches in all districts and in blocks, Talukas, and villages. A good complete network of its branches in every part of the country. A well-defined sector for all branches as per requirement of the region and nation. Every aspect of it whether it is loan department or forex section to be regulated by the Central Public Sector Bank with common and uniform laws and norms, penalties for all branches. Everything to be centralised at one place. It could be made possible with the application of IT and its different software developments. Of course, it would be very challenging one but does not seem to be impossible. It is a welcome note for all to develop the idea and test its extent of feasibility.



In the above diagram an organisational structure is drawn to picturise the concept and for simplifying the hierarchy of working system.The union is the procedure by which two or more corporations agree to come up toall together and blend simultaneously and set up a new company often with a new name rather than remain separately owned and operated. The amalgamation facilitates in lessening the vulnerability of banks and make a competitive advantage in the market place. In the unification procedure, the integration enterprises share information related to liability, funds, technical knowledge, and resources, etc.

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FINTECH & BFSI : CHALLENGES & OPPORTUNITIES

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Financial Service Companies are facing number of challenges and these are mainly due to rapid changes in the technology, though these companies are accepting the technologies however still struggling to face the challenges posed from time to time. In addition to this industry is going through a radical shift, mainly driven by new competition from FinTechs, changing business models, mounting regulation and compliance pressures, and disruptive technologies.

The emerging FinTech is changing the competitive landscape in financial services, forcing traditional institutions like banks, insurance companies, mutual funds to rethink their business models. As data breaches become prevalent and privacy concerns intensify, regulatory and compliance requirements become more restrictive as a result. And, if all of that wasn't enough, customer demands are evolving as consumers seek round-the-clock personalized service.

Some of the prominent challenges are as under.

1) Increasing Competition: Fast increasing presence of FinTech companies have affected profitable business of banking and financial and service companies and it is nothing but disruption only, the industry needs to adopt strategies so as to face this disruption and enter into tie-ups with FinTech companies and make use of their services in our favor.

2) Cyber security & Data breaches: With increasing data breaches over the past few years, security is one of the leading banking industry challenges, as well as a major concern for banks and financial services companies',financial servicesare soft targets for cybercrime. Because of the sensitive data they carry, financial service companies are exposed to data breaches such as member's home addresses, names, email addresses, and social security numbers. Financial institutions must invest in the latest technology-driven security measures to keep sensitive customer safe, such as: Address Verification service, End -to -end Encryption, Biometric authentication, location-based authentication

There is risk of incurring heavy losses due to cyber-attack and safety solutions there for are also having huge costs. Banks and Financial service companies are experiencing the same world over.

3) Customer Retention: Today's consumer is smarter, Tec savvy and more informed than ever before and expects ❖a high degree of personalization and convenience out of their banking experience. Changing customer demographics play a major role in these heightened expectations: With each new generation of banking customer comes a more understanding of technology and, as a result, an increased expectation of digitized experiences. Customers of Financial services expect personalized and hassle-freeservice anywhere, and at any time. There is hardly any accurate method to measure customer satisfaction however it can be seen through customer turnover and customer loyalty has become thing of past. To improve customer loyalty ongoing customer centric approach needs to be implemented.

Bots are one new tool financial service companies can use to deliver superior customer service. A 'bot' – short for robot – is a software program that performs automated, repetitive, pre-defined tasks. Bots typically imitate or replace human user .and that to with minimal cost... Bots are a helpful way to increase customer engagement without incurring additional costs, bots can improve resolution time and customer satisfaction.

4) Satisfying the Regulator:

Regulators such as RBI, SEBI, IRDA & PFRDA in the financial service industry are frequently tightening the regulatory norms and banks and financial service companies need to spend large part of their income to make sure that they are compliant. They have to make sure there are systems to keep up with ever-changing regulations and industry standards.

Traditional banks have to constantly evaluate and improve their operations to keep up with fast-changing consumer and shareholder expectations, technology, and industry regulations.

According to KPMG, there are 10 key regulatory challenges financial service firms will face in 2022. They include:

- ❖ Geopolitical change: Companies must expect business change and disruption
- ❖ Divergent regulation: Must anticipate continued differences in state, federal, and global regulations among protectionist and localized public policy agendas in the U.S. and overseas.
- ❖ Data protection and governance: Protect your data at all costs
- ❖ Operational resilience: Plan for the unexpected. It will happen
- ❖ Credit quality: Firms must apply what they've learned from past credit cycles
- ❖ Capital and liquidity shifts: Even though there may be an easing of regulatory capital and liquidity requirements, firms should not weaken risk management
- ❖ Compliance agility: Must have a solution for agile and streamlined compliance
- ❖ Financial crime: It's OK to be innovative but don't do too much at the cost of increased risk for financial crime.
- ❖ Customer trust: Firms must maintain the trust of the customers
- ❖ Ethical conduct: Do the right thing no matter what

5) Technology upgradation:

Technology upgradation and business growth go hand in hand as such banks &financial service companies must continue to invest in technology such as robotics, AI & ML tools to increase their efficiency and reduce the costs associated with operational, risk management, and compliance. Such companies should also consider consolidating platforms and provide a more efficient, customer-friendly experience across internet, mobile and physical locations.

6) Cultural shift:

Artificial Intelligence, Machine Learning, Block chain, cloud technology has become an integrated part of our life and banks and financial service companies are no exception to it. In this digital era scope for manual processing and systems is diminishing with every passing day.Resolution to various issues will be through technology this thought needs to be percolated and inculcated across the rank and file. This major cultural shift needs to brought in the organisation without affecting human emotions.

7) Big Data:

Big data is a necessity but also a problem for financial service firms. Big data is getting bigger because a lot of data is being created by several sources. This new data is structured and unstructured, and these legacy data systems can't handle the volume of data coming in.

The various types of data coming in is one of the biggest challenges facing financial service companies

The challenge for financial service companies is to sort through all their data and determine what is useful and what isn't.

8) Digital Marketing:

In the era of digital marketing, it's great challenge before banks and financial service companies of brand creation, website designing, use of social media that too with full proof security measures.

Above mentioned are some of the challenges posed by FinTech companies to banks and Financial Service Companies which appears as disruption however FinTech companies brought in number of opportunities to banks and financial service companies.

FinTech is an umbrella term used to describe innovative technology-enabled financial services that could result in new business models, applications, processes or products with material impact on institutions and provisions of financial services. FinTech is not just the start-ups but also forces larger, incumbent financial services businesses to stay competitive and innovate if they want to remain relevant.

FinTechs are creating new customer-centric ways of accessing and delivering financial services, from convenient ways to make payments to investing money with robo-advice and creating a personalised budget with the help of an app.

Some of the advantages of collaborating with Fin Techs can be as under.

1) Will help to improve financial & digital literacy and thereby use of more new channels, products and services.
2) Will improve regulatory compliance and reduce the frauds.
3) Customer on boarding in the least possible time.
4) Efficient claim settlement by insurance companies

In short we can say every disruption comes with opportunities as such FinTech though appears as disruption for BFSI however has thrown open number opportunities to this sector, it all will depend how this collaborates with FinTech.

EQUITY MARKET OUTLOOK

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Global market is now embedded with monetary policy meetings of the G4 central banks, each taking steps towards policy normalization, although at varying speeds. While the US FED turned hawkish by accelerating bond tapering and signalled three rate hikes in 2022, the Bank of England raised the bank rate to curb inflation. The Bank of Japan announced to begin unwinding its bond purchase programme, while keeping its interest rates on hold and the ECB further reduced its bond purchases but vowed to continue its unprecedented monetary policy support in 2022.

Further on the global front, the Omicron variant continued to remain in the spotlight causing global market volatility. Though initial studies reveal Omicron to be 70x more infectious vs the Delta/original variant and caused lesser infection in the lungs.

In India, given the above, the rupee touched 76.09, the lowest since mid-Jun'20, and Brent crude fell to USD 72.9/bbl. Domestically however, things show consistent improvement in data and policy decisions. These include Cabinet approval of the PLI scheme for semiconductors with an outlay of INR 760bn over the next 6 years and 90% growth in advance tax collections in 3QFY22.

So, the recent equity market correction/volatility is driven by -

1) Fed taper (easy money over)
2) Rising Omnicron cases. Fears of a third wave.
3) Central banks tightening across the world
4) FII selling

So what next?

We believe, RBI has ample strength to take care of liquidity. Interest rate tightening in India is expected to be slower than the rest of the world. Inflation, so far it appears to be a supply side related issue and not demand led inflation.

Omicron adds more uncertainty to growth-inflation dynamics. Though on Omicron, we are better prepared for a third wave than the previous time. Complete lock-downs is out of question given the economic repercussion. India corporate sector has demonstrated and knows how to get business done in a third wave scenario. At the end of the day, it's a flu and it's going to be around for awhile. We have to live with it.

With reference to FII selling, we may be unable to control outflows led by Emerging market or short term oriented global hedge funds. However, what is impressive is that the rise in domestic equity culture and flows into equity market. Domestic institution investors (DIIs) and retail investors have demonstrated strength to counter FII selling.

On technology business, Accenture results reflect growth zipping on buoyant demand and strong execution. The Company has beaten its own guidance considerably and reported impressive yoy growth of 27% to US$15 bn. The strong business growth has been led by demand for compressed transformation and strong execution. Technology is the single biggest driver of change for companies. More companies are pursuing compressed transformation and seek to expand and further accelerate change as they seek new ways to operate, compete and grow.

We are however cautious in IPO (primary issues) market given frenzy valuations. Its better to buy growth companies that are reasonably priced. There are several new age digital companies that are coming to market to raise money. While they are disruptive companies, many are still in cash burn stage and valuations are driven by hope and are pricing or discounting far ahead of time. Hence margin of safety is limited. It is possible that some of disruptive businesses can themselves get disrupted and only a few will survive or make it big. This along with higher valuations can lead to capital losses.

Short term and medium term looks cloudy. But the investment strategy that is advisable is to stay put and ride the storm. Holding equity of sustainable business of quality companies that are benefiting due to shift from unorganised to organised sector (real estate / building products), digital wave (technology), import substitution / local manufacturing (pharma /chemicals / electronics/defence) and green energy (sugar ethanol /electric vehicles) makes sense for long-term investing. We are witnessing strong cyclical recovery in real estate sector (low interest rates/work from home), financials/NBFCs (worst of NPA cycle behind) and engineering and capital goods (due to higher capex cycle in cement, metals & mining, oil & gas, pharma, chemicals, consumer electronics / data center).

Any exaggerated reactions / correction in equity market should be a buying opportunity. If you have liquidity, pump in more. This storm too shall pass.

Happy Investing

DEVELOPING OF RESPONSIBILITY MODEL FOR THE INFORMATION SYSTEM SECURITY AUDITORS OF THE COMMERCIAL BANKS UNDER MODERN CHALLENGES

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Abstract:

The article tries to highlight the role of specialized or professional Information System Security Auditor in enabling an up to date, efficient and safe information system for commercial banking institutions. The Information System security is the main guard wall for providing secure and efficient services on the part of commercial banks in India. Information System Security Auditor play an indispensable role in ensuring system protection, preventing data manipulation, maintain system efficiency and in creating desired organizational awareness in this respect through high professional knowledge, experience and due diligence.

Key words: *Data Manipulation, Commercial Banking Institutions, Information System Security Auditor, System Efficiency & System Protection.*

BACKGROUND:

With the growing importance and indispensability of the Information and Technology (IT) related infrastructure and innovations in all the sectors of the world, especially in the tertiary sector; creates an unavoidable demand for efficient conservation of IT infrastructure. Under current situational dynamics the optimum availability of desired information in a time bound and cost effective manner is most important for harnessing desired success in every sector of the economy. Traditional communication and information systems are not capable in ensuring this and hence modern IT amenities like Internet of Things (IoT), other hardware devices and high end softwares are the only way out. Even the small and medium enterprises are benefitted from IT infrastructure advancements through the product and process innovations, (Dibrell, et. al., 2008).

In case of tertiary sector, especially Banking, Financial Services and Insurance Sector (BFSI); the applicability of most cutting edge information systems can be viewed all over the world and for obvious reason India in not an exception. Considering the massive importance of the services provided by this sector and quantum of safetyness required for delivering most efficient services; the importance of Information System Security Audit in the sector is clearly decipherable. Any breach in the system is highly fatal both in social and economic context and also both in micro and macro level. Information

System Security Audit (ISSA) is indispensable in avoiding huge loss attributable to faulty Information System's (IS) security and there are many security audit standards available, which should be followed for efficient security audit, (Suduc, et. al., 2010).

In the Indian context the overall importance of commercial banking organizations are growing at a faster pace and modern IT infrastructures are the main backbones of secure banking. With the each passing days the competition in the Indian BFSI sector is becoming fierce; requiring more and more investments in IT infrastructure developments to win over the competitors through customer enrichments, (Siriya, 2014). Commercial banks are controlling a significant portion of the BFSI market in the country and service reach is increasing day by day in all aspects. Under this situation it is clearly understandable that growing importance of modern technologies in information handling increases the requirement for IS security audit in commercial banks of the country manifolds. This necessitates clear and in-depth understanding of broad responsibilities of Information System Security Auditors in ensuring overall optimum efficiency of the systems. Discharging of this responsibility in an efficient manner has huge positive socio-economic significance.

REVIEW OF LITERATURES:

With the growing fantasy and versatility of the information technology related innovations, the thrust for virtual replacement of manual processes has increased significantly. A large number of organizations are following the trend for gaining market survival and growth. Here the hardest reality is, many of them are doing it without having any concise idea about ensuring of robust information security infrastructure. This makes information more vulnerable to losing of secrecy than manual system, Dhillon & Backhouse (2000). Cyber threat and information security is becoming a very critical issue of concern for all the sectors of the economy in this 21st century, ranging from public to private. Coordinated effort of all the stakeholders is required for spreading adequate awareness in this respect and for developing strong protection systems, De Borchgrave et. al., (2001).

The robustness of the information system defines the business performance and sustainability. System vulnerability audit and control is a major requirement here. The major challenge here is poor IT related knowledge base of the audit personals, Spremic, (2005). The information system security audit is very vital for every organization adopting latest IT technologies for data maintenance and generation. The concerned audit will narrow down the gap between standardized security protocols and reality observed in the organizational level. This is very vital for information security, Popa & Doinea (2007). Three main challenges to the information audit at present are, lack of organizational idea about concerned audit scope, lack of idea about ICT system developmental processes and its premises and absence of any standard procedures or parameters for information audit, Buchanan & Gibb, (2007).

Multimedia Information System Security is a big issue now. With the growing technological inventions in the concerned area, the protection of multimedia resources comes to the forefront. Variety of threats arises in each and every step, starting from content generation to transmission. Use of cutting edge technologies increases the threat of unauthorized content access more rapidly. Threat arises from eavesdropping, intrusion, forgery, piracy, etc., Lian, et. al., (2009). The information system security is a serious issue in this virtual world for organizations adopting IT technologies for faster business processes. The business performance is directly linked with it. A two tier model has been proposed for ensuring security system robustness. Initially organization needs to identify what have to be protected and where the deficiencies lie. Then organization needs to undertake a security audit, to understand the vitality of the whole security system under growing challenges, Pereira & Santos (2010).

Literatures of the above discussed area lack any specific and comprehensive recent study for exploring the role of Information System Security Auditors in information audit or system audit of commercial banks in India. Hence; the researcher decided to conduct an explorative and descriptive study to narrow down this vital research gap. The said study has huge socio-economic and environmental significance both in short and long term. The development of robust security system for banks is a game changer for entire economy.

RESEARCH OBJECTIVES:

The study here try to explore the responsibilities an Information System Security auditor should aware of before taking the charge of concerned audit. Banking sector where said audit is undoubtedly very relevant, the study is organized around responsibility of such auditors in commercial banks of India.

RESEARCH METHODOLOGY:

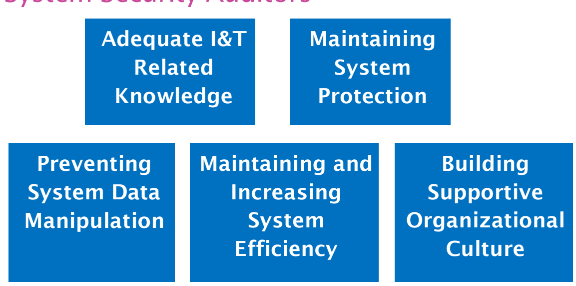
The study is descriptive and explorative in nature. Researcher here tries to explore and present in a descriptive manner the role of Information System Security Auditors in ensuring a robust information security system for Indian commercial banks. Researcher has garnered the knowledge about the concerned area from several avenues. Researcher gathered dynamic knowledge; regarding issues associated with concerned audit of commercial banks from various literatures and through interactions with personals directly or indirectly associated with the concerned audit. Those facts along with logical analysis are put in a constructive manner through a responsibility model in the study; here.

FACT PRESENTATION AND ANALYSIS:

The Information System Security Auditor has a good amount of responsibility while acting as a IS security auditor ether in the capacity of internal auditor or as an external expert. Reserve Bank of India (RBI) has already directed and has given detail guidelines for conducting efficient IS security audit in the commercial banks of India. RBI directed the commercial banks to undergo IS security audit as part of internal audit mechanism, so that the statutory auditor remain clear about the robustness of the Information System security mechanism of the bank before starting of statutory audit. It clearly defines that the transparency of the whole commercial banking sector is depending upon security robustness of the Information System. Considering the aspect's huge importance the banks are also considering this issue as most serious and secretive.

The author here tries to specify the responsibilities of the IS security auditor under current context through five broad responsibilities, as developed by the researcher himself based on personal knowledge through study, observations and understandings in the concerned area:

Fig: 1- Responsibility Model for the Information System Security Auditors



Source: Developed by the Author

Adequate I&T Related Knowledge:

The primary responsibility of every IS security auditor stands in acquiring of adequate and robust knowledge about the I&T arena. The commercial banks already mandated recruitment of only qualified professionals like Certified Information Systems Auditor (CISA) or Cyber experts for undertaking there security audit. With the world becoming more and more cyber based in nature, the dynamicity and degree of security breaches has increased manifolds in the last few years. The security robustness is the main standing base of the commercial banking sector. So, the Security auditor need to posses wide and most recent knowledge about all the technical and non technical areas associated with efficient Information System protection and maintenance. An auditor needs to go through case studies of latest frauds and technical developments in the field. Latest knowledge and information, apart from intellectual skill and experience is most vital for successful discharge of IS security audit regarding responsibilities. Where security auditors are the employees of the banks and acting as internal auditor, it is individual bank's responsibility to give required training in these aspects.

Maintaining System Protection:

System protection or Information System physical and virtual security is a big issue for commercial banking organizations. For commercial banks ISs include a variety of things extending from human resources associated in running and maintaining it to different types of machines, softwares, diagrams, plans, policies, etc. The IS security auditor has a vast responsibility in ensuring that there is enough precautionary measures available in the organization for protecting the various assets forming the Information System of the organization. Threat arises from physical destruction of hardwares due to intentional or unintentional fire, structural collapse, intentional damage, wrong environment of the systems' location or data theft etc. Threat also arises from viruses and malwares designed for destructing information stored in servers and devices, making the function ability of the devices very poor, etc. Threat also penetrates from confidential information leakage regarding ISs through IS personals either intentionally or unintentionally. Information System Security Auditor has vast responsibility here also in giving the commercial banking organizations required advices for developing and executing comprehensive and robust Information System protection mechanisms.

Preventing System Data Manipulation:

Prevention of data manipulation is also an important responsibility for Information System Security Auditor. Data manipulation is nothing but accessing the confidential information exists in the server or in the devices and either deliberate changing of the available data or adding or deleting some data, which are nothing but true facts just before the manipulation. For commercial banks the objective for data manipulation is mainly to aid in monetary embezzlement or in sanctioning any loan or something else in an unethical manner. The auditor here also have dual responsibility, one is to check the presence of data manipulation and another is to advice how to prevent it. Both for checking and prevention the auditors need to have up-to-date information regarding ways or means through which manipulations are taking place in commercial banking sector either virtually or through physical access of the systems, apart from having in-depth and wide knowledge regarding recent technological developments in the area. For identification of data manipulation in the systems the auditor also need to judge whether any problem in the devices is creating an unintentional manipulation or aiding an intentional manipulation.

Maintaining and Increasing System Efficiency:

The system efficiency here basically defines whether the systems used by the commercial banking organizations in the country for information storage, exchange and for service providing are performing at an optimum efficient level. The security auditor's responsibility does not terminate in ensuring system protection and in preventing data manipulation. Another very important responsibility takes its root from maintaining and bettering of system efficiency. Here, auditor needs to check whether the hardwares and sofrwares are giving desired, quick and correct results. Auditor needs to take help of most advanced Computer Assisted Audit Tools (CAATs) and audit softwares to judge the overall efficiency of the system softwares. The physical condition and technological obsolescence of the hardwares need to be judged, apart from judging the technical superiority of the softwares. Security auditor also needs to advice the commercial banking organizations of the country about most recent Information Systems considering both the operational nature and economic condition of the banking organizations for bettering the system efficiency. One thing is very important, once the technical efficiency of the Information Systems get lost; the economic efficiency also gets a huge set back. For this, auditors need to check the system efficiency and also suggests for the betterment.

Building Supportive Organizational Culture:

If we look into broad responsibilities of the Information System Security Auditor, the final responsibility lies in developing a robust organizational culture in every commercial banking organizations of the country. It will be in favour of supportive, co-operative and knowledgeable mind set regarding importance of Information Systems in banking organizations under current contexts and also regarding understanding the individual level responsibilities of the officials and other employees in maintaining and enhancing system security and efficiency. The security auditors need to suggest the commercial banking organizations regarding how to sensitize the employees and officials regarding its importance and their duties, responsibilities and obligations regarding Information Systems. The security auditors should also themselves sensitize the banking organizations about all these aspects. Especially they should suggest for keeping a separate and robust IS security department, which will take over all the issues regarding maintaining IS efficiency and security, apart from developing supportive culture.

CONCLUSION:

From above discussion it is clearly understandable that the Information System Security Auditor has wide responsibilities in maintaining the Information Systems security in the commercial banks of India. Day by day with the growing importance of tech based Information Systems and resulting threat from the cyber world makes the job of security auditor much more complex and risky. A security auditor needs to possess a lot of technical knowledge and experience to discharge his responsibility in a true and fair manner. The absolute co-operation on the part of managements or other employees and officials of the commercial banking organizations is also an extremely necessary thing. Without the robust co-operation of the organization it is next to impossible for security auditor to discharge his duty properly. Finally, it is also the responsibilities for the professional bodies like Chattered Institute of India, Costing Institute of India and other international organizations to develop proper standards for this type of audit and train the auditors. RBI also bears important responsibilities in these regards. Especially, in guiding the different statutory bodies and commercial banks regarding various constructive measures need for ensuring robust information security system.

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FINANCIAL INCLUSION THROUGH ASSISTANCE OF CREDIT TO DIFFERENT SECTORS BY NON BANKING FINANCIAL COMPANIES IN INDIA : A TREND ANALYSIS

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Abstract:

It is generally believed that financial inclusion alleviate poverty by providing financial products and services to the needy individuals at an appropriate time and at a suitable price, especially in a huge and vast populated country like India. Financial inclusion drives each and every economy towards inclusive growth. Over the years, the Reserve Bank of India along with the government and policy makers have taken several initiatives to improve the level of financial inclusion in our country but the desired outcome haven't yet come and the dream of 100% financial inclusion in a developing economy is still a distant reality. Banks has always been the main provider of financial inclusion in an economy but in a vast diversified economy like India, the Non Banking Financial Companies does also need to step up for the effectiveness and Development of the country. The NBFC sector are the growing sector and it is evolving day by day, and with this regard the researcher attempted to conduct a study based on how the NBFCs of our nation are providing financial inclusion with the help of assisting credit to different core enterprises and sectors of our country. The researcher then conducted the desired study to find out if any trend is there or not while providing credit to different sectors of our economy by the nationwide NBFCs. Line graph along with simple linear regression model were used in the study, and the results of the conducted test were mixed having both statistically significant and insignificant results. Based on the derived results, conclusion was drawn by the researcher and along with that several recommendations were also put forward such that the NBFCs of our country can sustainably increase and improve the level of financial inclusion in near future.

Keywords: *Financial Inclusion, Insignificant, NBFCs, Poverty, Significant.*

JEL Classification: *C12, C88, D57, G23, Y10*

INTRODUCTION

Financial inclusion is the path through which an economy can evolve and develop. It is the key element of financial policy in combating poverty and ensuring justice to the society by accessing financial service to the vulnerable groups of the society. Inappropriate financial inclusion is a major obstacle in the path of growth and development of an economy. In a vast country like India, adequate financial inclusion has always been a major problem and the government has taken several initiatives to tackle financial exclusion in our economy but still much is needed to be done to increase the level of financial inclusion for the betterment of the economy. Financial inclusion simply means accessing credit and financial services at an affordable cost to the poor and low income groups of the society such that everybody get timely and adequate financial services in need. The main problem of financial inclusion in our country is with the downgraded population of our society those who have lack of financial literacy and financial knowledge such that they are less aware of such services for their own sustainability. The problem is mainly with the rural areas where there are no adequate credit facilities along with technological challenges restricting the free flow of credit in such regions.

The policy makers have taken various initiatives for the financial stability of our country to increase financial inclusion and most of them were through bank routed channels since banks are the maximum provider of financial services to ensure financial inclusion in our country. The Non Banking Financial Companies of our country are growing since its inception and some of them are growing at a space more than the formal banks of our nation. The NBFCs have both the resources and capability to provide adequate financial services to the needy where the banks cannot operate. NBFCs have the core strength to deliver services but no such initiatives were taken for the NBFCs of our country such that they can provide financial inclusion and extend their services like the banking sector does. NBFCs do not have a baking license but the distinct kind of services they provide are no where less than banks if compared and they have the ability to do much more than its basic services. The NBFCs of our country often face the problem of credit risk and at times the small NBFCs have to depend on banks since there is a lack of refinancing options on part of such NBFCs and no such policy or initiatives have been taken for the evolving sector of our country. The NBFCs also face the problem of high cost of capital along with cash crunch often which has become a barrier in the process of its growth. Therefore, the Reserve Bank of India along with the government should make suitable policies for the NBFC sector such that it can operate freely along with its evolvement and growth since such a strong financial unit of our country cannot be neglected which can play a crucial role in financial inclusion and sustainable development for our nation.

REVIEW OF LITERATURE

The researcher has gone through several existing literatures in the concerned area for the purpose of identification of the research gap of the study:

Pellissery, C. S., & Koshy, C. J. (2015) studied a performance comparison between the nationwide banks and the NBFCs of India and the study revealed that the NBFCs have better position in the capital market than the banks of our country. Both the sectors differ significantly in terms of its financial performance because of their differences in principle activities and the services they provide and the difference in their interest rate. So, overall the NBFCs performed better than the banks ensuring financial inclusion in the economy. Shah, P., & Dubhashi, M. (2015) in their article elaborated that the availability of financial services in rural areas is most important since the development of the economy is dependent on the growth of the rural area and therefore financial inclusion in such segments is imperative. The researchers also highlighted that the Reserve Bank of India and the government took several measures but they should encourage the national banks to adopt financial inclusion by definite measures to achieve the aim of inclusive growth in our country. Barua, A., Kathuria, R., & Malik, N. (2016) identified that our Nations financial inclusion has witnessed a paradigm shift in the last few years. The researchers elaborates that the current state of financial inclusion is improving but the desired outcome of the inclusion hasn't came out yet and therefore the regulatory policy makers should take necessary steps to improve the situation of financial inclusion in India. The article also explains about the regulatory structure and the delivery mode of financial services in our economy, which needs to be improved further for the growth and development of our nation. The researchers concluded by accessing the suitable objectives that is envisaged such that it is crucial and critical for financial inclusion and also pointed out that adequate financial literacy is very much necessary for a developing nation like India. Chavali, K., & Rosario, S. (2018) elaborated that the NBFCs have become an alternative to the banking sector rather than being complimenting with the bank and the NBFC sector are playing an important role for the infrastructure development of our country and their performance is also good since their net profit is also rising and then the impact of capital structure of the NBFCs in the profitability is also good for the better part of the sector. K, R., Shanmugam, K. R., & Bhaduri, S. (2019) studied that the global acceptance of the fact that the development of financial services is essential for the growth of the economy and thus our country have realized that the benefits of growth will not trickle down to the lower strata of the economy unless it is inclusive and for inclusive growth the NBFCs need to play a crucial role for the society.

RESEARCH GAP

There contains no specific research work regarding financial inclusion through the assistance of credit to different sectors by the NBFCs, which was found by the researcher based on the above detailed review of literature. Considering the importance and relevance of the study in the recent scenario, there is a major research gap which also has got a huge social significance in our economy. Therefore, the researcher conducted the research work by identifying several sets of questions as research objectives of the study along with its testable research hypothesis to fulfill the research gap of the study.

OBJECTIVES OF THE STUDY

Based on the research gap mentioned above and considering the importance of the study, the following research objectives have been laid down:

1. To analyze the trend in financial inclusion through Credit provided to Micro, Small and Medium Enterprises by Non Banking Financial Companies.
2. To analyze the trend in financial inclusion through Credit provided to Industry Sector by Non Banking Financial Companies.
3. To analyze the trend in financial inclusion through Credit provided to Service Sector by Non Banking Financial Companies.

RESEARCH METHODOLOGY

The current study is empirical in nature which is based on secondary sources of information and data. The study focuses on the Non Banking Financial Companies of our country and how they are setting the trend in providing financial inclusion through the assistance of credit to different sectors namely Micro, Small and Medium Enterprises, Industry Sector and Service Sector of our country. Based on the importance of the study, data relating to credit assistance to these enterprises and sectors by the NBFCs have been collected from the website of the Reserve Bank of India and its report on trend and progress of banking in India, and then it was analyzed to see if there is a trend in such credit assistance which will ultimately help in ensuring financial inclusion in our economy. The period of the study is for last five financial years considering from 2015-16 to 2019-20 and it was collected based on the availability of the data and suitability of the study. For the exploratory part of the study, various news reports, articles, journals, manuscripts, published information and working papers had been referred for the fulfillment of the research objectives of the current study.

Based on the relevance of the study, trend analysis was conducted with the help of the collected data. To analyze the trend in financial inclusion through the credit providing capacity of the NBFCs, line graph was presented with the help of Microsoft Excel and then simple linear regression model was computed will the help of SPSS software to fulfill the research hypothesis and to derive the results of the study. In the simple linear regression models of the study, dependent variable being considered here is the credit provided by the non banking financial companies to different enterprises and sectors and the independent or explanatory variable being the time factor to find the trend along with time. The dependent variables are considered as one of the results of financial inclusion since the assistance of credit by the NBFCs are in an way providing financial inclusion in our country which are a great source of finance to many sectors. At last conclusion has been drawn by the researcher based on the results found out after extensive analysis and interpretation of the data and then some recommendations were also put forwarded by the researcher such that the NBFCs can become a key player in providing financial inclusion in our country for the overall effectiveness of our country.

RESEARCH QUESTIONS

The following research questions have been raised by the researcher based on the objectives of the study:

1. Does there is a trend in financial inclusion through Credit provided to Micro, Small and Medium Enterprises by Non Banking Financial Companies?
2. Does there is a trend in financial inclusion through Credit provided to Industry Sector by Non Banking Financial Companies?
3. Does there is a trend in financial inclusion through Credit provided to Service Sector by Non Banking Financial Companies?

RESEARCH HYPOTHESIS

The following testable hypothesis has been formulated based on the research objectives of the study:

1. H01: There is no significant trend in Credit provided to Micro, Small and Medium Enterprises by Non Banking Financial Companies.
2. H02: There is no significant trend in Credit provided to Industry Sector by Non Banking Financial Companies.
3. H03: There is no significant trend in Credit provided to Service Sector by Non Banking Financial Companies.

RESULTS AND DISCUSSION

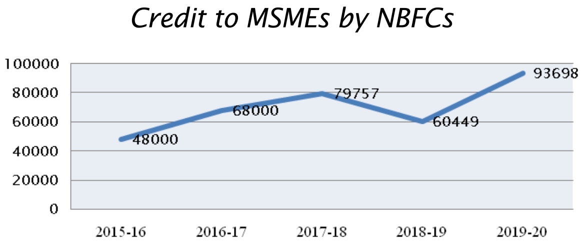
To fulfill the research objectives of the study based on the above mentioned research questions and its hypothesis, data regarding credit provided to various sectors and institutions by Non Banking Financial Companies for the financial year 2015-16 to 2019-20 are presented and analyzed below:

Table 1: Credit provided to Micro, Small and Medium Enterprises by Non Banking Financial Companies

Year	Credit provided to MSMEs by NBFCs (Amount in rupees crore)
2015-16	48000
2016-17	68000
2017-18	79757
2018-19	60449
2019-20	93698

Source: Report on Trend and Progress of Banking in India from Year 2015-16 to 2019-20

Fig.1: Credit provided to Micro, Small and Medium Enterprises by Non Banking Financial Companies



Source: Presented through Microsoft Excel

From Fig 1, it can be clearly observed that there is a fluctuating trend in the credit provided to Micro, Small and Medium Enterprises by Non Banking Financial Companies which is due to the fall in assisting of credit in the financial year 2018-19 among the last five financial year's data. There was a rising trend in providing credit by the NBFCs till the financial year 2017-18 and then there is a fall which is a bit fluctuating in nature and then again it rises and possibly it will rise and grow for the foreseeable future which is better for the financial inclusion of our economy. The figure also depicts that there is a moderate and little fluctuation during the period of the study.

To analyze the trend in financial inclusion through credit provided to Micro, Small and Medium Enterprises by Non Banking Financial Companies, the following linear regression model has been formulated and its equation is shown below:

Credit provided to MSMEs = X0 + X1t + e

Where, X0 and X1 are the parameters indicating intercept and coefficient,

t is the Time Element, and

e is the error term.

Table 2: Trend Analysis of Credit provided to Micro, Small and Medium Enterprises by Non Banking Financial Companies through Linear Regression Model during the study period

R	R Square	Adjusted R Square	F	Sig.	Unstandardized Coefficient (B)	t
.754	.569	.425	3.957	.141	8384.500	1.989

a Predictors: *(Constant), Time*

b Dependent Variable: *Credit provided to MSMEs*

Source: *Computed through SPSS software*

Table 2 denotes that the correlation coefficient between the dependent and independent variable R is 0.754 which is not significant at 5% level of significance which indicates a significant non linear association between Credits provided to Micro, Small and Medium Enterprises by Non Banking Financial Companies along with its time factor. The value of R square 0.569 which shows more than 56% of the variation in the dependent variable has been explained by the independent variable. The value of F is 3.957 which measure the ratio between mean square of regression and its residual is statistically insignificant at 5% level of significance which shows that the model is not reliable and good fit. The value of unstandardized coefficient beta at 8384.500 shows that there is a positive trend in Credit provided to Micro, Small and Medium Enterprises by Non Banking Financial Companies but the p value 0.141 is more than 0.05 and t value 1.989 proves it is statistically insignificant at both 1% and 5% level of significance.

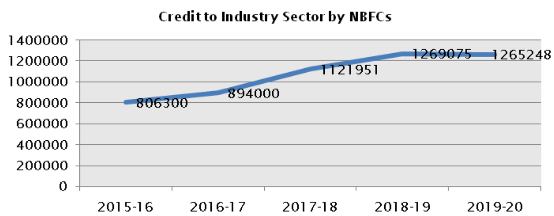
Table 3: Credit provided to Industry Sector by Non Banking Financial Companies

Year	Credit provided to Industry Sector by NBFCs (Amount in rupees crore)
2015-16	806300
2016-17	894000
2017-18	1121951
2018-19	1269075
2019-20	1265248

***Source:** Report on Trend and Progress of Banking in India from Year 2015-16 to 2019-20*

***Fig.2:** Credit provided to Industry Sector by Non Banking Financial Companies*

Credit to Industry Sector by NBFCs



Source: Presented through Microsoft Excel

From the above Fig 2, it can be depicted that there is an overall rise in the trend of Credit provided to Industry Sector by Non Banking Financial Companies for the last five financial years until and unless there is bit fall in the amount in last financial year 2019-20. There is rise in credit assistance since financial year 2015-16 by the NBFCs and since then it rises showing an increasing trend for the future but there was a marginal fall in credit assistance in the last financial year but overall there was a stable performance by the NBFCs in assisting the Industry Sector of our country.

To analyze the trend in financial inclusion through credit provided to Industry Sector by Non Banking Financial Companies, the following linear regression model has been formulated and its equation is shown below:

Credit provided to Industry Sector = X0 + X1t + e

Where, X0 and X1 are the parameters indicating intercept and coefficient,

t is the Time Element, and

e is the error term.

Table 4: Trend Analysis of Credit provided to Industry Sector by Non Banking Financial Companies through Linear Regression Model during the study period

R	R Square	Adjusted R Squaer	F	Sig.	Unstandardized Coefficient (B)	t
.961	.924	.898	36.398	.009	129297.100	6.033

***a) Predictors:** (Constant), Time*
***b) Dependent Variable:** Credit provided to Industry Sector*
***Source:** Computed through SPSS software*

The above Table 4 elaborates that the correlation coefficient between the Credits provided to Industry Sector by Non Banking Financial Companies in the last five financial years along with its explanatory variable time factor i.e. R is 0.961 which is significant at 1% level of significance which shows a significant linear association between the dependent and its explanatory variable. The R square value here is 0.924 which indicates that more than 92% of the variation in the Credit provided to Industry Sector by NBFCs has been explained with increasing time. The F value is found at 36.398 which measure the ratio between mean square of regression and residual, which is statistically insignificant at 1% level of significance which shows that the model is a good fit and it's a reliable one. The unstandardized coefficient beta value at 129297.100indicates a positive trend in Credit provided to Industry Sector by Non Banking Financial Companies and shows that with increasing years there is an increase in credit disbursement with an amount of rupees 129297.100 crores by the NBFCs to our industry sector, which is statistically significant at both 1% and 5% level of significance.

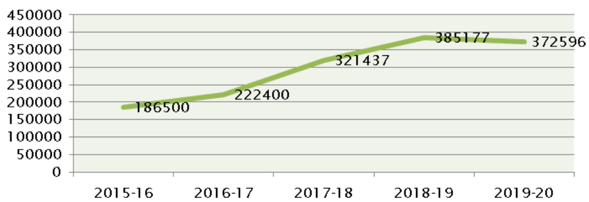
Table 5: Credit provided to Service Sector by Non Banking Financial Companies

Year	Credit provided to Service Sector by NBFCs (Amount in rupees crore)
2015-16	186500
2016-17	222400
2017-18	321437
2018-19	385177
2019-20	372596

Source: Report on Trend and Progress of Banking in India from Year 2015-16 to 2019-20

Fig 3: Credit provided to Service Sector by Non Banking Financial Companies

Credit to Service Sector by NBFCs



Source: Presented through MS Excel

Fig 3 reveals that there is a rise in the trend of Credit provided by Non Banking Financial Companies to the Service Sector until the last financial year 2019-20, where there is a fall in the amount considering the period of the study for five financial years. The amount of credit assisted by the NBFCs shows that they have emerged as a successful financial influencer to the sector. The overall rising trend of credit assistance shows that the NBFCs are providing financial inclusion in our economy in some way.

To analyze the trend in financial inclusion through credit provided to Service Sector by Non Banking Financial Companies, the following linear regression model has been formulated and its equation is shown below:

Credit provided to Service Sector = X0 + X1t + e

Where, X0 and X1 are the parameters indicating intercept and coefficient,

t is the Time Element, and

e is the error term.

Table 6: Trend Analysis of Credit provided to Service Sector by Non Banking Financial Companies through Linear Regression Model during the study period

R	R Square	Adjusted R Square	F	Sig.	Unstandardized Coefficient (B)	t
.948	.898	.864	26.488	.014	53496.900	5.147

a) Predictors: (Constant), Time

b) Dependent Variable: Credit provided to Service Sector

Source: Computed through SPSS software

Table 6 shows that the value of R is 0.948, which indicates that the correlation coefficient between the Credits provided by Non Banking Financial Companies to Service Sector in the last five financial years along with the time factor is significant at 5% level of significance that also shows a significant linear association between the dependent variable and its independent variable. The value of R square in the model is 0.898 which elaborates that more than 89% of the variation in the Credit provided by the NBFCs to Service Sector has been explained with increase in time. The F value here is found to be26.488that measures the ratio between the mean square of regression and its residual is statistically significant at 5% level of significance which shows that the regression model is a reliable one and its good fit. The unstandardized coefficient beta value here is53496.900, which indicates a positive trend in Credit provided by NBFCs to Service Sector and further it can be said that there is an increase in credit assistance an amount of rupees 53496.900 crores with the increase in time and years by the NBFCs to the Service Sector, which is statistically significant at 5% level of significance.

CONCLUSION AND RECOMMENDATIONS

Based on the extensive presentation and analysis done above in the study, there emerges statically significant and insignificant results of the testable hypothesis on account of providing financial inclusion in the nation with the help of credits provided by the NBFCs of our country to different enterprises or sectors which is concluded below as follows:

- H01 is not rejected at 5% level of significance which shows that there exists no significant trend in Credit provided to Micro, Small and Medium Enterprises by Non Banking Financial Companies.
- H02 is rejected at 1% level of significance which depicts that there exists a significant trend in Credit provided to Industry Sector by Non Banking Financial Companies.
- H03 is rejected at 5% level of significance which signifies that there is a significant trend in Credit provided to Service Sector by Non Banking Financial Companies.

From the overall result of the study, it can be justified that the NBFCs are providing financial inclusion in our economy with passing time. Day by day their credit providing capacity to different sectors rises which is the definite need of the era to ensure liquidity and flow of funds in the market. It can be concluded that the credit provided by the NBFCs to the MSMEs does not show an appropriate trend since there was a huge fall in the credit providing capacity by the NBFCs in the middle of a financial year whereas credit assisted to the industry and service sector by the NBFCs illustrates a proper rising trend with a marginal fall in credit providing capacity in the last financial year. Furthermore it can be said that the NBFCs are providing financial inclusion in our economy with the help of their credit assisting power to different sectors to improve the financial performance of our country.

NBFCs are the ones which are often neglected when we talk about financial inclusion in our country since the majority of financial inclusion is provided by the banking sector of our economy. But the NBFCs are playing their part cautiously and well enough to access financial services in the market to the deserved ones. Banks being a tough competitor for the NBFCs, they should carter their services towards the unbanked masses such that there is an overall improvement in the financial inclusion which will drive away poverty and will lead towards inclusive growth for the economy. The study further elaborates that the NBFCs credit assisting capacity to different sectors are increasing which ensures helping other sectors financially in need. The NBFC sector is evolving and growing over the years such that they have now become an important part of the society which has the capacity to drive away financial exclusion to a larger extent. Credit provided to different sectors by the NBFCs not only help other sectors financial stability but also ensures financial inclusion in the economy and there is a direct relationship between financial inclusions with development of the economy. Though at this point of time everything is not in the hands of the NBFCs, but the regulators and policy makers should also need to come forward for the effectiveness of the sector since such a strong future prospect cannot be neglected for the societal aspect of the nation.

Appropriate financial inclusion drives an economy towards growth and development but it is the problem with our country since we talk much about financial inclusion and actually not doing much for the financial stability and access to appropriate financial services to the individuals of our country. The key players like banks are not merely interested in providing financial inclusion to the undeserved population but they are actually interested in surviving in the tough competitive market. There are also many problems and challenges encountered by the NBFCs from licensing to funding issues which restricts them to operate freely in the market and thus the flow of funds and its resultant financial inclusion is also getting restricted.

On account of that several recommendations has been put forwarded by the researcher for free flowing of operations of the NBFCs such that they can be effective towards the society in ensuring financial inclusion:

- The NBFC sector is operated and dominated by too few players in the market such that the smaller and newer NBFCs face challenges in surviving in the market and therefore the regulators should come with policies that will help such small players to revive so that they contribute towards our economy.
- The NBFCs should provide financial literacy programs to the downgraded and backward sections of the society such that they can be aware of managing their finance in an effective manner.
- There is no appropriate refinancing option for the NBFCs which acts as a resistance for their growth and evolvement and instead they have to depend on others form of resources which the government should take care and think about it for the financial health of the country.
- The growing NBFCs should focus on the unbanked masses along with the credit deficiency areas such that they can provide appropriate and timely financial services at an affordable cost to the needy ones.
- There should be an effective monitoring framework on part of the NBFCs along with the Reserve Bank of India to keep a eye on several disparities that is bound to happen in every sector.

LIMITATIONS OF THE STUDY AND FUTURE RESEARCH SCOPE

The current study is based on some selected sectors where the NBFCs assist credit and it is completely based on secondary sources of data. Thus, more sectors can be considered by the future researchers where the NBFCs provide credit assistance including more social and operational parameters such that the ascertainment of financial inclusion by the NBFCs can be better understood in a larger and in depth picture. Time period of the study is short and therefore future research studies can be conducted in a longer time span with the help of various sophisticated statistical tools to get better and accurate results. Future researchers can also conduct research studies on a particular location or geography basis with the help of primary means of survey and moreover, cross country analysis of such related studies can also be done to identify the level and access of financial inclusion a particular country have.

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I) Discussion Meet with PFRDA Officials with ICAI held on 2nd December, 2021

The Banking, Financial Services and Insurance Board (BFSIB) of The Institute of Cost Accountants of India held a discussion meeting with the PFRDA Officials on 2nd December,2021 at the Headquarters Office of the Institute.

The PFRDA was represented by Shri Ananta Gopal Das, Executive Director and Shri Mono MG Phukon, Chief General Manager. The Institute was represented by CMA P. Raju Iyer, President, CMA Biswarup Basu, Immediate Past President, CMA Balwinder Singh, Past President, CMA Amal Kumar Das, Past President, CMA Avijit Goswami, Former Council Member, CMA Chittaranjan Chattopadhyay,Chairman, BFSIB, CMA Arundhati Basu, Secretary, EIRC ,CMA Kaushik Banerjee, Secretary of the Institute and other senior Officials of the Institute.

CMA P.Raju Iyer welcomed all who were present for the meeting and highlighted the role of the Institute through their wide network for popularizing the NPS and APY among the various members and students of the Institute. He also stated that in the upcoming National Cost Convention a specific session would be dedicated for PFRDA on NPS.

CMA Biswarup Basu also highlighted that the PFRDA and the Institute would be soon organizing the Pension month where webinars and other activities would be undertaken across the country.

CMA Chittaranjan Chattopadhyay welcomed the PFRDA officials and expressed his willingness to organize the pension month by BFSIB in association with PFRDA and various other seminars/webinars across various Offices of the Institute.

Shri Ananta Gopal Das briefed about the salient features of NPS and the present scenario of the operation of the scheme and the benefits it has compared to other retirement schemes. He highlighted that it has the lowest cost and highest safety compared to other financial schemes. He also stated that with the objective of Pension for all the organization is working in close coordination with various Chambers of Commerce and other corporates by webinars and physical symposiums. The objective is to spread awareness among all about the benefits of the various schemes of PFRDA.

Shri Mono MG Phukon highlighted the tax benefit and the GST exemption the product has presently than the private insurance companies along with the cost advantage than others to manage the Assets Under Management.

The PFRDA officials replied to various questions raised during the meeting about the functioning and various matters pertaining to administration of NPS and expectancy of return of the scheme.

CMA Kaushik Banerjee concluded the meeting with his vote of thanks and requested the Officials of the PFRDA to provide a specific pension scheme for the employees of the Institute and it's members so that it can be designed as a social security welfare scheme for all. He further stated that various schemes of PFRDA be popularized through physical seminars and webinars across the length and breadth of the country through various Offices of the Institute.

II) Certificate Course on General Insurance in association with National Insurance Academy: The BFSI Board started the 1st batch of Certificate Course on General Insurance in association with National Insurance Academy (NIA) from 20th November, 2021 to update the members about various facets of general insurance which are necessary for them to update their knowledge in insurance sector. The course was launched in the gracious presence of CMA G. Srinivasan, Director, National Insurance Academy along with CMA Chittaranjan Chattopadhyay, Chairman, BFSI Board and other eminent faculties of NIA.

The 2nd batch admission has started for members and students who should avail the opportunity of enrolling in the course for skill development and capacity building in the Insurance Sector.

III) Investment Management Course in association with NISM

BFSIB and NISM conducted the valedictory session for the Batch No. 1 of Level-IV and Batch No. 3 of Level-III respectively of the Investment Management course organized by BFSIB and NISM on November, 14, 2021. The programme was graced by Dr. V. R. Narasimhan, Dean SRSS & SCG, NISM and Dr. C K G Nair, Director, NISM respectively along with CMA Chittaranjan Chattopadhyay, Chairman, BFSI Board. The programme was compered by CMA Dr. Latha Chari, Associate Professor, NISM.

BFSIB and NISM has started the admission process for the 7th Batch of Investment Management (Level-I), 4thBatch of Investment Management (Level-II) and 2nd batch of Investment Management (Level-IV) respectively.

IV) Banking Courses

BFSIB has concluded the 5th batch of Certificate Course on Concurrent Audit of Banks on 17th October 2021, 4th batch of Certificate Course on Treasury and International Banking on 7th November 2021 and on 5th December, 2021 the 5th batch of the Certificate Course on Credit Management of Banks respectively.

The admission process for the 6th Batch of Certificate Course on Concurrent Audit of Banks and Certificate Course on Credit Management of Banks respectively are going on along with the 5th batch of Certificate Course on Treasury and International Banking respectively.

Like all other courses of the Institute the members and students can take up the three certificate courses on Banking which will greatly benefit towards their skill development and knowledge enhancement.

V) Workshop on Risk Based Internal Audit

BFSIB organized the Workshop on Risk Based Internal Audit from 18th to 21st November, 2021. It was attended by bankers form Urban Cooperative Banks, Housing Finance Companies, Banks and others for the three days' full day workshop. The workshop was inaugurated by Shri Hargovind Sachdev, Former General Manager of State Bank of India on 18th November, 2021 along with CMA P.Raju Iyer, the then Vice President, ICAI and present President, ICAI and CMA Chittaranjan Chattopadhyay, Chairman, BFSIB respectively. It was concluded with a wrapping up session by CMA Srinivasaraghavan, Consultant on 21st November, 2021. The workshop was very well appreciated as per the feedback received from the participants and the BFSIB will organize such online workshops in the coming days.

VI) Webinar

BFSIB organized a webinar on Mutual Funds on 23rd November, 2021 from 4-6 pm and it was conducted by Shri Sudhakar Kulkarni, Certified Financial Planner. It was organized by BFSI for investor awareness of capital markets among students, members and others.

VII) Representation letters for inclusion of CMAs

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.

VIII) Handbook on Infrastructure Finance

Publication of Handbook on Infrastructure Finance is underway and we are sure that such publication as and when published by BFSIB will be of immense benefit for all the readers.

Banking, Financial Services & Insurance Board

CERTIFICATE COURSE ON CONCURRENT AUDIT OF BANKS

BROCHURE

6TH BATCH

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

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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

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

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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.
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    - 12.2 Pre-shipment packing credit Advance.
    - 12.3 Discounting of Export Bills / Import Bills payment etc.
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    - 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.

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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

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

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

About The Institute

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Mission Statement

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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)**

- Principles of Lending: Safety, Liquidity, Profitability, Purpose of Loan, Diversification Risk. Credit
- Policy: Importance, Contents, Exposure Norms
- Types of Borrowers: Individuals, Proprietorship Firms, Partnership Firms, Private & Pubic Limited Companies, Limited Liability Partnerships (LLP).
- Types of Credit Facilities: Various Types of Credit Facilities - Cash Credit, Overdrafts, Demand Loan, Term Loans, Bills Discounting
- Credit Delivery: Sole Banking Arrangement, Multiple Banking Arrangement, Consortium Lending, Syndication
- 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
- 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)**

- 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
- Analysis of Profit & Loss Account, Auditor's Note
- 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
- 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)**

- 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
- 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
- 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)**

- 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)**

- 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

- 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.
- Credit Monitoring, Supervision & Follow Up: Credit Monitoring - Check-list for Monitoring, Monitoring by using various statements, QIS Formats / guidelines, Supervision & Follow Up.
- 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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Certificate Course on Treasury and International Banking

About The Institute

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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
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Course Eligibility

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

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a) Classroom Learning of 3 hours per day in the Weekend through online mode
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For number of employees 5-10, discount is 15%. For number of employees more than 10, discount is 20%

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Rs. 750 plus GST per attempt.

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Certificate Course on Treasury and International Banking

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

Contact for further queries

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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.

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

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

NATIONAL INSTITUTE OF SECURITIES MARKETS An Educational Initiative of SEBI

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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- 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%

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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%

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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

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

For more details

Course Coordinator from BFSI Department

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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
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www.nism.ac.in
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Behind Every Successful Business Decision, there is always a **CMA**

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2ND BATCH

ONLINE
CERTIFICATE COURSE IN

INTEGRATED TECHNICAL ANALYSIS AND ADVANCED DERIVATIVES

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An Educational Initiative of SEBI

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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.

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Certificate Course in Integrated Technical Analysis and Advanced Derivatives

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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Discussion Meet with the Pension Fund Regulatory and Development Authority (PFRDA) Officials on "National Pension System (NPS)" dated 2nd December, 2021

The Banking, Financial Services and Insurance Board (BFSI B) of The Institute of Cost Accountants of India held a Discussion Meet with the Pension Fund Regulatory and Development Authority (PFRDA) Officials on "National Pension System (NPS)" held on 2nd December, 2021 at the Headquarters of the Institute.

National Pension System (NPS) is a pension cum investment scheme launched by Government of India to provide old age security to Citizens of India. It brings an attractive long term saving avenue to effectively plan one's retirement through safe and regulated market-based return. The Scheme is regulated by Pension Fund Regulatory and Development Authority (PFRDA).

We had a gracious presence of Shri Ananta Gopal Das, Executive Director and Shri Mono MG Phukon, Chief General Manager from PFRDA at the meet. The Institute was represented by CMA P. Raju Iyer, President; CMA Biswarup Basu, Immediate Past President; CMA Balwinder Singh, Past President; CMA Amal Kumar Das, Past President; CMA Avijit Goswami, Former Council Member; CMA Chittaranjan Chattopadhyay, Chairman, BFSIB; CMA Arundhati Basu, Secretary, EIRC; CMA Kaushik Banerjee, Secretary of the Institute and other senior officials of the Institute.

CMA P. Raju Iyer welcomed all who were present for the meeting and highlighted the role of the Institute through their wide network for popularizing the NPS and APY among the various members and students of the Institute. He also stated that in the upcoming National Cost Convention a specific session would be dedicated for PFRDA on NPS.

CMA Biswarup Basu highlighted that the PFRDA and the Institute jointly would be soon organizing the Pension month where webinars and other activities would be undertaken across the country.

CMA Chittaranjan Chattopadhyay welcomed the PFRDA officials and expressed his willingness to organize the pension month by BFSIB in association with PFRDA and various other seminars/ webinars across various Offices of the Institute.

Shri Ananta Gopal Das, Executive Directot, PFRDA briefed about the salient features of NPS and the present scenario of the operation of the scheme and the benefits it has compared to other retirement schemes. He highlighted that it has the lowest cost and highest safety compared to other financial schemes. He also mentioned that with the objective of Pension for all the organization is working in close coordination with various Chambers of Commerce and other corporate by webinars and physical symposiums to spread awareness about the various schemes of PFRDA.

Shri Mono MG Phukon, Chief General Manager, PFRDA stated that the tax benefit and the GST exemption the product has presently than the private insurance companies along with the cost advantage than others to manage the Assets Under Management.

The PFRDA officials replied to various questions raised during the meeting about the functioning and various matters pertaining to administration of NPS and expectancy of return of the scheme.

CMA Kaushik Banerjee concluded the meeting with his vote of thanks and requested the Officials of the PFRDA to provide a specific pension scheme for the employees of the Institute and its members so that it can be designed as a social security welfare scheme for all. He further stated that various schemes of PFRDA can be popularized through physical seminars and webinars across the length and breadth of the country through various Offices of the Institute.

Snapshots

Discussion with Shri S.K. Mohanty, Whole Time Member (Extreme left), CMA Dr. Ashish P Thatte, Chairman, Corporate Laws Committee (2nd from left), CMA Dr.Balwinder Singh, Chairman, TEF and CASB, (2nd from right) and CMA Chittaranjan Chattopadhyay and Chairman, BFSIB (Extreme Right) in SEBI HQ, Mumbai on 13th December 2021

Meeting with Dr.G.R.Chintala, Chairman, NABARD with CMA Balwinder Singh, Past President,ICAI (extreme Left), CMA Chittaranjan Chattopadhyay, Chairman, BFSIB (2nd from left), Dr.G.R.Chintala, Chairman, NABARD (2nd from right) and CMA Dr. Sreehari Chava,Consultant. (extreme right). Chairman NABARD was presented the Agri Clinic publication on 13th December 2021

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB and CMA Debasish Mitra, Chairman, Board of Advanced Studies felicitating Dr. CKG Nair, Director, NISM alongwith other Officials of ICAI and NISM on 15th December 2021.

Snapshots

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB and along with CMA Neeraj Joshi, Chairman, MAC, felicitating Dr. Partha Ray, Director and Member Secretary, NIBM on 16th December 2021.

CMA Neeraj Joshi, Chairman, MAC, CMA Dr. D. P. Nandy, Sr Director, CMA Chittaranjan Chattopadhyay, Chairman, BFSIB, Dr. Partha Ray, Director and Member Secretary, NIBM, Dr. Kaushik Mukherjee, Associate Professor, NIBM and Dr. Arindam Bandyopadhyay, Associate Professor (Finance) on 16th December 2021

With all faculties of NIA CMA Chittaranjan Chattopadhyay, Chairman, BFSIB and along with CMA Neeraj Joshi, Chairman, MAC on 17th December 2021.

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB and along with CMA Neeraj Joshi, Chairman, MAC felicitating Prof. Segar Sampath Kumar, Faculty, NIA along with Dr. G. Doss, Faculty, NIA on 17th December 2021.

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB and along with CMA Neeraj Joshi, Chairman, MAC along felicitating CMA Dr. Manisha Ketkar, Director, Symbiosis School of Banking and Finance on 17th December 2021.

FINANCIAL SNIPPETS

October 21

- As per DICGC 93% of premium has come from commercial banks
- India's external debt has gone up by 2.1% to USD 570 billion
- DBT beneficiaries at 71 Cr
- ADB retains India growth at 10% for FY 22
- In FY21 , banks have 34% share in inflow of funds
- GST collection at Rs.1.17 trillion in September
- Fiscal deficit at 31% of estimate till August - This is 18 year low
- Credit growth is at 6.7 % in September, YOY
- Moody's Upgrade sovereign rating
- As per CRISIL ratings, its credit ratio increased further in the first half of FY 22 with 488 upgrades and 165 downgrades reflecting a sharp and sustained recovery in demand despite the intense second wave of Covid 19
- PMI manufacturing hits 53.7, sees rise for third successive month
- The National Payments Corporation of India NPCI's flagship payment platform Unified Payments Interface (UPI) processed 3.65 billion transactions worth Rs.6.5 trillion in September and all-time high both in volume and value terms
- As per ICRA, securitization volume doubled in H1
- 30 start-ups joined Unicorn club in 2021
- NBFCs to have Ombudsman
- MNC banks can store limited data abroad
- As per S&P, four Indian banks are among the 20 largest banks in Asia Pacific region in terms of market capitalisation in Q3. They are HDFC Bank, ICICI Bank, SBI and Kotak Mahindra Bank
- September retail inflation at 4.3%, the lowest in five months
- WPI at 10.66 in September the lowest in six months
- Industrial output growth accelerated to 11.9% in August
- Global debt is at USD 22 6 trillion
- As per IMF report, India is the fastest growing economy
- Consumer durables sector has registered double-digit growth
- Tax mop up at Rs.2.5 trillion- overshoot the target
- Real estate sector – record Q2 sales

- Auto debit bounce has come down
- Two lakh crypto accounts blocked
- As per Moody's, Banking Outlook stable
- Loans to industries at 26%
- Banks explore central repository to tackle gold loan frauds as demand rises
- MSMEs to get USD 100 million fund for digitisation through a four way partnership forged among HDFC bank, Master Card, US International Development Finance Corporation (DFC) and US Agency for International Development(USAID)
- RBI caps IPO funding by NBFCs up to Rs.1 Cr per borrower
- RBI extends Basel -III capital framework to AIFIs. such as Exim Bank, NABARD, NHB and SIDBI
- Fiscal deficit likely to stay at budget estimate of 6.8%
- Gold loans turned fastest growing segment as banks lean on safety
- Health insurers see huge surge in non-Covid claims
- Q3 gold demand up 47% as offtake revives and Covid restrictions ease
- RBI eases current account rules
- PMJDY accounts touched 44 Cr till October this year

November 21

- Moody's affirms ratings of 9 Indian banks, changes outlook to stable
- Four tier scale based regulatory guidelines for NBFCs from 1-10-22
- NPCI launches tokenisation of Rupay cards as safety measure
- Mobile payments surpass credit cards in 2021
- Formal sector jobs created by EPFO jumps by 48% in August 2021 –as per payroll data
- RBI eases current account opening rules for exposure below Rs.5 Cr
- Banks extend Rs.11168 Cr loans in outreach program during festive season
- Size of informal economy is 15–20% of formal GDP
- October GST collection is Rs.1.30 trillion
- New PCA norms sets in by Jan 22.RBI has revised the terms.
- Credit rebounds at 6.8% in October 21
- Non-audit services to audit clients to be banned
- Government floats four tier plan for PSB staff accountability

- Credit card spends jumped 57% year on year in September aided by the festive season
- Currency with the public for the fortnight ended October 8, 2021 stood at a record high of Rs.28.30 trillion
- New business premium in (NBP) of 24 life insurance companies dgrew 5% year-on-year in October due to Life insurance Corp of India's muted performance.
- Post Covid, NBFCs source digital loans
- After five years of demonetisation, cash in circulation at near peak this year as per SBI report. Cash in circulation, as a percentage of GDP has climbed again to 13.1% so far this fiscal.
- GST collections indicate economic revival. Even after accounting for the base effect, tax revenues have made a smart recovery in most states in Q1 of 20 21-22.
- As per RBI cooperative societies cannot use bank in their names.
- Goldman Sachs and others raise FY22 , GDP growth forecast
- Move to ban private crypto currencies. Bill to be presented in winter session
- Jan Dhan 3.0 is to focus on digital, doorstep banking.
- New wage rate index released. 2016 made base year from 1963-65
- Retail borrowers lift credit demand.
- RBI may shift focus from US dollar to Yuan for export competitiveness
- Government may hold 26% in privatised PSBs
- Moody's projects India's economic growth will rebound strongly with GDP expanding 9.3% in the current fiscal ending March 2022
- Google, Microsoft, Amazon invest more in start-ups - surpass pre Covid level

December 21 (upto 16/12/21)

- With the DBT, government forecasts saving of over Rs.44 000 Cr in fiscal 2020-21
- Branches added by banks in FY21 at a decade low
- No plan to recognise Bitcoin as currency says FM
- RBI supersedes the board of Reliance Capital.
- Banks had issued 31.67 Cr Rupay debit cards with free accident insurance cover to PMJDY account holders
- India's retail inflation rises marginally to 4.48% in October. IIP grows 3.1% in September
- Bank credit grows by 6.84% to Rs.110.4 6 trillion and deposits by 9.94% to Rs.157.1 2 trillion in the fortnight ended October 22 as per RBI data

- RBI committee suggest regulating digital loan apps
- India's wholesale inflation soars to 5 month high of 12.54 % in October
- Bank credit grew by 7.14% to Rs.111.6 4 trillion and deposits increased by 11.42% to Rs.160.4 9 trillion in the fortnight ended November 15, 2021
- Economy grows robust at 8.4% in Q2 as per CEA
- Retail growth at 11.7% in October – YOY
- Rs.26 697 Cr lying in dormant accounts of banks
- GDP growth likely to top 9.5% FY22 as per SBI. Private investment revival seems near.
- GST collection crossed 1.3 1 trillion in November
- The IHS Markit India PMI manufacturing hits 10 months high at 57.6 in November
- LIC investment income growth by a robust 16.66% in FY 21
- Indian economy sees upswing In 19 of 22 economic indicators
- Life insurers new business premium spikes 42% in November
- PSBs recover over Rs.4 .18 trillion in last three fiscals as per MOS – finance
- RBI has proposed to launch UPI payment product for feature phones
- Capital infusion in PSBs unlikely this time – FM

Contact Details

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