BANKING, FINANCIAL SERVICES AND INSURANCE (BFSI)

Chronicle

15th EDITION
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THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

Statutory Body under an Act of Parliament

www.icmai.in

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Behind every successful business decision, there is always a CMA

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 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."

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 largest Cost & Management Accounting body in the world, having approximately 5,00,000 students and 1,00,000 members all over the globe. The Institution headquartered at Kolkata operates through four regional councils at Kolkata, Delhi, Mumbai and Chennai and 116 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.

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MESSAGE FROM THE CHAIRMAN

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

Greetings and salutations!!

"Hope is being able to see that there is light despite all of the darkness." **— Desmond Tutu**

In the luminous realm of hope, where one discerns the light amid the profound shadows—quoting the venerable personality—I am elated to herald the imminent release of the 15th edition of the BFSI Chronicle, a quarterly opus conceived by the sagacious minds of the BFSI Board.

As we cast our gaze upon the economic horizon, the Indian Economy is poised to unfurl its wings with a projected growth rate of 6.3% for the fiscal year 2023-24. We have seen a fillip in the growth rate for the 2nd quarter of the fiscal year 2023-24 which increased at a rate of 7.6 %. With the crude price hovering at $74/barrel and the inflation rate falling below 6 % the economy is now out the perils of the macroeconomic factors of high inflation and low growth which was seen in the last fiscal year.

The vicissitudes wrought by war and pandemic are gradually abating, and the global economic panorama is finding its stride toward normalcy since the inception of the COVID-19 pandemic.

A moment of pride graces us as we learn that COP 33 is slated to grace India in 2028, a proclamation delivered by the Hon'ble Prime Minister, Shri Narendrabhai Damodardas Modiji, during his inaugural address at the UAE in the COP 28 event. Emphasizing India's remarkable stance, despite housing 17% of the world's population, contributing less than 4% to Global Carbon Emissions, our nation strides steadfastly toward meeting Nationally Determined Contribution (NDC) targets.

With a lofty vision, the BFSI Board has given its imprimatur for the "Publication of Monograph on Net Zero Emissions Audit for financing by Banks," currently in the throes of preparation. This initiative, in resonance with India's commitment to achieving Net Zero by 2070, heralds the advent of the 'NZE2070 Audit Programme,' orchestrated by the BFSI Board with the collaboration of CMAs nationwide.

The financial tapestry woven by the Banks and Financial System, both directly and indirectly nurturing the triad of vital economic sectors—Agriculture, Industries, and Service Sectors—entails a crucial role. Monitoring and controlling Net Zero Emissions across these sectors, while the Financial System provides lending and investment, becomes a pivotal facet of the BFSI Sector.

Advocacy with the Ministry of Environment, championing the inclusion of CMAs in conducting NZE2070 Audit, shall be fervently undertaken by the BFSI Board. The Sustainability Committee, ICMAI, shall meticulously vet and validate the forthcoming publication for the edification of our esteemed readers.

Initiating the admission process for the newly inaugurated course on Investment Management, in collaboration with the NSE Academy, we express gratitude to our Council for their sanction. Unveiling the three levels of the course, encompassing fundamental analysis, Mutual Funds, Technical Analysis, and Derivatives, the 80-hour journey beckons members, students, and enthusiasts to delve into the intricate realm of capital markets—empowering them to invest sagaciously after meticulous analysis.

The renaissance of the BFSI daily news digest has begun, disseminating encapsulated business news and economic features at the dawn of each day. Stakeholders are thereby equipped and kept abreast of the latest news and developments.

Anticipate the launch of the revised and enlarged version of the publication, "Aide Memoire on Infrastructure Financing," accompanied by accolades from eminent BFSI sector personalities. Additionally, delve into the Monograph on "Settlement of Foreign Exchange in Indian Rupee" uploaded on the BFSI portal for enriched knowledge.

Celebrating milestones, the BFSIB joyously concluded the 9th batch of the Certificate Course on Concurrent Audit of Banks, featuring a notable first—a nomination of 5 Officials from Prince PLC Bank in Vietnam. The 7th Batch of the Certificate Course on Treasury and International Banking triumphantly concluded, and presently, the 9th Batch of the Certificate Course on Credit Management of Banks is underway, boasting nominations from senior officials of Vishakhapatnam Cooperative Bank of India.

Through steadfast persuasion and engagement with the BFSI sector, CMAs have found inclusion in various prestigious institutions, viz. in NaBFID, India Exim Bank, State Bank of India, Bank of Maharashtra, Bank of Baroda and in many others, marking strides in continuous growth and representation.

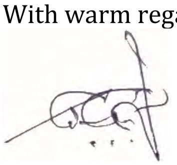
With the continuous efforts of the BFSI Board, campus placements have been secured at Saraswat Cooperative Bank Ltd. and BSE, extending hearty congratulations to all CMAs who have embraced opportunities from these esteemed organizations.

Embarking on thematic months ahead, including Retirement Solutions Month in collaboration with PFRDA in January 2024, Insurance Month with the National Insurance Academy in February 2024, and Investment Month with NSE Academy in March 2024.

In our ambit lie ambitious targets, such as the launch of a new course on FinTech and hosting events and summits in Mumbai and Hyderabad. Seven illuminating webinars since July 2023 have enriched the knowledge of our members, students, and stakeholders.

To my cherished CMA family, I extend heartfelt wishes for the imminent Christmas and a Most Joyous New Year in 2024.

With warm regards,



CMA Chittaranjan Chattopadhyay

FROM THE DESK OF THE DEPARTMENT

The economy is out of the throes of inflation and now with oil prices stabilizing and with the expectations of no change of interest rate to be decided by the Reserve Bank of India in their Monetary Policy Committee. We are still feeling the undercurrent of cost inflation especially with the spurt in price of vegetables like tomatoes and onion the rate of inflation is not drastically fall to the expected lines.

The global macro situation is also seen an upheaval with the Gaza crisis still looming large. However, the Ukraine Russia war crisis showing signs of receding with no new strikes from both the sides. However, the sentiments for the growth in world economy is not showing any positive vibes with the economic growth still a challenge in the developed countries. IMF has observed that the global growth is forecast to slow from 3.5 per cent in 2022 to 3.0 per cent in 2023 and further down to 2.9 per cent in 2024. For advanced economies, the expected slowdown is from 2.6 percent in 2022 to 1.5 per cent in 2023 and to as down as 1.4 per cent in 2024. On the hand, for the emerging market and developing economies, the growth is projected to decline modestly from 4.1 per cent in 2022 to 4.0 per cent in both 2023 and 2024 with a downward revision of 10 basis points in 2024, which is reflecting the property sector crisis in China. Growth and Inflation are the two main indicators which are being watched quite closely across the world. On the inflation front, global inflation is forecasted to decline steadily from 8.7 per cent in 2022 to 6.9 per cent in 2023 and 5.8 per cent in 2024. It should be noted that the forecasts for 2023 and 2024 are revised upwards by 10 basis points and 60 basis points respectively and inflation is not expected to come down significantly until 2025. In the latest version, the risks to the outlook are more balanced than they were six months ago, on account of the resolution of US debt ceiling tensions and Swiss and US authorities' decisive action to contain the financial turbulence. The likelihood of a recession has now receded, but the balance of risks to global growth remains tilted to the downside.

However, India is still not in the grip of recession as we have seen in the State Elections the Centre and State is having the same government in multiple states. It augurs well for the investors as they feel a stable government will have consistency in policy making and the growth outlook is better. This thumping win for BJP and with the advent of 'Double Engine' Government are enabling the Stock Market to reach new milestones with each passing day. The Sensex is now at an all-time high with the bull run going at a full gusto.

Domestic consumption is the main trigger for growth and we have seen that during the festivals for the Q2 and Q3 are likely to see a further surge in domestic consumption which would help the domestic economy to achieve good growth number. The reports point to a surge in consumer spending during the ongoing festive season. The sales of cars, TVs, mobile phones, jewellery, cosmetics, chocolates etc. all have already overtaken spends during the entire festival period last year. The E-commerce firms, which had kicked off their sales promotions early, are expected to record 30 percent growth in order volumes during the festive season compared to last year. All these positive developments augur well for higher-than-expected GDP in Q2 of FY 24.

The RBI Governor observed that country's economic activities and various data points suggest a positive surprise for growth. We hope that the cheer from the festive season culminates into sustainable growth numbers. All these developments and data are good for the domestic economy.

With such positive indicators we hope to end the year 2023 in a positive note with the growth of BFSI sector. India's banking sector is now sufficiently capitalized and are well-regulated. The financial and economic conditions are comparatively better even by comparing with well developed economies. Indian banks are generally resilient and have withstood the global downturn well as can be noted by reviewing previous years' records.

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Banking at Cross Roads

Shri C. M. Khurana
Former CGM-CFO Oriental Bank of commerce
Former CGM (credit) IIFCL

Banking at present, is at cross roads, and passing through challenging, yet exiting times. A collective, collaborative and holistic approach is called for to navigate ourselves through the current maze of multifaceted changes happening simultaneously.

By 2027 India is projected to be US $ 5 trillion and third largest economy. India is poised to maintain it growth momentum as strong macro-economic fundamentals impart resilience in the face of global headwinds. This is accompanied by the demographic dividends available to us till 2040, with average age being 28 years at present. To reap the benefits of this, we need to take a pragmatic approach and think of generating more opportunities for the younger generation in the Banking sector. Post the consolidation of PSU banks, the need to create additional avenues, is all the more. Simultaneously, the focus has to be on equitable distribution and inclusive growth instead of mere GDP numbers. The Banking sector has a very critical role to play at this juncture.

The best of the talent available in the market needs to be attracted to Banking as a fruitful career. For this the right kind of environment, work culture and job prospects are required. There was a time when, Banking sector was the first choice of young graduates and post graduates from all reputed Universities. The contribution of banking industry, post nationalization towards nation building is well recognised by all. The financing of the green revolution, the vast manufacturing sector and now the development of roads and power sector infrastructure under the PPP model, are all due to the unstinted efforts of Banking fraternity. This is high time, that matching benefits are provided to Bank officers duly acknowledging the hard work, commitment and passion exhibited by them.

The dedication and focused approach of the bank officers is further evident from the steady improvement in overall health of the banking industry. The current improved position of stability and resilience is the outcome of constant efforts put in by banking industry.

Following the exercise of AQR undertaken by the regulator during 2015-16, the Gross NPA position of banks rose to 11.8% in March 2018.The same was followed up with imposition of Prompt Corrective Action measures in 12 banks. With the consistent efforts, the banking industry has withstood the difficult times resulting in the current Gross NPA position of 3.9% and net NPAs of 1%. However, recapitalisation of Rs 2.9 lakh crores was required during 2017-22 to restore the strength. We, therefore, need to be ever watchful of the situation and ensure suitable steps for maintaining stability and steady progress. The rapid unprecedented growth of unsecured personal loans in the recent past has prompted RBI to raise the risk weights on such loans by 25% indicating the caution required at this stage.

A major development going forward, in the pipeline, is regarding the transition to the 'Expected Credit Loss' Model of stress recognition and provisioning, as envisaged by RBI. After the initial discussion paper, the RBI has now constituted a working group in order to get inputs on some of the aspects having an effect on the significant change involved. In the new proposed model, banks will have to recognize stress and tackle it much earlier and in advance as an ex ante step, unlike the current regime, in which they take an ex post approach, after losses are incurred. This is likely to have far reaching impact on capital adequacy and profitability of the banks.

The combination of balance sheet repair and rebuilding of capital and liquidity buffers has brought about improvement in profitability from negative levels during 2018-19 in terms of both return on assets and return on equity. However, a comprehensive approach and carefully thought out strategies are needed to be evolved to maintain the trend of profitability with a sustainable growth.

With the turning of monetary policy cycle into tightening mode since May 2022, for fighting inflation, the Net interest margins of banks have expanded due to fuller transmission in lending rates in comparison to deposit rates .The widening of NIMs has also been facilitated by the suffusion of liquidity from pandemic related measures which obviated the need to garner deposits by offering attractive deposit rates .In the long run however, a balance needs to be created for sustainable development by suitably tweaking the rates to attract depositors with a 'back to basics ' approach. In this respect, the recent trends need to be monitored closely and suitable concrete response is required in line with the changing scenario. As per the recent RBI bulletin, in response to the cumulative 250 bps hike in policy rate since May 2022, banks have revised their repo -linked external benchmark- based Lending rates (EBLRs) upward by the same magnitude. The one year median MCLR increased by 152 bps during May 2022 to October 2023. The weighted average lending rates (WALRs) on fresh and outstanding loans of SCBs increased by 187 bps and 111 bps respectively during May 2022 - September 2023. (Source: RBI bulletin November 2023)

Luckily, India has not gone through any severe financial crisis of the scale and severity of the Asian crisis of 1997-98, or the Latin American crisis of 2002 or global financial crisis of 2007-08, but its contagion effect was visible in Indian financial sector as well and we need to be ever careful in such matters. The recent failure of a few banks in some developed countries indicates unpreparedness on their part to manage the transition to rapid increase in interest rates by the regulators. The recent comprehensive revised guidelines issued by RBI on classification, valuation and Operation of Investment Portfolio of banks is a timely step in the right direction, to take care of applicable risks and shall work towards a much robust and sustainable mechanism. We need to consistently work for a modern efficient and soundly functioning Banking sector and bank officers need to suitably equip themselves for the same on an ongoing basis.

The financial sector in India is on the threshold of a transformative change leveraged by the use of latest technology. India has an intrinsic competitive edge in this regard because of availability of wealth of human resources, technically competent and capable of finding innovative solutions for the financial sector to serve common masses with ease, efficiency and in a cost effective manner. The unique combination of basic no frills accounts, universal unique identification and mobile connection is capable of fostering financial inclusion in a big way by bringing the hitherto excluded into the ambit of formal finance. The bank officers need to equip themselves and upskill their capabilities and orientation to truly serve the 'have nots' and down trodden sections of the society. we can be exited about the digital revolution taking place in the country, particularly with regard to financial services and emergence of Fin- Techs as facilitators and significant stakeholders in emergence of the new Financial Echo System. However, an element of caution and balanced approach is required, taking into account the cyber security issues, as the protection of interest of the valuable customers of the bank is of utmost importance on a consistent basis.

Another issue which requires our attention and concerted efforts relates to climate change and the resultant adverse impact and challenges for the banking sector. The issue is now getting attention by way a wider subject on ESG i.e Environment Social and Governance. There are both physical and transitional risks associated with the climate change which can create uncertainties and losses. The financial sector needs to gear up to handle these risks by the dual action strategy of adaptation and mitigation. Green finance and green deposits are going to be the subject matter of bankers' daily tasks in near future. We need to create the right skills and strategies for contributing towards the fight against the climate change.

To conclude a, wide range of challenges are being faced by the banking industry and a well thought out strategy with resolute implementation is required. A collective and collaborative holistic approach will be required to create a win situation. A synergy can be achieved, while working in unison in the spirit of coordination, cooperation innovation and skills upgradation to meet head on the emerging challenges. This will enable us to move towards our vision and mission with determination, while all along keeping in view the ever evolving needs of the customers to take the Banking to new heights.

Agriculture Banking

(Financing to Drones by Banks)

Dr. P. Sai Sudha
Freelancer
Hyderabad

Until recently, there was a conception that drones were meant for Armed Forces and fighting enemies. However, the '**Kisan Drone Suvidha**' has added a New Chapter in the Farming Sector and it will prove to be a Milestone for Drone Technology. **Garud Aerospace** has set a goal of developing **one lakh drones**, which are being used for diverse purposes. Under the "**SWAMITVA Scheme**", land records are being documented through Drone Technology. Also, Medicines, Vaccines are being supplied to various parts of the Country and it is also being used for **Sprinkling Pesticides** etc. on Crops.

Experts in the Agricultural Sector are Skeptical about the benefits of Drones and how they will **Increase Farmers' Income**. The Spraying of Pesticides and Fertilizers may help in Production. In farming, apart from Fertilizers and Seeds, what is Costly is the **Labour Wages**. Leaving Few Rich States like Punjab and Haryana, even State like Bihar do not get enough Labour at the time of Farming. In such a situation, Technology has stood in favour of the Farmers. But the use of Technology in Farming is a **Bit Expensive**.

The Government is promoting the use of Drones to Reduce the Agricultural Cost of Farmers. A Drone is an **Unmanned** Small Aircraft that can be controlled remotely or it can Fly autonomously. It consists of a **GPS based Navigation System**, a variety of Sensors and a Controller. It works on **Battery-based** Energy. It is flown and controlled by the Controller. Depending on the End Use, many Types of equipment such as Cameras, Insecticide Spraying Devices etc. are also installed on it.

The uses of Drone have Some Distinct Features such as:

- High field Capacity and Efficiency.
- Less Turnaround Time and other Field Operational Delays.
- Wastage Reduction of Pesticide and Fertilizers due to High Degree of Atomization.
- Water Saving due to Ultra-low Volume Spraying Technology in Comparison to Traditional Spraying Methods.
- Reduction in Cost of Spraying and Fertilizer Application in Comparison to Conventional Methods etc.

Besides reduction of **Human Exposure to Hazardous** Chemicals. Scientific studies are carried out and Data Supporting the Drone Application are generated. Pilot Studies with different approaches like use of Remote Sensing Technology including Satellite Data and Drone-based Images especially for Crop Cutting **Experiments Planning**, Direct Yield Estimation at Gram Panchayat Level, Risk Mapping of District and for Dispute / Area Discrepancy Resolution etc. have been conducted through Mahalanobis National Crop Forecasting Centre (MNCFC).

Standard Operating Procedures (SOPs) which provide concise instructions for Effective and Safe Operations of Drones for **Pesticide and Nutrient Application** have been released. The awareness among farmers is being created through Demonstration and Capacity Building Programmes.

Kisan Drone | Agriculture Drone Features:

⇒ **Flying Height**: Drones can Fly around 50-100m Height. Above 50m, a Special Authorization is required.

⇒ **License Required**: Currently, Flying Agricultural Drones depends on National Laws. For Non-commercial Use, No Pilot License is required if wee rating Nano and Micro Drones, the New Government Rules state.

⇒ **Weather**: A Drone can Fly under any Weather Condition. Drones are Water Resistant, but Image Quality can be Damaged if Pictures are taken during Rainy Weather.

⇒ **Distances**: It depends on the **Drone Capability and Size**. Fixed Wings Drones have Longer Flight Time and can cover more Field in One Flight. For instance, **50 minutes Flight Time** will cover up to 12 km^2.

⇒ **Drone Cost**: Cost of Drones used in Agriculture. A standard Drone for Public Use with the Capacity of **12 Liters Starts** at ₹ 3.45 lakhs. In the Agricultural Sector, Small Drones without Specific Technology can go from **₹ 3.60 lakhs to ₹ 10 lakhs** according to its Water-holding Capacity. The Higher Technological Drones used specifically for Agriculture start at ₹ 15 lakhs.

What are Kisan Drones?

✓ The Kisan Drone will have an **Unmanned Tank Filled** with Insecticides and Nutrients.
✓ The Drones are expected to have a **High Capacity of 5 to 10 kgs**.
✓ The Drone will Spray the same amount of **Pesticide on about One Acre of Land in Just 15 Minutes**.
✓ It will Save Time, will require **Less Effort and Spraying** will be done **Uniformly**.
✓ They will also be used to **Carry Vegetables, Fruits, Fish, etc**. to the Markets from the Farms.
✓ These Items will be supplied **Directly to the Market** with Minimal Damage, Consuming Lesser Time, resulting in more Profits to Farmers and Fishermen.

Guidelines of Sub-Mission on Agricultural Mechanization (SMAM):

a) Financial Assistance **@ 100%** of the Cost of Drone up to a Maximum of **₹ 10 Lakhs per Drone** is provided for purchase of Drones for their demonstration by institutes under Indian Council of Agricultural Research, Farm Machinery Training & Testing Institutes, Krishi Vigyan Kendras (KVKs), State Agriculture Universities (SAUs), State and other Central Government Agricultural Institutions / Departments and Public Sector Undertakings (PSUs) of Government of India engaged in Agricultural Activities. The Farmers Producers Organizations (FPOs) are provided grants up to **75%** of the Cost of Agriculture Drone for its demonstrations on the Farmers' Fields. A Contingency Expenditure of **₹ 6,000 per Hectare** is provided to these implementing Agencies that do not want to purchase Drones but will Hire Drones for Demonstrations from Custom Hiring Centres (**CHCs**), Hi-tech Hubs, Drone Manufacturers and Start-Ups. The **Contingent Expenditure** to Implementing Agencies that purchases drones for Drone demonstrations is limited to ₹ 3,000 per hectare.

b) In order to make available Drone Services to Farmers **on Rental Basis**, Financial Assistance **@ 40%** up to a Maximum of **₹ 4.00 lakhs** are provided for purchase of drones by Custom Hiring Centres (**CHCs**) under Co-operative Society of Farmers, Farmer Producer Organisations (FPOs) and Rural Entrepreneurs. **Agriculture Graduates** establishing CHCs are eligible to receive financial assistance **@ 50%** of the Cost of Drone up to a **Maximum of ₹ 5.00** Lakhs per drone.

c) For purchase of drones on Individual Ownership basis, the **Small and Marginal, Scheduled Caste / Scheduled Tribe, Women and North Eastern State farmers are provided Financial Assistance** @ 50% of the Cost up to a Maximum of **₹ 5.00 lakhs** and other Farmers **@ 40%** up to a maximum of **₹ 4.00 lakhs**.

Based on the proposals received by the Government of India, the Funds amounting to **₹ 129.19 Crores** have been released towards '**Kisan Drone**' promotion which include **₹ 52.50 crores** released to the ICAR for purchase of **300** Kisan Drones and Organizing their **Demonstrations on the Farmers' Fields** in 75,000 Hectares through **100** Krishi Vigyan Kendra's (KVKs), 75 Indian Council of Agricultural Research (ICAR) Institutions and 25 State Agricultural Universities (SAUs).

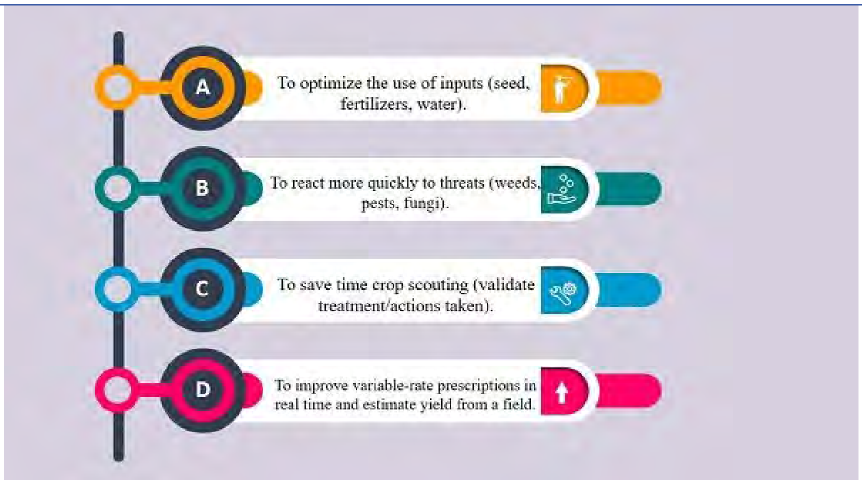
It also includes funds released to various **State Governments** for Supply of more than **240 Kisan Drone** to farmers on Subsidy and Establishment of more than **1500 Kisan Drone Custom Hiring Centres (CHCs)** to provide drone services to the farmers.

Summary of Agriculture Drone Subsidy Scheme – 'Kisan Drone' Subsidy:

Category	Available Subsidy
For Farm Machinery Training and Testing Institutes, Indian Council of Agricultural Research (ICAR) Institutes, Krishi Vigyan Kendras and State Agriculture Universities.	A Grant up to 100% of the Cost of Agriculture Drone or ₹10 Lakhs.
For Agriculture Graduates Establishing Custom Hiring Centers (CHCs).	50% of the Basic Cost of a Drone or up to ₹ 5 Lakhs.
For Farmer Producers Organizations (FPOs) and Rural Entrepreneurs.	If Drones are **used only for Demonstration purposes**, FPOs would be eligible to receive a Drone for Agriculture Subsidy in India of 75% of the Cost of that Drone.

Features of 'Kisan Drone' in Agriculture:

≈ Photography of Crops.
≈ Weather Forecasting.
≈ Agriculture Area Monitoring.
≈ Application of Pesticides and Fertilizers.
≈ Capture of High-Resolution Images.
≈ View of Data in Real Time.
≈ Data is Processed in the Cloud & Translated into Useful Information.
≈ Maps providing different Type of Information from the Field e.g., Soil Quality, Plots Size, Plant Health etc.

Benefits of using Agricultural Drones	

Information through 'Images of Drone':

Raw data collected by drones gets translated into useful and Comprehensible Information for Farmers. Some of the information these images provide is:

- ✓ **Plant Counting**: Plant Size, Plot Statistics, Stand Number, Compromised Plots, Planter Skips.
- ✓ **Plant Height**: Crop Height and Density.
- ✓ **Vegetation Indices**: Leaf Area, Anomaly Detection, Treatment Efficacy, Infestations, Phenology
- ✓ **Water Needs**: Damage / Drown out.

Drones ensure a Permanent Monitoring of the Crop in the Field from Planting to Harvest.

Drone Companies in India-An Overview:

Some of the Drone Companies in India with a brief overview of their Industry Performance:	

Droneacharya Aerial Innovations: The Indian firm, Droneacharya Aerial Innovations, offers drone-based services and solutions for various industries. The business is Headquartered in Gurugram, India, and was established in 2015. In addition to Aerial Mapping and Surveying, Thermal Imaging, Infrastructure Inspection, and Agricultural Monitoring, Droneacharya provides other Drone-based Services. The Indian Government has also recognized the Start-up under the Startup India Program.

Paras Defence & Space Technologies: The Indian Business Paras Defence & Space Technologies Offers Military and Space Industry Technology solutions. Electronic Systems, Communication Tools, and Software Solutions are just a few of the goods and services that Paras Defence & Space Technologies provides to the Defence and Space Sectors. The Company has a State-of-the-Art Production Plant in Pune and has invested in Advanced Technology and Machinery.

Zen Technologies: For the Defence and Security sectors, Zen Technologies Ltd, an Indian firm, offers training and simulation solutions. Hyderabad, India, serves as the Company's Headquarters. Zen

Technologies provides a variety of goods and services, such as virtual reality equipment, training simulators, and simulation software. In addition to operating in the defence sector, Zen Technologies has expanded into the Drone Market by creating **Uncrewed Aerial Vehicles** (UAVs) for various uses. The firm offers services including aerial surveillance, mapping, and surveying and has developed a variety of UAVs, including fixed-wing and rotary-wing drones.

To Conclude:

The Service Sector is declared to be the most substantial Contributor to India's GDP. Our Country reigns the world as the most prominent producer of Pulses, Milk, Rice, Wheat, Sugarcane, Spices, etc. These also add generous Value to the Economy with their activities in the Agrarian Sector. The Indian Agricultural Sector Contributes a tremendous **18% to India's GDP** (Gross Domestic Product). It is considered the prime source of livelihood for approximately 58% of the country's population, mainly for rural areas.

Regardless of Indian Agriculture's Contribution to the GDP, our Country is yet to enhance **Productivity and Efficiency** in the sector to reach the Highest Potential. Several dimensions and concerns need to be Identified, Supported, and Equipped with resolutions. Unsuitable methods for Monitoring Crops, Water Irrigation, using pesticides, and many other necessary farming activities are currently adopted. Resources are inadequate, not allotted according to Weather Conditions, or have not been exploited to their Maximum Potential, thereby decline in the **Return on Investment (ROI)**.

Drone Technology has gotten most of the recognition in the Industry because of its Diversity and Considered the **Future for the Agrarian Community**. The Military initially used them. However, other sectors Quickly embraced **Unmanned Aerial Vehicles** (UAVs) when they learned about its Widespread Applications.

External factors like Weather, Soil Conditions, and Temperature Play a Critical Role in Farming. **Agriculture Drone** empowers the farmer to adapt to specific environments and make mindful choices accordingly. The gained data helps regulate Crop Health, Crop Treatment, Crop Scouting, Irrigation, and Carry out Field Soil Analysis and Crop Damage Assessments. The Drone Survey helps Boost Crop Yields and Minimize Time and Expenses.

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Renovating Indian Banking Business Models

Dr. Jyotsna Haran
Presently visiting Professor in Mumbai

Outline

The Indian banking sector is experiencing an insightful transformation, focused by technological advancements and varying customer outlooks. Traditional banking models are inclined towards to be innovative and customer-centric to cater to the growing needs of the digital age. We will explore the altering setting of Indian banking business models and how these changes are redesigning the industry.

Traditional Banking Model

Indian banks functioned under a conservative brick-and-mortar model, attended the needs of the population for decades, it came with its limitations, including limited accessibility, long queues, and time-consuming transactions.

Key Physiognomies of the Traditional Indian Banking Model:

- **Physical Branches**: Traditional Indian banks operated through a widespread network of physical branches deliberately located in urban and rural areas. These branches served as the chief touch points for customers to engage with the bank.
- **Paper-Based Transactions**: The banking operations in this model largely relied on paper-based procedures. Customers had to fill out physical forms and paperwork for even simple actions such as account openings, withdrawals, deposits, and fund transfers.
- **In-Person Banking**: The traditional model emphasized face-to-face interactions between customers and bank employees. Customers would visit bank branches to conduct transactions, seek advice, or resolve banking-related issues.
- **Limited Accessibility**: Access to banking services was often inadequate in secluded or rural regions. Many areas lacked the existence of bank branches, making it a challenge for residents to avail banking facilities.
- **Extended Queues and Wait Times**: Customers regularly had to undergo long queues and wait times at bank branches, leading to troublesomeness and delays in completing their banking dealings.
- **Fixed Banking Hours**: Banks functioned during fixed working hours, stereotypically from 10:00 AM to 4:00 PM on business days. This did not at all times align with the availability of all customers.
- **Personalized Customer Service**: Traditional banks placed a resilient highlighting on delivering personalized customer service. Bank staff played a critical role in assisting customers with their financial needs and addressing their explorations.
- **Limited Technology Adoption**: Online banking, ATMs, and mobile banking were there and customers had limited access to these digital banking channels.
- **Cash-Centric Transactions**: Cash was the principal medium for conducting dealings. Customers heavily trusted on physical currency for their daily financial activities, and electronic payments were not known.
- **Limited Product Offerings**: The variety of financial products and services offered by traditional banks was moderately limited. It chiefly included basic services like savings accounts, fixed deposits, and loans.

Challenges of the Traditional Indian Banking Model:

- **Scalability Checks**: The traditional model faced limitations in intensifying banking services to a massive and geographically diverse population, particularly in remote and rural regions.
- **Inefficiencies**: The confidence on manual, paper-based processes led to inefficiencies in operations and increased operational costs.

- **Customer Inconvenience**: Long queues, limited banking hours, and the need for in-person visits troubled customers, making it problematic for them to access banking services at their convenience.
- **Inadequate Financial Inclusion**: A substantial percentage of the population, predominantly in rural areas, continued to be unbanked or under banked due to the limited approach of traditional banks.

The Digital Revolution

With the proliferation of smartphones and enhanced internet connectivity, the Indian banking setting has perceived a digital revolution. Customers now claim convenience, speed, and accessibility in banking facilities. In reaction, banks have focus 0n digital channels to gratify to customers preferences.

1. **Internet Banking and Mobile Apps**
   Most Indian banks offer internet banking platforms and mobile apps that let customers to execute a wide range of transactions anywhere anytime. This enable services like fund transfers, bill payments, and account management, thereby avoiding the need for physical branch visits.
2. **Digital Payment Ecosystem**
   The Indian government's push for a cashless economy has fueled the growth of digital payment systems. Unified Payments Interface (UPI), mobile wallets, and digital payment apps have become integral components of the Indian banking ecosystem, allowing customers to make continuous transactions.
3. **Financial Technology Collaboration**
   Traditional banks have acknowledged the need to embrace financial technology (FinTech) companies as partners rather than competitors. Collaborations with FinTech firms have led to the development of innovative financial products and services, making banking more efficient and customer-centric.
4. **Automated Customer Service**
   Artificial intelligence and chatbots have transformed customer service in the banking sector. These technologies provide round-the-clock support, answer queries, and assist customers in real-time, augmenting the overall banking experience.

The Role of Data and Analytics

Indian banks are progressively leveraging big data and analytics to advance insights into customer behavior and preferences. By analyzing this data, banks can offer tailored recommendations and products, increasing customer satisfaction and loyalty.

In the swiftly evolving landscape of the Indian banking sector, data and analytics have emerged as commanding tools that are redesigning the way banks operate, make decisions, and serve their customers. The initiation of digital technologies and the increasing volume of data have given rise to new breaks for banks to leverage data and analytics to their benefit.

Data and analytics are playing a pivotal role in Indian banks. They empower banks to make decisions, enhance customer experiences, manage risks, and drive operational efficiency. As the Indian banking sector continues to evolve and embrace digital transformation, data and analytics will remain at the forefront of innovation, allowing banks to stay competitive and meet the evolving needs of their customers. This strategic adoption of data and analytics will be a defining feature for the success of Indian banks in the digital age.

Challenges and Regulatory Suggestions

The transformation of Indian banking business model is exciting with challenges and regulatory considerations. Data security, privacy, and regulatory compliance are supreme concerns. Banks must invest in vigorous cyber security measures and adhere to government regulations to protect customer information. These challenges and regulatory considerations are crucial in shaping the upcoming of the Indian banking sector. Let’s, explore some of the primary challenges and regulatory implications for Indian banks-

Concern	Challenge	Regulatory Implication
Data Security and Privacy	Cyber security threats, data breaches, and the risk of sensitive information falling into the wrong hands can have severe consequences for both banks and customers	Indian banks are required to implement robust cyber security measures, conduct regular audits, and comply with data protection laws to ensure the safety of customer data.
Regulatory Compliance	Staying compliant with changing regulations can be challenging, especially for banks operating on a national scale	Banks must monitor digital changes, maintain internal compliance teams, and ensure the regulatory standards, such as KYC and AML requirements.

Technological Infrastructure	Many traditional Indian banks might face challenges in upgrading their prevailing systems to cope up pace with customer expectations.	Banks to have maintain robust and secure technological infrastructures so as to protect customer data and safeguard t digital banking services.
Risk Management	New forms of risk have appeared such as cyber security threats, technology failures, and operational risks.	Need to have risk management frameworks such as disaster recovery plans, contingency planning business to identify, assess and minimize potential risk.
Financial Inclusion	While digital banking offers immense convenience, it can potentially include segments of the population who lack access to smartphones or reliable internet connections, particularly in rural areas.	Banks are encouraged to develop strategies and products that cater to the unbanked and under banked populations to speedily digital transformation.
Competition and Collaboration	Banks need to balance competition with collaboration to offer the best services to their customers.	Regulatory authorities are encouraging collaboration between banks and FinTech companies to drive innovation and enhance customer experiences.

Key Aspects of Data Security in the Banking Industry

Data security is a burning issue of modern banking, referring to digital banking and financial services. It denotes to the protection of sensitive and trustworthy information from unauthorized access, disclosure, alteration, or destruction. In the banking sector, ensuring robust data security is vital to maintaining the trust of customers and safeguarding their financial information.

Encryption involves converting data into a code that can only be interpreted by authorized parties. This ensures that even if data is interrupted, it rests unreadable. Vigorous authentication methods, such as multi-factor authentication (MFA), are crucial for verifying the identity of customers and employees.

This develops an extra layer of security by requiring users to provide two or more pieces of evidence to confirm their identity. Entree to sensitive data within a bank's systems has be restricted to authorized personnel. This is attained through role-based access control, where different levels of access are assigned to individuals based on their roles and responsibilities. Banks need to monitor their systems regularly for any unusual activities or in case of security breaches.

Consistent auditing helps to detect and take action to security incidents in judicious manner. Recurrently assessing systems for vulnerabilities and conducting penetration testing helps identify weaknesses that could be exploited by attackers. This proactive approach allows banks to patch or mitigate vulnerabilities before they are exploited. Having a well-defined incident response plan is essential. In the event of a data breach or security incident, banks need a structured approach to minimize the damage, investigate the incident, and notify affected parties as required by regulations.

Data should be regularly backed up, and banks should have disaster recovery plans in place to ensure that data can be restored in case of data loss or system failures. Banks must adhere to data security regulations and industry standards, such as the Payment Card Industry Data Security Standard (PCI DSS) and the General Data Protection Regulation (GDPR). Regulatory compliance often includes requirements for data protection, incident reporting, and user privacy.

Human error is a common cause of data breaches. Banks should provide regular training and awareness programs to educate employees about data security best practices and the importance of safeguarding customer information. Educating customers about safe online banking practices, such as creating strong passwords, recognizing phishing attempts, and using secure Wi-Fi connections, is crucial for overall data security.

Banks often work with third-party vendors and service providers. Ensuring that these partners have strong data security measures, as their vulnerabilities can impact the bank's security. As technology develops, generates cyber security threats. Banks need to stay up-to-date with the latest security technologies and best practices to adapt to emerging threats.
Data security in banking is not a one-time effort but an ongoing commitment to protecting customer information and maintaining the trust of the public. It entails a blend of technological, procedural, and organizational measures to create a robust security against data breaches and cyber-attacks. Fiasco to prioritize data security can lead to financial losses, legal liabilities, and reputational damage for banks.

Conclusion

The Indian banking sector is under a significant evolution, marked by the transition from traditional brick-and-mortar models to digital and customer-centric tactics. As the industry embraces technology and innovation, it is fundamental for banks to prioritize data security and regulatory compliance. With a strong commitment to provide convenient, accessible, and efficient services, Indian banks are dignified to flourish in the digital age, meeting the ever-changing demands of their customers. This transformation not only benefits the banks themselves but also contributes to the overall growth of the Indian economy.

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Anti-money Laundering / Combating Financing of Terrorism

(AML / CFT) Compliances - (Applicable NBFCs)

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Gannavaram

In order to prevent Banks and other Financial Institutions from being used as a channel for Money Laundering (ML)/ Terrorist Financing (TF) and to ensure the Integrity and Stability of the Financial System, efforts are continuously being made both Internationally and Nationally, by way of prescribing various Rules and Regulations by the Regulators / Governments.

Internationally, the Financial Action Task Force (FATF) which is an Inter-governmental Body established in 1989 by the Ministers of its Member Jurisdictions, sets Standards and Promotes effective implementation of Legal, Regulatory and Operational measures for Combating Money Laundering, Terrorist Financing and other related threats to the Integrity of the International Financial System. India, being a Member of FATF, is committed to upholding measures to protect the Integrity of International Financial System.

The Reserve Bank of India plays a Pivotal Role in India meeting its Anti-money Laundering (AML) and Combating Financing of Terrorism (CFT) obligations as part of its membership with the Financial Actions Task Force (FATF).

As the Regulator of the "Credit Sector" and "Payment Systems" in India, it does so by ensuring the Implementation of Robust and up-to-date Know Your Customer (KYC) norms vide its Master Direction-Know Your Customer (KYC) Direction, 2016. With a possible FATF evaluation around the corner, on October 17, 2023, the Reserve Bank of India introduced significant amendments to these Know Your Customer directives through its Notification Titled-Amendment to the Master Direction on KYC impacting various Regulated Entities, including Non-Banking Financial Companies (NBFCs).

List of Changes and Action Items for NBFCs:

- ✓ Identification of Beneficial Owner (BO).
- ✓ Principal Officer (PO).
- ✓ Periodicity of ML/ TF Risk Assessment:
- ✓ Group AML Policy.
- ✓ Filing of STR.
- ✓ Record Acquisition for Outsourced KYC Function.
- ✓ Accounts opened using Simplified Procedure.
- ✓ Disclosure of Status by Trustee.

Identification of Beneficial Owner (BO):

Changes in the PML (Prevention of Money Laundering) Rules have triggered a revision of the criteria for the Identification, as required by the KYC Directions, of Beneficial Owner(s) of Partnership Firms. The Amendment involves a Change in the threshold for determining who Qualifies as the Beneficial Owner (BO) of such Firms. The prior threshold which stipulated 15% ownership or entitlement to a share of profit has "Now been revised to a lower threshold of 10% Ownership or Share of Profit" and also persons who exercises control over management or policy decisions shall be considered as BO. Consequently, NBFCs are obligated to conduct KYC Procedures for natural persons who possess a Minimum of 10% ownership or are entitled to 10% of the Share of Profit of the Partnership Firm or who exercises Control Over Management or Policy Decisions.

Principal Officer (PO):

Another significant Amendment resulting from Changes in the PML Rules is the stipulation that the Principal Officer designated for the purpose of furnishing Information to Director, FIU-IND and ensuring compliance shall be at least of a Management-level position. While the requirement to appoint a Principal Officer was always there in the KYC Directions and from April 28, 2023, the RBI had also mandated "NBFC to inform the Regulator" the details of such Principal Officer; the Current Amendment requires such Officer to be at the Managerial level in the Organisation's Hierarchy.

Periodicity of ML / TF Risk Assessment:

The Amendment has introduced a change in the process of prescribing the periodicity for conducting Money Laundering (ML) / Terrorist Finance (TF) Risk Assessments. Previously, the Board of Directors of the NBFC was mandated to determine the frequency of these assessments. However, in a relaxation of this provision, the RBI now allows for the delegation of this decision-making authority to a "Committee of the Board". This means that NBFCs have the flexibility to assign this responsibility to Committees such as the Risk Management Committee (RMC) or any other Board-level Committee, Streamlining the Process and enhancing efficiency.

Group AML Policy:

The Amendment has offered a crucial clarification concerning the Scope of Application of the Group AML Policy as per para 4 of KYC Directions. The RBI has explicitly stated that the Group-wide AML policy is to be adopted solely by the regulated entities that are part of the group and is not applicable to unregulated entities. This provides clarity on the distinction and helps regulated entities understand the boundaries of their AML policy implementation.

There have been cases where NBFCs were unclear as to the applicability of the Group-wide KYC Policy and some had sought our advice. This Clarification validates our recommendations to them to consider the regulated entities as per the KYC Direction and those obligated under Chapter IV of the Prevention of Money Laundering Act (PMLA) within the purview of their "Group", for adoption of such Policy, considering the relevance and Operational Practicalities.

Filing of Suspicious Transaction Report (STR):

The Amendment includes a mandate to file a Suspicious Transaction Report (STR) with the Director, FIU-IND, if the NBFC is unable to apply appropriate Customer Due Diligence (CDD) measures for a customer. It may be noted that as per the existing framework, no loan account can be opened where the NBFC is unable to apply appropriate CDD measures, either due to non-cooperation of the customer or non-reliability of the Documents / Information furnished by the customer. Further, NBFCs are now obligated to take Prompt and Diligent action when they encounter situations where they cannot apply the necessary CDD measures for a customer.

Change in Compliance for Outsourcing of KYC Function:

Another essential Amendment resulting from changes in the PML Rules is the requirements for obtaining records or CDD information from Third-party Entities in cases where these processes are Outsourced. Previously, NBFCs were obligated to secure these records within a Two-day time frame. However, the recent revision now mandates the immediate acquisition of such records or information from Third-party sources, Eliminating the previous two-day grace period. This Change necessitates that NBFCs establish efficient procedures for Swift Co-ordination and Communication with Third-party Entities to ensure the Prompt Collection of necessary Documentation, thereby underlining the Significance of timeliness in upholding compliance with CDD Obligations.

Record Maintenance of Walk-in Customers:

RBI has clarified by way of this Amendment that NBFCs (with Branches) are required to maintain records not only for customers who hold accounts with the entity but also for walk-in customers. These walk-in customers are individuals who do not have an account with the regulated entity but engage in transactions with them. Although NBFCs typically have fewer instances of such walk-in customers compared to Banks, if any such instance does occur, NBFCs must diligently ensure the preservation of records for these customers in compliance with amended KYC Directions.

Simplified Procedure for Opening Accounts:

The RBI has introduced a New requirement for NBFCs concerning accounts opened through the Simplified Procedure as outlined in KYC Directions. Under this new mandate, NBFCs must maintain Continuous Monitoring of these Accounts, and if any Suspicion arises regarding Money Laundering (ML) / Terrorist Finance (TF) activities, or if a High-risk scenario emerges, the Customer's Identity must be established using the normal procedures detailed in Para 16 or 18 of the KYC Directions. This entails following the Standard Customer Due Diligence (CDD) Process.

Disclosure of Status of Trustee:

Reserve Bank of India has imposed a New Mandatory disclosure requirement on Trustees when dealing with

NBFCs. NBFCs are now obligated to obtain the status of the Trustees in following specific scenarios:

1. When Initiating an Account-based Relationship with the Trust;
2. When the Trust, acting as a Walk-in Customer, conducts transactions involving a Minimum of Fifty Thousand Rupees;
3. If the NBFC has reasonable Grounds to Suspect that the Trust is Intentionally Structuring Transactions to remain Below the Fifty Thousand Rupees Threshold.

Conclusion:

To Conclude, Money Laundering has become a pertinent problem worldwide threatening the stability of various Regions by actively supporting and strengthening terrorist networks and criminal organizations. The links between Money Laundering, organized crime, drug trafficking and terrorism pose a risk to financial institutions globally. Across the world, Banks and Financial Institutions are required to introduce and implement systems to prevent Anti-social elements from using Banking Channels for Money Laundering. One of the most important tools used by banks to expose Criminal Activity has been to adopt "Know Your Customer" guidelines that help detect suspicious activity by account holders. Adoption of appropriate Know-Your-Customer (KYC) procedures within individual Banks is an essential part of Risk Management in Banks, to safeguard the confidence and the Integrity of Banking Systems.

The recent Amendment introduced by the RBI to the KYC Norms brought about substantial changes that impact NBFCs. These changes encompass a wide range of areas, from the criteria for identifying Beneficial Owner (BO) within partnership firms to the periodicity of Money Laundering (ML) / Terrorist Finance (TF) Risk Assessments. Furthermore, there are clarifications regarding the applicability of group AML policies, record maintenance for walk-in customers, and the management of accounts opened through the simplified procedure.

While these Amendments reflect the RBI’s Commitment to enhancing compliance and strengthening AML and CFT measures across the Financial Sector, KYC compliance related requirements form the major chunk of the operational activities of the NBFCs outside of their Primary Lending and Investment activities and these Amendments continue to drive up Operational Costs and timeline. The Government has made efforts to streamline the process both for NBFCs and for the convenience of the Common Borrower by introducing public infrastructure like the Central KYC Registry (CKYCR) and implementation of a Single Unique KYC-ID. With increased adoption, it now becomes imperative that such infrastructure perform efficiently, remain secure and safeguard against outages. The Government and the Regulator would also do well in bolstering such public infrastructure, for instance in the domain of digital / video-based customer identification process, and ensuring that it continues to cater to the evolving regulatory landscape when it comes to the AML/CFT Compliances.

RBI’s Amendment to the Master Directions on KYC is aimed at Strengthening the Anti-money Laundering and Counter-Terrorism Financing framework in the Indian Financial Sector. Regulated Entities must promptly implement these Changes to ensure that they remain compliant and Contribute to a Secure and Transparent Financial Environment in the Country. Staying up-to-date with Regulatory Amendments is crucial for Financial Institutions and other Stakeholders to maintain their Credibility and Reputation.

Restructured Debt May Impede India's March to a $5.0 Trillion Economy

Shri Hargovind Sachdev
Former General Manager
SBI

"Restructured Debt is a form of bondage for the economy. It is a financial termite."

Banking is the lifeline of the nation. People hold it in high esteem as an arterial part of the economy due to the integrity and purity of data and compliance. For explicit transparency, RBI has made it mandatory to identify NPAs through a straight-through process (STP) without manual intervention. The step ensures a regular assessment of asset quality.

Historically, high-value corporate loans attract hand-holding due to size, but now, banks restructure even small MSME loans. The trend pushes the NPAs below the carpet. Over 3% of banks' loan book stands restructured in the last three years, with the refurbished loans crossing Rs.5.0 lac crores and rising. Banks have Rs. 8.50 lac crores of NPAs despite a Rs.10.52 lac crores write-off, according to the RBI's Financial Stability Report released on June 28, 2023.

Sudden NPAs disrupt development activities, devouring fresh capital to meet Basel Capital Adequacy norms. The fiscal deficit in the budget leaves little additional money for the banks. Fresh NPAs are the last straw on the camel's back of the economy. As per the RBI reports, NPAs stood at 3.9% in FY 2023, down from a high of 11.5% in 2018. The gross advances grew from Rs 83.6 lakh crore in 2018 to Rs 135 lakh crore in 2023. Therefore, the decrease in the percentage of Gross NPAs due to the increased base of advances tells part of the story.

The NPA follow-up is consuming the HRD bandwidth and valuable time for Banks; the additional Rs.5.0 lac crore restructured loans further vilify the lending landscape and squander the gains of credit growth of the last twelve months. The situation has been deteriorating by the hour clock due to the withdrawal of Quantitative easing and increased borrowing costs. The repeated Repo rate hikes have increased the EMIs without matching income growth, resulting in defaults. In the MSME segment, supply chain disruptions have increased input costs, pushing the units to search for alternate component sources at higher prices, eating out the working capital funds, and affecting repayments. The scenario requires mature credit decisions. NPAs threaten to divert banks' resources to recovery mechanisms, leaving little time to finance new assets. Growing the loan portfolio without defaults is challenging but indispensable with proper gatekeeping as the $5.0 trillion economy can not tread a carpet laden with Non-performing Assets.

SBI Chairman said banks must incrementally lend another $1.0 trillion to take the GDP to $5.0 trillion by 2027. Being such essential contributors to the GDP, banks must control NPAs. Here are a few steps to check the NPAs:-

1. Introduction of Udhaar Card: National Loan Identity Card

There is a need to introduce an Udhaaar Card on the lines of the Aadhar Card to build a debt profile for each Indian. Bankers dig deep into complex and costly CIBIL reports to disseminate loan defaults. An Udhaar Card shall carry a unique codified number containing state, city, business/profession, photograph, and details of all bank accounts. Lenders can pull borrowers' latest credit history from bank operating systems through the Udhaar Card. The Card shall empower Indians with borrowing muscle and firewall banks from impaired creditors to shun NPAs.

2. Three Visit Policy

Bankers' main job is the sale of credit. Borrowers make multiple visits for loans beyond the TAT guidelines. RBI should mandate banks with a three-visit policy for credit dispensations. After submitting the loan application, the borrower should visit the bank only two more times: one to negotiate terms and the second to avail the loan. Repayment should be online. The more a borrower chases a loan, the more the banker has to pursue the borrower to recover the EMI. A borrower should visit the bank only three times for a credit dispensation.

3. Loan Repayment as per Indian Cultural Ethos and practices

The NPA norms are imposed in India from the US and European financial models without customisation. Indians have a single source of income with no social security. EMI defaults are frequent during accidents, hospitalisation, weddings and school admissions. At the time of disbursement of the loan, a borrower may opt to pay ten EMIs instead of twelve per year and use the surplus cash for family commitments without default risk.

4. Restrict "Anywhere Clearing Payment Mechanism" for loans

One of the customer service reforms that escalated NPAs is the payment of clearing cheques of loan accounts anywhere in India. The Service branches must pay the cheques with due diligence on diverting funds. The Loan cheques should be passed at the home branch to avoid siphoning of funds accumulating NPAs.

5. Netoff the collateral value from the loan's NPA value

As per BASEL III guidelines, each loan carries a specified risk weight. The capital for each loan is as per its risk weight. In default, lenders make loan loss provisions netting off the underlying security. Continuing this practice, there is no need to declare the total loan amount as NPA. Only the defaulted amount should be NPA.

6. Debt Dispute Courts Under Retired CMDs/ EDs of Banks.

Bank litigations are under the purview of NCLTs, headed by a presiding judge supported by a technical expert who is not a banker. India has a vast banking talent pool of Executive Directors/ Managing Directors/ Chairpersons. Like Germany, let us harness the wisdom of retired senior bankers as Judges for settlement in quick time to ensure liquidity and cyclicality of funds.

Banks' duty and moral obligation is to break from routine debt restructuring. We must rise above short-term considerations and recover debts on time, without which the economy will not scale to $5.0 trillion within the timelines.

Credit Reporting Ecosystem

(Credit Information Companies-CICs / Credit Institutions-CIs)

Er. Sunil Dasari
Senior Manager
Bank of Maharashtra
PUNE

With the increase in Customer Complaints regarding Credit Information Reporting and the functioning of Credit Information Companies (CICs), RBI has been put in place a Comprehensive Framework for Strengthening and improving the Efficacy of the Grievance redress Mechanism and Customer Service provided by the Credit Institutions (CIs) and CICs. For this purpose, the CICs have been brought under the Aegis of the Reserve Bank Integrated Ombudsman Scheme (RB-IOS).

The Compensation Mechanism is to arrest delayed Updation / Rectification of Credit Information i.e.,

- ✓ A Provision for SMS / Email Alerts to Customers when their Credit Information are accessed from CICs.
- ✓ A Timeframe for Ingestion of Data received by CICs from Credit Institutions; and
- ✓ Disclosures relating to Number and Nature of Customer Complaints received on the website of CICs.

Accordingly, RBI have introduced Two Comprehensive frameworks on October 27, 2023 titled

1. Strengthening of customer service rendered by Credit Information Companies and Credit Institutions and

2. Framework for compensation to customers for delayed updation/ rectification of credit information.

While the first framework deals with strengthening of customer services provided by the CICs and CIs in relation to access and use of credit information, the other one provides for a comprehensive compensation framework where the CICs or CIs fail to address the customer requests / complaints within a specified period of time.

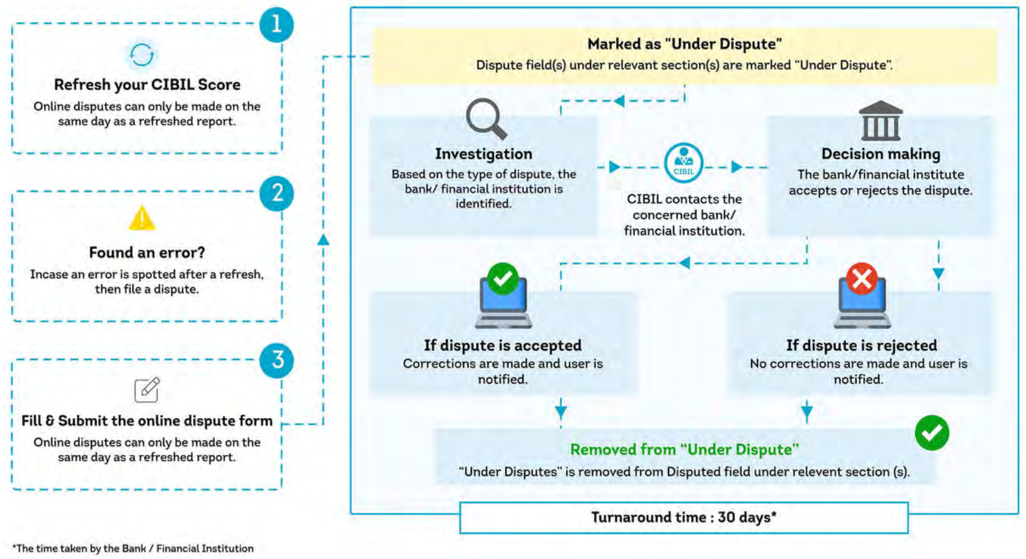
How to Initiate a Dispute for Rectification of Errors (if any) in CIBIL Credit Report:

Step 1: If Complainant have an Account with CIBIL, Login to CIBIL Dashboard. Or, if Complainant have received a copy of CIBIL Report from one of CIBIL partners or any other Bank / Financial institutions, Complainant can sign up for a Free Annual Credit Report here.

Step 2: Before initiating a Dispute, Login to refresh CIBIL Score & Report. This ensures latest updated report to reduce incorrect disputes.

Step 3: Complete the dispute request form. Complainant can raise multiple dispute requests at a time.

Step 4: Await the Banks / Financial institutions response. Rest assured CIBIL diligently follow up with the reporting lenders, however typical processing time may take upto 30 days.

Flow Chart of Dispute Resolution Process	

Alternatively, Complainant can raise a Dispute by Writing to this Address:

TransUnion CIBIL Limited,
One World Center, Tower 2, 19th Floor,
Senapati Bapat Marg, Elphinstone Road,
Mumbai - 400 013

CICs and CIs Compensation Framework:

The Reserve Bank of India directs CICs and CIs to implement the compensation framework for delayed updation/rectification of credit information by CIs and CICs as detailed below:

a) Complainants shall be entitled to a compensation of ₹100 per calendar day in case their complaint is not resolved within a period of thirty (30) calendar days from the date of the initial filing of the complaint by the complainant with a CI/ CIC.

Explanation:

i. Section 21 (3) of CICRA, 2005 provides that a complainant may request a CIC or CI to update the credit information by making an appropriate correction, addition or otherwise, and on such request the CI or CIC shall take steps to update the credit information within thirty (30) days after being requested to do so.

ii. Rule 20 (3) (c) of CIC Rules, 2006 provides that the CI shall forward the corrected particulars of the credit information to the CIC or complainant within a period of twenty-one (21) days from the date when the CI was informed of the inaccuracy in the credit information.

iii. The combined reading of Section 21(3) of CICRA, 2005 and Rule 20 (3) (c) of Credit Information Companies Rules, 2006 provide the CI and the CIC, collectively, an overall limit of thirty (30) days to resolve/ dispose of the complaint. In effect, this would mean that a CI would get twenty-one (21) days and CICs would effectively get the remainder of nine (9) days for complete resolution of the complaint.

b) A CI shall pay compensation to the complainant if the CI has failed to send updated credit information to the CICs by making an appropriate correction or addition or otherwise within twenty-one (21) calendar days of being informed by the complainant or a CIC.

c) A CIC shall pay compensation to the complainant if the CIC has failed to resolve the complaint within thirty (30) calendar days of being informed by the complainant or a CI, despite the CI having furnished the updated credit information to the CIC within twenty-one (21) calendar days of being informed by the complainant or the CIC.

d) The complainant shall be advised by the CI/ CIC of the action taken on the complaint in all cases, including the cases where the complaint has been rejected. In cases of rejection, the reasons for rejection shall also be provided by CI and CIC.

e) Compensation to be provided by the CICs/ CIs to the complainant (for delayed resolution beyond thirty (30) calendar days of filing the complaint) shall be apportioned among the CIs/ CICs concerned proportionately.

f) Where the grievance/ complaint involves inaccurate credit information provided by more than one CI, the complaint shall be registered by the complainant with the concerned CIC. The CIC shall coordinate with all the CIs concerned and furnish the complainant with a comprehensive resolution of the grievance.

g) Where the complaint has been received and registered by a CIC and there has been a delay in the resolution of the complaint, the CIC shall inform the concerned CI(s) and the complainant after the final resolution, regarding total delay (in calendar days) and the amount of compensation to be paid by the CI(s) and/ or CIC.

h) Where the complaint has been received and registered by a CI and there has been a delay in the resolution of the complaint, the CI shall inform the concerned CIC(s) and the complainant after the final resolution, regarding total delay (in calendar days) and the amount of compensation to be paid by the CI and/ or CIC(s).

i) The date of the resolution of the grievance shall be the date when the rectified Credit Information Report (CIR) has been sent by the CIC or CI to the postal address or email ID provided by the complainant.

j) The CICs/ CIs shall make appropriate provision in their complaint submission format (both online and offline) for enabling the complainant to submit the contact details, email ID, and bank account details/ Unified Payment Interface (UPI) ID for crediting the compensation amount. The onus of providing accurate details will lie with the complainant and the CIs/ CICs will not be held responsible for any incorrect information provided by the complainant.

k) The compensation amount shall be credited to the bank account of the complainant within five (5) working days of the resolution of the complaint.

l) The complainant can approach RBI Ombudsman, under the Reserve Bank-Integrated Ombudsman Scheme, 2021, in case of wrongful denial of compensation by CIs or CICs.

m) In case of wrongful denial of compensation by CIs which are yet to be covered under the Reserve Bank - Integrated Ombudsman Scheme, 2021, the complainant can approach Consumer Education and Protection Cell (CEPC) functioning from Regional Offices (ROs) of Reserve Bank of India.

Exceptions include disputes resolved under Section 18 of the Credit Information Companies Regulation Act, 2005, which involve Conciliation or Arbitration. Additionally, it excludes Complaints related to:

- ✓ Internal Administration.
- ✓ Human Resources.
- ✓ Staff Pay.
- ✓ Commercial Decisions
- ✓ As well as grievances related to Credit Score Computation or Models.

Furthermore, it does not cover complaints that have already been adjudicated or are pending in other forums, such as Consumer Disputes Redressal Commissions, Courts, or Tribunals. This framework is specifically designed to address credit information-related issues while allowing other avenues for resolution in exempted cases.

RBI Framework to Strengthening Customer Service:

In an effort to promote transparency and Empower Customers, the framework aims to strengthen the disclosure requirements and accountability of Both Credit Institutions and CICs toward their Customers. The various Actionables for credit institutions provide in the Framework are:

Actionables for Credit Institutions (CIs):

a. **Customer Alerts for Default/DPD**: CIs are now required to send SMS or Email Alerts to Customers when they submit information to CICs related to Defaults or Days Past Due (DPD) in existing Credit Facilities. This proactive communication keeps customers informed about their Credit Status.

b. **Awareness Campaigns**: CIs should Organize Special Awareness Campaigns to Educate their Customers about the Benefits of providing Mobile Numbers and email addresses. This empowers Customers with the Knowledge of how these details can be essential for timely communication regarding their Credit Information.

c. **Dedicated Nodal Point**: CIs must Designate a Dedicated Nodal Point or Official for CICs to Address Customer Grievances promptly. This streamlines the Grievance Redressal Process. Any change in such Nodal Point or Officer shall be Communicated to CIC within Five Calendar Days of such a change.

d. **Root Cause Analysis**: CIs should undertake a RCA of Customer Grievances at least semi-annually. Top Management should review the RCA annually to identify and rectify the underlying issues leading to Complaints.

e. **Reasons for Data Rejection**: CIs should inform Customers of the reasons for the Rejection of their requests for Data Correction. This Transparency helps Customers better understand issues in their CIR.

Conclusion:

To Conclude, the introduction of the compensation framework by the RBI represents a significant step toward ensuring timely resolution of credit information issues and protecting consumers' rights. This initiative empowers complainants by offering compensation for delays in addressing their concerns and encourages credit institutions and credit information companies to adhere to established timelines. The framework, set to take effect six months from the circular's issuance, serves as a vital tool in safeguarding consumers' interests and promoting transparency in the credit information ecosystem. Failure to comply with these guidelines may result in penal actions as per the provisions of CICRA, 2005.

References:

1. *RBI Guidelines - Framework for compensation to customers for delayed updation rectification of credit information.*

2. *Strengthening of customer service rendered by Credit Information Companies and Credit Institutions.*

Unclaimed Deposits with Banks
(RBI's UDGAM Portal)

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Unclaimed Deposits in Banks are a 'Financial Concept' that often goes unnoticed until it directly affects someone's 'Financial Affairs'.

Unclaimed Deposits, referred to as Unclaimed Funds, that are essentially Funds or Deposits held by a Bank that have not been Accessed or Claimed by the 'Account Holders' for an extended period. These deposits can be in 'Various Forms', including:

- Savings Accounts-Balances Left Dormant / In-operative for an Extended Period.
- Checking Accounts-Funds that remain Untouched for a Specified Duration.
- Certificates of Deposit (CDs)-Maturity Proceeds that Account Holders fail to Claim.

"Several Reasons" that can Lead to Deposits becoming Unclaimed:

✓ **Forgotten Accounts:** People may Open Bank Accounts, use them Infrequently, and Eventually Forget about them.
✓ **Relocation:** Account Holders who move without Updating their Contact (Postal/Correspondence Address) information may miss Important Bank Communications.
✓ **Deceased Account Holders:** When an Account Holder Passes Away, Heirs or Beneficiaries may not be Aware of the Account's Existence.

How to Prevent Unclaimed Deposits:

o **Keep Records:** Maintain a Record of all Bank Accounts by the Customers, including Account Numbers and Contact Information. Periodically Review the Statements by Customers and keep the Bank informed of any Changes in Contact Details like Postal Address, Email address, Contact Numbers like Mobile Number, Landline Telephone Number of the House / Residence / Office etc.
o **Regular Activity:** Ensure some activity in Accounts by the Customers, even if it's just Checking the Balance or making Small Transactions.
o **Nominate Beneficiaries:** Customers of the Bank, make the Habit of giving Nominee particulars while Opening Bank Accounts. The other alternate is while opening accounts the customer may opt to open accounts in Joint Names with operating instructions like Either or Survivor, Former or Survivor or Later or Survivor or Jointly to operate the accounts etc.).
o **Updation of KYC**: As per Banks Guidelines, the Customers of the Bank has to update the "Know Your Customer" Guidelines of the Bank with Officially Valid Documents (OVDs) as per the periodicity defined by the Banks etc.

Depositor Education and Awareness Fund Scheme, 2014:

Balances in Savings / Current accounts which are **NOT** operated for 10 years, or Term Deposits not Claimed within 10 years from Date of Maturity are classified as "**Unclaimed Deposits**". These amounts are transferred by Banks to "Depositor Education and Awareness" (DEA) Fund maintained by the Reserve Bank of India. The depositors are, however, still entitled to claim the deposits at a later date from the Bank(s) where such Deposits were held along with Interest, as applicable. However, despite Public Awareness Campaigns undertaken by Banks as well as RBI from Time to Time, the amount of Unclaimed Deposit is showing an **Increasing Trend** Year-on-Year Basis.

The growing Volume of Unclaimed Deposits arise mainly due to Non-closure of Savings / Current Accounts which depositors do not intend to Operate anymore or Due to not submitting Redemption Claims with Banks for matured Fixed Deposits. There are also cases of Accounts belonging to Deceased Depositors, where the Nominees / Legal Heirs do not come forward to make a claim on the Bank(s) concerned. To help such Depositors or the Nominees / Legal Heirs of Deceased Depositors Identify and Claim the Deposits, Banks already Host the List of Unclaimed Deposits on their Website with some Identifiable Details. Members of Public are encouraged to identify and Approach the Bank concerned for Claiming such Deposits.

Guidelines on Inoperative Accounts (10 Years & Above) / Unclaimed Deposits:

Outstanding Credit Amount of any Account in India with any Bank which has not been Operated upon for a Period of Ten Years or any Deposit or any Amount remaining Unclaimed for more than Ten Years shall be Transferred to the Depositor Education and Awareness (DEA) Fund of RBI, within a Period of Three Months from the Expiry of the said period of Ten Years.

The Customer / Survivor / Legal Heir /Authorized Signatories, as the Case may be, may Lodge a Claim for the Unclaimed Deposit to Activate the Account.

Customer may Visit Branch of XYZ Bank with all necessary KYC Documents. If the Customer wants to activate and continue Operations in the Account, the Branch will accept the specific request from the Customer and reactivate the Account by obtaining proper KYC. In Case of final Claims and Closure of account, Branch will accept specific request from the Customer to Process accordingly.

Procedure for Claim:

Individual Claim by Customer: Customer may visit BANK Branch with the request letter (in the Given Format) and submit Valid Proof of Identity, Address & Latest Photograph. On Verification of the same, Branch will make the Account Operative and allow Transactions in the Account.

Claim by Legal Heir / Nominee: The Legal Heir / Nominee may visit XYZ Branch and submit the required Documents. Customer would be required to comply with the Claim Settlement Process of the Bank.

Claim by Non-Individual: The Customer may submit the Claim Form on the Firm's / Institution's letterhead duly signed by the Authorized Signatories along with their Valid Identity and Address Proofs. The Customer may also be required to submit Additional Documents as required by the Bank.

(**Unclaimed Deposits / Inoperative Accounts: Claim Form: As Annexure-I**)

Transfer of Unclaimed Deposits after 10 Years to Reserve Bank of India:

On the date of Transferring the Amount to the Fund, the Bank should maintain Customer-wise Details verified by the Concurrent Auditors, including payment of Up-to-Date Interest accrued, that has been Credited to the Deposit Account till the Date of Transfer to the Fund, with respect to Interest Bearing Deposits.

With respect to Non-interest-bearing Deposits and other Credits Transferred to the Fund, Customer-wise Details, Duly Audited, should be maintained with the Bank. The Concurrent Auditors should also Verify and Certify that, as per the Banks' Books, the Returns have been Correctly Compiled by the Bank in the Monthly and Yearly Returns submitted to RBI.

The Returns shall also be Verified by the Statutory Auditors at the Time of Annual Audit and an Annual Certificate shall be obtained from Statutory Auditors and Forwarded to RBI, certifying that the Returns have been Correctly compiled by the Bank. Returns certified by the Auditors may be forwarded in Original, to Chief General Manager, Reserve Bank of India, Department of Banking Operations & Development, Central Office, DEAF Cell, 12th Floor, Shahid Bhagat Singh Road, Fort, Mumbai-400001, as also Scanned Copy in PDF Format by email. The Statutory Auditors' Annual Certificate also be forwarded at the above address along with a scanned copy in PDF Format by e-mail.

UDGAM Portal Onboards '30 Banks':

The Reserve Bank of India announced the Development of a Centralised Web Portal for searching Unclaimed Deposits as part of the Statement on Developmental and Regulatory Policies dated April 06, 2023. Given the Increasing Trend in the Amount of Unclaimed Deposits, RBI has been undertaking Public Awareness Campaigns from Time to Time to sensitise the Public on this matter. Further, through these Initiatives, the RBI has been encouraging members of the Public to Identify and Approach their Respective Banks for Claiming Unclaimed Deposits.

The Launch of the Web Portal will Aid Users to identify their 'Unclaimed Deposits / Accounts' and enable them to either Claim the Deposit Amount or make their Deposit Accounts Operative at their Respective Banks. Reserve Bank Information Technology Pvt Ltd (ReBIT), Indian Financial Technology & Allied Services (IFTAS) and participating Banks have Collaborated on Developing the Portal.

RBI's UDGAM portal allows customers to Check their Unclaimed Deposits with Banks; it has enrolled 30 Banks from the Initial Seven during its launch in August 2023.

RBI given Press release that as of September 28, 2023, the Portal has 30 Banks, accounting for around 90 per cent of the Total Unclaimed Deposits in the Depositor Education and Awareness (DEA) Fund.

These banks include:

- State Bank of India
- Punjab National Bank
- Central Bank of India
- Canara Bank
- Bank of Baroda
- HDFC Bank
- Federal Bank
- ICICI Bank
- Axis Bank
- Kotak Mahindra Bank, and Foreign Banks like
- Citibank
- Standard Chartered Bank, and
- HSBC Bank.

The portal allows account holders and their family members to search for Unclaimed Deposits with Banks under a Single Platform for convenience. As of February 2023, around ₹ 35,000 Crores worth of Unclaimed Deposits were with DEA. Banks send the Unclaimed Deposits of Account Holders lying in their Accounts for 10 or more years to RBI's DEA Fund.

According to a PTI Report in August,2023, Banks have Transferred Unclaimed Deposits worth ₹ 48,461.44 Crore related to 16,79,32,112 Accounts to DEA as of March 31, 2023.

Given this massive volume of Unclaimed Deposits with DEA, the UDGAM portal is handy for customers to search for their Unclaimed Funds on a Single Platform.

How to Use the Portal-Step-by-Step Process:

Step 1: Open the UDGAM Website https://udgam.rbi.org.in/unclaimed-deposits/#/login and log in with Credentials, Mobile Number, Password, and Captcha Code. Click on Next.

Step 2: A One-time password (OTP) will be sent to the Phone Number given. Enter that and click on Log in.

Step 3: On the New Page, Type the Account Holder's Name and Select the Bank from the Drop-down List.

Step 4: Select any one of the Options (PAN, Voter ID, Driving License, Passport Number, and Date of Birth) and fill in the details. If one does not have these details, then there are Additional Criteria of Address and State, which one may fill in to search the Deposits.

Step 5: Click on the Search Button. If the Bank has any 'Unclaimed Deposit' in the Account Holder's Name, it will Display on the Screen. If you Don't know the Bank's Name, select '**ALL**' from the Banks' Drop-down List. The Portal will search all the Banks with the Accountholder's details provided and give the result in **Less than a Minute**.

If the Search cannot be performed on a Few Banks, a Notification will appear at the Bottom of the page, saying, 'Please note that the Search Operation could not be performed on a Few Banks. 'Click here' to know more. By clicking that, Bank Names that could not be found in the search will appear. The Account holder can search for those Banks separately.

Conclusion: The Deposits remaining Unclaimed for 10 Years in a Bank are Transferred to the "Depositor Education and Awareness" (DEA) Fund maintained by the Reserve Bank of India. Depositors' Protection being an overarching objective, RBI has been taking various measures to ensure that Newer Deposits do not turn unclaimed and existing unclaimed deposits are returned to the rightful owners or beneficiaries after following due procedure. On the second aspect, Banks Display the List of Unclaimed Deposits on their Website. In order to Improve and Widen the access of Depositors / Beneficiaries to such Data, RBI has developed a Web Portal to enable search across Multiple Banks for possible Unclaimed Deposits based on user Inputs.

Annexure-I

Unclaimed Deposits / Inoperative Accounts: Claim Form-Through Bank Branch

Date: From……………………

The Branch Manager,
XYZ Bank,
___________Branch.

Dear Sir / Madam,

I / We the undersigned Mr./Mrs./Ms/_________________________________ the capacity of

Self:
Nominee:
Legal Heir:
Others (Please Specify):

request for settlement of claim, for Deposits Account(s) held with your Bank in the Name(s) of Mr. / Mrs. / Ms / Others______________.

Name Account No. and Other Details (With Documentary Proof):
Name of Claimant(s):
Communication Address with PIN Code:

DOB PAN No. Passport No. Tel/Mob. No.

I / We understand that claim will be settled post Due Diligence and Authentication of Documents and in subject to Bank's Process & Policy.

I/We undertake to submit the Document as may be necessary for the Bank to Process the Claims and agree to execute the required Documents to settle the Claim.

Signature: ____________

Name: ____________

Customer Acknowledgment Slip (To be Filled in by Bank Official)

Date:

Received a request from Mr./Mrs./Ms. __________________________________ for claiming Unclaimed Deposits / Inoperative Accounts.

XYZ Bank Signature of Bank Official with Seal

___________________Branch

Fintech - a disruption in Banking Sector

Shri Sudhakar Kulkarni
Certified Financial Planner

Financial technologies are spreading at faster rate in entire financial sector across the globe. These Fintechs have brought lot of innovation and ease of doing business in financial services in general and in banking in particular. However, it has altogether changed traditional business model of this sector. It has potential to shakeup the banking sector.

The growth of Fintech is witnessed during last 7-8 years, however its strong impact is being felt since Corona pandemic. Fintech growth is mainly due to increased internet coverage, mobile communication, AI & machine learning, data collection and data processing technologies. Peer-to-peer lending, equity crowdfunding, cryptocurrencies and the blockchain, digital wealth advisory and trading platforms, and mobile payment systems these are some of the outcomes of Fintech which have severe impact on traditional banking operations. Because of growing impact of Fintech, banking sector is on the brink of technological revolution.

Fintech uses innovative technology to offer financial products or services, such as payments and money transfers, investments, loan origination, and wealth management. Fintech offers following main services to banking sector

1: Payment processing and money transfers. This type of fintech allows customers to make payments and move money quickly and securely. Fintech companies enable banks to offer customers a more convenient and secure payment experience and access to faster money transfers.

2. Fintech offers services related to investments such as trading stocks, bonds, ETFs, mutual funds, hedge funds, etc. Banks can leverage this technology by giving customers a better way to manage their investments and handle the complexities of these markets.

3. The third type of fintech is online loan application, appraisal and sanction within day or two.

4. Fourth type of fintech offering is wealth management, which includes asset allocation and portfolio management services. This technology helps banks to offer customers better advice and more personalized investment solutions suitable to their risk appetite and return expectations.

These services offered by Fintech has severely affected the banking operations and has posed serious threat to traditional banking business models.

Fintech companies are disrupting the banking sector because they providing innovative solutions to customers which are convenient, cost effective, user friendly, fast as well as safe and secure than current banking services and products. One such example is transfer of funds using mobile app where one can transfer the funds within few seconds with safety and security that too almost free of cost. (for e.g. UPI/IMPS/NEFT /RTGS), while another one is online loan, most of the personal loans are now available online. Further Fintech companies offer data analytics and insights which provides banks to gain valuable customer insights which helps them to a certain risk associated with individual customer which increase efficiency in their operations. Also with these powerful analytical tools, banks can better understand customer needs and design products and services to meet their expectations.

Fintechs are creating new opportunities for banks to remain competitive in the digital world. Fintech solutions have enabled banks to increase efficiency, reduce costs, and improve customer experiences. Banks also leverage fintech solutions, such as artificial intelligence and blockchain, to provide customers with more secure transactions and personalized services.

Fintech companies are providing banks access to new technologies, such as data analytics, that allow them to gain valuable insights about customers and design better products and services to meet their needs. In addition, Fintech solutions offer services ranging from payments and wealth management to data analytics and investment banking. With such fintech solution there are new opportunities for growth for the individual bank.

Fintech solutions provide opportunities to reduce costs, increase operating efficiency, and create better customer experiences. Further -new -edge technologies such as artificial intelligence and blockchain, fintech companies can provide more efficient banking services more particularly in payment services, remittances, risk management etc.

Using fintech solutions, banks can reduce costs by minimizing the manual processing, streamlining processes, and reducing operational costs.

Fintech solutions are creating a more transparent banking transactions, financial transactions and statement are just one click away hence access to customer is 24*7. This helps to monitor and control their finances.

Fintech solutions make banking transactions safer and more secured by providing encryption and biometric authentication. With this transaction through online banking or through mobile banking becomes safe and secured.

Fintech Solutions make the banking services and products accessible 24*7 and anywhere in the world.

In short Fintech solutions have enabled banks to sustain in cutthroat competition, it helps to improve efficiency, customer satisfaction, reduce cost, to access the risk.

Overall banking sector response to Fintech:

Emergence and rapid growth of Fintech has forced banks to bring about major changes in their operations such as use of AI and Machine learning, biometric sensors, smart chips to prevent frauds. Use of ChatBot, Robots.

Is Fintech a threat to banking sector?

Banks are feeling heat because Fintech is disrupting traditional banking models. Fintech companies are providing new Solutions provided by Fintech companies allow customers easy access to banking services services faster, more conveniently, and cheaper than traditional bank services. Services provided by Fintech companies are tailor made which makes competition cut throat. Which compels banks to adapt to new technologies. Resultantly banks are facing increasing pressure from Fintech companies.

However, Fintech companies also have some challenges and risk which needs to be considered seriously.

Regulatory uncertainty and inconsistency by operating in a complex and dynamic environment that involves multiple jurisdictions, stakeholders, and rules, and that may not adequately capture the specificities and implications of new technologies and business models. For example, P2P companies are treated as NBFC but regulations for P2P are somewhat different than normal NBFC.

Cybersecurity and data protection (privacy threats) by exposing sensitive data and transactions to potential breaches, hacks, or misuse, which creates lot legal complications.

In conclusion we can say Fintech has already made strong impact on banking sector and has revolutionized the banking operative models to large extent this has increased efficiency, cost reduction, improved security, enhanced customer experience, increased transparency, accessibility, faster payments, and more. Banks have hardly any option of not adopting it. Investing in fintech solutions and adopting digital strategies is essential for banks to remain competitive and sustain in fast changing scenario.

A Booster Dose to Micro Enterprises in India

(Prime Minister Vishwakarma Scheme)

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Prime Minister Narendra Modi on the 77th Independence Day announced the launch of a New Scheme that will benefit Individuals Skilled in Traditional Craftsmanship. Named the 'PM Vishwakarma Yojana', the scheme was launched on the occasion of Vishwakarma Jayanti on September 17, 2023, at the India International Convention and Expo Centre in Dwarka, New Delhi.

A significant section of the workforce of the Indian economy consists of artisans and craftspeople who work with their hands and tools, are usually self-employed and are generally considered to be a part of the informal or unorganised sector of the economy. These traditional artisans and craftspeople are referred to as 'Vishwakarmas' and are engaged in occupations like Blacksmiths, Goldsmiths, Potters, Carpenters, Sculptors, etc. These skills or occupations are passed from generation-to-generation following a guru-shishya model of traditional training, both within the families and other informal groups of artisans and craftspeople.

'PM Vishwakarma' will be implemented as a 'Central Sector Scheme', fully funded by the Government of India, with an initial outlay of ₹ 13,000 Crore.

The Scheme will be conjointly implemented by the Ministry of Micro, Small and Medium Enterprises (MoMSME), the Ministry of Skill Development and Entrepreneurship (MSDE) and the Department of Financial Services (DFS), Ministry of Finance (MoF), Government of India.

PM Vishwakarma will be initially implemented for five years up to 2027-28.

There are many artisans who can become suppliers and producers for MSME Sector. The Industrial world can increase production by linking artisans with industrial needs. The industry can also provide them with skill and quality training to artisans.

Objectives of the Scheme:

- ✓ To enable the recognition of artisans and craftspeople as Vishwakarma, making them eligible to avail all the benefits under the Scheme.

- ✓ To provide skill upgradation to hone their skills and make relevant and suitable training opportunities available to them.
- ✓ To provide support for better and modern tools to enhance their capability, productivity, and quality of products and services.
- ✓ To provide the beneficiaries an easy access to collateral free credit and reduce the cost of credit by providing interest subvention.
- ✓ To provide incentives for digital transactions to encourage digital empowerment of Vishwakarmas.
- ✓ To provide a platform for brand promotion and market linkages to help them access new opportunities for growth.

Primary Factors of the PM Vishwakarma Kaushal Samman are:

- ⇒ Financial Aid.
- ⇒ Advanced Skill Training.
- ⇒ Access to the Latest Technology.
- ⇒ Integration into the MSMEs.
- ⇒ Paperless Payments.
- ⇒ Wider reach and Introduction to a Global Market.

Trades Covered:

18 Traditional Trades Identified under the Scheme. The following Traditional Trades will be initially Covered under PM Vishwakarma for providing benefits to the Artisans and Craftspeople engaged in these Trades.

a) **Wood Based**:
1. Carpenter (Suthar/Badhai).
2. Boat Maker.

b) **Iron/Metal Based/Stone Based**:
3. Armourer.
4. Blacksmith (Lohar).
5. Hammer and Tool Kit Maker.
6. Locksmith.
7. Sculptor (Moortikar, Stone Carver), Stone Breaker.

c) **Gold/ Silver Based**:
8. Goldsmith (Sonar).

d) **Clay Based**:
9. Potter (Kumhaar).

e) **Leather Based**:
10. Cobbler (Charmakar)/Shoesmith/Footwear Artisan.

f) **Architecture/ Construction Based**:
11. Masons (Rajmistri).

g) **Others**:
12. Basket/ Mat/ Broom Maker/ Coir Weaver.
13. Doll & Toy Maker (Traditional).
14. Barber (Naai).
15. Garland Maker (Malakaar).
16. Washerman (Dhobi).
17. Tailor (Darzi).
18. Fishing Net Maker.

Eligibility:

An Artisan or Craftsperson working with Hands and Tools and engaged in one of the Family-based Traditional Trades specified above, in the Un-organized or Informal Sector, on Self-employment basis, shall be eligible for Registration under PM Vishwakarma.

(i) The Minimum Age of the Beneficiary Should be 18 Years on the Date of Registration.

(ii) The Beneficiary should be engaged in the Trades concerned on the Date of Registration and **should not** have availed loans under similar Credit-based Schemes of Central Government or State Government for Self-employment / Business Development, e.g., PMEGP, PM SVANidhi, MUDRA, in the past 5 years. However, the Beneficiaries of MUDRA and SVANidhi who have fully repaid their loan, will be eligible under **PM Vishwakarma**. This Period of 5 Years will be calculated from the Date of Sanction of the Loan.

(iii) The Registration and benefits under the Scheme shall be restricted to One member of the Family. For availing benefits under the Scheme, a 'Family' is defined as consisting of the Husband, Wife and Unmarried Children.

(iv) A person in Government Service and His / Her family members shall not be eligible under the Scheme.

The scheme focuses not only to provide them the Financial Support but also access to Advanced Skill Training, Knowledge of Modern Digital Techniques and Efficient Green Technologies, Brand Promotion, Linkage with Local and Global Markets, Digital Payments, and Social Security.

The List of Trades may be updated and modified by the National Steering Committee with the approval of Minister for MSME, Government of India.

PM Vishwakarma is a holistic Scheme that envisages to provide **End-to-End Support** to the Artisans and Craftspeople through the following Components:

a) Recognition: PM Vishwakarma Certificate and ID Card.
b) Skill Upgradation.
c) Toolkit Incentive.
d) Credit Support.
e) Incentive for Digital Transactions.
f) Marketing Support.

The Artisans and Craftspeople will receive PM Vishwakarma Certificate and PM Vishwakarma ID Card. A Unique Digital Number shall be created and reflected on the Certificate and the ID Card. The Certificate shall enable the Applicant's recognition as a Vishwakarma and shall make Him / Her Eligible to avail all the benefits under the Scheme. The PM Vishwakarma Certificate and ID Card will be provided Digitally as well as in Physical Form to the Beneficiaries.

Credit Support:

To enhance and Support the Capabilities of Traditional Artisans and Craftspeople, access to affordable Credit under this Scheme will be facilitated. The beneficiary must have undergone Skill Assessment and Completed Basic Training to be Eligible to avail First Tranche of Credit support of upto ₹1 lakh under the Scheme.

Tranches, Amount of Loan and Tenure of Repayment:

Tranche	Amount of Loan (In ₹)	Term of Repayment (In Months)
1st Tranche	Upto 1,00,000	18 months
2nd Tranche	Upto 2,00,000	30 months

Concessional Interest and Interest Subvention:

Concessional rate of interest chargeable to beneficiaries for loan will be **Fixed at 5%**. The interest subvention by the Government of India will be to an **Extent of 8%** and provided **Upfront to the Banks**. The interest charged from beneficiaries and subvention by MoMSME.

(i) A beneficiary will be eligible to avail concessional interest for both First and Second Tranches of the Loan.

(ii) A Credit Oversight Committee Headed by the Secretary, DFS may Revise the Interest Subvention Cap of 8% keeping in view the prevailing Interest Rates.

(iii) Advance release of Interest Subvention to the Banks will be done by MoMSME through an Escrow Account or Placement of Advance Funds with the participating Banks or any other suitable mechanism in consultation with the DFS. For effective monitoring of Interest Subvention and ensuring that reimbursement is paid only for Standard Accounts, the Bank will maintain Interest Data in Customer Induced Format rather than System Induced Format.

(iv) The Lenders will be required to submit Monthly Returns for Interest Subvention for each Financial Year. Subvention will only be provided in respect of those accounts of borrowers, which are Standard (Non-NPA as per extant RBI Guidelines) on respective Claim Dates and only for those Months during which the account has remained Standard.

(v) Banks are required to submit Quarterly Audited Reconciliation Certificate to SIDBI / Agency maintaining Escrow Account for Interest Subvention Claims.

Some of the Key Areas of monitoring shall be as follows:

- ✓ Achievement of Milestones against Timelines.
- ✓ Utilization of Funds as per the activities or amount as indicated against the Components.
- ✓ Expenditure Pattern as per the Sequence of Activities.
- ✓ Output and outcome as per the Defined Indicators.
- ✓ Performance Appraisal of Implementation Agencies (IAs), and
- ✓ Any other activity incidental to the above.

Toolkit Incentive:

a. A Toolkit Incentive of upto ₹15,000 will be provided to the beneficiary after Skill Assessment at the Start of Basic Training. The Incentive will be disbursed to the beneficiaries through e-RUPI / e-vouchers which can be utilized at designated centres to procure improved Toolkits.

b. A Digital Guide and Short Video Tutorials will be provided to Vishwakarmas to familiarize and enable them in Skilful Handling of the Modern Tools in their Trades. The improved Toolkits will enable the Vishwakarmas to enhance their Quality and Production Levels resulting in Higher Productivity and Value for their Products.

Incentive for Digital Transaction:

a. The Scheme Aims to Digitally empower the beneficiaries by facilitating them to adopt Digital Transactions. An amount of ₹ 1 per Eligible Digital Transaction (Upto Maximum 100 Eligible Transactions Monthly) will be Credited to the Beneficiary's Bank Account in DBT mode through Aadhaar Payment Bridge System (APBS). Here, Eligible Transaction means a Digital Pay-out or Receipt in the Bank Account of the Beneficiary.

b. The Scheme seeks to Incentivize Digital Transactions undertaken by the Artisans and Craftspeople through Cashbacks. The Online Transaction Trail so created is expected to enhance the Credit Score of Skilled Workers for supporting their future Credit Needs. This incentive is an attempt to Promote a New Digital Culture among the Vishwakarmas with regard to Embracing Digital Payments Ecosystem.

Summary of PM Vishwakarma Shram Samman Yojana 2023

Scheme:	PM Vishwakarma Shram Samman Yojana 2023.
Launched by:	PM Shri Narendra Modi.

Nodal Ministry:	Ministry of Micro, Small & Medium Industries.
Launched in:	November 2023.
Beneficiaries:	All Artisans, Entrepreneurs and Skilled Workers.
Vishwakarma Yojana Eligibility 2023:	Any Craftsman or Artisan.
Total Eligible Trades:	18 Trades.
PM Vishwakarma Yojana Benefits 2023:	Skill Upgradation, Affordable Credit for Upgradation, Toolkit Incentive of ₹ 15,000/- and Marketing Support.
Loan Amount:	₹ 3 Lakh @ 5% Interest.
Application Start Date:	November 2023.
Documents Required for PM Vishwakarma Registration 2023:	Aadhaar Card, Bank Account Number, Passbook, Domicile, Skill Certificate and Other Documents.
PM Vishwakarma Portal:	Pmvishwakarma.gov.in

Conclusion:

Review and Monitoring of the Implementation of the Scheme shall be done on a Regular Basis by the National Steering Committee and the State Monitoring Committees to assess the progress under Various Components of the Scheme. Dedicated Programme Management Units (PMU) at the National and State Levels will assist in the Monitoring the Performance of Implementation Agencies (IAs) and the overall Scheme implementation. An Online Monitoring System (OMS) with a Dashboard shall be developed for Monitoring of the Physical and Financial Progress of the Scheme.

The PM Vishwakarma Portal will have the facility to receive Feedback and a Query Resolution Mechanism.

Digital Assets and Cryptocurrencies: Issues and Challenges

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[In just over a decade, crypto ecosystem has grown spectacularly. Over the recent years millions of retail users and increasing numbers of institutional investors have assumed exposures to and got involved in the crypto ecosystem. Crypto brings with it elements of genuine innovations. However, crypto so far could not be put to use the innovations for the benefit of the society at large. “Crypto’s inherent structural flaws make it unsuitable to play a significant role in the monetary system” (BIS*). If not effectively regulated widespread adoption of crypto-assets has the potential to attenuate the efficacies of monetary policy, evade capital flow regulations, aggravate fiscal risks, divert funds available for financing the real economy, and imperil global financial stability. Considering the pace of evolution of crypto—asset market, FSB opines that it exhibits the potential to attain a scale to pose threat to global financial stability due to their structural weaknesses and increasing interconnectedness with the mainstream financial system. In this backdrop the article attempts to highlight the risks, issues and challenges posed by the crypto ecosystem.]

Introduction

Digital asset is digital instrument having embedded stream of benefits, issued, or represented using distributed ledger or similar technology@. Cryptocurrency is a kind of digital asset supported by cryptography and existing on a network of many computers. Its decentralized structure enables them to bypass the control of governments and central authorities. They being decentralized systems there is remote possibility of their failure on account of single point of default. However, cryptocurrency prices are highly volatility. Mining of crypto involves high energy consumption. They are used by criminals in settlement of ransom demands, drug trafficking transactions and other transactions involved in criminal activities.

Crypto currencies have been hyped as the future of finance. Cryptocurrencies (viz., Bitcoin and Ethereum etc.,) are subjected to insignificant or no government control. They have been epitomized for safety, privacy, stability, and independence. Cryptocurrencies have been promoted as substitutes for government backed fiat currencies and commercial banking. Protagonists contend that main value propositions of this asset class are their proclaimed discord with debasement and restrictions by governments or financial institutions over who can transact. However, BIS study has concluded that there has been no evidence to accept the hypothesis that cryptocurrencies are sought as alternatives to the mainstream financial system. Incidentally, several companies supporting cryptocurrency transactions and storage have been hacked. Therefore, their record on privacy has not been impeccable. The high-profile incidents, have upended the belief that it is impossible for authorities to track transactions in public blockchain.

As of now large scale use and acceptance of cryptocurrencies for day-to-day transactions is very unlikely. Their prices have tended to trail equities (particularly technology stocks). Consequently, they exhibit much more volatility than that exhibited by traditional fiat currencies (viz., USD, EURO, Pound sterling, Rupee etc.) The crypto segment has also been facing regulatory headwinds in the aftermath of FTX and other serious scandals surfaced in this segment. However, despite the above challenges, it would not be wise to discount cryptocurrencies simply as a transient exuberance. This is further borne out by the fact that a recent survey by Bank of international Settlements has revealed that a large number of central banks all over the world have embarked upon the idea of launching Central Bank Digital Currency, digital form of their respective fiat currencies, in response to the emerging rush to adoption of cryptos and block chain technology in the areas of business and finance.

Cryptocurrency Business Trends

Despite uncertainty shrouding cryptocurrencies, hitherto unregulated in India, digital assets, particularly Bitcoin, could attract many Indian investors registering a spectacular pace of upward trend since 2020. It is estimated that about more than 1.5-2 crore Indians have taken exposure to this asset class of aggregate value to the tune of about $10 Billion. In late 2021, crypto asset prices, stablecoin volumes and Decentralised Finance (DeFi)## activities were at all-time high. However, there has been a virtual mayhem in crypto ecosystem in 2022. The decay which began in early 2022, became critical in May. During this time a large stablecoin, TerraUSD (UST) anchored to the US dollar – collapsed, triggering contagion in crypto markets. Thereafter a period of lull prevailed for some time, but serious stress built up in crypto markets again in November 2022, on declaration of bankruptcy by FTX crypto trading platform. Observably the crypto ecosystem has intrinsic strength to survive and recover prices despite repeated turmoil. Therefore, there is no reason to doubt that crypto will wither away on its own.

The increasing number of cryptocurrency holders with firm belief in the ideological quest of a decentralized system as an alternative tends to indicate a paradigm shift in investment psyche of Indian investors who hitherto revealed preference for gold and other safer assets. Ahead of the much-anticipated Cryptocurrency and Regulation of Official Digital Currency Bill, let us have a look at the issues, challenges and risks facing the journey of the virtual asset so far.

As per Financial Stability Board (FSB)) reporting, crypto-asset@@ capitalization increased 3.5 time in 2021 to $2.6 trillion. Apparently, they constitute an insignificant part of global financial asset pool. However, considering the pace of evolution of crypto—asset market, FSB opined that it exhibits the potential to attain a scale to pose threat to global financial stability due to their structural weaknesses and increasing interconnectedness with the mainstream financial system. Direct connection between crypto-assets and Systemically Important Financial Institutions (SIFI) and core financial market has been growing at a fast pace. However, volatility of crypto-asset prices has so far not spilled over to the mainstream financial market. Besides, crypto-assets has no significant use in critical financial services on which the real economy depends.

Impact of Complex Investment Strategies

In the backdrop of emergence of complex investment strategies using derivatives and other leveraged products referenced to crypto-assets systematically important banks and other financial institutions have been evincing increasing interest and willingness to engage in crypto trades and transactions and also to take exposures to crypto assets.

The persisting weaknesses that would tend to undermine the integrity and functioning of the crypto assets, include poor understanding of the investors about the important dimensions of crypto assets viz., cost, fees, conflict of interests, lack of redressal mechanism, and uncertainties around operational resilience of crypto asset focused institutions. Additional vulnerability might arise from environmental impact of energy intensive consensus mechanism for certain crypto-assets. Other wider issues involving crypto assets in the context of cybercrimes, money laundering, ransom extortions, financing of terrorist activities etc., have been eroding their public credential.

Inter-play of Crypto-asset Market Segments

Crypto-asset market has three broad segments viz., unbacked crypto-assets#, stable coins@@@ and Decentralized Finance (DeFi)## & crypto-asset trading platforms. These three segments are intricately intertwined and evolving constantly in a complex manner. Therefore, regulation of crypto-assets needs a holistic approach in assessment of risk posed by these segments.

Of late DeFi has emerged as a very fast-growing segment. DeFi is giving financial services (viz., lending, borrowing, or investing) without relying on a traditional centralized financial intermediary, using both unbacked crypto-assets and stablecoins. Stable coin uses/users registered considerable growth due partly to the emergence of DeFi. Consequently, their reserve assets have also swelled making them significant holders of short-term debt instruments. Structurally stablecoins are prone to liquidity mismatch and susceptible to credit and operational risks which have potential to trigger sudden disruptive runs on their reserves. There are a relatively small number of crypto asset trading platforms servicing (e.g., lending, custody etc.,) majority of crypto-assets traded. Such platforms if operating outside regulatory perimeter and not adhering to prudential practices and self-regulations, if any, would be potential source of concentration of risks.

As regards Stablecoin, there persist wide spread apprehensions about their adherence to prudential standards for quality and quantity of reserve assets held as backing, and risk management/governance standard. These notwithstanding stablecoin growth has continued unabated. Stablecoins are used primarily as a conduit between traditional fiat currencies and crypto-assets. This has significant bearing on the operations and stability of crypto-asset markets. In this milieu in the event of a major stablecoin failing, possibilities of drying up of liquidity within the broader crypto-asset ecosystem disrupting trading entailing stress in those markets cannot be ruled out. In such eventualities if stablecoin reserve are liquidated in a disorderly fashion there may be contagion effect thereof spilling over to short-term funding markets.

The susceptibility of crypto-asset markets to leverage, liquidity, maturity mismatch, operational /technological delicacies and interconnectedness are like those observed in traditional finance. The transmission channels through which these vulnerabilities might propagate include: (i) Financial sector's direct or indirect exposures to crypto assets;(ii) wealth effects: impact of changes in the value of crypto-assets on their investors, with consequential knock-on effects thereof on the financial system; (iii) confidence effects: effects of developments concerning crypto-assets on investor confidence in crypto-asset markets and potentially the broader financial system ; and (iv) extent of use of crypto-assets' in payments and settlements.

Unbacked Crypto-Assets: Susceptibility of

Increasing participation of institutional investors in and substantial retail ownership of crypto-assets are palpable. It has been reported that Hedge funds allocation to crypto-assets would be on the rise. Reportedly several private nonfinancial corporates have started holding bitcoin as a treasury asset although the volumes of such holdings are not significant from systemic point of view. Investment interests of mainstream asset managers, in crypto-assets are minimal. This may be attributed to high volatility of asset price, absence of definitive regulatory surveillance and uncertainties and inadequacies of available custodial services. However, increasing interest of the institutional investors in crypto-asset derivatives has potential to increase their crypto-asset exposures and consequently, might tend to amplify the potential risk of 'spillovers' to core markets in the eventualities of investors needing to liquidate other assets to meet the margin calls on crypto-asset derivative positions. Crypto-asset exchange traded funds (ETFs) have made their appearance in the stock exchanges (CME, New York, Toronto Stock Exchange). Some believe that it has the potential to significantly expand 'mainstream' institutional exposure to crypto-assets.

If Increasing involvements of financial institutions continue unabated their balance sheets and liquidity might get impaired in an uncertain manner. The correlation of changes in the price of crypto-assets with equity has turned more positive in 2020 and 2021. However, correlation between changes in the price of crypto-assets and commodities such as gold weakened and turned negative in 2021.[2] Amid inadequate regulatory control and lack of transparency small amount of known exposure might get crystalised into bigger risks.

Unbacked crypto-asset market has been growing in leaps and bounds. Reportedly small retail investors' crypto-asset holdings are on the rise. In the bitcoin ecosystem a few entities, such as large miners, bitcoin holders or exchanges are dominant players.

Continued high volatility of crypto-asset price is pointer to high market risk associated with crypto-asset investment.

The spikes in prices and resultant volatility might have been due largely to speculation, and greater appetite of retail investors for risky assets. Although as of now globally the wealth effect may only be marginal. However, the impact thereof may be significant in specific countries. The extent of impact of wealth effect would be varying over jurisdictions. In the extreme case of El Salvador where crypto-assets have been accorded the status of legal tender and fiat currency and mainstream stores of value the impact might be significant.

Retail investors lack requisite knowledge and understanding of the intricacies of investments in crypto-assets, and risks entailed therein. Some financial authorities and regulators (e.g., RBI, FCA) have already highlighted the potential risks facing crypto assets for information to and education of crypto-assets investors.

Crypto-assets are not as safe as bank and other financial institution deposits. Crypto-assets largely operating outside of regulatory frameworks do not provide the holders with basic investor protections.

Crypto-asset segment and the related trading platforms have witnessed several frauds and abuses like misuse of holders' personal data or theft of assets. Between 2011 and 2021 there have been 208 notable crypto offences, involving a total of $19.2 billion being stolen during the period. $ As hackers and their technology become smarter and more sophisticated, incidence of breaches has been growing in numbers and causing greater concern for the crypto world. The most popular cryptocurrency in the world Bitcoin is the most stolen one. The second-most popular coin, Ethereum, is the second-most targeted. Incidents of investment frauds have also been registered in related digital asset advisory, wallet, and trading businesses. There have been cases of users' accounts being suddenly frozen or made inaccessible, entailing adverse confidence effects on this segment. It emerges from the foregoing that any rapid shrinkage in the value of crypto-assets for whatever reason, have the potential to significantly impair the confidence of the investors. However, considering the present none too significant level of crypto usages and their poor connectedness with the mainstream financial system, probability of 'spill-overs' of confidence effects to broader financial markets is not significant.

Stablecoins-Vulnerabilities

Stablecoins are a type of crypto-assets intended to maintain a stable value by anchoring it with some specified stable assets (e.g., UDS /pool of assets) and provide perceived stability when compared to the high volatility of unbacked crypto-assets. There persist variations in the ways the stable coins are anchored. The variations are mainly in the nature of reserve assets and their governance structure. Stablecoins are originated in exchange for fiat currency, and distributed through trading platforms. The proceeds of fiat currencies accruing on origination of stablecoins may be invested in the reserves or in other assets. There may be inter se variations in composition and amount of reserve assets held as backing of respective stablecoins. Non adherence to any definitive standards regrading composition of reserve assets held for backing stable coin is not uncommon among some issuers. There may be no direct right of the coin holder against the issuer or reserve to redeem. There may be no conferred direct right of a user against the issuer or reserve to redeem. Consequently, risks entailed in various stablecoins may be different depending on their design, quantity and quality of their reserve assets held and conferred redemption rights. Besides, two largest stablecoins (viz., Tether & USDC) accounting for more than about 73% of total market capitalisation is potential source of high concentration risk. As per recent FSB report current generation of stablecoins are not being used in mainstream payment space on a significant scale but their vulnerability continued to increase during 222-21.%.

The stablecoins are being mostly used as a bridge between traditional fiat currencies and a variety of (typically more volatile) digital assets, as collateral in crypto-asset derivative transactions; and in facilitating trading/ lending/borrowing etc.

Use of stable coins in payment space is now at low key. If stablecoins happen to be used more extensively for payment, they would become prone to many of the risks like those being faced by current payment systems. These include, credit risk, liquidity risk, operational risk, risks arising from governance deficiencies, and settlement risk. These risks if not managed effectively, available critical financial services on which the real economy depends might get adversely impacted threatening the confidence which may operate as a channel through which financial shocks might spread.

Eventual emergence of so-called "global stablecoins" (GSCs)### would pose more risks to financial stability than the same posed by the existing stablecoins. The risk would exacerbate if acceptance of such a GSC is significantly scaled up and it sneaks into in the mainstream financial system as a store of value or means of payment. In the event of a disruptive run on a significantly scaled up GSC due to confidence loss disruptions would be triggered in the real economy with attendant spillovers into the broader financial system.

Conclusion

In just over a decade, crypto has grown spectacularly from a humble beginning to emerge now as noticeable players impinging on the mainstream financial system. While initially it was being patronised by a small section of enthusiasts, but over the recent years millions of retail users and increasing numbers of institutional investors have assumed exposures to and got involved in the crypto ecosystem.

Crypto facilitates smooth automation and integration of sequences of financial transactions. This along with tokenisation, potentially reduces the need for manual interventions which impairs speed of transactions besides entailing additional costs. While there is no denying that Crypto brings with it elements of genuine innovations crypto so far could not be put to use the innovations for the benefit of the society at large.
Crypto is mostly self-referential and does not finance real economic activity. Crypto has several intrinsic inadequacies and structural flaws concerning its stability and efficiency, as also accountability and integrity. "Crypto's inherent structural flaws make it unsuitable to play a significant role in the monetary system" (BIS*).

As opined by FSB, IMF and BIS widespread adoption of crypto-assets has the potential to attenuate the efficacies of monetary policy, evade capital flow regulations, aggravate fiscal risks, divert funds available for financing the real economy, and imperil global financial stability. These risks could reinforce each other.

Mitigation of risks posed by crypto would ideally involve ensuring appropriate protection to consumers and investors; ensuring market integrity against fraud, manipulation, money laundering and the financing of terrorism; and safeguarding financial stability. Central banks have responsibility to preserve the integrity of the monetary system against potential adverse effect of cryptoisation" which may dilute monetary sovereignty and divert resources away from the real economy.

There have been sequences of booms and busts in crypto-asset market and failures of several major crypto firms in the past. Although the busts have not triggered any significant contagion impairing financial stability, the scale and dimension of recent failures have been significant enough to bring to the fore the needed urgency of addressing these risks before crypto markets become systemic.

There exist significant data gaps which are impediments to precise risk assessment by authorities. The data gap arises because the crypto participants, products and the market, including trading platforms, are mostly operating outside regulatory ambit. These data gaps are also impediments to comprehensive and fair assessment of the scope and utility of crypto-assets in main stream financial systems.

In this backdrop effective management and regulation of risks emanating from crypto markets deserves serious policy attention. BIS has suggested three non-mutually exclusive actions viz, Ban; Contain & Regulate to mitigate the risk emanating from crypto activities. Ban specific crypto activities. Isolate crypto from Traditional Finance and regulate crypto in manner akin to Traditional Finance.

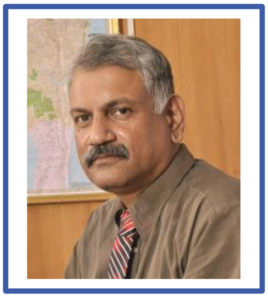
Cryptos operated on distributed ledger technology are not geographically located in one jurisdiction. Therefore, cross-border cooperation and coordination are essential for putting in place an effective framework of crypto regulation.

At the request of the Indian G20 Presidency, the IMF and the FSB have developed a paper titled IMF-FSB Synthesis Paper: Policies for Crypto-Assets. This paper has attempted a synthesis of the IMF's and the FSB's (alongside Standard Setting Bodies'(SBS's)) collective policy recommendations and standards. The recommendations set out comprehensive guidelines to help authorities manging and regulating the macroeconomic and financial stability risks posed by crypto-asset activities and markets. The synthesised framework might form a basis for evolving a global regulatory framework for crypto regulation avoiding interstate conflict of interest.

Notes:

1.Financial Times, 15 June 2021
2. FSB findings
@ Digital asset is digital instrument having associated stream of benefits, issued or represented using distributed ledger or similar technology. This does not include digital representations of fiat currencies.
@@Crypto-asset: a type of private sector digital asset that depends primarily on cryptography and distributed ledger or similar technology.
@@ @Stablecoins are crypto-assets that aims to maintain a stable value relative to a specified asset, or a pool or basket of assets.
#Unbacked crypto-assets are neither tokenised traditional assets nor stablecoins.
##Decentralised Finance (DeFi) is a set of alternative financial markets, products and systems that operate using crypto-assets and 'smart contracts' (software) built using distributed ledger or similar technology.
###Global stablecoin: a stablecoin having the potential to reach and use across multiple jurisdictions and which could become systemically important in and across one or many jurisdictions, including as a means of making payments.
*$*Crypto Head, "Crypto Breaches & Fraud", 2021
% FSB, *Regulation, Supervision and Oversight of "Global Stablecoin" Arrangements: Progress Report on the implementation of the FSB High-Level Recommendations*, 7 October 2021.
* BIS Report: "The crypto ecosystem: key elements and risks": July 2022

Pension – A ticking time bomb



Shri KB Vijay Srinivas
GM Director & Jt addl charge as CMD (Retd), UIIC.

India is on a roll. It is no longer looked upon as yet another 3rd world country. Year after year, the GDP has shown tremendous growth and has overtaken most of the developed countries and now holds the 5th position. It is one of the fastest growing economies. The country has made its presence felt in various fields and recently has entered the exclusive club of countries which have landed on the moon. It has also made a mark for itself by being the first one to land on the south pole of the Moon.

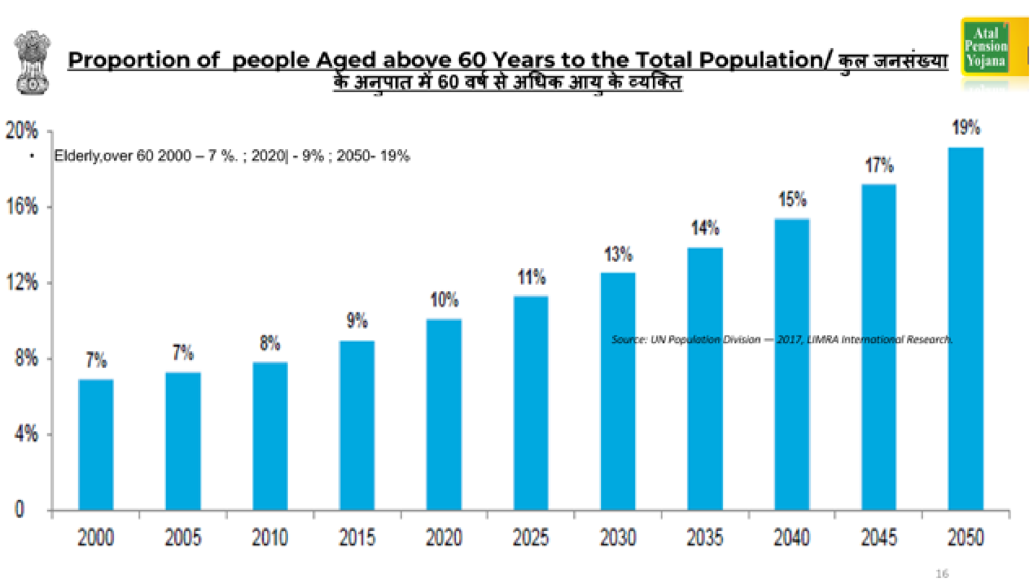
In terms of numbers, India has overtaken China to become the most populous nation in the world. While population used to be considered as a drag for the country earlier, the growth in numbers Is now seen as a positive. The country has one of the youngest workforces in the world. This is often referred to as the 'demographic dividend', something which would help propel the country to greater heights.

However, as we move away from the present and look at the possible scenario in the decades to come, this demographic dividend starts wearing off and the demography acquires a different dimension. If the country does not prepare itself for the future changes which would happen, the 'demographic dividend' could turn out to be a 'demographic disaster'.

HOW COULD IT BECOME A DISASTER:

- *Increase in numbers of elderly:*

In 2020 the elderly, ie., those above 60 years was 10% of the total population. In percentage terms it may not be big, but in absolute terms it means about 14 crores. In the year 2000 it was 7% and with a population of a hundred crores then, meant an elderly population of 7 crores. Thus, in 20 years the elderly population has doubled. In 2050 the population is estimated to go up to 161 crores and thereon decline till 2100. The elderly are estimated to go upto 19% ie, would be around 32 crores. In other words, the numbers of elderly would have more than doubled.



- *Life Expectancy:*

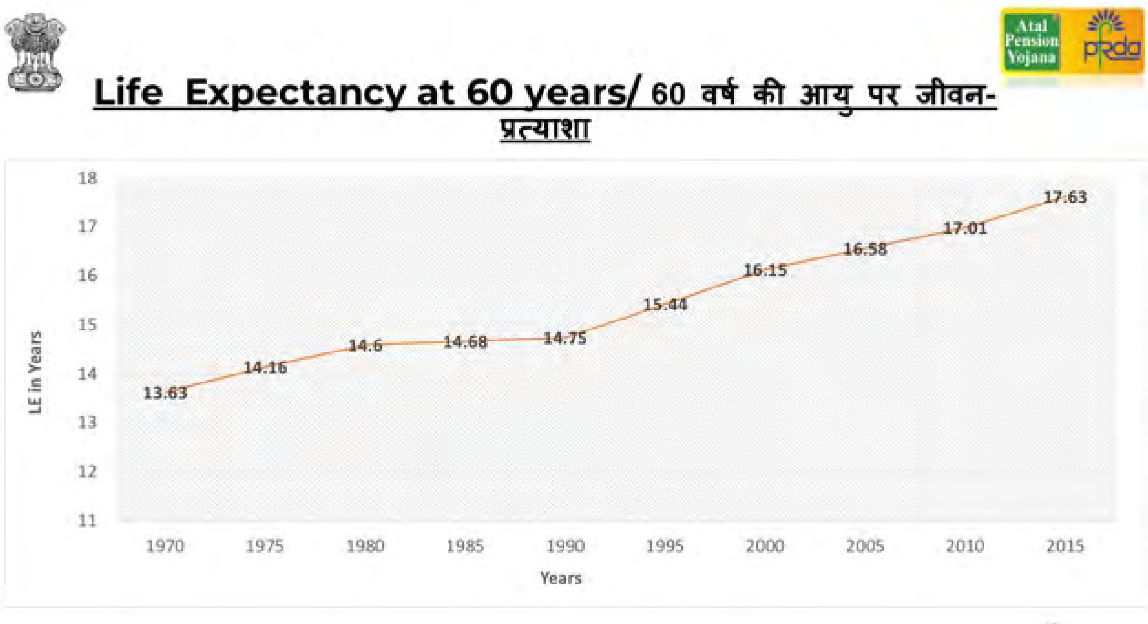
The second aspect is increased life expectancy. In 1950, life expectancy in India was 35 and in 2020 it had doubled to 70. It is projected that by 2100 life expectancy is likely to be around 87. This means that there would be a larger number of persons who would not be in the workforce but would require support financially and otherwise. This is also phase in life where medical expenses may mount, and individuals may not be prepared for meeting them.

- *Fall in household savings rate:*

A related statistic is about the fall in the countries savings rate. It has been going down. Household borrowings are rising. It is indicative of a population which doesn't appear too concerned about long term savings or planning. It could also be possible that their current incomes do not throw up sufficient surplus to invest. Easier availability of credit coupled with availability of goods and other areas of expenditure is certainly a temptation to throw away the earlier conservative approach towards spending, debt, as well as savings.

- *Life Expectancy of 60 years age group:*

We saw how life expectancy in India has increased over the decades. Another important aspect which should be looked into deeply, is the steep rise of life expectancy of the elderly that is 60 years old. The proportion of the vulnerable section of the population is slated to rise steeply.



- *Breakdown of earlier support systems:*

- *The Family*

The joint family system prevalent in India was a big cushion for the elderly. The immediate family would not only consist of the parents and their children, but would include grandparents, uncles, aunt's, grandchildren, cousins and so on. There was sharing of resources and support, both physical as well as financial. In the past decades this institution has been breaking down with families going nuclear. In many cases, with children going to faraway places, parents are left to fend for themselves. This has resulted in growth of old age and senior citizens homes. These come at a cost and remain out of reach for the vast majority of the population.

- *Savings:*

Traditionally Individual savings provided relief and income the elderly. But with high inflation The value of this savings as well as the income from it diminishes over a period of time. And if the current trend of high spending and low savings during the work life spreads, it will only result in a smaller corpus when a person leaves the workforce.

THE LOOMING PROBLEM:

We have now a situation in the country where-

- The number of elderly persons, in the next few decades, jump to huge numbers.
- As a percentage to the population also it could be substantially higher.
- Life expectancy has increased in the last many decades and ensuring further increase in the years to come.
- Savings habit which was prevalent earlier is fast giving way to the concept of spending now and do not bother about tomorrow.
- Social support systems of which the joint family was a major one is breaking down and its cushioning effect will not be available to the elderly.
- Dwindling savings which would be ravaged by inflation would result in difficult times for the elderly as infirmity caused by age also increases.
- Over a period of time there is also the possibility that the economy may not grow at the pace which we have witnessed for some time now. This would also mean that the government which invariably is stretched for funds, may not be able to step in to help out the elderly when the time comes.

And herein lies the problem.

JAPAN- A LIVE EXAMPLE:

What we discussed earlier as a possibility of a major demographic change happening in India in just a few decades is already being played out in many countries. Japan is a live example. It is the third largest economy in the world, having grown from strength to strength from the days it had to capitulate to the allied nations in the second world war. According to a report from India Today, more than 10% of the population has crossed 80 years of age. 30% of the nation's population are close to retirement age of 65. This is the highest in the world. The fertility rate for the country is 1.3 which is very much lower than the 2.1 required to maintain a stable population. Further life expectancy in Japan is one of the highest in the world and this factor contributes heavily to the growth of the numbers of elderly.

This has resulted in the government asking citizens who have crossed the retirement age of 65 to return back to work. Today they constitute almost 13% of the total workforce. The Prime Minister, Fumio Kishida is reported to have expressed his concerns about Japan's ability of being able to maintain social functions. This is in obvious reference to the growing population of the elderly and the ability of the government to take care of their requirements.

THE SOLUTION- A ROBUST PENSION SYSTEM:

The obvious way out is to develop a healthy and strong pension system which would take care of the needs of different sections of the society. If this is done, individuals would not have any apprehensions about a life when the capacity to earn would have dwindled.

Another angle to note, which is brought out in a PFRDA research paper is that in OECD countries pension assets were about US$ 34 trillion constituting 63% of the GDP. For some OECD countries it is over 100 % of GDP. In India it is 3.9% of GDP. An opportunity to get substantial funds into the system which could go for development activities is being missed out by the country.

So, for both the country as well as for the individual a good pension system Is not an option but a necessity. The question that would crop up immediately is why such an important thing has not found a place so far. There would obviously have been some issues involved stopping the emergence. One should look at the systems in place as of now and then draw a conclusion as to how to improve it.

a) Social pensions:

Both the Central and the state governments have come out with pension schemes for targeted sections of the society. However, the amounts given to the beneficiaries are rather small and would not be sufficient to maintain oneself. Considering the large numbers of people involved it may not be possible for the governments also to give out to give out big sums under these schemes. In all these schemes there is no contribution from the beneficiaries and is entirely funded by the government. Some of these schemes are-

- Indira Gandhi National Pension Scheme- for people below poverty line (BPL)
- Indira Gandhi National Old Age Pension Scheme - for persons more than 65 years of age
- Indira Gandhi National Widow Pension Scheme- for age above 40 years
- Indira Gandhi National Disability Pension Scheme
- Various State Social assistance scheme

b) Government Managed Contributory Schemes:

Employees' pension Scheme, (EPS),1995 –

This is a scheme managed by the Employee Provident fund Organisation. A certain amount is deducted from the earnings of the employee and at the time of leaving the scheme a pension is given. This is a fixed amount and is known as a defined benefit scheme where the amount receivable is known to the subscriber.

c) Pensions of Government Servants:

Pension of Government servants is increasingly in news nowadays. It was a poll issue in a couple of States elections. It is likely to be a matter which could find prominence in the coming elections. What is the cause for the interest in this subject? Are all the nuances involved being discussed? What is the status of pensions in India? Is there a need for a deeper look into the subject?

To appreciate the interest in in this topic one has to delve a little into the background. The section of population affected, and the concept involved has to be examined. This current discussion is about pensions for employees of the various governments in the states as well as the centre. This also includes some of the institutions set up by the Governments, which have some form of pension schemes for their employees.**) for people Below Poverty Line (BPL National Old Age Pension.**

Government servants were entitled to pension after retirement. It was generally half the last drawn basic pay of the employee which would be topped up regularly by increases in Dearness Allowance (DA) as and when inflation went up. From the employees' point of view, it was a very good scheme. It gave security and dignity to a retired employee. This is known as a defined benefit scheme, ie., the benefit which the employee would receive would be known beforehand itself to everyone.

With ballooning inflation, burgeoning of employees in the government sector with resultant increase in the number of retirees and a trend of increasing life spans, the Government's started staring at pensions eating away bigger chunks of the budget. Financially it was proving to be unviable. The funds available for other activities diminished.

The Government reacted by changing the pension component for its employees from defined benefit to a defined contribution scheme. This essentially meant the amount to be contributed was fixed and deducted from the salary of the employee at a certain determined percentage. The Government would contribute a certain amount. Both the employees and Governments contributions would be deposited in a fund. At the time of retirement this amount would go to purchase annuities yielding pensions. In other words, the employees provide for their own pension, no doubt with support from the government in equal measure. But unlike the old system, this is not index linked, ie., it does not take care of inflation. It is a constant amount which the employees would receive throughout their lives. Obviously, the value of the pension would diminish over a period of time as the purchasing power of the rupee would depreciate over time due to inflation.

While continuing the existing employees in the old pension scheme, the new employees were made to subscribe to a scheme called the New Pension Scheme (NPS). This is a defined contribution scheme. Obviously, the subscribers to this scheme are unhappy and would want the earlier system of defined benefit to return. There is a certain section of the polity which is willing to lend their might to this demand.

Current status:

The Government in 2004 decided to roll out the New Pension Scheme for new recruits. There has been a lot of heartburn ever since. States like Himachal Pradesh, Jharkhand, Chhattisgarh, Rajasthan, Punjab have recently announced their decision to switch back to the old pension scheme. Fixed overheads in the form of establishment expenditure (largely towards salaries, wages, bonuses and pensions) account for more than 50% combined revenue expenditure of states now according to FE. This pressure could exacerbate for states which have returned to OPS. Being a sensitive topic, other states are also contemplating going back to the old scheme. With Parliamentary elections coming up soon the centre would also try and find out ways to find a solution quickly. The TOI has reported that the Centre has set up a committee headed by finance secretary T V Somanathan, which is looking at ways to ensure that NPS remains attractive for government employees without saddling the exchequer with an unfunded liability.

The RBI report:

Recently a report was made public by the RBI on the subject of pensions. The report states that any step taken towards going back to the old scheme would result in an increase in outgo of 4.5 times the existing levels under NPS. As time passes it would reach unsustainable levels. According to the report, for Rajasthan, the outgo for OPS would be 4.2 times the new scheme, whereas for Chhattisgarh and Jharkhand, it would be 4.6x and 4.4x, respectively. In the case of Punjab and Himachal Pradesh, it will be 4.4x and 4.8x, respectively, as reported in the TOI.

How many does it affect:

India has a population of 140 crores. The working population out of this is about 55 crores. The formal sector employs around 6 crores and Government employees constitute a portion of it. The issue pertains to this group. This constitutes about 1.5% to 2% of the population and around 9% of the working population. What about the rest?

INITIATIVES:

The government is aware of the problems in this field and has been taking steps to address the issue. The Central as well as many of the State Governments have come out with pension schemes for targeted sections of the society. The payouts are small because of the large numbers involved and certainly may not be sufficient to take care of individual livelihoods.

i) The government employees have the OPS & NPS.

The NPS came in as a solution for the ballooning pension budgets of the governments, which would also take care of the needs of its employees. Recruits after 2004 had to go in for this.

ii) NPS for Corporates & Public:

Later it was opened to the public at large in 2009 and to the corporate sector in 2011. A new regulator exclusively for pension was created- PFRDA. in 2015 the government came up with a massive thrust for financial inclusion to reach out and empower those who were hitherto out of the financial system.

iii) In the formal, non-governmental Sector:

In the formal long-term savings comes in the form of statutory Provident Fund with a pension component (Employee Pension Scheme) for low-income contributors. Insurance companies also offer annuity-based pension. All these do not add up to much, whether in terms of the workforce or the population. The bulk of the population remains without a pension plan.

iv) Annuity plans of Life Insurance companies:

These plans are available to the general public. They are offered by Life Insurance companies.

v) Atal Pension Yojana- Part of Jan Suraksha trinity launched by PM Modi in 2015;

Atal Pension Yojana (APL), a low cost guaranteed return pension plan meant for the general public was a major initiative by the government. Buoyed by the resounding success of opening of Bank accounts under the Jan Dhan Yojana (even creating world records), Prime Minister Modi launched 3 new initiatives for Jan Suraksha, to give financial security to people - a Personal Accident policy for Two lacs at a nominal premium of ₹12 (now revised to ₹20), a Life Insurance Policy (PMJJY) and Atal Pension Yojana (APY), a pension scheme with a guaranteed return and low premium. This was carried out with a missionary zeal using the banks. Banker's, especially the government banks, put in a tremendous effort. Today there are fifty crore Jan-Dhan bank accounts with 34.4 crores RuPay cards and a deposit base of 2.06 lakh crores. Interestingly 56% of these accounts are opened by women.

"Citing data on the 8th anniversaries of the *Jan Suraksha* Schemes, Smt. Sitharaman said that 16.2 crore, 34.2 crore and 5.2 crore enrolments have been done under PMJJBY, PMSBY & APY respectively till 26th April 2023.
On PMJJBY scheme, the finance minister said that it has provided crucial support to 6.64 lakh families who have received claims for Rs. 13,290 crore.

Under PMSBY scheme, Smt. Sitharaman said that more than 1.15 lakh families have received claims for Rs. 2,302 crores. For both PMJJBY and PMSBY schemes, simplification of claim process has resulted in speedier settlement of claims, the finance minister added." (Source PIB)

The pension scheme (APL) has seen the lowest enrolment among the three schemes. And yet, it has covered in a short while, close to ten percent of the workforce. But this is only a beginning.

THE CONCERN:

The matter involved is very serious especially keeping in mind the future, where the country is moving to a scenario of a big ageing population which is not prepared for the period when they move out of active work life. It will be a grave social issue.

Looking at the subscription in APY one inference is perhaps the lack of surplus funds with subscribers. Though one could go upto a target Pension of ₹ 2000, a substantial portion has gone to the target of ₹ 1,000. This aspect is also to be addressed by the planners.

The immediate need is for development of robust pension system which would take care of the requirements of different sections of the society. It would also have the beneficial effect of generating huge funds which could be used for nation building.

Equally important is spreading of awareness of the importance of pensions and also the various schemes which are available. As of now awareness levels are quite low.

Cash flows statement & unravelling its shenanigans

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With so many frauds getting unearthed and hitting the headlines of the newspapers on a day-to-day basis, people are increasingly questioning the sanctity of the "accrual method of accounting". Time and again we have witnessed the debacle of several well-known corporate giants like Satyam which registered gainful profit but had gone bust. Such contradictory behaviour necessities stakeholders like lenders and investors to think that earnings can be manipulated but "cash position" cannot and therefore put more faith in the "cash flow position" of the business entity.

In the accrual method of accounting "sales are treated as income" irrespective of the fact that the company has collected cash or not. Even if a company is selling a major part of its goods on credit and fails to realise its debt, its income and profit may be growing but there will be a shortage of cash. While this is certainly a step towards the right direction there is a need to exercise caution. Before we delve deep into the details of cash flow-related frauds it is important to understand the difference between "Accrual and Cash methods of accounting".

Accounting rules prescribe that all the entities must record the transaction on an "accrual basis" i.e. revenue is to be reported when it is earned (rather than when cash is received) and expenses are to be reported when the benefit is received (rather than when payment occurs). Along with the accounting records, companies also submit a statement indicating the inflows and outflows of cash from three main sources: Operating, investing and financing activities. The stakeholders generally compare the Cash flow from operating activity with the Net profit to assess the real earning quality of the entity. Indeed, high net profit and low operating cash flow often indicate some window dressing in the accounting entries. Let's compare the performance of an entity based on "net profit" and "cash flow from operation".

(Amount in Rs)

Revenue from sales	10,00,000
less: operating expenses	8,50,000
Operating income	**1,50,000**
less: non-operating expenses	50,000
Earning Before Tax (EBT)	1,00,000
Less: Tax	35,000
Profit After Tax	**65,000**

Table 1: Profit after tax of ABC Limited (extracts from Profit & Loss account)

Net Profit	65,000
(+) Depreciation	40,000
(+) Provision for Bad debt	10,000

Adjustment for changes in working capital	
Account receivables	(8,20,000)
Inventory	(80,000)
Prepaid expenses	50,000
Accounts payable	2,60,000
Cash flow from operations	**(4,75,000)**

Table 2: Cash flow from operations of ABC limited (extracts from the statement of cash flow)

In the table given above, we observe that cash flow from operation was significantly lower than the net profit such an outcome is alarming and a cause of concern for stakeholders.

Cash flow from operations as a Barometer for financial strength

Management of the business entities is aware of the fact that the stakeholders compare cash flow from operations with the Net profit. They are cognizant of the fact that their quality of earnings is assessed based on Cash flow from operations. The share price and market sentiments are influenced by cash flow position. It is therefore no wonder that companies innovate new shenanigans to deceive the stakeholders that they may go undetected.

The cash flow statement comprises three sections. Cash flow from operation is considered to be the most important among all of them by the investors & lenders because this section depicts the movement of cash arising out of the operational activity of the entity. As a result of the "so-called favouritism" towards the "cash flow from operations" companies take advantage of the leeway and misrepresent cash flow statements.

	Operating activities	Investing activities	Financing activities
Inflow	Realisation of Debtors Commission from business	Sale of fixed assets Sale of investment	Raising of capital Raising of loan Other borrowings
outflow	Salary/wages Vendor payments	Purchase of assets Business acquisitions	Loan repayment Dividend payments

Table 3: The statement of cash flow showing three sections.

How to identify the skeleton in the closet?

To find the hidden skeleton it is impertinent to know the tricks adopted by the entities to swindle the stakeholders. Some of the most important procedures being followed by such entities are mentioned below:

Inflated Cash flow from operations:

It is very common practice for companies to shift the cash flow from the financing activity section to cash flow from operating activity when the health of the company continues to deteriorate and it fears disclosing the real financial position to the stakeholders. In one such instance, a company showed the loan and advances raised from related parties as "sales" thereby inflating the cash flow operation. On the contrary, this transaction should have increased cash and liability on the company's balance sheet.

Sham sales lead to sham cash flow from operations:

Companies record fictitious sales by way of fake invoices, including registering transactions that lack an " arm's length" process, recording revenue far excess of actual work done under contract, and sales of large volume to the distributors by luring them of heavy discounts etc.

It is observed that many stakeholders ignore "revenue" but focus on "cash flow from operations" due to the manipulation tricks used to inflate revenue. It is important to understand that inflated & fake sales might also lead to inflated/ fake cash flow from operations.

Misconduct using Shell companies:

Some companies fraudulently increase the amount of cash flow from operations by creating a shell company. The shell company is then helped by the parent entity to raise loans from Banks and Financial Institutions. The controlled entity then uses the fund to "purchase" goods from the parent entity. The parent entity recorded "cash received from the controlled entity" as cash flow from operations. This trick allows companies to embellish their cash earnings by a significant amount.

Selling Accounts Receivables:

When a company is in a dire state to project a healthy financial position, it can adopt several measures to convert the receivables into cash. For example, the management of a company with a severe cash crisis decided to sell the receivables to a factoring company to generate cash flow very quickly. Though factoring is a legitimate service, it is important to note that by selling a "bulk amount" of receivables earlier than the anticipated time, the company shifted the future cash flow to the present thereby creating an unsustainable position for the future.

Selling of Fake Accounts Receivables:

Companies try to create reciprocal transactions using sham sales and sham receivables. Fake receivables are sold to Banks & factoring companies despite the risk of collection loss. Thus the company does the improper recording of transactions as "cash collected from the sale of receivables" rather than borrowings. Moreover, failure to disclose the actual practice or providing less disclosure than in the previous period is one more warning signal of cash flow shenanigans.

Wrong recording of cost of goods sold:

The cost of goods sold is directly related to the operations of a business entity. Gross profit is arrived at by deducting the "cost of goods sold" from the sales. Thus, the goods/ inventories which are purchased for directly selling to customers must be part of operating cash flow however, it is a lethal shenanigan to treat such cost incurred to procure goods as part of investment cash flow.

For example, one of the renowned Over The TOP (OTT) service providers purchased a large volume of DVDs and Videos to sell the "right to watch" to the customers. Ideally, the purchase of DVDs and videos must be treated as inventory and form part of inventory instead the company considered it as an investing section as a capital asset. This treatment effectively moved a big cash outflow from operating to the investing section, thereby inflating cash flow from operating activity.

Treatment of patients and usage rights

In the case of pharmaceutical companies, drugs and the right to use such drugs are acquired by big companies from small companies. Usually, such drugs and rights must form a part of operating cash flow but many companies mislead investors by treating such expenses as part of the investment section.

Deferring payments to the vendors:

Companies cosmetically try to portray a healthy cash position by intentionally deferring payments to their vendors. Payment to vendors is of course a part of the cash management strategy of a company but it cannot be considered a ploy till eternity to boost the cash position. unnecessary stretching of the payable period will lead to reputational loss and disrupt the operation of the business entity.

To identify the impact of deferment of payments, the account payables must be matched with the cost of goods sold. When the period of account payable increases disproportionately compared to the cost of goods sold it indicates that the company had stretched the payment period. However, such an increase in cash flow from operations will generally be a time affair, investors must anticipate the impact appropriately. Companies do not generally sustain such improvement in the cash flow position.

Boosting collection from customers:

At times, companies convince customers to make payments quickly (much before the industry trend), though it is good to leverage customer relationships the companies cannot collect money faster and faster every time till perpetuity. As a result, such a mechanism becomes unsustainable. One tech solution service provider received an order of $ 300.00, the company coaxed the client and received the entire amount of $300.00 in advance, as a result, the cash flow from the operation registered as substantial growth and investors were ecstatic. However, the company did not disclose the factor contributing to a sudden jump in cash flow from operation. The company should have informed in notes to accounts that the cash flow was ephemeral. In the following financial year, the company could not show healthy cash positions and displayed a dismal performance.

Purchasing of less inventory:

Some companies do not restock the inventory to boost cash flow from operations thereby producing a positive swing on the cash flow statement. Similarly, a listed company developed a practice of purchasing heavily at the beginning of each quarter and reduced the level of inventory as much as possible towards to end of the quarter to boost the cash flow position. The company used this strategy to manipulate stakeholders' perception that it has a strong liquidity position when the reality is altogether different.

Same-store sales:

Same-store sales method of accounting in the case of a retail business where the difference in revenue generated by the existing retail outlets is expressed over some time. At times companies manipulate figures by comparing the figures with unrelated activities thereby misleading investors about the company’s underlying sales position.

“Cash earning & EBDITA”

It is a common phenomenon to note that many investors confuse “Cash earnings & EBDITA” as cash flow. Just because non-cash expenses are added back to earnings that will not be tantamount to Cash flow, ignoring working capital changes while calculating a cash flow will give a “half-baked idea” about the cash position of an entity similarly ignoring items like provision for bad debt, impairment etc will give an illusionary idea about profitability.

By following the above-mentioned gimmicks, business entities produce impressive results that impress all the stakeholders with higher operating cash flows. Apart from the discussed mechanism of doctored presentations, companies also use innovative techniques from time to time to please and impress the stakeholders. It is important to note that, while analyzing the strength of a company we must not limit our evaluation to a few benchmark parameters rather we must evaluate several performance metrics to decode the misleading presentations. It is important to glean several documents from time to time such as press releases by the business group, analyst reports, and business reports of competitors and compare the use of accounting standards and disclosures.

Keep Away From "Benami Transactions"

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'Benami Property' is any Property which is Subject matter of '**Benami Transaction**'. It can be in any form viz.,

✓ Immovable Property.
✓ Movable Property e.g., Cash, Jewellery, Bank Deposits.
✓ Intangible Property.
✓ Tangible Property.
✓ Corporeal or Incorporeal Property.

Who is Benamidar:

✓ It means a Person (Individual / HUF / Firm / Company / AOP (Association of Persons) / BOI (Body of Individuals) / AJP (Artificial Juridical Person) in whose name Benami Property is Transferred to or Held.
✓ Benamidar may be Actual Person or Fictitious / Non-existent Person or Entity.
✓ Benamidar can be even a mere Name-lender, i.e., where Possession of Property is with Beneficial Owner and not with Benamidar and only his Name is used.

Who is Beneficial Owner:

✓ The Beneficial Owner is the Person for whose Benefit Property is held by Benamidar.
✓ It is Immaterial that the Identity of the Beneficial Owner is Known or NOT Known.

Illustrations:

≈ Mr. A Buys a house in the name of his sister-in-law Mrs. B. Payment has been made by A and he and his family start to live in that house. Even if Mrs. B is a rich lady, the transaction is Benami. Mrs. B is the Benamidar and Mr. A is the Beneficial Owner.
≈ Fixed Deposits kept in the name of Fictitious persons is a Benami Property.
≈ Cash kept by Mr. A in Bank Locker in the name of his Employee / Relative who denies knowledge, is a Benami Property.
≈ Mr. P wants to take a Liquor License from the Government. He pays the Money in the name of his employee Mr. K and the contract is awarded to Mr. K, but Mr. P is deriving benefit from the Liquor License. The Transaction is Benami Transaction. Mr. K. is the Benamindar, Mr. P is the Beneficial Owner and profits from such Liquor Business will be the Benami Property.

FOUR Categories of Benami Transactions:

Category 1: Transaction or Arrangement where Consideration provided by a person other than the Transferee or the person in whose Name Property is held:

Under Category I, all the following conditions must be satisfied for a transaction to be called a Benami Transaction.

✓ The Transaction or Arrangement actually takes place.
✓ Transaction or Arrangement Results in Property being Transferred to, or Property being held, by a Person (Benamidar).
✓ Consideration is paid or provided by Person other than the Benamidar. Such person is called 'Beneficial Owner'.
✓ Neither the Benamidar nor the Beneficial owner is Fictitious or Untraceable.
✓ Benamidar is aware of and does Not Deny the Transaction or Arrangement.
✓ The Possession of Property is with Benamidar; and
✓ The Property is held by the Benamidar for the immediate or future benefit, Direct or Indirect, of the person providing the Consideration (Beneficial Owner).

Exceptions to Category 1 Benami Transactions:

In following circumstances, Transactions shall not be regarded as 'Benami Transactions', even though consideration is paid by someone other than the Benamidar (Person in whose name property is held) and the property is held in Benamidar's Name.

a. HUF property held in the name of Karta / Members of HUF. To avail the exception, the following conditions need be satisfied:

- ✓ Property is held by Karta or Member of HUF.
- ✓ Property is held for benefit of Karta or other Members of HUF; and
- ✓ Consideration is paid out of Known Sources of HUF.

b. Property held in Fiduciary Capacity. To avail the exception following conditions need be satisfied:

- ✓ Property is held by a person standing in Fiduciary Capacity (viz., as Trustee, Executor, Partner, Agent, Director of a Company, etc.).
- ✓ Property is held for the Benefit of another person towards whom he stands in Fiduciary Capacity (viz., Trust/Beneficiary of Trust, Firm, Principal, Company, etc.)

c. Property held in the name of Spouse or Child-To avail the exception following conditions need to be satisfied:

- ✓ Property is held by Individual in Name of Spouse or Child.
- ✓ Consideration is paid out of known Sources of Individual.

d. Property held by an Individual in Joint names of Self and Brother / Sister / Lineal ascendent (Grandson or Granddaughter / Great-grandson or daughter) / Lineal descendent (Parents / Grandparents / Great grandparents): To avail the exception following conditions need be satisfied:

- ✓ Property is held by an Individual in Joint Names of Himself or his Brother / Sister / Lineal Ascendent or Lineal Descendent.
- ✓ Consideration is paid out of known Sources of Individual.

Category 2: Where a transaction is carried or made in a fictitious name:

- ✓ Transaction or Arrangement in respect of Property is Benami Transaction if the Transaction is carried out or made in a Fictitious Name.
- ✓ In other words, the Benamidar is Fictitious Person or Entity or Non-existent Person or Entity.
- ✓ For Example, an entry in Books Shows Money payable to 'Mirchi Seth'. However, Creditor 'Mirchi Seth' is not traceable and is a fictitious person.

Category 3: Benamidar not aware of a denies knowledge of transaction:

- ✓ Transaction or arrangement in respect of Property is Benami Transaction if owner is not aware of, or denies knowledge of, such Ownership.
- ✓ For Example, a Black Money Hoarder B Deposits ₹ 30 Lakhs in the Jan Dhan Bank Account of X a Labourer. X has no clue how that money landed in his Account and expresses shock when told of it. He denies Knowing B or ever having met B or ever talking to him personally or over the phone. The Bank Balance of X, to the extent of ₹ 30 lakhs, is Benami Property.
- ✓ For example, Jewellery seized from the lockers of a Corrupt Bureaucrat / Politician raided by CBI is explained by him as Streedhan of Wife. Wife denies any knowledge of this jewellery. This jewellery is Benami property.

Category 4: Beneficial owner who paid consideration is Fictitious or is Untraceable.

- ✓ Transaction or Arrangement in respect of Property is Benami Transaction if Beneficial Owner is Fictitious or is Untraceable.

Consequences of Benami Transaction:

Benami Transactions entered into prior 1-11-2016:

The following are the legal consequences of benami transactions entered into prior to 1-11-2016.

Benami transaction is a Punishable Offence:

- o Whoever enters into any Benami Transaction shall be punishable with Imprisonment for a term which may extend to Three Years or with Fine or with Both.

Prohibition of the Right to Recover Property held Benami:

- o No Suit, Claim or Action to enforce any right in respect of any Property held Benami against the person in whose Name the Property is held or against any other person shall lie by or on behalf of a person claiming to be the Real Owner of such Property.

- No defence based on any Right in respect of any Property held Benami, whether against the person in whose name the Property is held or against any other person, shall be allowed in any Suit, Claim or Action by or on behalf of a person claiming to be the real owner of such property.

Property held Benami Liable to Confiscation:

- Any property, which is the subject matter of Benami Transaction, shall be liable to be confiscated by the Central Government.

Prohibition on Re-transfer of Property by Benamidar:

- No person, being a Benamidar shall re-transfer the Benami Property held by him to the beneficial owner or any other person acting on his behalf. Any such Re-transfer shall be null and void. However, this Prohibition shall not apply where re-transfer is made in accordance with Income Declaration Scheme, 2016 i.e. in accordance with section 190 of the Finance Act, 2016.

Benami Transactions entered into or after 1-11-2016:

The following are the legal consequences of benami transactions:

Benami Transaction is a Punishable Offence:

- Whoever enters into any Benami Transaction on or after the 1-11-2016 shall be punishable in accordance with in accordance with Section 53 of the Act. Section 53(1) provides that where any person enters into a Benami Transaction in order to defeat the provisions of any law or to avoid payment of statutory dues or to avoid payment to creditors, the following shall be guilty of the offence of benami transaction:
  - ✓ Beneficial Owner.
  - ✓ Benamidar and
  - ✓ Any other person who abets or induces any person to enter into Benami Transaction.

Where any person is found guilty of the offence of Benami Transaction as above, he shall be Punishable with Rigorous Imprisonment for a Term not less than one year but which may extend to 7 Years and shall also be liable to fine which may Extend to 25% of the Fair Market value of the Property.

Prohibition of the Right to Recover Property held Benami:

- No Suit, Claim or Action to enforce any right in respect of any Property held Benami against the person in whose name the Property is held or against any other person shall lie by or on behalf of a person claiming to be the real owner of such Property.
- No defence based on any right in respect of any property held benami, whether against the person in whose name the property is held or against any other person, shall be allowed in any suit, claim or action by or on behalf of a person claiming to be the real owner of such property.

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Conclusion:

Benami transactions were first prohibited in India under Section 2(a) of the Benami Transactions (Prohibition) Act, 1988. A Benami Transaction is defined as a "Transaction in which property is transferred to one person in exchange for consideration paid or provided by another person". The legislative intent behind the prohibition on benami transactions was to deter people from engaging in such transactions for dishonourable purposes, such as money laundering, tax evasion, and diverting assets in order to create the appearance of insolvency and defeat the legitimate claims of creditors. In simple words, the 1988 Act made any benami transaction a punishable offence, as well as any suit, claim, or action to enforce any right in respect of any property held benami against the person in whose name the property was held.

"Empowering MSMEs: The Fintech Revolution in Banking for a Thriving Future"

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Abstract: The implementation of financial technology (fintech) solutions within the banking sector is significantly transforming the manner in which micro, small, and medium enterprises (MSMEs) obtain financial resources. This article examines the impact of financial technology (fintech) on the improvement of financing for micro, small, and medium enterprises (MSMEs) within the framework of conventional banking channels. This study explores the impact of financial technology (fintech) on the simplification of operations, risk reduction, and increased credit accessibility within this crucial sector of the economy.

- **Introduction:** The emergence of financial technology, usually known as fintech, has had a profound impact on the worldwide financial industry. The field of financial technology (fintech) comprises a wide array of technologies and developments that aim to improve and streamline financial services. These advancements provide novel answers to longstanding difficulties in the industry. The incorporation of financial technology (fintech) solutions into conventional banking systems is fundamentally transforming the manner in which businesses and individuals obtain and oversee their financial resources. In the Indian context, the sector of micro, small, and medium enterprises (MSMEs) emerges as a significant beneficiary of the fintech revolution. These firms serve as the fundamental pillars of the Indian economy, making substantial contributions to economic expansion, employment generation, and general industrial advancement. Micro, small, and medium enterprises (MSMEs) are of paramount importance in shaping the socio-economic landscape of the nation, including a wide range of industries and business models. Nevertheless, these organisations frequently have difficulties when it comes to obtaining the requisite financial means to maintain and enhance their activities. The emergence of financial technology (fintech) has significantly impacted the financial landscape by offering novel solutions that effectively cater to the financial requirements and limitations of micro, small, and medium enterprises (MSMEs). Fintech is facilitating the access to money, optimisation of operations, and stimulation of economic growth for micro, small, and medium enterprises (MSMEs) through the utilisation of technology, data, and efficient financial services. This article examines the interplay between financial technology (fintech) and micro, small, and medium companies (MSMEs) in the Indian context. It investigates the transformative impact of fintech on the financing environment of MSMEs, thereby stimulating the expansion of these crucial enterprises inside the country.

- **Fintech's Role in Digital On boarding:** The advent of digital transformation has brought about substantial changes in the process of integrating micro, small, and medium enterprises (MSMEs) into the financial ecosystem, mostly due to the advancements in financial technology (fintech). The advent of financial technology (fintech) has brought about a significant transformation in the manner in which micro, small, and medium enterprises (MSMEs) establish their financial connections with banks, providing them with a more efficient and simplified digital onboarding process.
  - **Simplifying Digital Onboarding:** Historically, the onboarding procedure for

micro, small, and medium enterprises (MSMEs) entailed a substantial amount of documentation, physical visits to bank locations, and frequently resulted in lengthy timeframes.

Fintech technologies have redesigned this process, streamlining it in the following ways:

- **Online Applications:** Fintech platforms facilitate the initiation of the onboarding process for micro, small, and medium enterprises (MSMEs) by means of user-friendly web and mobile applications. This facilitates the initial communication and exchange of information between the organisation and the financial institution.
- **E-KYC (Know Your Customer):** This approach minimises the reliance on physical documentation and in-person verification, hence streamlining the process.
- **Digital Document Submission:** The process of submitting papers has been transformed with the advent of digital technology. Instead of the traditional method of physically submitting stacks of paper documents, micro, small, and medium enterprises (MSMEs) now have the option to securely upload digital copies of their documents through fintech platforms. Not only does this practice lead to a reduction in paperwork, but it also serves to strengthen the security of data.

- **Reducing Paperwork and Physical Visits:** The use of financial technology (fintech) in digital onboarding processes has been found to effectively alleviate the bureaucratic challenges commonly encountered in older methods. The utilisation of digital banking services alleviates the necessity for micro, small, and medium enterprises (MSMEs) to engage in physical visits to bank branches, a task that can pose significant challenges for businesses situated in geographically isolated regions.

There are several advantages associated with the reduction in paperwork and physical visits.

- **Time Savings:** Time savings are achieved by micro, small, and medium enterprises (MSMEs) through the avoidance of time-consuming activities such as document preparation and frequent visits to a physical bank location. This period can be reallocated towards the management and expansion of business activities.
  - **Cost Efficiency:** The reduction in expenses related to the management and transportation of physical documents leads to notable cost reductions for micro, small, and medium enterprises (MSMEs).
  - **Accessibility:** The utilisation of fintech-based onboarding facilitates enhanced accessibility of financial services to micro, small, and medium enterprises (MSMEs) situated in places that are currently underserved. This, in turn, contributes to the advancement of financial inclusion.

- **Examples of Fintech Solutions:** A number of financial technology solutions have arisen with the aim of streamlining the digital onboarding procedure for micro, small, and medium enterprises (MSMEs). These platforms provide a variety of features that are specifically designed to enhance the user experience by ensuring a smooth and quick process.

There are several noteworthy instances that can be used as examples.

- **Tally:** Tally is a financial technology platform that offers simplified accounting and bookkeeping services to micro, small, and medium enterprises (MSMEs). Its primary objective is to streamline the financial data necessary for banks to facilitate the onboarding process.
- **LendingKart:** This technology-driven approach facilitates efficient and streamlined loan application processes, eliminating the need for physical documentation.
- **Paytm for Business:** The Paytm for Business application provided by Paytm facilitates the integration of micro, small, and medium enterprises (MSMEs) into the digital payment ecosystem by offering a range of services, including digital payment solutions, invoicing capabilities, and access to diverse financial products.

In conclusion, the field of financial technology (fintech) has brought about a significant transformation in the onboarding procedures for micro, small, and medium enterprises (MSMEs), rendering them more attainable, streamlined, and economically advantageous. ***Fintech solutions are facilitating a more efficient and user-centric financial ecosystem for India's micro, small, and medium enterprises (MSMEs) by easing digital onboarding, minimising paperwork, and lowering the necessity for in-person visits to bank offices.***

- **Credit Scoring and Risk Assessment**

In this section, we will go into the topics of credit scoring and risk assessment. Within the domain of micro, small, and medium enterprise (MSME) financing, the advent of financial technology (fintech) has brought about a significant transformation, particularly in the areas of credit scoring and risk assessment. The loan access of several qualified micro, small, and medium enterprises (MSMEs) was impeded by the reliance on restricted data in traditional lending models. The financial technology (fintech) industry has significantly altered the aforementioned domain by leveraging alternate data sources and advanced algorithms.

- **Alternative Data Sources and Algorithmic Innovation:** Fintech platforms have expanded the range of data utilised for the purposes of credit scoring and risk assessment. In contrast to the conventional banking sector, fintech enterprises frequently make use of other data sources, including:
  - **Digital Transaction Data:** Fintech platforms possess the capability to analyse the digital transaction data of micro, small, and medium enterprises (MSMEs), hence offering valuable insights into their cash flow, revenue generation, and financial behaviour. This provides a more precise depiction of the financial well-being of the organisation.
  - **Social Media Activity:** The evaluation of a company's online presence and level of interaction on social media platforms allows fintech to obtain valuable information regarding brand perception and customer involvement. These insights can subsequently impact the assessment of risks associated with the firm.
  - **Supply Chain Data**: The utilisation of supply chain data by financial technology (fintech) enables the assessment of an MSME's operational dependability and effectiveness. The aforementioned data holds significant importance in evaluating the overall well-being and sustainability of the organisation.
  - **Government and Tax Records:** Access to government records and tax data can yield vital insights into the legal status, tax adherence, and financial viability of micro, small, and medium enterprises (MSMEs). By integrating these alternative data sources, fintech platforms are able to enhance their ability to construct more comprehensive profiles of micro, small, and medium enterprises (MSMEs), surpassing the limitations imposed by conventional credit scores and financial statements.

- **Benefits of More Accurate Lending Decisions:** The utilisation of various data sources and innovative algorithms in the evaluation of credit presents numerous benefits:
  - **Inclusion of Previously Underserved MSMEs:** The incorporation of previously underserved micro, small, and medium enterprises (MSMEs) can be achieved through the utilisation of fintech solutions that take into account a wider array of data points. This approach enables the inclusion of MSMEs that were previously unable to get formal financing due to their limited or non-existent traditional credit history.
  - **Risk Mitigation**: Risk mitigation involves the utilisation of alternative data, which facilitates a comprehensive assessment of risk. As a consequence of this, lenders experience a decrease in default rates due to the enhanced precision of risk assessment.
  - **Tailored Financing:** The utilisation of financial technology (fintech) in risk assessment empowers lenders to customise loan terms and structures according to the distinct requirements and risk profiles of micro, small, and medium enterprises (MSMEs). This facilitates the expansion of financial alternatives for enterprises.
  - **Speed and Efficiency:** Fintech platforms possess the capability to swiftly analyse and assess data, thereby accelerating the process of making credit decisions. The velocity of capital is of utmost importance for micro, small, and medium enterprises (MSMEs) that necessitate expeditious access to financial resources.

- **Fintech Platforms for Risk Assessment:** In the realm of financial technology (fintech), there exist many platforms that are specifically designed for the purpose of risk assessment. These platforms utilise advanced technological tools and algorithms to evaluate and analyse potential risks associated with financial transactions and investments. There are a multitude of financial technology systems that have a specific focus on credit scoring and risk assessment for micro, small, and medium enterprises (MSMEs).
  - **CreditVidya:** CreditVidya is an Indian financial technology (fintech) firm that utilises alternative data sources and artificial intelligence (AI) algorithms to evaluate the creditworthiness of individuals. This platform provides resolutions for both creditors and debtors.
  - **Capital Float:** Capital Float is an innovative digital financing platform that employs digital transaction data to evaluate micro, small, and medium enterprises (MSMEs). This service offers an expedient and efficient means of obtaining working capital.
  - **Perfios:** Perfios is a company that focuses on conducting financial statement analysis

and credit risk assessment specifically for micro, small, and medium enterprises (MSMEs). The company provides a variety of financial data analytics services to banking institutions and lenders.

In summary, the utilisation of alternative data sources and advanced algorithms in credit scoring and risk assessment within the fintech industry has yielded notable enhancements in the precision and inclusiveness of lending to micro, small, and medium enterprises (MSMEs). This innovation provides significant advantages to micro, small, and medium firms (MSMEs) by enhancing their loan accessibility. Additionally, it offers lenders a more accurate assessment of risk, thereby ensuring their protection. Ultimately, this contributes to the overall financial stability and growth of these crucial enterprises.

- **Streamlined Loan Origination Process:** The advent of financial technology (fintech) has brought about a significant transformation in the loan origination process for micro, small, and medium enterprises (MSMEs), resulting in enhanced efficiency and convenience. This section will examine the ways in which fintech optimises the loan origination process, automates essential procedures, and provides instances of effective integration of fintech in this particular domain.
  - **Streamlining Loan Origination Processes:** Fintech platforms enhance the loan origination process by implementing measures that promote efficiency, transparency, and accessibility.

The following is a step-by-step guide on how to accomplish the task at hand.

1st Step- Digital Application and Onboarding: Fintech solutions facilitate the digital submission of loan applications for micro, small, and medium enterprises (MSMEs), thereby obviating the necessity for physical visits to bank locations. This not only decreases the duration required to commence the procedure but also enhances its accessibility from any location.

2nd Step-Automated Data Collection: The process of automated data collection involves the integration of financial technology (fintech) with diverse data sources, enabling the automatic collection and aggregation of financial data pertaining to micro, small, and medium enterprises (MSMEs). The dataset may encompass a variety of information, such as transaction records, financial statements, credit history, and other relevant data. The automation of data collection via fintech expedites the origination process.

3rd Step- Data Validation and Verification: The process of data validation and verification in the field of financial technology (fintech) involves the utilisation of sophisticated algorithms to ensure the quality and reliability of the gathered data. The implementation of this measure serves to mitigate the likelihood of errors and bolster the reliability of the information sent by the MSME.

4th Step-Credit Scoring: Credit scoring is a process employed by fintech that utilises different data sources and algorithms to efficiently and precisely assess an individual's creditworthiness, as mentioned in the preceding section. This approach substitutes conventional and labour-intensive underwriting procedures with streamlined automated evaluations.

- **Real-life Examples of Fintech Integration:**

Several financial technology (fintech) platforms and institutions have effectively incorporated fintech into their loan origination procedures. Here are a few examples:

- **LendingClub:** LendingClub serves as a significant illustration within the United States. The platform in question is a peer-to-peer lending system that enhances the efficiency of loan origination for personal and small company loans. The borrowers are able to rapidly complete the application, receive offers, and secure money through an online platform that is designed to be user-friendly.
- **Indifi Technologies:** Indifi Technologies is a fintech company based in India that focuses on providing financial services to small businesses. The loan origination process has been automated through the establishment of connections with various data sources, enabling the speedy validation of financial data and the assessment of creditworthiness. This capability has enabled them to offer loans that are customised and delivered promptly to micro, small, and medium enterprises (MSMEs).
- **Kabbage (now part of American Express):** Kabbage, which has just become a subsidiary of American Express, provides a digital platform that facilitates the provision of automated loans specifically designed for small businesses. Data from many sources, such as business bank accounts, accounting software, and e-commerce platforms, is utilised in order to enhance the efficiency of the underwriting process. Micro, small, and medium enterprises (MSMEs) have the ability to obtain lines of credit without

undergoing the conventional and time-consuming loan origination procedures.

- **NeoGrowth:** NeoGrowth, an Indian-based company, primarily specialises in providing loans to shops and small-scale enterprises. The origination process has been made more efficient by the integration with merchants' point-of-sale systems and the automation of the payback process, thereby providing MSMEs with expedited and accessible access to operating capital.

Fintech has effectively integrated into the loan origination process in several real-life instances, facilitating expedited capital access for micro, small, and medium enterprises (MSMEs) while mitigating the administrative complexities commonly associated with conventional lending practices. The implementation of this streamlined strategy not only yields advantages for micro, small, and medium enterprises (MSMEs), but also contributes to the improvement of efficiency and competitiveness among banks and lending institutions in their provision of services to this vital sector of the economy.

- **Data Analytics for Real-Time Monitoring:** The incorporation of financial technology (fintech) into the financing of micro, small, and medium enterprises (MSMEs) goes beyond the first stage of loan origination. It assumes a crucial function in the continuous monitoring of loans and the overall financial well-being of these enterprises. This section delves into the importance of financial technology (fintech) in facilitating real-time monitoring, early issue detection, and proactive risk management. It highlights the advantages of utilising data analytics tools for both banks and their clients in the micro, small, and medium enterprise (MSME) sector.
  - **The Role of Fintech in Real-Time Monitoring:** The Significance of Financial Technology in the Context of Real-Time Monitoring Fintech platforms play a crucial role in enabling banks to effectively monitor loans for micro, small, and medium enterprises (MSMEs) by granting them access to a vast array of real-time data. The dataset encompasses transaction histories, financial records, and pertinent company metrics.

    The role of financial technology (fintech) in the context of real-time monitoring can be succinctly summarised as follows:
  - **Data Integration:** The process of data integration involves the consolidation of information from diverse sources within the realm of financial technology (fintech) platforms. This integration enables banks to obtain a holistic perspective on the financial activities of micro, small, and medium enterprises (MSMEs). The process of integration guarantees the timeliness and precision of the data.
  - **Automated Data Processing:** Automated data processing in the field of financial technology (fintech) enables the automation of data processing and analysis, hence facilitating real-time access to insights and reports for banks. This procedure effectively mitigates the delay commonly associated with manual data manipulation.
  - **Customized Dashboards:** Fintech solutions frequently provide tailored dashboards to banks, enabling them to monitor real-time key performance indicators (KPIs) and loan performance metrics.

- **The Timely Identification of Potential Issues and the Implementation of Proactive Risk Management Strategies:**
  The use of financial technology (fintech) in real-time monitoring is crucial for the timely discovery of issues and the implementation of proactive risk management strategies.
  - **Anomaly Detection:** Anomaly detection in the field of financial technology (Fintech) involves the utilisation of algorithms to identify instances of abnormal or deviant financial behaviour. This may encompass atypical transaction patterns, unanticipated decreases in revenue, or unconventional expenditures. Any deviations from the norm can be identified and marked for additional scrutiny.
  - **Predictive Analytics:** Through the examination of past data and patterns, financial institutions can offer timely assistance to banks by providing early warnings.
  - **Automated Alerts:** Fintech platforms have the capability to create alerts automatically when specific predefined thresholds or risk indicators are exceeded. This practise guarantees that financial institutions are swiftly notified of possible issues, enabling them to implement appropriate remedial measures.

- **Benefits for Banks and MSME Clients:** Data analytics tools, empowered by fintech, offer several benefits to both banks and their MSME clients.

- **Risk Mitigation:** Risk mitigation strategies can be employed by banks to actively manage and minimise risks, hence decreasing the probability of loan defaults and financial crises among their clients in the micro, small, and medium enterprise (MSME) sector.
- **Lower Operational Costs:** The implementation of automation and real-time monitoring in the banking sector leads to a reduction in operational costs. The reduction of human labour and the expedited resolution of issues result in decreased operational expenses.
- **Enhanced Decision-making:** Financial institutions has the ability to make well-informed and data-centric judgements pertaining to their portfolios of loans for Micro, Small, and Medium Enterprises (MSMEs). The utilisation of real-time insights empowers individuals to make necessary adjustments to loan terms, provide assistance, or implement other appropriate actions.
- **Client Empowerment:** Micro, Small, and Medium Enterprises (MSMEs) derive advantages from receiving prompt notifications and proactive assistance from their financial institutions. Individuals are more prone to obtaining aid when confronted with financial challenges, hence facilitating the preservation of their financial well-being.
- **Competitiveness:** The utilisation of fintech by banks for the purpose of real-time monitoring enables them to sustain a competitive advantage through the provision of superior services and the mitigation of risks in their lending operations to micro, small, and medium enterprises (MSMEs).

In summary, the significance of fintech in facilitating real-time monitoring, early issue discovery, and proactive risk management is crucial within the context of contemporary MSME finance. The utilisation of data analytics tools offers advantages to both banks and their micro, small, and medium enterprise (MSME) clients, as it promotes a financing environment that is characterised by enhanced transparency, responsiveness, and security. Consequently, this contributes to the long-term prosperity and sustainability of these crucial enterprises.

Fintech platforms have played a pivotal role in providing micro, small, and medium enterprises (MSMEs) with access to working capital loans and lines of credit. This section explores how fintech facilitates working capital financing, the benefits it offers in terms of cash flow management, and the success stories of MSMEs that have benefited from these fintech-driven solutions.

Fintech-Enabled Working Capital Solutions

Fintech platforms offer MSMEs various working capital financing options, including:

- **Short-term Loans:** These loans provide a quick infusion of capital for MSMEs to cover immediate operational expenses or seize business opportunities. Fintech simplifies the application and approval process for these loans, making them accessible in a shorter timeframe compared to traditional bank loans.
- **Lines of Credit:** Fintech-driven lines of credit offer MSMEs a flexible source of working capital. Businesses can draw funds as needed, which is particularly valuable for managing fluctuations in cash flow.
- **Invoice Financing:** Fintech platforms facilitate invoice financing, where MSMEs receive advances on unpaid invoices. This solution helps businesses access cash tied up in accounts receivable quickly.
- **Supply Chain Finance:** Some fintech platforms focus on supply chain finance, providing MSMEs with financing solutions to optimise their supply chain operations and maintain a consistent cash flow.
- **Effective Cash Flow Management**
  Fintech-driven working capital financing solutions significantly enhance cash flow management for MSMEs.
- **Rapid Access to Funds:** Fintech platforms offer quick access to working capital, enabling MSMEs to address immediate financial needs, whether it's paying suppliers, covering operational expenses, or taking advantage of growth opportunities.
- **Flexibility:** Lines of credit and short-term loans allow businesses to tailor their financing to their specific needs. This flexibility helps MSMEs maintain consistent cash flow, ensuring they have the resources to manage daily operations.
- **Cash Flow Optimisation:** Invoice financing and supply chain finance provide MSMEs with the means to optimise their cash flow. By unlocking capital from unpaid invoices and efficiently managing supply chain operations, businesses can ensure steady liquidity.
- **Success Stories**
  Numerous MSMEs have benefited from fintech-driven working capital financing solutions. For instance:
- **XYZ Electronics:** XYZ Electronics, an MSME specialising in consumer electronics, experienced rapid growth in demand but

struggled with cash flow gaps. By leveraging a fintech platform, they obtained a short-term loan to purchase additional inventory and meet customer orders on time, leading to increased revenue and customer satisfaction.

- **ABC Manufacturing:** ABC Manufacturing relied heavily on invoice financing to maintain a steady cash flow. By promptly receiving advances on invoices, they managed to keep their operations running smoothly and seize new opportunities for expansion.
- **DEF Retailers:** DEF Retailers utilised a fintech-driven line of credit to navigate seasonal fluctuations in demand. This flexibility allowed them to stock up on inventory during peak seasons and reduce their credit usage during slower periods, effectively managing cash flow throughout the year.

In these success stories, fintech-enabled working capital financing played a pivotal role in helping MSMEs overcome cash flow challenges, seize growth opportunities, and maintain business operations. These solutions have proven to be invaluable tools for financial stability and growth within the MSME sector.

- **Peer-to-Peer Lending and Supply Chain Finance:**

  Fintech has spurred the rise of peer-to-peer lending platforms and revolutionised supply chain finance, providing innovative solutions to MSMEs. In this section, we will explore these fintech-driven developments, elucidate the workings of supply chain finance, and present case studies to illustrate the effectiveness of these solutions.

  - **Peer-to-Peer Lending:**

    Peer-to-peer (P2P) lending platforms have witnessed significant growth, facilitated by fintech. These platforms connect MSME borrowers directly with individual or institutional lenders, creating efficient and transparent lending ecosystems. T

The rise of P2P lending is characterised by:

- **Accessibility:** P2P lending platforms make capital accessible to MSMEs that may have previously faced difficulties in securing loans through traditional channels.
- **Diverse Funding Sources:** P2P lending opens the door to diverse funding sources, allowing MSMEs to access capital from individual investors or a network of lenders.
- **Efficiency:** Fintech streamlines the P2P lending process, automating loan origination, credit assessment, and disbursement. This reduces time delays and increases efficiency.

- **Supply Chain Finance:**

Supply chain finance, another fintech-enabled solution, allows MSMEs to obtain financing against their outstanding invoices. Here's how supply chain finance works:

- **Invoice Discounting:** MSMEs can sell their outstanding invoices to a financial institution or fintech platform at a discount. This provides immediate access to cash, enabling them to meet working capital needs without waiting for invoice payments.
- **Strengthening Supply Chains:** Supply chain finance helps solidify relationships between MSMEs and their suppliers by ensuring timely payments. This strengthens the overall supply chain.
- **Reducing Financial Stress:** MSMEs can avoid cash flow interruptions and financial stress by using supply chain finance to bridge the gap between invoicing and payment.

- **Case Studies**

- **Case Study 1: Peer-to-Peer Lending (KredX)**

KredX, an Indian fintech platform, focuses on invoice discounting through P2P lending. One of their clients, an MSME in the textile industry, faced liquidity issues due to delayed payments from their buyers. By using KredX's platform, they sold their unpaid invoices, gaining access to much-needed working capital. This not only helped them maintain their operations but also facilitated timely payments to their suppliers, strengthening their supply chain relationships.

- **Case Study 2: Supply Chain Finance (Taulia)**

Taulia is a fintech company specialising in supply chain finance. They worked with a global food and beverage manufacturer. The manufacturer's extended payment terms strained relationships with their suppliers, and there was a risk of quality issues due to late payments. Taulia's supply chain finance solution allowed the manufacturer to offer early payment options to their suppliers, improving supplier relationships and ensuring timely deliveries of high-quality goods.

These case studies demonstrate the effectiveness of fintech-driven P2P lending and supply chain finance in supporting MSMEs. These solutions not only provide access to much-needed capital but also contribute to strengthening business relationships, ensuring financial stability, and fostering growth within the MSME sector.

- **Digital Payments and Financial Record-Keeping:**

Fintech solutions have played a pivotal role in facilitating digital payments for micro, small, and medium enterprises (MSMEs). In this section, we will delve into how fintech empowers MSMEs to make digital payments, outline the advantages, and provide examples of digital payment solutions that have been embraced by MSMEs.

- **Enabling Digital Payments:**

Fintech solutions enable MSMEs to transition from traditional cash-based transactions to digital payments. This transformation is achieved through various means:

- **Mobile Wallets:** Fintech companies offer mobile wallet apps that allow MSMEs to send and receive digital payments easily. These wallets often have features like QR code-based payments, making transactions quick and convenient.
- **Payment Gateways:** MSMEs can integrate payment gateways into their websites and point-of-sale systems, enabling customers to pay digitally using credit or debit cards.
- **Peer-to-Peer Payment Apps:** Fintech platforms provide apps that facilitate peer-to-peer payments, allowing businesses to pay suppliers and receive funds from customers digitally.
- **UPI (Unified Payments Interface):** In India, UPI is a fintech-driven payment system that has gained immense popularity. It enables MSMEs to transfer money instantly using their smartphones.

- **Advantages of Digital Payments:**

The adoption of digital payments offers several advantages for MSMEs, including:

- **Improved Transparency:** Digital payment records are automatically stored, creating a transparent and traceable financial trail. This reduces the risk of errors and fraud.
- **Enhanced Security:** Digital payments often come with robust security features, reducing the risk of physical theft or misplacement of cash.
- **Efficiency:** Digital payments are quick and efficient, reducing the time and effort required for financial transactions.
- **Record-Keeping:** Digital payment platforms automatically generate detailed transaction records, simplifying financial record-keeping and tax compliance for MSMEs.

- **Examples of Digital Payment Solutions:**

Several digital payment solutions are popular among MSMEs:

- **PayPal:** PayPal is widely used for international transactions, enabling MSMEs to receive payments from global customers.
- **Square:** Square provides point-of-sale systems and mobile payment solutions for MSMEs, making it easy to accept digital payments in-store and online.
- **Google Pay and PhonePe:** These UPI-based payment apps are popular in India, offering a convenient way for MSMEs to make and receive digital payments.
- **Stripe:** MSMEs use Stripe as an online payment processing platform for e-commerce and online transactions.
- **QuickBooks:** QuickBooks is an accounting software that helps MSMEs manage their finances, including digital payments and invoicing.

In summary, fintech solutions have ushered in a new era of digital payments for MSMEs, offering improved transparency, efficiency, and security in financial transactions. Businesses all over the world are embracing these digital payment solutions, which improve their financial record-keeping and support MSMEs' expansion and sustainability.

- **Credit Monitoring and Management for MSMEs:**

Fintech tools have introduced innovative ways for micro, small, and medium enterprises (MSMEs) to monitor their credit scores and financial health. In this section, we will explore these tools, highlight the importance of good credit, and provide guidance on how MSMEs can effectively leverage these fintech solutions.

- **Fintech Tools for Credit Monitoring:**

Fintech tools offer MSMEs a range of options for credit monitoring and financial health management:

- **Credit Score Monitoring:** Fintech platforms provide tools that allow MSMEs to regularly check their credit scores, track changes, and receive notifications of any significant fluctuations.
- **Financial Analytics:** Fintech solutions use advanced analytics to provide MSMEs with insights into their financial performance. This includes tracking cash flow, profitability, and overall financial stability.
- **Credit Report Access:** MSMEs can access their credit reports electronically, view the factors affecting their creditworthiness, and address any errors or discrepancies.
- **Credit Building Services:** Some fintech platforms offer services designed to help MSMEs build and improve their credit profiles by offering credit-building products or guidance on how to establish and maintain good credit.

- **Benefits of Building and Maintaining Good Credit:**

Building and maintaining good credit is essential for MSMEs for several reasons:

- **Access to Financing:** Good credit makes it easier for MSMEs to secure loans and credit lines, allowing them to invest in growth opportunities and manage cash flow effectively.

- **Lower Borrowing Costs:** Businesses with strong credit profiles are often eligible for loans with lower interest rates, reducing the cost of borrowing and enhancing profitability.
- **Supplier Relationships:** Good credit helps build trust with suppliers, potentially leading to favourable credit terms, better prices, and long-term partnerships.
- **Business Expansion:** A strong credit history opens doors to expansion opportunities, including partnerships, mergers, acquisitions, and access to new markets.

Leveraging Fintech Tools Effectively:

To leverage fintech tools effectively for credit monitoring and management, MSMEs can follow these best practices:

- **Regular Monitoring:** Consistently monitor your credit score and financial data. Many fintech tools offer real-time updates, making it easy to stay informed.
- **Correct Errors:** If you identify errors in your credit report or financial data, take immediate steps to correct them by working with credit bureaus and relevant institutions.
- **Set and Maintain Goals:** Establish financial goals, such as improving your credit score or reducing outstanding debt. Use fintech tools to track your progress.
- **Plan for Financing Needs:** Anticipate your financing needs and apply for credit strategically. Fintech tools can help you understand your creditworthiness before seeking financing.
- **Seek Guidance:** Consult with financial advisors or use fintech platforms that offer educational resources on credit management. Understanding credit and financial principles is crucial.

In conclusion, fintech tools empower MSMEs to monitor their credit scores and financial health, offering numerous advantages, including improved access to financing and lower borrowing costs. By using these tools effectively and maintaining good credit, MSMEs can strengthen their financial positions, drive business growth, and enhance their overall stability and sustainability.

Mobile Banking and Financial Inclusion:

Mobile banking apps and related services have become instrumental in reaching underserved micro, small, and medium enterprises (MSMEs) and promoting financial inclusion. In this section, we will explore the role of mobile banking in reaching underserved businesses, the significance of mobile banking kiosks and agents, and showcase the success stories of MSMEs that have benefited from mobile banking and fintech solutions.

- **Role of Mobile Banking Apps:**

Mobile banking apps have expanded financial access to underserved MSMEs in several ways:

- **Accessibility:** Mobile banking apps can be used on smartphones, which are increasingly prevalent even in remote areas. This accessibility allows MSMEs to perform various financial transactions without the need for physical branches.
- **Convenience:** Mobile apps provide convenient access to banking services 24/7, enabling MSMEs to manage their accounts, make payments, and access credit whenever necessary.
- **Cost-Efficiency:** Mobile banking reduces the costs associated with traditional banking, such as travel expenses to bank branches, time wasted in queues, and paperwork.
- **Financial Services:** MSMEs can access a wide range of financial services through mobile banking apps, including savings accounts, loans, digital payment solutions, and even investment opportunities.

Mobile Banking Kiosks and Agents:

Mobile banking is not limited to apps; it also involves mobile banking kiosks and agents who play a crucial role in extending financial services to underserved areas.

- **Mobile Banking Kiosks:** These are physical service points, often located in small shops or communities, where MSMEs can access various banking services. Kiosks are equipped with the necessary technology to handle transactions.
- **Mobile Banking Agents:** These are individuals or businesses authorised to provide banking services on behalf of financial institutions. Agents travel to rural or underserved areas, enabling MSMEs to deposit, withdraw, and transfer funds.

Success Stories:

- **Case Study 1: M-Pesa in Kenya**

M-Pesa, a mobile banking service in Kenya, has transformed the financial landscape. MSMEs across the country have benefited from the convenience of sending and receiving payments using their mobile phones. For example, a small grocery store owner can accept payments from customers and pay suppliers digitally, reducing the need for cash transactions and enhancing financial security.

- **Case Study 2: The India Stack**

India Stack is a digital infrastructure that facilitates mobile banking and financial services in India. Numerous MSMEs have used this platform to access financial services. For example, a rural artisan can receive payments for handicrafts directly into their bank account using a mobile app. This not only reduces the risks associated with cash handling but also provides access to formal financial services.

These success stories illustrate how mobile banking and related fintech solutions have empowered MSMEs, particularly in underserved areas, by enhancing financial access, convenience, and security. Mobile banking apps, kiosks, and agents have played a pivotal role in expanding financial inclusion and promoting the growth and stability of MSMEs.

- **Regulatory Compliance and Efficiency:**

Fintech has significantly contributed to improving the efficiency of regulatory compliance for banks. In this section, we will explore how fintech assists banks in automating regulatory compliance, emphasise the importance of meeting necessary requirements, and provide examples of fintech-driven solutions that facilitate compliance.

- **Automating Regulatory Compliance:**

Fintech solutions have revolutionised regulatory compliance for banks in the following ways:

- **Data Management:** Fintech tools efficiently collect, store, and manage vast amounts of data, ensuring that banks can easily access the information required for compliance reporting and audits.
- **Real-time Monitoring:** Fintech platforms offer real-time monitoring capabilities, enabling banks to track transactions and activities to detect potential compliance issues as they occur.
- **Automated Reporting:** Fintech automates the generation and submission of regulatory reports, reducing the time and resources required for compliance activities.
- **Risk Assessment:** Fintech employs advanced analytics and AI to assess risk, identify irregularities, and predict potential compliance breaches.

- **Importance of Meeting Necessary Requirements:**

Meeting regulatory requirements is critical for banks for several reasons:

- **Legal Obligation:** Banks are legally bound to comply with financial regulations, and failure to do so can result in legal penalties, fines, or even the revocation of licences.
- **Reputation Management:** Compliance violations can damage a bank's reputation, erode customer trust, and lead to a loss of business.
- **Financial Stability:** Compliance ensures the stability and integrity of the financial system, reducing the risk of financial crises.
- **Consumer Protection:** Compliance measures protect consumers by ensuring banks offer fair and transparent services and maintain the privacy and security of customer data.

- **Examples of Fintech-Driven Regulatory Compliance Solutions:**

Several fintech solutions have emerged to streamline regulatory compliance for banks:

- **Compliance Management Software:** Tools like ComplyAdvantage and Jumio offer automated compliance management, including identity verification, AML (anti-money laundering), and KYC (know your customer) checks.
- **RegTech Platforms:** RegTech companies like Suade and Ascent provide regulatory technology solutions that leverage data analytics and machine learning to automate compliance processes and ensure adherence to financial regulations.
- **Blockchain Technology:** Blockchain, through its immutable ledger and smart contract capabilities, has been used to automate and secure regulatory reporting and compliance processes.
- **Risk Assessment Tools:** Fintech platforms like RiskWatch and Kroll assist banks in assessing and mitigating various risks, including financial, operational, and compliance risks.

In summary, fintech plays a crucial role in automating regulatory compliance for banks, ensuring they meet necessary requirements efficiently and effectively. These solutions not only reduce the burden of compliance but also contribute to the overall integrity and stability of the financial sector by safeguarding against regulatory breaches and their associated risks.

- **Customer engagement and personalisation:**

Fintech has transformed the landscape of customer engagement for micro, small, and medium enterprises (MSMEs). In this section, we will explore how fintech enhances customer engagement for MSMEs, the role of personalised financial advice and solutions, and provide examples of banks effectively utilising fintech for customer engagement.

- **Enhancing Customer Engagement:**

Fintech has reshaped customer engagement for MSMEs through the following avenues:

- **Digital Customer Interaction:** Fintech allows MSMEs to interact with their banks through digital channels, making it convenient and accessible. This includes online banking portals, mobile apps, and chatbots.
- **Improved Accessibility:** MSMEs can access banking services and support 24/7, eliminating

the need to visit physical branches during business hours. This increased accessibility enhances customer engagement by offering support when needed.

- **Enhanced Communication:** Fintech platforms facilitate seamless communication between MSMEs and their banks, allowing for quick inquiries, issue resolution, and feedback submission.
- **Tailored Services:** Fintech enables banks to offer tailored services, such as personalised financial advice and product recommendations, which are more likely to meet the specific needs of MSMEs.

Role of Personalised Financial Advice and Solutions:

Personalised financial advice and solutions play a critical role in customer engagement. Fintech empowers banks to offer the following benefits:

- **Data-Driven Insights:** Fintech platforms use data analytics to gain insights into the financial behaviour and needs of MSMEs. This data forms the basis for providing personalised financial advice and solutions.
- **Customised Recommendations:** Fintech enables banks to offer product recommendations that are tailored to the unique requirements and objectives of each MSME, enhancing the relevance of their offerings.
- **Risk Mitigation:** By understanding the specific risk profile of each MSME, fintech-driven personalisation can help banks offer risk management solutions that are more suitable and effective.
- **Customer Retention:** Personalised financial advice and solutions can improve customer satisfaction and loyalty, as MSMEs perceive the bank as a trusted partner offering tailored support.

Examples of Banks Utilising Fintech for Customer Engagement

Several banks have effectively utilised fintech to enhance customer engagement.

- **DBS Bank (Singapore):** DBS Bank launched the "Digital Business Account" to provide MSMEs with a suite of digital banking tools, including simplified account opening, digital payments, and data analytics-driven insights. This offering has significantly improved customer engagement.
- **Chime (USA):** Chime, a neobank, targets MSMEs with its fintech-driven banking services. It offers a range of features that facilitate customer engagement, such as mobile banking, early direct deposit, and automated savings tools.
- **HDFC Bank (India):** HDFC Bank offers a chatbot named EVA (Electronic Virtual Assistant), which provides personalised financial advice, answers queries, and offers assistance to MSME customers. This has improved customer engagement by providing on-demand support.

In summary, fintech has revolutionised customer engagement for MSMEs by offering digital accessibility, improved communication, and personalised financial advice and solutions. Banks that effectively utilise fintech for customer engagement stand to gain the trust and loyalty of their MSME clients, thereby fostering a more fruitful and enduring banking relationship.

Conclusion:

Fintech has transformed traditional banks' MSME finance. Fintech brings accessibility, efficiency, and innovation to MSMEs' capital access, financial management, and financial institution interactions. Fintech has simplified MSME funding in numerous ways. It streamlines digital onboarding, risk assessment, loan origination, and real-time monitoring. With working capital financing, supply chain finance, and digital payments, MSMEs may improve cash flow, grasp growth opportunities, and optimise operations. Fintech-driven P2P lending and supply chain finance have expanded MSMEs' funding options. Peer-to-peer lending platforms and innovative supply chain finance solutions have helped underrepresented firms access financial services, promoting financial inclusion. Fintech provides MSMEs with insights, transparency, and direction to preserve excellent credit by monitoring their credit scores and financial health. It boosts their finances and provides new chances. Additionally, fintech-traditional banking partnerships are crucial. Fintech helps banks improve productivity, client engagement, and regulatory compliance. Fintech benefits from traditional banks' customer base and stability. The two collaborate to offer MSMEs more comprehensive and accessible banking services. MSMEs have a bright future in this fintech-driven era. Technology and finance have given MSMEs access to money and financial tools and increased their competitiveness and resilience in the fast-changing global market. Fintech, in cooperation with traditional banks, has transformed MSMEs, helping them develop, generate jobs, and boost economic growth.

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India Equity Outlook

CMA Dhiraj Sachdev
Managing Partner & CIO
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The recent state election results in India hold significant implications for the country's equity market and its future outlook. In the state polls, the BJP won three of the five states with a comfortable majority. These electoral outcomes have the potential to influence investor sentiment and drive positive global and domestic flows into the market for several reasons:

Political Stability and Policy Continuity:
The victories secured by the ruling BJP in state elections reinforces the perception of political stability at the national level. A stable government is seen as crucial for policy continuity and the implementation of long-term economic reforms. This assurance of continuity fosters investor confidence and encourages capital inflows into the equity market.

Confidence in Government's Economic Agenda:
Election results validate the public's confidence in the ruling government's economic agenda. This confidence extends to the government's commitment to reform policies, stimulate growth, and implement structural changes that can positively impact various sectors of the economy. Investors perceive this as a favourable environment for business and investment, which bodes well for the equity market.

Election victories often reaffirm investor trust in the government's ability to manage the economy effectively. Such confidence-building measures are crucial for both domestic and foreign investors, encouraging them to deploy capital into the equity market with a long term view.

Policy Certainty and Reforms:
The electoral outcome reduces political uncertainty, providing a conducive environment for the implementation of reforms. Ruling Government is more likely to pursue reforms in policies related to taxation, infrastructure development, ease of doing business, and sector-specific initiatives to boost manufacturing cycle. These reforms can positively impact various industries, attracting investor attention and contributing to market growth.

Attraction of Foreign Investments:
While the central election is still sometime away (May 2024), the recent state election results that reflects a stable political environment enhances India's appeal to foreign investors. Foreign institutional investors (FIIs) and global funds are more inclined to invest in markets with stable governance and promising economic prospects. Positive election results could lead to increased foreign investments, augmenting the liquidity and strength of the equity market.

Market Sentiment and Momentum:
Election victories often generate positive market sentiment and momentum. Bullish sentiments driven by political stability can lead to a positive domino effect in the equity market, attracting retail investors, boosting trading volumes, and potentially driving stock prices higher.

In essence, the recent state election results in India have the potential to instil confidence among investors, both domestic and international, contributing to positive flows and a favourable outlook for the country's equity market. **The perceived stability, policy continuity, and reaffirmed trust in the government's economic agenda are key drivers that can propel the market towards sustained growth and increased investor participation in the foreseeable future.**

The recent **Initial Public Offerings (IPOs)** of companies like Indian Renewable Energy Development Agency (IREDA) and Tata Technologies witnessing huge subscription rates signify a notable trend in the IPO market, particularly the growing appetite among retail investors. There is surge in subscription and the increased participation of retail investors.

IREDA and Tata Technologies belong to sectors that are attracting significant investor interest due to their growth potential in respective emerging businesses. IREDA operates in the renewable energy sector, which is experiencing rapid expansion and government support. Tata Technologies, on the other hand, operates in the technology and engineering solutions space, which has promising growth prospects amid technological advancements and innovation.

Companies with high quality businesses being offered in primary market as IPOs to investors is a welcome change. However, investors should be selective to invest in those companies with a positive business outlook and also priced at reasonable valuations.

Global interest rate tightening cycle is over. Job openings fell to 8.73 mn in US in October, a sign that higher interest rate cycle has dampened worker demand. This leads to a high probability of peaking of US Fed tightening policy. Similar trend is echoed by ECB European Central Bank based on recent inflation number.

The Sensex **reached a new all-time peak** of close to 70000, Nifty crossing the 21K mark for the first time after RBI raised its GDP projection. RBI took a balanced approach by raising the economic growth and also expressing concern on food inflation which may have elevated trajectory in the short term. A drop in rabi sowing and dip in reservoir levels provides a perception that foodgrain prices can rise. Nevertheless, we expect a stable inflation and interest rate environment in the medium term.

GDP data for the July-Sept quarter released showed that the Indian economy expanded by 7.6% surpassing the RBIs estimate of 6.5%. India is now the fastest growing economy and at this pace, will contribute to 10% of global growth this year. **The country is rewriting the growth story** supported by an improved earnings outlook, better corporate balance sheets and conducive policy environment for manufacturing cycle/ infrastructure push. All the right ingredients are in place to set the growth momentum further. **A vigorous and steeper bull market rally in anticipation of ruling govt. to come back in power (even before the actual election outcome in May 2024), cannot be ruled out. Investors should position aggressively into equities as a preferred asset class to ride the globally acclaimed India story.**

Do You Know - Bima Vahak?

CMA Debaraja Sahu
Practicing Cost Accountant
Hyderabad

"**Bima Vistaar Insurance Product**" is in the 'Final Stages of Design' based on Discussions with 'Life and General Insurance Councils and Insurance Industry'. This Comprehensive, Standardised cover was proposed by Shri **Debashish Panda**, Chairman of IRDAI, as a Crucial Step among a Series of Reforms Aimed at realising IRDAI's Vision of providing Insurance Coverage to Everyone by **2047**.

The Insurance Regulatory and Development Authority of India is taking up various regulatory reforms towards achieving the objective of "Insurance for All". In order to facilitate availability of an Affordable, Simple but Comprehensive Cover to the hitherto Untapped Areas and Rural Population, it is necessary to understand the needs and requirements in those Areas and formulate suitable Risk Cover and Customized Distribution Channels who appreciate the market dynamics in such areas. Field Force in remote areas need to build trust of the local population, be more patient and persuasive to be able to explain the nuances of the need for Risk Cover. In this context a 'Women Centric Distribution Model' emerges as an apt alternative.

Latest Developments in the Technology like Artificial Intelligence (AI) / Machine Learning (ML) can be gainfully utilized by creating a Digital Platform to reach the Last Mile. In order to suggest a 'Feasible Model' which will take the Industry to achieve the objective of bridging the protection gap in the Untapped Areas, Leveraging on the Digital Transformation into which the Nation is moving Today, a Committee is constituted under the Chairmanship of Shri. Thomas M. Devasia.

The purpose of establish the Committee is the following terms of reference:

1. To Develop and Suggest Constitution and Operation of a preferably, Women Centric Distribution Channel to focus on reaching Untapped / Rural Areas - **Bima Vahak** and recommend regulatory framework therefor.

2. To Develop and Suggest Affordable, Accessible and **Comprehensive Cover** for Rural Population, on benefit based / parametric structure - **Bima Vistaar** and recommend Regulatory Framework therefor

3. To Explore and Recommend on how to bring about Synergies in the Working and Operations of **Bima Vahak**, **Bima Vistaar** and the Digital Platform **Bima Sugam.**

Insurance Business (Life & Non-Life) Penetration Levels in India:

The Insurance Market in India has seen significant expansion in the last 20 Years, mostly due to the increased involvement of Private Enterprises and advancements in distribution capacities. Additionally, notable enhancements in Operational Efficiency have contributed to this development.

Based on Data from S&P Global Market Intelligence, India holds the position of the Second-largest Insurance Technology market in the Asia-Pacific Region. This Market Segment has seen Significant Venture Investments, amounting to a Total of US$3.66 Billion, with India Accounting for 35 percent of these Investments.

Private Life Insurance Businesses in India enjoyed a Robust Growth of 35 percent in Premium during the Month of March 2023, compared to the same period the Previous Year. The Industry's Premium Growth for FY 2022-23 reached 20 percent. Life Insurance Companies saw a Notable Increase of 18 percent in Premium Collections during FY 2023 over FY 2021-22.

According to the most recent Statistics from IRDAI, Life Insurance Companies garnered a First-Year premium of INR 3.71 trillion (US$44.85 Billion) in FY 2022-23, Compared to INR 3.14 Trillion (US$37.96 Billion) in FY 2021-22.

It is Projected that the Life Insurance Sector will see a Compound Annual Growth Rate (CAGR) of 5.3 percent from 2019 to 2023. In FY 2021, the Insurance Penetration in India was estimated to be 4.2 percent. Within this, the Penetration of Life Insurance was recorded at 3.2 percent, while the Penetration of Non-life Insurance was at 1.0 percent. India's Insurance density in FY 2021 was recorded at US$78.

It is anticipated that the Premiums generated by India's Life Insurance Sector will amount to INR 24 Trillion (US$317.98 billion) by FY 2031.

During the period Spanning from April 2021 to March 2022, Non-life Insurers recorded Gross Premiums Written-off amounting to INR 2.20 Trillion (Equivalent to US$28.14 Billion), indicating a Growth Rate of 11.1 percent Compared to the same period in the Previous Fiscal. In May 2022, the Non-life Insurance Category had a Total Premium earning of INR 366.80 Billion (US$ 4.61 Billion), indicating a Growth of 24.15 percent in comparison to the same period the Previous Year.

The Market Share held by Private Sector Enterprises in India's General and Health Insurance Market saw Growth increase from 48.03 percent in FY 2020 to 49.31 percent in FY 2021. In May 2021, there was a Significant Increase of 66.6 percent in the Gross Premium of Six Independent Private Sector Health Insurance Firms. The Total Amount reached INR 14.06 Billion (Equivalent to US$191.84 Million), compared to the Previous Figure of INR 8.44 Billion (Equivalent to US$115.12 Million).

IRDAI Initiatives:

Towards achieving the objective of **'Insurance for All'**, the Insurance Regulatory Development Authority of India (IRDAI) has brought many initiatives and developments in Regulations, and also the Insurance Industry has seen a lot of innovation.

The most recent measure on this by IRDAI has been the conceptualisation of:

- ✓ Bima Vahak.
- ✓ Bima Vistaar and
- ✓ Digital Platform-Bima Sugam.

In 2022 IRDAI constituted a '24 Member Committee' that will explore and recommend on how to bring about Synergies in the Working and Operations of 'Bima Vahak', 'Bima Vistaar' and the Digital Platform-Bima Sugam.

Bima Sugam:

It will be an Online Portal that will be '**One-stop Shop**' for all Insurance related Queries, Policy Purchase, Claim Settlement and Insurance advice. It is envisioned as a Trusted Platform by the IRDAI.

Web Aggregators, Brokers, Insurance Agents, Bank Agents, etc would act as facilitators on this platform for Selling Insurance Policies. The Portal would provide all such facilities to Policy Holders having an **e-insurance Account** (E-IA).

It will Simplify and Digitise the Insurance Marketplace, Right from Buying Policies, to Renewals, Claim Settlement, and Agent and Policy Portability.

It will assist Consumers with all Insurance related Queries. It will further act as a Window, to view all Policies, details and Renewal details.

It will help in Eliminating the need to Fill Lengthy Forms, to cut down Commissions paid to Intermediaries.

It will allow for a Speedy acceptance of New / Sandbox Products.

Bima Vahak:

Bima Vahak will help insurance products reach the Last Mile. Each Gram Panchayat would have a 'Bima Vahak' who would be tasked to Sell and Service Simple Insurance Products. It would be similar to the Banking Correspondents present in Rural / Unbanked Banking Areas.

It will be a **Women-centric Insurance Distribution Channel**. Will also help foster greater trust and build awareness about Insurance Products in the Rural Areas of India.

As part of the Programme Insurance Companies adopt a State each and will develop State-level Insurance Plans with the help of State Governments.

Engagement/Appointment of Bima Vahak:

a) Insurers may for the purpose of solicitation of Insurance Business and to facilitate policy and claims servicing:

i. Engage the services of a Corporate Bima Vahak and/or
ii. Directly appoint Individual Bima Vahaks.

b) The Insurer shall be responsible for all the actions and the conduct of Bima Vahaks engaged by them.

c) The Corporate Bima Vahaks shall:

i. Appoint individuals as Bima Vahaks, as per the terms and conditions of the agreement with the Insurer and shall be responsible for all their actions and the conduct.

ii. Solicit insurance product(s), facilitate policy and claims servicing only through its appointed Bima Vahaks.

d) A Bima Vahak shall:

i. Sell and service Bima Vistaar and such other insurance products specified by the Authority

ii. Sell and service only using handheld electronic communication devices that are directly integrated to the electronic platform of the insurers;

iii. Not be allowed to collect any fees or charges from the policyholder or prospective policyholder, other than the insurance premium;

e) The Life Insurance Council and General Insurance Council shall be jointly responsible for establishing a common set of Operational and Conduct Standards applicable to Bima Vahaks. Such common Standards shall include Qualifying Minimum Educational Standards, Scales of Commissions, Training Requirements (including Customer Due Diligence / KYC Process, Personal Data Protection, Policy Handling and Claims Service Support), Standard Terms of Appointment (including Due Diligence requirements, Issuance of Identification Cards), maintenance of Database including Confidentiality of the Data of all Policies solicited through 'Bima Vahaks' and other Operational and Compliance aspects. The Councils may Jointly review the said Standards Periodically.

f) Every Insurer shall have a Board Approved Policy in respect of matters related to 'Bima Vahaks' in accordance with the standards set Jointly by the Council under 4(e).

g) Every Insurer shall endeavour to engage Individual Bima Vahaks and / or Corporate Bima Vahaks with the focus to Progressively achieve coverage of every Gram Panchayat. Bima Vahaks shall be deployed in each Gram Panchayat before 31st December 2024. Lead Insurers of each State / Union Territory shall coordinate deployment of resources to ensure maximum coverage of Gram Panchayats as per the following structure:

S. No.	Insurer	Gram Panchayats to be covered within the State / Union Territory*
1	Lead Life Insurer (s)	40%
2	Lead Non-Life Insurer (s)	40%
3	Lead Health Insurer (s)	5%
4	All other Insurers together	Minimum 15%

*Thereafter, depending on the requirements and demand, Insurers are free to engage and deploy as many 'Bima Vahaks' as may be required.

Bima Vistaar:

It is a Social Safety Net Product Targeting the Untapped Geographies of the Country and will be available on "Bima Sugam".

Objective will be to Develop an Affordable, Accessible and **Comprehensive Cover-**Bima Vistaar for Rural Population in the event of Natural Disasters, such as Floods, and Earthquakes, to name a few.

Both Bima Vahak and Bima Vistaar Together will help Explore how Insurance Penetration can be increased in Semi-urban, Rural towns, or in Villages.

Conclusion:

The Central Government is pursuing a Three-pronged Strategy to increase Insurance Penetration across all Regions in India. These Three make up the 'Bima Trinity':

- ✓ The First Component is **Bima Sugam**.
- ✓ The Second Component is **Bima Vistar**. It will be a bundled risk cover product that provides defined benefits for each Risk and seeks to expedite claim settlements without requiring Surveyors.
- ✓ The Third Component is **Bima Vaahaks**. The Third Component of the plan entails deploying Bima Vaahaks (Carriers) to promote the benefits of Insurance Products in each Gram Sabha (Village Council).

The main objectives of the **Bhima Vahaks** are to establish a dedicated distribution channel that is focused on enhancing insurance inclusion and creating awareness in every Gram Panchayat, thereby improving accessibility and availability of insurance in every nook and corner of the country. And to Identify and develop resources locally who understand and appreciate local needs within every Gram Panchayat and village, especially encouraging, onboarding of women who can gain trust of locals as Bima Vahaks for distribution and servicing of insurance products.

References:

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WEBINARS AND EVENTS ORGANIZED BY THE BFSIB

WEBINAR ON
'DERIVATIVES: THE FUTURE OF INVESTMENT'
2nd September, 2023 from 4 to 6 pm

The BFSIB of The Institute of Cost Accountants of India, with the objective of knowledge dissemination organized a webinar on 'Derivatives: The Future of Investment' on September 2, 2023, on an online platform.

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB in his welcome address thanked and welcomed the guest speaker for his session, and also discussed on the derivative market in brief.

Dr. Pradiptarathi Panda, Asst. Professor, NISM, Mumbai was the guest speaker for the session.

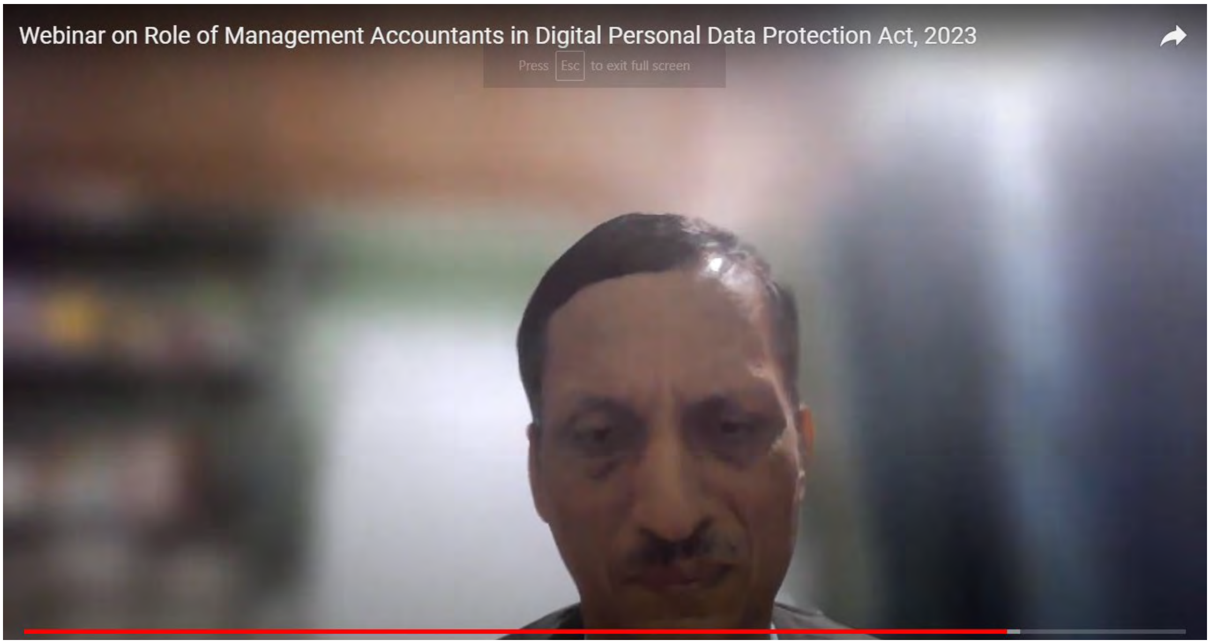
He detailed the audience about the Indian derivatives markets and the features of Investments. He made a PPT presentation explaining the categories of derivatives, summary of the SEBI report on individual traders in equity F&O and role of ICMAI members and NISM in derivative market.

At the outset the learned speaker explained hedging with futures and options with case studies. He gave a diagrammatic presentation of the financial instruments and their classifications. While discussing about the establishment of the Indian derivative market he mentioned that derivatives were included as one of the 'securities' under Securities Contract (Regulation) Act,1956 and from 2000 Equity derivatives started in our Market. Then started with the index Futures and Index Options thereafter stock futures and stock options and in 2003, the commodity derivative market started. He elaborately explained the exchange traded and OTC derivatives, i.e. forwards, swaps, futures and options. He discussed about the market participants, the learned speaker explained hedgers, arbitragers and speculators who acted in the derivative market. He presented the categories of derivatives namely, equity derivative, currency derivative, commodity derivative and interest rate derivatives. In the equity derivatives, there are 4 categories of instruments, stock futures, stock options, index futures and index options. A graphical presentation was shown on the mode of trading in equity derivatives in NSE and also the turnover in index futures and index options for over a time period from 2010-11 to 2022-23. While discussing about the commodity market, he made a word diagram on agri based and non agri based commodity markets and their further types. Of the 4 types of derivatives, the percentage share of equity derivatives has increased in maximum from 2011 to 2023. He discussed about the important role of ICMAI and cost and management accountants in the derivative accounting and accounting for hedging, speculation and arbitraging. While discussing about the global ranking of Indian derivative market, he said that NSE ranks first in the no of contract trading's, and 4th in single stock futures and ranks no 6th in single stock options, 1st in stock index options and 8th in stock index futures as per the 2022 data. He also demonstrated how to trade in options in the NSE portal.

The webinar concluded by a successful Q&A session.

WEBINAR ON THE ROLE OF MANAGEMENT ACCOUNTANTS IN DIGITAL PERSONAL DATA PROTECTION ACT, 2023

16th September, 2023



The Banking Financial Services and Insurance Board of The Institute of Cost Accountants of India organized a webinar on the Role of Management Accountants in Digital Personal Data Protection Act, 2023 on 16.9. 2023.

The occasion was graced by CMA. Chittaranjan Chattopadhyay, Chairman, BFSIB and Shri. Guruprasad. V. Practicing Consultant who was the Chief Guest Speaker.

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB, discussed about the importance of the pertinent topic and thanked the President, ICMAI and Vice President, for their support and motivation for arranging such webinars. He also thanked Shri. Guruprasad V. for being the Chief Guest Speaker for the webinar.

At the outset the speaker expressed his delight as ICMAI is the first Institute to have organized a webinar on this pertinent topic. Shri. Guruprasad. V, presented the brief overview of the general data protection regulations, overview of exclusive data protection regulations in Qatar, Bahrain, Egypt, UAE and Saudi Arabia and important provisions of Digital Personal Data Protection Act, 2023. He shared some interesting global statistics where 64.5% of the global population are internet users and 60.6% of the global population has social media presence, which indicates lots of data are generated and already available in the public domain. He iterated that all citizens have knowingly and randomly has given access to our identity to the entire world. In this manner our identity is lost and across the world the citizens are facing this type of data privacy violation. The esteemed speaker mention GDPR of the EU as the mother of all DPR. In the middle east countries like Qatar, Bahrain, Egypt, UAE and Saudi Arabia have their own GDPR with India being the latest entry in such a domain. The GDPR came into effect from 25th May 2018 and it includes stringent requirements for the organizations who can process the personal data in the EU. GDPR strengthened the rights of data subjects like, right to access their data, right to be informed via privacy notices and the right to rectify or delete their personal data.

The eminent speaker iterated that Qatar implemented their Data Privacy Protection Law and became the first Gulf Cooperation Council (GCC) member state to issue a Personal Data Privacy Protection Law (PDPPL). As per the PDPPL any organization involved in the processing of personal data should adhere to the principles of transparency, fairness and respect for human dignity.

Shri. Guruprasad further discussed about the Bahrain PDPL which came into being on 1st August 2019 and modelled on the European GDPR. The PDPL is the second national law in the Gulf region to directly address the right to personal data protection and will impose an obligation on the businesses that collect personal data in relation to how organizations use and secure it. The eminent speaker iterated that the Egypt PDPL came into being in July 2020 and addresses the right to data protection and gives multiple right to individuals. As per the law personal data should only be collected and specific legitimate purposes and should not be retained longer than necessary. Organizations need to acquire licenses to process both personal and sensitive personal data. Organizations involved in processing of personal data are expected to appoint a DPO who will be responsible for the implementation of the law.

It is observed that it is influenced by the EU GDPR, the DIFC law combines the best practices from a world class data protection laws. The law aims to safeguard the personal data of individuals whose data is processed by organizations registered by DIFC. The Kingdom of Saudi Arabia (KSA) PDPL came into being on 16th September 2021, protects and provides guidelines of processing personal data within the KSA. The law is applicable to all organizations which operate or do business in KSA. The law also references the Executive Regulations provides extra guidance on how organizations can comply with the law.

The Indian perspective was elaborately stated by the eminent speaker who mentioned that the internet penetration stood at 48.7% of the total population. The Digital Personal Data Protection Act 2023, of Parliament received the assent of the President on 11th August, 2023. The act provided for processing of digital personal data in a manner that recognizes both the right of individuals to protect their personal data and the need to process the personal data for lawful purposes and for matters connected therewith and incidental thereto.

He further explained the timeline of the DPDA 2023 and the DPDA2023 by explaining the definitions of the personal data and personal data breach. He explained that in event of personal data breach the Data Fiduciary needs to notify the Board and each affected by the data principal of such a breach. The eminent speaker explained the difference between GDPR and DPDA. He said that the BFSI sector has undergone a massive digital transformation through the introduction of customer friendly services and hence the importance of DPDA in the BFSI sector cannot be undermined.

After explaining various terms and stakeholders for the act he recommended that the Data Protection Officer must be based in India and he should be the point of contact for any grievance. There should be an independent data auditor to carry up the data Audits and evaluate the significant data prediction in compliance to the Act and to undertake periodic data protection impact and assessment. Here the practicing management accountants should pitch in. he also said that ICMAI should take it up once the rules and regulation comes into play as this is also a very great area of opportunity to practice.

After an extensive and successful Question Answer session the the webinar came to an end.

WEBINAR ON
PREVENTION OF MONEY LAUNDERING ACT (SERIES-I)
23rd September, 2023

The BFSIB of the ICMAI has organized a series of webinar on prevention of money laundering act of which Series- I was organized on 23.9.2023.

The webinar was graced by CMA Chittaranjan Chattopadhyay, Chairman, BFSIB, & Council Member and CMA Dr. P. Siva Rama Prasad, Former AGM, SBI as the Chief Guest Speaker.

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB, in his opening remarks explained the importance of the topic of the webinar and expressed his thanks to the learned guest speaker for being present to enlighten all on the topic.

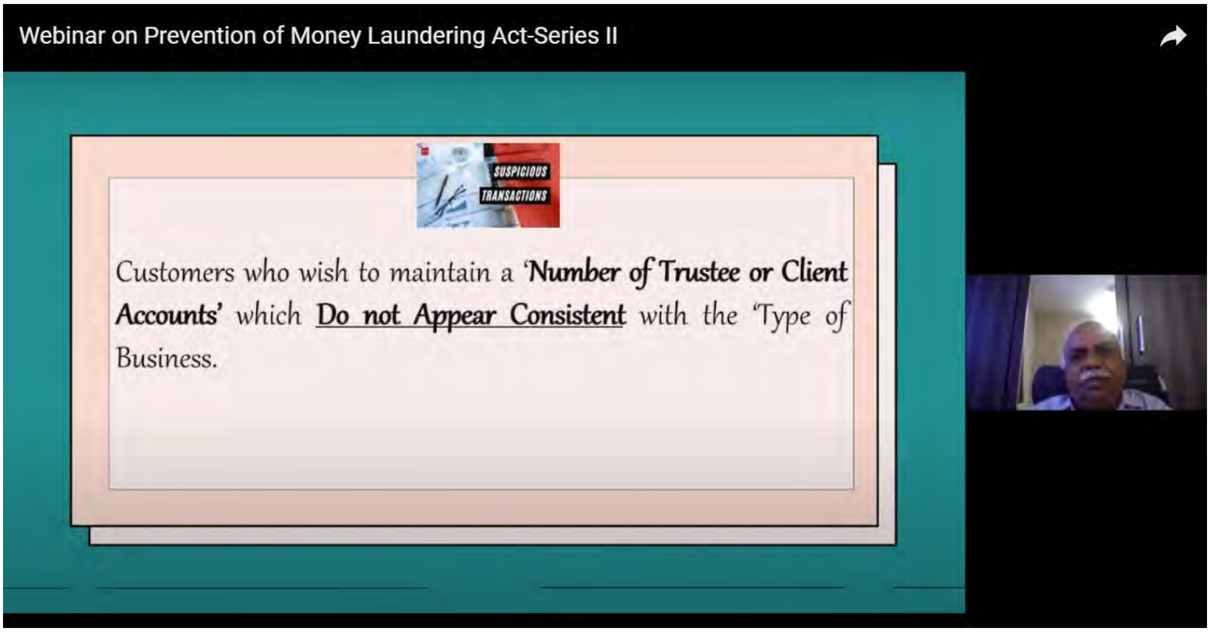
CMA. Dr. Siva Rama Prasad demonstrated a PPT presentation and explained that Prevention of Money Laundering Act, 2002, is regarded as an act to prevent money laundering and provides seizure of properties that are derived from or involved in money laundering. This act is applicable to all including individuals, Companies and Partnership firms and is considered to be a criminal Offence for violation. The criminals use money laundering to hide unlawful funds and has become a serious problem in the recent years. The process of money laundering involves 3 steps i.e. 1. Placement, 2. Layering and 3. Integration. From these 3 angles the Enforcement Directorate will study and money laundering and fraud. The placement secretly injects the dirty money in the legitimate financial system. The Layering conceals the source of money through a series of transaction and book keeping tricks and finally in the integration step the laundered money which was derived from illegal activities and serious criminal offences is withdrawn from the legitimate account by the criminals. For the reasons stated now it exhibits that money laundering is considered to be unlawful. It not only affects the social and economic stability of the country but also tends to indulge in serious criminal offences. The eminent speaker mentioned that recently, GOI has amended the PMLA rules and further expanded the scope of money laundering which has strengthened the regulations and increased the scrutiny.

The speaker dived deep into the act and discussed about the customer classification and the Know Your Customer (KYC) norms. He mentioned that the KYC/AML policy includes four key elements 1. Customer Acceptance Policy (CAP), 2. Customer Identification Procedures(CIP), 3. Monitoring of transactions and 4. Risk Management. For categorizing customers as high risk, medium risk and low risk customers. The parameters considered are customer's identity, social/ financial status, nature of business activity, information about client's business and their location etc. customer risk refers to the money laundering and terrorist funding and this risk associated with a particular customer from a bank's perspective. This risk is based on risk perceptions associated with the customer profile and the level of risk which is associated with the products and channels used by the customer.

CMA Dr. Prasad mentioned that review of Customer Risk Categorization shall be carried out by the branches after every six months. The PMLA Amendments 2023 has also laid norms regarding hiring of employees wherein banks are directed to put in place adequate screening mechanism to ensure that criminals are not allowed to misuse the banking channels. The eminent speaker also explained the functions of Financial Intelligence Unit- India and FATF and how they are functioning in analyzing ST reports and helping in controlling anti money laundering activities in India and globally.

After an extensive and successful Question and Answer session the webinar came to an end.

WEBINAR ON
PREVENTION OF MONEY LAUNDERING ACT (SERIES-II)
30th September, 2023



The Banking Financial Services and Insurance Board in its quest for knowledge dissemination has been organizing capacity building initiatives for the members and other stakeholders. The first series of Prevention of Money Laundering Act was organised with a great success and the 2nd series was organised on 30.9.2023. The webinar was graced by CMA Chittaranjan Chattapadhyay, Chairman, BFSIB and CMA Dr. P. Siva Rama Prasad, Former AGM, SBI as the Chief Guest Speaker.

CMA Chittaranjan Chattapadhyay, Chairman, BFSIB, in his opening remark, expressed his delight for the great success of the 1st series and thanked the speaker for such an exhaustive and educative 1st session.

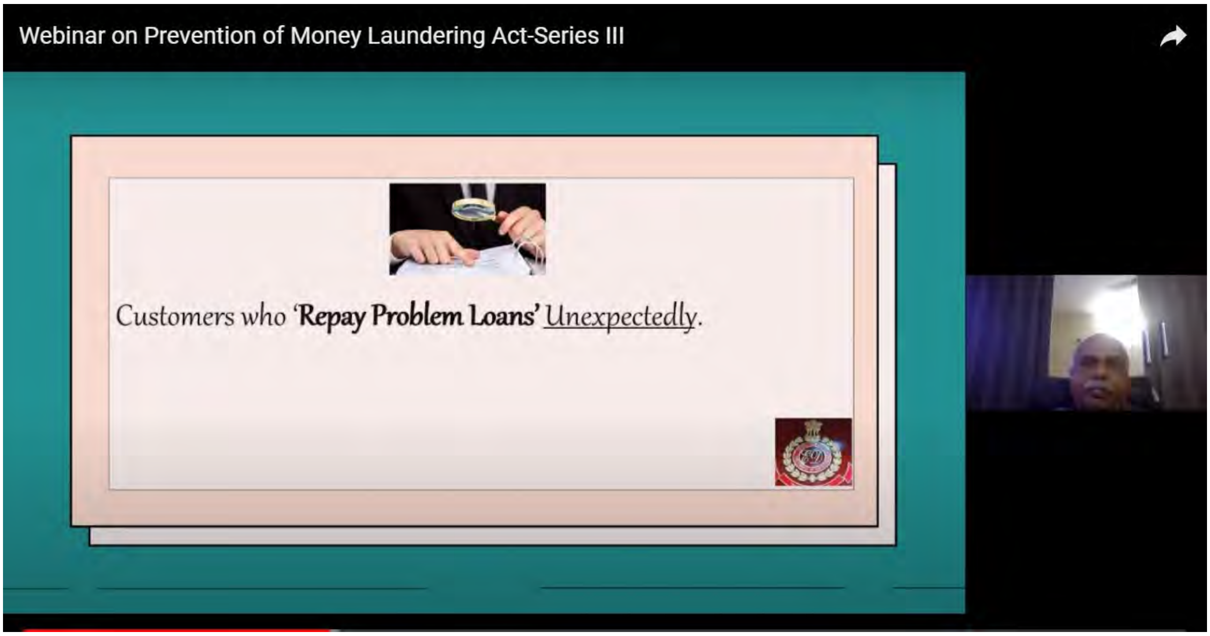
CMA Dr. P. Siva Rama Prasad, presented and stated firstly about the money laundering using the bank accounts. He said that worldwide transactions are increasing and with the help of technology and it is very easy to find out whether they are genuine or not. Any suspicious transaction which means whether or not it is made in cash and the person acting in good faith gives a reasonable ground suspicion that it may be involved the process or to be made in circumstances which can be unusual, unjustified and complex. It is the duty of the practising CMAs who should inform the authorities if they encounter any suspicious transaction. The customers who wish to maintain a number of trustee or client accounts which do not appear consistent with the type of business, there is a scope in those companies that funds are routed through various accounts to camouflage the roots which may be illegal. In order to avoid the reflection of high amount transactions in the CTR report it is seen that transactions are split in several small amounts. If fictitious transactions are found, then the bank will verify once and will block that account if it is found wrong. It is the reason for reluctance to provide normal information when opening an account or providing the minimal fictitious information which is seen in many cases. CMA Dr. Prasad with the help of several real life examples explained that many scenarios may turn up to be forged.

CMA Dr. Prasad, explained Virtual Digital Assets as a digital holding that has been encrypted on the block chain, enabling anyone enabling anyone to confirm its authenticity and determine its owner. He said that with the increasing popularity and adoption of VDAs in India there is a need for a progressive regulatory framework that can establish India's leadership in the VDA space. This unique asset is non fungible i.e. it cannot be copied replicated or hacked and can be purchased sold and transferred. Cryptocurrencies, NFTs and Decentralized finance are examples of VDAs. As the VDAs are rising in India, the money laundering activities are also rising. Crypto assets have been associated with illegal activities like, money laundering, terrorism financing, tax evasion etc. the growth of digital assets market has raised the concern about its potential impact on financial stability. Regulations can help to mitigate these risks by setting standards for the market participants. New rules have brought cryptocurrency and VDAs under the ambit of AML. As per the new rule, the entity dealing with VDAs will now be regarded as reporting entity under PMLA. The rule requires intermediaries into the crypto ecosystem is to establish and implement PMLA measures and systems. The transactions related to cryptocurrencies are included under the PMLA. He also indicated that RBI guidelines are there in place regarding money laundering with high cash transactions.

The webinar came to an end with Question and Answer session.

WEBINAR ON
PREVENTION OF MONEY LAUNDERING ACT (SERIES-III)

7th October, 2023



The BFSIB of the ICMAI has organized a series of webinars on prevention of money laundering act. As a continuation of the series the 3rd series was organized in 7.10.2023. The webinar was graced by CMA Chittaranjan Chattopadhyay, Chairman, BFSIB and CMA Dr. P. Siva Rama Prasad, Former AGM, SBI as the Chief Guest Speaker.

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB, in his opening remark, expressed his delight for the great success of the earlier series and thanked the speaker for such an exhaustive and educative session.

CMA (Dr.) P. Siva Rama Prasad presented about how to deal with customers who are from countries those are black listed by the Central Government. He also explained in many suspicious scenarios that are to be furnished in the Suspicious Transaction Report. He stated that involving financial institution, employees and the agents are some of the employees of the organization or some companies appointing agents in other countries or within the country are involved in money laundering activities without knowledge of the corporate. Suspicious transactions to be find out and brought to the notice of ED otherwise Banks will also get involved in the case and the ED will investigate the matter. There are changes in the employee characteristics, unexpected and sudden increase in performance of employees or agents are events that evoke suspicion and should be brought to an immediate notice. He said that in order to avoid such the KYC is very important in all these cases.

Money laundering by secured and unsecured lending is also happening in banking and financial sector. The unexpected repayment of problem the loans by customers, request to borrow against assets whose origin are not known, request by customers to borrow or arrange funds where the source of customer's financial contribution is unclear, are situations that may invoke suspicion. The eminent speaker said that in such instances practitioners and banks need to very cautious and should investigate before providing loans. He said that being professionals we need to follow the governance and ethics in practice where the code of conduct is very important.

A lot of amendments have been made in the PMLA. He stated about the amendments CMA Dr. Prasad mentioned in terms of FCRA, 2010, certain category of individuals and organisations are required to obtain prior permission from the central government to receive foreign contributions or accept foreign hospitality and such acceptance require reporting to the government. He also went deep into the various amendments of the FCRA 2010 and FC(Regulation) Amendments 2022 to explain how the central government is taking steps for anti-money laundering. The Government of India has taken effective steps to amend the money laundering act introducing more disclosures for banks as well as Financial institutions. Not only the professionals but also banks have to preserve that records and if not then the bankers are also punishable under the PMLA Act. The Banks were the regulated entities so the regulated entities has to produce whenever the enforcement directorate request for some information.

CMA Dr. Prasad mentioned that NGOs can also convert bad money into good money through money laundering and the central government has specified and tightened the PMLA Amendment Act,2023. To prevent such malpractices, the rule has specified that NGOs are now required to share every information with ED as and when they require. New PMLA rules has brought the cryptocurrency under its scope. Crypto exchanges are mandatorily requiring performing KYC of their clients. The eminent speaker said that the PMLA is a critical legislation in India that aims to combat financial crime and money laundering. Finance professionals are having a responsibility about the latest changes to the PMLA regulations and ensure that they are in compliance. Government has made recent changes in the PMLA that are particularly relevant to the finance professionals. One of the most significant change is the requirement for the CMAs is to report suspicious transactions to the FIU within 15 days of identifying the and failure to comply with such requirement can result in penalty up to 10 lakhs INR. Finance professionals are now required to maintain the records of their client's identity and transactions for a period of 10 years after the completion of the transaction for improving transparency and accountability in the financial transactions. The professionals should follow the guidelines and adhere to the regulations for preventing money laundering.

The webinar came to an end after a successful Question and Answer Session.

WEBINAR ON
NET ZERO ROAD MAP FOR BANKING ORGANIZATIONS
14th October, 2023

On 14th of October 2023, The Banking, Financial Services and Insurance Board of the Institute of Cost Accountants of India had organised a webinar on "NET ZERO ROAD MAP FOR BANKING ORGANIZATIONS". The webinar was graced by Shri Ravi Teja Chithajalu, Asst. Executive Engineer, AP TRANSCO, as the Chief Guest Speaker and CMA Dr. Siva Prasad, Former AGM SBI and faculty of BFSIB and also CMA Chittaranjan Chattopadhyay, Chairman BFSIB & IAASB to address the webinar.

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB, discussed about the importance of the pertinent topic and thanked the President, ICMAI and Vice President, for their support and motivation for arranging such webinars. He also thanked Shri Ravi Teja Chithajalu, Asst.Exe. Engineer, AP TRANSCO, for being the chief speaker for the webinar.

Dr. Prasad thanked the BFSIB for conducting such webinars that is helping the society also. He also discussed about the importance of such topic.

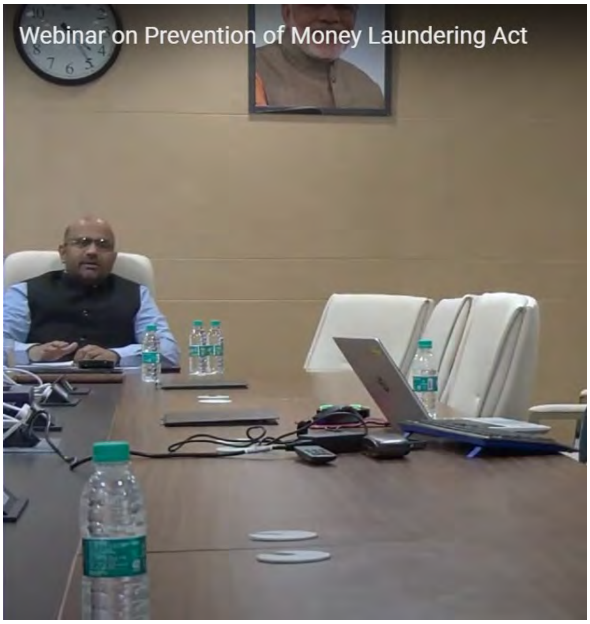
Shri Ravi Teja Chithajalu, Asst.Exe. Engineer, AP TRANSCO provided the deliberation and at the outset he explained the basics of climate change, the definition of NET ZERO and India's climate change targets. He explained what is climate change and the long term shifts in weather and temperature. He elaborated that burning fossil fuels emits GH gas mainly carbon dioxide and methane that act like a blanket around the earth and trapping the suns heat and raising the temperature. The major contributors of GH gases are energy, transport, industry, building, agriculture land use etc. consequences of climate change do not only mean rise in the temperature but it also means flood, melting polar ice, catastrophic storms, declining biodiversity, intense droughts, water scarcity, severe fires and rising sea levels. He mentioned that India is highly vulnerable to the impacts of climate change due to its long coast lines, majority of the population with low income and dependence on Himalayan rivers. He further added how the international bodies are addressing the issue of climate change. He discussed the timelines for the UNFCCC, Kyoto Protocol and Paris agreement and their respective objectives.

He stated that the economics for reduction of 1.5-degree C the cost of mitigation and cost of impact is at the minimum. Net zero emissions are achieved when anthropogenic emissions of greenhouse gases to the atmosphere are balanced by anthropogenic removals over a specified period. The carbon markets are markets where a ton of $CO2$ equivalent is commodified as a trading unit either as a verified emission reduction or removal system or as an emission allowance issued in an Emission Trading System (ETS) system. The ETS is a quantity based instrument where a regulator outlines the maximum level of GHG emission for a specified group of entities. After explaining such aspects the peaker discussed about the various ETS markets operating around the globe. The Government of India, has passed an amendment of the Energy Conservation Act, 2001, which leads to the establishment of a carbon credit market in India which is developed by the WRI and WBCSD, the GHG protocol establishes comprehensive global standardized frameworks to measure and manage GHG emission from private and public sector operations value chains and mitigation actions.

The speaker discussed about the role of the banking sector in the energy transition. He said that the financial sector has a critical role to play in supporting the economy to reach the goal of net zero by 2050. It is responsible for emissions related to their own operational footprints, banks can act as climate partners to individuals, corporations and governments, providing and channeling the finance needed to invest in sustainable business models. In order to achieve net zero banks should address, upstream, direct and downstream activities and engaging with stakeholders. He also discussed the climate change targets by few major banks like HSBC, Barclays, Standard Chartered, SBI, Axis etc. The carbon disclosure project CDP has evolved as one of the most effective disclosure platforms. He said that currently more than 120 companies and 14 Indian cities choose to analyse their climate risks and opportunities through CDP India. It also helps stakeholders in the decarburization journey through supply chain engagement, science based targets and internal carbon pricing.

After an extensive and successful Question Answer session the webinar came to an end.

WEBINAR ON
PREVENTION ON MONEY LAUNDERING ACT
1st December, 2023



The BFSIB organized a webinar on Prevention On Money Laundering Act on 1.12.2023. The webinar was graced by Shri Bala Subramanian K, IAS, Joint Secretary, Department of Revenue, Ministry of Finance as the guest speaker.

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB in his opening remarks discussed about the importance of this pertinent topic and expressed his gratitude and thanked the eminent guest speaker for his kind presence.

The eminent guest speaker walked through the topics like money laundering and sanctions, Prevention of Money Laundering Act regulatory obligations and key components of Anti Money Laundering and sanctions of compliance program with practical case studies. The speaker said that money laundering is generating money through illegal means and disguising its source to use the funds to do illegal activities or legal activities. The difference between money laundering and terrorist financing is that in Terrorist financing this money could be generated from legal means also and to be used to support terrorist Acts. The criminal activities or predicate offences that lead to money laundering range from fraud, human trafficking, narcotics trade, smuggling, sale of illegal arms, bribery, financing of terrorist activities etc. the 3 stages of money laundering are integration, layering and placement. In the placement stage the ill-gotten money are integrated into the financial system, while in the layering stage the criminal tries to distance the funds from the crime source and in the last stage i.e. in the integration stage the funds re-enter the economy through clean investments. He explained that sanctions are measures or restrictions which are aimed at restricting dealings of any kind with an another country, specific person's legal entities or any organizations. Sanction programs are unique and has individual requirements designed to achieve specific goals in the foreign policy.

The eminent speaker delved into the regulatory scenario and explained the various regulatory bodies. In India, Prevention of Money Laundering Act is the prime act to fight against the money laundering terrorist financing, Financial Intelligence Unit (FIU) is a central Agency for receiving processing analysing and disseminating the information to enforcement agencies in the country, RBI which is the central bank and the regulatory body for the Indian banking system the last one in the Indian context is Unlawful Activities (Prevention) Act (UAPA), the act with the terrorism related Issues. Amongst Global organizations first is the Financial Action Task Force which is a global watchdog for AML- CFT sanctions compliance, Wolfsburg group which is non non-governmental Association of 13 Global Banks, BIS which is a Basel Committee for Banking Supervision which was established by the G10 countries of the Central Banks, Egmont group which is a group of all the FIUS which are there in all the countries the last one is United Nations Office on Drugs and Crime (UNODC) which is a UN body for drug control and crime prevention.

The Prevention of Money Laundering Act is an act of Parliament of India enacted to prevent money laundering and to provide for confiscation of properties derived from money laundering. The reporting entities are banking companies, insurance companies, Non-Banking Financial Corporations, Designated Non-Financial Business or Professions (DNFBPs), Cost Accountants, Chartered Accountants, Company Secretaries and casino/cryptocurrency. Financial Action Task Force (FATF), on the other hand is an inter-governmental body to set standards and foster international actions against money laundering.

The recent development which has taken place in the context of The Prevention of Money Laundering Act within which the Professionals are all part of has been included as one of the reporting entities. A notification which the Department of Revenue had brought out on May 3rd 2023 by which the Cost Accountants and other professionals who are performing some activities and financial transaction in respect of those activities especially then are regarded as a reporting entity for the purpose of prevention of money laundering act. They are required to maintain a client due diligence records, perform those client due diligence, retain those records for a period of time that is mentioned in the PMLA and also assess firm's risk with respect to the money laundering and terrorist financing activities. India is going through a mutual evaluation from the perspective of its compliance with respect to the recommendations given by Financial Action Task Force. Of the 40 recommendations, recommendation 22 and 23 are for professionals like CMAs and the Institute is regarded here as the regulator of the professionals and the powers and responsibilities of the Institutes are noted in recommendation 28. The eminent speaker mentioned that the regulations of India are one of the best in the globe. He stated that regulatory guidance for professionals that the Ministry of Finance (Department of Revenue) GOI in May 2023, notified professionals as persons who are member holding Certificate of Practice issued by the ICMAI, ICSI and ICAI, are those persons who are carrying on designated businesses or professions under the PMLA or carrying out designated non-financial businesses or professions Designated Non-Financial Business or Professions. (DNFBPs) under Financial Action Task Force (FATF) regulations. Professionals who comply with the Designated Non-Financial Business or Professions. (DNFBPs) are expected to comply with guidelines for CMA, CS and CA, issued by Financial Intelligence Unit – India (FIU-IND) outlining the obligation and procedures to be followed by the reporting entities to ensure compliance with the AML provisions. He said that the reputation damage, legal and regulatory actions and operational challenges are the three main risks and consequences of regulatory non-compliance for the reporting entities.

The eminent speaker then discussed about the Anti-Money Laundering / Countering the Financing of Terrorism (AML/CFT) compliance program which is an essential program for an institutions compliance regime. He said that such a program should be risk based and must address the four basic elements also known as the 4 pillars like – 1) customer due diligence, 2) monitoring of transactions 3) regulatory reporting 4) record keeping. For customer due diligence the flow process is Know Your Customer (KYC) documentation, name screen, risk assessment and record storage / retention. For transaction monitoring the process flows like obtaining transaction data, identifying suspicious transactions and preparing reports for reporting.

The speaker urged that if or not the professionals enter into transactions covered for professionals they should apply proper due diligence for firms. He appreciated ICMAI and other two professional bodies for their robust due diligence and also urged the professionals for imbibing proper Customer Due Diligence in their daily professional lives.

After an extensive and successful Question and Answer session the webinar came to an end. Shri Avinash Rana who is an Official of Ministry of Finance also assisted Shri Bala Subramanian K. The PPT was uploaded in the BFSI portal and the recording in the Youtube Channel of the Institute.

SNAPSHOTS

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB & IAASB and Council Member, ICMAI (extreme right) along with CMA Avijit Goswami, Chairman, Members' Facilities Committee & PSU Coordination Board and Council Member, ICMAI (extreme left) met Dr. Deepak Mohanty, Chairperson, PFRDA (centre) at his Office on 4th September, 2023 to discuss the forthcoming activities in collaboration with PFRDA

CMA Dr. Ram Jass Yadav, Executive Director, Punjab and Sind Bank (extreme right) is being felicitated by CMA Chittaranjan Chattopadhyay, Chairman, BFSIB & IAASB and Council Member, ICMAI (2nd from right) along with CMA Avijit Goswami, Chairman, Members' Facilities Committee & PSU Coordination Board and Council Member, ICMAI (2nd from left) at New Delhi on 13th September, 2023. CMA Arup S Bagchi, Sr. Director & Secretary, BFSIB, ICMAI (extreme left) is also present at the PSB HQ

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB & IAASB and Council Member, ICMAI (centre) along with CMA Avijit Goswami, Chairman, Members' Facilities Committee & PSU Coordination Board, Council Member, ICMAI (extreme right) felicitating CMA Ms. Arti Patil, MD & CEO, Saraswat Cooperative Bank Ltd. (extreme left) at Mumbai on 27th September, 2023

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB & IAASB and Council Member, ICMAI (centre) along with CMA Avijit Goswami, Chairman, Members' Facilities Committee & PSU Coordination Board, Council Member, ICMAI (extreme right) felicitating Shri Abhilasha Mishra, MD & CEO, NSE Academy (extreme left) at Mumbai on 27th September, 2023

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB & IAASB and Council Member, ICMAI (extreme left) along with CMA Avijit Goswami, Chairman, Members' Facilities Committee & PSU Coordination Board, Council Member, ICMAI (extreme right) felicitating CMA Yatrik Vin, Group CFO and Head Corporate Affairs, NSE (centre) at Mumbai on 27th September, 2023

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB & IAASB and Council Member, ICMAI (centre) along with CMA Avijit Goswami, Chairman, Members' Facilities Committee & PSU Coordination Board, Council Member, ICMAI (extreme left) felicitating Shri Brajesh Kumar Singh, CGM, (HR), Bank of Baroda (extreme right) at Mumbai on 27th September, 2023

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB & IAASB and Council Member, ICMAI (2nd from left) along with CMA Avijit Goswami, Chairman, Members' Facilities Committee & PSU Coordination Board and Council Member, ICMAI (extreme left) and CMA Dr. Ashish P Thatte, Chairman, Career Counselling and Placement and International Affairs and Council Member, ICMAI (extreme right) met Shri Sundararaman Ramamurthy, MD & CEO, BSE (2nd from right) on 28th September, 2023

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB & IAASB and Council Member, ICMAI (2nd from left) along with CMA Avijit Goswami, Chairman, Members Facilities' Committee and Public Sector Coordination Board and Council Member, ICMAI (2nd from right) along with CMA Abhijit Dutta, RCM, EIRC, ICMAI (extreme right) felicitating Shri Ketan Kumar Joshi, CFO, North East Small Finance Bank (extreme left) at Guwahati on 9th October, 2023

CMA Chittaranjan Chattopadhyay, Chairman BFSIB & IAASB and Council Member, ICMAI meeting Smt. Rajeshwari Singh Muni, CMD, National Insurance Co. Ltd. on 17th October, 2023 at Kolkata (R to L)

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB & IAASB and Council Member, ICMAI (extreme left) along with CMA Mahesh Shah, Former President, ICMAI (extreme right) met Shri Yashish Dahiya, who is the Chairman and CEO of PB Fintech, the parent company of Policybazaar, Paisabazaar, and Policybazaar.ae (centre) at BFSI Business Standard Summit at Mumbai on 31st October, 2023

Shri V.Vaidanathan, CEO, IDFC First Bank at BFSI Business Standard Summit Stall of the Institute on 31st October, 2023

CMA Venkateswaran Ramakrishnan, DGM, SEBI (extreme right) is being greeted by CMA Chittaranjan Chattopadhyay, Chairman, BFSIB & IAASB and Council Member, ICMAI (centre) and CMA Arup S Bagchi, Sr. Director (extreme left) at the stall of ICMAI for BFSI Summit of Business Standard on 31st October, 2023

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB & IAASB and Council Member, ICMAI greeting CMA Sudipta Roy, FINLABS India at the stall of ICMAI for BFSI Summit of Business Standard on 31st October, 2023 (L to R)

CMA Rajeev Thakkar, Chief Investment Officer, PPFAS MF being greeted by CMA Chittaranjan Chattopadhyay, Chairman, BFSIB & IAASB and Council Member, ICMAI at the stall of ICMAI for BFSI Summit of Business Standard on 31st October, 2023 (L to R)

Shri K V Kamath, Chairman, National Bank for Financing Infrastructure and Development (NaBFID) is being welcomed by CMA Chittaranjan Chattopadhyay, Chairman, BFSIB & IAASB and Council Member, ICMAI along with CMA Mahesh Shah, Former President, ICMAI at the BFSI Business Standard Summit at BKC Mumbai on 31st October, 2023 (L to R)

CMA Mohan Vasant Tanksale, Former Chief Executive, IBA is welcomed by the stall of ICMAI by CMA Chittaranjan Chattopadhyay, Chairman, BFSIB & IAASB and Council Member, ICMAI at Mumbai, BKC for the BFSI Business Standard Summit on 31st October, 2023 (L to R)

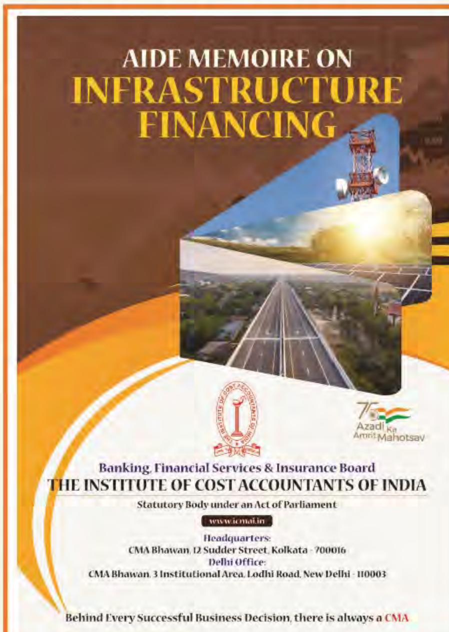
CMA Chittaranjan Chattopadhyay, Chairman, BFSIB & IAASB and Council Member, ICMAI (centre) presenting Aide Memoire on Infrastructure financing book to CMA Harish Chandra ED (Finance) & CS, Container Corporation of India Ltd. (extreme left) on 25th November, 2023

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB & IAASB and Council Member, ICMAI presenting Aide Memoire on Infrastructure financing book to Shri K. Srikant, Chairman and Managing Director, Power Grid Corporation of India Ltd. on 6th December, 2023 (R to L)

Aide Memoire on INFRASTRUCTURE FINANCING

Infrastructure is the backbone of any economy. It is a well recognised fact that Infrastructure has a multiplier effect on the holistic development and rapid sustainable growth.

A Robust Infrastructure Finance mechanism therefore assumes utmost importance in the entire Eco system.



Synopsis-Salient Features of the book

- A one stop, single reference point, in the niche area of Infrastructure Finance.
- The book covers the basic theoretical concepts as also the real nitty gritty of processes & procedures and nuances involved in Infrastructure Finance with all the relevant topics which inter include the following:-
  - Definition of Infrastructure sector-Harmonised master list of infrastructure sub -sectors, as notified by Department of Economic Affairs, Ministry of Finance, Definition under Companies Act 2013 and under Income Tax Act 1961.
  - Elements of Financing Infrastructure.
  - Types of Public Private Partnership (PPP) models.
  - Formation of the Special Purpose Vehicle (SPV) and Key project documents/structure for Infrastructure Finance.
  - Financing mechanism consortium/syndication.
  - Credit appraisal process-covering management appraisal, economic appraisal, marketing appraisal, technical appraisal and Financial appraisal.
  - In depth analysis of cost of project and means of finance with specific reference to Infrastructure projects, including interest during construction (IDC), Debt Service Reserve Account (DSRA) etc.
  - Key performance indicators including financial indicators and non financial indicators. This includes detailed discussion on all financial ratios for long term funding like DSCR, IRR, BEP and concepts like ESG compliances.
  - Detailed discussion on the intricacies involved in appraisal and sanction, including various aspects of concession agreement, Power Purchase agreement, Escrow agreement, Fuel supply agreement Inter creditors agreement etc
  - Assessment of various Risks involved in infrastructure finance like sponsor risk , construction risk,market risk, financial risk etc and mitigation thereof.
  - Detailed Case studies on the following projects
    - Road sector -Hybrid annuity (HAM)model -New Project
    - Road sector- Toll Operate Transfer (TOT) model-Funding against existing project as a part of Asset Monetization Plan.
    - Renewable Energy sector - Solar Power Plant-New Project.
  - Case studies on Credit Risk Mitigation
    - Waste to Energy Project
    - Water supply management project.
    - Railway station Redevelopment project.
  - Project monitoring and performance audit of infra projects
  - Restructuring, management of weak accounts and NPA accounts.
  - Infrastructure thrust by Government of India- National Infrastructure pipeline , National Monetization Pipeline, NABFID and Atmanirbhar Bharat
  - Alternate sources of funding including InvITs, IDFs, Securitisation, Credit, Enhancement etc
  - Methodology for pricing of loans
  - Preventive vigilance

BOOK IS NOW AVAILABLE

Members & Students of the Institute of Cost Accountants of India are eligible for 20% discount on the book price

Online purchase can be made as per the following link:

https://eicmai.in/booksale_bfsi/Home.aspx

Warm regards
CMA Chittaranjan Chattopadhyay
Chairman
Banking, Financial Services & Insurance Board

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THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
Statutory Body under an Act of Parliament
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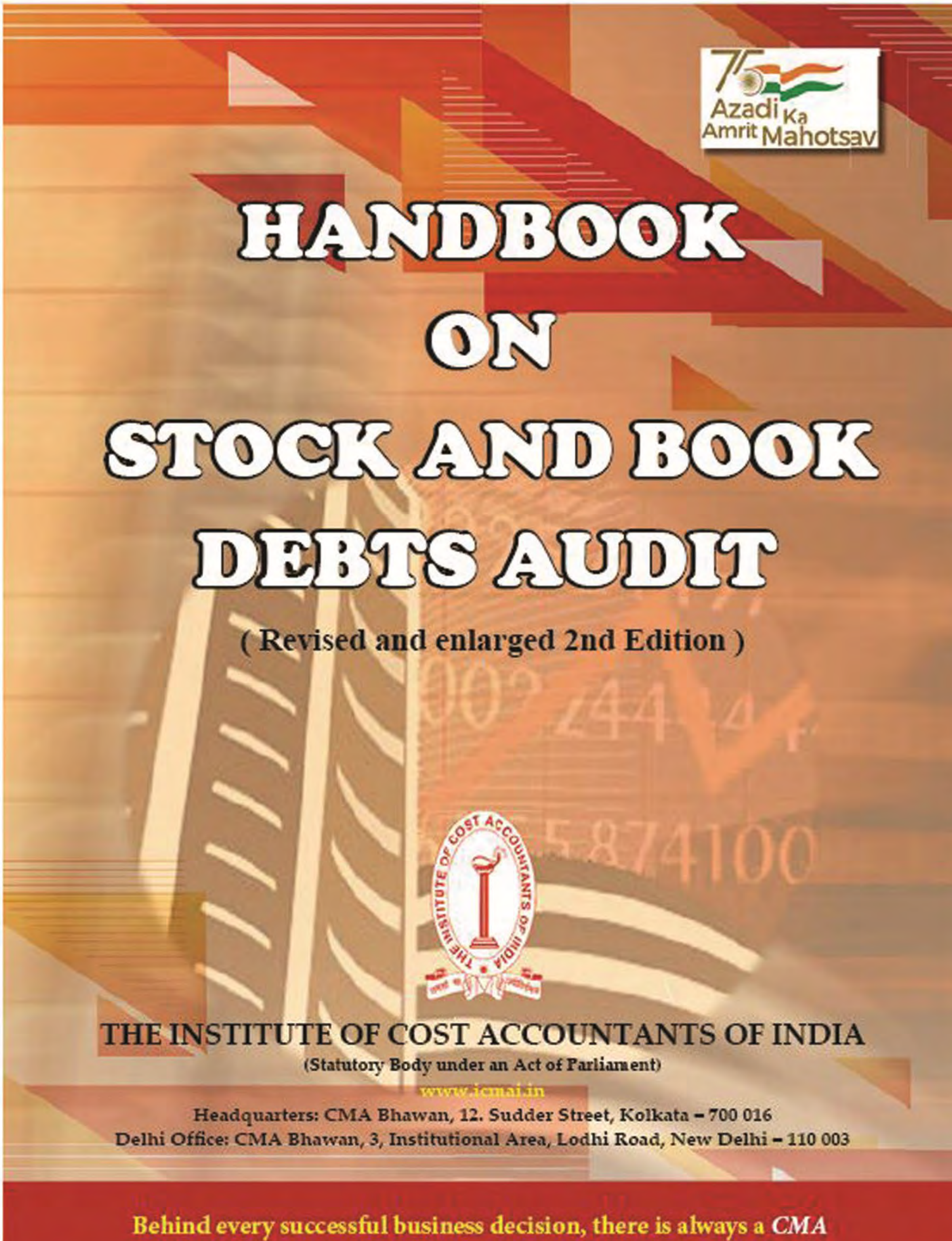
New Delhi - 110003

Behind Every Successful Business Decision, there is always a CMA



It has already been published on BFSI portal

29.11.2023 – PANINDIA

LIC of India introduced new plan "LIC's JEEVAN UTSAV (Plan No. 871)"

In tune with our market talk, Chairperson, Shri Siddhartha Mohanty, Life Insurance Corporation of India launched a new plan, LIC's Jeevan Utsav with effect from 29.11.2023. LIC's Jeevan Utsav is Individual, Savings, Whole Life Insurance plan. It is a Limited Premium plan with Guaranteed Additions throughout Premium Paying Term. The Unique Identification Number (UIN) for LIC's Jeevan Utsav Plan is 512N363V01.

- This plan is available for age starting from 90 days to 65 years.
- It gives guaranteed Life Long income and Life Long Risk Cover.
- The minimum premium paying term is 5 years and maximum premium paying term is 16 years
- For each policy year for which premium is paid, the Guaranteed Additions @ Rs. 40 per thousand Basic Sum Assured shall accrue at the end of each policy year during the premium paying term.
- On survival of the Life Assured after Premium Paying Term, the Policyholder can choose from :

  Option I- Regular Income Benefit - which is 10% of the Basic Sum Assured, payable at the end of each policy year, starting after 3 to 6 years of the deferment period.

  Option II- Flexi Income Benefit – Policyholder can opt for Flexi Income Benefit under which 10% of the Basic Sum Assured payable can be accumulated and withdrawn later, subject to the terms and conditions of the policy. LIC shall pay interest on such Deferred Flexi Income payments @ 5.5% p.a., compounding yearly.

As the Policyholder is offered life cover for the whole life, the Death Benefit will be payable as follows :

- On death of the Life Assured after the date of commencement of risk, Death Benefit equal to "Sum Assured on Death" along with accrued Guaranteed Additions shall be payable, provided the policy is in-force. This Death Benefit shall not be less than 105% of total premiums paid up to the date of death. "Sum Assured on Death" is 'Basic Sum Assured' or '7 times of Annualized Premium, whichever is higher
- Maturity benefit is not available under this plan as Regular/Flexi Income Benefits are continued for life as per option exercised.

- Additional Liquidity is available through loan
- Attractive High Sum Assured Rebate is available.
- This product satisfies the long pending demand of lower and flexible Premium Paying Term.
- Five optional riders are available under this plan. The policyholder can opt for either LIC's Accidental Death and Disability Benefit Rider or LIC's Accident Benefit Rider and/or the remaining three riders, i.e. LIC's New Term Assurance Rider, LIC's New Critical Illness Benefit Rider and LIC's Premium Waiver Benefit Rider are also available by paying additional premium subject to the eligibility conditions.
- The Plan is a Non-Linked, Non-Participating Plan.

Please refer to the full Product Prospectus and Sales Brochure for details or visit our website www.licindia.in.

This Plan can be purchased Offline through Licensed agents, Corporate agents, Brokers, Insurance Marketing Firms as well as Online directly through our website www.licindia.in

Dated at Mumbai on November 29th, 2023.

For Further Information please contact: Executive Director (CC) LIC of India, Central Office, Mumbai.
Email id: ed_cc@licindia.com
Visit us at www.licindia.in

We believe that the news contained in this release is of value to your readers. While we would thank you to publish it as soon as possible, we also readily recognize that the decision to do so rests entirely with you.

पंजाब एण्ड सिंध बैंक
(भारत सरकार का उपक्रम)
Punjab & Sind Bank
(A Government of India Undertaking)

डॉ. रामजस यादव
कार्यकारी निदेशक

Dr. Ram Jass Yadav
Executive Director

Dated: 07.11.2023

Respected CMA Shri Chattopadhyay,

Re: Annual Issue on "Banking, Financial Services and Insurance (BFSI) - Chronicle"

I acknowledge a copy of above book by our esteemed institute "The Institute of Cost Accountants of India". I also take an opportunity to express my sincere gratitude for sharing a copy of the 14th Edition (3rd Annual Issue) titled "**Banking, Financial Services and Insurance (BFSI) Chronicle**".

I have quickly gone through it and found highly contentful which will be a ready reckoner for the banking sector. You and your team have done really a great job in consolidating related information at one place.

Once again my heartiest compliment to you.

Diwali Greetings!

Yours sincerely,

Dr. Ram Jass Yadav

CMA Chittaranjan Chattopadhyay,
Chairman – Banking, Financial Services
& Insurance Board,
The Intitute of Cost Accounting of India,
CMA Bhawan, 12, Sudder Street,
Kolkata - 700016

कार्पोरेट कार्यालय, तृतीय तल, एनबीसीसी कार्यालय ब्लॉक-3, प्लेट बी, पूर्वी किदवई नगर, नई दिल्ली-110023
Corporate Office, 3rd Floor, NBCC Office Block-3, Plate B, East Kidwai Nagar, New Delhi 110023
Phone : 011-40175109, 40175110, E-mail : ramjass.yadav@psb.co.in, Website: www.punjabandsindbank.co.in

ACTIVITIES OF THE BFSI BOARD

A. Representation letters for inclusion of CMAs

We are glad to state that National Credit Guarantee Trustee Company Limited have included CMAs on representation from the BFSIB. ICMAI for the posts of Manager (Risk) and they have issued necessary corrigendum along with the extension of date of application.

Saraswat Bank has included CMAs on the representation of the BFSIB, ICMAI for empanelment in Stock Audit for their various branches across the country.

The BFSIB continues its efforts for further development of the profession in the BFSI sector with representations to authorities and employers for inclusion of CMAs in the sector. The concerted and diligent efforts have resulted in numerous opportunities for CMAs. The BFSI Board is greatly pleased to note the following developments: -

- CMA are eligible to apply for the post of Key Management Personnel (KMP) of Debt Capital Market (DCM) in Bank of Baroda.
- CMAs are eligible for the post of General Manager (Finance) for The Daman & Diu State Cooperative Bank Ltd.
- CMAs are eligible for the post of Assistant Manager in Grade A, Rural Development Banking Services, NABARD in General and Finance Disciplines. .
- CMAs are eligible to apply for the post of Concurrent Auditors of Kangra Central Cooperative Bank Ltd.
- CMAs are eligible to apply for the post of Assistant Managers in General Stream of SIDBI.
- CMAs are eligible to apply for the post of Chief Executive Officer of Multi State Co-operatives Society, Mumbai.
- CMAs are eligible to apply for the post of Chief Executive Officer of Income Tax Department Cooperative Bank Ltd. Mumbai.
- CMAs are eligible to apply as Credit Officers (Scale-II and III) for Bank of Maharashtra.

The Institute has represented to the Indian Bank for inclusion of CMAs for the post of Chief Manager in Cash Management Services and we are hopeful that a corrigendum would be released soon for inclusion of CMAs in the above organizations.

The Institute has represented to the Bank of Baroda for inclusion of CMAs for the post of Deputy Head (Investor Relations). The BFSIB also represented for inclusion of CMAs to The Daman & Diu State Co-op Bank Ltd. for the post of Associates (Legal), inclusion of CMAs for Concurrent/Internal Audit of all branches and Headquarters for the year 2023-24 for District Co-operative Bank Ltd. Etah and we are hopeful that a corrigendum would be released soon for inclusion of CMAs in the above organizations.

The Institute has represented to the Citizencredit Co-operative Bank Ltd. for inclusion of CMAs in Stock Audit, National Housing Bank for inclusion of CMAs for the post of DGM and General Manager (Finance) SIDBI Venture Capital Ltd. for the post of Director (Finance) and IFCI for the post of Associate Director and Sr. Associate and we are hopeful that a corrigendum would be released soon for inclusion of CMAs in the above organizations.

B. Meetings with various dignitaries: -

a) CMA Chittaranjan Chattopadhyay, Chairman, BFSIB & IAASB along with CMA Avijit Goswami, Chairman, Members Facilities Committee & PSU Coordination Board and Council Member met Dr. Deepak Mohanty, Chairperson, PFRDA at his Office on 4th September, 2023 to discuss the forthcoming activities in collaboration with PFRDA

b) CMA Chittaranjan Chattopadhyay, Chairman, BFSIB & IAASB along with CMA P.N. Murthy, BFSI Board Member, CMA Ashok Jain, BFSI Board Member accompanied by CMA Khaja Jalal Uddin, Member, Hyderabad Chapter, ICMAI met Shri Rakesh Joshi, Member (Finance & Investment), IRDAI on 6th September, 2023 at Hyderabad. They also met CMA Parmod Kumar Arora, Member (Actuary), IRDAI on the same day. On that very day they also met Shri Suresh Mathur, Managing Director, IIRM to discuss various professional avenues

c) CMA Chittaranjan Chattopadhyay, Chairman, BFSIB & IAASB and Council Member along with CMA Avijit Goswami, Chairman, Members Facilities Committee & PSU Coordination Board and Council Member met CMA Dr. Ram Jass Yadav, Executive Director, Punjab and Sind Bank at his Office on 13th September, 2023.

d) CMA Chittaranjan Chattopadhyay, Chairman, BFSIB & IAASB and Council Member, ICMAI along with CMA Avijit Goswami, Chairman, Members Facilities Committee & PSU Coordination Board, Council Member, ICMAI met CMA Ms. Arti Patil, MD & CEO, Saraswat Cooperative Bank Ltd. at Mumbai on 27th September, 2023.

e) CMA Chittaranjan Chattopadhyay, Chairman, BFSIB & IAASB and Council Member, ICMAI along with CMA Avijit Goswami, Chairman, Members Facilities Committee & PSU Coordination Board, Council Member, ICMAI met Shri Abhilasha Mishra, MD & CEO, NSE Academy at Mumbai on 27th September, 2023.

f) CMA Chittaranjan Chattopadhyay, Chairman, BFSIB & IAASB along and Council Member with CMA Avijit Goswami, Chairman, Members Facilities Committee & PSU Coordination Board and Council Member met CMA Yatrik Vin, Group CFO and Head Corporate Affairs, NSE and BFSI Board Member on 27th September, 2023.

g) CMA Chittaranjan Chattopadhyay, Chairman, BFSIB & IAASB and Council Member, ICMAI along with CMA Avijit Goswami, Chairman, Members' Facilities Committee & PSU Coordination Board, Council Member, ICMAI met Shri Brajesh Kumar Singh, CGM, (HR), Bank of Baroda at Mumbai on 27th September, 2023. They represented for inclusion of CMAs in all jobs where they have been excluded.

h) CMA Chittaranjan Chattopadhyay, Chairman, BFSIB & IAASB and Council Member along with CMA Avijit Goswami, , Chairman, Members' Facilities Committee & PSU Coordination Board and Council Member and CMA Dr.Ashish P Thatte, Chairman, Career Counselling and Placement and International Affairs and Council Member met Shri Sundararaman Ramamurthy, MD & CEO, BSE on 28th September, 2023 and other Officials of BSE including CMA Nayan Mehta who is the outgoing CFO along with Shri Deepak Goel,New CFO of BSE. They also met Ms Ritu Kundu, Head of HR of BSE.

i) CMA Chittaranjan Chattopadhyay, Chairman, BFSIB and IAASB and Council Member, ICMAI along with CMA Avijit Goswami, Chairman, Members Facilities Committee and Public Sector Coordination Board and Council Member, ICMAI along with CMA Abhijit Dutta, RCM, EIRC, ICMAI met Shri Ketan Kumar Joshi, CFO, North East Small Finance Bank at Guwahati on 9th October.2023.

j) CMA Chittaranjan Chattopadhyay, Chairman BFSIB met Smt.Rajeshwari Singh Muni,CMD,National Insurance Co.Ltd. on 17th October, 2023 at Kolkata along with Shri V. Ratna Kumar, Deputy General Manager, National Insurance Co. Ltd.along with Shri Chiranjib Das, General Manager, National Insurance Co. Ltd. to discuss the upcoming events to be organized by the Institute.

C. Certificate Courses on Banking

The 7th Batch of the Certificate Course on Treasury and International Banking started on 9th September, 2023. Shri Vikas Babu Chittiprolu, DGM, Risk Management, Union Bank of India was the Chief Guest for the inaugural session.

The 9th Batch of the Certificate Course on Concurrent Audit of Banks started on 8th October, 2023. Shri TRV Satyanarayana, CGM, KBS Local Area Bank was the Chief Guest for the inaugural session. We had nominations of 7 persons from Prince Bank PLC., Cambodia for the course.

The 9th Batch of the Certificate Course on Credit Management of Banks started from 4th November, 2023. CMA Dr. Ram Jass Yadav, Executive Director, Punjab & Sind Bank was the Chief Guest for the inaugural session. We had nominations of 5 persons The Vishakhapatnam Cooperative Bank Ltd.

The members, students and others are requested to take the opportunity for capacity building and knowledge enhancement by enrolling in such courses for which the link of admission for the 10th batch of the Certificate Couse on Concurrent Audit of Banks is as follows https://eicmai.in/advscc/Home.aspx

We request all to provide their Expression of Interest of the 8th Batch of the Certificate Course on Treasury and International Banking and 10th batch of the Certificate Course on Credit Management of Banks as per the following link: **https://docs.google.com/forms/d/e/1FAIpQLSdx18Bm27SjBv83hUDP64j3jLmDuSIeVmGn2l2K3Epdg9P3Bw/viewform?vc=0&c=0&w=1&flr=0**

D. Webinars

The BFSI Board organized seven webinars since September, 2023 which are as follows:

1. Webinar on the topic of Derivatives: The Future of Investment. Dr. Pradiptarathi Panda, Assistant Professor, SSIR, NISM was the Speaker held on 2nd September 2023.

2. Webinar on the topic of Role of Management Accountants in Digital Personal Data Protection Act, 2023 held on 16^{th} September, 2023. CMA Guruprasad V, Consultant was the speaker.

3. Webinar on the topic of Prevention of Money Laundering Act-Session-I held on 23rd September 2023. CMA Dr. P. Siva Rama Prasad, Former AGM, SBI was the speaker.

4. Webinar on the topic of Prevention of Money Laundering Act-Session-II held on 30^{th} September 2023. CMA Dr. P. Siva Rama Prasad, Former AGM, SBI was the speaker.

5. Webinar on the topic of Prevention of Money Laundering Act-Session-III held on 7^{th} October 2023. CMA Dr. P. Siva Rama Prasad, Former AGM, SBI was the speaker.

6. Webinar on the topic of Net Zero Roadmap for Banking Organizations held on 14^{th} October 2023. Shri Ravi Teja Chithajallu, Assistant Executive Engineer, Transmission Corporation of Andhra Pradesh Limited.

7. Webinar on the topic of Prevention of Money Laundering Act held on 1^{st} December, 2023. Shri
Shri Balasubramanian K, Joint Secretary, Department of Revenue, Ministry of Finance was the Chief Guest and Speaker.

E. Seeking Comments of the Exposure Draft of IRDAI (Expenses of Management, including Commissions, of Insurers) Regulations, 2023

The members have provided their valuable comments on the Exposure Draft of IRDAI (Expenses of Management, including Commissions, of Insurers) Regulations, 2023 and the Institute has compiled them and represented to the IRDAI with comments received from the members.

F. BFSI Insight Summit organized by the Business Standard

The BFSI Board, ICMAI participated in the BFSI Insight Summit organized by the Business Standard on October 30^{th} and 31^{st}, 2023 where stalwarts and captions of BFSI sector participated for the event. The Institute had an exclusive stall for the event and had a grand success in networking and brand awareness for the event.

G. Daily Updates

The BFSI Board, ICMAI has restarted the daily updates in a new format w.e.f. 1^{st} December, 2023 and circulated to the members, students and others. It is done for knowledge dissemination in the BFSI sector.

H. Publication of the BFSI Board

The BFSIB has uploaded the publication titled "Settlement of Foreign Exchange in the Indian Rupee "in the BFSI Portal and the members can download the publication for their benefit. The link for downloading is stated as follows:
https://icmai.in/upload/BI/Foreign_Exchange_0512_23.pdf

BROCHURES – COURSES OFFERED BY THE BFSI BOARD

Banking, Financial Services & Insurance Board

BROCHURE

CERTIFICATE COURSE ON CREDIT MANAGEMENT OF BANKS

(For Officials of Private Sector Banks / Local Area Banks)

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

Statutory Body under an Act of Parliament

www.icmai.in

Behind Every Successful Business Decision, there is always a CMA

Certificate Course on Credit Management of Banks

About The Institute

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

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

International Affiliation

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

Institute's Strength

The Institute is the largest Cost & Management Accounting body in the World, having a large base of about 90,000 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 115 Chapters situated in India, 11 Overseas Centres abroad, 1 Centre of Excellence, 61 CMA Support Centres and 382 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 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)** for Officials of Private Sector Banks / Local Area Banks.

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.

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.

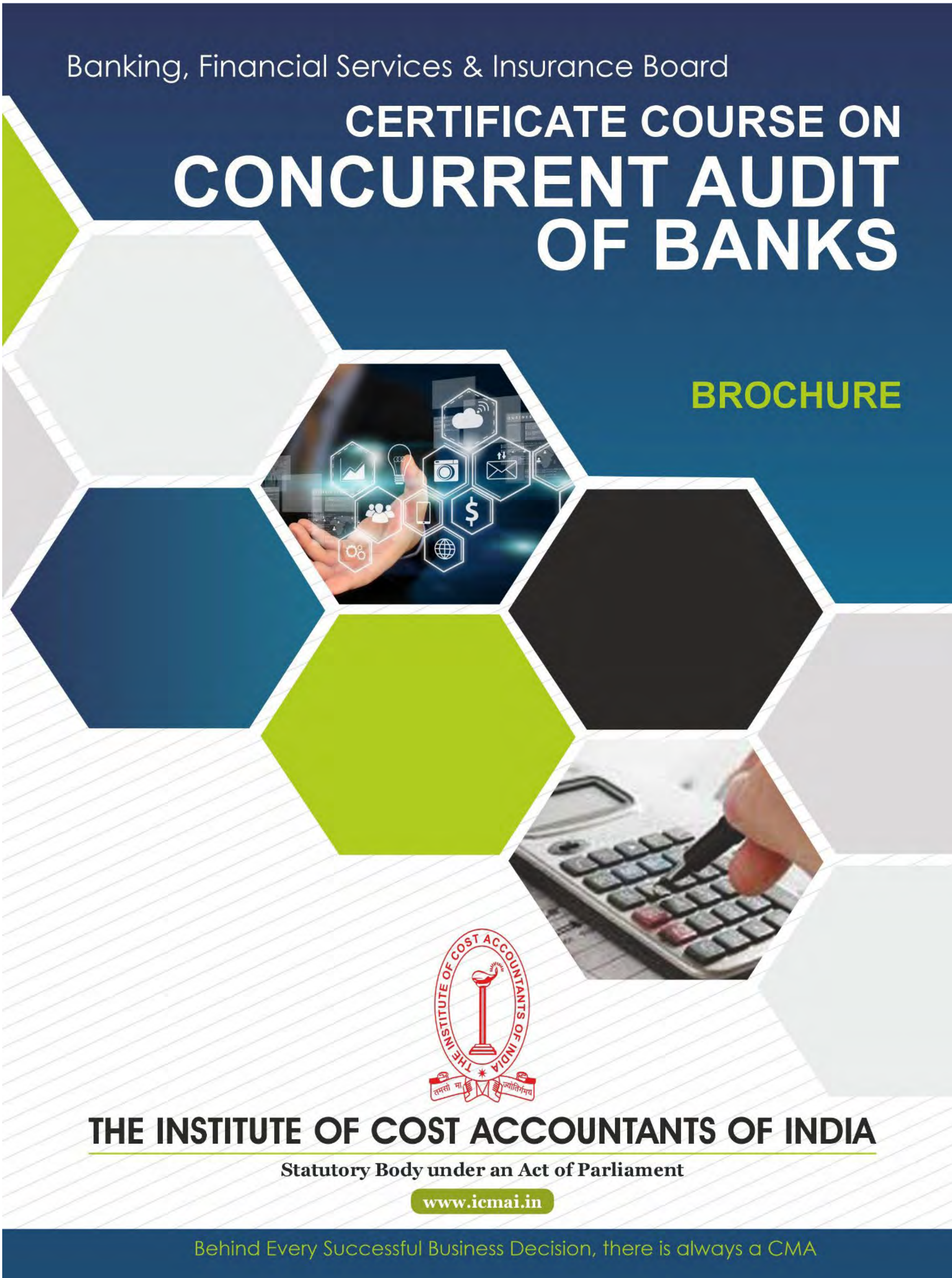
Certificate Course on Credit Management of Banks

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

CMA Dibbendu Roy, Additional Director & HoD at bfsi.hod@icmai.in
CMA Dr. Aditi Dasgupta, Joint Director at bfsi@icmai.in


Banking, Financial Services & Insurance Board
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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"** for Officials of Regional Rural Banks and Small Finance 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:

- Income Leakage Audit
- KYC/AML Audit
- Treasury Department Audit
- Staff Accountability Exercise in respect of Failed/NPA Advances at incipient Stage
- To supplement the effort of the Banks in carrying out Internal Audit of the Transactions and other Verifications and Compliance with the Systems and Procedures laid down by the Banks and RBI

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

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

Course Eligibility

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

Course Duration

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

Course Fees

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

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

Examination

Rs. 750 plus GST per attempt.

Certificate Course on Concurrent Audit of Banks

Detailed Course Content

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

Behind Every Successful Business Decision, there is always a CMA 3

Certificate Course on Concurrent Audit of Banks

Detailed Course Content

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

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

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

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

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

Contact for further queries

CMA Dibbendu Roy, Additional Director & HoD at bfsi.hod@icmai.in
CMA Dr. Aditi Dasgupta, Joint Director at bfsi@icmai.in

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

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Banking, Financial Services & Insurance Board

CERTIFICATE COURSE ON TREASURY AND INTERNATIONAL BANKING

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Certificate Course on Treasury and International Banking

About The Institute

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Institute's Strength

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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 115 Chapters situated in India, 11 Overseas Centres abroad, 1 Centre of Excellence, 61 CMA Support Centres and 382 Recognized Oral Coaching Centres.

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Course Objectives

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

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

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

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

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

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

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

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

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.

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

Behind Every Successful Business Decision, there is always a CMA

3

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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ONLINE
CERTIFICATE COURSE IN

GENERAL INSURANCE

IN ASSOCIATION WITH

NATIONAL INSURANCE ACADEMY

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NATIONAL INSURANCE ACADEMY

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

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About ICAI

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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

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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

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About NIA

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

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

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

Programme Objectives

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

Progamme Takeaways

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

Key Contents

5 modules

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

Who Can Attend

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

Course Fees

Rs. 6000 plus GST of 18 %

Course Timing

Saturdays and Sundays from 11.30 a.m. to

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Certificate Course in General Insurance in association with National Insurance Academy

NATIONAL INSURANCE ACADEMY

NATIONAL INSURANCE ACADEMY, PUNE

DETAILS OF INSURANCE TOPICS COVERED IN THE SYLLABUS

MODULE - I

FUNDAMENTALS OF INSURANCE

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

MODULE - III

LIFE INSURANCE

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

MODULE - V

MARINE INSURANCE ACT

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

MODULE - VII

HEALTH, LIABILITY AND MISCELLANEOUS INSURANCE

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

MODULE - IX

INSURANCE ACCOUNTS

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

MODULE - II

LEGAL FRAMEWORK OF INSURANCE

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

MODULE - IV

FIRE INSURANCE

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

MODULE - VI

MOTOR INSURANCE

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

MODULE - VIII

CLAIMS AND REINSURANCE

- ✓ CLAIMS PROCESS
- ✓ BASICS OF REINSURANCE

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NATIONAL INSURANCE ACADEMY

NATIONAL INSURANCE ACADEMY, PUNE

PROFESSIONAL CERTIFICATION IN GENERAL INSURANCE (LEVEL-1)

CURRICULUM FOR THE COURSE (TOTAL DURATION IS 25 HOURS)

MODULE - I

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

MODULE - II

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

MODULE - III

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

MODULE - IV

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

MODULE - V

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

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For more details

Course Coordinator of ICMAI

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

Course Coordinator of NIA

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

Also, the program will be on Google Meet 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.

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(With Exclusive Hands on Trading in NSMART Lab)

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Certificate Course in Investment Management

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About NSE Academy

"NSE Academy Limited is a wholly owned subsidiary of the National Stock Exchange of India Limited (NSE). NSE Academy Limited enables the next generation of BFSI and FinTech professionals with industry-aligned skills – through capacity building programs and certification courses, powered by an online examination and certification system. The courses are well-researched and carefully crafted with inputs from the industry professional. NSE Academy Limited works closely with reputed universities and institutions across India in building a competent workforce for the future of BFSI and FinTech. NSE Academy Limited also promotes financial literacy as an essential life skill among youngsters – a contribution towards financial inclusion and wellbeing.

For more information visit: *https://www.nseindia.com/"*

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Certificate Course in Investment Management

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ONLINE CERTIFICATE COURSE IN INVESTMENT MANAGEMENT

(With Exclusive Hands on Trading in NSMART 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. Provides an exposure to trading simulations through the NSMART Lab.

Course Outline

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 **Level 1** will be **20 hours** and **Level 2** and **Level 3** will be **30 hours** each. 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.

Fundamental Analysis & Valuations: 20 hrs – Level 1

Course Outline:

- Fundamental Analysis: An Introduction
- Brushing the basics
- Understanding Financial Statements
- Valuation Methodologies

Mutual Fund and Market Analysis with Technical: 30 hrs – Level 2

Mutual Fund

- Investment Landscape in India
- Concept and Role of Mutual Funds
- Legal Structure and Regulatory Framework
- Mutual Fund Offer Documents
- Channel Management Practices
- Valuation and Taxation
- Investor Services
- Mutual Fund Scheme Selection

Technical Analysis

- Introduction To Technical Analysis
- Candle Charts
- Pattern Study
- Major Indicators & Oscillators Trading Strategies
- Dow Theory and Elliot Wave Theory
- Trading Psychology and Risk Management
- Hand on session covering above topics

Financial Derivatives & its application: 30 hrs – Level 3

- Basics of Derivatives
- Understanding Index
- Introduction to Forwards, Futures and Options
- Option Trading Strategies and Systems
- Clearing and Settlement
- Legal and Regulatory Framework
- Taxation and Sales Practices
- Investor Protection Services
- Hands on session: Building derivative strategies & execution

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

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

Certificate Course in Investment Management

Powered by NSE Academy

Course Fees

Module	Level 1	Level 2	Level 3
Course Name	Fundamental Analysis & Valuations	Mutual Fund and Market Analysis with Technical	Financial Derivatives & its application
Training hours per batch	20	30	30
Add-ons	NKH	NKH & NSMART	NKH & NSMART
Mode of Delivery	Online	Online	Online
Total Course Fees (including GST) per candidate	**₹4791**	**₹6844**	**₹8213**

Key Features

- Delivered online through WebEx platform by experienced faculty from NSE Academy
- 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 NSMART Lab
- Access to the NSMART Lab 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

- Attendance - with weightage of 30%
- Quiz - with weightage of 30%
- Assignment - with weightage of 40%

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

For more details

Course Coordinator from BFSI Department

CMA Dibbendu Roy - Additional Director, HoD & Secretary, BFSIB
E-mail: *bfsi@icmai.in* ; **Mobile:** 96434-43047
&
Mr. Vishwajeet Banick
E-mail: *vbanick@nse.co.in* ; **Mobile:** 98314-99052

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NSE ACADEMY
www.nseindia.com

NSE Academy

National Stock Exchange of India Ltd.
1st Floor, Park View Apartments
99, Rash Behari Avenue
Kolkata - 700 029

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FINANCIAL SNIPPETS

- RBI reports that more than 97 % of the Rs. 2000 notes were returned
- RBI allows banks to open current accounts for exports
- Banks must pay a fine or resolve complaints within 30 days
- Centre permits Indian Companies to list directly overseas
- In FY 23 the microfinance industry lent Rs. 3.48 trillion
- Banks must pay a fine or resolve complaints within 30 days
- RBI allows banks to open current accounts for exports
- Private Banks must have 2 whole time directors as per RBI
- RBI mandates that banks permit early closure of FDs up to Rs. 1 crore
- Federal Banks reports Rs. 954 crore it's highest profit ever
- Record 7.85 crore IT returns filed till October 31, 2023
- Credit Bureaus must pay Rs. 100 every day for late updates
- RBI sets guidelines for DCCB branch closures
- 50year tenor of security introduced by Central Government
- RBI forms an external working group for ECL based framework
- Number of SIP accounts reach all time high
- Jan Dhan Accounts reaches 50 crore
- UPI wallet for foreign nationals
- RBI launches portal Udgam for unclaimed deposit search
- Stock trades to be settled in 1 hour from March 2024

BFSI QUIZ COMPETITION

1. Which bank becomes 3rd lender to offer blockchain service?
2. Name the bank with which the Reserve Bank of India on 4 December 2012 signed a three year Bilateral Swap Arrangement (BSA) for swapping of the local currencies to address short-term liquidity problems.
3. Currency issued by a bank promising to pay the amount of money designated on its face when the note is presented to the bank is known as: -
4. SEBI Extended the timeline of linking of SEBI COMPALINT REDRESSAL PLATFORM with the online Dispute Resolution Portal from 4th dec'23 to ------?
5. According to RBI, the rate of interest of the Govt of India Floating rate bond 2031 (FRB2031) applicable for the half year, (7th dec'23 to 6th June'24) shall be _________
6. Which institution has authorised six fintech entities to test their products under regulatory sandbox scheme?
7. As per the Centre for Economics and Business Research (CEBR), India will become a USD 10-trillion economy by which year?
8. As per the Finance Ministry data, the Atal Pension Yojana (APY) subscribers figure crossed which milestone in 2022?
9. The Prevention of Money Laundering Act was recently expanded to include which products?
10. As per NSO data, what is India's GDP growth in the January to March 2023 quarter?

The names of first 3 participants giving correct responses will be declared in the ensuing Chronicle.
The responses may be sent to bfsi@icmai.in

NOTES

NOTES

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