BANKING, FINANCIAL SERVICES & INSURANCE (BFSI)

CHRONICLE

5th Annual Issue ● 21st Edition, July 2025

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA (ICMAI)
(Statutory Body under an Act of Parliament)
www.icmai.in

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Behind every successful business decision, there is always a *CMA*

Mission Statement

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

Vision Statement

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

About The Institute

The Institute of Cost Accountants of India is a statutory body set up under an Act of Parliament in the year 1959. The Institute as a part of its obligation, regulates the profession of Cost and Management Accountancy, enrolls 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 transnational 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 New Delhi 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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President's Message

It gives me immense pleasure to present the 21st edition and 5th Annual Issue of the BFSI Chronicle, published by the Banking, Financial Services and Insurance Board (BFSIB) of the Institute. Since the launch of the inaugural issue on the Foundation Day of the Institute, 28th May 2020, the BFSI Board has remained steadfast in its mission to promote knowledge sharing and professional development among members and students.

Over the years, the BFSI Chronicle has evolved into a credible and insightful publication, reaching not only our members but also regulators and key stakeholders in the broader BFSI ecosystem. It has emerged as a strategic medium to highlight the Institute's initiatives, strengthen institutional linkages, and contribute to sectoral discourse.

I commend CMA Chittaranjan Chattopadhyay, Chairman of the BFSI Board, and all the esteemed Board Members for their vision, dedication, and proactive approach in serving the profession and the larger financial services sector.

Each issue of the Chronicle offers rich content, including thought-provoking articles, brochures on BFSI courses, and a summary of key initiatives and events undertaken by the Board in the last quarter of the financial year. These efforts significantly contribute to capacity-building and sectoral understanding.

The BFSI sector remains vast, dynamic, and ever-evolving – marked by specialization, shifting demographics, regulatory changes, and growing emphasis on Environmental, Social, and Governance (ESG) standards. Navigating these complexities requires agility, foresight, and collaboration. I am pleased to note that the BFSI Department continues to rise to this challenge by forging strong partnerships with industry bodies, financial institutions, and academia, thereby advancing the Institute's objectives and reinforcing its relevance.

I extend my sincere appreciation to all the contributors whose scholarly writings and professional insights have enriched this issue. Their efforts underscore the Chronicle's growing stature as a platform for high-quality, sector-specific thought leadership.

My best wishes to the BFSI Board for continued success and for achieving greater milestones in the times to come.

Warm regards,

CMA Bibhuti Bhusan Nayak
President
The Institute of Cost Accountants of India (ICMAI)

Vice-President's Message

It is heartening to note that the Banking, Financial Services and Insurance Board (BFSIB) is releasing the 21st edition of the Banking, Financial Services and Insurance (BFSI) Chronicle, which also marks its 5th Annual Issue. This milestone edition features thought-provoking and timely articles addressing various critical issues in the BFSI sector, making it a valuable resource for capacity building and knowledge dissemination among members and students of the Institute.

Heartfelt congratulations are extended to CMA Chittaranjan Chattopadhyay, Chairman of the BFSI Board, and all its members for presenting such a relevant and insightful publication. The Chronicle continues to serve not only the Institute's members and students but also a broader audience within the BFSI domain.

The BFSI Board has been effectively addressing the evolving needs of the industry across all three verticals, Banking, Financial Services and Insurance. Articles featured in this edition stand out for highlighting key areas of concern within the sector. They are well-researched, supported by robust data, and offer deep analysis and meaningful interpretation.

There is firm confidence that the BFSI Department will continue its upward trajectory, achieving new milestones and contributing significantly to the growth and reputation of the Institute and the CMA fraternity. The BFSI Chronicle is expected to remain a comprehensive guide, enriching readers with timely updates and insights from the dynamic BFSI landscape.

Best wishes are extended to the BFSI Board for continued success and impactful contributions.

Jai Hind!

CMA TCA Srinivasa Prasad
Vice President
The Institute of Cost Accountants of India (ICMAI)

Chairman's Message

"March on. Do not tarry. To go forward is to move toward perfection. March on, and fear not the thorns, or the sharp stones on life's path."

— Kahlil Gibran

As I pen this Chairman's message for the 5th Annual Issue of the BFSI Chronicle, I do so with immense pride and gratitude.

What began in 2020 as a humble endeavour has now come full circle. Five years of relentless pursuit of knowledge, professional empowerment, and sectoral impact. I extend my heartfelt congratulations to our President, Vice-President, Council Members, Members of the BFSI Board, contributors to this esteemed publication, the BFSI community at large, and our regulators – RBI, SEBI and IRDAI – for being steadfast partners in this journey.

We do not claim to have completed all our aspirations, nor do I rest on the laurels earned over these years. Rather, I reflect on the transformation we have witnessed – from a Committee, to a Department, and now to a Board – a testament to the vision, resilience, and collective commitment of our fraternity.

Capacity Building Through Certification and Education

Our Certificate Courses in Banking – including the Certificate in Concurrent Audit of Banks, Treasury and International Banking, and Credit Management in Banks – have witnessed remarkable success. With 29 batches completed and over 1,200 professionals trained, we have firmly established ourselves as a knowledge hub for both our members and professionals from the banking sector.

Regulatory Engagement and Representation

We are actively engaging with key regulators – RBI, IRDAI, and SEBI – advocating for wider inclusion of CMAs, both in employment and in professional services. We are also contributing to regulatory consultations and exposure drafts, ensuring our voice is heard in the evolving policy discourse.

The Department continues to organize webinars, seminars, and real-time updates on professional opportunities and regulatory developments, maintaining a dynamic and responsive knowledge ecosystem.

Strategic Collaborations

Our MoUs with leading institutions such as NISM, NIA, NSE Academy, and IFSCA have opened avenues *for joint courses and collaborative events. These alliances strengthen our efforts in capacity building and create wider platforms for professional growth.*

Looking Ahead

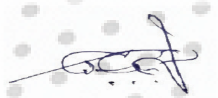
India stands at the cusp of becoming the third-largest economy globally. Despite the uncertainties of geopolitical tensions and global trade disruptions, our economy is showing resilience and vigour. The interest rate regime is now in a downward trajectory, expected to lower borrowing costs and invigorate economic activity. With Moody's forecasting 6.3% GDP growth in the coming fiscal, and inflation gradually subsiding, the foundations for sustained momentum are firmly in place.

We believe that strong domestic demand, driven by the vision of Atmanirbhar Bharat, will further catalyse India's growth. As we march into Viksit Bharat -2047, we envision India not just as an economic superpower, but as a nation leading in human development, financial inclusion, and governance excellence.

Let us continue this journey with purpose, courage, and unwavering commitment to excellence.

We are also observing July as the Banking Month and request all to join our efforts to fructify the Banking Month as a grand success.

With warm regards,



CMA Chittaranjan Chattopadhyay
Chairman, BFSI Board
ICMAI

From the Desk of the Department

The Reserve Bank of India (RBI) has taken a significant step towards stimulating economic growth by reducing the policy repo rate by 50 basis points, effective June 7, 2025. This marks the second rate cut of the year, following an earlier reduction of 25 basis points on April 9, 2025. These measures have led to a reduction in EMIs and eased the financial burden on the common citizen, fostering a more favourable borrowing environment.

Inflation has shown a notable decline, with the rate falling to 3.16% in April 2025. The Indian economy has continued its upward trajectory, registering a robust real GDP growth rate of 6.5% in FY 2024–25. Remarkably, India has now surpassed Japan to become the fourth-largest economy in the world, and current projections indicate it could overtake Germany by 2028 to rank third globally.

Positive macroeconomic indicators and a strong growth outlook have been further reinforced by the early arrival of the monsoon – eight days ahead of schedule. A normal monsoon is expected for the current fiscal year, which, combined with favourable agricultural conditions, is projected to support a record food grain production of 354.64 million tonnes in 2025–26.

The job market reflects optimism, particularly in technology and digital services, sectors poised for significant expansion. Meanwhile, global developments, such as the easing of the tariff war initiated by the Trump administration, are contributing to improved trade sentiments. However, challenges remain, such as China's ongoing suspension of rare earth exports since April 4, which continues to disrupt global electric vehicle (EV) supply chains.

A key development in rural banking is the fourth phase of Regional Rural Bank (RRB) consolidation, effective May 1, 2025. This reform amalgamated 26 RRBs across 11 States and Union Territories under the "One State, One RRB" framework. Post-amalgamation, 28 RRBs will now cover nearly 700 districts, with the objective of enhancing governance, improving credit delivery, and advancing financial inclusion in rural areas.

In terms of banking performance, FY 2024–25 has witnessed modest earnings growth, primarily from non-core income streams. However, lower credit growth and rising deposit costs have led to a compression in Net Interest Margins (NIMs) in the final quarter. On a positive note, both Gross and Net NPAs have declined, signalling improved asset quality. The recent rate cuts are expected to revive credit demand and enhance overall performance in the current fiscal year.

Further, the Banking Laws (Amendment) Act has introduced significant reforms, including the provision for account holders to nominate up to four individuals. This step strengthens depositor rights and fosters a more inclusive banking framework.

Cyber Security and FinTech

Shri Y Sathyanarayana Prasad
Former General Manager
State Bank of India

As the financial services sector persistently evolves through technological advancements, the incidence of financial fraud in India is concurrently escalating, with malefactors employing an array of duplicitous strategies to illicitly acquire sensitive information and financial resources from individuals. In response to this alarming trend, regulatory bodies are instituting new cybersecurity protocols to achieve a harmonious equilibrium between sectoral growth and governance. Below are some prevalent methodologies employed in these fraudulent schemes:

- ✓ **KYC Fraud:** Perpetrators masquerade as bank officials or governmental representatives, targeting consumers through misleading text messages or telephone calls that entice them into divulging personal, sensitive, or financial information under the spurious pretext of updating Know Your Customer (KYC) details.

- ✓ **Customer Care Fraud:** Malefactors manipulate search engine outcomes to showcase counterfeit customer care contact numbers. When individuals seek helpline numbers for bona fide companies or organizations, they may inadvertently contact these fraudulent numbers and unwittingly disclose sensitive information.

- ✓ **Lottery Fraud:** Victims receive counterfeit notifications asserting that they have won a lottery; however, to claim the purported prize, they must remit fees or provide personal information, culminating in financial detriment.

- ✓ **Card Fraud:** A fraudster impersonating a bank representative may initiate a call requesting the sharing of card number, expiry date, CVV, PIN, OTP, and other sensitive information under false pretences or fabricated scenarios.

- ✓ **Loan Fraud:** Fraudsters develop unscrupulous loan applications that offer facile and instantaneous loans without conducting thorough assessments of credit history or scores. Upon downloading the application, users are compelled to grant numerous permissions, including remote device access. By obtaining comprehensive control of the user's device, these fraudsters can perpetrate various illicit activities.

- ✓ **UPI Fraud:** Fraudsters adopt the guise of legitimate entities or familiar individuals, alluring users with enticing schemes, refunds, offers, or urgent communications. They coerce users into executing fund transfers or payments to unrecognized UPI identifiers or disclosing sensitive UPI credentials such as UPI ID, PIN, OTP, etc., thereby facilitating fraudulent transactions.

- ✓ **Electricity Bill Scam:** Fraudsters disseminate counterfeit messages threatening the disconnection of services due to alleged unpaid bills. These messages may also include fictitious contact numbers for electricity officials.

- ✓ **Task Based Job Fraud:** Scammers approach individuals, luring them with lucrative remote work opportunities that promise substantial financial gains with minimal effort. Victims are persuaded to invest initially, only to incur significant financial losses due to subsequent demands for increased payments.

- ✓ **Digital Arrest Fraud:** Cybercriminals impersonating law enforcement officials have been falsely implicating unsuspecting individuals in fabricated money laundering cases, coercing and extorting funds by threatening individuals with fictitious legal proceedings and interrogations.

Investment Frauds and Get Rich Quick Schemes: Fraudsters frequently target unsuspecting individuals with assurances of swift and substantial returns within a compressed timeframe. In actuality, their objective is to defraud investors, resulting in considerable financial losses.

Best Practices to Mitigate Financial Frauds/ Scams:

- Never place trust in unknown callers based solely on vocal identification.

- Exercise caution in sharing information on social media platforms.

- Refrain from executing immediate payments in response to urgent or coercive communications

- Do not place faith in unexpected messages from unidentified senders and avoid engaging with unknown links.

- Directly contact the bank or lending institution through official channels to authenticate the legitimacy of such communications or charges.

- Refrain from utilizing search engines to locate customer care or helpline numbers. Rather, it is advisable to depend on the official websites or applications of the respective company or organization for verified customer care contact information.

- One should never disclose sensitive or financial information, including card numbers, expiration dates, CVV codes, PINs, OTPs, or financial credentials to any individuals.

- Inputting a UPI PIN or scanning a QR code should be strictly limited to the execution of payments and not for the purpose of receiving funds.

- Approval of payment or fund transfer requests originating from unidentified UPI IDs should be categorically avoided.

- It is imperative to consult the Customer Care or Helpline number listed on the original electricity bill and to execute payments exclusively through authorized or official websites or applications.

- Do not place trust in or respond to unsolicited communications on social media or instant messaging platforms, such as Telegram or WhatsApp, that propose easy financial gains in exchange for the completion of online tasks.

- It is essential to verify the authenticity of job offers or investment opportunities from official and reputable sources.

- Exercise caution regarding unsolicited telephone calls asserting legal complications or urgent threats, particularly if they insist on immediate action or monetary transfers.

- In the event of threats concerning legal actions, it is prudent to verify with the appropriate authorities, request the official notice, and engage in direct communication with the local police department prior to adhering to any directives or executing fund transfers.

- Always request the official notice and other pertinent details, and communicate directly with the local police department for verification or clarification.

Initiatives to Counter Cybersecurity in the Indian Financial Sector:

The Government of India has instituted a variety of initiatives aimed at fortifying cybersecurity within the financial services sector. The following enumerates some of the principal measures:

- **National Cyber Security Policy:** Formulated in 2013, this policy delineates a framework for safeguarding critical information infrastructure while simultaneously promoting cybersecurity awareness.

- **CERT-Fin (Computer Emergency Response Team for Financial Sector)**: Inaugurated in 2017, this specialized entity endeavours to bolster cybersecurity within the financial sector.

- **RBI Cybersecurity Framework:** The Reserve Bank of India (RBI) has promulgated comprehensive directives for financial institutions to augment their cybersecurity capabilities. The RBI's Master Direction on Information Technology Governance, Risk, Controls, and Assurance Practices emphasizes IT governance.

- **Cyber Swachhta Kendra:** This initiative operates as a botnet cleaning and malware analysis centre offering free tools to citizens and organizations to enhance system security.

- **National Critical Information Infrastructure Protection Centre (NCIIPC):** This entity has been established to safeguard critical information infrastructure across various sectors, including banking and finance.

- **Information Technology Act, 2000 (Amended in 2008):** This legislation provides a legal framework for the management of cybercrime and electronic commerce.

- **Cyber Surakshit Bharat Initiative:** This program aims to educate and empower Chief Information Security Officers (CISOs) and the broader IT community to effectively tackle cybersecurity challenges.

- **Indian Computer Emergency Response Team (CERT-In):** This organization serves as the national agency tasked with responding to incidents of computer security breaches.

- **Digital Personal Data Protection (DPDP) Act 2023:** The DPDP Act stipulates the processing of digital personal data in a manner that acknowledges the rights of individuals to safeguard their personal data.

National Cybercrime Reporting Portal (NCRP):

The National Cybercrime Reporting Portal (NCRP) represents a strategic initiative undertaken by the Government of India to empower victims and complainants to submit reports concerning cybercrime via an online platform. This portal, which operates under the auspices of the Indian Cybercrime Coordination Centre (I4C), was officially inaugurated on August 30, 2019. It accommodates a comprehensive array of cybercrime grievances, encompassing those related to online Child Pornography (CP), Child Sexual Abuse Material (CSAM), or sexually explicit content such as Rape/Gang Rape (CP/RGR) materials, in addition to other cyber offenses such as mobile-related crimes, social media infractions, online financial fraud, ransomware attacks, hacking incidents, cryptocurrency-related crimes, and online human trafficking. Furthermore, the portal offers the facility to lodge anonymous complaints specifically concerning online Child Pornography (CP) or sexually explicit materials including Rape/Gang Rape (RGR) content.

Citizens are also afforded the opportunity to file their complaints via the National Cybercrime Helpline number 1930. Complainants can reach out to the helpline at 1930 and must provide several essential details, including their Name, Mobile Number, Address, and Transaction specifics. Following the issuance of an acknowledgment number, complainants are required to formally register their grievances on the portal (https://cybercrime.gov.in/) within a 24-hour timeframe utilizing the acknowledgment number received via SMS.

Chakshu facility on Sanchar Saathi portal:

The Chakshu facility enables citizens to report suspected fraudulent communications aimed at deceiving telecom service users in relation to cybercrime, financial fraud, or other illegitimate purposes such as impersonation, through mediums such as Calls, SMS, or WhatsApp. Illustrative instances of suspected fraudulent communications encompass those pertaining to Bank Accounts, Payment Wallets, SIM cards, gas connections, electricity connections, KYC updates, expirations, deactivations, impersonations of government officials or relatives, as well as sextortion-related communications.

To Conclude:

India is at the forefront of fintech inclusion, boasting an impressive fintech adoption rate of 87%, which considerably surpasses the global average of 64%. This notable growth can be attributed to a multitude of factors, including the robust foundational framework established by the Jan-Dhan, Aadhaar, and Mobile (JAM) trinity, the implementation of the Unified Payments Interface (UPI), and various favourable regulatory environments. The COVID-19 pandemic further expedited the uptake of digital financial services, thereby integrating a larger segment of the populace into the formal financial system.

Digital lending and payment systems are particularly predominant, with the digital lending market valued at $270 billion in 2022, projected to expand at a Compound Annual Growth Rate (CAGR) of 22% to attain $1.3 trillion by the year 2030. The digital payments sector has experienced exponential growth, with UPI transactions escalating from 4.5 million in January 2017 to 10 billion in January 2023. The cumulative value of digital payments is anticipated to reach $100 trillion by 2030.

Government initiatives have been instrumental in nurturing this growth trajectory. The establishment of the International Financial Services Centre (IFSC) at GIFT City is expected to evolve into a pivotal hub for fintech operations, with the objective of integrating India's economy into the global financial framework.

Reference:

Economic Survey 2022-23.

Financial And Credit Derivatives In The Banking Sector

Shri Govind Gurnani
Former Assistant General Manager
Reserve Bank of India

Derivatives, are risk management financial instruments, which derive their value from underlying assets. The underlying assets can be stocks, currencies, commodities, indices, and even interest rates.

Financial Derivatives

There are four types of financial derivatives: Forwards, Futures, Options and Swaps. Financial derivatives are used for a number of purposes including risk management, hedging, arbitrage between markets, and speculation.

Financial derivatives contracts are usually settled by net payments of cash. This often occurs before maturity for exchange traded contracts such as commodity futures. Cash settlement is a logical consequence of the use of financial derivatives to trade risk independently of ownership of an underlying item.

1. Forward Contracts

Forward contracts mean two parties come together and enter into an agreement to buy and sell an underlying asset set at a fixed date and agreed on a price in the future.

In simple words, it is an agreement formed between both parties to sell their asset on an agreed future date. The forward contracts are customised and have a high tendency of counterparty risk. Since it is a customised and over the counter contract, the size of the agreement entirely depends on the term of the contract

2. Future Contracts

Future contracts refer to an agreement made by the two parties to buy or sell an underlying instrument at a fixed price on a future date.

The size of future contracts is fixed, and it is regulated by the stock exchange just because it is known as a standardised contract.

Since these contracts are standard and are listed on the stock exchange, they cannot be changed or modified in any possible way.

In simple words, future contracts have pre-decided size, pre-decided expiry period, pre-decided size. In futures contracts, an initial margin is required because settlement and collateral are done daily.

3. Option Contracts

Options contracts provide the right but not the commitment to buy or sell an underlying instrument.

Option contracts consist of two options:

- Call Option
- Put Option

In call option, the buyer has all the right to purchase an underlying asset at a fixed price while entering the contracts. While in put option, the buyer has all the right but not obligation to sell an underlying asset at a fixed price while entering the contract.

4. Swap Contracts

Swap contracts mean the agreement is done privately between both parties. The parties who enter into swap contracts agree to exchange their cash flow in the future as per the pre-determined formula.

Under swap contracts, the underlying security is the interest rate or currency, as these contracts protect both parties from several major risks.

These contracts are not traded to the stock exchange as investment banker plays the role of a middleman between these contracts.

Credit Derivatives

Credit Derivative refers to a derivative contract whose value is derived from the credit risk of an underlying debt instrument. A credit derivative allows creditors to transfer the potential credit risk to a third party, in exchange for a fee, known as premium. The value of a credit derivative is dependent on both the credit quality of the borrower and the third party, referred to as the counter party. Credit Default Swap, Collateralised Debt Obligation and Collateralised Loan Obligation are some of the credit derivatives in the market.

A. Credit Default Swap

Credit Default Swap (CDS) is a credit derivative contract in which one counter party (protection seller) commits to compensate the other counter party (protection buyer) for the loss in the value of an underlying debt instrument resulting from a credit event with respect to a reference entity, and in return, the protection buyer agrees to make periodic payments (premium) for buying the CDS to the protection seller until the maturity of the contract or the credit event, whichever is earlier.

A CDS is **a tool to transfer and manage credit risk** in an effective manner through redistribution of risk. A CDS is an insurance against the loss from default in the payment of underlying debt instrument of a reference entity. CDS can be structured either for the event of shortfall in principal or shortfall in interest.

The amount of premium is decided by the protection seller based on the amount, term & rating of the underlying debt instrument, rating of the issuer of the bond.

The debt instrument can be any of these instruments viz. commercial papers, certificates of deposit, non convertible debentures of original maturity up to one year etc.

Credit eventmeans a pre-defined event related to a negative change/deterioration in the credit worthiness of the reference entity underlying a credit derivative contract, which triggers a settlement under the contract. Credit events are agreed upon when the trade is entered into and are part of the contract. There are different types of credit events such as bankruptcy, failure to pay and restructuring. If the credit event does not occur before the maturity of loan, the protection seller does not make any payment to the protection buyer.

Risks in the CDS : Counter party concentration risk and hedging risk are the major risks in the CDS market.

B. Collateralised Debt Obligation

Collateralised Debt Obligation (CDO) is a complex structured finance product that is backed by a pool of loans and other assets and sold to institutional investors. A CDO is a particular type of derivative as its value is derived from another underlying asset. The underlying assets can be mortgages, bonds or other types of debt. These assets become the collateral if the loan defaults.

Mechanism of Issuance of CDO

The assets that form the CDO are usually collected by an investment bank or other financial institution and then sold to a special purpose entity (SPE). The SPE is set up by the bank to purchase the assets from it. The assets are mostly comprised of mortgage loans in the CDO. In order to fund the purchase of assets from the bank, the SPE sells securities to investors. CDO allows investors to purchase a share of a diversified underlying portfolio.

The securities sold to investors are generally trenched, meaning that the securities are divided into different classes or tranches* (viz. Senior, Mezzanine and Equity) with varying risks and claims on the cash flows produced by the underlying assets. [*Tranches are pieces of a pooled collection of securities, usually debt instruments, that are split up by risk or other characteristics in order to be marketable to different investors. Tranches carry different maturities, yields, and degrees of risk and privileges in repayment in case of default.]

The senior tranche of the CDO carry the lowest risk and hence, it receives the low return. The mezzanine tranche of the CDO carry the modest risk & receives the modest return. The equity tranche is the highest risk portion of the CDO and hence, receives the higher return. Equity tranche is the first position to bear any losses resulting from underlying asset pool and receives income only after all other tranches of the security have been satisfied. The cash flows generated by the underlying assets are like a waterfall, payments are prioritised first to highest tranches and anything remaining is paid out of tranches that appear progressively lower in the hierarchy. If cash flows from the underlying assets prove insufficient, the lower tranches are first to suffer the losses and may not be paid at all.

Types of CDO

- Cash Flow CDO is a type of CDO that invests in cash generating assets such as bonds, mortgages and loans.

- Synthetic CDO is a type of CDO that invests in non cash derivatives (viz. credit default swaps, options, and other contracts) that offers extremely high yields to investors. Unlike cash flow CDO, the synthetic CDO does not actually have to own any underlying assets at all.

C. Collateralised Loan Obligation

Collateralised loan obligation (CLO) is a security or tradable financial asset, that is backed by a pool of corporate loans having a low credit rating. The underlying loans of a CLO are majority comprised of first-lien senior-secured bank loans. A second lien and unsecured debt is also found in a CLO. The payments made from various corporate loans are pooled together and then transferred to multiple classes of owners in different tranches.

CLO Mechanism

The procedure followed for creation of CLO and distribution of cash flows from the underlying assets in a CLO to the investors is the same that is followed in the case of CDO as explained the above. The difference under the CLO lies in the underlying collateral assets. In the CDO, the underlying collateral assets are mostly mortgage loans, whereas under the CLO, the underlying collateral assets are first lien senior secured bank loans, which rank first in priority of payment in the borrower's capital structure in the event of bankruptcy, ahead of unsecured debt. These senior secured bank loans from a diverse range of borrowers (typically 150-200 companies) are pooled in the CLO and actively managed by the CLO manager.

CLO portfolios are actively managed over a fixed tenure known as the 'reinvestment period' (3 to 5 years) during which time, the manager of a CLO can buy and sell individual bank loans for the underlying collateral pool in an effort to create trading gains and mitigate losses from deteriorating credits. The investors under the CLO are paid from the cashflows that the underlying loans generate. The cashflows from the underlying loans are prioritised and the investors at top tranche in the tranche structure are paid first. If cash flows from the underlying assets prove insufficient, the lower tranches are first to suffer the losses and may not be paid at all.

RBI's 2025 CIBIL Score Reforms

Shri Nagarjun K
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State Bank of India, Regional Office

CIBIL scores are integral to the financial framework of India. They are utilized by Banking Institutions, Non-banking Financial Companies (NBFCs), and various other Financial Entities to evaluate the creditworthiness of both individuals and corporate entities. An elevated CIBIL score signifies superior Credit Management and enhances the probability of Loan Approvals. The recent regulations instituted by the Reserve Bank of India (RBI) (CIBIL score reforms is RBI/2025-26/12, issued on April 1, 2025) are designed to enhance the overall credit system, rendering it more transparent, secure, and efficient.

The Reserve Bank of India (RBI) has promulgated Six Modifications to CIBIL Scores, all of which will take effect from April 1, 2025. The Reserve Bank of India (RBI) has recently unveiled Six Pivotal alterations to the regulations governing CIBIL scores, all set to be implemented from April 1, 2025. These updated guidelines are aimed at fostering greater transparency, accuracy, and user-centricity within credit reporting. One of the most salient modifications is that credit scores will now undergo updates bi-monthly, specifically on the 15th and the final day of

each month. This development enables borrowers to monitor their credit scores with increased frequency and to take timely measures to enhance their credit status.

Another significant revision is that whenever a banking or financial institution conducts an inquiry into a customer's credit report, the customer is to be promptly informed via SMS or email. This initiative is intended to bolster transparency and ensure that individuals are continuously cognizant of who is accessing their financial data. Such a measure will assist in averting unauthorized inquiries and empower consumers to retain control over their information.

In a substantial advancement, lenders are now obligated to disclose the explicit reasons for any loan denial. Should an application be declined, the applicant is to be explicitly informed of the rationale, whether it pertains to a low credit score, excessive debts, or any other contributing factor. This transparency will facilitate individuals in comprehending the underlying issues and in identifying actionable steps to enhance their eligibility for future loans.

The RBI has also instituted a requirement that mandates all credit information companies to furnish customers with one complimentary, comprehensive credit report annually. This report should be readily accessible via a link on their official websites. The objective is to incentivize consumers to routinely assess their credit status, verify any inconsistencies present in the report, and address them prior to any adverse effects on their financial health.

Lastly, consumers will receive preliminary notification prior to being designated as a defaulter. Lenders are compelled to issue an alert, thereby affording the borrower an opportunity to undertake appropriate corrective measures. Furthermore, any grievances pertaining to credit reports must be resolved within a span of 30 days; otherwise, the credit institution will incur a penalty of ₹100 for each day of delay. These consumer-centric policies are anticipated to substantially enhance the credit ecosystem in India.

The RBI has implemented a New Rule starting April 1, 2025, requiring lenders to update credit bureau records, like CIBIL, every 15 days instead of monthly. This change aims to improve the accuracy of credit scores and provide a timelier reflection of borrowers' credit behaviour. Lenders are also mandated to notify borrowers when their credit report is accessed, and explicit reasons for loan rejections must be provided.

The Reserve Bank of India (RBI) has instituted a novel regulation effective from April 1, 2025, mandating that financial institutions update credit bureau records, such as the Credit Information Bureau (India) Limited (CIBIL), at intervals of every 15 days rather than on a monthly basis. This alteration is intended to enhance the precision of credit scores and furnish a timelier representation of borrowers' credit behaviour. Moreover, lenders are obliged to inform borrowers whenever their credit report is accessed, and they must also provide explicit justifications for any loan denials.

Analysis:

Accelerated Updates: Credit scores will be revised every 15 days, thereby ensuring a more precise and current depiction of an individual's creditworthiness.

Augmented Transparency: Borrowers will receive notifications upon the access of their credit reports, and they will be furnished with clear explanations for any loan rejections.

Enhanced Credit Management: The increased frequency of updates and heightened transparency aim to empower borrowers to more effectively manage their credit health.

Impact on Borrowers:

More Precise Scores: The more rapid updates imply that an individual's CIBIL score will more accurately represent their existing creditworthiness.

Superior Loan Decisions: Lenders will possess a more current perspective of a borrower's credit profile, potentially resulting in more advantageous loan terms.

Improved Financial Transparency: Being informed about credit report accesses and comprehending the reasons for rejections enables individuals to better understand their credit profiles and take necessary actions for improvement.

Impact on Lenders:

Mitigated Risk: The increased frequency of updates affords lenders a clearer understanding of borrower creditworthiness, which may contribute to a reduction in loan default risks.

Enhanced Risk Assessment: Accelerated updates assist lenders in formulating more informed decisions regarding loan approvals and interest rates.

Strengthened Compliance: The newly instituted regulations ensure that lenders adhere to RBI guidelines concerning credit reporting and consumer protection.

Other Important Points:

CIBIL score range: The CIBIL score spectrum spans from

300 to 900, with elevated scores signifying enhanced creditworthiness.

Complimentary CIBIL reports: Credit bureaus are mandated to provide consumers with free, comprehensive credit reports on an annual basis.

Timely redressal: Complaints lodged by consumers must be resolved within a 30-day timeframe following their submission to the credit information business.

Comparison Table: CIBIL Score vs. Benefits Received

CIBIL Score Range	Loan Approval Chances	Interest Rates	Credit Card Benefits	Negotiating Power	Processing Time
750 – 900	Very High	Very Low	Premium Cards	Excellent	Very Fast
700 – 749	High	Low	Good Offers	Good	Fast
650 – 699	Moderate	Moderate	Limited Offers	Some	Moderate
600 – 649	Low	High	Basic Cards	Limited	Slow
300 – 599	Very Low	Very High	Very Few Offers	Very Limited	Very Slow

Challenges to the Financial Institutions:

Higher Costs: Upgrading Systems and processes to accommodate the new rule may increase expenses for lenders and credit bureaus.

Implementation Barriers: Small institutions may face challenges in adapting to the new system due to resource constraints.

Error Risks: The increased frequency of updates could lead to mistakes in reporting, which may affect borrowers' credit scores.

Privacy Concerns: More frequent data sharing will require stricter security measures to protect borrower information.

The RBI's 15-day credit reporting rule marks a significant shift in India's credit system, offering benefits for both borrowers and lenders through faster credit updates. Borrowers with strong repayment habits could experience quicker person loan approvals, while lenders gain the opportunity to improve their risk assessment and make more informed lending decisions.

The new CIBIL score rules introduced by the RBI represent a significant step forward in enhancing the transparency, security, and efficiency of the credit system in India. These changes will empower borrowers with better credit score management, increased transparency, and faster complaint resolution. For lenders, these rules will lead to improved risk assessment and more efficient handling of customer grievances. Overall, these changes are expected to contribute to a more robust and reliable credit system, benefiting all stakeholders involved.

To Conclude:

The recently introduced CIBIL score regulations by the RBI signify a substantial advancement in enhancing the transparency, security, and efficacy of the credit framework within India. These modifications will empower borrowers with improved management of their credit scores, augmented transparency, and expedited resolution of complaints. For lenders, these regulations will facilitate enhanced risk assessment and more efficient management of customer grievances. Collectively, these changes are anticipated to foster a more resilient and dependable credit system, benefiting all stakeholders involved.

Reference:

RBI Circular.

The Future and Forward-Looking Aspects of Payment Systems in India

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Introduction

India's payment ecosystem has witnessed a paradigm shift over the last decade, driven by rapid digitalization, policy reforms, and innovative financial technologies. The transition from cash-centric transactions to a digital-first economy has positioned India as a global leader in payments innovation. The future of India's payment systems is expected to be shaped by advancements in technology, regulatory frameworks, financial inclusion initiatives, and evolving consumer behaviours.

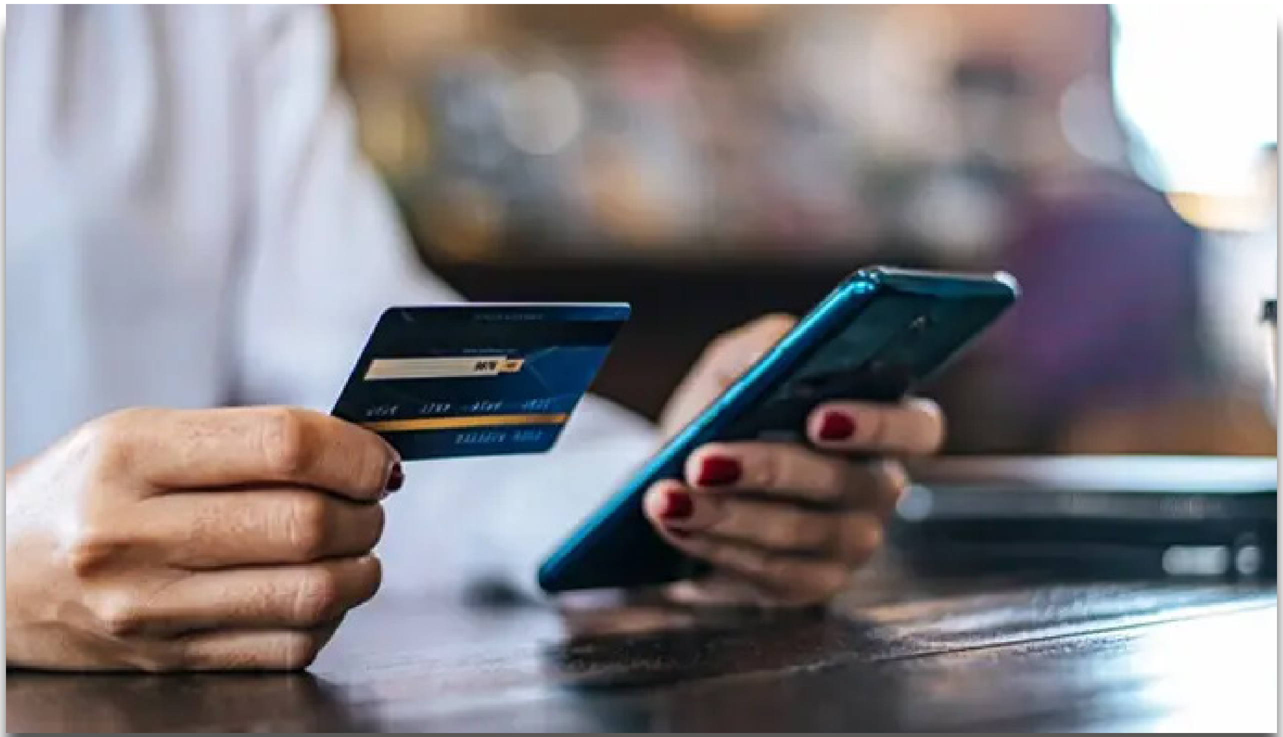
Current Landscape of Payment Systems in India:- India has developed a robust and dynamic payment infrastructure, supported by initiatives like the Unified Payments Interface (UPI), Immediate Payment Service (IMPS), National Electronic Funds Transfer (NEFT), and Bharat Bill Payment System (BBPS). The proliferation of digital wallets, contactless payments, and the adoption of QR codes have further accelerated digital transactions. The government and regulatory bodies, such as the Reserve Bank of India (RBI) and the National Payments Corporation of India (NPCI), continue to play a crucial role in fostering innovation and ensuring security in digital payments.

Key Drivers of Future Payment Systems

1. ***Technological Innovations:*** Emerging technologies such as Artificial Intelligence (AI), Machine Learning (ML), Blockchain, and Internet of Things (IoT) are expected to revolutionize India's payment landscape. AI and ML will enhance fraud detection and risk management, while blockchain technology will ensure transparency and security in financial transactions.

2. ***Central Bank Digital Currency (CBDC):*** The introduction of India's Digital Rupee (CBDC) by the RBI is set to redefine payments by offering a secure and efficient alternative to traditional currency. It will facilitate instant transactions and reduce dependency on physical cash.

3. ***Financial Inclusion and Rural Penetration:*** With the rapid expansion of digital infrastructure and mobile connectivity, digital payment adoption is expected to rise in rural India.



Initiatives like the Pradhan Mantri Jan Dhan Yojana (PMJDY) and the proliferation of Aadhaar-enabled payment systems (AEPS) will further drive financial inclusion.

4. ***Contactless and Biometric Payments:*** The increasing adoption of Near Field Communication (NFC)-enabled payment methods and biometric authentication, such as facial recognition and fingerprint-based transactions, will offer seamless and secure payment experiences.

5. ***Regulatory and Cybersecurity Measures:*** The future of digital payments will be significantly influenced by stringent cybersecurity regulations, data protection laws, and consumer protection mechanisms. The RBI's initiatives on tokenization and multi- factor authentication will enhance payment security and customer trust.

Challenges and Considerations While India's payment systems are poised for significant growth, several challenges need to be addressed:

- ***Cybersecurity Risks:*** The rise in digital transactions has led to increased cyber threats and financial fraud. Strengthening cybersecurity frameworks and consumer awareness is crucial.

- ***Infrastructure Gaps:*** Ensuring seamless internet connectivity and digital literacy, especially in remote areas, is vital for widespread adoption.

- ***Interoperability Issues:*** The integration of various payment platforms and servicesneeds to be streamlined for a frictionless user experience.

The future of payment systems in India is promising, with continuous advancements shaping a more secure, efficient, and inclusive financial ecosystem. The government's digital push, combined with technological innovations and evolving consumer preferences, will lead India toward a cashless economy. However, addressing cybersecurity challenges, enhancing regulatory frameworks, and ensuring last-mile connectivity will be key to realizing the full potential of digital payments. As India continues its journey toward a digital-first economy, its payment systems will serve as a model for global financial innovation

RBI Policy-Cheque Bounce Cases

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When a cheque bounces, the drawer of the cheque may have to face legal action. Thus, when the drawer issues a cheque, it is essential that there are sufficient funds in the bank account and there are no reasons for the cheque to be rejected by the bank.

Circumstances of Cheque Bounce: The various situations that result in cheque bounce are as follows:

- ✓ **Insufficient Balance:** If there is not enough balance in the drawer's account to make the payment of the cheque, the bank will reject and return the cheque to the payee with a memo stating insufficient funds to pay the cheque amount.
- ✓ **Validity of cheque:** Once the drawer issues the cheque, it must be presented for payment within three months. The cheque expires if it is not presented to the bank within three months. If the expired cheque is given to the bank, it bounces.
- ✓ **Overwriting:** If the signature of the drawer or cheque amount or any other statement has been overwritten on the cheque, the cheque bounces for overwriting.
- ✓ **Damaged Cheque:** If a cheque is damaged or disfigured and the details are not visible or have marks or stains, the cheque will bounce.
- ✓ **Signature Mismatch:** If the drawer's signature is unclear or absent or does not match the one in the bank's data, the cheque will bounce.

- ✓ **Mismatch of Amounts or Digits:** If the cheque amount mentioned in words and figures does not match, the cheque will bounce.

Under Section 138 of the Negotiable Instruments Act, cheque bouncing is a criminal offense, which can result in legal penalties including fines and even imprisonment.

Issuance of Cheque Bounce Notice:

When the cheque bounces due to an insufficient amount, the first step is to demand the payment of the amount by issuing a cheque bounce notice in writing by post under the Negotiable Instruments Act. The payee can issue a cheque bounce notice within 30 days of an intimation sent by the bank and the bounced cheque stating that the bank cannot make the cheque payment due to an insufficient amount.

After issuing the cheque bounce notice, the payee must give the drawer 15 days' time period from the receipt of the cheque bounce notice to pay the cheque amount. If the drawer does not reimburse the cheque amount even after the expiry of 15 days, then legal action can be initiated by the payee against the drawer within 30 days of the expiry of 15 days.

However, a cheque bounce notice cannot be issued if the cheque was issued as a donation, gift or any other obligation that is not legally enforceable. The cheque must be issued to discharge a legally enforceable liability or debt to constitute an offence under the Act.

Procedure to Follow After Issuance of a Cheque Bounce Notice:

The first step would be to reply to the legal notice by the drawer or pay the cheque amount to avoid any further legal proceedings after receiving the cheque bounce notice. But before replying, it is better to consult a legal practitioner who is an expert in cheque bounce. If the cheque amount is paid at the starting stage, the matter will be resolved then and there.

The reply for the legal notice does not possess any specific format but make sure to mention the following subjects in the reply:

- ✓ Address the reply of the legal notice to the lawyer of the drawee.
- ✓ Drawer's description, name, and address.
- ✓ Facts of the issue: date of issue, cheque-return memo, etc.
- ✓ Rebuttal of the allegations made against drawer.
- ✓ Refrain from admitting to any allegation against the

drawer mentioned in the notice.

- ✓ Any complaints against the drawee of the cheque.
- ✓ A summary of the defence against the allegations mentioned in the legal notice for cheque bounce.
- ✓ The reply to any legal notice must be sent on a lawyer's letterhead.

The failure to reply to the legal notice or pay the cheque amount within 15 days can motivate the drawee to legally file a complaint at the court, which would initiate the legal proceedings against the drawer.

Section 143A: Power to Order Interim Compensation:

Section 143A allows the payee to receive interim compensation from the payer up to 20% of the cheque amount against a bounced cheque. This compensation is paid in two cases: a) when the payer pleads not guilty in a court of law during a trial or summon b) upon charges being framed in any other case, and can be recovered as a fine under Section 421 of the CrPC.

After the cheque bounce case has been settled in court with the payer being acquitted and not receiving cheque bounce punishment, the payer may receive a refund of the compensation amount along with interest at the prevailing rate.

Section 148: Appeal Against Conviction:

- ✓ ***Appeals against convictions:*** Section 148 of the NI Act allows for appeals against trial court convictions.
- ✓ ***Deposit requirement:*** The appellate court can mandate a deposit of at least 20% of the fine or compensation imposed by the trial court under Section 421 of the CrPC.
- ✓ ***Additional deposit:*** This deposit is supplementary to any amount already paid under Section 143A.
- ✓ ***Disbursement of deposit:*** The deposited amount can be released to the complainant during the appeal process.
- ✓ ***Protection for appellant:*** The appellant can claim a refund of the deposited amount with interest if the appeal is successful, based on the RBI's interest rate.

RBI Guidelines on Cheque Bounce Cases:

In a major regulatory update, (the Reserve Bank of India (RBI) has introduced revised guidelines for handling cheque bounce cases(The Policy is framed based on RBI circular No.DBOD. BC.Leg.113/09/ 09.12.001/2002-03 dated 26th June, 2003, for dealing with the procedure for dishonoured cheques for Rs. 1 Crore and above and vide circular no. RBI/200910/213, DBOD. NO. Leg.BC.59/09.07.005/2009-10 dated November 9, 2009 containing guidelines for dealing with incidents of frequent dishonour of cheques of value less than Rs. 1 crore and frequent dishonour of ECS Mandates and Master Circular on Customer Service in Banks dated 1st July 2015). These new rules are designed to streamline the process, hold repeat offenders accountable, and reduce the burden on the legal system. With the rise of digital payments, cheque usage may be declining, but bounced cheques still lead to numerous legal disputes. The RBI's latest move brings clarity, consistency, and stricter accountability to the system.

Cheque-related cases continue to overwhelm courts across India. Despite a shift to digital payments, cheques remain a key instrument for many, especially businesses and institutions.

The RBI's revised framework aims to:(The Policy is framed based on RBI circular No.DBOD.BC.Leg.113/09/ 09.12.001/2002-03 dated 26th June, 2003, for dealing with the procedure for dishonoured cheques for Rs. 1 Crore and above and vide circular no. RBI/200910/213, DBOD. NO. Leg.BC.59/09.07.005/2009-10 dated November 9, 2009 containing guidelines for dealing with incidents of frequent dishonour of cheques of value less than Rs. 1 crore and frequent dishonour of ECS Mandates and Master Circular on Customer Service in Banks dated 1st July 2015).

- ✓ Reduce court load.
- ✓ Speed up dispute resolution.
- ✓ Improve transparency and accountability.
- ✓ Establish uniform penalty structures.

RBI Guidelines: Key Changes-Cheque Bounce Cases

Feature	Updated Rule
Quick Notification	Banks must inform the customer via SMS and email within 24 hours of a cheque bounce.
Account Freeze for Repeat Offenses	After three consecutive cheque bounces, the account may be temporarily frozen for cheque operations.

Feature	Updated Rule
Standard Penalty Structure	RBI has mandated a common penalty range across all banks, replacing earlier bank-specific charges.
Monitoring Frequent Offenders	Repeat offenders will be flagged in RBI's internal system. Their history will be visible to other banks.
Cheque Book Ban Removed	RBI discourages lifetime bans on cheque book usage for repeated defaulters. Temporary action is preferred.

Penalty Framework for Cheque Bounce Cases

Offense Count	Penalty	Additional Action
First Bounce	₹150 – ₹300	Warning via SMS/Email.
Second Bounce	₹500 – ₹1,000	Bank System Alert issued.
Third Bounce	₹1,500+	Possible Cheque Transaction Freeze.
Fourth & Beyond	Higher Penalties	Red-flag Status in RBI System and Legal Action may follow.

What These Changes Mean for Individuals:

- ✓ Faster alerts help individuals take immediate corrective action.
- ✓ No more surprise penalties or delayed bank responses.
- ✓ Greater clarity on consequences of repeated cheque defaults.

What These Changes Mean for Businesses:

- ✓ Regular cheque users must tighten accounting processes.
- ✓ Adopt digital payment methods wherever possible.
- ✓ Educate finance teams about RBI's new rules.
- ✓ Use tools for pre-verification of cheques to avoid liability.
- ✓ Maintain proper documentation to defend against legal claims.

Legal Offense-Preventive Approach:

Though bouncing a cheque remains a criminal offense, RBI's updated rules aim to prevent legal escalation through proactive alerts, standard penalties, and internal warnings. The emphasis is on early resolution and promoting responsible banking behaviour.

Conclusion:

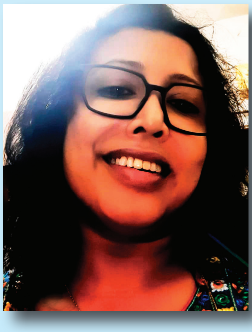
RBI's revised cheque bounce rules bring welcome improvements in transparency, consistency, and accountability. With instant alerts, standardized penalties, and stronger preventive measures, these guidelines aim to reduce legal conflicts while encouraging users to adopt secure and responsible payment practices. Both individuals and businesses should adapt quickly and ensure they follow the updated norms to avoid financial and legal setbacks.

For legal matters or specific interpretations, it's advisable to consult official (RBI notifications (The Policy is framed based on RBI circular No.DBOD.BC.Leg.113/09/ 09.12.001/2002-03 dated 26th June, 2003, for dealing with the procedure for dishonoured cheques for Rs. 1 Crore and above and vide circular no. RBI/200910/213, DBOD. NO. Leg.BC.59/09.07.005/2009-10 dated November 9, 2009 containing guidelines for dealing with incidents of frequent dishonour of cheques of value less than Rs. 1 crore and frequent dishonour of ECS Mandates and Master Circular on Customer Service in Banks dated 1st July 2015)or legal experts.

References:

RBI Directives.

Digital Finance: Paving the Way for Inclusive Economic Growth

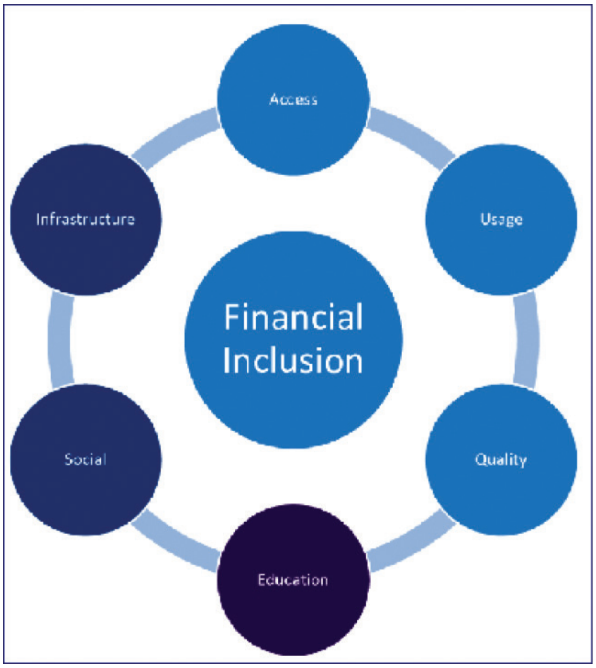


CMA Sutapa Ray
SAP FICO Senior Consultant & SME

Living in this 21st century, quite often we bump into few catch phrases like 'financial inclusion', 'inclusive society', 'pluralistic society', 'inclusive finance' etc. The concept of financial inclusion originated from the microcredit movement in the 1970s and gained prominence in the early 2000s. It is now a key element of the global development agenda, recognized in the "United Nation's Sustainable Development Goals." Many international organizations e.g. CGAP & national governments endorse financial inclusion as a mainstream objective and tool to achieve broader policy goals. It is worthwhile to mention here that **CGAP** or **"Consultative Group to Assist the Poor"**, is a global partnership of around 35 collaborating leading development bodies that work with the mission of improving the lives of poor people especially women, through economic inclusion. As per the 5-year strategy of CGAP, spanning over a period of 2023 to 2028 named as **"CGAP VII Strategy"**, through **financial inclusion** a fiscal ecosystem will be developed that will address the needs of all individuals particularly those in poverty and of small businesses to strengthen their resilience against financial challenges and increase their ability to take advantage of economic opportunities.

Financial inclusion refers to the accessibility & empowerment of individuals and businesses to use affordable & responsible financial services that meet their needs, which encompasses payments, savings, credit, and insurance. Financial inclusion can significantly benefit individuals, MSMEs and women, particularly those with low incomes and the marginalized groups, who have historically faced underrepresentation by conventional financial institutions.

Six Elements of Financial Inclusion



Inclusive growth (IG) refers to economic growth that not only promotes prosperity but at the same time aims to reduce poverty and ensures social benefits, addresses inequalities & shares facilities and resources among individuals and communities equitably. Inclusive growth challenges the traditional economic model of "grow now, redistribute later" with a holistic approach to growth, which emphasizes on not just speed of growth but also the methods and distribution of it.

Features of Inclusive Growth:

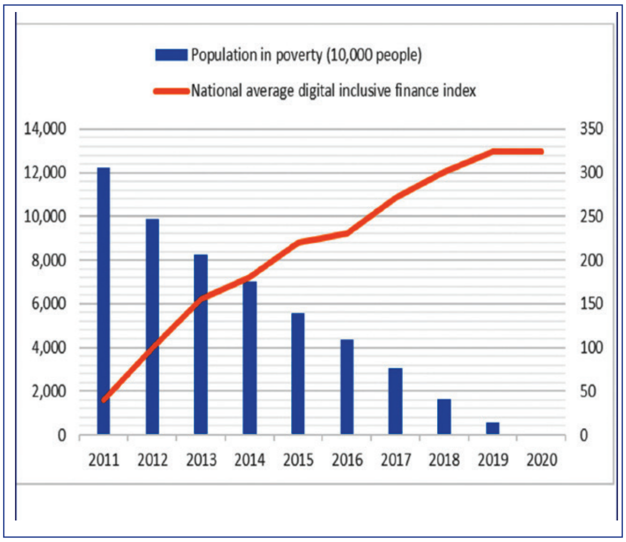
Digital Transformation in the Financial Sector:

What is Digital Finance?

The term Digital Finance is used to describe the gigantic impact of various cutting-edge technologies on the banking and financial services industry. Digital finance includes a variety of products, applications, processes and business models like credit & debit cards, Digital wallet, mobile banking, internet banking, ATM, POS, etc that have transformed the traditional methods of providing banking and financial services into super advanced ones in a completely overwhelming way with the help of state of the art technological innovations e.g. AI, ML, internet of services, distributed ledger technology, cloud computing, block chain and big data analytics. These technologies are inducing new services, opportunities and business models, which are changing the global economy at light speed.

Digital financial services are one of those long-term strategies, which have been launched in over 80 countries and are achieving significant success. An empirical study on this considering China as a model for poverty reduction using the 'mechanism of digital financial inclusion' is as below:

Population in poverty and the national average digital inclusive finance index in China from 2011 to 2020.



Source: People's Government of China, White Paper on China's Practice of Human Poverty Reduction, https://www.gov.cn/zhengce/2021-04/06/content_5597952.htm (accessed on 1 May 2022); The Peking University Digital Financial Inclusion Index of China from 2011 to 2020.

Now let's have a look into how digital finance can help in attaining the before mentioned features of inclusive growth with few more significant case studies:

✓ **Poverty reduction:** The World Bank reports that around 79% of the world's poor live in rural areas, where traditional financial institutions often fail to meet their needs. So, it's obvious that there exists a huge gap between demand and supply of financial aid. Digital financial inclusion, which uses cutting edge technologies like AI, ML, Block Chain, Cloud computing, Distributed Ledger Technology & Big Data Analytics, has emerged as an effective strategy to bridge these gaps. By utilizing mobile banking, digital wallets, microfinance platforms, digital financial inclusion promotes financial literacy, improves access to credit, and encourages savings, all of which are essential for alleviating poverty.

✤ Below are two phenomenal case studies on this:

i. Mobile money services e.g. **M-Pesa** in **Kenya**, which brought 2% of households out of poverty by increasing financial access and furthering economic activities.

ii. In South Asia, **digital microfinance platforms** promote access to short term loans for economically weak farmers and micro-entrepreneurs, enabling them to invest in productive assets and increase their earnings.

✓ **Employment generation:** This is an important aspect of IG. For inclusive growth, Govt./semi-Govt. organisations or local bodies are to arrange proper training for poor and underserved population to help them to acquire new skills to remain relevant and get employment opportunities in the evolving financial landscape. Because digital finance has opened an illimitable horizons of employment opportunities including:

i. Data analysis and AI development:

- **Data scientists -** Analyse vast amounts of financial data to identify patterns, predict market trends, and develop personalized financial products.
- **Machine learning engineers -** Design and implement AI algorithms for tasks like fraud detection, risk assessment, and customer segmentation.

ii. Blockchain technology:

- **Blockchain developers -** Build and maintain blockchain platforms for secure and transparent transactions.
- **Cryptocurrency specialists:** Manage and advise on digital currency investments and trading.

iii. Cybersecurity:

- **Cybersecurity analysts - Cybersecurity analysts:** Monitor for cyber threats and protect sensitive financial data.
- **Security architects:** Design and implement robust cybersecurity infrastructure.

iv. Cloud computing:

- **Cloud engineers:** Manage and optimize cloud-based financial systems.
- **DevOps engineers**: Develop and deploy applications on cloud platforms.

v. Fintech startups:

- **Product managers:** Define and develop new fin-tech products & services.
- **UX/UI designers:** Create interfaces for digital financial platforms.

✓ **Industrial development:** Digital transformation in the financial sector can significantly contribute to industrial development by the following means:

i. **Improved access to credit:** Digital platforms can streamline loan applications and credit scoring processes, enabling smaller businesses and startups to access funding more readily.

ii. **Reduced information asymmetry:** Digital data analysis can provide lenders with better insights into borrowers' creditworthiness, reducing risks associated with lending to new ventures which is essential for inclusive growth.

iii. **Lower transaction costs:** Digital payment systems can significantly decrease transaction costs for businesses, improving operational efficiency.

iv. **Facilitating innovation:** By providing fund for research and development, digital finance can encourage companies to invest in recent technologies and products.

v. Enabling market reach: Digital platforms can connect businesses with a wider customer base, both domestically and internationally, opening new market opportunities and can serve the previously excluded segment of the society.

✤ **A case study on the panel data of 1385 counties of China from 2014 to 2020** Digital finance aided a remarkable industrial upgrading in China by increasing entrepreneurial activity and enhancing social consumption. Rapid digitalisation of financial sector addressed various kind of obstacles in the way of county-level economic development in China and significantly promoted advancement of industrial structure and fostered entrepreneurial activity and social consumption. As a result, as per the 2022 **Digital China Development Report's** highlights, China's digital economy reached a scale of 50.2 trillion yuan, securing its position as the second largest globally, with its share of GDP rising to 41.5% in 2022. Thus, digital economy has become a crucial driver for ensuring stable economic growth and facilitating transformation in those counties. Cross-sectional analysis has further revealed that digital finance is more effective in regions with lower levels of traditional finance development and lower levels of economic development.

[Source: International Review of Financial Analysis Volume 95, Part B, October 2024, 103442]

✓ **Agricultural development:** Agricultural development faces challenges due to high loan thresholds, high borrowing costs, and difficulties in obtaining financing, resulting in an imbalance in rural financial supply and demand. However, the growth of the internet and digital economy provides opportunities for positive changes in this situation.

i. **Diminishing the constraints of agricultural financing**: Digital inclusive finance addresses agricultural financing constraints by using blockchain, big data, distributed ledger technology and AI. These innovations compensate for the limitations of traditional financial services in rural areas, reducing service costs and increasing revenue. As a result, inclusive financial services can reach more agricultural client and provide necessary financial supports like loans, credit, and leases for agricultural development.

ii. **Risk reduction:** Digital inclusive finance helps farmers access financial knowledge by breaking down information barriers. Utilization of financial platforms and communication technology throughout agricultural production and distribution enhances connections between production, distribution, and sales. This optimization increases the efficiency of agricultural market operations and improves the resilience of farmers to risks.

iii. **Transparency in agricultural sector:** Digital finance helps to build an inclusive society. by improving transparency in government schemes, crop insurance and loan systems.

✓ **Reduction in regional disparities:** Digital finance contributes to reduce regional disparities by providing greater access to financial services in underserved areas, particularly rural regions, which can boost economic activity, promote entrepreneurship, and narrow the income gap between urban and rural populations; essentially allowing people in less developed areas to participate more in the economy.

i. **Increased Financial Inclusion:** Digital platforms like mobile banking and mobile wallets allow people in remote areas to access banking services without physical bank branches, providing them with opportunities to save, borrow, and invest money more easily.

ii. **Microfinance Access**: These can facilitate the delivery of small loans (microfinance) to small businesses in rural areas, which can stimulate local economic growth.

iii. **Financial Literacy Promotion:** These can be used to educate people about financial management practices, thus enhancing their ability to make informed financial decisions.

✓ **Environment protection:** A green credit policy prompts financial institutions to factor environmental and social elements into its lending operations. Green credit policy's aim is to motivate businesses to decrease pollution and emissions, thereby aiding the shift toward a sustainable economy. Digital transformation of commercial banks can effectively reduce green credit risks. Green credit is the incentive given to organizations & individuals who take part in activities that benefit the environment through lessening green credit risk by reducing information asymmetry within banks.

✓ **Women empowerment:** DFS are essential for overcoming traditional obstacles to financial access and ensuring marginalized groups and women, get equal opportunities.

✤ A study in India has investigated how these services impact women's financial independence.

It has analysed responses from 426 women in North India using Partial Least Squares Structural Equation Modelling (PLS-SEM) and PLS Predict techniques. The results indicate a strong positive relationship between the use of digital financial services and women's enhanced ability to make financial decisions.

The definition of inclusive growth highlights the significance of both extensive & intensive growth.

- Extensive growth, which expands input quantities, can lead to rapid economic growth and job creation.

- However, for sustainable long-term growth, intensive growth (IG) ??? driven by productivity improvements, technological advancements, and innovation is also needed. It emphasizes that the pace and pattern of growth are interconnected and must be addressed together to achieve sustainable growth and reduce poverty, aligning with findings from The Growth Report: Strategies for Sustained Growth and Inclusive Development (Commission on Growth and Development, 2008) published by IMF.

- The IG approach emphasizes a long-term strategy that prioritizes productive employment over immediate income redistribution to boost earnings for marginalized groups.

Benefits of digital financial inclusion for financially excluded & underserved:

- **1stly**, it provides as well as expands access to services like payments, transfers, savings, credit, insurance, and securities using digital platforms. Government-to-person payments can facilitate this access by enabling the creation of digital accounts.

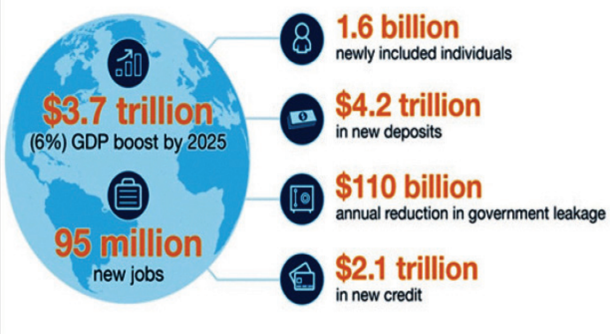
- **2ndly**, the typically lower costs associated with digital transaction platforms benefit both providers and customers, allowing for local transactions in small amounts, which helps manage irregular incomes and expenses.

- **3rdly**, Digital platforms enable additional financial services tailored to users' needs, made possible by the data generated through transactions which can reach poverty stricken distant areas of a country.

- **4thly**, Business Correspondent is a banking model that allows banks to provide financial services to customers in remote areas without opening physical branches. Banks use intermediaries e.g. NGOs, SHGs, MFIs, and CSOs to reach unbanked and underbanked areas. It is very much cost effective since banks can expand their reach without setting up physical branches. By implementing BC model, banks can provide personalized services to customers specially to poor rural women and self-help groups.

- **Lastly**, in addition to the reduction of costs related to cash handling and other informal services, digital finance reduces risks associated with cash transactions, like loss, theft, etc for unbanked and deprived people of society, who can leverage the scope of digital financial inclusion to improve their standard of living.

Digital finance in the developing world could have a great impact.



McKinsey&Company | Source: McKinsey Global Institute analysis

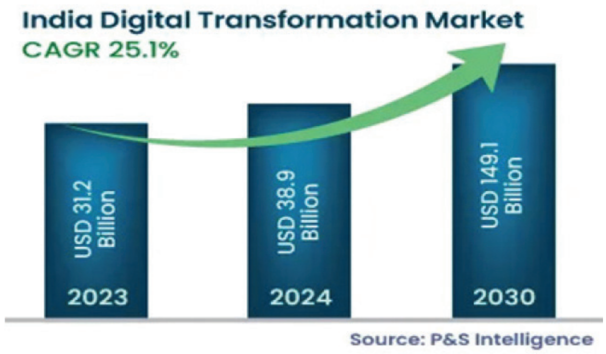
How a "lower-middle income economy" country like India can accomplish the goal of IG through digital transformation in finance sector?

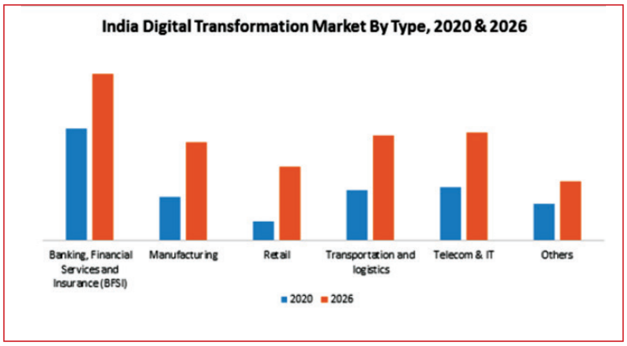
In 2008, Indian government recognized the potential of financial inclusion as a driver for economic advancement. The goal of financial inclusion in India is to ensure inclusive growth by providing unbanked individuals and MSMEs access to essential financial products such as bank accounts, remittances, insurance, pensions, and affordable credit. In 2025, India is expected to become the fourth largest economy by GDP. India's demographic advantage includes over 65 percent of its population being between 15-64 years old, poised to join the workforce by 2030. To reach the $30 trillion 2047 Viksit Bharat goal, skill development has been highlighted as essential for inclusive growth. Government initiatives, such as the Skill India Mission, alongside public-private partnerships, can enhance growth in sectors like tourism. Since India is holding 16% of the global AI workforce, AI is projected to contribute $967 billion to India's GDP by 2035, positioning the country well for economic advancement.

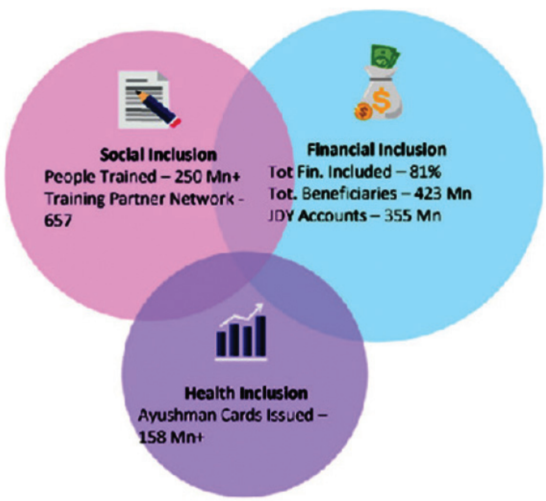
The below diagrams show how AI & other new technologies are bringing rapid transformation in Indian economy and the market share of financial sector in that transformation.

The Digital India Movement and increased telecom access in rural areas aim to connect formal banking and innovative financial technology. National leadership and institutions like RBI, Niti Aayog etc have implemented initiatives for inclusive growth like 'Pradhan Mantri Jan Dhan Yojana'. This program utilizes banking networks and technology to improve access to financial services for formerly excluded populations and led to

355 million accounts opened in the last 5 years.







Below are some initiatives undertaken by the Indian Govt. to improve financial inclusion:

1. The National Strategy for Financial Inclusion (NSFI) was launched in January 2020
2. Pradhan Mantri Jan Dhan Yojana (PMJDY) was launched in August 2014 to extend banking services to unbanked households.
3. Atal Pension Yojana was relaunched in May 2015 to provide pensions for employees in the unorganised sector.
4. Pradhan Mantri Suraksha Bima Yojana was launched in May 2015 to provide financial coverage to people in cases of death/ disability due to accidents.
5. Bharat Interface for Money (BHIM), a mobile payment app, was launched in December 2016 for digital payments.

To enhance financial inclusion in India, steps like flexible regulations for Fintech's, increased media awareness, and incorporating financial literacy into educational curricula can be taken. Improving financial inclusion has a positive proliferating effect and can strengthen India's economy, supporting her Sustainable Development Goals and inclusive growth.

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Artificial Intelligence to Tackle NPAs

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It was a relaxed Sunday Morning when my friendMr. Haritold a story that resoundeddeeply with me. Earlier that same day, Mr. Gopi, a Senior Debt Recovery Officer at a prominent Indian Financial Institution, received a communication from a recognizable number. The voice on the other end belonged to a borrower who had defaulted on multiple payments. However, rather than presenting the normalexplanations, the borrower honestly stated, "I genuinely just overlooked it, sir. A simple reminder would have been beneficial."

That moment deeply impacted Mr. Gopi, what if the financial institution could anticipate which borrowers might require a reminder prior to missing a payment? What if technological advancements could foresee defaults and customize recovery strategies? This contemplation was not merely a brief idea; it marked the inception of a potential paradigm shift for Indian Banking, Artificial Intelligence (AI) and Analytics in the domain of Debt Collection.

With Non-performing Assets (NPAs) escalating consistently, conventional debt recovery methodologies, manual calls, legal notifications, and third-party agentsare becoming increasingly unsustainable. The future is predicated on proactive, data-informed solutions that do not merely pursue debt but also predict, strategize, and enhance recovery rates prior to the emergence of issues.

AI and Analytics for Debt Collection:

Traditionally, Indian Banking Institutions have depended on reactive strategies, contacting borrowers subsequent to missed payments, dispatching notices, or employing recovery agents. While these techniques yield some degree of success, they are inherently inefficient and financially burdensome. The following

outlines how AI is revolutionizing the debt collection landscape:

1. ***Defaults Prior to Occurrence:*** AI possesses the capability to analyse borrower behaviour, payment patterns, credit histories, and even nuanced indicators such as spending behaviours or social media interactions to identify individuals at risk of defaultoften before the borrowers themselves become cognizant of their predicament.

2. ***Customizing Recovery Strategies:*** Rather than employing a generic approach, AI devises outreach strategies that are tailored to the specific profiles of individual borrowers. A salaried employee may respond more favourably to email reminders, whereas a proprietor of a small business might exhibit a preference for telephonic communication.

3. ***Enhancing Collection Efforts:*** AI enables financial institutions to prioritize accounts based on the probability of recovery, the outstanding balance, and customer value, thereby ensuring that high-risk accounts receive the necessary attention without squandering resources on low-risk scenarios.

AI for Debt Collection:

1. ***Proactive Risk Identification:*** Comprehending borrower behaviour is the cornerstone of efficacious debt collection. AI-enhanced predictive analytics can:

   ✓ Detect preliminary indicators of financial distress (e.g., abrupt declines in account balances).

   ✓ Categorize borrowers according to risk levels, facilitating concentrated efforts on high-risk cases.

   ✓ Project the probability of payment recovery, thereby informing superior resource distribution.

Envision an AI framework that discerns a customer's shifting payment behaviour and autonomously arranges a gentle reminder prior to a default transpiring. This anticipatory strategy could substantially curtail NPAs.

2. ***AutoDebt Collection:*** Automation, when augmented by AI, bolsters efficiency by managing routine responsibilities:

   ✓ **Reminders:** AI orchestrates SMS, emails, or calls at optimal junctures for maximal efficacy.

   ✓ **Chatbots:** Address prevalent inquiries and streamline accessible payment solutions for borrowers.

   ✓ **Voice Recognition:** AI can interpret tone and hesitation during calls, pinpointing potential distress signals from borrowers prior to payment defaults.

3. ***Analytics:*** While predictive analytics provides insights to financial institutions regarding potential defaults, prescriptive analytics offers strategic recommendations

for effective management:

- ✓ Identifies the optimal communication medium (email, telephone, SMS) tailored to each individual borrower.
- ✓ Proposes repayment frameworks specifically designed to align with the borrower's financial capabilities.
- ✓ Modifies strategies in real-time, contingent upon the borrower's feedback and payment patterns.

Success Stories:

1. ***AKBANK, Turkey:*** Collaborated with Zest AI to establish a predictive framework that anticipated loan delinquencies utilizing real-time data, resulting in a substantial decrease in defaults amid economic recessions.
2. ***Attunely, USA:*** A financial technology enterprise that employs AI-enhanced risk evaluation to tailor collection methodologies, culminating in a significant enhancement of recovery rates. Indian fintech entities may consider analogous collaborations to improve debt recovery results.

Challenges: While Artificial Intelligence presents considerable prospects, there exist challenges that Indian banks must confront:

1. ***Data Privacy and Security:*** The implementation of stringent data protection legislation, such as India's Personal Data Protection Bill, necessitates that banks uphold ethical standards in the utilization and management of borrower information.
2. ***Legacy System Integration***: Numerous banks continue to function on antiquated infrastructures that lack compatibility with AI-driven technologies, thereby necessitating substantial upgrades.
3. ***Skill Gaps:*** It is imperative to train existing personnel to proficiently utilize AI tools, which is essential for successful integration.
4. ***High Implementation Costs:*** The development of a comprehensive AI-based debt recovery system could incur expenses ranging from ₹80 lakh to ₹5 crore, contingent upon the intricacy and scope of the project.

Road Ahead:

1. ***Robust Data Infrastructure:*** Artificial intelligence thrives on precise, real-time data. Financial institutions must allocate resources toward modern data management frameworks to optimize the efficacy of AI algorithms.
2. ***Fintech Innovators:*** Forming partnerships with fintech startups can assist banks in surmounting technological impediments and in the more efficient deployment of AI-powered systems.
3. ***Ethical AI Policies:*** Establishing clear directives regarding responsible AI utilization, transparency, and borrower rights is crucial for sustaining trust while adhering to evolving regulatory standards.

Role of Regulator to Promote AI in Debt Collection:

The Reserve Bank of India (RBI) occupies a pivotal position in fostering the integration of AI within debt recovery practices. It should:

- ✓ Articulate definitive guidelines pertaining to ethical AI application and data privacy in collections.
- ✓ Provide financial incentives (such as grants or tax advantages) for banks and fintech organizations that create AI-enhanced debt collection solutions.
- ✓ Create a regulatory sandbox for the experimentation of AI tools within controlled environments, devoid of immediate regulatory consequences.
- ✓ Implement nationwide training initiatives to cultivate AI proficiency throughout the banking sector.

To Conclude:

Moving from Reactive to Proactive Debt Collection.

Mr. Gopi's insight, that a mere reminder could have averted a default, illustrates a more extensive lesson for Indian financial institutions. The forthcoming path of debt collection excels reactive approaches following missed payments; it encompasses forecasting defaults prior to their occurrence, personalizing recovery methodologies, and automating routine processes through AI.

The pertinent inquiry is not whether Indian banks will embrace AI, but rather how expeditiously they can accomplish this before escalating non-performing assets undermine profitability. The future of debt recovery is characterized by proactivity, intelligence, and a customer-centric approachand it is imperative for India's banking sector to adapt accordingly.

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Financial Inclusion through AI and Digital Lending

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Financial inclusion aims to provide affordable financial services to underserved populations, fostering economic growth and reducing inequality. The emergence of Artificial Intelligence (AI) and digital lending has revolutionized access to financial services, enabling wider reach, improved risk assessment, and cost efficiency. This essay explores the role of AI in digital lending, its impact on financial inclusion, regulatory challenges, and strategies for ensuring responsible AI-driven financial services.

Financial inclusion is a critical aspect of economic development, ensuring that individuals and small businesses have access to essential financial services such as banking, credit, insurance, and payments. Traditional banking systems often fail to reach unbanked and underbanked populations due to high operational costs, lack of credit history, and geographical limitations. AI-powered digital lending solutions offer a transformative approach by leveraging data analytics, machine learning, and alternative credit scoring to provide inclusive financial services.

Role of AI in Digital Lending

AI is revolutionizing digital lending through various technological advancements that enhance accessibility, efficiency, and decision- making. Key applications of AI in digital lending include:

1. ***Alternative Credit Scoring:*** Traditional credit scoring methods rely on historical financial data, which excludes individuals without a formal credit history. AI-driven models use alternative data sources such as mobile payments, utility bill payments, social media activity, and behavioral patterns to assess creditworthiness.

2. ***Automated Loan Processing:*** AI-powered automation streamlines the loan application and approval process,

reducing manual intervention and improving efficiency. Natural Language Processing (NLP) and chatbots enable seamless communication between lenders and borrowers.

3. *Risk Assessment and Fraud Detection:* Machine learning algorithms detect fraudulent activities and assess borrower risk by analyzing transaction patterns, geolocation data, and behavioral analytics. AI enhances the accuracy of risk prediction models, reducing non-performing loans.

4. *Personalized Loan Offers:* AI enables lenders to customize loan products based on individual financial behavior, income patterns, and repayment capacity. Personalized lending improves affordability and borrower satisfaction.

5. *Microfinance and Peer-to-Peer (P2P) Lending:* AI facilitates microfinance and P2P lending by connecting lenders with borrowers efficiently, reducing operational costs, and improving trust through transparent risk evaluation.

Impact of AI-Driven Digital Lending on Financial Inclusion

AI-powered digital lending contributes to financial inclusion in several ways:

1. *Expanding Access to Credit:* AI enables lenders to serve unbanked and underbanked populations who lack traditional credit histories. This helps small businesses, farmers, and gig workers gain access to capital.

2. *Reducing Cost of Lending*: Traditional banking models incur high costs in branch operations, paperwork, and manual underwriting. AI-driven digital lending reduces operational expenses, allowing financial institutions to offer affordable credit.

3. *Enhancing Financial Literacy and Awareness:* AI-powered chatbots and virtual assistants educate customers about financial products, responsible borrowing, and credit management, fostering better financial literacy.

4. *Bridging the Gender Gap in Financial Services:* Women entrepreneurs and individuals in rural areas often face financial exclusion due to limited collateral and formal credit histories. AI-driven financial solutions offer gender-inclusive lending models, reducing biases in credit assessment.

5. *Speed and Convenience:* Digital lending platforms powered by AI provide instant loan approvals, minimizing delays associated with traditional banks. Mobile banking applications enable quick access to funds, even in remote regions.

Challenges in AI-Driven Digital Lending for Financial Inclusion Despite

its benefits, AI-driven digital lending faces several challenges:

1. *Data Privacy and Security Concerns:* The use of alternative data sources raises concerns about data protection and consumer privacy. Financial institutions must comply with regulations such as GDPR and India's Personal Data Protection Bill to ensure responsible data handling.

2. ***Algorithmic Bias and Fairness:*** AI models may inherit biases present in training data, leading to discrimination against certain demographics. Ensuring fairness and transparency in AI decision-making is crucial for equitable financial access.

3. ***Regulatory and Compliance Issues:*** Digital lending operates in a complex regulatory environment. Governments and financial regulators must establish guidelines for AI governance, digital lending practices, and consumer protection.

4. ***Limited Digital Infrastructure:*** In many developing economies, limited internet penetration and smartphone accessibility hinder the widespread adoption of AI- driven financial services.

5. ***Risk of Over-Indebtedness:*** Easy access to digital credit may lead to over- borrowing and financial distress. Lenders must implement responsible lending practices and debt management tools to prevent financial instability.

Strategies for Responsible AI-Driven Financial Inclusion

To ensure ethical and effective AI-driven financial inclusion, stakeholders must adopt the following strategies:

1. ***Fair and Explainable AI Models:*** Financial institutions should prioritize AI explainability by using interpretable models and ensuring transparency in lending decisions. Techniques like SHAP and LIME can improve model interpretability.

2. ***Regulatory Frameworks for AI in Finance:*** Governments must establish clear AI regulations to govern digital lending, ensuring consumer protection, data security, and compliance with financial laws.

3. ***Public-Private Partnerships (PPPs):*** Collaboration between governments, fintech companies, and traditional banks can improve financial accessibility and innovation in AI-driven lending.

4. ***Digital and Financial Literacy Programs:*** Educating consumers about digital lending, AI decision-making, and financial responsibility can empower individuals to make informed borrowing decisions.

5. ***Ethical AI Development:*** AI developers should ensure inclusive training datasets, regular audits for bias detection, and adherence to ethical AI principles to prevent discriminatory lending practices.

AI-driven digital lending is a game-changer in advancing financial inclusion, offering accessible and affordable credit solutions to underserved populations. However, challenges related to data privacy, algorithmic bias, and regulatory compliance must be addressed to ensure responsible AI adoption. By implementing fair AI practices, regulatory safeguards, and financial literacy initiatives, stakeholders can leverage AI to build a more inclusive and sustainable financial ecosystem.

From Compliance to Credit:

Agentic AI's Expanding Role in Finance

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Introduction

Artificial Intelligence (AI) has rapidly evolved from being a buzzword in financial services to a cornerstone of innovation and operational efficiency. Among the emerging AI paradigms, Agentic AI stands out for its potential to autonomously manage tasks, learn from interactions, and make complex decisions. Unlike traditional AI, which is often reactive and narrowly focused, Agentic AI operates proactively and independently, simulating cognitive behaviors like reasoning, goalsetting, and adaptive learning.

This article explores how Agentic AI is transforming financial servicesfrom traditional compliance frameworks to credit scoring, customer engagement, risk management, and beyond. As this technology matures, it is not only augmenting human decisionmaking but also redefining the scope and scale of what's possible in the financial sector.

Understanding Agentic AI

Agentic AI refers to AI systems that can operate with a degree of autonomy, often executing tasks without continuous human oversight. These systems:

- Possess goaloriented behaviors
- Can reason, plan, and adapt
- Make contextaware decisions
- Learn over time via feedback loops

In finance, this means moving beyond static rulebased systems to dynamic agents that can interpret regulatory changes, personalize client experiences, assess creditworthiness in realtime, and detect nuanced fraud patterns.

Phase I: Agentic AI in Compliance and Risk Management

1.1 Automating Regulatory Interpretation

Financial institutions are burdened with everevolving compliance obligationsacross jurisdictions, sectors, and regulatory regimes. Agentic AI is being deployed to:

- Parse complex regulatory texts
- Identify applicable rules
- Recommend policy updates in realtime

For example, an Agentic AI system could autonomously monitor regulatory updates from bodies like the SEC, FCA, or RBI, assess the relevance to the firm's operations, and even generate draft policy documents. This drastically reduces the time between regulation and implementation.

1.2 Smart Surveillance

In areas like antimoney laundering (AML) and insider trading detection, traditional systems rely heavily on historical rules and alerts. Agentic AI takes this further by:

- Identifying nonlinear patterns
- Detecting anomalous behaviors in realtime
- Simulating suspicious scenarios to stresstest systems

Financial firms like HSBC and JPMorgan are piloting AI agents that monitor employee communication, flag risk behaviors, and dynamically adjust thresholds based on evolving threats.

Phase II: From Risk Mitigation to Credit Optimization

2.1 Reinventing Credit Scoring

Traditional credit models rely on structured data like credit history, income, and repayment records. However, these models often exclude large populations, such as gig workers or the underbanked. Agentic AI expands the scope by:

- Mining alternative data: mobile usage, transaction patterns, social media behavior
- Creating composite behavioral profiles
- Simulating future financial behavior under different scenarios

Companies like Upstart and Zest AI are already integrating such capabilities, significantly expanding credit access while maintaining riskadjusted returns.

2.2 Continuous Credit Monitoring

Agentic AI doesn't stop at originationit continues through the loan lifecycle. These systems can:

- Detect early signs of distress in borrower behavior
- Suggest restructured payment plans proactively
- Flag highrisk accounts for manual review

For lenders, this means reduced default rates. For borrowers, it offers personalized, empathetic financial solutions.

Phase III: HyperPersonalized Financial Services

3.1 AIPowered Financial Advisors

Agentic AI is also transforming wealth management. These systems act as virtual financial advisors, managing tasks like:

- Asset allocation based on realtime market trends
- Tax optimization
- Retirement planning

Unlike rulebound roboadvisors, Agentic AI can simulate financial futures, respond to emotional cues, and recalibrate strategies based on changing life goals. Firms like Schwab and Betterment are exploring ways to integrate such agentic behaviors into their advisory offerings.

3.2 Smart Contract Management in DeFi

In decentralized finance (DeFi), smart contracts are the backbone of autonomous transactions. Agentic AI enhances this by:

- Reviewing and negotiating smart contracts
- Simulating potential vulnerabilities or failures
- Acting as trust agents between parties

Such applications are particularly valuable in peertopeer lending, insurance claims, and escrow serviceswhere decentralized yet intelligent oversight is crucial.

Phase IV: Enterprise Decision Support

4.1 Treasury and Liquidity Management

Large financial institutions juggle cash flows across currencies, jurisdictions, and subsidiaries. Agentic AI can:

- Predict cash shortfalls
- Optimize intercompany lending
- Suggest hedging strategies in realtime

This elevates treasury from a reactive function to a predictive one, enhancing liquidity planning, especially during volatile periods.

4.2 Scenario Planning and Stress Testing

Regulators often require financial institutions to perform rigorous stress tests to evaluate resilience. Traditional models are static and linear. Agentic AI enhances this by:

- Generating multiple market scenarios
- Testing interconnected systems dynamically
- Suggesting mitigation strategies

This can uncover systemic vulnerabilities that human planners may overlook.

Challenges and Risks

While the promise of Agentic AI in finance is vast, several risks must be managed:

5.1 Ethical and Regulatory Concerns

- Bias in DecisionMaking: If training data is biased, the AI may reinforce existing inequalities.
- Transparency: Agentic systems often operate as "black boxes," making it hard to audit decisions.
- Regulatory Grey Zones: The line between autonomous recommendation and execution remains legally fuzzy.

5.2 Operational Challenges

- Integration with Legacy Systems: Many banks still operate on decadesold infrastructure.
- Talent Gap: There's a dearth of professionals who understand both AI and financial nuances.
- Cybersecurity: As these agents grow in capability, they become highervalue targets for adversaries.

5.3 OverReliance on AI

Agentic systems can create a false sense of security. Institutions must ensure that:

- Human oversight remains active
- Manual override mechanisms are builtin
- Ethics boards evaluate AI outcomes periodically

Case Studies

Case 1: Autonomous Compliance Engine

ING deployed an Agentic AI system to track EUwide compliance obligations. The system:

- Extracts updates from regulatory portals
- Assesses impact on ING's products
- Suggests compliance roadmaps

The result? A 35% reduction in compliance lag time and significant savings on legal consultancy.

Case 2: Tala – Expanding Credit in Emerging Markets

Tala uses Agentic AI to offer microloans in regions without formal credit infrastructure. The AI:

- Analyzes mobile data usage
- Simulates income flows
- Recommends repayment schedules

With over 6 million customers across Kenya, Mexico, and India, Tala showcases how agentic intelligence can drive financial inclusion.

Case 3: Morgan Stanley's NextBestAction Advisor

Morgan Stanley integrated Agentic AI into its wealth advisory platform. The system:

- Analyzes client portfolios
- Crossreferences market data
- Recommends timely asset reallocations

Financial advisors use this tool to offer proactive advice, enhancing client trust and retention.

The Road Ahead

The evolution from passive AI to Agentic AI marks a pivotal shift in how financial services are delivered and managed. The future will likely see:

- ***Collaborative AI Agents:*** Multiple agents working togetherhandling compliance, credit, and client engagement simultaneously.
- ***Voice and Emotion Integration:*** AI agents that understand tone, urgency, and stress in client communication, enabling deeper personalization.
- ***AI Governance Frameworks:*** Global regulatory bodies crafting new standards for transparency, fairness, and accountability in agentic systems.

We may also see the rise of AInative financial institutions, born entirely in the digital era, with agents managing most functions from onboarding to asset management.

Conclusion

From compliance to credit, Agentic AI is not just another layer of automationit represents a paradigm shift. It empowers financial firms to be more adaptive, inclusive, and intelligent in a complex global environment. While challenges around ethics, regulation, and transparency remain, the transformative potential is undeniable.

Financial institutions that embrace this shift will not only outperform in efficiency and risk management but also reimagine what it means to serve customers in the digital age. As Agentic AI continues to evolve, it holds the promise of not just augmenting financebut humanizing it.

Ensuring Financial Integrity

(RBI's Comprehensive Guidelines on Wilful Defaulters)

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The Reserve Bank of India (RBI) has promulgated a directive aimed at Financial Institutions and Banks to intensify their endeavours in identifying and taking corrective measures against wilful defaulters. This initiative is an integral component of the Central Bank's sustained strategy to mitigate the escalating challenge of Non-performing Assets (NPAs) and to uphold the stability of the Financial Sector.

Wilful defaulters are defined as Borrowers possessing the Financial Capacity to fulfil their loan obligations, yet opting not to do so. This classification encompasses individuals who misappropriate funds for purposes divergent from the Original Stipulations or who Liquidate Secured Assets without the Lender's Consent. The RBI's recent directive seeks to confront this issue directly by compelling Financial Institutions to Implement rigorous measures.

India is one of the few countries in the world that discerns between 'wilful' defaulters and other defaulters. A wilful default is said to have occurred in the event a borrower deliberately and intentionally fails to repay a loan, despite having the capacity to do so.

This concept exists in other jurisdictions too. For instance, in the United States of America, the term 'strategic default' is used, particularly in association with residential and commercial mortgages, where a homeowner intentionally stops making payments on a mortgage, despite having the financial means to do so. This was rampant in 2006-07 and was followed by the subprime mortgage crisis in 2008 and the great recession. However, the laws governing strategic default are less formalized in USA as compared to the stringent regulations surrounding the treatment of wilful defaulters in India – making the concept of wilful default distinctive to the Indian financial landscape.

RBI's Directives:

In a circular disseminated to all Banking and Lending Entities, the RBI underscored the necessity for a comprehensive and proactive strategy in addressing Wilful Defaulters. The salient aspects of the directive encompass:

- ***Strengthening Monitoring Mechanisms:*** Financial institutions are mandated to augment their monitoring frameworks to identify early indicators of wilful default. This encompasses the execution of regular audits and evaluations of borrower accounts.

- ***Legal Action and Recovery:*** Financial institutions are urged to promptly initiate legal proceedings against wilful defaulters. This entails the filing of recovery lawsuits, invocation of guarantees, and the repossession of collateral assets.

- ***Public Disclosure:*** Furthermore, the RBI has stipulated that the identities of wilful defaulters be publicly disclosed to engender a deterrent effect. This measure is intended to foster transparency and dissuade borrowers from defaulting on their financial commitments.

- ***Coordination Among Lenders:*** The directive advocates for enhanced collaboration among lenders through mechanisms such as the Joint Lenders Forum (JLF) to ensure a cohesive and effective strategy in addressing substantial wilful defaulters.

- ***Use of Technology:*** Banks are encouraged to utilize sophisticated data analytics and artificial intelligence technologies to more effectively identify and monitor potential defaulters.

Impact on the Banking Sector:

The RBI's directive is anticipated to exert a profound influence on the banking sector. By adopting a stringent approach toward wilful defaulters, the Central Bank seeks to alleviate the burden of NPAs, which have consistently plagued Indian banks. The prescribed measures are poised to enhance the overall asset quality of financial institutions and to reinstate confidence in the financial system.

Industry Reactions:

The Banking Sector has expressed support for the RBI's initiative, acknowledging the necessity for rigorous actions to mitigate the increasing incidence of wilful defaults. Commenting on the Directive, a senior executive from a prominent public sector bank remarked, "This is an essential measure. Wilful defaulters not only jeopardize the financial stability of banks but also erode the Trust in the banking system. The RBI's initiatives will significantly contribute to resolving these issues."

Key Highlights:

The Reserve Bank of India (RBI) has issued definitive guidelines designed to assist banks and financial institutions in identifying and acting against wilful defaulters. Key highlights include.

- ***Definition:*** A borrower shall be designated as a wilful defaulter if they fail to repay a loan despite possessing the financial capacity to do so, or if they have illicitly redirected or misappropriated funds.

- ***Scope:*** All Non-performing Loans of 25 lakh and above are subject to scrutiny for indications of wilful default.

- ***Process:*** Lenders are required to finalize the identification and designation of such borrowers within a period of six months following the loan's classification as non-performing.

- ***Applicability:*** These guidelines are relevant to banks, Non-Banking Financial Companies (NBFCs), the Exim Bank, and the National Bank for Agriculture and Rural Development (NABARD).

- ***Transparency:*** The procedure guarantees an equitable approach, thereby upholding the principles of natural justice.

- ***Statistics:*** The cumulative outstanding amount attributed to wilful defaults was recorded at 3.6 trillion as of 31 March 2024.

By executing these strategies, the Reserve Bank of India (RBI) seeks to mitigate intentional defaults and promote fiscal responsibility.

On July 30, 2024, the RBI promulgated the 'Master Directions on Treatment of Wilful Defaulters and Large Defaulters' ("Master Directions"). These Master Directions became effective on October 28, 2024, and are applicable to banks, NBFCs (middle tier and above), and All India Financial Institutions (AIFIs). The reporting obligations extend to Asset Reconstruction Companies (ARCs) and Credit Information Companies, while stipulations regarding large defaulters and additional financial accommodation for wilful defaulters are applicable to all entities regulated by the RBI.

The following are key provisions that may hold considerable relevance:

a) ***Timeline for Classification:*** The RBI has established a timeline for the classification of borrowers as wilful defaulters. Should a wilful default be identified by lenders during their internal preliminary assessment, the classification process for the borrower as a wilful defaulter is mandated to be completed within six months of the borrower being designated as a Non-Performing Asset (NPA).

Failure to infuse equity by the promoters as an additional ground of wilful default. The Master Directions now incorporate an additional criterion for the classification of a borrower as a wilful defaulter; specifically, if a lender has provided a loan or concessions predicated upon the borrower or its promoter's assurance to infuse equity, and the borrower or promoter fails to do so despite possessing the capability to fulfil this commitment. Consequently, lenders are now compelled to classify the borrower as a wilful defaulter if the borrower or its promoters do not meet their obligations regarding shortfall undertakings or sponsor undertakings to address the shortfall.

b) ***Co***venant in the Agreement: Lenders are now mandated to incorporate supplementary covenants within their loan contracts, stipulating that:

(i) The borrower shall not appoint an individual whose name is listed as a wilful defaulter to oversee and manage the operations of the entity;

(ii) The lenders shall refrain from renewing, enhancing, providing new facilities, or restructuring existing facilities extended to the borrower as long as any promoter, director, or individual in charge of managing the affairs of the borrowing entity remains listed as a wilful defaulter.

c) ***Penal Measures against Associated Entities:*** Beyond the wilful defaulters themselves, entities linked to wilful defaulters will encounter prohibitions against obtaining additional facilities (for a duration of one year following their removal from the list of wilful defaulters) or facilities for initiating New Ventures (for a duration of five years post-removal from the list of wilful defaulters) or restructuring their existing facilities (for a duration of one year after removal from the list of wilful defaulters). The Master Directions elucidate the criteria for determining which companies/entities shall be classified as associated.

d) ***Policy and Guideline Requirements:*** The Master Directions necessitate that the lenders' board-approved policy delineates, among other particulars, the composition of pertinent identification and review committees, the terms for compromise settlements with wilful defaulters, the thresholds for initiating forensic audits against wilful defaulters, and the guidelines for designating authorized officials responsible for issuing show cause notices and serving written orders on behalf of the committees.

Conclusion:

The RBI's directive directed towards Banking Institutions and other lenders constitutes a significant advancement in the initiative against wilful defaulters. Through the enhancement of oversight mechanisms, the initiation of legal proceedings, and the application of technological advancements, the Central Banking Authority endeavours to preserve the stability of the financial architecture and ensure that borrowers fulfil their obligations. The effectiveness of these measures will be pivotal in addressing the Non-Performing Assets (NPA) crisis and sustaining the integrity of India's banking framework.

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Sustainable Banking: Products and Services for a Greener Future

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Introduction

In recent years, the concept of sustainable banking has gained significant momentum as the financial sector recognizes its crucial role in addressing environmental and social challenges. Unlike traditional banking, which focuses primarily on profitability and shareholder value, sustainable banking integrates environmental, social, and governance (ESG) criteria into its core decision-making processes. This approach not only supports long-term economic growth but also fosters responsible business practices and ethical investments.

Sustainable banking refers to financial institutions that actively pursue policies and practices aimed at creating a positive impact on society and the environment. These banks assess the environmental and social risks of their operations and investments while promoting transparency and inclusivity. The goal is to align profitability with the well-being of people and the planet.

Key principles of sustainable banking include:

Environmental responsibility

Sustainable banking places a strong emphasis on protecting the environment. Banks that adopt this principle actively assess and manage the environmental impact of their operations and the projects they finance. They promote green practices by funding renewable energy, supporting energy-efficient technologies, and avoiding investments in industries that contribute heavily to pollution and resource depletion. This commitment helps reduce carbon emissions and promotes a healthier planet.

Social inclusion and equity

Social responsibility is another core principle of sustainable banking. This involves ensuring that financial services are accessible to all segments of society, including underserved and marginalized communities. Sustainable banks often support microfinance initiatives, offer affordable credit, and fund social enterprises. Their goal is to reduce inequality, empower small businesses, and contribute to broader social development, including education, health, and gender equality.

Good governance and transparency

Governance in sustainable banking is centered around ethical conduct, transparency, and accountability. These banks uphold high standards of corporate governance by ensuring that decisions are made in the interest of all stakeholders—customers, employees, investors, and communities. Transparency in reporting, risk management, and operations builds trust and helps avoid corruption or financial mismanagement.

Long-term economic value

Unlike traditional banking models that often prioritize short-term gains, sustainable banking focuses on creating long-term economic value. This means making investment and lending decisions that are financially sound, environmentally sustainable, and socially responsible over the long run. Such banks aim to support industries and projects that are future-proof, resilient, and aligned with global sustainability goals, thereby contributing to a stable and inclusive economy.

Products and Services in Sustainable Banking

Green Loans and Green Mortgages

Green loans are designed to finance eco-friendly projects such as renewable energy installations, energy-efficient buildings, and sustainable agriculture. Green mortgages, similarly, offer lower interest rates for homes that meet energy-efficiency standards

Sustainable Investment Funds

Many banks provide investment portfolios focused on companies with strong ESG performance. These funds aim to generate financial returns while supporting businesses that prioritize sustainability and ethical governance.

Green Bonds

Banks may issue or facilitate green bonds—financial instruments specifically used to fund environmentally beneficial projects such as clean energy, pollution control, or reforestation.

Eco-Friendly Banking Services

Paperless statements, mobile banking, and digital transactions help reduce the carbon footprint associated with traditional banking operations. Some banks even offset carbon emissions from customer travel or offer rewards for choosing low-impact banking methods.

Social Impact Financing

In addition to environmental concerns, sustainable banking also emphasizes social development. Banks provide microfinance loans, financial literacy programs, and funding for education, healthcare, and community development.

Sustainability-Linked Loans

These are loans where the interest rate is tied to the borrower's achievement of pre-agreed sustainability targets. If the targets are met, the borrower benefits from reduced interest rates, incentivizing greener operations.

Benefits of Sustainable Banking

For customers, sustainable banking offers an opportunity to align financial decisions with personal values. For banks, it strengthens brand loyalty, attracts ESG-conscious investors, and mitigates long-term risks associated with climate change and social unrest.

Moreover, by redirecting capital towards sustainable activities, banks play a vital role in driving the transition to a low-carbon economy.

1) Environmental Protection:

- ➢ Promotes investment in renewable energy, green buildings, and sustainable infrastructure
- ➢ Reduces carbon footprint through digital banking and paperless operations

2) Positive Social Impact:

- ➢ Supports financial inclusion through microloans and community-focused funding

- Encourages ethical business practices and social development projects

3) Risk Mitigation:

- Helps banks and investors avoid long-term risks associated with climate change and regulatory shifts
- Encourages responsible lending, reducing the chances of defaults related to unsustainable business practices

4) Attracts ESG-Conscious Customers and Investors:

- Builds trust with individuals and institutions that value environmental and social responsibility
- Appeals to a growing market of impact investors seeking both financial and ethical returns

5) Reputation and Brand Loyalty:

- Enhances the bank's image as a responsible and future-focused institution
- Strengthens customer loyalty among socially aware clients

6) Regulatory and Compliance Advantages:

- Prepares institutions to meet increasing ESG-related regulations and reporting requirements
- Gains access to incentives and benefits from governments and international agencies promoting sustainability

7) Long-Term Profitability:

- Supports stable and resilient business growth by aligning with global sustainability trends
- Encourages innovation in products and services, opening new revenue streams

Conclusion:

Sustainable banking is not just a trend; it is a necessity in today's interconnected and environmentally conscious world. Through a suite of innovative products and services, sustainable banks are reshaping the financial landscape to support a more equitable, resilient, and green global economy. As the demand for responsible finance grows, these institutions will continue to be key players in building a better future for all.

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AI Governance & Explainability in Financial Decision Making

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The rapid adoption of Artificial Intelligence (AI) in financial decision-making has introduced new opportunities and challenges. AI governance ensures that AI systems operate ethically, transparently, and in compliance with regulatory standards. Explainability, a core component of AI governance, ensures that financial institutions can justify AI-driven decisions, fostering trust and accountability. This essay explores AI governance frameworks, the importance of explainability in financial decision- making, regulatory challenges, and strategies for implementing responsible AI practices in the financial sector.

Artificial Intelligence is transforming financial decision-making by enhancing efficiency, reducing bias, and enabling predictive analytics. AI-powered systems influence credit scoring, fraud detection, risk management, and investment strategies. However, these advancements bring concerns regarding fairness, accountability, and transparency. AI governance and explainability are essential to mitigate risks associated with opaque decision-making, regulatory non-compliance, and ethical concerns.

AI Governance in Financial Decision Making

AI governance refers to policies, frameworks, and practices that guide AI development and deployment. Governance ensures that AI operates within ethical and regulatory boundaries, aligning with principles such as fairness, accountability, and transparency (FAT). Key aspects of AI governance in financial decision-making include:

1. ***Regulatory Compliance:*** Financial institutions must comply with regulations such as the General Data Protection Regulation (GDPR), Basel Accords, and sector-

specific AI guidelines issued by regulatory bodies like the Reserve Bank of India (RBI), the Securities and Exchange Commission (SEC), and the European Banking Authority (EBA).

2. ***Ethical Considerations:*** Ethical AI principles include avoiding bias, ensuring data privacy, and maintaining accountability in financial decisions. Ethical AI ensures that machine learning models do not reinforce existing inequalities in credit lending or risk assessment.

3. ***Risk Management:*** AI governance involves defining risk thresholds, continuous monitoring, and implementing fail-safes to prevent financial instability caused by AI-driven decisions. Risk management strategies include stress testing AI models and auditing AI-driven financial transactions.

4. ***Human Oversight:*** AI systems should function with human-in-the-loop mechanisms to ensure accountability. Financial institutions must establish governance committees to oversee AI model deployment and review critical AI- driven financial decisions.

5. ***Model Auditing and Validation:*** Regular audits assess AI model performance, fairness, and compliance. Model validation techniques, such as adversarial testing and bias assessments, help ensure AI's reliability in financial decision- making.

Explainability in AI-Driven Financial Decisions

Explainability refers to the ability to interpret and understand AI-driven decisions. In financial decision-making, explainability is crucial to ensuring customer trust, regulatory compliance, and effective risk assessment.

1. Regulatory Mandates for Explainability:

Regulatory bodies emphasize explainability in AI-driven financial decisions. The European Union's AI Act and the U.S. Fair Credit Reporting Act (FCRA) require financial institutions to provide justifications for AI-driven credit decisions. Explainability enables regulators to scrutinize AI models for bias and discrimination.

2. Types of AI Explainability:

- Global Explainability: Understanding how an AI model makes decisions overall, which is essential for risk management and compliance audits.

- Local Explainability: Understanding specific AI-driven decisions, such as why a customer was denied a loan or why a certain transaction was flagged as fraudulent.

3. Techniques for Explainability in Financial AI:

- Feature Importance Analysis: Techniques like SHAP (Shapley Additive Explanations) and LIME (Local Interpretable Model-Agnostic Explanations) help explain which factors influence AI-driven decisions.

- Rule-Based Models: Hybrid AI approaches combine rule-based decision-making with machine learning to enhance interpretability.

- Counterfactual Explanations: Explaining how an AI decision would change if certain inputs were different, improving transparency in credit scoring and risk assessment.

4. Challenges in AI Explainability:

- Complexity of Deep Learning Models: Neural networks and deep learning models are inherently opaque, making explainability difficult.

- Trade-Off Between Accuracy and Interpretability: Simplifying models for better interpretability may reduce their predictive accuracy.

- Dynamic Financial Data: AI models must adapt to evolving financial trends, requiring continuous retraining and explainability adjustments.

Balancing Innovation and Accountability in Financial

AI Achieving a balance between AI-driven innovation and regulatory accountability requires a multi-faceted approach:

1. *Regulatory Sandboxes:*
   Financial institutions can test AI models in controlled environments, ensuring compliance before full-scale deployment.

2. *AI Ethics Committees:*
   Independent oversight bodies assess AI models for ethical concerns and compliance risks.

3. *Interdisciplinary Collaboration:*
   Financial analysts, data scientists, and legal experts must collaborate to design transparent and fair AI models.

4. *Customer-Centric AI:*
   Providing customers with understandable explanations of AI-driven financial decisions improves trust and reduces disputes.

AI governance and explainability are critical to ensuring responsible AI adoption in financial decision-making. While AI enhances efficiency and predictive accuracy, governance frameworks and explainability techniques mitigate risks related to bias, regulatory non-compliance, and lack of transparency. Financial institutions must adopt robust AI governance policies, implement explainable AI techniques, and ensure human oversight to build trust in AI-driven financial systems. Striking the right balance between innovation and accountability will pave the way for ethical and sustainable AI adoption in the financial sector.

Do You Know Pravaah?

Er. Sunil Dasari,
Chief Manager,
Bank of Maharashtra

The Reserve Bank of India, on the 28th of May in the year 2024, has inaugurated three pivotal initiatives, which include the PRAVAAH (Platform for Regulatory Application, Validation and Authorisation) portal, the Retail Direct Mobile Application, and a FinTech Repository.

'PRAVAAH' (Platform for Regulatory Application, Validation and Authorisation) Portal:

The PRAVAAH portal constitutes a secure and centralized web-based platform designed to streamline the procedures for obtaining authorization, licensure, or regulatory approval for any individual or organizational entity.

Key Features:

- ✓ Facilitate the online submission of applications via the portal;
- ✓ Enable tracking and monitoring of the application or reference status;
- ✓ Allow for responses to any clarifications or inquiries raised by the Reserve Bank in relation to the application or reference; and
- ✓ Ensure receipt of a decision from the Reserve Bank within a specified timeframe.

Mobile Application for RBI Retail Direct Portal:

The Retail Direct initiative aspires to offer a seamless and user-friendly mechanism for retail investors to engage in transactions concerning government securities (G-Secs) by establishing their Retail Direct Gilt accounts with the Reserve Bank of India (https://rbiretaildirect.org.in) under the Retail Direct Scheme. This scheme facilitates the buying and selling of G-Secs in both primary and secondary markets.

App Features & Usage: Retail investors can now execute transactions involving G-Secs through the mobile application on their smartphones, available for download from the Play Store for Android users and the App Store for iOS users. Furthermore, access is also possible via a QR code.

FinTech Repository:

The FinTech Repository will enhance access to critical information regarding FinTech entities, their operations, technological implementations, and related matters. Both regulated and unregulated FinTechs are encouraged to contribute to the Repository, which can be accessed at the URL: https://fintechrepository.rbihub.in.

Additionally, a corresponding repository titled the EmTech Repository is being introduced for RBI-regulated entities (including banks and NBFCs) concerning their adoption of emerging technologies (such as AI, ML, Cloud Computing, DLT, Quantum Computing, etc.), and is accessible at the URL: https://emtechrepository.rbihub.in.

These repositories will provide the availability of aggregated sectoral-level data, trends, and analytics, which would be beneficial for both policymakers and industry participants.

Note: Presently, there exist application forms on the portal, encompassing various regulatory and supervisory departments of the RBI. Furthermore, there is a general-purpose form available for requests not encompassed by any other specific form. Additional application forms will be made accessible as deemed necessary. The portal can be accessed at: https://pravaah.rbi.org.in.

Application Forms Available on PRAVAAH (As on 28th May, 2024)

Department	Application Forms
Department of Government and Bank Accounts	1. Applications from SBI GAD for transfer of SDS Accounts from other agency banks to SBI SSB branch. 2. Queries or clarifications regarding Small Savings Schemes of Government of India.
Department of Payment and Settlement Systems	1. Application under PSS Act. 2. Application seeking approval to operate as PA or PA-CB or change of category under PA-CB. 3. Application for obtaining prior approval in case of takeover or acquisition of control of non-bank PSOs and sale or transfer of payment system activity of non-bank PSO. 4. Metric seeking renewal of authorization. 5. Voluntary Surrender of Certificate of Authorisation by Payment System Operators. 6. Additional details to be submitted by MTSS-Overseas principal applicants. 7. Application for Membership to Centralized Payment Systems.
Department of Regulation	8. Application for license to commence banking business by a company incorporated in India. 9. Information to be furnished by promoters along with relevant supporting documents for Licensing of Small Finance Banks. 10. Information to be furnished by the Promoters along with relevant supporting documents for Licensing of Universal Banks. 11. Application for foreign banks desirous of establishing presence in India. 12. Application for Aadhaar Authentication License in terms of Section 11A of the PML Act, 2002. 13. Request letter for Credit Risk Mitigation – CRM amount: under Section 11(2)(b) of the Banking Regulation Act, 1949. 14. Request letter for statutory amount: under Section 11(2)(b) of the Banking Regulation Act, 1949. 15. Application Form for banks to seek extension of time for disposal of Non-Banking Assets. 16. Applications from an UCB for voluntary amalgamation. 17. Registration certificate to commence or carry business of CIC. 18. Appointment of MD or CEO or PTC or WTD. 19. Compensation of MD or CEO or WTD or MRT. 20. Application for grant of Certificate of Registration as NBFCs.

Department	Application Forms
	21. Prior Approval for change in Management of HFC. 22. Change in shareholding of HFC. 23. Application for grant of Certificate of Registration as Asset Reconstruction Company. 24. Appointment or Re-appointment of Director, MD or CEO in Asset Construction Companies ARC. 25. Annual fit and proper certificate of the sponsor-ARC. 26. Change in shareholding of ARC. 27. Application for Issue of Shares by the Banking Company. 28. Application for Acquiring Major Shareholding in a Banking Company: By the Banking Company. 29. Application for Acquiring Major Shareholding in a Banking Company: By the Applicant. 30. Application for conduct of Depositor Education and Awareness programmes for both pilot and full-scale. 31. Application for Registration of entities for grant of financial assistance from the Depositor Education and Awareness Fund.
Department of Supervision	1. NBFC- Request for Certificate of Registration upon change of name of the NBFC. 2. NBFC- Request for Duplicate Certificate of Registration due to loss of Original CoR. 3. NBFC- Approval for Change in Shareholding of NBFC. 4. NBFC- Appointment of Director or Directors. 5. NBFC- Request for Shifting of Registered Office of NBFC from one Regional Office of RBI to another. 6. NBFC- Conversion from Category-A NBFC to Category-BNBFC. 7. NBFC- Approval for Amalgamation or Merger. 8. UCB- Constitution of Board of Management. 9. UCB- Approval for shifting of Place of Business. 10. NBFC-NOC for change in Name. 11. UCB- Approval for dividend declaration. 12. UCB- Intimation for FSWM Self-Classification. 13. UCB- Prior Approval for allotment of centres under Annual Business Plan (ABP).
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Foreign Exchange Department	1. Approval for Opening of Special Rupee Vostro Account. 2. Regulatory Approvals pertaining to LO or BO or PO in India. 3. Approval for Acquisition or Sale of Immovable Property. 4. Regulatory Approvals under FEMA – five R and FEMA tenR. 5. Approval for Bank Guarantees beyond limit available to AD Banks. 6. ECB proposals under Approval route. 7. Confirmation for appearing for personal hearing w.r.t. compounding proceedings along with preferred date, time or attending personnel information. 8. Compounding application. 9. Additional information or addendum to already filed compounding application.

Department	Application Forms
Internal Debt Management Department	Primary Dealer License.
Others	General Purpose Application.

The Reserve Bank of India (RBI) has promulgated a directive mandating that all regulated financial institutions utilize the PRAVAAH portal for the submission of applications pertinent to licenses, authorizations, and approvals commencing on May 1, 2025. This initiative is intended to centralize regulatory communications and establish uniformity throughout the financial system.

PRAVAAH, an acronym for Platform for Regulatory Application, Validation and Authorisation, represents a secure, web-based digital platform inaugurated by the RBI. Crafted to optimize the application process, PRAVAAH facilitates individuals and entities in filing, tracking, and managing an array of regulatory requests through a singular, cohesive system.

Effective May 1, 2025, the RBI mandates the exclusive utilization of PRAVAAH by all Regulated Entities (REs), encompassing:

- Scheduled Commercial Banks (which include Small Finance Banks, Local Area Banks, and Regional Rural Banks).
- Urban Co-operative Banks.
- State and Central Co-operative Banks.
- All-India Financial Institutions.
- Non-Banking Financial Companies (NBFCs), inclusive of Housing Finance Companies.
- Primary Dealers.
- Payment System Operators.
- Credit Information Companies.
- These entities are required to submit their applications through PRAVAAH utilizing the forms accessible on the platform.

Despite PRAVAAH having been operational for nearly a year and having processed approximately 4,000 applications, the RBI has noted the persistence of many entities in employing traditional submission channels. In order to eradicate delays, enhance transparency, and bolster monitoring efficacy, the RBI has now rendered the use of the platform obligatory.

In its official communiqué, the RBI elucidated that guidance pertaining to portal access, application submission, and status tracking is readily available on the PRAVAAH portal itself. This provision ensures that the transition to the digital system is seamless and does not impede the compliance responsibilities of any entity.

To Conclude:

Through this directive, the RBI reaffirms its dedication to fostering a more digital, transparent, and efficient regulatory milieu. The uniform adoption of PRAVAAH is anticipated to streamline the interface between the RBI and financial entities, ultimately fortifying regulatory governance.

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Digital Lending
(A New Era of Innovation and Opportunity to Indian Banks)

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The domain of lending is currently undergoing a profound metamorphosis, propelled by technological advancements and innovative methodologies. The conventional banking framework, which has historically been the preeminent entity within the lending landscape, is being contested by fintech enterprises that are redefining the modalities through which individuals and businesses obtain credit. As we anticipate the landscape of 2025, the lending fintech sector is positioned for a novel epoch of expansion and prospects, invigorated by progressions in artificial intelligence (AI), blockchain technology, and regulatory changes. This article examines the pivotal trends and innovations that are anticipated to reconstitute lending fintech in the forthcoming years.

Expansion of FinTech Lending:

Lending fintech is witnessing accelerated growth, with global investments in fintech enterprises perpetually ascending. According to contemporary analyses, the lending segment is estimated to surpass $600 billion by the year 2025. This expansion is catalysed by a confluence of elements, encompassing heightened consumer demand for expedited and more accessible credit, technological advancements, and the escalating adoption of digital platforms by both businesses and consumers.

A primary factor contributing to the emergence of lending FinTech is the escalating inefficiency and inflexibility of traditional lending institutions. Conventional banks frequently depend on sluggish and antiquated systems, rendering it challenging for them to deliver rapid, adaptable, and customer-oriented lending solutions. Conversely, fintech enterprises leverage sophisticated algorithms, AI-driven methodologies, and digital platforms to optimize the lending process, thereby facilitating expedited approvals, more precise risk evaluations, and a more individualized customer experience.

Innovations in FinTech Lending:

AI and ML:

Artificial Intelligence and Machine Learning are revolutionizing

the lending fintech landscape by furnishing more precise risk evaluations and fostering enhanced decision-making efficiency. By 2025, these technologies are anticipated to be more deeply integrated into the lending framework, empowering fintech firms to provide more intelligent and expedited loan offerings.

a) **AI-Enhanced Credit Scoring:** Conventional credit scoring paradigms, depend on a restricted array of data points, which may result in prejudiced or erroneous assessments of a borrower's creditworthiness. In contrast, AI-enhanced credit scoring methodologies utilize extensive volumes of alternative data-including transaction histories, social media interactions, and behavioural patterns to construct a more accurate and comprehensive depiction of a borrower's financial status. This strategy enables lenders to extend credit to individuals who may have been disregarded by traditional frameworks, such as those possessing limited credit histories or unconventional income sources.

b) **Automated Underwriting:** AI and Machine Learning algorithms are also facilitating automated underwriting, which considerably diminishes the duration required to process loan applications. These technologies possess the capability to analyse substantial datasets in real-time, evaluate risk, and approve or deny loan applications without necessitating manual intervention. This not only accelerates the lending process but also mitigates human error and bias, thereby ensuring a more efficient and equitable lending experience.

Blockchain and Smart Contracts:

Blockchain Technology is progressively being embraced within the lending sector, proffering several essential advantages, including enhanced transparency, security, and efficiency. By furnishing an immutable, decentralized ledger, blockchain enables more secure and transparent transactions between borrowers and lenders.

a) **Peer-to-Peer (P2P) Lending:** The advent of blockchain technology facilitates the proliferation of peer-to-peer lending platforms, wherein borrowers can establish direct connections with investors, thereby circumventing the necessity for conventional financial intermediaries. This paradigm shift significantly diminishes the expenses associated with traditional lending practices and enhances access to credit, particularly for marginalized individuals and small enterprises. Given blockchain's capacity to securely document and authenticate transactions, both lenders and borrowers can possess confidence in the process without dependence on a centralized authority.

a) **Smart Contracts:** A particularly promising application of blockchain within the sphere of lending pertains to the implementation of smart contracts. These autonomous contracts inherently enforce the stipulations of an agreement between borrower and lender. By obviating the requirement for intermediaries, smart contracts not only mitigate costs but also reduce the incidence of disputes, while ensuring that transactions are conducted in an efficient and secure manner. In the context of lending, smart contracts could facilitate the automatic disbursement of funds upon the fulfilment of specified conditions, such as when a borrower attains a designated credit score or remits a portion of their loan repayment.

Embedded Finance and Lending-as-a-Service:

Embedded finance is an emergent trend characterized by the seamless incorporation of financial services, including lending, into non-financial platforms. This integration empowers businesses to extend lending solutions to their clientele without necessitating their transformation into traditional financial institutions.

a) **Lending-as-a-Service:** By the year 2025, lending-as-a-service is anticipated to gain prominence, empowering enterprises across sectors such as e-commerce, healthcare, and education to provide financing options directly to their customers. For instance, an online retailer may collaborate with a fintech entity to facilitate instant credit for customers at the moment of purchase, whereas a healthcare provider might offer financing alternatives for medical procedures. This business model not only enhances customer experience but also generates new revenue opportunities for enterprises.

b) **Embedded Lending in Digital Ecosystems:** As consumers increasingly turn to digital platforms for their financial requirements, embedded lending is evolving into a logical extension of the digital ecosystem. Fintech companies are forging partnerships with e-commerce platforms, social media applications, and other digital services to provide loans directly within these ecosystems. This approach engenders a more cohesive experience for consumers, who are no longer required to exit their preferred applications or websites to seek credit.

Alternative Data and Financial Inclusion:

In the year 2025, the incorporation of alternative data in lending is poised to emerge as a pivotal catalyst for financial inclusion. Conventional credit scoring methodologies frequently exclude individuals lacking a credit history, including young adults, immigrants, or those residing in economically disadvantaged areas. Through the utilization of alternative data sources, lending fintech firms can extend credit to a significantly wider demographic.

a) **Alternative Data Sources:** Lending FinTechs are progressively harnessing alternative data sources, such as utility payments, rental payments, mobile phone bills, and even social media engagement, to evaluate a borrower's creditworthiness. This approach enables the formulation of more precise and inclusive credit scores that accurately reflect a borrower's genuine financial behaviour, even in the absence of a traditional credit history.

b) **Financial Inclusion:** The use of alternative data is particularly important for financial inclusion, as it allows underserved populations to access credit and financial services that were previously unavailable to them. By expanding access to credit, lending FinTechs are helping to bridge the financial gap and empower individuals to build better financial futures.

Regulatory Developments and Consumer Protection:

As the lending fintech sector continues to grow, so does the need for robust regulatory frameworks to ensure consumer protection and fair lending practices. In 2025, we can expect more comprehensive regulations that address the unique challenges and risks posed by digital lending platforms.

a) **Regulation of AI and Credit Scoring:** Governments and regulatory bodies will introduce new guidelines and regulations to ensure that AI and machine learning models used in lending are transparent, fair, and non-discriminatory. These regulations will aim to prevent bias in credit scoring and underwriting and ensure that lenders are using ethical and responsible AI practices.

b) **Data Privacy and Security:** With the increasing reliance on data-driven models in lending, data privacy and security will remain a critical concern. Regulatory bodies will enforce stricter rules around data protection, ensuring that lenders handle consumer data responsibly and transparently. In the era of open banking and data sharing, lending fintech companies must prioritize cybersecurity and comply with data privacy regulations such as GDPR in Europe and CCPA in California.

Conclusion:

The lending fintech industry is entering an exciting new era of innovation and opportunity. By embracing technologies such as AI, blockchain, and embedded finance, fintech companies are transforming how lending is done making it faster, more accessible, and more inclusive. As the sector continues to grow, businesses that leverage these technologies will be well-positioned to capitalize on the changing landscape and create more personalized, customer-centric lending experiences.

However, with this innovation comes the responsibility to adhere to evolving regulatory standards and prioritize consumer protection. As fintech companies continue to push the boundaries of what's possible in lending, they must do so with a commitment to transparency, fairness, and ethical practices.

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The Relevance of IBC to Infrastructure Companies

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Basically there are three type of infrastructure companies affected by IBC code

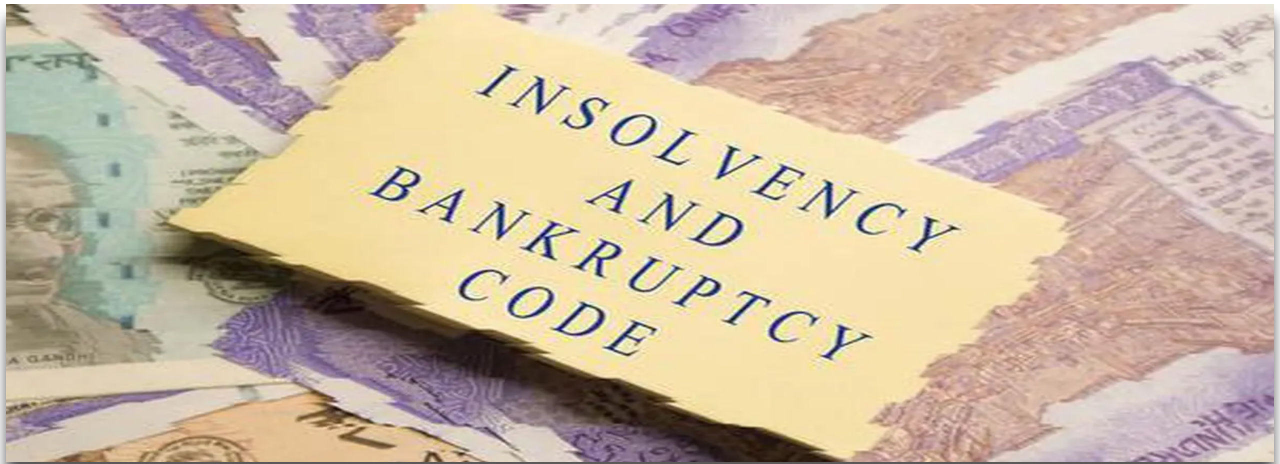
a) Developers such as SPV, Road Companies ,Water Companies etc.

b) EPC contractors of various kinds in different s

c) Companies investing in the equity and debt of infrastructure vehicles other than banks and financial institutions (which are governed by the RBI)

By their very nature, such companies in India are more fallible that regular corporate setups due to the regulation of their operations and user fees by fairly stringent concession agreements. India is a developing country, which means that, almost by default, user charges and availability of services would need to be closely monitored by governments, even in the private sector. Populism would prevail in many cases, which would lead to politicians promising "free" services to various sections of the public in return for votes, without the concerned companies being able to enforce legal compliance on the said governments. All this may lead to many such companies being "cash strapped" with no prospect of adequate returns for funds invested. Many managements therefore may wish to opt out of these companies without the services being affected, and this is where the Insolvency and Bankruptcy code may come in useful

Infrastructure ***lending is a very different business*** from regular Corporate or retail lending. The human aspect is significantly less



and Government involvement significantly more. This is because infrastructure can be defined as "assets for public use". By this very definition, real estate, factories and other privately owned assets are NOT infrastructure. By this very definition, the term "infrastructure" would relate to assets such as Roads, Ports, Power, Airports, Public Townships (NOT real estate societies !) as well as Social Infrastructure such as Universities Hospitals and Tourist Infrastructure which are used by the public at large..

The Insolvency and Bankruptcy Code (IBC) is relevant to infrastructure companies in a number of ways, including:

- **Resolving insolvency:** The IBC provides a one-stop solution for resolving insolvency, which can be particularly useful for infrastructure and EPC sectors.
- **Protecting creditors:** The IBC aims to protect the interests of creditors and stakeholders in a company.
- **Reviving companies:** The IBC aims to revive companies in a timely manner.
- **Promoting Businesses:** The IBC aims to promote business by allowing entrepreneurs to take over ready-made companies with proven operational capability rather than recreate the whole thing again. They could then leverage their strength to make the companies work, thereby providing instant stakeholder value, be it investor's creditors or even the economy at large. The Code help a lot in doing this
- **Increasing credit supply:** The IBC aims to increase the credit supply in the economy by providing relief to creditors. The creditors would also likely be more responsive to a new management for reasons given above
- **Reallocating resources:** The IBC enables firms to restart with new management or liquidate assets and put them to new uses.

Credit culture

The IBC has shifted the power balance in favor of creditors, and has helped to improve credit discipline. There would be a better allocation of resources all round

Insolvency risk

The IBC has helped to reduce the number of fresh non-performing assets (NPAs) in the banking sector.

Project businesses

The IBC can help to reduce the risk of project businesses going bankrupt, which can jeopardize the ability of a project to provide its intended services.

Infrastructure projects can face financial difficulties during their long-term duration. The IBC can help to reduce the risk of these difficulties, and to help ensure that projects are able to provide their intended services.

Infrastructure Companies have significant operational differences from regular corporate companies

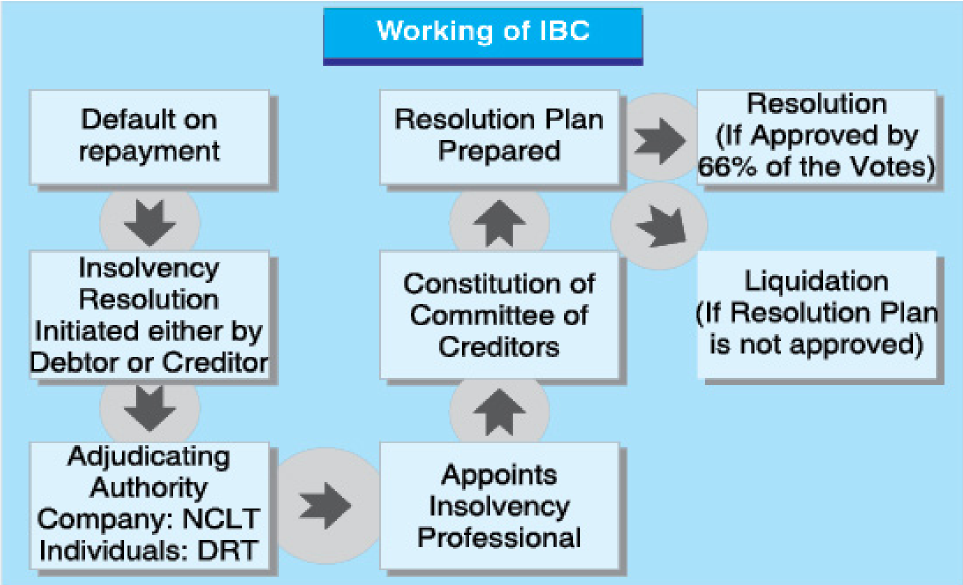
i) The legal frameworks and monitoring are stricter, as the society (and hence the government) is involved

ii) Pure commercial user rates may not always come into the picture-Usually there is control, as the public at large are involved and infrastructure services are usually designated as "public services".

iii) Cash flows are generally more defined and predictable and indexed for inflation. ***This makes for greater predictability of cash flow.***

iv) Right of exclusivity is generally there again making the cash flows more predictable

DIAGRAMATICALLY THE IBC PROCESS FOR INFRASTRUCTURE COMPANIES WOULD BE AS FOLLOWS



These parameters ensure more regulated ***legal and operational frameworks*** which are generally governed by Concession Agreements and thus lend themselves a little more easily to predictable monitoring should things go wrong. In other words should an operational SPV linked to a road, sewerage or urban township go bankrupt there would be a predictable system which would lend itself to easier implementation of the CIRP process. It makes it easier for a prospective resolution applicant (PRA) to estimate the kind of cash that would come into the company, the costs therein etc. The ***system of bidding is also inherent in a PPP process*** for infrastructure which is very much allied to what we would try to do in CIRP.

A:IBC in construction industry

The Indian construction sector is undergoing continuous regulatory evolution. The Insolvency and Bankruptcy Code (IBC), 2016 offers streamlined frameworks for dealing with insolvency. Subcontractors and suppliers can leverage the IBC to file claims and potentially recover dues.

The IBC offers a structured and time-bound process for resolving insolvency. Here's how subcontractors and suppliers can leverage the IBC:

Claims: Upon learning of a main contractor›s insolvency proceedings, subcontractors and suppliers have the right to file claims with the Insolvency and Bankruptcy Board (IBBI). The claim should clearly outline the amount owed and supporting documentation. This could keep the sub -contractors in a healthy condition which is vital for building the infrastructure of the country, as a developer often works through a network of sub-contractors

Priority of Claims: The IBC categorizes claims into different classes with varying priorities during distribution of assets. Understanding these classifications is crucial for maximizing the chance of recovering dues. For instance, secured creditors with guarantees often enjoy higher priority compared to unsecured creditors like subcontractors.

Participation in the Resolution Process: Subcontractors and suppliers can participate in the insolvency resolution process by attending creditor meetings even though they often cannot vote on restructuring plans or liquidation proposals. However, they can initiate such resolution processes by going to the NCLT and seeking bankruptcy proceedings .This often puts some pressure for credit discipline on the main contractors and developers.

B:Real estate projects

Real estate projects are getting streamlined by the IBC process. As per Supreme Court ruling, the house owner is now a financial creditor. Mechanism for collective representation has also been worked out through the house owners being represented by an Authorised Representative (AR).The IBBI has proposed that real estate projects under CIRP should have separate bank accounts for each project. This would help with tracking project progress, identifying issues, and making informed decisions.

If there a significant possibility of recovery, then financial discipline is likely to radically improve, both in terms of extent of borrowing and discipline in use. Both are vital for the debt oriented infrastructure industry where maintaining a consistent cost base is vital for the success of a project. This is very much needed in the Real Estate and Construction industries, where cash flows are likely to be unsteady and inconsistent. Upfront cash is also asked for on many occasions and there should be consistency for the same.

Definitely, the CIRP and establishment of RERA has resulted in a much more streamlined approach overall and the "financial creditor status" of the homeowner has definitely build up the confidence and established some discipline among builders and construction companies ,who are now accountable ,in a way they have not been before.

C: EPC companies

The insolvency of EPC companies in India is a growing concern in recent years. There are several reasons for this, including delays in project approvals, a slowdown in infrastructure development, and a lack of funding. One of the major causes of insolvency in EPC companies is the delays in project approvals. These delays lead to cost overruns and a lack of cash flow, making it difficult for companies to continue operations.

Another major cause of insolvency in EPC companies is the slowdown in infrastructure development. This has led to a decline in demand for EPC services and a decrease in revenue for companies. The lack of funding is also a major factor contributing to the insolvency of EPC companies in India. Many companies are unable to secure funding from banks and other financial institutions due to their poor financial health.

There are many cases of EPC companies coming under the IBC code including Lanco Infratech Limited .This was among the 12 biggest companies that were recommended by the RBI to be admitted into the insolvency process back when the Code was first introduced. A good case study! There was an overreliance on favourable government policy as is often the case of large infrastructure companies, where supportive policy is so critical, especially in the initial stage. However, soon due to various reasons, including changes in policies of the government relating to the power sector, the company accumulated huge debts, which it was unable to repay. The company was facing financial difficulties due to delays in project approvals, cost overruns, and a lack of cash flow. The company as admitted into the Corporate Insolvency Resolution Process and subsequently, several of its subsidiaries also went under the insolvency process.

In case of Jaypee Infratech Limited, the company was facing financial difficulties due to delays in project approvals, a slowdown in infrastructure development, and a lack of funding. The company was admitted into insolvency resolution process in 2017 and its assets were taken over by the interim resolution professional under the IBC. The case involved the claims of thousands of homebuyers. However, the case took a very long time to resolve but did lead to development of policy for homeowners. The establishment of RERA also came about as the Central Government realised that large real estate projects would need to be professionalized to regulate the fiscally undisciplined construction industry.

Source: Hindu Business Line

As given above in the diagram, The Insolvency and Bankruptcy Code (IBC) of 2016 has had an impact on the infrastructure sector in India in a number of ways, including:

2(i) Solution to Delayed payments

The late-payment culture in the Indian construction industry has led to insolvency for many organizations under the IBC.

Much of the solution to problematic infrastructure projects consist of replacing the management of an existing SPV with another management. There are generally not too many operational creditors involved, mostly very long term lenders. Equity tends to be either wholly with the concessionaire, or partly with a private equity firm or the Government thrown in.There could be some Institutional holdings. In India, generally there are not many widely held companies in infrastructure sector, certainly not public companies. Thus the number of investors are finite and informed. This facilitates the IBC process greatly as there is likely to be a very strong and knowledgeable Committee of creditors, who understand the issues involved. But it is the dedicated project companies that are a lot easier to transfer to viable managements, infrastructure being a "project driven process"

We can go through the issues step by step to show the basic compatibility of Infrastructure Project companies (SPV) with the IBC code

ii)Financial crunch faced by contractors in India

Tolls are collected immediately but the bulk of receivables are usually from Institutional Investors and public bodies or even the Govt directly. ***The latter often tend to drag payments due to budgetary constraints.*** This often puts the contractor in terrible jeopardy, to the extent that they often refuse to take up perfectly viable projects! The IBC comes in handy here in that PRA's start with a totally clean slate and the authorities (who are generally keen to get the infrastructure going once again) may cough up or restructure the receivables. They would not generally do this for a specific industry or company which would be allowed to fail! But here, there are social concerns with potential electoral concerns. All this would make the IBC relatively effective in resolving issues relating to public infrastructure.

One negative is that because the amounts tend to be large, and the Committee is full of public institutions, the bargaining tends to be very harsh and the decision making is slow .Nobody wants to be told that they "have lost 1000 crore" even if that loss is notional .In addition, public institutions have all sorts of due diligence who can pigeon-hole officials for agreeing to a proposal, even if that proposal gets the project back on track expeditiously. This is a major problem and some leniency would need to be given to bank and institutional officials in settling with prospective resolution applicants. If this is done, then many more PRA's would come, attracted by the fact that they get already set up infrastructure at an agreed upon discount, so that they could calculate their returns suitably. As Infrastructure is a public asset, it is far more important both economically (and also electorally!) that the asset be up and running as compared to an individual private assets.

iii)Infrastructure Financing and Investment

Regarding the financing of Infrastructure ,that is within the purview of RBI as per regulations but one interesting case is where SREI infrastructure finance was taken over by National Asset Reconstruction Company.Rs 32700 cr of the creditors was saved by this.

As this is not involving IBC ,it is not proposed to discuss this any further but the scheme and intent is the same as the IBC(only managed by RBI) and as it affects infrastructure,it is somewhat pertinent.If Banks know that they could recover money pertaining to NBFC's,then they would allow NBFC's to invest in infrastructure.

The IBC provides an option of exit which encourages investment in relatively riskier ventures.

Many companies are going bankrupt because of the load of infrastructure loans. If the assets in an SPV could be transferred expeditiously to someone who has both the professional expertise and financial capacity to run it, the existing corporate could also be saved in many cases and could go about its other businesses, thereby contributing to the economy and employment. So two birds are killed with one stone.

Conclusion

Therefore to sum up, the IBC provides the following added advantages to Infrastructure companies

1. A certain level of credit discipline to their sub-contractors and suppliers, thereby keeping the network healthy

2. The option of exit, should the cash flow become constrained due to political or other reasons. ***The overriding power of the code, allows other managements to come in more easily.***

3. Greater confidence by the financial creditors, knowing that they hold sizeable cards should there be financial indiscipline/wilful default/operational cash crunch.

4. Instant benefit to the business community, employees and stakeholders by taking over a company, ***free of undefined liabilities*** and making it operational immediately.

New Gold Lending Rules of Reserve Bank of India

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The Reserve Bank of India (RBI) has promulgated the Draft Directives 2025 concerning Lending "Against Gold" Collateral, thereby instituting a requisite regulatory Overhaul in a Sector that has historically functioned in isolation.

Applicable to all Regulated Entities (REs), including Commercial Banks, Co-operative banks, and Non-banking Financial Companies (NBFCs), these directives are designed to standardize Gold Loan Methodologies, enhance regulatory oversight, and safeguard borrower interests. As the Gold Loan Market continues to proliferate, particularly in Rural and Semi-urban Regions of India, this regulatory framework is oriented toward optimizing underwriting processes, ensuring Accurate Valuation, Enhancing Collateral Security, and Fostering Transparency in the utilization of funds.

Background:

The RBI's Examination revealed pervasive irregularities and persistent challenges in Gold Lending Practices. Lenders have increasingly depended on Third-party Agents, frequently conducting valuations of Gold without the presence of the borrower. The due diligence process has proven to be insufficient, and the monitoring of fund utilization, particularly for High-value or Income-generating loans, has been either inconsistent or entirely absent. Moreover, Recovery Practices have lacked Transparency, with Numerous Borrowers inadequately informed during the Auctioning of their Gold.

Furthermore, the enforcement of the 75% Loan-to-Value (LTV) cap has been inconsistent, and the Application of Risk Weights has been erroneous. These deficiencies underscore the imperative for a cohesive regulatory framework that Guarantees Borrower Protection, Operational Integrity, and Standardization across the Gold Loan Sector.

Key Proposals:

- **Standardized Gold Valuation:** Lenders are mandated to employ a transparent and uniform methodology for the valuation of pledged gold, with such valuations performed by certified professionals and subject to regular audits.

- **Loan-to-Value (LTV) Cap and Tenure:** The draft reiterates the LTV cap of 75%, thereby promoting responsible lending practices. For bullet repayment loans (in which the entire principal is repaid at maturity), the proposed maximum tenure is set at 12 Months.

- **Auction and Recovery Norms:** In cases of default, auctions must be executed in a transparent manner, with sufficient notification provided to borrowers. Any surplus funds remaining post-auction must be refunded to the borrower.

- **Disclosure and Documentation:** Lenders are required to explicitly disclose the terms, interest rates, processing fees, and auction conditions to borrowers at the outset. Loan sanction letters must detail the weight, purity, and valuation of the accepted gold.

- **KYC and Purity Checks:** Mandatory Know Your Customer (KYC) compliance and enhanced due diligence protocols must be implemented for high-value loans. Purity assessments must be documented and made auditable.

Role of NBFCs & Banks:

The guidelines are uniformly applicable across banks and NBFCs, with a specific emphasis on mitigating certain lending practices that have been prevalent among banks and Gold-loan NBFCs.

Impact on Borrowers and Lenders:

a) Borrowers:

- **Enhanced Transparency:** Borrowers will derive advantages from more lucid loan terms and standardized practices across lending institutions, ensuring equitable treatment.

- **End-use Monitoring:** Lenders will be required to validate the end-use of funds for income-generating loans and high-value consumption loans, thereby preventing potential misuse.

- **Secure Collateral Handling:** Collateral must be securely stored, and lenders will incur penalties for undue delays in returning collateral subsequent to repayment.

- **Prompt Collateral Return:** Collateral must be returned within seven working days following full repayment, with a penalty of ₹5,000 per day for any delays.

b) Lenders:

- **Enhanced Risk Management:** Financial institutions are required to institute more rigorous risk management protocols, which should encompass restrictions on individual borrowers as well as sectoral limits pertaining to gold loan portfolios. This necessitates the vigilant oversight of the utilization of funds, particularly in relation to loans designed to generate income.

- **Standardized Gold Valuation:** Lenders are obligated to formulate standardized methodologies for the evaluation of the weight and purity of gold collateral, thereby ensuring a framework of transparency and consistency across all operational branches.

- **Operational Adjustments:** Financial entities must recalibrate their operational frameworks to facilitate the real-time management of loan-to-value (LTV) ratios, adeptly monitor multiple loan arrangements, and implement auction protocols with efficiency, thereby mitigating the risk of incurring non-compliance penalties.

- **Financial Implications:** The repercussions of non-compliance may manifest in the form of financial sanctions, increased provisioning requirements, or damage to institutional reputation. Furthermore, the establishment of a standardized LTV Ratio of 75% may adversely affect non-banking financial companies (NBFCs) that had previously relied on higher ratios, potentially resulting in declines in stock valuations for certain gold loan enterprises.

Analysis:

a) **Limits**: Under the prevailing regulatory framework, it is incumbent upon lenders to establish sector-specific ceilings for sensitive domains, wherein real estate and capital markets are classified as sensitive sectors. Nevertheless, in light of the inherent volatility associated with gold, it has been posited that sectoral limits concerning gold loans should also be instituted.

Policies must delineate maximum thresholds for loans collateralized by gold, as well as stipulations regarding single borrower limits, among other considerations.

However, in scenarios where a Non-Banking Financial Company (NBFC) is predominantly engaged in gold lending, wherein the bulk of its operations revolve around gold loans, one must contemplate whether such entities would necessitate adherence to a sectoral cap. The response to this inquiry may lean towards the negative; nonetheless, these entities are still obligated to establish alternative constraints, such as borrower limits, refinancing limits, and others.

Additionally, limits predicated on the quantity of gold or silver ornaments and coins allocated per borrower have also been articulated.

b) **Monitoring of End-Use:** The Reserve Bank of India (RBI) has expressed apprehensions regarding the insufficient monitoring of end-use by gold lenders. Typically, in instances where gold loans are disbursed for personal consumption or use, the feasibility of effectively monitoring end-use becomes markedly challenging.

While it is essential that end-use is monitored in all instances, with corresponding evidence duly documented, the Draft Directions further categorize these loans into two distinct classifications based on their intended purpose, namely income-generating versus consumption loans.

- **Income Generating Loans:** For income-generating loans, it is imperative that documentary evidence verifying end-use is mandatorily employed for the purpose of monitoring end-use in every circumstance.

- **Consumption Loans:** In the context of consumption loans, owing to the inherent difficulties associated with monitoring end-use for each individual loan, the Draft Directions stipulate the establishment of thresholds above which end-use monitoring will be necessitated.

c) **Credit Appraisal of Borrowers:** The Draft Directions stipulate that the sanctioned loan amount must be intrinsically linked to the borrower's capacity for repayment. This stipulation implies that lending cannot solely rely on the collateral's value; rather, it necessitates comprehensive underwriting even in the context of secured loans.

Traditionally, in the realm of secured lending, loans were commonly granted based predominantly on the collateral's strength, with minimal consideration afforded

to the borrower's repayment capability. Given that in the case of gold loans, the gold is typically pledged, and its custody remains with the lender, while the Loan-to-Value (LTV) ratio must be sustained throughout the duration of the loan, the lender's interests are safeguarded consistently. In instances of borrower default, the lender retains the prerogative to liquidate the gold asset to recuperate the loan proceeds. Nonetheless, the requirement for mandatory credit assessment underscores that, even within secured lending paradigms, extending loans absent an evaluation of the borrower's repayment capacity constitutes imprudent lending. The underlying intent is unequivocal: collateral alone cannot supplant rigorous credit assessment. Therefore, irrespective of the collateral's robustness, it is imperative that lenders thoroughly evaluate the creditworthiness and repayment capacity of the borrower prior to the disbursement of secured (gold) loans.

d) **Restrictions on top-ups:**The Reserve Bank of India (RBI) has noted that top-up loans were being issued without a thorough re-evaluation of creditworthiness, and in certain instances, were employed as a mechanism to perpetuate lending to borrowers in default. The Draft Directions now prohibit the provision of any top-up loans to borrowers classified as Non-Performing Assets (NPA), stipulating that loan renewals and top-up loans may only be approved if the borrower's existing facility is deemed standard and only subsequent to a comprehensive credit appraisal.

Moreover, it is imperative that top-up loans do not exceed the established overall Loan to Value (LTV) ratios.

In the context of bullet repayment loans, borrowers must settle any outstanding interest in order to qualify for loan renewals or top-up loans.

To Conclude:

Despite the adage that all that glitters may be gold, such scenarios will undoubtedly be subjected to more stringent regulatory frameworks. These Directions reflect the RBI's strategic approach and determination to intensify regulatory oversight and to take prompt measures whenever lending practices diverge from the expectations set by the regulator. While many of these initiatives address concerns previously articulated by the RBI, they now necessitate lenders to critically evaluate their operational practices, bearing in mind that the RBI maintains vigilant oversight.

References:

Reserve Bank of India Draft Guidelines on Gold Loans.

Harmful Impacts of Artificial Intelligence on Everyday Life

"Artificial Intelligence is a good master but a bad servant."

Shri Hargovind Sachdev
Former General Manager
State Bank of India

Artificial Intelligence (AI) can have positive and negative effects on an individual's daily life. The world is captivated by its benefits, often overlooking the associated dangers. Its extensive reach and rapid response impress users. However, AI also presents several drawbacks that negatively impact both the climate and employment.

While offering immense potential benefits, AI also carries a range of harmful impacts that require careful consideration. One significant concern revolves around job displacement. As AI-powered automation becomes more sophisticated, it can perform tasks previously undertaken by humans across various industries, including manufacturing, transportation, customer service, and even white-collar professions. This widespread automation could lead to high unemployment, exacerbating existing economic inequalities and potentially creating social unrest if not managed proactively through retraining and effective social safety net programs. The concentration of wealth and power in the hands of those who control advanced AI technologies is another troubling consequence.

Moreover, the growing dependence on AI systems presents significant ethical challenges. Biases ingrained in the data used to train these systems can result in discriminatory outcomes in loan applications, criminal justice, and hiring processes, perpetuating and even amplifying societal prejudices. The lack of transparency in complex AI algorithms, often called the "black box" problem, complicates the understanding of decision-making processes, impeding accountability and making it difficult to identify and correct these biases. This lack of clarity can undermine trust in AI systems and result in unfair or unjust outcomes, especially for marginalised groups.

The potential misuse of AI technologies also poses substantial risks. Autonomous weapon systems, for example, raise significant ethical and security concerns regarding accountability, the risk of unintended escalation, and the diminishing of human control over lethal force.

Similarly, AI-powered surveillance technologies can be used to monitor and track individuals on an unprecedented scale, infringing upon privacy rights and potentially leading to authoritarian control.

The development of sophisticated AI tools that can generate deepfakes and spread disinformation poses a significant threat to democratic processes and social cohesion, making it increasingly difficult to discern truth from falsehood.

Another critical area of concern is the potential for AI to exacerbate existing societal vulnerabilities. The increasing dependence on complex AI systems can create new points of failure, making critical infrastructure more susceptible to cyberattacks and technical malfunctions. Moreover, the psychological impact of interacting with increasingly human-like AI could lead to social isolation, a blurring of the lines between human and artificial interaction, and potentially a decline in crucial social skills. The constant exposure to personalised AI-driven content could also contribute to filter bubbles and echo chambers, further polarising society and hindering constructive dialogue.

Training large AI models requires significant computational power, leading to high energy consumption. This energy often comes from fossil fuels, significantly contributing to greenhouse gas emissions. Furthermore, AI technologies' rapid development and deployment have resulted in increased electronic waste. ***If not properly managed, the disposal of outdated hardware can cause harmful environmental effects.***

The demand for rare minerals and resources used in AI hardware leads to environmentally harmful mining practices that damage ecosystems and increase carbon footprints.

AI solutions primarily benefit wealthier nations and corporations, potentially exacerbating the climate resilience gap between affluent and impoverished regions. This income disparity hinders global efforts to combat climate change.

Reliance on AI may foster complacency toward traditional methods of addressing climate change, such as conservation and sustainable practices. Furthermore, it may create a misleading sense of security.

AI models can lead to harmful outcomes, such as optimizing resource usage in ways that deplete local resources and worsen environmental conditions. Some AI applications, like autonomous vehicles, initially result in higher energy consumption and emissions before achieving efficiency, thereby delaying the transition to sustainable practices.

While AI has the potential to aid climate solutions, these negative impacts highlight the importance of responsible development and implementation. ***AI shows considerable promise in improving our capacity to address climate change, but it carries a cost.***

The risks of AI for climate action can be categorized into three main themes: ***the carbon footprint of AI itself, the environmental effects of the materials required to manufacture the technologies, and the uneven distribution of its benefits, which may further exacerbate existing inequalities.***

AI depends on energy-intensive computers. Although each new generation of processors generally performs more computations while consuming less power, ongoing investments in the sector drive advancements in power and efficiency. Nonetheless, the continual replacement of models and the retirement of older ones significantly affect ***the climate and environment within the AI industry.***

Many AI technologies rely on rare critical minerals and resources, such as cobalt, lithium, and tantalum, for production. The extraction of these materials incurs costs for both the environment and local communities.

The unequal application of AI illustrates that institutions and companies in developed countries predominantly lead modern AI research. This focus overlooks the needs of developing nations, where AI applications for climate solutions are critically necessary. ***The uneven distribution of AI resources exacerbates global inequalities between wealthier and poorer countries.***

At its core, AI is a tool that can be utilized to tackle some of humanity's most pressing challenges, from decarbonizing our economies to enhancing healthcare systems. By processing vast amounts of data beyond human capabilities, AI offers insights that can transform industries, inspiring us with its potential to foster positive change. However, we must not overlook the associated costs.

AI-driven cyber-physical systems optimize industrial processes, reduce energy consumption, and decrease emissions. However, the ***'parasitic cost'—the extra energy and resources needed***

to develop and maintain AI solutions—is considerably high.

Researchers, developers, policymakers, and users can mitigate the negative impacts of AI on the global climate. This approach includes energy efficiency, sustainable AI development, climate-informed AI, using AI for climate change mitigation, promoting responsible AI usage, education and awareness, policy and regulation, research and development, collaboration and open dialogue, and enhancing transparency and accountability. It is time to initiate the remedial efforts outlined below:

Energy Efficiency: Developing AI algorithms and systems that minimize energy consumption while improving computational efficiency.

Sustainable AI Development: Encouraging sustainable practices in AI development, including the use of renewable energy sources, reducing e-waste, and adopting circular economy principles.

Climate-Informed AI: Creating AI systems that consider climate-related factors and enhance decision-making to reduce environmental impact.

AI for Climate Change Mitigation: Using AI to tackle climate change directly, including:

- Climate modeling and prediction
- Renewable energy integration
- Energy efficiency optimisation
- Sustainable transportation systems
- Climate-resilient infrastructure design

Responsible AI Use: Promoting responsible AI use, such as:

- Avoiding unnecessary computations
- Using cloud computing with renewable energy
- Reducing data storage and transmission

Education and Awareness: Educating developers, users, and policymakers about the climate impacts of AI while promoting best practices.

Policy and Regulation: Formulating policies and regulations that encourage sustainable AI development and usage, such as:

- Carbon footprint standards
- Energy efficiency regulations
- Green AI certifications

Transparency and Accountability: Promoting openness in AI development and deployment while ensuring that developers and users are responsible for their environmental impacts fosters confidence in the responsible use of AI and reassures us about its potential benefits.

Implementing these strategies reduces AI's harmful effects on the climate while leveraging its potential to promote a more sustainable future.

While the advancements in artificial intelligence hold great promise, it is crucial to acknowledge and address its potential for harm. From widespread job displacement and the amplification of societal biases to the risks of misuse of autonomous weapons and the erosion of privacy, the negative impacts of unchecked AI development could be significant.

Proactive measures, including ethical guidelines, robust regulatory frameworks, and a focus on human-centred AI development, are essential to mitigate these risks and ensure that AI benefits humanity without creating new and potentially more complex challenges.

It is rightly said, ***"With Artificial Intelligence, we may be inviting a demon; however, Artificial Intelligence is more likely to save us than destroy us if handled intelligently.'***

Sale of A Group/Cluster of Assets Under Resolution Plan During Cirp

SYNOPSIS

At its commencement, the IB Code provided that under a corporate insolvency resolution process (CIRP), a resolution plan shall be submitted by prospective resolution applicants (PRA) for the corporate debtor as a whole and such process shall stand completed on approval of any one resolution plan by the Adjudicating Authority (AA) under the provisions of section 31 of the IBC. In this manner, the corporate debtor (CD) would be taken over by the successful resolution applicant (SRA) and all past liabilities relating to the CD shall stand extinguished on approval of the resolution plan. This concept was referred to as "clean slate" theory under IBC.

Later on, an amendment was made in IBC and a provision was introduced to allow the resolution professional (RP) to invite resolution plans for individual assets or group/cluster of assets of the CD. Thereafter, the RP started issuing request for resolution plan (RFRP) for individual asset or group/cluster of assets which included a condition that the assets of the CD were being sold under CIRP on "As is where basis".

A question arose that where the assets were sold by the RP on "as is where basis" under a resolution plan, whether all past liabilities relating to those assets sold to SRA will stand extinguished on approval of resolution plan by AA? Whether the "clean slate" theory will apply to such resolution process"?

In this Article, the author has attempted to address various issues that arise out of such a situation. The author may be reached by email on – rajeevip2020@gmail.com

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Brief background –

IBC Corporate Insolvency Resolution Process (CIRP) Regulations provide as follows-

"37. Resolution plan.

A resolution plan shall provide for the measures, as may be necessary, for insolvency resolution of the corporate debtor for maximization of value of its assets, including but not limited to the following: -

....(m) sale of one or more assets of corporate debtor to one or more successful resolution applicants submitting resolution plans for such assets; and manner of dealing with remaining assets"

While various modes of sale of assets are provided in the IBC, let us try to analyse the effect of these IBC provisions on sale of a group/cluster of assets by the RP under a resolution plan during CIRP process.

After obtaining approval of the CoC, when an RP proposes to sell a group/cluster of assets under the CIRP process, then he is required to issue an RFRP for submission of resolution plan by the PRAs for sale of such group/cluster of assets in the manner provided in the RFRP. In most cases, where the RP invite PRAs to submit resolution plan for the sale of group/cluster of assets of CD under CIRP process, it is prominently displayed/mentioned in the RFRP that the sale of assets will be sold on ***"As is where basis" and "Whatever is where basis" and "No recourse basis"*** and so on.

By including such phrases in the RFRP, the RP informs all PRAs that the said assets are being sold in same physical state, as they exist at present, with all rights, titles, interests, obligations and liabilities attached to such assets. The PRAs are further obliged to conduct their own due diligence in order to determine the estimated value and status of such assets and also conduct their own enquiries regarding all rights, titles, obligations and liabilities in relation to such assets.

It will be interesting to understand the significance, as well as, the legal interpretation of the phrase ***"As is where basis" and "Whatever is where basis" and "No recourse basis"*** in relation to group/cluster of assets which are sold by RP in such manner.

The interpretation of the phrase "***As is where basis" and "Whatever is where basis" and "No recourse basis"*** was deliberated upon and decided by Hon'ble SC in the case of K C Ninan Vs Kerala State Electricity Board & Others (Civil Appeal No 2109-2110 of 2004) – Judgement pronounced on 19/05/2023.

Their Lordships held in para no. 138, 141 and 142 of this judgement as follows –

"138. Thus, the implication of the expression ***"as is where is" or "as is what is basis" or "as is where is, whatever there is and without recourse basis"*** is not limited to the physical condition of the property, ***but extends to the condition of the title of the property and the extent and state of whatever claims, rights and dues affect the property,*** unless stated otherwise in the contract. The implication of the expression is that every intending bidder is put on notice that the seller does not undertake any responsibility to procure permission in respect of the property offered for sale or any liability for the payment of dues, like water/service charges, electricity dues for power connection and taxes of the local authorities, among others."

"141. To conclude, all prospective auction purchasers are put on notice of the liability to pay the pending dues when an appropriate "as is where is" clause is incorporated in the auction sale agreement. ***It is for the intending auction purchaser to satisfy themselves in all respects about circumstances such as title, encumbrances and pending statutory dues in respect of the property they propose to purchase.*** In a public auction sale, auction purchasers have the opportunity to inspect the premises and ascertain the facilities available, including whether electricity is supplied to the premises. Information about the disconnection of power is easily discoverable with due diligence, which puts a prudent auction purchaser on a reasonable enquiry about the reasons for the disconnection. When electricity supply to a premises has been disconnected, it would be implausible for the purchaser to assert that they were oblivious of the existence of outstanding electricity dues."

"***142***. In terms of the legal doctrine of ***caveat emptor,*** it becomes the duty of the buyer to exercise due diligence. A seller is not under an obligation to disclose patent defects of which a buyer has actual or constructive notice in terms of Section 3 of the Transfer of Property act, 1882. However, in terms of Section 55(1)(a), in the absence of a contract to the contrary, the seller is under an obligation to disclose material defects in the property or in the seller's title thereto of which he is aware and which a buyer could not with ordinary care discover for himself."

It is relevant to mention here that in the case of ***K C Ninan Vs Kerala State Electricity Board & Others (Supra),*** the Hon'ble Supreme Court was dealing with the matter relating to sale of assets of a company ***under the provisions of the SARFASEI Act.*** Therefore, it will be interesting to analyze how such a guiding principle, which was enunciated by Hon'ble Supreme Court in the case of ***K C Ninan Vs Kerala State Electricity Board & Others (Supra)*** in relation to the phrase "as is where is" or ***"as is what is basis" or "as is where is, whatever there is and without recourse basis",*** will apply in case of sale of group/cluster of assets of the CD under the corporate insolvency resolution process ***(CIRP)*** of the CD under the provisions of IBC.

Let us take a step back and do a brief recall of the CIRP process under IBC. On a public announcement made by the IRP, the creditors are requested to submit their claims in prescribed forms within 30 days of issue of such announcement and the IRP is required to collate and compile a list of creditors in order to constitute the CoC. Thereafter, a list of creditors is issued by RP wherein the voting share of creditors is mentioned and the process proceeds further from thereon. For identifying the PRA, the RP issues an EOI inviting eligible parties to participate in the CIRP process of the CD. Subsequently, an RFRP and IM inviting PRAs to submit resolution plan is issued. Once such resolution plans are received, they are deliberated upon and negotiated by the CoC and finally the resolution plan submitted by a particular resolution applicant is accepted by CoC and forwarded to AA for its approval. The resolution plan gets approved by AA and the CIRP process stands concluded.

The Hon'ble Supreme Court has expressed its view on ***'clean slate'*** theory on approval of the Resolution Plan in several remarkable landmark judgements.

In this regard, a three Judge Bench of the Hon'ble Supreme Court in ***Ghanshyam Mishra & Sons (P) Ltd. v. Edelweiss Asset Reconstruction Co. Ltd., (2021) 9 SCC 657*** held as follows:

"102.1. That once a resolution plan is duly approved by the adjudicating authority under sub-section (1) of Section 31, the claims as provided in the resolution plan shall stand frozen and will be binding on the corporate debtor and its employees, members, creditors, including the Central Government, any State Government or any local authority, guarantors and other stakeholders. ***On the date of approval of resolution plan by the adjudicating authority, all such claims, which are not a part of resolution plan, shall stand extinguished and no person will be entitled to initiate or continue any proceedings in respect to a claim, which is not part of the resolution plan***.

102.3. Consequently, all the dues including the statutory dues owed to the Central Government, any State Government or any local authority, if not part of the resolution plan, shall stand extinguished and no proceedings in respect of such dues for the period prior to the date on which the adjudicating authority grants its approval under Section 31 could be continued."

The Hon'ble Supreme Court in ***Essar Steel (India) Ltd. (CoC) v. Satish Kumar Gupta, (2020) 8 SCC 531*** explained the position as under:

"107. For the same reason, the impugned NCLAT judgment in Standard Chartered Bank v. Satish Kumar Gupta [Standard Chartered Bank v. Satish Kumar Gupta, 2019 SCC OnLine NCLAT 388] in holding that claims that may exist apart from those decided on merits by the resolution professional and by the adjudicating authority/Appellate Tribunal can now be decided by an appropriate forum in terms of Section 60(6) of the Code, also militates against the rationale of Section 31 of the Code. A successful resolution applicant cannot suddenly be faced with "undecided" claims after the resolution plan submitted by him has been accepted as this would amount to a hydra head popping up which would throw into uncertainty amounts payable by a prospective resolution applicant who would successfully take over the business of the corporate debtor. All claims must be submitted to and decided by the resolution professional so that a prospective resolution applicant knows exactly what

has to be paid in order that it may then take over and run the business of the corporate debtor. ***This the successful resolution applicant does on a fresh slate, as has been pointed out by us hereinabove. For these reasons, NCLAT judgment [Standard Chartered Bank v. Satish Kumar Gupta, 2019 SCC OnLine NCLAT 388] must also be set aside on this count."***

Incidentally, the judgements referred to above, were delivered by Hon'ble Courts in relation to the corporate insolvency resolution process of the corporate debtor, where the corporate debtor was resolved as a whole. Therefore, it will be interesting to find out if the ***"clean slate"*** theory will apply in case of corporate resolution process which involves sale of individual assets of CD or sale of a group/cluster of assets of CD under a resolution plan.

This view requires analysis as, on one hand, the claims are received and admitted by the RP for the ***corporate debtor as a whole*** (i.e. in relation to all dues of various creditors, which may or may not be related or unrelated to any specific asset of the corporate debtor), on the other hand, the assets of the CD undergoing corporate resolution may be sold in more than one group/clusters (i.e. maybe sold as cluster no. 1, 2 ,3 and so on) to

different PRAs. Moreover, one also needs to apply the principle laid down by Hon'ble Supreme Court in the case of ***K C Ninan Vs Kerala State Electricity Board & Others (Supra) i***n relation to the phrase ***"as is where is" or "as is what is basis" or "as is where is, whatever there is and without recourse basis"*** as the assets are sold by RP accordingly.

Therefore, three important questions emerge out of these discussions which are –

1) Whether the interpretation of the phrase "***as is where is" or "as is what is basis" or "as is where is, whatever there is and without recourse basis"*** upheld in the case of ***K C Ninan Vs Kerala State Electricity Board & Others (Supra)*** will have any resultant effect on the "clean slate" theory, with respect to approved resolution plan, upheld by the Courts?

2) Whether the ***"clean slate"*** theory upheld by the Courts, in respect of an approved resolution plan of a CD as a whole, will apply in case of sale of a group/cluster of assets of the CD, where such a resolution plan is also approved by the Adjudicating Authority?

3) Whether the successful resolution applicants (SRA), whose resolution plan is approved by the Adjudicating Authority, will be liable for settlement of past liabilities/ dues of the corporate debtor under any circumstances?

So far as the principle upheld by Hon'ble Supreme Court in the case of ***K C Ninan Vs Kerala State Electricity Board & Others (Supra)*** relating to the interpretation of the phrase ***"as is where is" or "as is what is basis" or "as is where is, whatever there is and without recourse basis"*** is concerned, the observation of the Court with respect to the rights, title, interests and obligations attached to an asset or a group/cluster of asset ***will hold its ground*** as the sale of group/cluster of assets was made by the RP on that basis. Therefore, there can be no doubt that the group/cluster of assets gets transferred to the SRA on approval of the resolution plan by AA with all rights, title, interests and obligations that existed at the point in time when the RP issued RFRP inviting PRAs to submit resolution plan for sale of group/cluster of assets.

However, we are also required to weigh such an interpretation against the backdrop of the ***"clean slate"*** theory upheld by Courts under IBC.

When we consider the applicability of the ***"clean slate"*** theory as upheld by the Courts in case of CIRP process, the golden words, which were included in the judgements pronounced by Hon'ble Supreme Court, come to our guidance and are reproduced below –

a) Ghanshyam Mishra & Sons (P) Ltd. v. Edelweiss Asset Reconstruction Co. Ltd., (2021) 9 SCC 657 –

"102.1. ...... On the date of approval of resolution plan by the adjudicating authority, all such claims, which are not a part of resolution plan, shall stand extinguished and no person will be entitled to initiate or continue any proceedings in respect to a claim, which is not part of the resolution plan.

102.3. Consequently, all the dues including the statutory dues owed to the Central Government, any State Government or any local authority, if not part of the resolution plan, shall stand extinguished and no proceedings in respect of such dues for the period prior to the date on which the adjudicating authority grants its approval under Section 31 could be continued."

b) Essar Steel (India) Ltd. (CoC) v. Satish Kumar Gupta, (2020) 8 SCC 531 –

"107. ...... A successful resolution applicant cannot suddenly

*be faced with "undecided" claims after the resolution plan submitted by him has been accepted as this would amount to a hydra head popping up which would throw into uncertainty amounts payable by a prospective resolution applicant who would successfully take over the business of the corporate debtor........ **This the successful resolution applicant does on a fresh slate, as has been pointed out by us hereinabove. For these reasons, NCLAT judgment [Standard Chartered Bank v. Satish Kumar Gupta, 2019 SCC OnLine NCLAT 388] must also be set aside on this count."***

From the extracts reproduced above, it would appear that although the principle laid down in the case of ***K C Ninan Vs Kerala State Electricity Board & Others (Supra)*** comes into play, ***yet its effect is nullified due to the provisions of the IBC.***

The reason for such a conclusion is that –

1) Under the provisions of IBC, the sale of the group/cluster of assets of the CD takes effect in the favour of the SRA due to and only on approval of the resolution plan by AA as per provisions of section 31 of the IBC.

2) The Courts have deliberated at length on the applicability and the effect of the provisions of section 31 of the IBC (relating to approval of a resolution plan) and have, consistently and conclusively, held that the approval of a resolution plan by the AA ***brings down the curtain on the resolution proceedings qua SRA.***

3) As a result, the SRA is entitled to take over the assets or group/clusters of assets for which resolution plan had been approved and ***"Consequently, all the dues including the statutory dues owed to the Central Government, any State Government or any local authority, if not part of the resolution plan, shall stand extinguished and no proceedings in respect of such dues for the period prior to the date on which the adjudicating authority grants its approval under Section 31 could be continued"***.

In case the RP calls for only one plan to be submitted by each PRA for acquiring the CD as a whole, then a resolution plan submitted by any one PRA will be ultimately approved by the AA in respect of the CD. However, if the RP issues an RFRP inviting multiple resolution plans for various group/cluster of assets of CD, then multiple resolution plans will ultimately get approved for different SRAs. In effect, in both the processes, one resolution plan or multiple resolution plans, will be approved by the AA under the provisions of section 31 of IBC.

Therefore, it does not make any difference if the resolution plan is approved by the AA, for the whole or multiple assets of the corporate debtor. The only important and relevant consideration is the resolution plan being approved by AA. Once the resolution plan is approved by AA, the group/cluster of assets will be taken over by the SRA and all dues attached to such group/cluster of assets shall stand extinguished on approval of the resolution plan.

Therefore, it will be prudent to conclude that the ***"clean slate"*** theory upheld by the Courts under IBC provisions would apply in all cases where the resolution plan is approved by AA. The approval of AA to a resolution plan is a conclusive stamp on the final adjudication of the resolution plan under the provisions of IBC.

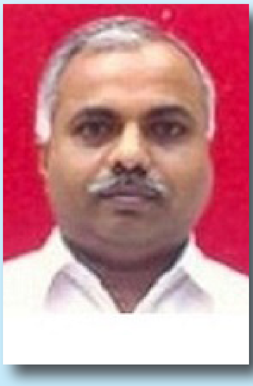
Author's Views:

The sale of group/cluster of assets by the RP under a resolution plan, which is ultimately approved by AA, ***is the sole criterion*** under the IBC for the claim of immunity from all past liabilities. While the tag of ***"as is where is basis"*** does apply to all transactions where the assets are sold as such, the overall immunity provided by the provisions of section 31 of the IBC, relating to approval of resolution plan by AA, ***serves as an regional protective umbrella for the resolution process***. The SRA cannot be, and should not be, burdened with any past liabilities, whether relating to the business affairs of the CD or relating to any asset of the CD.

One more important provision of IBC is to be considered here. Section 238 of IBC has an overriding effect on all other laws. It provides a ***global protective umbrella*** to the transactions which happen on the IBC platform. Therefore, immense protection is available to the SRA with regard to immunity from past liabilities under this framework.

Having said that, I still can imagine a smile on my learned friend's face where they have different experiences to deal with.

Unlocking India's MSME Potential



CMA (Dr.) P. Siva Rama Prasad
Former Asst. General Manager
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The Ministry of Micro, Small, and Medium Enterprises (MSME), vide its notification dated March 21, 2025, has amended the criteria for the classification of Micro, Small, and Medium Enterprises. Although the proposed amendment was articulated in the Union Budget 2025, the formal notification substantiates the elevation of classification thresholds, effective from April 1, 2025.

This amendment will enable a multitude of enterprises to qualify as MSMEs, thereby facilitating the expansion of existing MSMEs without the risk of forfeiting their current classification.

Need for Revision:

During the 2025 Budget Address, the Hon'ble Finance Minister underscored the pivotal role that MSMEs play within the Indian economy:

Presently, more than 1 Crore Registered MSMEs, Employing 7.5 Crore Individuals, and Contributing 36 percent to our Manufacturing Sector, have collectively positioned India as a Global Manufacturing Hub. Through their superior products, these MSMEs account for 45 percent of our Total Exports. To assist them in attaining greater efficiencies of scale, technological advancement, and enhanced access to capital, the investment and turnover thresholds for the classification of all MSMEs will be augmented to 2.5 and 2 times, respectively. This enhancement will instil confidence in them to expand and generate employment for Country Youth.

Revised Classification Criteria:

Category	Investment in Plant and Machinery or Equipment (₹ in Crores)		Annual Turnover (₹ in Crores)	
	Current	Revised	Current	Revised
Micro	<= ₹ 1	<= ₹ 2.5	<= ₹ 5	<= ₹ 10
Small	<= ₹ 10	<= ₹ 25	<= ₹ 50	<= ₹ 100
Medium	<= ₹ 50	<= ₹ 125	<= ₹ 250	<= ₹ 500

It is crucial to recognize that the Classification of MSMEs adheres to a composite criterion, signifying that should an enterprise surpass either the investment or turnover threshold, it will be reclassified into the succeeding category.

Commencing from FY 2025-26, a significant increase in eligible enterprises is anticipated, resulting in a new surge of registrations on the UDYAM portal. The notification dated June 26, 2020 (the principal circular) delineates the procedure for UDYAM registration.

A salient inquiry emerges concerning enterprises presently classified as Medium or Small Enterprises: Will they be reduced to Small or Micro Enterprises as a consequence of the reclassification? Clause 8(6) of the principal circular elucidates:

"In the event of reverse graduation of an enterprise, whether arising from re-classification or due to actual alterations in investment in plant and machinery or equipment or turnover or both, and irrespective of whether the enterprise is registered under the Act or not, the enterprise shall remain in its current category until the conclusion of the financial year and will be afforded the advantages of the changed status only effective from April 1 of the financial year subsequent to the year in which such change occurred."

This indicates that enterprises eligible for reverse graduation will maintain their existing classification until March 31, 2025, with the revised classification commencing on April 1, 2025.

Impact:

The reclassification is anticipated to yield extensive ramifications across diverse economic sectors. Some pivotal implications encompass:

- **Tax Implications & Payment Compliance:** One of the significant advantages that Micro and Small Enterprises (MSEs) possess in comparison to Medium Enterprises is attributed to Section 43B(h) of the Income Tax Act, 1961, which permits deductions for payments rendered to MSEs exclusively on a cash basis (i.e., contingent upon actual payment as opposed to accrual). This legislative provision is consistent with Section 15 of the MSMED Act, 2006, which prescribes a payment timeline of 45 days.

  Given the increased prevalence of enterprises categorized as MSEs, purchasers obtaining goods and services from these entities must ensure prompt payments. Delays that exceed the stipulated timelines may engender tax disallowances and potential compliance complications.

In addition to the disallowance of deductions under the Income Tax Act, 1961, such debtors are also obligated to comply with the requirement of submitting Form MSME-1 on a semi-annual basis.

- **Enhanced Regulatory Compliance:** The Ministry of MSME, through its notification dated March 25, 2025, has mandated that firms receiving goods or services from MSEs and failing to effectuate payments within 45 days must file Form MSME-1 on a semi-annual basis, detailing outstanding amounts and justifications for delays.

  The form underwent revision by the order of the Ministry of Corporate Affairs (MCA) on July 15, 2024; however, the newly revised classification criteria will not influence filings for the six months concluding in March 2025. Companies are required to ensure that subsequent filings accurately reflect payments owed to newly classified MSEs.

- **Enhanced Access to Credit:** Furthermore, the Budget 2025 proposed enhancements in credit guarantee coverage:

  - ✓ **Micro and Small Enterprises:** From ₹5 crore to ₹10 crore, thereby facilitating an additional ₹1.5 lakh crore in credit over a period of five years.

  - ✓ **Startups:** From ₹10 crore to ₹20 crore, accompanied by a 1% guarantee fee for loans in 27 identified focus sectors.

- ✓ **Export-Oriented MSMEs:** Term loans up to ₹20 crore.

  These initiatives are anticipated to strengthen MSME financing through programs such as the Emergency Credit Line Guarantee Scheme (ECLGS), Credit Guarantee Fund Schemes (CGS-I & CGS-II), Credit-Linked Capital Subsidy Scheme (CLCSS), and the Micro Finance Programme.

- **Priority Sector Lending ('PSL'): The broadening of MSME eligibility is poised to amplify the range of financing options accessible to these enterprises. In accordance with the Reserve Bank of India's Master Directions on Priority Sector Lending, loans dispensed to MSMEs are recognized as part of Banks' obligations to the priority sector. The augmentation in eligible entities may culminate in increased loan disbursements across both the manufacturing and service sectors.**

  As delineated in the Master Direction-Priority Sector Lending (PSL)-Targets and Classification, domestic Scheduled Commercial Banks (SCBs) and foreign banks are mandated to allocate 40% of their Adjusted Net Bank Credit (ANBC) to priority sectors, inclusive of Micro, Small, and Medium Enterprises (MSMEs). Specifically, domestic SCBs and foreign banks with 20 or more branches are required to extend at least 7.5% of ANBC or the Credit Equivalent Amount of Off-Balance Sheet Exposure (whichever is higher) to Micro enterprises.

- **Supply Chain Financing & Securitization:** With an expanded array of qualifying Micro, Small, and Medium Enterprises (MSMEs), platforms such as the Trade Receivables Discounting System (TReDS) and other supply chain financing methods are likely to experience a notable increase in receivables available for securitization. This phenomenon has the potential to enhance liquidity and reduce financing expenses for MSMEs.

Other Advantages:

In addition to credit-oriented advantages, MSMEs benefit from a range of non-financial assistance provided by governmental bodies. Several of these forms of support are elucidated below:

- ✓ The Zero Defect Zero Effect (ZED) Certification Scheme, introduced by the Ministry of MSME, promotes the adoption of high-quality manufacturing protocols among Small Enterprises, emphasizing energy efficiency and environmental sustainability. Enterprises registered under the Udyam portal may submit applications, with qualifying entities receiving financial aid that covers up to 80% of certificaton expenses for Micro Enterprises, 60% for Small Enterprises, and 50% for Medium Enterprises.

- ✓ To promote MSME Clusters, the Micro and Small Enterprises-Cluster Development Programme (MSE-CDP) provides financial support for infrastructure enhancement, establishment of common facility centers, and facilitation of improved market access. Industry associations, state governmental entities, and consortia of MSMEs are eligible for grants that cover 70-90% of project expenditures, contingent upon the geographical location and characteristics of the cluster.

- ✓ Pursuant to the Public Procurement Policy for Micro and Small Enterprises (MSEs), all central governmental ministries, departments, and Central Public Sector Enterprises (CPSEs) are mandated to source a minimum of 25% of their procurement from MSEs, with specific sub-targets allocated for Scheduled Castes/Scheduled Tribes (SC/ST) and Women Entrepreneurs.

- ✓ The Lean Manufacturing Competitiveness Scheme (LMCS) assists MSMEs in diminishing Manufacturing Costs through optimized personnel management, enhanced space utilization, scientific inventory oversight, improved workflow processes, and reduced engineering time, among other measures.

  These specialized initiatives collaboratively bolster the growth trajectory of MSMEs, enhance market accessibility, and facilitate technological innovation.

To Conclude:

Although the upward revision of classifications for MSMEs may seem like a straightforward modification, its ramifications are extensive. The anticipated increase in registrations is poised to not only impact enterprises seeking MSME advantages but also affect businesses acquiring goods and services from these entities, as well as financial institutions providing credit. Companies and financial stakeholders are required to reassess internal policies to align with the shifting MSME landscape, thereby ensuring seamless compliance with the updated regulatory framework.

References:

Ministry of MSME Guidelines & Union Finance Budget 2025-2026

Bank Customer Grievance Redressal - Need For Transformation

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Background:

Banking is essentially a service industry. We are not just selling a set of banking products but as a banker we are in the business of customer service. In providing a suite of financial services, we are aiming at not merely customer satisfaction but our objective needs to be achieving customer delight. To quote from Mahatma Gandhi 'A customer is the very purpose of our work and he is not an outsider to our business, but a part of it'. Despite this guiding principle, we have close to 10 lac customer grievances recorded in one year through the mechanism of 'RBI Integrated Ombudsman Scheme.'

Here we delve into the entire mechanism of customer service redressal mechanism available in the banking industry, the RBI initiatives to promote consumer protection and education (Based on Various RBI schemes and publications) and the need for transformation in banking operations and mind set, to take the customer service to the next level.

Present Framework of Grievance Redressal:

In Banking, providing a diverse range of financial products and services through different delivery channels and catering to millions of customers involving multiple times higher number of transactions, some lapses or errors are bound to occur. In the course of business, such incidences or other kinds of deficiency in service may become a cause of complaint by a customer. Each bank needs to have a robust well-structured customer complaints redressal framework for time bound handling and redressal of complaints.

The first point of reference and dealing with the complaint is the branch or delivery channel through which the customer has availed the banking services. There is a provision for the next level escalation of complaints and hierarchy of higher authorities to resolve or finally redress a complaint within the bank.

The Reserve Bank of India as regulator of Banks, NBFCs and other financial institutions has also set up a comprehensive mechanism in the shape of Alternate Grievance Redress Framework (AGR). The AGR framework of RBI consists of RBI ombudsmen (RBIOS), Consumer Education and Protection Cells (CEPCs)and Customer Education and Protection Department (CEPD).

RBI ombudsman is a senior official of RBI appointed by it to redress the complaints from customers of the Regulated Entities (RE-Banks, NBFCs etc.) against 'deficiency in service ', under Reserve Bank -Integrated Ombudsman scheme2021(RB-IOS2021). 'Deficiency In Service' means a shortcoming or inadequacy in any financial service or such other services related thereto, which the RE is required to provide statutorily or otherwise, which may or may not result in financial loss or damage to the customer.

The RB -IOS,2021 /AGR framework provides for a simplified process whereby complaints can be lodged on the 24 by 7online CMS portal or send the complaints in email/physical form to Centralized Receipt and Processing Center (CRPC)set up in Chandigarh.

Automatic acknowledgement to the complainant on registration of online complaints is available along with the facility for real time tracking of the status of the complainant. For redressal of any grievance, the complainant must first approach the concerned bank /RE. If the RE does not respond within a period of 30 days after lodgment of the complainant or rejects the complainant wholly/ partly or if the complainant is not satisfied with the response/resolution given by RE, the complainant can lodge his complaint under the scheme.

Complaints which are filed directly with the ombudsman without being first taken up with concerned RE in writing are not covered under RB - IOS, 2021.Similarly, complaints related to commercial decisions of the RE e.g. granting of loan are also not covered under the scheme. The complaints pertaining to REs not covered under RB -IOS, 2021 are for warded to the concerned CEPCs of RBI.

Procedure of Redressal

On receipt of a complaint, it is scrutinized, to assess whether it is maintainable or non-maintainable complaint. If found on maintainable it is closed and suitable communication is issued to the complainant. For a maintainable complaint, the RBI ombudsman endeavors to promote agreement between the complainant and the RE. If an amicable settlement of the complaint is arrived at between the parties, the same is recorded and signed by both the parties. It becomes binding on both the parties as signed by them and no formal award is issued by the ombudsman in such cases.

If the matter is not resolved through settlement (facilitation or conciliation or mediation) the ombudsman after allowing the parties a reasonable opportunity (and based on records placed before him, Principles of Banking law and Practice, directions , instructions and guidelines issued by the RBI from time to time and such factors ,which in his opinion are relevant for deciding the complaint),may pass an Award (directing the Regulated Entity for specific performance) or reject the complaint (if the RE is found to have adhered to the extant norms and practices in vogue).

The outcome of the complaint is communicated to both the complainant and the Rectus a defined process and mechanism is followed to arrive at a well-considered judicious outcome.

The RB - IOS ,2021 scheme also provides for an appellate mechanism for the complainant as well RE for the complainants closed under the appealable clauses of the scheme.

In order to promote customer education and protection, BI has taken several initiatives which include special awareness campaigns under the tag line ' RBI Keta Hai'. In addition, education based booklets have also been released by RBI relating to various Modus Operando adopted by fraudsters and' Dos and Don't s' to safeguard and protect against such incidents.

RBI on its part has also taken several steps which are customer centric in nature to improve the level of customer service at the RE level.

In addition, BI has also laid down directions for compliance by the Regulated Entities in respect of appointment of Internal ombudsman (Last Revised vide

Master Direction

dated 29/12/2023). The internal ombudsman is an independent functionary established with an objective to improve the level of customer service in REs and facilitate a robust internal grievance redressal mechanism within the Rtes. The directions inter alia stimulate that the internal ombudsman will deal with the complainants that have been examined by regulated entity but have been partly or wholly rejected by the RE. The internal ombudsman shall not handle complaints received directly from the complainants or members of public. Apart from handling the complaints referred to him by RE, the internal ombudsman is also required to analyses the pattern of complaints such as product/ category wise, consumer group wise, geographical location wise etc. and suggest mechanisms to address the root cause of complaints of similar/ repeated nature and those that require policy level changes. A report on the functioning of the internal ombudsman of the RE is also to be sent to RBI on

prescribed format, periodically, for their review.

Major categories of complaints and their analysis:

As per the 'RBI Annual Report on Integrated Ombudsman scheme,2021', the total number of complaints received during the year 2023- 24 were 934355 showing an increase of 32.81percent over the previous year.

The complainants are mainly divided into 10 categories in respect of banks as under: -

1) Mobile/Electronic Banking,

2) Loans and Advances,

3) Opening/Operation of Deposit Accounts

4) CreditCards,

5) ATM /CDM / Debit Cards,

6) Pension Related

7) Remittances and Collection of instruments

8) Para Banking

9) Notes and Coins

10) Other products and services.

With the growing usage of the digital banking facilities, the highest percentage of complaints (22.48%) was under the category of mobile/electronic banking during the year 2023-24. Around 22.47% complaints were under the category of Loans and Advances indicating the growing number of accounts and portfolios of retail advances. The fact that the third largest category with 19.15% of complaints was Opening/ Operation of Deposit Accounts indicates that a lot still needs to be done to improve the processes and customer service at the branch level/1st point of delivery level taking into account the extant ground level realities. The ATM / CDM /Debit card related complaints were 10.41% underlying the need for better maintenance and timely response. Over 87 percent of the complainants were from individuals with only 3.05% from corporates thereby indicating a need for wider reach for customer grievance redressal.

Need for Transformation with a Customer Centric Approach: -

The large number of complaints and the broad analysis as above, underline the need for a transformation in banking with a focused customer centric approach. The objective of raising the customer service to the next level of customer delight needs to be ingrained into the DNA of every staff member of the banks. While technology can help in bringing efficiency in processes, empathy and concern for the customer is of utmost importance. Effectivecommunication and listening skills become crucial to handle the day-to-day requirements of the customers. The bank staff needs to be trained to step into the shoes of the customer to deliver high level service.

On going review of complaints with in-depth root cause analysis is required to bring about policy/process changes for seamless operations. With frequent changes and updating of digital banking, the customer needs to be sensitized and duly informed. Use of AI tools is also suggested for better data analytics, complaints handling and trend analysis, to improve products and processes after identifying the gaps.

Conclusion

Banking is essentially a customer service industry where the customer is the focal point and source of business. The orientation of the products, processes and the bank staff therefore needs to be customer centric However, the number and variety of complaints through various channels against the banks is on the rise, which is a cause of concern.

The RBI is playing a proactive role in customer protection and education through a very robust and comprehensive mechanism along with periodic steps to further improve the customer service by the Regulated Entities. The banks need to gear up and transform their approach and functioning with human touch and empathy. With the judicious pragmatic steps and the help of technology, the banks can take the customer service standards to the next level of customer trust, delight and loyalty.

Health is Wealth

(“Health Insurance” ProtectsIndividual’s Wealth)

CMA Manmohan Sahu
MSME Consultant & Financial Advisor

With the escalation of health-related concerns attributable to lifestyle choices, psychological stressors, and environmental pollution, the acquisition of health insurance emerges as a critical component for ensuring financial stability in the event of medical emergencies. By remitting a health insurance premium, individuals can secure access to prompt medical interventions and emergency services. This coverage encompasses expenditures such as consultations with healthcare professionals, hospital stays, surgical procedures, and prescription medications, thereby mitigating out-of-pocket costs.

In summary, given the myriad advantages associated with health insurance, it is prudent to consider investment in such a policy. Health insurance provides a plethora of benefits that address a wide array of healthcare requirements. Presented below are some of the principal advantages of health insurance:

Hospitalization Benefits: The hospitalization benefits afforded by health insurance encompass expenses incurred during an inpatient admission, including room charges, physician fees, medical procedures, surgical costs, and nursing care. Many plans also account for pre- and post-hospitalization expenses, such as diagnostic assessments and follow-up medical consultations.

Protection from Growing Medical Expenses: In India, medical costs are on an upward trajectory due to various factors including inflation, advancements in medical technology, and an increased demand for healthcare services. A singular instance of hospitalization, surgical

intervention, or treatment for a critical illness can profoundly impact the financial stability of a middle-class household.

Low-Cost Premium for Young People: An essential consideration when evaluating the merits of health insurance is that premiums are generally more affordable for younger individuals.

Maternity Benefits: Maternity benefits encompassed within a health insurance policy encompass all expenses related to pregnancy. These benefits cover costs associated with both normal and caesarean deliveries. Certain plans additionally provide coverage for prenatal and postnatal expenses. If one is enrolled in a corporate health insurance plan, it is advisable to review the policy specifics to ascertain the maternity benefits and extent of coverage.

Critical Disease Specific Plans: Critical illness insurance offers protection against life-threatening medical conditions such as cancer, renal failure, and myocardial infarction. The policy provides a lump-sum benefit that addresses the substantial treatment costs associated with the critical illnesses delineated within the coverage.

Hospital Daily Cash Benefits: One of the advantages of health insurance is the provision of hospital daily cash benefits, which cover non-medical expenses such as transportation and meals incurred during a hospital stay.

Includes Yearly Medical Check-Ups: The advantages of health insurance in India encompass annual medical check-ups, facilitating the early identification of potential health concerns and enabling appropriate treatment at initial stages.

Covers Ambulance Fees: A salient benefit of health insurance is the coverage of ambulance services for the transportation of the insured individual to the nearest medical facility. The majority of insurance plans include this coverage, with the reimbursement amount being predetermined.

The significance of this benefit lies in the fact that when a policyholder experiences an accident or a critical medical event such as a myocardial infarction, they can utilize ambulance services and subsequently claim reimbursement for the incurred costs.

Tax Benefits Under Section 80D: According to Section 80D, the premiums paid for health insurance policies qualify for tax deductions under the Income Tax Act of 1961. The magnitude of the tax benefit is contingent upon the age of the insured, with a maximum allowable deduction of ₹ 1 lakh.

Role of Insurance Regulatory and Development Authority of India (IRDAI):

The Insurance Regulatory and Development Authority of India (IRDAI) occupies a central position in overseeing and fostering the growth of the insurance sector in India. Within this domain, health insurance constitutes a vital segment that is rigorously governed by the IRDAI to guarantee that policyholders receive equitable and transparent services from insurers. The most recent IRDAI directives regarding health insurance (Ref: IRDAI/HLT/CIR/PRO/84/5/ 2024 DTD: 29.05.2024)are designed to augment the overall experience for policyholders, facilitate effective claim settlements, and mitigate ambiguities within the policy terms.

The IRDAI has instituted an extensive framework of rules and guidelines pertaining to Health Insurance Policies to safeguard the interests of policyholders while fostering equitable practices among insurers. These regulations encompass diverse dimensions, including policy renewals, group health insurance frameworks, transparency in terms and conditions, and the management of pre-existing conditions.

New Health Insurance Guidelines by IRDAI-2025:(Ref:IRDAI/HLT/CIR/PRO/84/5/ 2024 DTD: 29.05.2024)

1. ***Health Insurance Plans for All Age Groups:*** Abolition of Age Restrictions: The recent IRDA regulations concerning health insurance mandate that insurers provide at least one product devoid of any upper age constraints. Historically, the majority of policies were confined to individuals up to 65 years of age. This modification guarantees an expanded array of choices for Senior Citizens and those surpassing the conventional age threshold.

   Implications: This amendment primarily advantages Senior Citizens, empowering them to acquire comprehensive Health Insurance at any point in time.

   Objective: To cultivate an equitable Health Insurance framework wherein age does not dictate an individual's capability to secure insurance.

2. ***Reduction in Pre-existing Disease Waiting Period:*** From Four Years to Three: The duration of the waiting period for the coverage of pre-existing diseases, including diabetes or hypertension, has been curtailed, facilitating earlier claims.

   Benefit to Policyholders: This diminution permits expedited financial relief for the treatment of Chronic Health Conditions.

   Regulatory Modification: The waiting period for pre-existing diseases has been reduced to three years of uninterrupted coverage. Nonetheless, policyholders are obligated to fully disclose any pre-existing conditions during the application process, as non-disclosure may result in claim denials, even post the waiting period. Insurers are prohibited from rejecting claims for these conditions after three years, provided there has been no misrepresentation.

3. ***Specific Disease Waiting Period Adjustment:*** Standardization to Three Years: Specific medical conditions or procedures, such as joint replacement surgeries, now benefit from a reduced waiting period in accordance with the new IRDAI guidelines governing health insurance.

   Patient Advantage: Patients are now afforded the opportunity to undergo essential Surgical Procedures Sooner, with financial assistance from their insurers.

4. ***Inclusivity for Severe Medical Conditions: Non-Discrimination Policy:*** The New IRDA Guidelines strictly forbid insurers from denying coverage to individuals afflicted with severe medical conditions such as heart disease, cancer, renal failure, and AIDS, contingent on the final terms and conditions outlined by the underwriters and specific policy stipulations. Coverage may still be subject to individual underwriting criteria and associated waiting periods.

   Broader Coverage: This ensures that high-risk individuals are afforded the requisite health insurance protection.

5. ***AYUSH Treatment Without Sub-Limits:*** Comprehensive Coverage: Patients are now enabled to claim the Total Cost of Treatments under AYUSH (Ayurveda, Yoga, Naturopathy, Unani, Siddha, and Homeopathy) up to their specified sum insured.

   Healthcare Diversity: This supports the incorporation of Traditional and Alternative Medical Practices into the mainstream Health Insurance framework.

6. ***Customised Plans for Specialised Groups:*** Tailored Products: Insurers are motivated to develop Health Insurance Products specifically designed to address the needs of children, seniors, students, and maternity cases.

   Diverse Needs: This initiative seeks to accommodate the diverse health insurance demands that arise across various life stages and medical conditions.

7. ***Cashless Claim Settlement:*** Insurance providers are obligated to uphold a detailed Registry of Hospitals and healthcare practitioners for the purpose of cashless claim settlements, accompanied by explicit protocols regarding the reimbursement claims for services delivered outside this designated network.

8. ***Reduced Moratorium Period:*** Shortened to Five Years: The duration during which insurers possess the authority to challenge claims associated with the non-disclosure of pertinent information has been abbreviated, thereby fostering increased trust between policyholders and insurance providers.

   Security Post-Five Years: Subsequent to the five-year period, insurers are precluded from disputing claims unless in instances of substantiated fraud, thereby affording enhanced security to policyholders.

9. ***Model Products for Vulnerable Groups:*** Insurance Providers are mandated to furnish specific coverage alternatives for marginalized populations, encompassing individuals with disabilities, those living with HIV/AIDS, and persons experiencing Mental Health Disorders. These offerings must adhere to applicable legal standards and ensure equitable access to healthcare services. By addressing the requirements of these demographics, insurers can advance inclusivity and deliver critical safeguards for individuals who may encounter discrimination within conventional insurance markets. This initiative signifies a dedication to social responsibility and the promotion of health equity.

10. ***Allowance for Multiple Claims Across Insurers:*** Flexibility in Claims: Policyholders possessing benefit-based insurance policies are permitted to submit claims across various insurers.

    Enhanced Coverage: Individuals are afforded the opportunity to optimize their benefits and receive adequate assistance during Medical Emergencies.

    The latest guidelines from the Insurance Regulatory and Development Authority (IRDA) for Health Insurance in 2025 are meticulously structured to cultivate a more inclusive, Adaptable, and Supportive Health Insurance framework within India. They confront enduring obstacles and lay the groundwork for improved coverage and facilitated access to healthcare for the entire populace.

To Conclude:

The Comprehensive Guidelines and Regulations instituted by the IRDAI for Health Insurance in India play a pivotal role in guaranteeing that policyholders receive equitable and transparent services. By enforcing rigorous Rules concerning claim settlements, policy renewals, and clarity in terms and conditions, the IRDAI aspires to improve the overall experience for policyholders. Maintaining awareness of the most recent IRDAI guidelines pertaining to health insurance can empower policyholders to make informed decisions and fully capitalize on the benefits afforded by their Health Insurance Policies.

Reference:

IRDAI Guidelines.

Strengthening of Micro insurance and Rural Penetration

Dr. Jyotsna Haran
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India's insurance sector is on a growth trajectory, substantial efforts are needed to bridge the literacy gap. Enhancing public awareness, simplifying insurance products, and leveraging digital platforms are crucial steps toward achieving comprehensive insurance coverage across the country.

Recent developments in India's insurance sector have been marked by significant reforms, technological advancements, and expanding access. Some key highlights include improved regulatory framework, digital transformation, product customization and product innovation, global entry facilitation including such many more factors. These developments collectively aim to make India's insurance sector more inclusive, technologically advanced, and resilient, contributing significantly to the country's economic growth.

Regulatory Framework Enhancements in India's Insurance Sector

Recent years have seen the IRDAI (Insurance Regulatory and Development Authority of India) implement several key changes to strengthen the regulatory framework, ensuring a more robust and consumer-friendly insurance environment. Some notable enhancements include:

- **Strengthening Consumer Protection:** The IRDAI has introduced stricter norms around transparency in policy documents, claim settlement processes, and grievance redressal mechanisms. This aims to improve trust and confidence among policyholders.

- **Product Regulations:** The authority has laid down clearer guidelines on product disclosures, ensuring that insurance products are simple, transparent, and easy to understand. This includes standardized policy clauses and clear definitions of benefits and exclusions.
- **Banc assurance and Distribution Channels:** To facilitate wider access, IRDAI has liberalized regulations around banc assurance partnerships and authorized more channels like corporate agents, brokers, and digital platforms, promoting a diverse distribution ecosystem.
- **Pricing and Solvency Norms:** The framework now emphasizes stricter solvency margins and risk-based capital requirements to ensure financial stability of insurers. Additionally, pricing guidelines have been improved to prevent mis -selling and ensure fair premium calculations.
- **Digital and Innovation Guidelines:** Recognizing the shift to digital platforms, IRDAI has established regulatory standards for online policy issuance, e-kYC, and digital claims processing, ensuring compliance while fostering innovation.
- **Encouragement of Micro insurance:** Enhancements have been made to promote micro insurance, including simplified policy language and lower capital requirements, aiming to serve low-income and rural populations effectively.
- **Enhanced Monitoring and Reporting:** The IRDAI has mandated improved reporting standards for insurance companies, utilizing data analytics to monitor market practices and prevent unfair practices or insolvencies.

These regulatory enhancements aim to create a safer, more transparent, and inclusive insurance market in India, fostering growth while safeguarding consumer interests.

Digital Transformation in India's Insurance Sector

India's insurance industry has experienced a significant shift towards digitalism, driven by advances in technology, changing customer preferences, and supportive regulatory measures. Key aspects of this transformation include:

- ✓ **Enhanced Customer Engagement through Digital Platforms:** Insurers now offer seamless online interfaces, including mobile apps, websites, and chat bots. Customers can compare policies, purchase plans, and submit claims without physical visits, significantly improving convenience.
- ✓ **Use of Artificial Intelligence (AI) and Machine Learning:** AI-powered tools are being used for underwriting, risk assessment, and fraud detection. Personalization of insurance products is now possible based on data analytics, leading to tailored offerings.
- ✓ **Automated Claims Processing:** Digital automation has expedited claims settlement processes, reducing turnaround times from days to hours. Insurers utilize digital documents, photo submissions, and real-time app notifications for efficient claims management.
- ✓ **E-KYC and Digital On boarding:** Electronic Know Your Customer (e-KYC) procedures streamline customer verification, enabling instant policy issuance and on boarding, especially important during the pandemic period.
- ✓ **Data Analytics and Big Data:** Insurers leverage vast amounts of data to refine risk modeling, pricing, and customer targeting. This data-driven approach enhances product relevance and operational efficiency.
- ✓ **Insurtech Startups and Collaborations:** The rise of insurtech firms promotes innovation by integrating cutting-edge technology into insurance processes. Many traditional insurers are partnering with these startups to accelerate digital initiatives.
- ✓ **Regulatory Support for Digital Growth:** IRDAI has set standards for digital transactions, ensuring secure and compliant digital insurance practices. Regulatory sandbox environments allow testing of innovative digital products before widespread deployment.
- ✓ **Financial Inclusion via Digital Channels:** Digital platforms facilitate access to insurance for underserved populations, especially in rural areas, supporting government initiatives like its national digital health and social schemes.

Overall, digital transformation is making India's insurance sector more accessible, efficient, and customer-centric, fueling sector growth and inclusion.

"Strengthening of Micro insurance and Rural Penetration" refers to enhancing the reach, effectiveness, and accessibility of small-scale insurance products in underserved rural areas. Here's a brief breakdown:

1. Micro insurance

Micro insurance is designed to serve low-income individuals who are typically excluded from traditional insurance markets. Micro insurance is a type of insurance specifically designed for low-income people. It offers:

- **Simple terms and coverage:** Protection against common rural risks: crop failure, livestock loss, health issues, accidents, and natural disasters.
- **Low premiums and coverage:** tailored to rural and economically weaker populations.
- **Simple products** for health, life, agriculture, livestock, or weather-related risks.
- **Flexible distribution** via local agents, cooperatives, NGOs, and mobile platforms.

2. Rural Penetration

This focuses on expanding the availability and uptake of insurance products in rural areas by:

- **Building awareness** and educating people about the benefits of insurance.
- **Developing customized products** that meet the specific risks of rural livelihoods (e.g., crop failure, livestock loss).
- **Partnering with local institutions,** such as self-help groups and microfinance institutions, to reach deeper into rural networks.
- **Using digital technologies** to lower costs and improve efficiency in enrollment, premium collection, and claims processing.

3. Strategic Goals

Efforts to strengthen micro insurance and rural penetration generally aim to:

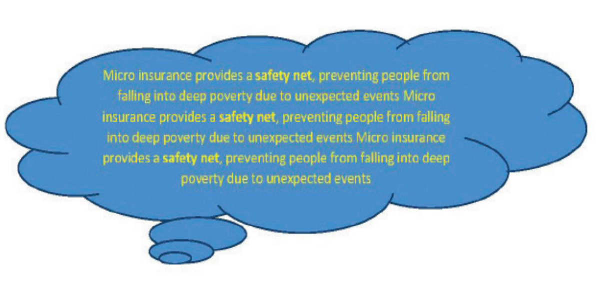
- Improve **financial inclusion** and resilience among the poor.
- Support **sustainable agriculture and rural development.**
- Enable **risk mitigation** for vulnerable populations affected by climate change, disease, or economic shocks.

Micro insurance in Rural India plays a crucial role in providing financial security to low-income, vulnerable populations who depend on agriculture, informal labor, or small-scale enterprises.

Importance in Rural India

Rural India is home to around 65% of the population, many of whom are:

- Economically vulnerable
- **Exposed to unpredictable incomes and risks (e.g., monsoon failures, pest attacks, medical emergencies)**
- **Often excluded** from traditional insurance systems



Delivery Models

- **Government schemes:** Often subsidized or free for eligible groups.
- **NGO partnerships:** Awareness and trust-building.
- **Microfinance institutions (MFIs):** Bundled with loans.
- **Self-Help Groups (SHGs):** Peer-driven outreach.
- **Digital platforms:** Mobile-based enrollments, claim tracking.

Key Challenges

- **Low awareness and literacy:** Many rural residents don't understand how insurance works.

- **Trust deficit:** Delays in claim settlement reduce faith in the system.
- **Last-mile delivery issues:** Geographic and infrastructural constraints.
- **Product mismatch:** Generic products may not meet the specific needs of rural livelihoods.

Recommendations to Strengthen Micro insurance

- **Tailored products** based on local risks (e.g., region-specific crops).
- **Technology use** for quick claims processing (AI, remote sensing for crop loss).
- **Awareness campaigns** through schools, SHGs, and local leaders.
- **Incentivizing private insurers** to enter rural markets with regulatory support.
- **Data-sharing platforms** between insurers, banks, and government bodies for better risk assessment.

Impactful Examples are, In states like ***Maharashtra and Karnataka,*** localized weather-based insurance and cattle insurance schemes have helped farmers ***recover post-drought or disease outbreaks***, preventing distress migration and financial ruin.

Rural Penetration of Insurance in India

Rural insurance penetration refers to the extent to which insurance products and services are accessed and utilized by people in rural areas. In India, this has become a growing focus for financial inclusion and poverty alleviation.

1. Current Status

- **Low Penetration:** Despite a population of over 900 million in rural India, insurance penetration remains below 5% in many regions.
- **Life insurance dominates** rural coverage, often through government schemes or micro insurance.
- **General insurance** (health, crop, livestock, etc.) is still underutilized despite high relevance.

2. Key Government Initiatives

Scheme	Type	Target Audience
PMFBY (Pradhan Mantri Fasal Bima Yojana)	Crop	Farmers
PMJJBY (Jeevan Jyoti Bima)	Life	Low-income adults (18–50 yrs.)
PMSBY (Suraksha Bima)	Accident	Low-income earners
Ayushman Bharat (PM-JAY)	Health	Poor and vulnerable families

3. Barriers to Rural Penetration

- **Low awareness** and financial literacy.
- **Complex documentation** and claim procedures.
- **Mistrust** due to past claim rejection or delays.
- **Lack of insurance agents** and infrastructure in remote areas.
- **Products not tailored** to rural needs (e.g., one-size-fits-all models).

4. Distribution Models

- **Self-Help Groups (SHGs)** and cooperatives
- **Panchayats and Common Service Centres (CSCs)**
- **Microfinance Institutions (MFIs)**
- **Mobile and digital platforms** (e.g., PMGDISHA)
- **Bank correspondents and post offices**

5. Recent Trends and Innovations

- **Weather-based and index insurance** for crops
- **Bundled insurance with loans or savings products**
- **Use of Aadhaar and mobile numbers** for faster KYC
- **Digital claims processing** using satellite or drone data
- **Involvement of private insurers** through public-private partnerships

6. Suggestions for Improvement

- **Localized insurance products** tailored to regional risks
- **Digital literacy and awareness drives**
- **Faster and transparent claims** with tech integration
- **Incentives for insurers** to operate in rural areas

- **Stronger regulatory support** (e.g., IRDAI's push for inclusive insurance)

7. Impact Potential

Improving rural penetration of insurance can:

- **Mitigate rural poverty** and vulnerability to shocks
- **Promote entrepreneurship** by reducing fear of loss
- **Boost agricultural resilience** and productivity
- Support the goal of **universal social protection**

Enhancement in low awareness and financial literacy

Enhancing ***low awareness and financial literacy*** in rural India—especially related to insurance—requires a ***multi-pronged, grassroots approach*** that combines education, trust-building, and accessible communication. Here's a structured plan:

✓ 1. Community-Based Education Campaigns

- **Use local influencers:** Leverage gram panchayat leaders, SHG heads, teachers, and ASHA workers as trusted messengers.
- **Street plays, puppet shows, folk songs:** Culturally relevant formats make complex ideas easier to grasp.
- **Insurance literacy camps:** Partner with NGOs and banks to hold interactive sessions in villages.

✓ 2. Simplified and Localized Communication

- **Use local languages and dialects**
- **Visual aids:** Posters, leaflets, and comic books to explain:
  - What insurance is
  - How premiums and claims work
  - Examples of benefits (e.g., flood recovery, health cover)
- **Short videos and mobile content:** Share over WhatsApp, YouTube, or community screens.

✓ 3. School and Youth Programs

- Introduce **basic financial literacy** in rural school curriculums.
- Conduct **insurance quiz competitions**, workshops, and insurance "melas" (fairs).
- Use rural **youth clubs** to spread knowledge within families.

✓ 4. Digital and Radio Outreach

- **Community radio broadcasts** with real-life stories of insured villagers.
- **Voice-based learning** over mobile (IVR calls) for illiterate populations.
- Collaborate with **telecom operators** to send SMS tips and reminders in local language.

✓ 5. Train-the-Trainer Programs

- Train **micro insurance agents**, SHG leaders, and NGO field staff on insurance literacy.
- Equip them with **toolkits and FAQs** to handle questions and build trust.

✓ 6. Demonstrate Value with Real-Life Success Stories

- Publicize **testimonials of successful claims** in the same village or region.
- Organize **claim settlement ceremonies** to show transparency and benefits.

✓ 7. Government and Private Sector Collaboration

- Mandate a **Corporate Social Responsibility (CSR)** push for rural insurance awareness.
- Integrate insurance awareness into existing programs like **PMGDisha (digital literacy), NRLM (livelihoods), and Skill India**.

Outcome:

With the right combination of ***education, accessibility, and trust,*** rural communities will be more willing and able to use insurance for their economic security.

Here are some ***notable examples*** and case studies where efforts to enhance ***low awareness and financial literacy***—particularly around insurance and finance—have been successful in rural India:

1. PMGDISHA (Pradhan Mantri Gramin Digital Saksharta Abhiyan)

- **Objective:** Make 60 million rural citizens digitally literate.
- **Impact:** Helped villagers understand digital banking,

insurance portals, and online services.

- **Method:** Used village-level entrepreneurs and training centers; many participants went on to become digital banking correspondents.

2. IRDAI's Insurance Awareness Campaigns

- **Campaign:** "Bima Bemisaal"
- **Mediums used:** Radio, TV, print, and rural road shows.
- **Key Feature:** Real-life examples to show how insurance saved families from poverty.
- **Impact:** Led to improved engagement in life and crop insurance across targeted regions.

3. NABARD's Financial Literacy Initiatives

- **Role:** Trains SHGs, farmers' clubs, and rural development functionaries.
- **Tools:** Flip charts, games, audio-visuals.
- **Impact:** Increased participation in savings and micro insurance schemes like PMSBY and PMJJBY.

4. DHAN Foundation – Micro insurance in Tamil Nadu

- **Approach:** Used SHG networks to educate rural women on health and life insurance.
- **Unique Element:** Peer-to-peer education, storytelling sessions.
- **Result:** High claim settlement rates and trust in the insurance system.

5. SEWA (Self-Employed Women's Association), Gujarat

- **Focus:** Grassroots education on health, life, and asset insurance.
- **Strategy:** Built "barefoot insurance educators" from within the community.
- **Outcome:** Over 100,000 rural women covered and aware of their insurance rights.

6. HDFC Ergo's Weather Insurance Literacy Program

- **Target:** Farmers in Maharashtra, Karnataka, and Gujarat.
- **Tools Used:** Mobile vans with interactive displays and local language videos.
- **Result:** Clear increase in voluntary enrollment in weather-based crop insurance.

7. CRISIL Foundation's "Mein Pragati" in Assam and Rajasthan

- **Method:** Used trained "Sakhis" (female facilitators) to deliver financial literacy.
- **Topics:** Savings, insurance, digital payments.
- **Reach:** 100,000+ women with a measurable increase in insurance uptake.

These examples prove that localized, trust-based, and multimedia education—especially when embedded in existing rural structures—can significantly boost awareness and adoption of insurance products.

How to enhance Low awareness and insurance literacy? Some notable coming plans

Enhancing insurance awareness and literacy in India is a strategic priority, especially in rural and underserved areas. Several upcoming initiatives and policy frameworks are poised to address these challenges:

1. IRDAI's Consumer Awareness and Insurance Education Strategy

The Insurance Regulatory and Development Authority of India (IRDAI) has developed a comprehensive strategy focusing on:

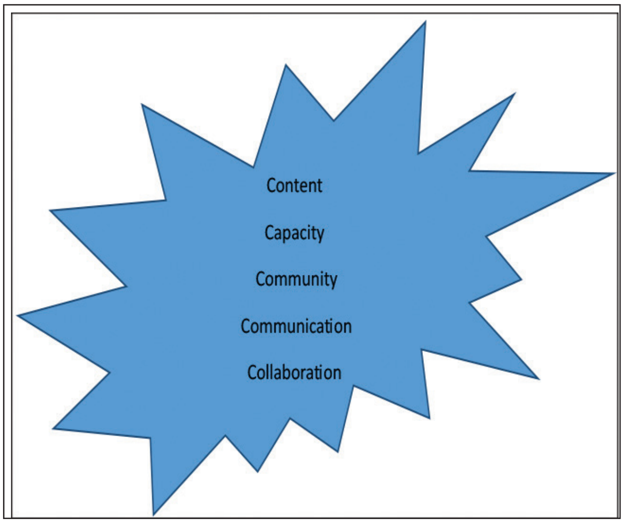
- **Public Awareness:** Educating the public about the need and benefits of insurance.
- **Informed Decision-Making:** Equipping policyholders with necessary information to make informed choices.
- **Rights and Responsibilities:** Making policyholders aware of their rights, responsibilities, and avenues for grievance redressal. To implement this strategy, IRDAI's Communications Wing designs awareness campaigns, which are reviewed by a Publicity Committee and executed through empanelled agencies.

2. National Strategy for Financial Education (NSFE) 2020–2025

The NSFE, developed by the National Centre for Financial Education (NCFE) in collaboration with financial sector regulators, adopts a '5 C' approach:

- **Content:** Developing relevant financial education content.

- **Capacity:** Building capacity among intermediaries providing financial services.
- **Community:** Leveraging community-led models for financial literacy.
- **Communication:** Implementing appropriate communication strategies.
- **Collaboration:** Enhancing collaboration among stakeholders.



This strategy aims to disseminate financial education across various segments of the population.

3. Mandating Board-Approved Insurance Awareness Policies

IRDAI mandates that insurers have a Board-approved Insurance Awareness Policy, outlining action plans for organizing activities that promote consumer awareness on various aspects of insurance.

4. Digital Initiatives for Financial Literacy

Initiatives like the DigiKavach program aim to protect users from online financial fraud, enhancing digital financial literacy. Collaborations with organizations like the FinTech Association for Consumer Empowerment (FACE) and Cyber Peace Foundation are integral to these efforts.

5. Community Engagement and Education

Programs such as Uttar Pradesh's Financial Literacy Program for Girls, in partnership with UNICEF, target young students to impart financial knowledge, including banking, savings, digital payments, and insurance. These initiatives often include practical activities like bank visits to reinforce learning.

6. Common Service Centres (CSCs) Expansion

The expansion of CSCs serves as digital access points in rural areas, offering services like banking, insurance, education, and e-governance, thereby promoting digital and financial inclusion.

To Sum-up

These initiatives collectively aim to bridge the financial literacy gap in India, empowering individuals with the knowledge and tools to make informed financial decisions. Strengthening micro insurance and enhancing its penetration in rural areas is vital for promoting financial inclusion, reducing vulnerability, and improving livelihoods among low-income and underserved populations. Effective implementation requires a multi-pronged approach that includes regulatory support, awareness-building, innovative product design, and the use of technology to reduce distribution costs and enhance accessibility. Collaboration among governments, insurers, NGOs, and community-based organizations is essential to create trust and tailor products to the specific risks and needs of rural communities. By reinforcing these efforts, micro insurance can become a powerful tool for social protection and sustainable development in rural economies.

Reimagining Insurance for Viksit Bharat: A Blueprint for Universal Coverage by 2047

CMA Shambhu Nath Roy
Professional Trainer

Introduction

India stands at a pivotal crossroads as it charts its course toward "Viksit Bharat 2047"—a vision of a developed, inclusive, and prosperous nation by the 100th year of its independence. Finance Minister Nirmala Sitharaman has emphasized this ambitious vision, underscoring the importance of inclusive growth for women, youth, farmers, and marginalized communities. The steps to realize this profound vision were articulated in the Union Budget 2025-26, where emphasis was laid on the following priorities:

i. Achieving ***zero poverty*** across the nation.

ii. Ensuring universal ***access to quality education*** for all children.

iii. Providing ***high-quality, affordable, and comprehensive healthcare*** to every citizen.

iv. Enabling ***100% skilled labour*** with meaningful employment opportunities.

v. Ensuring ***70% female participation*** in economic activities.

vi. ***Supporting farmers*** in making India the world's "food basket."

As part of India's broader vision for a developed nation by 2047, the Indian insurance sector plays a pivotal role in fostering financial inclusion, economic stability, and social security.

The roadmap for the Indian insurance sector toward 2047 must address existing challenges while leveraging innovation, technology, and inclusive growth.

The alignment of the Indian insurance sector with the goals of Viksit Bharat 2047 hinges on six key dimensions:

i. Regulatory evolution

ii. Financial inclusion

iii. Product innovation

iv. Technology adoption

v. Sustainable practices

vi. Human capital development

The Insurance Regulatory and Development Authority of India (IRDAI) has committed to achieving 'Insurance for All' by 2047, ensuring that every citizen has access to appropriate life, health, and property insurance and that every enterprise is backed by suitable insurance solutions. The objective of Insurance for All by 2047 is not only to accelerate industry growth and broaden the horizons of the insurance market, but also to makefinancial security accessible to all. Accordingly, the IRDAI is working to establish a progressive, supportive, and forward-looking regulatory framework to foster a competitive environment, which will enhance choice, accessibility, and affordability for policyholders while making the Indian insurance sector globally attractive.

2. Current Landscape of the Indian Insurance Sector

As we witness India's ascent to becoming the third-largest economy by 2030, it is imperative to reflect on the current state of the insurance landscape and anticipate the transformative journey that lies ahead. From being the 10thlargest in terms of total insurance premiums, India is set to become the 6thlargest insurance market by 2032 according to the Swiss Re Institute. However, this accomplishment comes against the backdrop of a stark reality which is also an opportunity, that India's insurance penetration ratio stands at a mere 3.9%, which is worse than even some emerging markets.

2.1 Overview of the Indian Insurance Sector

India's insurance industry consists of two primary segments: life insurance and general insurance. Life insurance covers a range of products, including term insurance, endowment policies, pension plans, and unit-linked insurance plans (ULIPs).

Life Insurance dominates the Insurance Sector, accounting for 75% of the Premium Income of the Industry. General insurance, on the other hand, includes motor, health, property, marine, personal accident, aviation, agriculture, and liability insurance. The growing emphasis on health insurance is spurred by rising healthcare costs and increased awareness of financial protection against health risks.

2.2 Key Players and Market Composition

The Indian insurance sector is characterized by a mix of public and private players. The Life Insurance Corporation of India (LIC) dominates not just the life insurance market, but also the public sector. Other state-owned entities like New India Assurance, Oriental Insurance, United India Insurance, and National Insurance control a sizable portion of the general insurance market.

Private Companies like HDFC Life, ICICI Prudential Life, SBI Life Insurance, Bajaj Allianz, and Star Health Insurance have become leading players, focusing on innovation, customer-centric

products, and digital distribution channels.

The recent augmentation of the Foreign Direct Investment (FDI) limit within the Indian insurance sector marks a significant development, elevating the permissible threshold from 74% to 100%. This adjustment is anticipated to stimulate greater participation from foreign entities in the industry. International insurance companies such as Zurich, AIG, and Standard Life have established joint ventures with Indian firms, bringing in global expertise, capital, and technology.

2.3 Factors driving the growth of the Indian Insurance Market

Several factors are driving the growth of India's insurance market:

- ***Rising disposable incomes***: With an increasing middle class and higher per capita income, more people are now able to afford insurance products as part of their financial planning.
- ***Awareness and financial literacy:*** As financial literacy improves, more Indians are seeking protection against risks.
- ***Support of Government initiatives:*** Government initiatives like the ***Pradhan Mantri Swasthya BimaYojana (PMSBY) and Pradhan Mantri Jan Arogya Yojana (PM-JAY: Ayushman Bharat)*** have contributed to increasing awareness about financial products, including insurance, across all social strata.
- ***Technological advancements:*** The digital revolution is transforming the way insurance products are distributed, underwritten, and serviced. Digital platforms and mobile apps have made it easier for consumers to purchase and manage policies.
- ***Growing healthcare needs:*** As healthcare costs continue to rise, there is increasing demand for health insurance, particularly in urban centres. The COVID-19 pandemic has further accelerated this trend.
- ***Aging population:*** India's demographic shift toward an older population is increasing demand for life and health insurance products, including pensions and long-term care insurance.
- ***Start-up Culture:*** The start-up and innovation driven environment has led to the mushrooming of small businesses, which pro-actively seek protection of assets through insurance.

2.4 Challenges

Despite the promising growth avenues, the Indian Insurance sector faces several challenges:

- ***Low awareness:*** A large segment of the population, particularly in rural areas, remains unaware of the benefits of insurance or is skeptical of its value. Indemnity, being intangible in nature, makes it difficult for rural dwellers to understand the importance of being insured.
- ***Distribution inefficiencies:*** The insurance distribution model in India is still heavily reliant on agents, who have limited access to remote areas. Moreover, distribution channels like banc assurance and online platforms are still underutilized.
- ***Underinsurance:*** Many Indians remain underinsured or over-insured, with products often not adequately tailored to their specific needs. This lack of customized solutions

hampers deeper market penetration.

- ***Trust issues:*** The insurance sector has faced trust issues related to claim settlement delays, complex product structures, and poor customer service.

- ***Regulatory constraints:*** Despite a progressive regulatory framework, issues like high capital requirements for insurers, complex tax structures, and bureaucratic delays continue to pose challenges to growth.

2.5 Regulatory Framework and Oversight

IRDAI is the apex body responsible for regulating and promoting the insurance industry and ensuring that the market operates fairly, transparently, and in the interest of policyholders.

IRDAI's objective is to strengthen the three pillars of the entire insurance ecosystem viz. insurance customers (policyholders), insurance providers (insurers) and insurance distributors (intermediaries) by:

- making available right products to right customers;
- creating robust grievance redressal mechanism;
- facilitating ease of doing business in the insurance sector;
- ensuring the regulatory architecture is aligned with the market dynamics;
- boosting innovation, competition and distribution efficiencies while mainstreaming technology and moving towards principle based regulatory regime.

Key regulatory changes introduced by IRDAI and its impact on the dynamics of the Indian Insurance Sector are discussed as follows:

(i) Solvency Margin& Capital Adequacy: Insurance companies are required to maintain a solvency margin and a minimum Capital base to ensure they can meet their future liabilities. IRDAI is pushing the Indian Insurance sector to converge with the Global Standards through phased introduction of Risk based Solvency norms.

(ii) FDI Norms: The Foreign Direct Investment limit in the insurance sector is set at 74%, which allows for foreign capital while maintaining control within Indian hands. In sync with the vision of the Central Government, IRDAI is preparing the Insurance Sector for 100% Foreign Direct Investment.

(iii) Digital and Technological Framework: The IRDAI is also encouraging insurers to adopt digital platforms and modern technologies like artificial intelligence, machine learning, and blockchain to improve efficiencies and customer experiences.

(iv) Level playing field for procurement of business for Public Sector Giants and Private Sector Players: A single cap/ overall limit has been introduced for "allowable" expenses of management and commission enabling insurers to devise commission structures incentivizing the intermediaries in line with their solicitation efforts and also render insurance more affordable.

(v) Unification and streamlining of Statutory Framework for the Insurance Sector: Overlapping or mutually contradictory multiple Regulations, Circulars and other statutes have been consolidated by IRDAI to provide clarity and strengthen the applicable Statutory Framework for the Industry players.

(vi) Registration and listing of Indian Insurance Companies: Norms for registration and listing of Indian Insurance companies have been amended to promote ease of doing business. In order to facilitate ease of raising other forms of capital viz., subordinated debt and/or preference shares, the requirement of prior approval from IRDAI is dispensed with.

(vii) Introduction of Regulatory Sandbox: The Regulatory sandbox is a framework which provides a testing environment to the companies to enable them to test their innovative products, technologies, etc., in a controlled regulatory setting. It promotes innovation and technological solutions in the industry.

(viii) Increase in tie-up limits for intermediaries: In order to enable the policyholders/prospects to have wider choice and access to insurance through various distribution channels and facilitate the reach of insurance to the last mile, the maximum number of tie ups for Corporate Agents (CA) and Insurance Marketing Firms (IMF) have been increased. IRDAI has expanded distribution channels by granting corporate agents, including banks, the option to have nine partners each in the Life, General, and Health insurance categories.

(ix) Product Simplification & Standardisation to reach the Last Mile: IRDAI's recent initiative to establish a committee for simplifying insurance policy language reflects the dedication to enhance insurance accessibility and transparency. To support the rural population to make informed decisions about insurance, the regulator has also been encouraging standardization of products like Saral Jeevan Bima for life insurance and Arogya Sanjeevani for health coverage. Government initiatives, like Pradhan Mantri Jeevan Jyoti Bima Yojana, Pradhan Mantri Suraksha Bima Yojana, Rashtriya Swasthya Bima Yojana, Pradhan Mantri Jan Arogya Yojana, Ayushman Bharat, Aam Aadmi Bima Yojana, and Central Government Health Scheme have further expanded insurance access to underserved populations.

2.6 Innovations and Trends in the Indian Insurance Sector

The insurance sector is rapidly evolving through product innovation, digital adoption, and wider distribution, driven by the India Tech Stack. Disruptive forces and emerging technologies like AI and embedded products are expected to fuel the next phase of growth, enhancing customer experience, risk management, and societal value while addressing the penetration gap.

(a) Digital Transformation and InsurTech

InsurTech is reshaping the Indian insurance landscape by streamlining policy issuance, payments, and claims through digital platforms. Technologies like AI, machine learning, and big data are enabling personalized products, better risk assessment, and fraud detection. Blockchain is also being explored for smart contracts and claims processing, making the sector more efficient and appealing to digital-first consumers.

(b) Driving Force behind Insure 2.0 - Bima Sugam, Bima Vahak, and Bima Vistaar

Some of the most notable initiative in the Insurance 2.0 direction is the launch of Digital platforms - Bima Sugam (DIY) and Bima Vahak, which shall allow customers to directly interact with multiple insurance companies at once. Bima Sugam shall acts as a comprehensive hub for all insurance-related inquiries, combining the essentials of insurance purchasing and claims processing in one place. In addition, Bima Vahak, another initiative by IRDAI, enables insurers to expand their reach and increase insurance penetration. Designated individuals at each Gram Panchayat serve as Bima Vahak, responsible for selling and servicing insurance in remote areas of India.

(c) Micro insurance and Inclusive Insurance Products

Microinsurance is gaining traction, offering affordable insurance products tailored to low-income households and small businesses. The Pradhan Mantri Fasal Bima Yojana (PMFBY) and Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) are examples of government-backed initiatives aimed at providing affordable insurance coverage to farmers and low-income groups.

3. Vision for 2047: Insurance in a Viksit Bharat

By 2047, the Indian insurance sector should aspire to become a global benchmark in inclusivity, innovation, and resilience, with achievement of the following objectives. A key objective will be to achieve universal insurance coverage across health, life, and property, ensuring that every citizen—regardless of geography or income level—is protected against life's uncertainties.

The sector must also strive to increase insurance penetration to at least 10% of GDP, reflecting deeper engagement and trust among individuals and businesses alike.

India should position itself as a global hub for insurance innovation and exports, leveraging its strong talent pool and rapidly growing Insurtech ecosystem to develop scalable, tech-driven solutions for emerging markets.

A fully digitally integrated, transparent, and efficient insurance infrastructure will be essential—one that enhances customer experience, reduces fraud, and improves claim settlement times.

Most importantly, the sector must serve as a pillar of robust social protection, offering financial security to vulnerable populations and supporting national resilience in the face of health crises, climate risks, and economic disruptions.

3.1 Major Achievable Milestones & Phased Goals:

Period	Focus Areas
2025	Regulatory modernization, push for rural coverage, digital on boarding
2030	Universal basic insurance (life + health), robust InsurTech ecosystem
2035	Personalized and climate-resilient insurance, 8%+ insurance penetration
2040	Integration with global insurance markets, ESG-aligned insurance models
2047	Fully inclusive, digital-first, sustainable insurance sector contributing to Viksit Bharat

4. Strategic Pillars of the Roadmap

Evolving the Role of IRDAI, Insurers and other Stakeholders: To realize the vision of a fully insured and resilient India by 2047, the *Insurance Regulatory and Development Authority of India (IRDAI)* must transition beyond its traditional role as a regulatory watchdog to a *developmental enabler* that fosters innovation, inclusion, and long-term sectoral growth. *Insurers must play a transformative role* not just as service providers, but as partners in national development, which requires a shift from traditional, product-centric models to inclusive, innovative, and purpose-driven approaches.

(i) ***Promote Micro-Insurance and Inclusive Regulations:*** IRDAI should actively champion micro-insurance frameworks through simplified and bundled products, reduced compliance burdens, and local distribution partnerships to cater to the needs of low-income and rural populations.

Offering ***bundled insurance package***s that combine life, health, crop, and property coverage can provide comprehensive financial protection under a ***single, simplified policy.*** These bundled products can be tailored for different population segments—For example:

- Farmers could receive a package that covers crop loss, health emergencies, livestock insurance, and home damage due to natural disasters.
- Urban low-income households could benefit from a policy combining basic health, term life, and household asset protection.

(ii) ***Ease Capital Requirements for Small Insurers and InsurTech Firms:*** A more flexible and risk-based capital framework will encourage the entry of smaller, agile insurers and technology-driven startups, thereby fostering greater competition, innovation, and niche market development.

(iii) ***Support Regulatory Sandboxes for Innovation:*** To keep pace with rapid technological change, IRDAI should expand the use of regulatory sandboxes—controlled environments for testing new products, services, and distribution models.

(iv) ***Establish a National Insurance Database:*** A centralized, secure, and interoperable National Insurance Database is crucial for enhancing transparency, reducing fraud, and improving underwriting and claims efficiency. It will also enable data-driven policymaking and sector monitoring.

(v) ***Implement Standardized Insurance Contracts for Easy Comprehensio***n: To address widespread issues of product mis-selling and misunderstanding, insurance contracts should be standardized with simplified language (preferably in multiple regional languages), clearly defined terms, and uniform formatting.

(vi) ***Enforce Faster Claim Resolution Timelines via Digital Grievance Redressal:*** Establishing a nationwide digital grievance redressal platform—with real-time tracking, escalation mechanisms, and customer service integration—can significantly enhance transparency and reduce delays. Leveraging AI and automation can also ensure consistency and fairness in claim assessments.

(vii) ***Strengthen the Insurance Ombudsman Framework:*** The Insurance Ombudsman mechanism should be expanded, both in geographic reach and operational capacity, to ensure quicker, more accessible dispute resolution. This includes appointing more ombudsmen, enabling digital case filing and hearings, and increasing awareness among policyholders. Additionally, granting the Ombudsman greater enforcement powers and ensuring accountability can improve outcomes and foster greater consumer confidence.

(viii) ***Allow 100% FDI in Insurance Intermediaries:*** Permitting 100% foreign direct investment (FDI) in insurance intermediaries—such as brokers, agents, web aggregators, and third-party administrators—will unlock significant capital and technical expertise from global players. Clear regulatory guidelines and investor protections will be essential to ensure stability while enhancing competition and efficiency.

(ix) ***Encourage New Licenses for Specialized Insurers (Cyber, Agriculture, Climate Risk):*** As risk landscapes evolve, there is an urgent need for specialized insurers that can address emerging threats such as cyber security breaches, agricultural volatility, and climate-related disasters. Encouraging the issuance of new licenses for niche insurance companies—supported by tailored regulatory frameworks—will enable more precise underwriting, foster product innovation, and enhance resilience in critical sectors of the economy.

(x) ***Promote Reinsurance and International Insurance Business through GIFT City:***India's International Financial Services Centre (IFSC) at GIFT City should be further developed into a global reinsurance and cross-border insurance hub and a Centre of Excellence for actuarial talent and regulatory innovation.

(xi) Launch Targeted Jan Bima Yojanas with Government Support:The government should design and roll out Jan Bima Yojanaswith affordable premiums, simplified processes, and partial or full subsidies where needed, for vulnerable groups such as farmers, informal workers, women, and low-income households.

(xii) Strengthen Business Correspondent (BC) Networks for Insurance Distribution: Business Correspondents (BCs), already active in extending banking services to remote areas, can play a crucial role in distributing insurance. Training and equipping BCs with digital tools, product knowledge, and incentives will transform them into trusted insurance facilitators. Regulatory reforms to formally include insurance within the BC model, along with standardized commissions and grievance redressal protocols, will ensure accountability and scalability.

(xiii) Partner with Self-Help Groups (SHGs), Cooperatives, and Microfinance Institutions (MFIs): Leveraging the deep community ties and financial outreach of SHGs, cooperatives, and MFIs offers a cost-effective and culturally aligned channel for insurance distribution. Partnerships should be formalized through capacity-building programs, co-branded microinsurance products, and bundled financial services (e.g., credit + insurance), ensuring higher uptake and trust among marginalized communities.

(xiv) Offer Women-Centric Insurance Products with Integrated Savings and Maternity Benefits: Women often face systemic barriers in accessing financial services, including insurance. To bridge this gap, insurers should designwomen-centric products that bundle life, health, and accident coverage with integrated savings components, maternity support, and preventive healthcare benefits. These policies should account for women's informal employment, caregiving responsibilities, and reproductive health needs. Incentivized premium structures, flexible tenure, and financial literacy support can further encourage uptake. Linking these products with women's self-help groups (SHGs), microfinance networks, and gender-focused government programs will maximize reach and impact.

(xv) Introduce Insurance Products Catering to Persons with Disabilities and LGBTQ+ Communities: Mainstream insurance products often exclude or inadequately serve persons with disabilities (PwDs) and members of the LGBTQ+ community, leading to financial vulnerability.

(xvi) Utilize Aadhaar, UPI, and DigiLocker for Seamless Onboarding: The integration of India's digital public infrastructure—Aadhaar for identity verification, UPI for instant payments, and DigiLocker for document storage—can significantly streamline the insurance onboarding process. These tools enable e-KYC, real-time premium payments, and paperless document submission, allowing customers to purchase, renew, and manage policies entirely through digital platforms. This is especially crucial for bringing low-income and remote populations into the insurance fold with minimal barriers.

(xvii) Promote AI-Driven Underwriting, Dynamic Pricing, and Automated Claims: Artificial Intelligence (AI) can revolutionize the insurance value chain by enabling real-time underwriting, risk scoring, and dynamic pricing based on customer behavior and risk profiles. Advanced machine learning algorithms can analyze vast datasets to assess risks more accurately and personalize premiums. Similarly, automated claims processing—powered by AI-based image recognition, voice analytics, and chatbots—can significantly reduce turnaround times and improve customer satisfaction. AI also enhances fraud detection by identifying anomalies and suspicious claim patterns, thus protecting both insurers and policyholders.

(xviii) Encourage Blockchain for Smart Contracts and Fraud Prevention: Blockchain technology offers transformative potential in improving transparency, security, and efficiency in insurance operations. Smart contracts—self-executing agreements encoded on a blockchain—can automate policy issuance and claims settlement based on pre-defined conditions, reducing administrative overhead and disputes. Additionally, a decentralized and immutable ledger of customer interactions, claims history, and policy details can minimize fraud, enhance auditability, and improve trust among stakeholders. Blockchain can also facilitate secure data sharing among insurers, regulators, and third parties, ensuring compliance and reducing duplication.

(xix) Enable Open Insurance Architecture for Seamless Access: Just as the UPI and India Stack have revolutionized digital payments, India must now move toward an Open Insurance architecture that fosters interoperability, transparency, and innovation. This system would allow consumers to seamlessly access, compare, and switch insurance products across providers, using standardized APIs and regulated data-sharing frameworks. Key features could include:

- Centralized insurance dashboards for policy management

- Consent-based data portability (aligned with the Data Protection Act)
- Integration with account aggregators and financial health platforms
- Plug-and-play modules for InsurTechs and fintech partners to develop new products

Open insurance will empower consumers with ***greater choice, improved*** service quality, and enhanced trust, while encouraging healthy competition and innovation across the industry.

(xx) Strengthen Cyber-Insurance Products: With businesses and individuals facing growing exposure to cyber risks—such as data breaches, ransomware attacks, identity theft, and digital extortion, insurers should design customized cyber-insurance policies for different customer segments, including MSMEs, startups, educational institutions, healthcare providers, and even individual users. These products should cover not only financial losses and legal liabilities but also costs related to data recovery, incident response, PR management, and regulatory fines.

To build trust and awareness, insurers must also invest in cyber risk education, offer cyber risk assessments as part of onboarding, and collaborate with cybersecurity firms to provide preventive services bundled with coverage. Moreover, integrating real-time monitoring and threat intelligence tools will help underwrite risks more accurately and enable proactive loss mitigation.

(xxi) Ensure Compliance with the Digital Personal Data Protection (DPDP) Act, 2023: The DPDP Act, 2023 mandates strict obligations on data fiduciaries—including insurers—to collect, store, and process personal data responsibly and transparently. Insurers must immediately align their internal systems, data flows, and third-party relationships to the key provisions of the law, which include:

- **Purpose limitation:** Collect only necessary data for clearly stated purposes.
- **Consent-based processing:** Ensure customers provide clear, informed consent for data usage.
- **Data minimization and storage limitation:** Avoid excessive data retention and ensure timely deletion.
- **User rights enablement:** Allow policyholders to access, correct, and delete their personal data.
- **Grievance redressal and breach notification:** Implement systems to handle complaints and report breaches within mandated timeframes.
- Insurers should also appoint **Data Protection Officers (DPOs),** conduct **periodic data audits**, and ensure **all digital platforms are built with privacy-by-design principles**. Ensuring compliance not only reduces legal risk but also enhances customer confidence in a data-sensitive market.

(xxii) Offer Dynamic Insurance Based on Consumption (Pay-as-You-Go): Traditional insurance models often require fixed premium payments, which may not align with the **irregular income patterns** of gig workers, daily wage earners, or seasonal laborers. To address this, insurers should develop **pay-as-you-go insurance models**—policies where coverage is **activated and priced dynamically based on actual usage or activity levels**.

Examples include:

- **Health insurance** where premiums are adjusted based on wearable data and preventive health behavior.
- **Motor insurance** based on kilometers driven or safe driving metrics collected via telematics.
- **Crop insurance** that adjusts premiums based on satellite-monitored risk zones or historical weather patterns.
- **Life or accident insurance** activated during work hours for gig economy workers, with micro-premiums paid per day or per job completed.

  Such models not only **increase affordability and flexibility** but also incentivize responsible behavior, reduce moral hazard, and allow insurers to reach new customer segments previously deemed unviable under conventional structures.

(xxiii) Promote Parametric Insurance (Trigger-Based Payouts) for Disasters and Weather-Related Risks: Unlike traditional indemnity-based insurance, parametric insurance pays out based on a pre-defined trigger—such as a specific level of rainfall, wind speed, temperature, or seismic activity—**regardless of the actual loss incurred.** This model significantly **reduces claim processing time,**

eliminates the need for physical damage verification, and ensures that funds reach beneficiaries quickly after a disaster.Key use cases for India include:

- **Drought insurance** triggered by below-average rainfall during the sowing season.
- **Cyclone insurance** for coastal communities triggered by wind speed thresholds.
- **Flood insurance** for urban areas based on rainfall accumulation or water level sensors.
- **Heatwave insurance** for outdoor workers and vulnerable populations, linked to temperature data.

Such products are especially beneficial for farmers, informal workers, and small businesses, offering quick liquidity to cope with losses and restart economic activity without long delays or disputes over claims.

(***xxiv) Promote Insurance for Large-Scale Infrastructure under the National Infrastructure Pipeline (NIP):*** As India ramps up investments in roads, railways, ports, smart cities, and energy grids, these projects become increasingly exposed to **construction delays, natural disasters, accidents, legal disputes, and financial uncertainties.** Comprehensive insurance coverage is essential not only to safeguard these assets but also to enhance **project bankability, attract private capital,** and ensure timely execution.Insurance for infrastructure under the NIP should include:

- **Construction All Risk (CAR)** and Erection **All Risk (EAR) policies**
- **Delay in Start-Up (DSU)** and loss of revenue protection
- **Natural catastrophe risk coverage** (e.g., floods, earthquakes)
- **Terrorism and political risk insurance** in sensitive zones

With rising environmental and regulatory scrutiny, infrastructure developers face growing liability risks—including third-party injury, environmental damage, and contract breach. Insurers must offer liability coverage products such as:

- **Professional indemnity for architects and engineers**
- **Environmental liability and pollution legal liability (PLL)**
- **Public liability and statutory coverages** mandated by regulators

These protections not only reduce legal and financial exposure but also promote **better risk management practices** among infrastructure developers and contractors.

(xxv) Leverage BharatNet and Common Service Centres (CSCs) for Rural Distribution: India's rural and semi-urban areas remain significantly underinsured due to a lack of awareness, accessibility, and trust in formal financial products. By integrating insurance distribution with **BharatNet**—India's high-speed broadband backbone for gram panchayats—and over **4 lakh Common Service Centres (CSCs)**, insurers can build a **rural last-mile delivery networ**k.

These CSCs, staffed by Village-Level Entrepreneurs (VLEs), can act as trusted intermediaries to:

- Educate rural citizens about insurance benefits
- Facilitate paperless policy issuance and premium collection
- Assist with claim filing and grievance redressal in local languages

This model can also support **government-backed schemes** like Pradhan Mantri Jeevan Jyoti Bima Yojana (PMJJBY) and crop insurance programs, increasing penetration and social protection in vulnerable communities.

(xxvi) Building a Skilled Workforce: To support the growth and modernization of India's insurance sector by 2047, it is essential to build a future-ready and skilled workforce through a comprehensive approach to education, training, and upskilling. This begins with the integration of insurance modules into school and college curricula to build early awareness and interest in insurance careers. Institutions such as the National Insurance Academy (NIA) must be further strengthened and expanded to serve as hubs for professional training and research. Simultaneously, focused efforts are needed to upskill and reskill the existing workforce with capabilities in **digital literacy, data analytics, risk modelling,** and emerging technologies. Collaborations with global professional bodies like the **Chartered Insurance Institute (CII) and Life Office Management Association (LOMA)** can help introduce world-class certification programs, raising the professional standards of the Indian insurance ecosystem and aligning it with international best practices.

(xxvii) Launch Green Bonds and Insurance for Renewable Energy Projects: The insurance sector can be a key enabler of India's clean energy transition by providing both **risk coverage and capital support** to renewable energy projects. Insurers should underwrite specialized products that cover construction and operational risks associated with **solar, wind, hydro, and green hydrogen infrastructure**, including risks such as equipment breakdown, natural disasters, and revenue losses due to weather variability.

Additionally, insurers—especially life insurance and pension funds with long-term investment horizons—should be encouraged to **invest in green bonds** issued by governments, corporations, or multilateral agencies. This not only provides stable returns but also helps **channel large-scale capital into sustainable infrastructure** aligned with India's climate commitments.

(xxviii) Offer Discounts on Premiums for Eco-Friendly Practices (EVs, Solar Homes): Insurers can drive behavioral change by **rewarding policyholders for adopting environmentally responsible practices**. For instance, offering **lower premiums for electric vehicle (EV) owners** in motor insurance or **discounts for homes equipped with solar panels, rainwater harvesting, or energy-efficient appliances** in property insurance.

Such incentives will not only reduce risk exposure for insurers (as these practices often correlate with lower loss ratios) but also a**ccelerate the adoption of sustainable** technologies among consumers. Insurers can further develop **green certification standards** to guide underwriting and risk-based pricing for such eco-conscious initiatives.

(xxix) Require Insurers to Disclose ESG Risks in Portfolios: To enhance transparency and accountability, the Insurance Regulatory and Development Authority of India (IRDAI) should mandate insurers to **disclose ESG risks** in their underwriting, investment, and operational portfolios. This includes assessing exposure to **carbon-intensive sectors, social inequalities, and governance failures**, and reporting on how these risks are being mitigated.

Such disclosures, aligned with global frameworks like **TCFD (Task Force on Climate-related Financial Disclosures)** or **SASB (Sustainability Accounting Standards Board),** will help insurers **future-proof their portfolios**, improve risk management, and attract ESG-conscious investors and partners.

Conclusion

The Indian insurance sector is at a pivotal point, with strong growth potential driven by a young population, rising incomes, and a push for financial inclusion. Yet, challenges such as low awareness, limited trust, and distribution gaps must be addressed to unlock this potential.

Digital innovation, microinsurance, and rising health coverage needs will be key to transforming the sector. With adaptive regulation and responsible use of technology, insurance can become a vital contributor to India's economic growth and stability by 2047.

The path to Viksit Bharat 2047 requires a bold reimagining of the Indian insurance sector — from being a financial product to becoming a universal tool of empowerment and resilience. With targeted reforms, digital transformation, inclusive growth, and responsible innovation, India can build a world-class insurance ecosystem that safeguards its citizens and fuels national development. The vision of every Indian covered, every risk insured, and every life secured is not only achievable but essential for the India of tomorrow.

New RBI guidelines for Gold Loans

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The Reserve Bank of India On 9th April 2025 (Wednesday) as part of Monetary statement issued draft guidelines on gold loans so as to create a level playing field for banks and non-banking finance companies mainly engaged in gold loans and plug gaps in the lending practices. It was felt necessary since gold loans have grown by around 50 per cent since September 2024, which is higher than any other loans. However, it has also led to a rise in growth of NPAs in gold loans.

The key change proposed under these new guidelines is as under,

- Classification of gold loans based on their end use, specifically whether the loans are being given as 'income generating purpose —which means gold loan given for agricultural activity or to small business—or as 'consumption' loans for personal fund needs

- The same eligible gold collateral cannot be used concurrently for income-generating and consumption loans. Income generating loans will need to be classified based on the purpose for which they are being given, instead of as gold loans, on the lenders' balance sheets.

- Loan repayment period for personal gold loans loan will be maximum for 12 months, so also loan given by Coop Bank or Regional rural Bank should be maximum up to Rs. 5 lakh per borrower.

- The loan-to-value (LTV) ratio for all gold loans by NBFCs and for consumption loans by banks will be capped at 75% of the current market value. Which means LTV ceiling of 75% will apply to all gold loans sanctioned by NBFCs, irrespective of the purpose for which the loan has been sanctioned.

➤ The RBI draft proposes that borrowers must furnish proof of ownership for the gold that will be used as collateral. According to the draft, "Lenders shall not extend loans where ownership of the collateral is doubtful. They shall keep a record of the verification of the ownership of collateral. In case the original receipts of purchase of gold collateral are not available, a suitable document or declaration obtained from the borrower shall be prepared explaining how the ownership of the collateral has been decided.

➤ Lenders, while accepting gold collateral, shall prepare a certificate/e-certificate in duplicate on their letterhead regarding the purity of the collateral gold where in purity (in terms of carat); gross weight of the gold collateral; net weight of gold content and deductions, if any, relating to weight of stones, lac, alloy, etc image of the collateral; and the value of net weight collateral finally arrived at the time of sanction.

➤ Asper new RBI guidelines, only gold jewellery, ornaments, and specified gold coins are eligible as collateral for a gold loan. The specified gold coins refer to specially minted gold with a purity of 22 carats or higher, sold by banks. Coins sold by entities other than banks shall not be considered as specified.

➤ Asper the new RBI guidelines lenders cannot accept gold as collateral in its primary form—such as bullion or gold bars or financial instruments like gold ETFs and mutual funds.

➤ Aggregate weight of ornaments pledged for loans shall not exceed 1 kg per borrower. But it does not specify any restrictions on individual gold items except gold coins, where RBI specified that the aggregate weight of gold coins pledged shall not exceed 50 grams per borrower and coins

➤ As per the new RBI guidelines, gold accepted as collateral shall be valued based on the price of 22-carat gold. If the gold collateral is less than 22-carat purity, then the lender shall translate the collateral into equivalent 22-carat purity. How to translate to 22 carat purity is as under, For example, if customer comes with 500 grams of 18-carat gold. The per-gram price of 18-carat gold is Rs 7500. And the per-gram price of 22-carat gold is Rs 9200. The value of 18-carat gold will be translated to 22-carat as follows: 500 grams 18-carat gold at Rs 7500 per gram = Rs 37.5 lakh This Rs 37.5 lakh will be divided by Rs 9200 (price of 22-carat gold per gram) to know the weight in 22-carat gold which comes to (3750000/9200) = 407.608 grams 22 carats of gold.

➤ The new guidelines provide timelines accordingly the lender must return the gold collateral to the borrower after full and final loan settlement within 7 working days to the borrower. In case of delay, the lender will pay Rs 5,000 for each day of delay. In conclusion we can say these new RBI guidelines are expected to streamline the rules and processes across all lenders, including banks, and non-banking financial companies (NBFCs).

Operational Risk Management in Cloud Service Environment

[Cloud computing is in high demand by many companies and start-ups due to its inherent cost and other operational adavntages. Public cloud adoption is increasing at an accelerating pace across all industries. Of late use of clouds by financial firms has also been increasing at aspectacular pace. Although the potential adavntages that might accrue to businesses from the adoption of cloud technology are many and wide, huge operational risks inherent in cloud computing come in entangled therewith. This article attempts to highlight the potential operational risks inherent in cloud service environment and to suggest possible risk mitigating measure in brief.]

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Conventional ERM paradigm has the goal to strike a perfect balance between risk and reward. At times the organization may be inclined to assume more risk in quest of faster organisational growth and other times the attention may be shifted to risks mitigation with slower growth. The Operational Risk Management (ORM) perception is risk-averse with greater focus on protection of the organization.

Operational Risk is the risk entailed in running organizational systems and processes, by the management in implementing organisational policies . Operational risk may be perceived as consequential interface and adverse impacts of actions and reactions emanating from uncared for issues and control fiascos triggering devolvement of greater risk which may even lead to an organizational failure adversely denting company's bottom line and spoil its reputation. Although operational risk management constitutes a subset of enterprise risk management, its focus is on unsystematic risks definitionallyexcluding strategic, reputational, financial, and market risks but including legal risk. Operational risk exposures have potential to entail onlyloss and damages with truncated upside unlike market risks. Several organisations have been subjected to significant operational disruptions sustaining huge losses in the recent past. It may be episodes of cybersecurity breaches or supply chain failures. In this backdrop Operational risk management (ORM) has not remained as mere regulatoryrequirement buta business imperative for survival and success.The prime objective of operational risk management is to preserve and enhance organizational value at the same time ensuring business continuity and regulatory compliance.

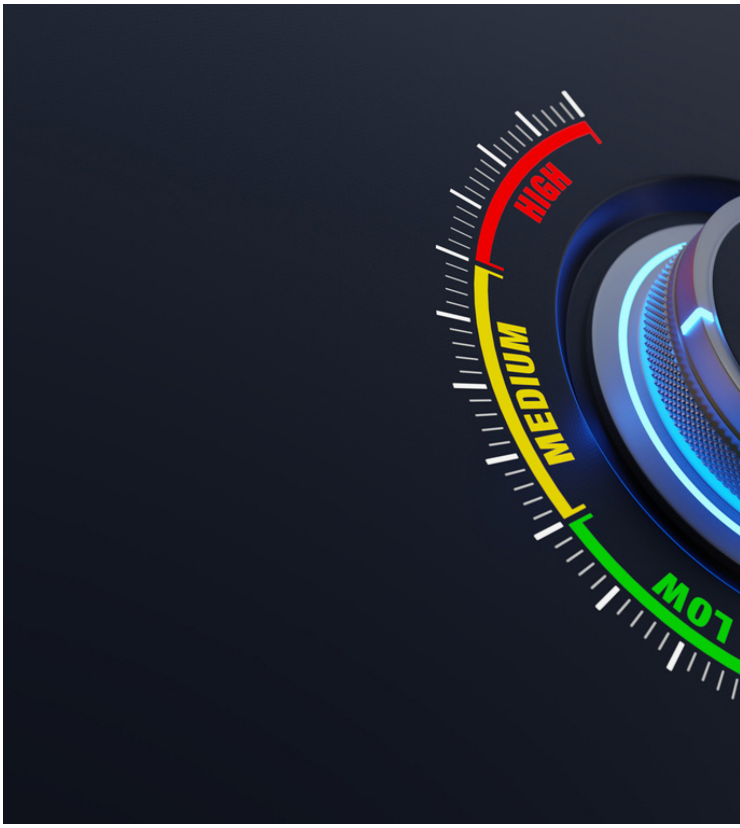
Of late, Cloud computing is in high demand by many companies and start-ups dueto its inherent cost adavntages . Public cloud adoption is increasing across all industries. According to Gartner (2022), enterprise IT spending on public cloud computing will overtake spending on traditional IT in 2025. Of late use of clouds by Financial firms has also been increasing at an accelerated pace.

Cloud services economises on cost of service by providing smooth access to infrastructure which otherwise would be expensive involving a long time to put in place besides entailing huge maintenance cost . Economies of scale accruing to CSPs capacitate them to build optimal redundancy, geographic diversity and advanced security and engineering at a much lower cost.

It affords opportunity of acquiring increased data storage and computing capacity leveraging the capacity of servers maintained by the cloud service provider (CSP) without incurring cost and risk of owning servers and systems for the purpose. Cloud computing affords scalability, flexibility, security and cost-effectiveness, to entities in management of their IT operations. It operates on a Pay-on-Use format making available on demand system resources and computing power without direct and active management by the users.

Cloud Computing involves loading and retrieving of data/ information and programs on distant servers accommodated on the internet instead of the computer's hard drive or local server. Cloud computing is Internet-based computing. In the cloud framework resource is extended as a service via the Internet to the user. The data stored may be files, images, documents etc. While Customers will be dependent on cloud service providers for security of the cloud, such as ensuring the timely patching of services and devices at the provider's end, customers are directly responsible for securing their data, applications, and workloads in the cloud. Nonetheless, customers might not have complete visibility into the risk management and control measures adopted by CSPs.

However, aside from traditional outsourcing risks, cloud computing may pose additional operational and reputational risks to cloud using firms.



Cloud computing may be categorised under three popularly accepted categories of service models, each catering to the needs of different businesses:

IaaS (Infrastructure as a Service): The IaaS model envisages providence of computing resources for use by the customer over the internet, viz., virtualized servers, storage, and networking. Organizations can gainfully use these resources and can exercise significant flexibility and control over operating systems and applications deployed on them. IaaS enables the entities to build and manage its hardware infrastructure without sinking own funds therefor.

PaaS (Platform as a Service): The PaaS model envisages providence of all infrastructure needed by developers so as to enable them to concentrate exclusively on code writing and developing their applications without bothering about arrangement and maintenance of needed underlying infrastructure. PaaS put in place the needed underlying hardware and software stacks to facilitate developers to innovate at a much higher velocity.

Software as a Service (SaaS): Under SaaS model users are given internet access to software applications through the on payment of subscription. SaaS provides prompt access to and utilization of cloud-based applications viz., email, CRM,

and collaboration tools through any web browser, obviating installation or maintenance thereof by the user client. The hassles of all infrastructures, security, updates, and maintenance are the responsibilities of the service provider under this model. And thus, all the irritating inconveniences of maintaining software for usage are taken away from the business by the service providers.

Cloud computing has therefore been getting embedded in current business processes of increasingly many business entities.However, although the potential adavntages that might accrue to businesses from the adoption of cloud technology are many and wide, huge security risks inherent in cloud computing come in entangled therewith. In this backdrop possibilities cannot be ruled out that in the process of transition to the cloud, many entities might fail to take care of essential security requirements and safeguards that otherwise might become potential source of unintended adverse consequences springing surprises.Transition to cloud therefore necessitates entities toundertake proactive fortification of security surveillance system,including security awareness for employees, and forward-looking threat identification systems.

Operational risk embedded to cloud computing has assumed wider dimension and significant importance in the wake of fast expanding coverage of cloud ecosystem with many players/ entities joining the fray. In this context operational risks can be viewed as potential for troubles viz., data breaches, compliance failures, or inefficiencies due to failed processes, people, or technology. These risks may emanate from cloud service providers (CSPs), misconfigurations, cyber threats, and regulatory non-compliance.

It may be noted that most dominant three CSPs (Cloud Service Providers) viz., Amazon Web Services, Microsoft Azure and Google Cloud – account for about 67% of global cloud market. The predominance of a small number of global CSPs could lead to systemic risk.

Key Operational Risks involved in operations in Cloud Environments may be enumerated as under:

1. Service Downtime & Availability Risks: Occurrences of outages due to CSP failures,network connectivity issues impairing accessibility and ineffective/lack of redundancy or disaster recovery planning.

2. Data Security & Privacy Risks: Unauthorized access due to weak identity and access management (IAM) system in place.

3. Data breaches from cloud misconfigurations or insider threats

4. Compliance violations due to improper data handling.

5. Third-Party & Vendor Risks:Over Dependence on CSPs for uptime, security, and service continuity would be potential source of process disruption.

6. Lack of transparency in vendor security controls has the potential to trigger confusion leading to operational logjam.

7. Potential CSP bankruptcy or acquisition risks might trigger business continuity issues.

8. Change Management & Configuration Risks: Improper cloud configurations may lead to security vulnerabilities. Lack of version control in Infrastructure-as-Code (IaC)@ might trigger uncontrolled changes affecting cloud applications stability

9. Access & Identity Management Risks:Weak authentication(e.g., lack of multifactor authentication software, excessive privileges) systems and processes have the potential to trigger insider threats or compromised credentials.

10. Insufficient monitoring of access logs and activities might cause unauthorised interventions contrary to business interest .

11. Regulatory & Compliance Risks: Nonadherence by CSPs to industry standards (ISO 27001(information security management systems (ISMS))might trigger regulatory and compliance issues. SOC 2@@,a Service Organization Controls audit which appraise the effectiveness of organization's controls in place to protect and secure its system or services used by customers or partners. Adverse audit findings might trigger compliance issues. The security stance ofthe organization is assessed based on the requirements within a SOC 2 examination, known as the Trust Services Criteria (TSC). Data residency issues (storing data in unauthorized regions)is another aspect which needs attention to avoid possible regulatory and compliance issues .Non-compliance may unwittingly arise due to evolving cloud regulations.

12. Incident Response & Forensics Challenges:Truncated/ restricted visibility and control over CSP-managed security incidents might be a weak line.The inherent difficulty in collecting logs and evidence from cloud providers need be given attention to for avoiding possible complications in impeding operations. Complexitypersisting in coordinating responses across multi-cloud environments need be addressed to avoid surprises .

13. Shadow IT & Unauthorized Cloud Usage:Use of unauthorized cloud service (e.g., Dropbox, Google Drive) by the Employees may be potential source of troubles. Lack of adequategovernance over SaaS,PaaSand LaaSresourceshas the potential to trigger avoidable problems. Increased attack might surface due to unsanctioned apps and APIs.

Mitigation Strategies

1. ***Robust Identity & Access Management (IAM):*** Enforce least privilege, multi-factor authentication (MFA), and continuous monitoring.

2. ***Security & Compliance Automation:*** Tools like AWS Security Hub**, Azure Security Centre*, or SIEM## solutions for monitoring may be used.

3. ***Cloud Backup & Disaster Recovery (DR):*** Implement automated backups, redundancy, and failover mechanisms.

4. ***Cost Optimization Practices:*** Leverage reserved instances#, right-sizing, and spend monitoring tools (e.g., AWS Cost Explorer).

5. ***Vendor Risk Management:*** Conduct regular security assessments and ensure CSPs meet compliance requirements.

6. ***Security Awareness & Training:*** Educate employees on cloud security best practices and phishing threats.

Conclusion

Organizations can accrue substantial benefits leveraging cloud computing in their technology and business processes, reaping associated benefits in terms of scalability, flexibility, and lower capital investment accruing to the business in the process. However, cloud security would continue to be quite important.

Cloud technology has been disrupting enterprise and consumer markets around the world. Within a short span of time in an accelerated pace it has become key component of IT and business strategy. In the near future, cloud computing will continue to enable the integration of emerging technologies and shape new business models as a strategic advantage.

The risks associated with cloud services are increasing as the cloud itself has been evolving as game changer for many enhancing flexibility, elasticity, and agility at a lower cost. But these adavntages have their own set of embedded risks. Hackers will attempt to sneak through the weak lines into the places where companies store their data through phishing campaign, or through malicious insiders. Cloud-based systems are available via the internet and therefore have some internet security risks. Hackers hunt for data of value viz., personal health information, personally identifiable information, trade secrets, politically valuable information, financial information, intellectual property etc. Encryption is the basic foundation of any strong cloud security strategy. Encrypted data whether in transit or at rest are unreadable and therefore useless , without the decryption key.

Besides outsourcing risks, cloud computing may entail incremental operational and reputational risks having potential to impact business operations of entities. These risks may include dangers to data security and privacy, potential chance of non-availability of the system, uninterrupted operations, interoperability, auditability as also legal compliance. There would be varying impact of these risks based on several factors viz., the service model deployed ; the type of IT assets being stored, processed and transmitted.

While firms using the cloud should ensure the readiness, resiliency and safety of the services to be provided by them to their customers in cloud environment, CSPs must take actions to make the overall environment robust and secure. However, the user firms might not have full optics of the risk management and control mechanism in place in CSPs. Therefore, user firms alone would not be in a positionto fully mitigate risks arising from cloud adoption.

The indirect oversight of CSPs approach often adopted by firms may not be adequate from systemic point of view as this approach would be inadequate in assessing and addressing CSP risks. This approach rests on management of risks arising from engagement of third parties for services and assessment of the potential adverse impacts of such services on operational self-resilience. It would perhaps be not adequate to focus attention only to the potential impact of an operational disruption of a CSP. The fallout thereof on the financial system would also be important from regulators' point of view. Therefore,a more direct oversight approach to CSPs would be needed.

Notes:

@ *DevOps is intended to ensure that development and operations teams engages software more quickly and with better quality. Infrastructure as Code plays an important role in automating the management of infrastructure along with continuous integration and continuous delivery pipelines. Adding Infrastructure as Code(IaC) into DevOps would help change infrastructure automatically depending on application changes. No manual error, and change is made equally in the different environments.*

@@ *Systems and Organization Controls 2(SOC 2)is a security framework that prescribes how organizations must protect customer data from unauthorized access, security incidents, and other vulnerabilities. The American Institute of Certified Public Accountants (AICPA) developed SOC 2 around five Trust Services Criteria: security, availability, processing integrity, confidentiality, and privacy.*

Reserved instances:Reserved instances are billing discount option that enable reservation of a specific amount of computing capacity for a fixed period of time . This allows a discount of up to 72% on monthly or hourly rates compared to on-demand instances.

SIEM (Security Information and Event Management) solution gathers, scrutinizes, and correlates security relateddata from several sources to spot, examine, and respond to potential threats on real-time basis. SIEM solutions assemble logs and scrutinize security events together with other data to expedite threat recognition and support security incident and event management, as also compliance.

* *Azure Security Centre is a security management framework thatfacilitatesingaining insight into user's security state across hybrid cloud workloads, mitigate exposure to attacks, and retort to detected threats quickly.*

** *Amazon Web Services (AWS)security Hub is a cloud security posture management (CSPM) service providing a centralized view of cloud user's security state across AWS accounts and services, helping identification and prioritisation of security issues, and assess compliance against industry standards and best practices.*

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3) *The Cloud Computing Book: The Future of Computing Explained: Douglas Comer*

4) *Cloud Computing: Shailendra Singh*

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WEBINARS ORGANIZED BY THE BFSIB

Webinar on "Cyber Threats and Financial Frauds in the Digital Age: Strengthening Cyber Resilience in BFSI & Beyond"

Date: 21st March 2025

CMA Mohan Vasant Tanksale, Former CMD, Central Bank of India

CMA Udayan Guha, Secretary, London Overseas Centre of Cost Accountants (LOCCA) and Mr. Simon Clayton-Mitchell, Cybersecurity and Technology Consultant (L to R)

Mr. Andy Bates, Cybersecurity Expert

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB, ICMAI

Introduction and Key Participants

The webinar was hosted by the BFSI Board of ICMAI, focusing on enhancing cyber resilience across the BFSI sector and beyond. The session was graced by eminent personalities:

CMA Mohan Vasant Tanksale, Former CMD, Central Bank of India

CMA Partha Choudhuri, Former CGM, Reserve Bank of India and Advisor to BFSI Board, ICMAI

Speakers:

Mr. Simon Clayton-Mitchell, Cybersecurity and Technology Consultant

Mr. Andy Bates, Cybersecurity Expert

Moderator:

CMA Udayan Guha, Secretary, London Overseas Centre of Cost Accountants (LOCCA)

Welcome and Special Addresses

CMA Partha Chaudhuri delivered the welcome address, followed by a special address by **CMA Mohan Vasant Tanksale**, who emphasized the criticality of strengthening cybersecurity frameworks in the BFSI sector amidst rapid digitization in payment and loan automation systems.

Opening Remarks by CMA Chittaranjan Chattopadhyay, Chairman, BFSIB

CMA Chattopadhyay outlined the legacy and global standing of ICMAI:

- Founded in 1944 and operating under the Ministry of Corporate Affairs since 1959.
- Over 100,000 members and 500,000 students, with international affiliations including IFAC, CAPA, and SAFA.
- CMAs play vital roles in taxation, audits, compliance, and financial reporting under various Indian statutes.
- Recognized by regulatory bodies such as RBI and SEBI, CMAs contribute to governance, risk management, and corporate sustainability.

He highlighted the increasing cyber vulnerabilities faced by the BFSI sector, especially post-pandemic. He advocated for CMAs to lead efforts in cyber resilience through:

- Risk assessment
- Implementation of internal controls
- Incident response planning
- Financial and compliance audits

Moderator's Perspective

CMA Udayan Guha acknowledged the support of BFSIB and reflected on his technological background and connections with the speakers in conceptualizing the webinar.

Keynote Address by Mr. Andy Bates

Mr. Bates traced the history and evolution of cyber fraud:

- First instance of electronic fraud dates back to 1834 with tampering of telegraph lines.
- Cybercrime has evolved from physical bank robberies to sophisticated digital frauds.
- Notable incidents:
  - The evolution of Trojans targeting banking data.
  - Marriott's 2020 data breach compromising 5.2 million guest records.
- Dark web economics: stolen personal data is sold for \$1–\$5 per record.
- Future threats identified by ENISA:
  - Vulnerabilities in software supply chains
  - Ransomware and hybrid threats
  - Human error and insider threats
  - Satellite internet risks (e.g., Starlink) including hijacking and satellite collision concerns.
- Industry Challenges:
  - A global shortage of cybersecurity professionals (3 million+ vacancies).

- ❍ Need for AI integration due to the workforce gap.
- ❍ Rising complexity in attacks with multiple simultaneous vectors.

Insights by Mr. Simon Clayton-Mitchell

Mr. Clayton-Mitchell emphasized:

- Human factors in cyber risk, citing the Northern Ireland police data leak.
- The financial scale of cybercrime:
  - ❍ Estimated at $6 trillion in 2021—ranking it third in global GDP terms behind the US and China.
  - ❍ Projected CAGR of 25%—potentially making cybercrime the world's largest economy by 2030.
- Strategic Priorities for Cyber Defence:
  - ❍ 80% of effective cybersecurity lies in people and processes, and only 20% in technology.
  - ❍ Organizations should focus more on human-centric approaches—risk audits, training, internal controls.

The Evolving Landscape of Cybercrime

Phishing & Credential-Based Attacks

Phishing remains one of the most effective cyberattack vectors. A single malicious email link can compromise a computer within minutes—on average, attackers take just over 72 minutes to extract sensitive data following a successful phishing attempt.

Five years ago, about 70% of cyberattacks were the result of technical hacks exploiting vulnerabilities. Today, however, 70% of cyberattacks occur using valid login credentials—purchased from the dark web—allowing attackers to log in as legitimate users.

AI-Driven Threats

Artificial Intelligence is accelerating the sophistication of cyberattacks. One striking case involved a UK engineering firm: its Finance Director in Hong Kong received video calls, supposedly from the company's CFO, requesting fund transfers. Over several calls using AI-generated deepfake avatars, attackers stole £20 million (~$25 million).

AI now enables attackers to analyze organizations' attack surfaces and tailor sophisticated methods to maximize damage. Just as legendary US bank robber Willie Sutton said, "I rob banks because that's where the money is," cybercriminals today go where digital wealth resides—often undetected and unchallenged.

High-Profile Case Studies

Bank of Bangladesh Heist

North Korean hackers orchestrated a meticulously planned attack on the Central Bank of Bangladesh. They intended to steal over $1 billion, but due to a minor technical error, they absconded with $40 million. This case underlines the risks even central banks face.

Crypto Theft & Deepfakes

Crypto assets have been heavily targeted, with attackers exploiting weaknesses to steal staggering sums. The largest known theft reached $1.4 billion, involving Ethereum and Bitcoin. Another deepfake incident at a UK company resulted in a £20 million loss using video deception.

The MK Ransomware Incident

The global shipping company MK suffered the largest ransomware attack in history, losing $300 million in downtime and incurring $10 million in recovery costs. A critical IT component, the Active Directory servers, were compromised—except one server in The Gambia, saved purely by chance due to a power outage. This uninfected server allowed MK to reboot its systems globally.

Political Cybercrime: Ukraine

In 2015, the Russia-Ukraine conflict began with a cyberattack. Russia infected Ukraine's national tax software auto-update system with ransomware. Since all businesses used this software, the attack crippled Ukraine's economy. One victim, MK, had a flat network architecture that enabled the virus to spread globally to its offices.

Modern Ransomware Economics

Ransomware gangs like Evil Corp demanded $40 million from financial firms, while groups like Scattered Spider extorted $15 million from Caesar Resorts. Attack kits are now readily available on the dark web. These tools are so accessible they've been compared to giving rocket launchers to teenagers—easy to obtain, dangerously powerful.

Furthermore, brokers on the dark web help criminals launder money, splitting profits among conspirators. These networks blur the lines between organized crime and state-sponsored operations.

Supply Chain Vulnerabilities

Supply chain attacks can cripple economies. A single developer under a railway arch in London wrote a piece of code used by 20 of the 42 UK banks managing Sterling. A compromise at this level could jeopardize 50% of UK banking infrastructure.

This is why the Digital Operational Resilience Act (DORA) is vital. Though EU-based, it affects global firms financially connected to the EU. Much like GDPR, DORA applies extra-territorial jurisdiction—meaning non-EU firms working with EU financial institutions must comply.

The SolarWinds Breach

The SolarWinds Orion platform was used by 90% of Fortune 500 companies and major US government agencies (including NASA and the Department of Energy). A hacker injected a Trojan horse into a software update using a compromised password—"SolarWinds123". Once deployed, it stayed dormant for two weeks, then activated only in high-value environments. The breach affected thousands of institutions and remains unresolved.

Operational Resilience and Governance

Cybercrime impacts more than IT—it affects society and national economies. For instance, Lloyds Bank, the UK's largest retail bank, is a prime target due to its extensive customer data and financial reach.

- Financial institutions must:
- Understand their assets, ownership, and responsibilities.
- Implement clear policies and procedures.
- Use technical and operational security controls.
- Emphasize security assurance and audit feedback loops.

A resilient business must be able to bounce back—a term gaining recognition in regulatory frameworks like DORA. Immutable backups and ransomware simulation exercises are becoming industry standards.

A Call to Action: Governance, Risk, and Compliance (GRC)

Cybersecurity isn't just about firewalls—it's about holistic governance. Cyber GRC requires:

- Legal compliance (e.g., GDPR, DORA)
- Operational policies
- Implementation standards
- Risk management
- Security validation

Organizations must assess their risk appetite, understand what risks are acceptable, and ensure their cyber defences align with evolving threats.

Security Operations Centres (SOCs) that monitor 24/7 are essential, but they're not enough without people, processes, and continuous training. Technology alone won't save an organization—effective governance will.

There were thought provoking questions which was answered by the speakers and the webinar was concluded by vote of thanks by CMA Dibbendu Roy, Additional Director &HoD, BFSIB.

Conclusion

The webinar effectively highlighted the urgent need for enhanced cyber resilience strategies in the BFSI sector. In this regard, the eminent speakers have highlighted the global initiatives to address this threat. The collective expertise of CMAs and cybersecurity professionals can significantly mitigate evolving digital threats. The session emphasized cross border collaboration, information sharing, and leveraging emerging technologies like AI for a secure financial ecosystem.

Webinar on "Role of Agency for Specialized Monitoring (ASM) in Indian Banks"

21st April 2025

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

CMA Chittaranjan Chattopadhyay, Chairman, BFSI Board, ICMAI

The BFSI Board of the Institute organized an insightful webinar on the topic "Role of Agency for Specialized Monitoring (ASM) in Indian Banks" on 21st April 2025, aimed at informing members about emerging professional avenues and the procedural aspects of empanelment as ASM.

CMA (Dr.) P. Siva Rama Prasad, Former Assistant General Manager, State Bank of India, was the keynote speaker for the session. The webinar commenced with a warm welcome address by CMA Chittaranjan Chattopadhyay, Chairman, BFSI Board. He expressed gratitude to the speaker for his timely initiative, especially in light of the recent empanelment notification published on the IBA (Indian Banks' Association) website, and emphasized the professional opportunities this opens for experienced members.

Dr. Prasad provided a detailed exposition on the ASM framework, its relevance in the current banking ecosystem, and its alignment with large credit exposures, especially in consortium lending cases exceeding ₹250 crore or involving specialized exposure categories. He explained that:

- ASM empanelment is for an initial period of one year, extendable up to three years, based on performance and consortium decisions.
- ASM roles combine elements of Stock and Book Debts Audit, Due Diligence Certification, Credit Audit, and align with principles of Forensic Audit — all areas where CMAs are recognized as eligible professionals.
- The scope of ASM, as outlined by the IBA, includes thorough monitoring of borrower accounts, identifying red flags, and submitting insightful reports with actionable recommendations for ensuring smooth operations and early detection of stress signals.

He also elaborated on:

- Eligibility criteria: Firms or companies consisting of Cost Accountants or other qualified professionals with a minimum of three years' experience in finance-related assignments.
- Empanelment process: Detailed discussion on application forms, terms and conditions, fee structure (different for fresh and existing ASMs), and non-refundable enlistment charges.
- Operational guidelines and expectations: Emphasis on professional diligence, independence, and adherence to consortium policies.

The session was enriched with practical guidance and a granular walk-through of the empanelment procedure, serving as a comprehensive handholding session for interested applicants.

The webinar concluded with an engaging Q&A session, where Dr. Prasad addressed participants' queries with depth, clarity, and practical examples.

The event closed with a formal Vote of Thanks by CMA Dibbendu Roy, Additional Director & Head, BFSI Department, who appreciated the speaker, dignitaries, and participants for contributing to the session's success.

Webinar on "Analysing the Business Model and Need for ERM, Designing Risk Strategy, Risk Culture and Governance"

24th April 202

Shri Swakshar Basu, FCPA and RIMS-CRMP, Associate Vice President at Revantage Asia Pacific, A Blackstone Company

CMA Chittaranjan Chattopadhyay, Chairman, BFSI Board, ICMAI

The BFSI Board of the Institute organized a highly relevant and forward-looking webinar on the topic "Analysing the Business Model and Need for ERM, Designing Risk Strategy, Risk Culture and Governance" on 24th April 2025, from 4:00 PM to 6:00 PM. The session focused on aligning business models with robust Enterprise Risk Management (ERM) frameworks, and fostering an organizational culture centered around risk awareness and governance.

The keynote speaker was Shri Swakshar Basu, FCPA and RIMS-CRMP, Associate Vice President at Revantage Asia Pacific, A Blackstone Company. The session commenced with opening remarks by CMA Chittaranjan Chattopadhyay, Chairman, BFSI Board, who highlighted the growing importance of ERM in driving sustainable value creation and ensuring organizational resilience in an increasingly complex risk environment.

Shri Basu delivered a comprehensive and structured presentation, covering the following key areas:

- Organizational Resilience: Introduced through a holistic analysis of internal and external environments using environmental scanning tools.
- Business Model Analysis: Emphasized how effective ERM enhances organizational effectiveness, driven by culture, core values, and behavioural alignment.
- Enterprise Risk Management (ERM): Delved into the need for ERM in the modern risk landscape, including risk structure, processes, compliance obligations, and the creation of stakeholder value.
- Risk Strategy Design: Explained the importance of risk appetite and tolerance settings, and the formulation of a strategy aligned with organizational goals.
- Risk Culture & Governance: Focused on embedding a risk-aware culture through training, incident reporting mechanisms, and leadership engagement.
- Risk Governance Frameworks: Detailed the governance structure using the "Three Lines of Defence" model and other best practices, highlighting roles and responsibilities across the organization.

The session was marked by a high level of participant engagement and concluded with a lively Q&A session, where Shri Basu addressed queries with practical insights and case-based responses.

The event concluded with a formal Vote of Thanks delivered by CMA Dibbendu Roy, Additional Director & Head, BFSI Department, who expressed sincere appreciation to the speaker, dignitaries, and participants, reaffirming the Institute's commitment to building professional capacity in key areas of risk and governance.

Webinar on "The Treatment of Right-of-Use (ROU) Assets for Regulatory Capital Purposes"

30th April 2025

CMA Harshada Ravindra Prabhune, Management Consultant and Practicing Cost Accountant

CMA Chittaranjan Chattopadhyay, Chairman, BFSI Board, ICMAI

The BFSI Board of the Institute organized an informative and technically enriching webinar on the topic "The Treatment of Right-of-Use (ROU) Assets for Regulatory Capital Purposes" on 30th April 2025, from 4:00 PM to 6:00 PM. The session aimed to clarify the implications of the recent RBI Circular applicable to all NBFCs (including HFCs) and Asset Reconstruction Companies (ARCs) governed by the Companies (Indian Accounting Standards) Rules, 2015.

CMA Harshada Ravindra Prabhune, Management Consultant and Practicing Cost Accountant, was the speaker for the session. The webinar began with a welcome address by CMA Chittaranjan Chattopadhyay, Chairman, BFSI Board, who contextualized the importance of the session by referring to the RBI's directive, which mandates immediate compliance on the treatment of ROU assets for regulatory capital calculations.

CMA Prabhune opened her presentation by discussing the applicability, objective, and key implications of the RBI circular. She provided a detailed clause-by-clause analysis of the relevant RBI regulations and highlighted the functional roles of Asset Reconstruction Companies under the framework.

The session covered:

- Definition and components of Right-of-Use (ROU) assets
- Exclusions from ROU assets and associated accounting treatment
- In-depth explanation of AS 19, Schedule III of the Companies Act, 2013, and Ind AS 116
- Linkages with Cost Accounting Standard-16 (CAS-16) and relevant provisions under IFRS 16
- Comparative case studies, including examples from Nestlé India Limited and IndiGo, showcasing practical implementation and disclosure practices

The speaker expertly navigated between Indian and international accounting standards, offering practical insights into the treatment and reporting of ROU assets in financial statements and their impact on regulatory capital computation.

The webinar concluded with a dynamic Q&A session, during which CMA Prabhune addressed technical queries from participants with clarity and real-world illustrations.

The session concluded with a Vote of Thanks by CMA Dibbendu Roy, Additional Director & Head, BFSI Department, who acknowledged the valuable contributions of the speaker, dignitaries, and participants, and reaffirmed the Institute's commitment to capacity building in evolving regulatory areas.

Webinar on "Innovative Financial Solutions and Green Financing – Role of CMAs"

16th May 2025

Dr. Jayanta Nath Mukhopadhyaya, Visiting Faculty at IIM Sambalpur

CMA Chittaranjan Chattopadhyay, Chairman, BFSI Board, ICMAI

CMA Partha Choudhuri, Former CGM, RBI and Advisor to the BFSI Board, ICMAI

The BFSI Board of the Institute organized a thought-provoking webinar on the theme "Innovative Financial Solutions and Green Financing – Role of CMAs" on 16th May 2025, from 7:30 PM to 9:00 PM. The session was graced by eminent speakers and attracted wide participation from members and stakeholders in the finance and sustainability domains.

Dr. Jayanta Nath Mukhopadhyaya, Visiting Faculty at IIM Sambalpur, was the keynote speaker for the evening. The webinar commenced with a warm welcome address by CMA Chittaranjan Chattopadhyay, Chairman, BFSI Board. This was followed by a special address by CMA Partha Choudhuri, Former CGM, RBI and Advisor to the BFSI Board, who set the tone by emphasizing the relevance of CMAs in advancing green and sustainable finance.

Dr. Mukhopadhyaya structured the session in an engaging and interactive format. He introduced the concept and genesis of Green Finance, detailing its increasing relevance in today's rapidly evolving economic and environmental landscape. His presentation covered:

- Key features of Green Finance and its growing necessity in sustainable investment strategies.
- Financial instruments under Green Finance, including Green Bonds, Sustainability-Linked Loans (SLLs), and Smart Contract-enabled bonds.
- The Masala Bond mechanism as a case of innovative green financing, highlighting its use by financial institutions and public sector enterprises.
- A comparative analysis between Green Masala Bonds and traditional coupon bonds with real-world examples like NTPC's Green Masala Bond issuance.

He further elaborated on innovations in the green finance space, showcasing practical insights and global trends, helping participants understand both the theoretical and operational facets of these instruments.

The session concluded with a lively Q&A round, where Dr. Mukhopadhyaya addressed participants' queries with clarity and depth, enriched by practical illustrations and data-backed responses.

The webinar ended with a formal Vote of Thanks delivered by CMA Dibbendu Roy, Additional Director & Head of BFSI Department, acknowledging the speaker, dignitaries, and participants for making the event a success.

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About The Institute

The Institute of Cost Accountants of India (ICMAI) 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, organizes 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 increasingly contributing towards the management of scarce resources like funds, land and apply strategic decisions. This has opened up further scope and tremendous opportunities for cost accountants in India and abroad.

International Affiliation

The Institute is a founder member of International Federation of Accountants (IFAC), Confederation of Asian and Pacific Accountants (CAPA) and South Asian Federation of Accountants (SAFA). The Institute is also an Associate Member of ASEAN Federation of Accountants (AFA) and member in the Council of International Integrated Reporting Council (IIRC), UK.

Institute's Network

Institute's headquarters is situated at New Delhi with another office at Kolkata. The Institute operates through four Regional Councils at Kolkata, Chennai, Delhi and Mumbai as well as through 117 Chapters situated in India, 11 Overseas Centres abroad, 2 Centres of Excellence, 61 CMA Support Centres and 401 Recognized Oral Coaching Centres.

Institute's Strength

The Institute is the largest Cost & Management Accounting body in the World, having a large base of about 1,00,000 CMAs either in practice or in employment and around 5,00,000 students pursuing the CMA Course.

Vision Statement

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

Mission Statement

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

Course Objective

The Banking, Financial Services and Insurance Board is pleased to offer **"Advance Certificate Course on FinTech".** It is pertinent to mention that there is a significant demand for FinTech-qualified individuals in GIFT City, Gandhinagar, and Ahmedabad. India's inaugural International Financial Services Centre (IFSC) at GIFT City offers Indian corporates expanded access to Global Financial Markets. Entities Established within the IFSC also enjoy numerous Tax Benefits. IFSCs play a Crucial Role in Fostering the development of "Fintech Hubs". Given the substantial number of Indian Professionals Working in "FinTech Abroad", India has the Potential to Emerge as a Prominent "Fintech Hub".

This Advanced Certificate Course on **FinTech** covers the following Learning Objectives:

- Foundations of Fintech.
- Deep Dive into Blockchain.
- Fintech Innovation in Banking.
- Fintech Transforming Wealth Management.
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Online Admission Link:
https://eicmai.in/advscc/DelegatesApplicationForm.aspx

CPE Credit: 10 hours
for members of The Institute of Cost Accountants of India

Course Eligibility

CMAs, Bankers (including Payment Banks, Small Finance Banks, Regional Rural Banks, Co-operative Banks, NBFCs., Scheduled Commercial Banks (Private Sectors, Public Sector and Foreign Banks), CMA Final Students, Graduates, IT Professionals.

Course Duration

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

Course Fees

Course Fees (including learning kit) of Rs. 10,000/- plus GST of 18%

Examination

Rs. 750 plus GST per attempt

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Advance Certificate Course on FinTech | The Institute of Cost Accountants of India

Detailed Course Content

1: Introduction to Fintech

- Cloud Computing and APIs.
- Opensource Architecture.
- Blockchain Technology and DApps.
- Business Intelligence: AI & ML.
- Cyber Security.
- Generative AI.

2: Technology Innovation & Fintech Evolution

- Understanding Financial Crisis.
- The building blocks of Blockchain.
- Public versus private blockchain.
- Understanding Smart Contracts.
- Web 2.0 versus Web.
- Decentralized finance.

3: Blockchain

- Fintech and Disruption in Banking.
- Banking as a Service Model.
- Loan Apps and P-2-P lending.
- Open Banking Architecture.
- Case Study.

4: Fintech and Banking

- Robo-advising: The Digital Financial advisor
- Goal Based Investing
- Disintermediation of Asset Management
- Digital transformation of Wealth Management
- Case Study

5: Fintech and Asset Management

- Usage based Insurance and Microinsurance
- Machine Underwriting and Smart Contracts
- Probabilistic to Deterministic Models
- Insuring the uninsured
- Case Study

6: Fintech and Insurance

- Global Payment Ecosystem
- Payment and Digital Wallets
- Programmable Payments
- B2B and B2C Payment services
- Case Study

7: Fintech and Payments

- iCOs, Bitcoin, and beyond
- Cyrpto as an asset class
- Crypto Trading Strategies
- Non-Fungible Tokens
- Case Study

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Banking, Financial Services & Insurance Board

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CERTIFICATE COURSE ON CREDIT MANAGEMENT IN BANKS

ICMAI

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

Statutory Body under an Act of Parliament

www.icmai.in

Headquarters:
CMA Bhawan, 3, Institutional Area, Lodhi Road, New Delhi - 110003

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Certificate Course on Credit Management in Banks

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Institute's Strength

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Course Objective

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

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

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

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

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

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

CPE Credit: 10 hours
for members of The Institute of Cost Accountants of India

Course Eligibility

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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 Credit Management in Banks

Detailed Course Content (Syllabus-2024)

1. Introduction & Overview of Credit (Module 1)

a. **Principles of Lending:** Safety, Liquidity, Profitability, Purpose of the Loan, Diversification Risk.
b. **Credit. Policy:** Importance, Contents, Exposure Norms.
c. **Types of Borrowers:** Individuals, Proprietorship Firms, Partnership Firms, Private & Pubic Limited Companies, Limited
Liability Partnerships (LLP).
d. **Types of Credit Facilities:** Various Types of Credit Facilities-Cash Credit, Overdrafts, Demand Loan, Term Loans,
Bills Discounting.
e. **Credit Delivery:** Sole Banking Arrangement, Multiple Banking Arrangement, Consortium Lending, Syndication.
f. **Environmental Appraisal:**
Physical Risks: Flood Risk – Drought / Water Scarcity Risk – Storms Risk – Extreme Heat Risk – Wildfires Risk – Other Risks.
Transition Risks: Emissions / Intensity Risk (Scope 1 & 2) - Emission / Intensity Risk (Scope 3) – ESG – Indicators / Rating (Third Party).
g. **Credit Appraisal:** Validation of proposal, Dimensions of Credit Appraisals, Credit Risk, Credit Worthiness of Borrower, Purpose of Loan, Source of Repayment, Cash Flow, Collaterals, Guidelines on CERSAI.
h. **Project / Term Loan Appraisal:** Technical Appraisal, Commercial / Market Appraisal, Managerial Appraisal, Financial Appraisal, Economic 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.
i. **Credit Rating:** Objective of Rating, Internal & External Rating, Model Credit Rating, Measurement of Risk, Methodology of Rating, Internal & External Comparison, Model Rating Formats.
j. **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.
k. **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.

2. Analysis of Financial Statements (Module 2)

a. **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.
b. Analysis of Profit & Loss Account, Auditor's Note.
c. **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.

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Certificate Course on Credit Management in Banks

3. Working Capital Management (Module 3)

a. **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.

b. **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.

c. **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.

4. Other Credits (Module 4)

a. **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 Coverage in Export / Import Finance.

5. Monitoring, Supervision, Follow-up & Management of Impaired Assets (Module 5)

a. **Credit Monitoring, Supervision, Follow-Up:** Credit Monitoring-Check-list, Monitoring by using Various Statements, QIS Formats / Guidelines, Supervision & Follow Up Loans.

b. **Expected Credit Loss (ECL):** Introduction & Evolution of Provisioning of Banks in India- Incurred Loss Approach Vs. Expected Credit Loss Approach- "Loan Loss Provisioning based on ECL -IFRS 9-Calculation of ECL on Retail / Commercial Advances Examples.

c. **Management of Impaired Assets:** Income Recognition and Assets Classification, Guidelines, Provisioning Norms for NPA, Wilful Defaulters, Compromise, Legal Action, Lok Adalat, Debt Recovery Tribunal, SARFAESI Act, 2002, IBC-2016, Loans Write-Off.

Contact for further queries

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CERTIFICATE COURSE ON CONCURRENT AUDIT OF BANKS

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Mission Statement

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Course Objective

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

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

- 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

CPE Credit: 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.

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Certificate Course on Concurrent Audit of Banks

Detailed Course Content (Syllabus-2024)

1. **Types of Audits in Banks Sector.**
   - 1.1 Risk Focused Internal Audit (RFIA).
   - 1.2 Credit Audit / Stock & Book Debts Audit /Statutory Audit.
   - 1.3 Concurrent Audit / e-Concurrent Audit etc.
2. **Role of Concurrent Auditor.**
   - 2.1 Verification of Deposit, Advance Accounts.
   - 2.2 Verification of Locker System, Cash Department Procedures, Alternative Delivery Channels etc.
   - 2.3 Unit Inspection, End-use of Funds, Staff Accounts etc.
3. **Credit, Market and Operational Risks.**
   - 3.1 Credit Risk Areas.
   - 3.2 Market Risk Areas.
   - 3.3 Operational Risk Areas.
4. **Loans and Advances.**
   - 4.1 Demand Loans.
   - 4.2 Term Loans.
   - 4.3 Overdrafts, Working Capital Loans and Working Capital Term Loans.
   - 4.4 Home Loans, Car Loans, Personal Loans, Mortgage Loans, Education Loans etc.
5. **Credit Process: Pre-sanction, Sanction & Post-sanction.**
   - 5.1 KYC, Verification of Application / Project Report, CIBIL, CIC Reports.
   - 5.2 Appraisal, Projections etc.
   - 5.3 Verification of Proposal, Sanction and Submission of Control Forms.
   - 5.4 Documentation, Types of Charges, Equitable Mortgage, Disbursement, etc.
6. **Pre-shipment and Post-shipment Finance.**
   - 6.1 UCPDC Guidelines – FEDAI Guidelines – FEMA Guidelines.
   - 6.2 Pre-shipment packing credit Advance.
   - 6.3 Discounting of Export Bills / Import Bills payment etc.
7. **Common Serious Lapses in Sanction, Follow-up & Documentation.**
   - 7.1 Delegation of Powers.
   - 7.2 Take-over Norms.
   - 7.3 Wrong Documentation.
   - 7.4 Stock Statements, Insurance for both Primary and Collateral Security, Monitoring of SMA-0 to SMA-2 Accounts.
8. **Legal and Regulatory Frame.**
   - 8.1 RBI Act and Banking Regulation Act.
   - 8.2 Limitation Act.
   - 8.3 Registration Act.
   - 8.4 Indian Stamp Act.
   - 8.5 Limitation Act.
   - 8.6 SARFEASI Act and CERSAI etc.
   - 8.7 KYC/AML Guidelines.
9. **IRAC Provisioning Norms.**
   - 9.1 Classification of Advances.
   - 9.2 Provision requirements.
10. **Non-fund-based Business**
    - 10.1 Types of Bank Guarantees.
    - 10.2 Types of Letters of Credits.
    - 10.3 Margins, Collateral Security, Standard formats of BGs / LCs, Commission on BGs / LCs.
11. **Operational Risk Management – ORM-I**
    - 11.1 Job Rotation–Staff Attendance-Branch Documents–Security Forms.
    - 11.2 Security Systems (Fir-Extinguisher, Smoke Detectors, Gun Licences etc.), Currency Chest Fitness Certificate–Disaster Recovery Management– Business Continuity Plan etc.
    - 11.3 Safe Deposit Lockers, Safe Deposit Articles, Deceased Claims Settlement etc.
12. **Operational Risk Management – ORM-II**
    - 12.1 Complaints–Banking Ombudsman–Customer Forums.
    - 12.2 Branch Duplicate Keys–Reconciliation of Office Accounts–Parking Accounts–Recovery of Service Charges–Income Leakages etc.
    - 12.3 Display of Import Notice Boards–Cheque Truncation System–Complaints and Suggestion Box–Police Beat–ATM Cash Replenishment Outsourcing Agencies (Service Level Agreements).
13. **Forex Transactions.**
    - 13.1 Opening of NRE / NRO / FCNR / RFC accounts.
    - 13.2 Purchase & Sale of Foreign Currency Cheques / Currency / Export & Import Bills–Forex Rates.
    - 13.3 Submission of R-Returns to RBI.
    - 13.4 Verification of SWIFT Message Inward / Outward Remittances.
    - 13.5 Nostro, Vostro and Loro Accounts etc.
14. **Detection, Classification & Reporting of Frauds**
    - 14.1 Classification of Frauds–Internal & External Frauds.
    - 14.2 Provisions / Recovery Efforts of Frauds.
    - 14.3 Disciplinary action initiation / Reporting of Frauds to RBI through On-line.
15. **Tools for Concurrent Audit of Banks**
    - 15.1 Bank Systems and Procedures / Standard Operating Procedures.
    - 15.2 Current Chest Guidelines of RBI.
    - 15.3 Delegation of Financial Powers.
    - 15.4 Service Charges etc.
16. **Audit in CBS Environment.**
    - 16.1 Core Banking System-Major functionalities.
    - 16.2 Reports Generated by CBS like Exceptional Reports, Suspicious Transactions Reports etc.
    - 16.3 Treasury Management Solutions-Front, Mid and Back-office Reports etc.
17. **ESG Lending Audit.**
    - 17.1 Overview of Sustainability-linked Loans.
    - 17.2 Principles of Sustainability-linked Loans.
    - 17.3 Value Statements of Social and Environment Audit.
18. **Expected Credit Loss Provisions.**
    - 18.1 Expected Credit Loss (ECL) Framework.
    - 18.2 Verification of Stage-1, Stage-2 and Stage-3 Loan Portfolio by Auditors.
    - 18.3 Implementation of Regulatory Guidelines on ECL.

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Certificate Course on Concurrent Audit of Banks

Contact for further queries

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CERTIFICATE COURSE ON TREASURY AND INTERNATIONAL BANKING

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Certificate Course on Treasury and International Banking

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Course Objectives

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

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

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

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

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

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

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Examination

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Syllabus

SECTION - 1

a. Introduction to the Money Market:

- ✓ Economic Function-Definition-Classification of Intermediaries
- ✓ Types of Markets-Participants-Nature of Domestic Market
- ✓ Repurchase Agreements

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
- ✓ 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
- ✓ Elementary Hedge Applications

SECTION - 2

a. Scope and Function of Treasury Management:

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

b. Cost Centre / Profit Centre:

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

c. 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

d. 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

e. Revaluation Mark to Market and Profit Calculations:

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

f. ESG Investments Trading:

- ✓ What is ESG Investing?
- ✓ How does ESG investing work?
- ✓ Why it is important to consider the environment while investing?
- ✓ How important it is to consider socially aware companies while investing?
- ✓ How important role does a company's corporate governance place for investors?
- ✓ Issuance requirements of Green Bonds.

SECTION - 3

a. Introduction:

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

Certificate Course on Treasury and International Banking

Syllabus

b. Measurement and Control of Risk:

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

c. Assets Liability Management:

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

d. Hedging the Risk:

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

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Snapshots

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB & IAASB and ACMB of ICMAI (centre) felicitating His Excellency Hon'ble Governor of West Bengal Dr. C.V. Ananda Bose (extreme right) along with CMA Amal Kumar Das, Past President, ICMAI (extreme left) on 28th March, 2025.

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB & IAASB and ACMB of ICMAI presented a copy of BFSI Chronicle and Study Material for Advance Certificate Course on Fintech to Shri Rohit Rishi, Executive Director, Bank of Maharashtra on 8th April, 2025. (L to R).

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB & IAASB and ACMB of ICMAI(centre) with the faculties of Masters of Business Management (Finance) at the University of Calcutta at their Campus on 18th April, 2025.

Shri Vinod Jaiswal, CGM, SBI inaugurating the Advance Certificate Course on Fintech (2ndBatch) on 27th April, 2025 and attending the online event as the Chief Guest.

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB & IAASB and ACMB of ICMAI(centre) presented a copy of BFSI Chronicle to Dr. Ashutosh A. Murkute, In-charge Director General, National Institute for Micro, Small and Medium Enterprises (extreme left) along with CMA Suresh Rachappa Gunjalli, Chairman, MSME & Start-up Promotion Board and Council Member, ICMAI (extreme right) on 6th May, 2025.

Lighting of the Lamp at the Seminar titled "Banking Reimagined" organized by the BFSIB at Bengaluru on 27th May, 2025 in association with Bengaluru Chapter. It is seen Shri Debashish Mukherjee, Executive Director, Canara Bank (extreme left), CMA Chittaranjan Chattopadhyay, Chairman, BFSIB & IAASB and ACMB of ICMAI (2ndfrom left), CMA (Dr.) Abhijeet S Jain, Former Chairman, Bengaluru Chapter, ICMAI(3rdfrom left),CMA (Dr.) K Balu,Former CGM, RBI (3rdfrom right), and other Members, ICMAI were also present on 27th May, 2025.

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB & IAASB and ACMB of ICMAI(3rd from left) felicitating Shri Debashish Mukherjee, Executive Director, Canara Bank (3rd from right) at the Seminar held at Bengaluru on 27th May, 2025.

CMA Rajesh Devi Reddy, Secretary, Bengaluru Chapter (3rd from left) felicitating CMA (Dr.) K Balu, Former CGM, RBI (2nd from right) Banking Reimagined on 27th May, 2025.

CMA Suresh Rachappa Gunjalli, Chairman, MSME & Start-up Promotion Board and Council Member, ICMAI (2nd from right) felicitating CMA Siddhartha Pal, Sustainability Consultant & SSB, ICMAI Member (3rd from left) on 27th May, 2025.

Shri Debashish Mukherjee, Executive Director, Canara Bank addressing in the Seminar held on 27th May, 2025.

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB & IAASB and ACMB of ICMAI, addressing in the Seminar held on 27th May, 2025.

Shri Jeevan Sonparote, Executive Director, Securities and Exchange Board of India, addressing in the Seminar on the topic of " Social Stock Exchange: Role of Professionals" on 14th June, 2025 at L &D Centre, Guwahati Refinery, IOCL organized in association with Guwahati Chapter, ICMAI and ICMAI SAO.

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB & IAASB and ACMB of ICMAI, addressing in the Seminar held on 14th June, 2025.

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB, ICMAI deliberating in the 17th ICC Mutual Fund Summit 2025 held on 21st June, 2025 organized by the Indian Chamber of Commerce (ICC) at Kolkata. BFSIB, ICMAI was the knowledge partner for the event.

CMA Chittaranjan Chattopadhyay, Chairman, BFSIB and IAASB deliberating in the joint audit conclave 2025 organized by The Institute of Internal Auditors held at Kolkata on 21st June, 2025

Punjab National Bank awarded the first award in the BFSI sector for the 19th National Awards for excellence in Cost Management 2024 held at New Delhi on 23rd June 2025

Activities Of The BFSI Board (April To June 2025)

ACTIVITIES OF THE BFSI BOARD

The Banking, Financial Services & Insurance Board of the Institute and the BFSI department continued its various activities and initiatives from April to June, 2025, a synopsis of which is presented herein under -

A. Webinars

i. Innovative Financial Solutions and Green Financing-Role of CMAs

The BFSI Board of ICMAI is organized the Webinar on Friday, 16th May 2025, 7:30 p.m. to 9:00 p.m. on the topic "Innovative Financial Solutions and Green Financing-Role of CMAs". Dr J N Mukhopadhyaya, Visiting Professor, IIM Sambalpur and an Alumnus of IIT and IIM and Independent Director in few companies is the Speaker.

ii. The Treatment of Right-of-Use (ROU) Assets for Regulatory Capital Purposes

The BFSI Board of ICMAI organized an International Webinar on Wednesday, 30th April, 2025, 4:00 p.m. to 6:00 p.m. CMA Harshada Ravindra Prabhune, Management Consultant &Practicing Cost Accountant was the Speaker.

iii. Analysing the Business Model and need for ERM, Designing Risk Strategy, Risk Culture and Governance

The BFSI Board of ICMAI organized a Webinar on Thursday, 24th April 2025, 4:00 p.m. to 6:00 p.m. Shri Swakshar Basu, FCPA and RIMS-CRMP, Associate Vice President at Revantage Asia Pacific, A Blackstone Company was the Speaker.

iv. ASM: Opportunities for CMAs

The BFSI Board of ICMAI organized a Webinar on Monday, 21st April 2025, 5:30 p.m. to 7:30 p.m. CMA (Dr.) P Siva Rama Prasad, Former Assistant General Manager, State Bank of India was the Speaker.

v. Cyber Threats and Financial Frauds in the Digital Age: Strengthening Cyber Resilience in BFSI & Beyond

The BFSI Board of ICMAI organized an International Webinar on Friday, 21st March 2025, 4:00 p.m. to 6:00 p.m. in association with LOCCA UK. Mr. Simon Clayton-Mitchell, Cyber-Security and Technology Consultant and Mr. Andy Bates, Cyber Security Expert were the Speakers. CMA Udayan Guha, Secretary, LOCCA UK was the Moderator.

B. Certificate Courses of BFSI

i. Advance Certificate Course on Fintech

The classes for the 2nd batch of Advance Certificate Course on Fintech started from 27th April, 2025. Shri Vinod Jaiswal, Chief General Manager, Real Estate & Housing Development Unit, State Bank of India was the Chief Guest and Dr. Ashish Kumar Sana, Professor, University of Calcutta was the Guest of Honour.

ii. Admission for the Certificate Courses

The admission for the 10th batch of the Certificate Course of Treasury, 12th batch of the Certificate Course on Credit Management in Banks and 12th batch of the Certificate Course on Concurrent Audit of Banks have started.

The admission window for the above courses is stated as follows:

https://eicmai.in/OCMAC/BFSI/DelegatesApplicationForm-BFSI.aspx

C. Opportunities for Members

CMAs are eligible to apply for the 200 posts of Assistant Manager (Credit), Union Bank. The last date of applications was 20th May, 2025.

D. Seminar on the topic of "Banking Reimagined: Value Creation & Green Commitments" held on 27th May, 2025 in association with Bengaluru Chapter of Cost Accountants

The BFSI Board, ICMAI in association with the Bengaluru Chapter of Cost Accountants organized a CPE at the Bengaluru Chapter premises on 27th May, 2025 from 6 to 8:30 pm on the topic of «Banking Reimagined: Value Creation & Green Commitments». Shri Debasish Mukherjee, Executive Director, Canara Bank was the Chief Guest for the event, CMA (Dr.) Kenchappa Balu, Former CGM, RBI was the speaker for the technical session no. 1 " Why are Banks Special? "and CMA Siddhartha Pal, Sustainability Consultant & SSB Member was the technical session no. 2 on the topic of "Climate Finance Taxonomy ".

E. Release of the 20th edition of the BFSI Chronicle

BFSI Chronicle 20th edition was released in the month of March, 2025. It includes articles contributed by the BFSI community and it is quarterly publication which also incorporates the activities of the BFSI Department.

Financial Snippets

- *RBI to discontinue daily VRR auctions from June 11 onwards due to evolving liquidity conditions*
- *Life insurance industry's new business premiums up 13% in May 2025*
- *Jana Small Finance Bank applies for universal banking licence*
- *RBI considers fresh guidelines to curb mis-selling*
- *Centre appoints Shri Sat Pal Bhanoo as LIC's interim CEO, MD for 3 months*
- *Most public-sector banks see decline in headcount even as branches spread*
- *Central Bank of India completes acquisition of stake in two Future Generali India Insurance companies*
- *UPI's daily transaction volume set to surpass Visa's; soon to become world No 1*
- *Banking liquidity at Rs 3 lakh crore, highest in 3 years*
- *Indian banks are investing in mutual funds, with investments surging 91% to 1.19 lakh crore*
- *PSU banks to set up common platform for debt recovery*
- *The total number of digital payment frauds was 63315, as reported by commercial banks and All India Financial Institutions between the Financial Year 2014-15 and December 2024*
- *Government extends tenure of Punjab & Sind Bank MD Swarup Kumar Saha till February 2027*
- *RBI imposed penalties on 353 banks, other regulated entities during FY25*
- *RBI may introduce bank-like rate norms for NBFCs to plug policy gaps*
- *IEPFA and SEBI Launch First "NiveshakShivir" in Pune to Empower Investors and Resolve Unclaimed Dividends*
- *FSIB recommends Asheesh Pandey, Kalyan Kumar for MD of Union Bank, Central Bank of India*
- *JioBlackRock Asset Management receives SEBI nod for mutual funds business*
- *RBI tightens default loss guarantee rule; NBFCs to exclude cover on fintech-sourced loans*
- *LIC bags Guinness world record for selling close to 6 lakh insurance policies in 24 hours*
- *RBI makes it easier to claim dormant funds*
- *IIFL Finance gets RBI approval to open branches in Jammu & Kashmir*
- *Mutual Fund assets hit record ₹65.74 lakh crore in FY25, up 23% YoY*
- *In five years, households' loans from banks surge nearly 4 times, fund flow in equity market up nearly 3 times*
- *SEBI set to roll out new risk metrics to curb F&O market speculation*
- *Public sector banks post record ₹1.78 tn crores in FY25, growth up 26%*
- *NSE receives in-principle approval from SEBI for electricity derivatives*
- *QNB Becomes First MEA Bank to Open Branch in India's GIFT City*
- *Government brings draft framework of 'India's Climate Finance Taxonomy*
- *Canara Bank announces appointment of Shri S. K. Majumdar as Executive Director*
- *RBI mandates banks to adopt 'Bank.in' domains by Oct 31 for safer digital access*
- *Dr. Poonam Gupta appointed as Deputy Governor of RBI.*
- *Shri C. S. Shetty, Chairman, State Bank of India is appointed as IBA Chairman.*

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Behind every successful business decision, there is always a *CMA*

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